Incentive to Complete? Aligning the Tennessee Education Lottery Scholarship Program with Tennessee’s College Completion Agenda

February 2011

Prepared by the Higher Education Working Group of the Lottery Stabilization Task Force
EXECUTIVE SUMMARY

The Tennessee Education Lottery Scholarship (TELS) program was created in an era in which higher education institutions were encouraged to enroll large numbers of students and were funded based on those enrollments. As Tennessee has shifted its focus to increased degree production, the state has made legislative and funding changes to promote retention, transfer, and completion – especially for adults and low-income students.

After analyzing the Complete College Tennessee Act (CCTA), a Higher Education Working Group, working in an advisory capacity to the Lottery Stabilization Task Force, identified four broad objectives within the state’s completion agenda: 1) the ultimate goal of increased numbers of degree completers; 2) increased retention; 3) timely progress toward degree completion; and 4) ease of transfer between 2- and 4-year institutions. This report focuses on the alignment between these CCTA policy objectives and the TELS program, to determine whether the scholarship program in its current form serves Tennessee’s college completion agenda. Appendix 1 considers cost implications for presented policy alternatives.

Are TELS policies aligned with increased degree production?
The TELS program does not have targeted incentives for degree attainment built into its structure. However, the award appears to have some impact on degree completion for lower-income TELS recipients.

Policy Alternatives:
- Generally, explore incentives for increasing retention, shortening time-to-degree and easing transfer activity from community colleges to four-year schools in order to impact the bottom line of increased degree production. Using incentives to encourage students to return to school year after year (increasing retention) can help grow the pool of students who are ready to graduate, thus increasing the number of those who do.
- Currently, the majority of students at universities take five or more years to graduate. Leveraging the lottery scholarship to incent students to complete a 2-year degree in two years or a 4-year degree in four years (shortening time-to-degree) can increase Tennessee’s graduation rates, degree efficiency, and the number of citizens with postsecondary credentials.
- Allow those individuals with either an AGI of $36,000 or an EFC of zero to be eligible for the non-traditional award.
- As TELS awards appear to impact degree completion, especially for lower-income recipients, consider allowing GAMS-eligible ASPIRE recipients to receive both the GAMS and ASPIRE awards.
- Continue the Dual Enrollment Grant as currently structured.

Are TELS policies aligned with increased retention?
TELS is not designed with incentives for retention although the possibility of losing the scholarship may motivate students to work harder. Awards appear to impact retention for lower-income students.
Policy Alternatives:

- Consider awarding TELS retroactively. For example, after a scholarship-eligible student has achieved a 2.75 at the end of their first semester, award the scholarship retroactively.
  - Implementation Consideration: This would be a significant cost-saving measure, as 41 percent of first-time freshman last year finished their first fall term with less than a 2.75 GPA. Higher education officials expressed concern that making TELS a retroactive award would disproportionately harm low-income students and impact their college-going behavior. This could be offset by institutional bridge loans or deferments.
- Require students to have a 2.75 cumulative GPA throughout their college careers; eliminate the requirement to attain a 3.0 GPA junior year. Eliminate provisional renewal.
  - Implementation Consideration: While this would make the renewal policy more transparent and consistent, it would add to the yearly cost of the program.

Are TELS policies aligned with timely progress toward degree completion?
Several TELS policies actually work against shortening time-to-degree for scholarship recipients.

Policy Alternatives:

- Build caps and restrictions into the award to encourage students to finish degrees within 4 years:
  - Cap the award at 120 hours, five years, or at degree completion, whichever comes first.
  - Allow TELS recipients to use their awards for summer term.
- Restrict usage of TELS awards for remedial and developmental classes to low-income recipients.
- Evaluate continuing eligibility at the end of each spring semester, not at 24 credit hour benchmarks.

Are TELS policies aligned with easing transfer activity from the community colleges to the four-year institutions?
Lottery scholarships are not structured to incent transfer from community colleges to four-year schools; however, student movement between institutions is impacted by renewal or loss of the award.

Policy Alternatives:

- Provide a one-time bonus to transfer students with an associate’s degree to 4-year institutions.
- Allow Wilder-Naifeh recipients who successfully complete a certificate of a year or greater to be eligible for a HOPE award as a transfer student to a community college.
- Allow students pursuing certificate programs at community colleges to be eligible for the Wilder-Naifeh grant.

The TELS program is designed to provide access to college for a great number of students, most of whom are recent high school graduates. But the scholarship lacks incentives for retention, transfer, and completion, even for adults - a group for whom the new higher education funding formula applies a 40 percent premium. A lottery scholarship program more closely aligned with the tenets of the CCTA would require what is now asked of our colleges and universities: more successful course and program completions and an increase in the number of citizens with postsecondary credentials.
HISTORY

In early March 2010, Tennessee’s State Funding Board met and released a 5-year forecast of the Tennessee Education Lottery Scholarship (TELS) program expenditures. The forecast predicted that the expenditures would substantially exceed projected revenues by 2013-14.¹ As a result, state officials recommended the formation of a Lottery Scholarship Stabilization Task Force to further study the fiscal and academic effectiveness of the program and eventually develop recommendations addressing the swelling deficit and the long-term sustainability of Tennessee’s lottery scholarship program.² The Task Force has convened meetings and discussed policy options since August 2010.

