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# Driven to Perform: Tennessee's Higher Education Policies & Outcomes

## Executive Summary

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April 2017

Suggested citation: Finney, J., Leigh, E. W., Ruiz, R., Castillo, W., Smith, E., & Kent, D. C. (2017). *Driven to perform: Tennessee's higher education policies and outcomes—Executive Summary*. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania.

As states struggle to make college affordable and accessible for all of their residents, they can look to Tennessee as a model. With ambitious, clearly defined postsecondary attainment goals targeted by well-aligned K–12 and higher education policies, the state is positioned for success. While there is still much work to be done, Tennessee’s political, educational, and business leaders have demonstrated sustained, bipartisan support for seeing that Tennesseans attain the college education they need to succeed.

## Background

Long recognized nationally for its innovative K–12 and higher education policies, Tennessee has accelerated the pace of innovation since the early 2000s by issuing a fleet of policies targeting educational attainment. Key initiatives include:

### Tennessee’s Higher Education Landscape

Nearly 225,000 students were enrolled in degree-granting public institutions in Tennessee in fall of 2015, an increase of 12.3% since the fall of 2005.

Enrollment in public and private not-for-profit higher education is 29% in public research universities, 28% in public two-year institutions, 20% in private four-year nondoctoral institutions, 14% in public four-year nondoctoral institutions, 7% in colleges of applied technology, and 3% in private research universities.

Tennessee’s Board of Regents oversees 13 community colleges and 27 colleges of applied technology. Local boards oversee the state’s six public four-year universities. The University of Tennessee oversees three public four-year universities as well as three institutes and a health science center. The Tennessee Higher Education Commission is responsible for the statewide master plan for higher education.

#### ➤ **Performance-based funding to outcomes-based funding:**

Tennessee was the first state to implement a performance-based funding model for public higher education and one of the first states to revise that funding model (now called outcomes-based funding) in an effort to improve educational attainment.<sup>1</sup>

#### ➤ **Drive to 55:** The aim of this landmark campaign is to raise postsecondary degree attainment in the state to 55% by 2025. To reach this goal, the state will need to increase the number of adults with a college credential by more than 17% by 2025, which translates to 79,210 credentials annually.<sup>2</sup> Three key provisions of the campaign are:

- **Tennessee Promise**, which provides last-dollar scholarships to students from Tennessee, with the intent of making the cost of enrollment at state community and technical colleges free when combined with other forms of financial aid.
- **Tennessee Reconnect**, a last-dollar scholarship for adult students to attend community college tuition-free.
- **Tennessee Labor Education Alignment Program (LEAP)**, which aims to eliminate skills gaps by incentivizing “local alignment groups” with grants that can be used by colleges of applied technology and local partners from the business community.

#### ➤ **Reinforcing policies:** Spurred by Drive to 55, Tennessee has implemented supporting policies, such as the **Reverse Transfer Program** that allows students who have already transferred to a participating four-year institution to receive their associate’s degree,<sup>3</sup> and the **Seamless Alignment and Integrated Learning (SAILS)** initiative, which provides remedial math in high school for credit to exempt students from taking remedial math in college.

In an era of highly publicized political polarization on the national level, it is notable that these policy efforts have been sustained under both Democratic and Republican governors.

### **Making Education a Bipartisan Priority**

Upon becoming the governor in 2003, Phil Bredesen, a Democrat, made education one of his top priorities. He established the Tennessee Education Lottery Scholarships program to promote college affordability. To implement programmatic changes in college-readiness initiatives, Governor Bredesen secured U.S. Department of Education “Race to the Top” funds.\* At the end of his term in office, Bredesen signed the Complete College Tennessee Act of 2010, codifying the master plan to increase postsecondary education attainment rates in the coming decade and laying the groundwork for implementation.

Bill Haslam, a Republican, succeeded Bredesen as governor in 2011. The Drive to 55 campaign is Governor Haslam’s landmark initiative among his portfolio of higher education policies. Haslam’s deep involvement and attention to higher education policy has included the different parties involved in both policymaking and policy execution.

### **Successes Along the Way**

Since implementing these policies, Tennessee has seen notable gains in K–12 academic achievement, high school graduation, and postsecondary enrollment.

