

Securing Tennessee's Future

Strategies for Increasing Higher Education Attainment



A policy paper of the TICUA
Study Commission on Closing
the Higher Education Attainment
Gap in Tennessee

Dear Concerned Citizen:

In May 2002 the Tennessee Independent Colleges and Universities Association (TICUA) Board of Directors appointed a Study Commission to explore and address the issue of higher education attainment in Tennessee. This concern arose out of an increasing gap between the bachelor degree attainment rate of Tennesseans compared to many of the neighboring states and the nation as a whole.

This report looks at some of the major issues concerning educational attainment and provides recommendations for Tennesseans to consider in order to provide for a healthy future for our State. The issues and recommendations are highlighted for you below:

Academic Preparedness

• *Promote Pipeline Programs for At-Risk Students.*

The Commission recommends that the K-12 and higher education communities collaborate to develop programs designed to increase awareness and participation in college-preparatory coursework with the goal of increasing the number of college prepared high school graduates.

Understanding College Entrance

• *Promote Education Beyond High School*

The Commission recommends that K-12 and the higher education communities work together to create a culture that assumes students will extend their education beyond high school. This should start as early as kindergarten and continue through high school.

The Commission recommends that the Tennessee State government adopt a long-term educational public awareness campaign to promote the value of higher education and the availability of financial aid.

Funding Access to College

• *Fund Student Access*

The Commission recommends funding all eligible students for the Tennessee Student Assistance Award through the full Federal Pell Grant index. The TSAA is a need-based student aid program which is in place, successful, and manageable.

Lottery Scholarships

• *Strategically Utilize the Lottery Revenue to Increase Higher Education Attainment*

The Commission recommends five factors be considered when determining the use of lottery funds:

1. The funds should be used with the goal of increasing the state's higher education attainment rate.
2. The program should blend both merit-based and need-based aid.
3. The student scholarships should be large enough to affect student behavior in order to maximize existing and anticipated institution capacity.
4. The scholarship should encourage the best and brightest Tennesseans to remain in state to attend the college of their choice.
5. The program's administrative requirements should be designed to mirror federal and state aid programs with the purpose of keeping the administrative burden to a minimum.

Persistence to Graduation Support

• *Persistence to graduation.*

The Commission recommends a voluntary incentive grant program be developed for public and private four-year universities that rewards them for good and improving four-year graduation rates.

The Commission recommends a loan payback program which rewards students for staying and working in Tennessee after graduation.

We are pleased to provide this analysis to the State of Tennessee. As indicated by the recommendations, we believe it is time for a comprehensive approach to addressing the problem of higher education attainment. Tennessee's future is bright if aggressive steps are taken to ensure that more Tennesseans are given the opportunity to complete a college degree.

Sincerely,

Stephen Flatt, PhD

TICUA Board Chair
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Securing Tennessee's Future

Strategies for Increasing Higher Education Attainment

The strength of the United States is built upon education. Beyond the attainment of knowledge, a strong education provides the catalyst for advances in all areas of society. The advancement of a civil society is dependent upon the ability to learn from the past, critically examine the present, and cast a vision for the future. Every progression of the human experience, whether it is in technology, medicine, business or the society in general, is accomplished by those who are fully informed and have acquired the skills to assimilate and apply knowledge. In the twentieth century a high school diploma ensured your success in society. In the twenty-first century the high school diploma, while important, is merely a stepping stone to postsecondary education. Communities which recognize the foundational value of education and provide the financial and social infrastructure needed to support it will continue to flourish. Communities and states which rely on outdated assumptions of community development will be relegated to low-paying industry jobs and a less engaged citizenry. Tennessee is no exception to this rule.

Tennessee in Context ~

How Does Tennessee Measure Up?

The United States continues to be the world leader in providing quality higher education. However, this leadership position is not without competition. Internationally, many countries have recognized the value of a strong educational system and are supporting the growth and development of world

class educational institutions. Domestically, our states are in competition for businesses and citizens who can and will contribute to the betterment of the state. Many states recognize the important role education plays in development of industry and an enlightened citizenry.