The Task Force instructed staff members of the Tennessee Higher Education Commission (THEC) to conduct analyses of potential solutions. These analyses included, but were not limited to, fiscal analysis of potential cost savings ideas such as lowering the award amounts and changing eligibility requirements. The insights gained from these initial studies resulted in the proposal of more than 20 cost-saving scenarios, which were circulated among the Task Force members and served as a policy framework to facilitate the discussions among the members.

At the first Task Force meeting on August 16, 2010, the Center for Business and Economic Research (CBER), based in the University of Tennessee – Knoxville, presented a revised projection accounting for factors not reflected in the initial projection, such as the impact of the recession, cohort survival rates, and improved academic preparation of high school graduates. The annual shortfall was projected to be $17 million by 2013-14, substantially lower than the initial shortfall projection.

At the second hearing of the Task Force in October 2010, the co-chairs of the Task Force asked the higher education community to develop a report on the alignment of the Tennessee Education Lottery Scholarship Program with the state’s new college completion agenda.³ In response, THEC convened several meetings with relevant stakeholders over the ensuing several weeks to discuss available options and submit a report to the Task Force. In developing this report the working group determined to keep the basic nature of the scholarship intact. In other words, we did not presume to change the structure of the award from merit-based to need-based, for example. In addition, we based our analysis on the alignment of the Tennessee Education Lottery Scholarship with the state’s focus on degree completion; we did not begin from a perspective of cost-savings, although Appendix 1 outlines cost considerations for each policy alternative addressed. The following report is the higher education working group’s attempt to fulfill its charge to analyze the TELS programs’ alignment with Tennessee’s college completion agenda.
BACKGROUND

Tennessee’s College Completion Agenda

During Tennessee’s Extraordinary Session for Education Reform Legislation in early January 2010, the 106th General Assembly passed the Complete College Tennessee Act of 2010 (CCTA), which effectively established increased educational attainment as the state’s primary need relative to higher education. This productivity initiative was the result of a number of discussions on higher education reform between the previous administration and campus and system leaders, legislative leaders and national higher education policy experts and was influenced by the emerging national productivity agenda. The act included several policy levers for implementing change - including a new Master Plan, a new outcomes-based funding formula, and quality assurance through Performance Funding - which together act as the new Public Agenda for Tennessee Higher Education. The CCTA focuses the Public Agenda on educational attainment and increased degree production, taking into consideration Tennessee’s economic development, workforce development and research needs. Tennessee’s 2010-2015 Master Plan – formally adopted by the Tennessee Higher Education Commission and developed through the collaboration of system and campus leaders, legislative leaders, the Governor’s office, faculty, students, the business community and THEC staff – presents a statewide completion goal:

_Increase the number of degrees awarded 4.0% annually so that cumulative undergraduate degree production (associate’s and bachelor’s degrees) grows by 26,000 by 2015 and 210,000 by 2025, bringing Tennessee to the national average for degree attainment_ by 2025.

While Tennessee’s college enrollment rate\(^b\) is the nation’s 11th highest,\(^4\) the state’s completion rates need to be improved. Tennessee has the 4th lowest college graduation rate of the 16 SREB states, most of which trail the national rate.\(^5\) Meeting Tennessee’s statewide completion goal means the state must increase degree completion with students currently enrolled while reaching out to populations previously underserved by Tennessee public higher education, particularly adults and low-income students. Neither the CCTA nor the Master Plan suggests changes to the Tennessee Education Lottery Scholarship Program. However, as the state’s largest financial aid program, the TELS program has the potential to influence student completion behaviors moving forward in much the same way it has influenced enrollment behaviors since its inception.

The TELS Award in Context

When the scholarship program was created, Tennessee’s funding formula was focused almost exclusively on access, rewarding schools for the size of their enrollment. The current structure of the TELS program reflects that state priority. As Tennessee students who receive an ACT score of 21 are eligible for a TELS award, and the national average ACT in 2009 was a 21, it could be argued that the academic qualifications for the basic HOPE award are geared toward the average student and above. For

---

\(^a\) Degree attainment is the percent of the working age population age 25-64 with an associate’s degree or higher.

\(^b\) The college enrollment rate is the percentage of prior year high school graduates enrolling in higher education by the following fall.
those that do not meet the qualifications for a basic HOPE award, but who are “close” and have financial need, there is the Access award – a reduced award available for 24 credit hours. In sum, 63 percent of Tennessee resident traditional-aged freshmen in public institutions receive some form of a TELS award.

The new outcomes-based funding formula, while continuing to take into account productive enrollment, emphasizes degree production, student retention and other measures of productivity at both the community colleges and public universities. Of the ten metrics used in the university model, five measure degree production or completion rates, including total bachelor’s degrees produced and six-year graduation rates. The community college model includes total associate degrees produced and number of awards per 100 full-time equivalent students as completion metrics. The community college model also rewards institutions for dual enrollment, transfer students, certificates, and workforce training. Finally, the outcomes-based funding formula encourages greater degree completion among adults and low-income students by providing institutions with premiums for graduating students with these characteristics. The new funding formula shifts the focus of state finance policy by moving away from enrollment or input in favor of outcomes as the major driver of state appropriations.

