Strengthening Student Aid in Texas: Funding Students at Different Types of Institutions
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The major state grant programs for college students in Texas are differentiated by institution sector. None of the major programs fund all eligible students, but the Texas Educational Opportunity Grant (TEOG) program for public two-year college students—almost half of all undergraduate students in Texas—supports less than 10 percent of eligible students in the sector. The share of eligible students receiving TEOG is so low as to make the program irrelevant to most students who could benefit from it. For many students, associate degrees and certificates are the most promising route to economic stability.

State Grant Funds Are Rationed in All Sectors

Our estimates indicate that about two-thirds of initial-year students with qualifying expected family contributions (EFCs) enrolled at least three-quarters time at public four-year institutions (and 72 percent of those with $0 EFCs) received Toward EXcellence, Access, and Success (TEXAS) grants in 2017–18, but only about 29 percent of all such students—both initial-year and continuing students—and about 32 percent of those with $0 EFCs were funded.¹ The state considers some of the continuing students who are not funded ineligible because they did not receive state grant aid their first year. A significant number may not have met satisfactory academic progress (SAP) requirements. But many students progressing through public four-year institutions who need state support do not receive it.

The Texas Equalization Grant (TEG) funds about as many eligible initial-year students at private nonprofit institutions as the TEXAS grant program does at public four-year institutions and somewhat larger shares of eligible students overall.

Public two-year college students—almost half of Texas undergraduates—received 16 percent of the state grant awards and 9 percent of the funds in 2018–19 (figure 1). About 10 percent of $0 EFC initial-year students enrolled at least half time receive TEOG, and the shares are even smaller for those with higher (but qualifying) EFCs and for continuing students.

¹ These shares are lower than the figures sometimes cited in the state. We include all students with EFCs below $5,430, both initial year and continuing, who are enrolled at least three-quarters time (or half time, for TEOG). We cannot determine whether continuing students meet satisfactory academic progress requirements, we do not apply academic priority criteria for the TEXAS grant, and we include continuing students who would be eligible except that they did not receive aid in their first year of college. All these students are recognized as financially eligible, and it is worth considering the factors that exclude them from funding and diminishing the financial barriers they face.
An obvious reason for smaller grants to students at two-year institutions is that two-year students pay significantly lower tuition prices. Tuition and fees at community colleges in Texas are among the lowest in the nation. In contrast, public four-year university prices are close to the national average. Low tuition for all students in the two-year sector is a reasonable alternative to more generous need-based grant aid, given student demographics at these institutions. Nonetheless, living expenses are similar across sectors. Students with EFCs low enough to be eligible for TEOG are likely to struggle to meet living expenses.

Including Students at Private Nonprofit Colleges in the State Grant System Is Good Policy

Texas does not provide state grant aid to the 2 percent of undergraduate students attending for-profit institutions. But it does allocate about 16 percent of the state grant funds through the TEG program to the 7 percent of students attending private nonprofit colleges. Only five or six states exclude residents enrolled at in-state private nonprofit institutions from their state grant programs.2

Including these students is both efficient and equitable. Private colleges that educate Texas residents save the state money. The average TEG award to a low-income student is likely lower than the TEXAS grant they would receive at a public four-year institution, and the state saves on appropriations to institutions when college students enroll outside the public sector.

Moreover, private colleges, which generally have high completion rates, expand the range of educational opportunities available to Texas students. This sector educates many low- and moderate-income students, who are the only ones who qualify for state grant aid.

Determining the appropriate level of funding for students attending private colleges and the share of state grant funds that should be allocated to this sector is subjective. There is no clear argument for either increasing or decreasing this funding relative to TEXAS grant funding. But the same is not true of the severely underfunded TEOG program.

Recommendations

If the state wants to support success among its low-income undergraduates, it should increase the share of eligible students receiving funding from all the state grant programs, particularly TEOG, which funds less than 10 percent of eligible students (figure 2).

State Student Grant and Aid Programs’ annual survey (https://www.nassgapsurvey.com/) for details on eligibility criteria in individual states.
FIGURE 2
Share of Students Receiving Grant Aid, by EFC Level
The share of students receiving TEXAS and TEOG aid declines as EFC rises, but the pattern is less clear for TEG

Source: Urban Institute analysis of Texas higher education data.
Note: EFC = expected family contribution; TEG = Texas Equalization Grant; TEOG = Texas Educational Opportunity Grant; TEXAS = Toward EXcellence, Access, and Success.

One argument for the low TEOG funding may be that success rates are lower than desired at community colleges, raising questions about whether sending more funds to these students is an efficient use of resources. But many students in this sector are from low-income households and face significant financial barriers to college success.

Even with relatively low tuition and fees, living expenses, as well as books and supplies, are similar at all types of institutions. Tuition and fees generally account for only about 20 percent of the student budget for students at public two-year colleges across the nation. Considerable evidence indicates that increases in grant aid improve completion rates for low- and moderate-income students. Allocating more state grant funds to public two-year college students would likely have a positive impact on student success and educational attainment.

Increasing overall funding would be most effective, but spreading funding across more students in the two-year sector may also be advisable.

**Eliminate TEG for Graduate Students**

The logic for funding graduate students at private institutions but not public institutions is not clear. Eliminating TEG for graduate students but maintaining the level of funding to the private sector would allow more funds for undergraduate students.

**Increase Consistency across Programs**

The rules and regulations for the TExAS, TEOG, and TEG programs differ. For example, Pell grants can count toward covering tuition and fees for TExAS grant recipients but not for TEOG recipients, and half-time students are eligible for TEOG but not for TExAS grants. State policymakers should revisit these differences, determining which ones are justified and which are not.

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