

*In his past State of the University addresses, Dr. Max Castillo, president of the University of Houston-Downtown, has focused on the recent accomplishments of the university. This year, however, he felt compelled to address the "impending crisis in higher education."*

*Current federal and state policies, he said, create obstacles to graduation for lower income students. He pointed out in his January 31 address that a decade ago about one third of \$12 million in financial aid for UH-D students came in the form of loans. This year, however, nearly 60 percent of the \$33 million in financial aid was borrowed.*

*If this trend continues, he said, people shouldn't be surprised if the educated workforce of Texas needs to compete in the global marketplace isn't realized.*

*What are the higher education challenges for Texas in the 21st century and how can they be met? For some answers, read Dr. Castillo's complete address below:*

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Good morning. Thank you, as always, for being here. I'd like to preface my remarks by letting you know that today's address will be somewhat of a departure from my usual reports to the community. Rather than capture accomplishments from last year, already distributed to you in writing last November, I want to share with you the extraordinary challenges we confront in education and what is an impending crisis in our state.

There is no doubt that we are going through a massive transformation in our society during a time of weak federal leadership and lack of vision!

Houston fifth grader, Shyrian Brown, of Dodson Elementary School, in a speech that, by the way, won Houston's annual Martin Luther King Jr. Oratory competition, asked the following question: "Where are the role models in the 21st century?"

Miss Brown said that too many young people have stopped dreaming of being doctors, lawyers, teachers, preachers or scientists.

They dream instead of simply acquiring big money, and they don't care if they have to be thugs to get it - a message they often hear in today's music.

According to the students who engaged in the speech competition, too many young people feel inadequate and lost in our society - which at times they reject. They reject our society because they don't believe they have real access to the opportunities that come with higher education.

With that in mind, UH-Downtown looks to the future with the knowledge that in the international competition for the biggest and best supply of educated workers, America is falling behind. The United States has now dropped from first to fifth in the percentage of young adults with a college degree. In contrast, India graduates almost a million more students from college than the United States.

China graduates twice as many students with bachelor's degrees as the U.S., and they have six times as many graduates majoring in Engineering.

That doesn't bode well for the U.S. in the knowledge-based global economy. And young Americans who don't get a higher education have a bleak future. If you think education levels and income in Texas will rise over the next 15 years, as they have pretty steadily until now, you might be in for a shock.

Patrick Callan at the National Center for Public Policy and Higher Education states that "if current policies continue unchanged, the Texas workforce of 2020 is going to be less educated than today's workforce. As a result, the state's per capita income will not just stagnate, it will actually drop" by 5%.

The large demographic shifts and the gaps in education between the white population in Texas and its Hispanic and African-American populations are great enough to turn these shifts into a statewide economic decline.

What is the implication for this projection?

According to a policy alert for Texas, again referencing the National Center for Public Policy and Higher Education, the average level of education of the Texas workforce and the income of its residents are projected to decline over the next two decades unless the state can increase the number of Hispanics and African-Americans going to college and getting degrees.

Among current working-age adults, about 48 percent of Hispanics and 19 percent of African-Americans do not have a high school diploma or GED, compared to 9 percent of whites.

At the other end of the spectrum, only 13 percent of working-age Hispanics and 23 percent of working-age African-Americans have a college degree, compared with 40 percent of working-age whites and 46 percent of Asians.

The challenge for Texas to develop a strong workforce that competes effectively in a global, knowledge-based economy rests on its ability to raise the education level of all its residents.

We must create success and improve more than the college going rates of all students - we must graduate them.

Of the working age population, from 1980 to 2000, Whites and Asian-Americans made the most progress in attaining a bachelor's degree or higher, while African-Americans, Native Americans, and Hispanics made the least progress.

In his inaugural address, Mayor Bill White was blunt: "Most people without degrees cannot compete effectively in a world economy."

He is correct. Students who graduate from high school, but never go on to college, will earn an average of about \$25,000 per year, close to the poverty level for a family of five. High school dropouts have it even worse. Only 40 percent have jobs and they're four times as likely to be arrested. One in four turns to welfare.

To bring what the mayor said closer to home, consider this: The uneducated in Houston won't be able to compete for the 600,000 new jobs that the Greater Houston Partnership recently said it plans to create over the next decade in aerospace, alternative energy, biotechnology, education, health care, information technology, nanotechnology and petrochemicals.

Wouldn't it be tragic if we had to import educated labor to fill those positions? Or if they were to move elsewhere?

Come to think of it, we're already doing that to some extent. In a recent conversation with Bob Beauchamp, CEO and chairman of the board of BMC Software, he confirmed that we're already off shoring our R&D for software development. More technology-related practices are now outsourced to India. Obviously, we want to have enough of a skilled workforce available in order to mitigate against jobs leaving Houston.

We have talked the talk about closing the gaps in college degree attainment between Texas and the rest of the nation and among the state's major population groups.

But are we going to walk the walk?

We need to make sure that our young people are exposed to the kinds of role models who will ensure that they realize these opportunities. Will we show that we are willing to invest more than rhetoric in the future of these young people?

We are blessed to have philanthropists invest in UH-Downtown, people and businesses who commit resources that turn out thousands of other role models like Miriam Morales Hernandez.

