



**FINAL REPORT AND RECOMMENDATIONS OF THE
TENNESSEE HIGHER EDUCATION COMMISSION
LOTTERY SCHOLARSHIP COMMITTEE**

April 13, 2007

**Final Report and Recommendations of the
Tennessee Higher Education Commission
Lottery Scholarship Committee**

EXECUTIVE SUMMARY

The Tennessee Higher Education Commission established a Lottery Scholarship Committee to address scholarship retention rates and socioeconomic disparities in scholarship qualification and retention. This ad hoc committee held a series of meetings over a two month period to develop recommendations to the Commission and the Tennessee General Assembly. The committee's hearings and data analysis led to several broad conclusions:

- Scholarship retention is largely predicated on the level of academic preparation in high school;
- Caucasian and African American scholarship recipients differed in the primary methods by which they qualified for an award;
- A "B" average in high school is not necessarily predictive of a "B" average in college; and
- Based on scholarship retention rates and ACT scores, high school academic preparation appears uneven across the state.

The committee's recommendations are organized under four major topical areas:

1. High School Standards for Initial Scholarship Eligibility. The committee finds that lottery scholarship policy should encourage rigorous high school preparation so that students will have the academic foundation to thrive at the postsecondary level.

- A. The General Assembly should not lower the high school academic standards required to qualify for the HOPE or ASPIRE awards.
- B. The General Assembly should broaden the initial eligibility criteria for the need-based Access grant by requiring either a minimum high school GPA or a minimum ACT score, as is the case with other lottery scholarship awards. *(Estimate of fiscal impact: \$1 million in year one; \$1.5 million fully implemented.)*
- C. Continued study of the differences in scholarship retention rates based on academic high school performance in differing high schools should be encouraged, to better ascertain uneven academic preparation across the state.

2. Early Preparation and Awareness. The committee finds that students need to be challenged to take courses that lead to college readiness and the associated lifelong benefits of choosing this avenue of preparation. If college access is to be truly meaningful, students need a certain skill set upon entering college that will help ensure access to a college credential – a desirable outcome for students and the state.

- A. Lottery scholarship requirements or rewards should promote a college preparatory curriculum in high school. This could be done by requiring certain coursework to receive a lottery scholarship, or by providing an increased dollar amount for students who complete such a curriculum.
- B. High schools should provide students with checkpoints for high school preparation to assist them in determining their college readiness.
- C. The communication services division of the Tennessee Student Assistance Corporation should be equipped with additional sufficient resources to effectively disseminate information statewide about the benefits of the lottery scholarship program and the need for rigorous academic preparation in high school.

3. College Standards for Maintaining Scholarship Eligibility. The committee finds that several steps should be taken in order to help current lottery scholarship recipients maintain scholarship eligibility.

- A. The General Assembly should establish 2.75 as the college cumulative GPA required for scholarship retention at all checkpoints for college credit hours attempted. *(Estimate of fiscal impact: \$7 million in year one; \$16 million fully implemented.)*
- B. THEC should convene a biennial statewide summit involving public and independent institutions so that campuses can share best practices in college and scholarship retention.
- C. Campuses should develop an early alert mechanism that connects scholarship recipients with available campus academic success resources if their performance falls below a specified level.

4. Expanding the Reach of Lottery Resources to Increase Educational Attainment Levels in Tennessee. The committee finds that the following state strategies would leverage lottery dollars to reach out to underserved student populations in order to increase the percentage of Tennesseans completing some level of higher education.

- A. Interest earned on the lottery reserve account should be dedicated to supplementing legislative appropriations to the need-based Tennessee Student Assistance Award. *(No impact on lottery revenues available for annual program expenses; size of contribution to TSAA depends on lottery reserve account balance.)*
- B. The General Assembly should expand the eligibility criteria of the lottery scholarship's existing Nontraditional Student Grant to invite greater access by adults seeking a postsecondary credential. *(Estimate of fiscal impact: \$2 million in year one; \$3 million fully implemented.)*
- C. The General Assembly should establish a statewide early commitment program, modeled on successful state and local programs, providing a tuition benefit to low-income students who graduate from high school with a college preparatory curriculum regardless of the high school grade point average achieved. *(Estimate of fiscal impact: \$4 million in year one; \$20 million fully implemented.)*

Final Report and Recommendations of the Tennessee Higher Education Commission Lottery Scholarship Committee

State statute charges the Tennessee Higher Education Commission (THEC) with responsibility for analyzing data pertaining to the Tennessee Education Lottery Scholarship (TELS) program and producing an annual report on student success and scholarship retention. The Tennessee General Assembly created this lottery-funded statewide merit scholarship program in 2004 with four major policy objectives:

- *improve academic achievement in high school* through scholarship incentive;
- provide financial assistance to *promote access to higher education*;
- *retain the state's "best and brightest" students* in Tennessee colleges and universities; and
- *promote economic development* through workforce training.