**K–12 academic preparation and college readiness.** Tennessee is the fastest improving state in the nation on fourth- and eighth-grade math and reading scores on the National Assessment of Education Progress (NAEP).<sup>4</sup> Tennessee’s high school graduation rate increased from 64% in 2003 to 87% in 2014.<sup>5</sup>

**College participation.** The percentage of 18- to 24-year-olds increased by almost 3 percentage points (36% to 38.5%) from 2009 to 2015.<sup>6</sup> By sector, the fall undergraduate headcount enrollment from 2008 to 2015 increased by 9.6% in public community colleges, 4.5% in regional four-year universities, and 2.8% in the UT system.<sup>7</sup>

As for the Tennessee Promise, early data are indeed promising: First-time freshman enrollment increased by over 10% across public institutions between fall 2014 and fall 2015.<sup>8</sup> And in fall 2015, 17% fewer students applied for federal loans.<sup>9</sup>

### **Miles to Go**

Despite successes in educational achievement and college participation, college affordability and completion remain significant obstacles for the state. Key challenges include:

- **College readiness:** Despite increases in K–12 achievement and graduation rates, Tennessee high school graduates continue to underperform on the ACT compared to national scores (19.8 compared to 21).<sup>10</sup>
- **Affordability:** Tuition and fees at public universities increased 51% from 2008 to 2015 and increased 45% at community colleges over the same period, well beyond the rate of inflation.<sup>11</sup> Similarly, the estimated share of family income required to attend college full-time has increased for every sector since 2008, except for community colleges.<sup>12</sup> The Tennessee Promise has eliminated tuition for those in community colleges and institutions of applied technology, but it has not fully eliminated the barriers to paying the full cost of postsecondary education.
- **Completion:** Postsecondary completion rates among Tennessee students have increased only modestly from 41% in 2006 to 44% in 2015. Four-year public universities have shown an increase of 7 percentage points over this period, but two-year public colleges have seen virtually no gains in graduation rates. Six-year graduation rates at four-year institutions between 2011 to 2015 have increased for Whites by 0.6 percentage points (60.7% to 61.3%), decreased for Blacks by 4 percentage points (45% to 41%), and decreased for Hispanics by 0.5 percentage points (51% to 50.5%).<sup>13</sup>

- **Persistence of race/ethnicity gaps:**
  - Only 4% of Black Tennessee high school graduates in 2015 who took the ACT met college-readiness benchmarks on ACT subject tests.<sup>14</sup>
  - While 36% of White Tennesseans hold at least an associate's degree, Black Tennesseans trail behind with an attainment rate of 26%.<sup>15</sup>
  - Despite being the fastest-growing segment of Tennessee's population, Hispanics hold college degrees at half the rate of their White counterparts (18% compared to 36%).<sup>16</sup>

As these continuing challenges make clear, dramatic changes in college access and attainment—especially for Blacks and Hispanics—have yet to transpire. Closing these gaps is the only realistic path to achieving the state's Drive to 55 goals. Tennessee must be relentless in tying together governance, leadership, and finance policies to create more targeted strategies for low-income and racial/ethnic minorities in order to reach its ambitious attainment goals.

## **Recommendations for the Road Ahead**

The Tennessee higher education agenda shows that intractable problems—such as poor student completion rates and disparities based on race/ethnicity, income, and geography—will all yield to a set of well-designed and interconnected public policies that are bolstered by sustained state leadership. Tennessee has taken a bold approach to public policy change that can be a useful lesson for other states. Maintaining this momentum across political parties is a requisite for lasting change.

The following themes, described in detail in the more extensive report (<http://www2.gse.upenn.edu/irhe/research/tennessee>), reveal the most fertile areas for future state policy reform to support this ambitious agenda. These issues should receive top priority as Tennessee advances its policy agenda to improve the educational attainment of those living in the state.

**Put more state financial aid in the hands of those who need it most.** A potential threat to the state's ambitious higher educational goals is the dramatic shift in the share of need-based aid compared to merit-based aid since 2004. Seventy-six percent of state aid is awarded solely on merit.<sup>17</sup> State merit aid is typically awarded to students from higher income backgrounds rather than targeting those who need the most assistance covering higher education costs. The Tennessee Promise program is a good start in channeling financial aid to underserved students at community colleges, but it is uncertain whether the Promise program alone will result in sustained increases in college access and completion rates.

