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# Proposed higher education funding overhaul could come with collateral damage

Initiatives to boost small businesses and help poor students get through college could lose their funding amid the Senate's attempt to fix how the state pays for higher education.

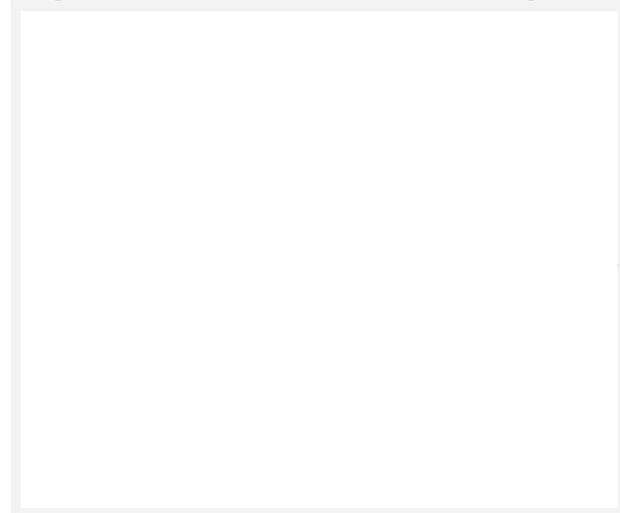
BY [MATTHEW WATKINS](#) MAY 8, 2017 12 AM



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Freshman Samantha Salas (center) hangs out with friends before going to class on the first day of school on Aug. 25, 2014, at South Texas College's Pecan Campus in McAllen. □ Gabe Hernandez



\*Correction appended

Since 2014, Texas has paid nonprofits across the state to help nearly 800 poor, older students navigate their way through community college.

Next year, that kind of help could end, though not because lawmakers are unhappy with the program. If the Senate gets its way in ongoing state budget negotiations, the Legislature would overhaul the way it pays for higher education in Texas — and funding for the Texas Innovative Adult Career Education Grant Program

could disappear.

Multiple programs across the state, including those designed to improve college counseling and help small businesses grow, face similar threats. That's perplexing to those projects' leaders, some of whom say they worry about losing their funding even though lawmakers have told them that they still support their missions.

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"It has nothing to do with our program or the effectiveness of it," said Elizabeth Valdez, lead organizer for The Metropolitan Organization in Houston, which is advocating for lawmakers to continue funding the grant. The programs face uncertain futures because they are funded using a budgeting tactic known as a special item. Those items are used to pay for specific programs at universities by sending the schools that host them money outside the normal higher education funding formulas.

This year, the Senate is trying to get rid of the tactic. Senators have said that many special items were put in the budget for a good purpose, and then were left untouched in future budgets without much scrutiny. The funding device has been used to create new departments or fields of study — and then remained in future budgets well after those programs moved past startup mode, they say. One — the Bureau of Economic Geology at the University of Texas at Austin — dates back to 1909.

So this session, the Senate decided to try to cut all 362 items — more than \$1 billion worth.

"Special items were intended to support research, startup costs and other initiatives, not to remain as never-ending line items in the state budget," said Sen. [Jane Nelson](#), R-Flower Mound, the Senate's lead budget writer.

Senate leaders stress that they aren't calling for the elimination of all the programs that special items support. While they eliminated the items, the Senate at least partially made up for the cuts by adding \$700 million to the pot of money that they disburse through formulas. If that strategy survives negotiations with the House, it would then be up to the schools to decide which special item programs they want to keep — and which ones they want to ax.

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But that's not much comfort to the beneficiaries of the Texas Innovative Adult Career Education Grants. The program is funded through a \$4.6 million special item for Austin Community College, which disburses the grants to nonprofits across the state. Those nonprofits then provide what they describe as "full wraparound and case management services" for poor students who are trying to earn associates' degrees.

The nonprofits pay for the students' tuition, fees and books. They cover childcare expenses, help with transportation and provide emergency assistance. The students get career counseling and are paired with a navigator who helps the student move through the unfamiliar world of community college.

The average starting salary for a graduate of the program is nearly \$40,000. Program leaders brag that they

take their students “from poverty to the middle class.”

Representatives from the nonprofits that benefit from the grants traveled to Austin last week to urge lawmakers to continue to the funding. They said they heard strong support for the work they are doing but didn’t receive any assurances. They left with the sense that senators still wanted to get rid of the items. Other programs received the same response. For decades, the state has used special items to fund Small Business Development Centers that operate out of universities and community colleges across the state. The centers provide consulting and seminars — often for free or a small fee — to help mom-and-pop shops get started or grow.

The Texas centers’ leaders claim to have helped small businesses create more than 14,000 jobs in 2016. The businesses that work with the centers outpace state averages in sales growth and employment growth, the officials argue, and actually increase tax revenue for Texas.

“Everyone we talk to is supportive of the Small Business Development Centers,” said Susan Rhodes, interim executive director for the center based out of the University of Houston.

But Rhodes said they have been told that it might be up to the universities whether to fund them.

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“It’s just very frustrating to us,” she said.

Relying on university discretion makes the leaders of programs nervous. Universities are likely to face funding cuts this legislative session. If forced to decide which special item programs to save and which to keep, the schools might be tempted to keep the ones that align most closely with their core missions.

“We would be competing against the academic programs of the university,” said Jacqueline Taylor, deputy director of the Houston SBDC.

University leaders say it’s too soon to say how individual programs will fare if special items are cut.

“The university has a lot of difficult decisions to make once the funding is known,” said Mike Rosen, a spokesman for the University of Houston.

Right now, the schools are focused on trying to keep special items. Darrell Bazzell, chief financial officer for the University of Texas at Austin, said his school has programs funded by the items that serve a state purpose and couldn’t really get accounted for in traditional university funding formulas, which are based largely on the number of students a school has.

“These are important activities that can’t really be funded” under current formulas, Bazzell said.

UT-Austin’s hope, he said, is that if lawmakers decide to end set asides, they’ll find another way to fund certain key programs, such as the McDonald Observatory, the Bureau of Economic Geology, the Marine Science Institute and the Institute for Geophysics at UT-Austin.

It’s still far from certain what the Legislature will do. House Appropriations Committee Chairman [John Zerwas](#), R-Richmond, said in an interview last week that he’s open to exploring a way to phase out special items. But the issue needs to be studied more, he said, and such a dramatic change shouldn’t happen this legislative session.

Whether he can get the Senate to agree remains to be seen.

“We are working through this issue in conference [committee],” Nelson said.

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*Correction: This article has been updated to say that The Metropolitan Organization in Houston is advocating for the continuation of the Adult Career Education Grant Program, but is not a recipient of the state grant.*

*Disclosure: Austin Community College, the University of Texas at Austin and the University of Houston have been financial supporters of The Texas Tribune. A complete list of Tribune donors and sponsors is available [here](#).*

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