* * *

Improving productivity means helping more students earn a degree or certificate more quickly and efficiently. After analyzing the CCTA, a higher education working group, working in an advisory capacity to the Lottery Stabilization Task Force, identified four broad objectives within the completion agenda: 1) the ultimate goal of increased numbers of degree completers; 2) increased retention; 3) timely progress toward degree completion; and 4) ease of transfer between 2- and 4-year institutions. This report focuses on the alignment between these four CCTA policy objectives and the TELS program, to determine whether the scholarship program in its current form serves Tennessee’s college completion agenda. Many of the policy alternatives presented are interrelated, and not to be considered in isolation. Appendix 1 considers the cost implications of the presented policy alternatives.

CCTA Policy Objective: Increased Degree Production

The Complete College Tennessee Act of 2010 focused the state’s higher education Master Plan on educational attainment and degree production. However, Tennessee cannot achieve the stated goal at the current rate of annual degree production. In addition, the state cannot increase production to needed levels by concentrating efforts solely on recent high school graduates; the state must increase the participation and completion rates of currently underserved populations, such as adults and low-income students. National organizations that support and fund efforts under the nationwide “completion agenda” urge targeting financial aid to ensure that it improves student success in college.
Are TELS policies aligned with increased degree production?

*Increased degree attainment is not a stated objective of TELS and the program does not have targeted incentives for degree attainment built into its structure. However, the award appears to have some impact on degree completion for lower-income TELS recipients.*

The Tennessee Education Lottery Scholarship (TELS) aims to address the following broad public policy objectives:

- Improve academic achievement in high school through scholarship incentive;
- Provide financial assistance as a means of promoting access to higher education;
- Retain the state’s “best and brightest” students in Tennessee colleges and universities; and
- Enhance and promote economic and community development through workforce training.

In 2009, 79 percent of TBR first-time freshmen, 92 percent of UT freshmen and 38 percent of community college freshmen received TELS, resulting in a state average of 63 percent of Tennessee resident freshmen at Tennessee public institutions that received the award. While degree attainment within a five year period is 30 points higher for TELS recipients versus non-recipients, the comparison group – non-recipients – is smaller, at the four-year institutions in particular.

**Underrepresented populations: low-income and non-traditional students**

To achieve the degree production goal set forth in the Tennessee higher education Master Plan, the state will need to focus on populations previously underrepresented in enrollments and postsecondary completion, such as adults and low-income groups. These groups tend to face more factors that increase the likelihood that they will drop out of college.

**Non-traditional students**

Non-traditional students – many of whom attend part-time – must have a 2.75 GPA on 12 hours and must have an Adjusted Gross Income (AGI) of $36,000 or less to qualify for the HOPE Non-Traditional award. In many cases, non-traditional students work and go to school; many have dependents and additional costs. “Expected Family Contribution” (EFC) – a calculation used to determine federal grant and loan eligibility – takes into account these external factors that impact a student’s ability to pay. However, EFC is not used to qualify a non-traditional student for a HOPE award. In 2009-10, of those non-traditional students attending degree-granting institutions who had incomes over $36,000 (the income level below which a non-traditional student qualifies for the award) 592 had an Expected Family Contribution of zero. This means that although they are not financially able to contribute to their educational costs, they do not qualify for the HOPE award because their family incomes are too high. Additionally, in order to qualify for the scholarship, students must have attempted 12 hours and received a GPA of at least a 2.75 before they can receive funding. For non-traditional students who often work full-time and attend school part-time, they may not be able to receive the scholarship before the time and expense has convinced them to halt their studies.
**Low-income students**

There appears to be some impact on degree completion for students who receive the ASPIRE award (a need-based supplement available to HOPE-eligible students with an adjusted gross income of $36,000 or less). However, the same impact is not seen for students receiving the Access award. Students who receive the Access award have incomes below $36,000, but do not qualify for the HOPE award based on academic performance. Of the first-time freshmen beginning fall 2005 who received Access awards, 16 percent obtained an associate’s degree or above within 5 years versus 39 percent of Aspire recipients. Thus, the TELS awards available to students of lower incomes seem to have an impact on degree completion when the student is better academically prepared for postsecondary education and receives the aid consistently over time. (See Table 1, page 12).

**High academic achievers**

The initial eligibility requirements for the General Assembly Merit Scholarship (GAMS) award are the most rigorous of all TELS award types. These students are better prepared academically, and thus have higher graduation rates across the board. Eighty percent of 2004 first-time freshmen GAMS recipients who attended a Tennessee public institution obtained an Associate’s degree or above within five years. However, the financial supplement awarded to GAMS-eligible students does not appear to impact completion rates for these students with high academic ability. It should also be noted that the majority of GAMS recipients are from higher-income households, which traditionally have higher completion rates than students from lower-income households. However, a low-income, high-achieving student is not eligible for both GAMS and ASPIRE, and may accept only one of those awards.