I'll never forget Miriam's commencement speech a few years ago, when she talked about how frightened she was, how upset she was about being placed into a remedial math class when enrolled at UHD. She wondered if she could make it. Well, through scholarship and mentoring programs in the College of Sciences and Technology, Ms. Hernandez, who didn't think math was her strength, discovered it really was her true talent. This first generation college student graduated with a degree in advanced mathematics. She went on to achieve a master of science in applied business technology from the UT Health Science Center. Now she is teaching advanced

placement calculus and geometry at St. Pius X High School.

It's a wonderful success story. And we have many more. Obviously, it would be helpful if the media saw fit to concentrate on such stories as much as they do on celebrities.

As compelling as our student success stories are, there needs to be even more done to give hope for the future to all people in our community.

Fortunately, today, the college preparatory curriculum is now the de-facto curriculum for graduation from Texas high schools. That's a move in the right direction. But the current public policy agenda in Texas is uneven and reactive. I'm afraid we're stumbling as we try to walk the walk when it comes to closing the gaps in education.

Our current public policy is increasingly disinvesting in education. We no longer consider education a public good, but rather a private benefit; students are considered "consumers," instead of being seen as an investment in the future. We're simply failing to invest the necessary resources.

Congress recently voted the biggest cut in history to the student loan program at a time when college is more important, and more expensive, than it has been before. When you think about the fact that banks provide 17 times more money for cars than students, it just doesn't make sense.

What we are witnessing at both the federal and state levels is a disinvestment in higher education by shifting financial support for students from grants to loans. I'll give you an example. In 1995, of the \$12 million in financial aid disbursed to UHD students, \$4 million was in the form of loans.

This past year, \$20 million of the \$33 million in financial aid was distributed as loans. This means more loans spread over longer repayment periods, dramatically reducing the supposed higher incomes created by advanced degrees.

If this trend continues, we shouldn't be surprised if overall enrollment targets for the state's Closing the Gaps plan aren't met.

When the Texas Higher Education Coordinating Board unveiled its Closing the Gaps plan in 2000, the marching orders were clear: nearly 500,000 additional students had to be enrolled in Texas colleges and universities by 2015 to make us competitive with the other ten most populous states. The state also said the number of degrees and certificates awarded has to increase by 50 percent by the year 2015.

UHD is definitely doing its part to shift the state into higher gear. We have been at the forefront in higher education since our founding more than three decades ago. Approximately 60 percent of UHD's new freshmen are first-generation college students while 43 percent come from low-income families as defined by Pell Grant eligibility. That's not really surprising when you focus on part of our mission statement:

"As an urban university, UH-Downtown has a special responsibility to provide educational access to those who have not had access in the past..."

It's pretty clear that we're on the right track. Let's take a look at a few numbers from UHD which demonstrate our success. This past fall's enrollment of 11,484 represents a 27 percent increase over our fall 2000 headcount enrollment of 8,951.

The number of students graduating from UHD has increased at an even faster rate than our enrollment. The number of baccalaureate degrees awarded jumped from 1,159 in 2000 to 1,647 in 2005, an overall increase of 42.1 percent. During this period, the number of African-American and Hispanic graduates increased significantly. In fact, in December 2005 we celebrated our largest commencement ever with close to 2,000 graduates.

The university also has had considerable success in enrolling and graduating community college transfer students. Of the 1,568 baccalaureate degrees awarded in 2004, 539 went to community college transfers, who have a four year graduation rate of 63 percent at UHD.

To increase access, we are continuing to:

- Expand the number of courses online
- Increase the number of courses offered at various sites in the Houston metropolitan area
- Further develop the existing joint admission program with the North Harris Montgomery Community College District; and we will do the same thing with Houston Community College

We are also taking the lead in an initiative to launch a multi-institutional teaching center to serve northwest Houston's 290 corridor. UHD will offer bachelor's degrees in business administration and urban teacher education at Cy-Fair College.

We have accomplished these initiatives during a very challenging time. Enrollments have surged at the same time that we are experiencing a lower revenue stream from the state.

Unfortunately, to deal with the demands of growth, maintain institutional momentum, and provide a high quality educational experience, we have had little choice but to raise tuition and fees, but we still remain one of the most affordable universities in the state.

It doesn't take much to understand that these continued tuition increases may have an effect on access and affordability.

Let me share a disturbing statement with you. Texas earns a "D" in affordability on the state report card issued by the national center for public policy and higher education.

Suggested policy solutions for this dilemma came out of a series of forums we convened last fall at UHD. As we look to a future of closing the gaps, we came up with a few significant recommendations.

Let me share four of them with you:

- Make state-level student funding need-based as well as merit-based
- Increase state funding for the Texas Work Study Program
- Designate monies specifically for critical shortage areas, such as engineering, science and mathematics to increase the number of professionals in those areas
- Offer free tuition for the first two years of college

Make no mistake: We at UHD will continue to do all we can to promote access and opportunity. It is the heart and soul of our mission.

We have done very well at fulfilling our mission even though right now we are challenged to identify additional resources with which to do our work. We need to continue our collaboratives and partnerships with you, our friends and benefactors, and the private and public sector employers who benefit from the educated workforce we are preparing.

Referencing Mayor White at his inauguration again: "Not only our schools and our educators, but all of our citizens must reach out and do what they can for our schools."

The Texas economy is in crisis. By investing more in UHD's continued efforts to achieve access and success today, together we can remain at the forefront in meeting the challenges of higher education in the 21st century.

Thank you for your advocacy and support of UH-Downtown.