Tennessee ranks 49th in the nation for the amount of money we spend on education relative to our economy. Only 19.6 percent of our population has a bachelor's degree compared to 25.2 percent nationally, placing Tennessee among the lowest in the United States.

A study recently released by the National Center for Public Policy and Higher Education entitled *Measuring Up 2002*, reported that Tennessee is falling far behind other states in creating opportunities for high school students to go to college. According to this report, Tennessee received an overall grade of "D", placing the State in the lowest group of nine out of the fifty states. The low percentage of Tennessee residents who have a bachelor's degree has not improved since the last report was published in 2000, and the economic benefits to the State remain low

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(grade D+). Only 33% of our residents go on to college immediately after high school graduation, compared to 54% in the top states (grade D+). When participation is viewed by

family income, Tennessee falls even farther behind with just 18.1% of citizens from low-income families participating in higher education. Finally, Tennessee received a grade of D- for their preparation of students for college. The proportion of 8th graders who score well on national math assessments has been consistently low, and the number of high school seniors taking and scoring well on Advanced Placement exams remains significantly below other states.

Tennessee's overall grade of a D, a 1.0 (out of a possible 4.0) on a typical college grading scale, is enough for most students to be dismissed from college. Will Tennessee be dismissed from the competitive marketplace of the 21st century? If the State of Tennessee fails to produce enough citizens who are educationally prepared to vigorously compete at the very highest levels of world competition, then it will suffer economically and socially.

Workforce and Labor Projections.

Workforce development is synonymous with economic development. It is about growing jobs and building the tax base. The Tennessee Department

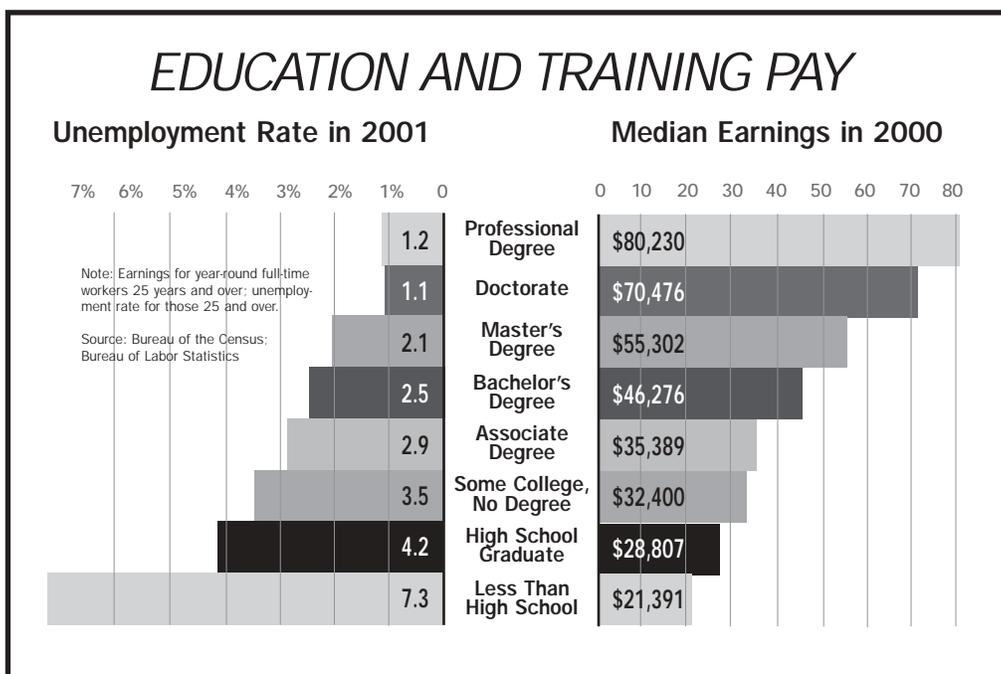
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of Labor and Workforce clearly understands the importance of attracting business to the State. For this reason, a variety of data are available for prospective employers considering a new business venture in the State.