**Acceleration mechanism**

Dual enrollment programs that offer postsecondary work help students complete degrees. A strong predictor of college completion is the accumulation of 20 credits within the first year of college\(^8\). Dual enrollment programs through which students can earn credits help them cross that 20-credit line. The structure of the Dual Enrollment Grant allows students to amass general education requirements before they enter college as freshmen. Dual enrolled students also tend to pursue their college education in-state. Of all dual enrolled students who attended college, nearly 90 percent attended in-state institutions.\(^9\) High-achieving students who want to get a head start on accumulating college credit are more likely to take advantage of dual enrollment classes than are students from underserved populations.\(^10\)

**Alignment between TELS and increased degree production:**

- Increased degree attainment is not a stated objective of TELS, and incentives for degree attainment are not built into its structure.
- The non-traditional student award is granted on the basis of Adjusted Gross Income (AGI), but nearly 600 non-traditional students attending degree granting institutions have an EFC of zero, which is not reflected by their AGI.
• Low-income, high-achieving students are not eligible for both GAMS and ASPIRE, and may accept only one of those awards.
• The structure of the Dual Enrollment Grant allows students to accumulate general education requirements before they enter college as freshmen.

Policy Alternatives:

• Generally, explore incentives for increasing retention, shortening time-to-degree and easing transfer activity from the community colleges to the four-year schools in order to impact the bottom line of increased degree production. Each of these policy objectives contributes to increasing the number of Tennessee residents with higher education credentials. Using incentives to encourage students to return to school year after year (increasing retention) can help grow the pool of students who are ready to graduate, thus increasing the number of those who do.
• Currently, the majority of students at universities take five or more years to graduate. Leveraging the lottery scholarship to push students to complete a 2-year degree in two years or a 4-year degree in four years (shortening time-to-degree) can increase Tennessee’s graduation rates, degree efficiency, and the number of citizens with postsecondary credentials. Specific policy alternatives addressing these completion objectives are presented in the following sections.
• Allow those individuals with either an AGI of $36,000 or an EFC of zero to be eligible for the non-traditional award.
• As TELS awards appear to impact degree completion, especially for lower-income recipients, consider allowing GAMS-eligible ASPIRE recipients to receive both the GAMS and ASPIRE awards.
• Continue the Dual Enrollment Grant as currently structured.

CCTA Policy Objective: Retention

Tennessee four-year institutions lose nearly 20 percent of their students after the freshman year, and community colleges lose nearly 40 percent.\textsuperscript{11} Retention rates are closely tied to graduation rates: research indicates that students who continue immediately into their second year have a greater likelihood of graduating.\textsuperscript{12} Increased retention is a key to Tennessee meeting its goal of increasing degree production. The degree production goal set forth in the Master Plan was developed by utilizing the THEC Student Flow Model, which lays out necessary productivity increases for each of Tennessee’s higher education systems and assumes improvements in K-12 education. This model also assumes increases in both the second and third year retention rates.
Are TELS policies aligned with increased retention?

While the possibility of losing the scholarship may motivate students to work harder, TELS is not designed with incentives for retention; however, TELS awards appear to positively impact retention for lower-income students.

TELs programs appear to have an impact on the retention rate of lower-income students. However, the program is not designed with incentives for retention, nor are TELS policies designed to target populations whose retention rates would most benefit from scholarship funds. In addition, the requirement that a student achieve a cumulative 3.0 GPA junior year – after having been required to keep a 2.75 GPA in preceding years – is complex and results in a portion of students losing their scholarships that would have kept them otherwise.

Many freshmen also lose their TELS awards between freshman and sophomore year: 45 percent of the fall 2008 beginning cohort lost scholarships by the end of the first year. As a result, the state distributed approximately $47 million on students who did not renew their scholarship after 24 hours. Currently, the HOPE scholarship does not utilize policy levers to stem scholarship loss by students during this crucial transition year. For example, in New Mexico students establish eligibility for the state’s lottery scholarship in the first regular semester immediately following their high school graduation and funding begins in the second college semester. While HOPE recipients who lose the scholarship for academic reasons can regain the scholarship once – giving them a second chance – very few students actually take advantage of the regain provision. In the 2009-10 academic year, only 1,460 students regained the HOPE award.

Underrepresented populations: low-income and non-traditional students

Students who remain in school after losing TELS awards are more likely to come from higher income families. Nearly two-thirds of fall 2008 first-time freshmen from the highest income group who did not renew their scholarship returned for the sophomore year. Among such students from the lowest income families, the rate of students returning to college was only 46 percent, a difference of 18 percentage points. This implies that income has some influence on college retention, suggesting that the scholarship may play a more important role in the decision to remain in school for lower-income students.

For non-traditional students to qualify for a HOPE award, the student must have completed 12 credit hours. Courses that a student took in years past, prior to returning to school, do not count toward this 12 hour requirement. For adult students whose enrollment depends on financial assistance, this requirement could prove to be a hurdle both for students who have not previously attempted postsecondary education, and for those who are returning to school.
Alignment between TELS and increased retention:

- TELS does not utilize policy levers to stem the non-renewal of awards between freshman and sophomore year.
- Raising the GPA requirement from a 2.75 to a 3.0 GPA beginning junior year reduces retention. Instead, it has the potential to cause students to lose their scholarships mid-way through their academic program.
- Non-Traditional HOPE recipients must complete 12 hours before qualifying for the award; however, previous completed coursework does not count toward this 12 hour requirement. This requirement could prove to be an obstacle to retention for adult students, many of whom are part-time students.

