

## Testimony to the House Committee on Higher Education *Improving Higher Education Transparency: SB 174*

By Elizabeth Young, Policy Analyst

Chairman Branch and members of the committee, thank you for this opportunity to testify before you today. My name is Elizabeth Young, a higher education policy analyst at the Texas Public Policy Foundation. I'll be testifying in favor of Senate Bill 174.

Sufficient competition in markets depends on adequate transparency, or easy access to information about the specifics and quality of the product being sold compared to alternative options. This information ensures that consumers have the ability to make informed decisions as to how and where they spend their money while at the same time forcing producers to improve their product so they can remain competitive within their particular market.

Whether or not to pursue education beyond high school is one of the most important investment decisions students and parents make in their lifetime. Yet currently, there is no comprehensive list of information about higher education institutions to help parents and students make informed decisions regarding which university is the best for their needs. Right now, applicants make decisions about their higher education investment based almost solely on cost considerations with additional information gathered only by word of mouth or third-party rankings.

SB 174 would expand the resources available for students and parents. The resumes proposed in this bill would improve the current lack of transparency by allowing higher education customers to conduct certain cost-benefit analyses prior to choosing which university to attend.

Additionally, SB 174 could give legislators and taxpayers some needed insight into how effectively universities spend their money. In 1991, the statewide average operating cost per student (in 2008 dollars) was \$10,665, and by 2007 this number had increased 64.1 percent to \$17,506,<sup>1</sup> far outpacing the inflation rate for the same time period. An increase this pronounced should cause some to question the spending habits of Texas universities.

For the 2008-09 biennium, 14.22 percent (or approximately \$11.4 billion) of the state's general revenue appropriation of \$80 billion went to fund higher education.<sup>2</sup> Not only do universities receive billions of dollars in state funding, they also have access to funds other than appropriations. Tuition, fees, the Available University


Fund, gifts, and grants are just some of the additional revenue sources for higher education.<sup>3</sup>

In addition to the billions of dollars given to institutions of higher learning, there are no rigid guidelines for how the money must be spent. A recent financing primer released by the Legislative Budget Board notes that "With a few exceptions, higher education entities, unlike other state agencies, are not required to spend appropriations within a specified funding strategy."<sup>4</sup>

With this much flexibility there should be adequate oversight, and despite Texas' notable transparency achievements, one area severely lacking transparency is higher education. There should be better mechanisms in place that will help identify fraud and waste, and help keep costs down and spending under control. By making higher education more transparent, universities would have incentives to avoid spending tax dollars inefficiently, keeping them accountable for their product.

Texas taxpayers, students, and parents would actually be better served if SB 174 went a little further in its call for improved higher education transparency. Beyond tracking costs, student success, enrollment, and funding, the bill could also track certain measures of university productivity such as the following: how many classes each tenured professor teaches on average, the number of hours spent on research compared to teaching, and how often TAs teach on tenured professors' behalf.

There could also be stronger language in the bill to ensure that the information provided to the Texas Higher Education Coordinating Board is accurate and not manipulated. Also, the bill could track university operational costs per student and specifically list this information on the resumes.

Overall, SB 174 shifts university focus back to their customers – students, parents, and taxpayers. With tuition increasing so dramatically in the last several decades, the need for transparency has never been greater. Universities often forget that their customers are students. At the very least, students need insight into which university would provide them the best education for the greatest value, and SB 174 would provide that insight. 

<sup>1</sup> Marc Levin, "2009-2010 Legislators' Guide to the Issues: Higher Education Productivity," Texas Public Policy Foundation (January 2009).

<sup>2</sup> "Texas Higher Education Quick Facts 2008," Texas Higher Education Coordinating Board (2008).

<sup>3</sup> Ibid.

<sup>4</sup> "Financing Higher Education in Texas Legislative Primer, Fourth Edition," Legislative Budget Board (January 2009).