The Tennessee Department of Labor and Workforce states that the annual employment growth rate during the 10-year period 1998-2008 will be approximately 2.0 percent higher than the projected national average. For year 2008 it is projected that more than 78 percent of all employment and 88 percent of new jobs will be in the service-producing sector of transportation, communications and utilities, trade, finance, insurance, and real estate. The remaining 22 percent of employment will be fur-

nished by goods-producing sector of agriculture, mining, construction, and manufacturing. Overall, 21.5% of new jobs will require a college degree, which is nearly 2% above our current workforce pool.

Current data indicate strong annual growth of 2.2 to 2.6 percent in the areas of professional specialty, service, marketing and sales, and executive and managerial occupations.



Professional specialty, operators, fabricators, laborers, and administrative support occupations will account for more than half of all employment, with the least of these comprising 15.2 percent of the labor market by 2008. The top five fastest growing individual occupations are computer support specialists, systems analysts, social and human services assistants, paralegal and legal assistants, and special education teachers. Professional and technical occupations are the fastest growing categories. These data indicate the need for a more highly trained and educated workforce.

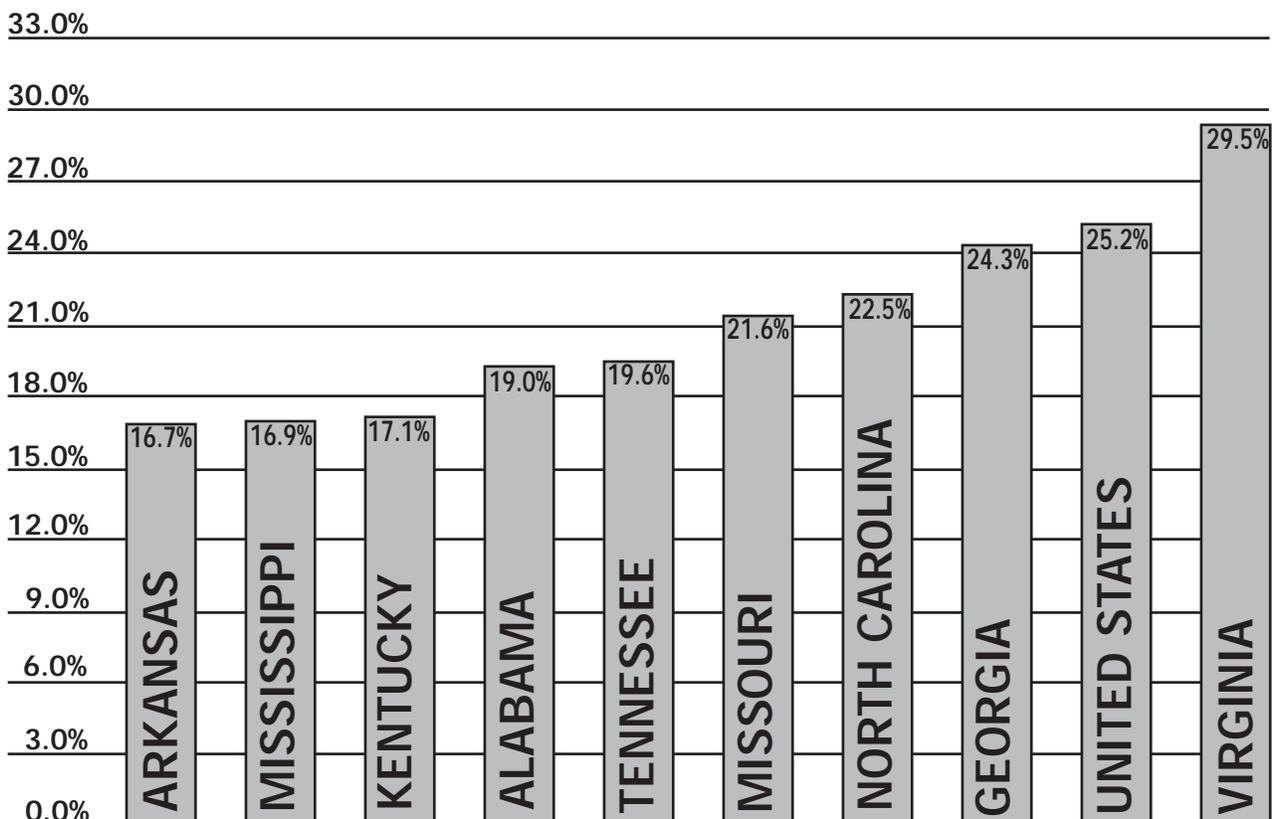
Overall the projected job demand data seem good. The possibility of more jobs and continued low unemployment is within our reach. However, this means that these new positions will demand more