Policy Alternatives:

- Consider awarding TELS retroactively after a track record of academic success has been established. For example, after a scholarship-eligible student has achieved a 2.75 at the end of their first semester, award the scholarship retroactively. This would be a significant cost-saving measure, as 41 percent of first time freshman last year finished their first fall term with less than a 2.75 GPA.
- Require students to have a 2.75 cumulative GPA throughout their college careers; eliminate the requirement to attain a 3.0 GPA junior year. Eliminate provisional renewal.
- Consider changes that would allow non-traditional students to access the scholarship sooner. For example, allow Prior Learning Assessment credits or previous course credit earned to count toward the 12 hours required for eligibility.

Implementation Considerations:

- Higher education officials expressed concern that making TELS a retroactive award would disproportionately harm low-income students and impact their college-going behavior. This would place the onus on institutions to provide assistance to low-income students in the first semester of freshman year, perhaps in the form of bridge loans, to ensure that low-income students continued to access postsecondary education. Changing TELS to a retroactive scholarship would also place greater administrative burden on institutions’ financial aid offices.

CCTA Policy Objective: Timely Progress toward Degree Completion

The average Tennessee student takes about one semester in additional credit hours beyond those required for a degree; the number is higher for transfer students.\textsuperscript{14} Productivity and cost efficiency suffer and result in lost investments of students’ tuition, time, and taxpayers’ financial support of higher education. Strategies to reduce excess credits and encourage timely degree completion include streamlined transfer systems, dual admissions, continuous enrollment, full-time course loads, and
tuition and financial aid policies that encourage completion of college-level courses in high school and during off-peak times, such as evenings, weekends, and the summer term. Such policies can also serve as a statement of a state’s expectations and goals for completion. Clearer, more efficient paths to degrees should result in more students graduating with fewer credits in less time. Tennessee’s new higher education Public Agenda aims to – among other things – improve efficiency in terms of time to degree and graduation rates while also increasing overall production.

### Are TELS policies aligned with timely progress toward degree completion?

Several current TELS policies actually work against shortening time-to-degree for all recipients, regardless of age, income, or academic ability.

Lottery scholarships currently do not incentivize shorter time-to-degree. Several current TELS policies actually work against shortening the time-to-degree:

- The HOPE scholarship is not capped at 120 hours, the standard number of credit hours required to complete a four-year degree for most programs. Instead, students can receive the scholarships for 5 years, providing little incentive for students to complete a 4-year degree in four years.
- Students can receive the HOPE award for full-time and part-time enrollment, although traditionally, full time students have higher completion rates.
- To be considered a full-time student and receive the $4000 maximum HOPE award, a student must be enrolled for 12 credit hours a semester at a four-year institution. However, in order to graduate in four years, a student must take 15 hours a semester. TELS awards do not require students to take more than 12 hours to receive the full-time award amount.
- TELS awards cannot be used for the summer term.
- While the CCTA requires that all remedial and developmental classes be offered only by community colleges in the future, lottery scholarships pay for remedial and developmental classes for 19 percent of TELS recipients.

While students that receive TELS awards are required to be continuously enrolled, the awards do not appear to have a large impact on time-to-degree as it relates to earning a degree within 4 years. Table 1 illustrates the 4- and 5-year graduation rates of HOPE, GAMS, ASPIRE and Access recipients in Tennessee public institutions. Unsurprisingly, four- and five- year graduation rates are highest for GAMS recipients. However, recipients of the HOPE award have a four-year graduation rate of only 27 percent.
### TABLE 1

<table>
<thead>
<tr>
<th></th>
<th>Fall 2005 First-Time Freshmen who Obtained Associate’s Degree or above within 4 years</th>
<th>Fall 2005 First-Time Freshmen who Obtained Associate’s Degree or above within 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOPE</td>
<td>27%</td>
<td>49%</td>
</tr>
<tr>
<td>GAMS</td>
<td>54%</td>
<td>81%</td>
</tr>
<tr>
<td>ASPIRE</td>
<td>21%</td>
<td>39%</td>
</tr>
<tr>
<td>ACCESS</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Note: 4- and 5-year graduation rates are the focus of this table because lottery scholarships may be used for no more than 5 years.

Source: Table 14, Tennessee Education Lottery Scholarship Report Annual Report, Outcomes Through Fall 2009, THEC

**Alignment between TELS and timely progress toward degree completion agenda:**

- Lottery scholarships currently do not incentivize shorter time-to-degree:
  - The HOPE award is not capped at 120 hours, the standard number of credit hours required to complete a 4-year degree.
  - TELS awards cannot be used for the summer term.
  - HOPE recipients who are attending full-time at a 4-year institution are required to take only 12 hours. However, in order to graduate in four years, a student must take at least 15 hours a semester.
- TELS awards pay for remedial and developmental courses, which do not count toward a degree, but do count toward attempted hours for purposes of the TELS award.