**Watch for mission creep by regional universities.** The 2016 FOCUS Act heightens the attention paid to the 13 community colleges and 27 colleges of applied technology under Tennessee Board of Regents governance, with the goal of better targeting these colleges' educational programs to students and regions of the state that remain underserved. But the law untethers the six four-year public locally governed universities from the Regents' governance, thereby empowering them to craft and self-direct their own policies and procedures in several areas of university administration, including academic programming and financial aid. These universities are now free to enact two-year programs, recruit out-of-state, and expand their mission in other ways that may be poorly aligned with the state's overall higher education agenda.

**Improve the institutional capacity of Tennessee's colleges of applied technology.** Tennessee's colleges of applied technology have relatively high completion and job placement rates, and yet these institutions have limited capacity to accommodate more students.

**Maintain the proper balance in outcomes-based funding.** Tennessee's postsecondary institutions' ability to hold the line on tuition increases is related to their ability to address the funding model's student success agenda. As long as a substantial amount of an institution's revenue comes from the state rather than from student tuition, it will have an incentive to hit performance targets laid out by the state. If students end up paying more and more of the cost, the state loses its leverage in achieving its performance goals.

## **Conclusion**

Tennessee has miles to go before it can claim complete success in its Drive to 55 campaign, but state and higher education leaders should be heartened by recent achievements.

With strong leadership, business community support, and shared goals in place, Tennessee has seen progress in its K–12 sector where other states have not. Early postsecondary enrollment results from the Tennessee Promise show initial success.

Numerous challenges in college access and completion persist, especially in providing opportunities for Blacks and Hispanics. But the state offers clear evidence that intractable problems do yield to policy when those policies are coordinated to maximize impact, sustained over time and across administrations, and modified when necessary to reflect new evidence and changing public needs.

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\*Complete College America, *Complete college Tennessee: Challenges and opportunities* (2010), retrieved from [http://media.timesfreepress.com/docs/2010/01/TN\\_College\\_Completion\\_Recommendations.pdf](http://media.timesfreepress.com/docs/2010/01/TN_College_Completion_Recommendations.pdf); National Center for Higher Education Management Systems, *Making opportunity affordable – Tennessee policy audit* (2009), retrieved from [https://www.tn.gov/assets/entities/thec/attachments/CMSpring2009\\_II.pdf](https://www.tn.gov/assets/entities/thec/attachments/CMSpring2009_II.pdf).

<sup>1</sup> K. J. Dougherty, R. S. Natow, R. J. Hare, S. M. Jones, B. E. Vega, *The Politics of Performance Funding in Eight States: Origins, Demise, and Change* (Indianapolis, IN: Lumina Foundation, February 2011), retrieved from <http://files.eric.ed.gov/fulltext/ED517751.pdf>

<sup>2</sup> Tennessee Higher Education Commission, *2014-2015 Tennessee Higher Education Factbook*, retrieved from [https://www.tn.gov/assets/entities/thec/attachments/2014-15\\_Factbook.pdf](https://www.tn.gov/assets/entities/thec/attachments/2014-15_Factbook.pdf)

<sup>3</sup> Tennessee Higher Education Commission, *Articulation and Transfer in Tennessee Higher Education: Annual Report, 2014-15 Academic Year*.

[https://www.tn.gov/assets/entities/thec/attachments/Articulation\\_Transfer\\_Report\\_2015.pdf](https://www.tn.gov/assets/entities/thec/attachments/Articulation_Transfer_Report_2015.pdf)

<sup>4</sup> “National Assessment of Educational Progress,” Tennessee Department of Education, retrieved from <https://www.tn.gov/education/topic/naep>