and more of the Tennessee workforce pool. While the job outlook is positive, it could be entirely defeated by an undereducated populace. If Tennessee does not take significant steps to improve the higher education attainment of its workforce, corporations will have no choice but to locate elsewhere.

Personal Benefits

College graduates earn between 20 and 40 percent more income over their lifetime than people who do not attend college. A bachelor's degree is the major prerequisite for entry into high-paying technical, managerial, and professional jobs; and it has a significant impact on career mobility. College graduates are more likely to be continuously employed and less likely to be laid off. Unlike college graduates who

Percentage of population (age 25 and older) with a bachelor's degree - 2000



have an unemployment rate of 2.5%, the unemployment rate of high school graduates is 4.2%. Studies also show that the average earnings are dramatically affected by holding a college and graduate degree. Annual earnings range from \$22,350 for individuals without a high school diploma to \$46,969 for college graduates, and over \$60,000 for those holding graduate or professional degrees.

In terms of performing effectively in the real world, a college education increases one's ability to communicate and negotiate effectively with diverse populations. College graduates also develop a better understanding of issues in our society, and will nurture students into becoming well-rounded persons with broad backgrounds. Finally, most students and policy-makers agree that going to college is essential to having a more satisfying career, earning an adequate salary, and a higher level of civic involvement.

Tennessee has the potential to shift from an economy based upon limited education and low-pay to one based in higher education and higher pay. To make this possible, there must be multiple opportunities to meet the needs of a broad citizenry and a reengineered economy. It will require a commitment to the citizens of Tennessee in the form of support for a first-class education system.

In order for Tennessee to realize an enhanced industry base, better jobs, higher earnings, increased home ownership, and greater civic involvement, there must be an unequivocal commitment to postsecondary education for all Tennesseans who qualify academically for college so that every Tennessean has the opportunity to access higher education. To make this possible, let's consider several issues: Academic Preparedness, College Entrance, Financial Access, Lottery Scholarships, and Persistence to Graduation Support.

ISSUES AND RECOMMENDATIONS

In Tennessee only 19.6 percent of those 25 years or older hold a four-year college degree. This percentage places Tennessee among the lowest in the United States of adults who have attained at least a four-year degree. Although there are many factors which inhibit a high school graduate from pursuing higher learning, the TICUA Study Commission finds that the most common factors can be traced to socioeconomic status, poor academic preparedness, general lack of understanding of how to enter college, lackluster student financial aid programs, and mediocre persistence to graduation rates. Without proper redress, each factor will continue to constrict the flow of qualified high school students to higher education with the goal of a four-year college degree.

Academic Preparedness

The strongest predictor of collegiate attendance and eventual completion of a bachelor's degree is the academic rigor of secondary education. Eighty-seven percent of postsecondary students who had taken rigorous coursework in high school attained bachelors' degrees compared with 62 percent who had not. So influential is the importance of academic preparedness that studies show rigorous academic preparation in high school narrows the gap in postsecondary persistence between first generation and/or low-income students and other students.