**Policy Alternatives:**

- Build caps and restrictions into the award that would encourage students to finish degrees within 4 years:
  - Cap the award at 120 hours, five years, or at degree completion, whichever comes first.\(^c\)
  - Allow TELS recipients to use their awards for summer term.\(^d\)
- Restrict usage of TELS awards for remedial and developmental classes to low-income recipients.

\(^c\) The Higher Education Working Group considered an additional policy alternative to require enrollment in 15 credits per semester to qualify for the full-time award amount. However, the Working Group rejected this alternative primarily because members agreed that a 120 hour cap would provide sufficient incentive to earn degrees in a timely fashion. In addition, the 15 hour requirement might have introduced difficulties for institutions in terms of adjusting faculty workloads.

\(^d\) The Higher Education Working Group also considered a policy alternative requiring scholarship usage in at least one summer term, but ultimately rejected it for the following reasons: 1) the requirement might have forced students to take extraneous credits due to institutions’ more limited course offering in the summer; 2) some students must work during the summer in order to earn money for tuition the following academic year and thus some consideration would have to be made for hardship waivers.
• Evaluate continuing eligibility at the end of each spring semester, not at 24 credit hour benchmarks. The 24-hour checkpoints currently used reinforce through scholarship policy that 12 hours per term is the appropriate full-time enrollment increment.

CCTA Policy Objective: Easing Transfer between 2-year and 4-year Institutions

Effective college transfer systems provide a clearer and shorter path to a bachelor’s degree for transfer students, reduce the time-to-degree and cost for transfer students, and save state money by limiting excess credit hours taken by students. A recent THEC report shows that 44 percent of students who received a bachelor’s degree started at an institution other than the one from which they graduated. Students who aspire to attain four year degrees may begin in two year programs in order to reduce the overall cost of attaining a bachelor’s degree. However, as retention and completion rates at two year institutions are well below those of four year institutions, streamlining transfer between two and four year institutions is necessary to ensure that students who begin their studies in the community colleges complete their degrees in a timely manner.

Citing the importance of streamlining transfer activities to provide a clear path to a bachelor’s degree for a community college student that wishes to pursue one, the CCTA charged THEC to work with the higher education systems to develop a university parallel program consisting of 60 hours that will allow a student to transfer from a community college as a junior. The intent is that any student who completes the 60 hours and earns an associate degree will be admitted to most state public universities. The CCTA also requires the development of a common course numbering system at the community college level that would also clearly identify courses that will not transfer to a university.

Are TELS policies aligned with transfer activity from the community colleges to the four-year institutions?

*Lottery scholarships are not structured to incent transfer from community colleges to four-year schools; however, student movement between these institution types may be indirectly impacted by renewal or loss of the award.*

While HOPE recipients can receive $4000 for attending a four-year institution – as opposed to $2000 for attending a community college – the currently available lottery scholarships (HOPE, GAMS, ASPIRE, and Access) are not structured to *incent* transfer activity from the community colleges to the four year institutions. However, as students renew the scholarship, community colleges lose a share of their students while UT gains the largest proportion of students. Conversely, as students lose the HOPE scholarship, there is evidence of some migration from four-year schools to community colleges.

It should be noted that recipients of the Wilder-Naifeh Technical Skills Grant are at a unique disadvantage regarding transfer activity. Students who are pursuing certificate programs at community colleges are not eligible for the Wilder-Naifeh award; the award may be used only at a Tennessee
Technology Center. While Wilder-Naifeh recipients may receive a HOPE scholarship if they choose to continue their education at a community college or university after completing their studies at a Technology Center, they may do so only if they initially met HOPE qualifications before enrolling in a Technology Center. This limited availability of the HOPE scholarship to former Wilder-Naifeh grant recipients has not translated into increased transfer rates for these students. The transfer rates of Wilder-Naifeh recipients and of all students who enrolled at TTCs from fall 2004 to summer 2008 were exactly the same (5.5 percent), suggesting no benefit of the scholarship on transfer rates. Between fall 2004 and fall 2008, only 62 Wilder-Naifeh recipients who transferred from TTCs continuously received the HOPE scholarship. Of those that did transfer, the community college sector is the most popular destination.\textsuperscript{16}

Alignment between TELS and transfer activity:

- The currently available lottery scholarships are not structured to incent transfer activity from the community colleges to the four year institutions.
- Wilder-Naifeh recipients from the TTCs who wish to transfer to a community college or university are eligible for a HOPE scholarship only if they were academically eligible for the HOPE initially.
- Students enrolled in certificate programs at community colleges are not eligible for the Wilder-Naifeh Technical Skills Grant.

Policy Alternatives:

- Provide a one-time monetary bonus to transfer students with an associate’s degree to 4-year institutions.
- Allow Wilder-Naifeh recipients who successfully complete a certificate of a year or greater to be eligible for a HOPE award as a transfer student to a community college.
- Allow students pursuing certificate programs at community colleges to be eligible for the Wilder-Naifeh grant.
Conclusion

The Tennessee Education Lottery Scholarship (TELS) program was created in an era in which higher education institutions were encouraged to enroll large numbers of students, and were funded based on those enrollments. As Tennessee has shifted its focus to increased degree production, the state has made legislative and funding changes to promote retention, transfer, and completion – especially for adults and low-income students.

