Strengthening Student Aid in Texas: Reconsidering the Requirement to Cover Tuition and Fees with Grant Aid for State Aid Recipients
Sandy Baum and Kristin Blagg
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Texas state grant programs take the unusual approach of requiring institutions to find grant funds to fill the gaps between state grant aid and tuition and fees for all recipients. This requirement aims to make it easier for low-income students to pay for college, but the regulation may end up reducing the system’s equity and effectiveness.

All Grant Recipients Get the Same Minimum Level of Aid

For their students to receive state grant aid under the Toward EXcellence, Access, and Success (TEXAS) grant program for public four-year college students and the Texas Educational Opportunity Grant (TEOG) program for public two-year college students, institutions must ensure that all recipients receive enough total grant aid to cover their entire tuition and fees. Public four-year institutions must fill the gap between TEXAS grant aid and tuition and fees with a combination of Pell grants, other federal grants, institutional grants, and any other grant aid available. Public two-year institutions cannot include Pell grants in the aid that fills the gap between TEOG and tuition and fees.

The strongest argument for requiring institutions to cover full tuition and fees with grant aid for all state grant recipients is that it ensures that most state grant recipients will be able to manage financially. Many students may have to borrow or work to cover their living expenses, particularly at TEXAS grant institutions. Still, meeting educational expenses becomes more feasible if students do not have to worry about paying tuition.

There are, however, downsides to this policy. This approach essentially requires a single flat level of total grant aid for all state grant recipients, regardless of degree of need. With the current recommended maximum expected family contribution (EFC) of $6,047, households that are deemed able to contribute $6,000 a year to education must get the same minimum amount of total grant aid as those with $0 EFCs. And low-income students could receive less from the combination of state and institutional funds than students with somewhat higher incomes, because the former have larger Pell grants.

If tuition and fees were the only expenses students had to cover to succeed in college, this system would promise that students with no capacity to contribute to their own expenses would have their need met. Those with higher EFCs would get more support than they needed, resulting in some students with need being left out because there were not enough funds to go around.
But students must buy books and supplies and cover their living expenses in addition to paying tuition and fees. So, given the relatively low EFCs of state grant recipients, it is unlikely that aid is exceeding need for them. Still, a progressive program—like the Federal Pell Grant Program—narrows the gaps in resources available to students at different income levels. The lowest-income students receive the largest grants, compensating them, to some extent, for the personal resources they lack. If there were no budgetary constraints, the goal would be for EFC plus grant aid to cover budgets for all students. In other words, total grant aid would be higher for students with the lowest EFCs.

The requirement that grant aid equal tuition and fees for all grant recipients is inconsistent with this idea. Some students have only their grant aid available. Others have EFCs of more than $6,000 in addition to their grant aid.

The data suggest that some institutions package more generous grant aid than the minimum required for some TEXAS grant students—particularly for students with the lowest EFCs—but this is not always the case, and it is not the direction the policy supports. Meeting the state requirements tends to reduce the progressivity that is central to the Pell program, which awards more grant aid the lower a student's ability to pay.

**Recommendation**

*Reconsider the Policy Requiring That Grant Aid Cover Tuition and Fees for All State Grant Recipients*

One option would be to require grant aid plus EFC to cover tuition, fees, books and supplies, and some living expenses for all grant recipients.

Students with higher EFCs would get less grant aid than those with lower EFCs. Students' available resources before loans and earnings from work would be higher than the current minimum because they would have to be large enough to cover books and supplies with, perhaps, $1,000 or more left over to put toward living expenses.

Such a policy would ensure that the total funds available to grant recipients at different income levels (including family resources) were similar, rather than that grant funds were similar regardless of family resources. In other words, the aid policy would narrow the inequality in the resources available to students from different backgrounds.

This change could be revenue neutral, offering larger grants to those with the lowest EFCs and smaller grants to those with higher EFCs who qualify for state grant aid.

Another option would award a fixed amount of state aid (or state plus institutional need-based aid) to all Pell recipients, tapering at higher incomes to avoid a sudden cliff in the aid amount (figure 1).

This approach would preserve the Pell system’s progressivity, increasing the maximum grant from the Pell maximum to that amount plus the standard state aid. Allowing the state aid to taper before falling to zero would prevent a sudden drop-off in aid for students just above the Pell cutoff.
FIGURE 1
Fixed Grant Aid from State and Institutional Sources, Tapering at High EFCs

Source: Simulation by the authors.
Note: EFC = expected family contribution.

Sandy Baum is a nonresident senior fellow in the Center on Education Data and Policy at the Urban Institute. Kristin Blagg is a senior research associate in the Center on Education Data and Policy.
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