Unfortunately, not all students complete rigorous coursework in high school. In particular, low-income students are more likely to attend schools less equipped for academic preparation for the college bound. Those in the lowest 20 percent of family

incomes are six times more likely than their peers from families in the top 20 percent of the income distribution to drop out of high school.

- *Promote Pipeline Programs for At-Risk Students.*

The Commission recommends that the K-12 and higher education communities collaborate to develop programs designed to increase awareness and participation in college-preparatory coursework with the goal of increasing the number of college prepared high school graduates.

Understanding College Entrance

In a recent report, the Advisory Committee on Student Financial Assistance estimated that between 80,000 and 140,000 qualified students do not pursue college degrees each year because they believe they cannot afford to do so, even at a community college. Complementary to this data is a report in 2000 by *The National Center for Education Statistics* which noted that of the 6th-12th graders and their parents surveyed, a majority overestimated the price of attending college by a substantial margin. Of that same group, only 55 percent had obtained information about or an estimate of the cost of tuition and fees. The study also showed that of the 11th and 12th grade students who were confirmed as college-

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bound, 37 percent of the students and 29 percent of their parents could not estimate the price of tuition and fees at the institution the students planned to attend.

Tennessee continues to be a low-tuition state. The public university average tuition is still among the lowest in the South with a 2001-02 average of \$2,836. Tennessee’s private colleges and universities average tuition and fees for the same period was \$11,405, about \$4,900 below the national average. Yet, many Tennessee families overestimate the cost and underestimate the amount of financial aid available to assist them.

The 2001 *Condition of Education* noted that parents’ educational attainment is closely related to student achievement and other dimensions of educational outcomes. It can be argued that the higher a parent’s education, the more likely a student will be aware of the benefits of a collegiate education and will pursue those benefits. Also, consistent physical exposure to a college or university also plays a large role in a student’s pursuit of a college degree. By visiting a campus or being visited by a collegiate representative, the unknown becomes known. This is especially true for those students who are either from low-income families or who would be first generation college students.

- *Promote Education Beyond High School*

The Commission recommends that K-12 and the higher education communities work together to create a culture that assumes students will extend their education beyond high school. This should start as early as kindergarten and continue through high school.

The Commission recommends that the Tennessee State government adopt a long-term educational public awareness campaign to promote the value of higher education and the availability of financial aid.

Funding Access to College

Although Tennessee is a low tuition state, cost is a real barrier to higher education for a large portion of college prepared students. One measure of a state's commitment to education is the percentage of students attending colleges each year. There is evidence that the access gap is widening between upper and lower income students due to the decline in federal student aid. Thus, state assistance programs are critical in reducing the financial barrier to college for our students. Tennessee must continue to improve access to higher education for all Tennesseans who qualify. Choice in where they attend college is important as it strengthens the person's commitment to persist to graduation.

Even with the recent growth in funding the Tennessee Student Assistance Award (Tennessee's need-based student grant program), there are still over 8,000 eligible students not served. Current TSAA recipients represent only the lower one-half of the Federal Pell Grant which is the nation's non-pay-back aid program for the neediest students. If the TSAA program were to be funded at the same level as the Federal Pell Grant, it would have an impact on students in the lower middle class and serve an additional 10,000 students.

- *Fund Student Access*

The Commission recommends funding all eligible students for the Tennessee Student Assistance Award through the full Federal Pell Grant index. The TSAA is a need-based student aid program which is in place, successful, and manageable.

Lottery Scholarships

In November 2002 the voters of Tennessee chose to provide the General Assembly the freedom to enact a state sponsored lottery program. Lottery revenue is to be targeted toward student scholarships for higher education, pre-school reading programs, and K-12 capital projects.

The passage of a state-sponsored lottery with revenue for student scholarships offers a partial solution to the higher education attainment dilemma. Careful consideration, however, must be given to how these funds will be used. Key public higher education officials have noted that the lottery proceeds will **not** help the public universities and may, in fact, do more harm. They reason that if the lottery funds are used simply as scholarships, that new revenue will not be added to their operational budgets; rather, lottery funds replace funds already received from parents or other sources. Consequently, the lottery would not produce new resources, but rather replace existing revenue.