With the new outcomes-based funding formula, Tennessee expects more from institutions in terms of accountability for degree production. However, the TELS program is not similarly constructed. The TELS program is designed to provide access to college for a great number of students, most of whom are recent high school graduates. But the scholarship lacks incentives for retention, transfer, and completion, even for adults - a group for whom the new funding formula applies a 40 percent premium. A lottery scholarship program more closely aligned with the tenets of the CCTA would require what is now asked of our colleges and universities: more successful course and program completions and an increase in the number of citizens with postsecondary credentials.
<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Abernathy</td>
<td>Tennessee Student Assistance Corporation</td>
</tr>
<tr>
<td>Will Burns</td>
<td>Tennessee Higher Education Commission</td>
</tr>
<tr>
<td>Russ Deaton</td>
<td>Tennessee Higher Education Commission</td>
</tr>
<tr>
<td>Jessica Gibson</td>
<td>Tennessee Higher Education Commission</td>
</tr>
<tr>
<td>David Gregory</td>
<td>Tennessee Board of Regents</td>
</tr>
<tr>
<td>Monica Greppin</td>
<td>Tennessee Board of Regents</td>
</tr>
<tr>
<td>Katie High</td>
<td>University of Tennessee</td>
</tr>
<tr>
<td>Susan Mattson</td>
<td>Offices of Research and Education Accountability, Comptroller of the Treasury</td>
</tr>
<tr>
<td>Patrick Meldrim</td>
<td>Tennessee Independent Colleges and Universities Association</td>
</tr>
<tr>
<td>John Morgan</td>
<td>Tennessee Board of Regents</td>
</tr>
<tr>
<td>Tim Phelps</td>
<td>Tennessee Student Assistance Corporation</td>
</tr>
<tr>
<td>Claude Pressnell</td>
<td>Tennessee Independent Colleges and Universities Association</td>
</tr>
<tr>
<td>Richard Rhoda</td>
<td>Tennessee Higher Education Commission</td>
</tr>
<tr>
<td>Sandra Rockett</td>
<td>Dyersburg State Community College, President of Tennessee</td>
</tr>
<tr>
<td>Joseph Woodson</td>
<td>Association of Student Financial Aid Administrators</td>
</tr>
<tr>
<td>David Wright</td>
<td>Tennessee Higher Education Commission</td>
</tr>
<tr>
<td>Takeshi Yanagiura</td>
<td>Tennessee Higher Education Commission</td>
</tr>
</tbody>
</table>
Appendix:

Completion Objectives, Policy Alignment, and Cost Considerations by TELS Program
## Completion Objective: Increased Degree Production