<sup>5</sup> National Center for Educational Statistics, *The digest of education statistics*. 2015 Data file. Washington, DC: U.S. Department of Education Retrieved from <http://nces.ed.gov/pubsearch/getpubcats.asp?sid=091#06>; A recent report from the Tennessee Department of Education discovered that about 1/3 of high school graduates in 2015 did not meet state high school graduation requirements, but were awarded a diploma. The state is still assessing the reasons for this finding. The full report can be found here and does report a high school graduation rate of nearly 90% as well [https://tn.gov/assets/entities/education/attachments/rpt\\_high\\_school-seamless\\_pathways.pdf](https://tn.gov/assets/entities/education/attachments/rpt_high_school-seamless_pathways.pdf)

<sup>6</sup> “School Enrollment, 2009-2015 American Community Survey, 5-Year Estimates,” U.S. Census Bureau, retrieved from [https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15\\_5YR/S1401/0400000US47](https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/S1401/0400000US47); Tennessee Higher Education Commission, *Profiles and Trends in Tennessee Higher Education: 2016 Annual Report*, retrieved from <https://www.tn.gov/assets/entities/thec/attachments/Profiles-Trends-2016.pdf>

<sup>7</sup> Tennessee Higher Education Commission, *Tennessee Higher Education Factbook, 2010-11*, retrieved from [https://www.tn.gov/assets/entities/thec/attachments/LM2011\\_2010-11%20Fact%20Book.PDF](https://www.tn.gov/assets/entities/thec/attachments/LM2011_2010-11%20Fact%20Book.PDF); Tennessee Higher Education Commission, *2015-2016 Tennessee Higher Education Factbook*, retrieved from

[https://www.tn.gov/assets/entities/thec/attachments/2015-2016\\_Fact\\_Book.pdf](https://www.tn.gov/assets/entities/thec/attachments/2015-2016_Fact_Book.pdf)

<sup>8</sup> W. Fox, L. Kessler, S. Haar, and K. Scott, *Economic Benefits of Postsecondary Credentials: Incremental Earnings and Revenues upon Drive to 55 Achievement* (Center for Economic Research in Tennessee, February 8, 2016), retrieved from [http://www.tnecd.com/lib/file/manager/higher\\_education\\_research\\_publication.pdf](http://www.tnecd.com/lib/file/manager/higher_education_research_publication.pdf)

<sup>9</sup> E. House, *The Tennessee Promise: Policy Diffusion, College-going and the Power of “Free.”* Paper presented at The Association of Studies in Higher Education, Columbus, OH, November, 2016.

<sup>10</sup> 2015 ACT National and State Scores—Average Scores by State. American College Testing, retrieved from <https://www.act.org/newsroom/data/2015/states.html>.

<sup>11</sup> Tennessee Higher Education Commission, *2014-2015 Tennessee Higher Education Factbook*, retrieved from [https://www.tn.gov/assets/entities/thec/attachments/2014-15\\_Factbook.pdf](https://www.tn.gov/assets/entities/thec/attachments/2014-15_Factbook.pdf)

<sup>12</sup> Institute for Research on Higher Education, *College Affordability Diagnosis: Tennessee* (Philadelphia, PA: Author, 2016), retrieved from <http://www2.gse.upenn.edu/irhe/affordability-diagnosis>

<sup>13</sup> Tennessee Higher Education Commission, *Profiles and Trends in Tennessee Higher Education: 2016 Annual Report*, retrieved from <https://www.tn.gov/assets/entities/thec/attachments/Profiles-Trends-2016.pdf>

<sup>14</sup> *The Path Forward: Improving Opportunities for African-American Students* (Washington, DC: U.S. Chamber of Commerce Foundation, 2015), retrieved from [http://www.leadersandlaggards.org/sites/default/files/ThePathForward\\_Improving\\_Opportunities\\_AfricanAmerican\\_Students.pdf](http://www.leadersandlaggards.org/sites/default/files/ThePathForward_Improving_Opportunities_AfricanAmerican_Students.pdf)

<sup>15</sup> Institute for Research on Higher Education, *College Affordability Diagnosis: Tennessee*.

<sup>16</sup> Institute for Research on Higher Education, *College Affordability Diagnosis: Tennessee*.

<sup>17</sup> Tennessee Higher Education Commission, *Profiles and Trends in Tennessee Higher Education: 2016 Annual Report*, retrieved from <https://www.tn.gov/assets/entities/thec/attachments/Profiles-Trends-2016.pdf>