This, however, is not the perspective at other universities. Tennessee's private colleges and universities are largely dependent on tuition revenue to operate their institutions. Many have existing and/or planned expansion capacity to accommodate more students. Tuition at public universities is offset by a generous state subsidy. Every student attending a public university, regardless of family income, receives an average per year subsidy of \$6,000. The private colleges offset their tuition charges by gifts from donors and student financial aid. Consequently, increased enrollment results in increased instruction and service at the private universities whereas it causes increased strain at the public universities.

Many states that use lottery funds for student scholarships have a merit component, and most do

not have a need-based component. The risk of not having a need-based component is that the program demands could quickly outpace the revenue. This is the case in New Mexico, Kentucky, and West Virginia. These states either chose to not fully fund the program or have turned to general tax revenues to bridge the gap. Consequently, a need-based component could serve to help those students who need it most while also providing an income-sensitive regulator to keep the program within its means.

- *Strategically Utilize the Lottery Revenue to Increase Higher Education Attainment*

The Commission recommends five factors be considered when determining the use of lottery funds.

- 1. The funds should be used with the goal of increasing the state's higher education attainment rate.**
- 2. The program should blend both merit-based and need-based aid.**
- 3. The student scholarships should be large enough to affect student behavior in order to maximize existing and anticipated institution capacity.**
- 4. The scholarship should encourage the best and brightest Tennesseans to remain in state to attend the college of their choice.**
- 5. The program's administrative requirements should be designed to mirror federal and state aid programs with the purpose of keeping the administrative burden to a minimum.**

The State of Tennessee would have to add, overnight, an additional 200,000 four-year degree recipients in order to close the existing gap between the State's higher education attainment rate and the nation's average.

Persistence to Graduation Support

Attending college even for a year or two is beneficial and the benefits of graduating with a four-year degree are dramatic and far reaching. College persistence rates vary from institution to institution, due to the uniqueness of

the mission of the institution or their location. Nevertheless, to truly address Tennessee's attainment goal the State must place value on graduation rates. In 2000, the public universities graduated 14,609 with four-year degrees and the private colleges graduated 7,740. The State of Tennessee would have to add, overnight, an additional 200,000 four-year degree recipients in order to close the existing gap between the State's higher education attainment rate and the nation's average.

Incentives can be provided to encourage institutions to increase timely graduation. Every aspect of the educational experience that enhances student persistence can be explored.

Upon graduation students should be encouraged to remain in Tennessee and work. In 2001 about 50% of those graduating with a four year degree had over \$19,000 in student loans. Students often look outside the State for better employment opportunities, ones which offer higher pay. Loan payback programs could be offered as an incentive for students to look for jobs in Tennessee. For example, a percentage of the student's loan

could be paid by the State for each year of employment. In the beginning, this program could be targeted to those entering critical workforce positions. The program could be enhanced by challenging employers to match State funds to attract highly skilled Tennessee workers.

- *Persistence to graduation.*

The Commission recommends a voluntary incentive grant program be developed for public and private four-year universities that rewards them for good and improving four-year graduation rates.

The Commission recommends a loan pay-back program which rewards students for staying and working in Tennessee after graduation.

Conclusion

Improving Tennessee's higher education attainment rate is a daunting task. It is time for the State of Tennessee to pay close attention to the needs of higher education and implement creative strategies to heighten the preparedness, awareness, and accessibility of college for Tennessee residents. Failure to do so will have lasting implications on the State's economy and culture.

Without a properly educated citizenry, Tennessee's economy cannot continue to develop. A new kind of economic tyranny will rob Tennessee of her independence as the State falls farther down the list of desirable places to do business or live.

Education and prosperity go hand in hand.

Tennessee must act now to preserve both.



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