<table>
<thead>
<tr>
<th>Policy Alignment with the Completion Agenda</th>
<th>Policy Alternatives</th>
<th>Implementation Considerations</th>
<th>Annual Cost Considerations (based on historical data)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOPE</strong></td>
<td>No targeted incentives for degree completion. However, the award appears to have some impact on degree-completion for lower-income TELS recipients</td>
<td>Generally, use incentives to increase retention, shorten time-to-degree and ease transfer activity to impact the bottom line of increased degree production.</td>
<td>Extra Cost: $0.2 million (212 students)</td>
</tr>
<tr>
<td><strong>GAMS</strong></td>
<td>No targeted incentives for degree completion; however, these students are better academically prepared and have higher completion rates than other TELS recipients. Low-income, high-achieving students are not eligible for both GAMS and ASPIRE, and may only accept one of those awards.</td>
<td>Consider allowing GAMS-eligible ASPIRE recipients to receive both awards, as TELS awards appear to impact degree-completion for lower-income recipients,</td>
<td>This change would affect very few students overall.</td>
</tr>
<tr>
<td><strong>ASPIRE</strong></td>
<td>No targeted incentives for degree completion; however, there appears to be some impact on degree completion for students who receive the ASPIRE award. Low-income, high-achieving students are not eligible for both GAMS and ASPIRE, and may only accept one of those awards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ACCESS</strong></td>
<td>No targeted incentives for degree completion</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Traditional HOPE</strong></td>
<td>The non-traditional student award is granted on the basis of an Adjusted Gross Income (AGI) of $36,000 or less, but nearly 600 non-traditional students attending degree-granting institutions have an EFC of zero, which is not reflected by AGI.</td>
<td>Allow those individuals with either an AGI of $36,000 or less or an EFC of zero to be eligible for the Non-Traditional Award.</td>
<td>Allow scholarships for Pell-eligible adults with AGI&gt;$36K  Extra Cost:$0.9 million (318 students)  Allow scholarships for adults with AGI&gt;$36K and EFC of zero  Extra Cost:$0.1 million (23 students)</td>
</tr>
<tr>
<td><strong>Dual-Enrollment Grant</strong></td>
<td>The Dual Enrollment Grant allows students to accumulate general education requirements before they enter college.</td>
<td>Continue the Dual Enrollment Grant program in its current form.</td>
<td></td>
</tr>
<tr>
<td><strong>Wilder-Naifeh</strong></td>
<td>Due to the requirements that they maintain satisfactory academic progress and that they enroll in a program – indicating they are seeking credentials with the intent to graduate – W-N recipients have higher completion rates than non-recipients at Technology Centers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Alignment with the Completion Agenda</td>
<td>Policy Alternatives</td>
<td>Implementation Considerations</td>
<td>Annual Cost Considerations (based on historical data)</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td><strong>HOPE</strong></td>
<td>No targeted incentives for retention; however, TELS awards appear to positively impact retention for lower-income students. No policy levers to stem the non-renewal of awards between freshman and sophomore year. Students must have a cumulative GPA of 2.75 to retain the award until junior year, when the GPA requirement increases to a 3.0, potentially causing students to lose scholarships mid-way through their college careers.</td>
<td>Award TELS retroactively after a student has achieved a 2.75 at the end of their first semester. Reduce the college GPA renewal requirement from 3.0 to 2.75 in junior and senior years. Eliminate provisional renewal.</td>
<td>2.75 GPA Required at the End of Fall Semester – Cost Savings: $43 million Extra Cost: $3 million</td>
</tr>
<tr>
<td><strong>GAMS</strong></td>
<td>No targeted incentives for retention, however, these students have higher retention rates than other TELS recipients.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASPIRE</strong></td>
<td>No targeted incentives for retention. However, lower income recipients’ retention rates appear to be impacted by the loss of the scholarship to a greater degree than mid- to high-income recipients.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ACCESS</strong></td>
<td>The non-renewable Access Grant is available to a student for 24 credit hours. If the student meets the HOPE requirements the Access will convert to a HOPE; however, historically only a very small percentage of ACCESS grant recipients have received HOPE scholarships for the remainder of their college careers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Traditional HOPE</strong></td>
<td>Students must complete 12 hours before qualifying for the award; previous coursework does not count toward this requirement.</td>
<td>Consider allowing previous coursework or Prior Learning Assessment credits to count toward 12 hour requirement.</td>
<td>Insufficient data to estimate cost.</td>
</tr>
<tr>
<td><strong>Dual-Enrollment Grant</strong></td>
<td>While dual enrollment programs are often designed to encourage college completion and retention, there is some disagreement as to whether such programs have any independent effect on retention</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wilder-Naifeh</strong></td>
<td>No policy incentives for retention. However, retention may not be a relevant measure for a short-term certificate program enrollee.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Completion Objective: Shortened Time-to-Degree

<table>
<thead>
<tr>
<th>Policy Alignment with the Completion Agenda</th>
<th>Policy alternatives</th>
<th>Implementation considerations</th>
<th>Annual Cost Considerations (based on historical data)</th>
</tr>
</thead>
</table>
| HOPE | Several policies work against shortened time to degree:  
• HOPE is not capped at 120 cumulative credit hours  
• The award can’t be used for summer term  
• Students are only required to enroll for 12 hours to receive the full-time award, putting them on a path to graduate in 5 years  
• Lottery scholarships pay for remedial & developmental (R&D) classes for 19% of TELS recipients. | • Cap the award at 120 hours, 5 years, or degree completion – whichever comes first  
• Allow students to use awards during the summer  
• Restrict usage of TELS awards for remedial and developmental classes to low-income recipients. | Limiting TELS payments for R&D classes to low-income students would require that scholarships be awarded on a per credit basis, which is not current practice. | Cap the Award at 120 Credit Hrs - Cost Savings: $7.1 million (1,586 students would lose the scholarship)  
Summer: No change in summer enrollment – Extra Cost: $9.5 million; 10% increase in summer enrollment – Extra Cost: $13.8 million; 20% increase in summer enrollment – Extra Cost: $17.7 million |
<p>| GAMS | See above. | | |
| ASPIRE | See above. | | |
| ACCESS | See above. | | |
| Non-Traditional | See above. | | |
| Dual-Enrollment Grant | The Dual Enrollment Grant allows students to obtain college credit for lower division college courses while in high school and is available for use in summer terms prior to graduation from high school. | Continue the Dual Enrollment Grant as it is currently designed. | |
| Wilder-Naifeh | N/A | | |</p>
<table>
<thead>
<tr>
<th>Completion Objective: Easing Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy Alignment with the Completion Agenda</strong></td>
</tr>
<tr>
<td><strong>HOPE</strong></td>
</tr>
<tr>
<td><strong>GAMS</strong></td>
</tr>
<tr>
<td><strong>ASPIRE</strong></td>
</tr>
<tr>
<td><strong>ACCESS</strong></td>
</tr>
<tr>
<td><strong>Non-Traditional HOPE</strong></td>
</tr>
<tr>
<td><strong>Dual-Enrollment Grant</strong></td>
</tr>
<tr>
<td><strong>Wilder-Naifeh</strong></td>
</tr>
</tbody>
</table>
ENDNOTES


5 Ibid., p. 12.


7 Ibid., p. 23.


12 Ibid, p. 8