Pursuant to its statutory responsibility, THEC produced the *Tennessee Education Lottery Scholarship Program Annual Report* in January 2007. The report was presented to the Commission and leadership within the General Assembly. The report's noteworthy findings included the following:

- Half of the first-time lottery recipients lost their scholarship after their first year in college, and two-thirds of these recipients had lost their award by the end of the second year.
- Two-thirds of scholarship recipients who qualified for the award by meeting both the high school GPA and ACT standards retained the award after their first year, compared to 42 percent of students qualifying solely by high school GPA and 23 percent qualifying solely by ACT.
- Students from higher income families were much more likely than lower income students to retain their award.
- Among students who lost their award, two-thirds returned to college anyway. Scholarship forfeiters who left school were similar to those who stayed in terms of high school academic performance; however, leavers came from families earning on average about \$10,000 less per year.
- Students who forfeit the scholarship but remain enrolled are more likely to migrate to a community college. The impact of this phenomenon on eventual degree attainment – both its likelihood and its length – is yet to be determined.

Lottery Scholarship Committee Membership, Activities, and Findings

The lower-than-expected scholarship retention rates contained in the report, coupled with findings of socioeconomic disparity in scholarship qualification and retention, led Commission Chair Katie Winchester to establish an ad hoc committee for the purpose of making recommendations to the Commission and General Assembly. The committee consisted of Commission members AC Wharton, Jr. (chair), John Morgan, Jack Murrah, Richard Rhoda, and student representative Sondra Wilson. Committee meeting agendas and presenters are listed in **Appendices A and B**.

In addition to holding four meetings, the committee also:

- conducted further analysis of student-level data on scholarship recipients;
- examined institutional best practices for scholarship retention;
- examined successful examples of state and local early commitment programs;
- conducted focus group interviews (summarized in **Appendix C**) with GEAR UP site coordinators who work to promote higher educational attainment among middle and high school students in the nine Tennessee counties scoring lowest on the Educational Needs Index;
- held one public forum to disseminate information about the financial aid process and gather citizen feedback on the lottery scholarship; and
- produced a policy brief on the lottery scholarship Dual Enrollment Grant that recommended increasing from four to five the total number of courses a student may take under the grant.

The committee's further data analysis led to the following conclusions:

- Scholarship retention is largely predicated on the level of academic preparation in high school.
 - Students were least likely to retain their scholarship if they qualified solely on the basis of an ACT or equivalent score. They had a better chance of retaining if they qualified on the basis of their high school GPA alone. Students who met both the standards for high school GPA *and* ACT score were the most likely to retain their scholarship.
 - Overall, about half of TELS freshmen retain their awards after one year of college. For students who enter with less than a 3.0 GPA on their high school coursework, the scholarship retention rate drops to 25 percent.
- There were differences in the manner in which Caucasian and African American scholarship recipients qualified for an award. The majority of Caucasian students qualified on the basis of meeting both the high school GPA and ACT criteria. Among African American recipients, students were most likely to qualify on the basis of high school GPA alone.
 - Differences in scholarship retention rates by race and ethnicity were largely explained by differences in academic preparation.
- A "B" average in high school is not necessarily predictive of a "B" average in college.
 - Though this varies based on the high school from which the student graduated, the student's academic record, and the postsecondary sector attended, the cumulative college GPA at the end of the freshman year is on average about a half letter grade below the high school GPA.
- Academic preparation is uneven across the state of Tennessee.
 - Average ACT composite scores were calculated for each Tennessee public high school's 2006 seniors who self-reported a B high school GPA. The average ACT score for B students ranged from 15 in some schools to 25 in others.
 - When calculated by individual high school, freshman-to-sophomore retention rates among Tennessee high schools ranged from 42 to 88

percent (exclusive of high schools that graduated fewer than 25 TELS freshmen in 2005).

- o Additional analysis of data on TELS recipients from Chattanooga, Memphis, and Nashville metropolitan school districts revealed that scholarship recipients from all three city schools were below the state average for ACT scores, yet recipients from Memphis city schools exceeded the state average on high school grade point average.

Although these findings were sobering, the committee welcomed them as a useful starting point for correcting the underlying problems they illuminate. Further, stakeholders appearing before the committee did not view these results as insurmountable, but seemed to take them as a challenge to be met.

In considering potential courses of action, the committee's views were tempered by the fact that the Tennessee Education Lottery Scholarship is still a relatively young program. The students included in the preceding analyses had little to no knowledge of the scholarship and its requirements in planning and completing their secondary schooling. Future students will have the benefit of this knowledge. Therefore, the posture of the committee is to let the scholarship, in concert with other forthcoming policy initiatives, have the desired effect to influence high school preparation and achievement. Then, insofar as it is fiscally feasible, campuses and state policymakers must take reasonable steps to help college students retain their scholarships.

Recommendations

Informed by the findings and activities outlined above, the committee's recommendations are organized under four major topical areas:

- high school standards for initial scholarship eligibility;
- the importance of early preparation and awareness;
- college standards for continuing eligibility; and
- expanding the reach of lottery resources to increase educational attainment levels in Tennessee.

1. High School Standards for Initial Scholarship Eligibility

Throughout its deliberations, the committee gathered feedback from high school counselors, students, teachers, administrators, and parents in an effort to gain community input regarding the effectiveness, merits, and shortcomings of the lottery scholarship program. Each group was asked to comment on the initial scholarship requirements of a minimum 3.0 high school GPA *or* minimum 21 ACT score. Respondents overwhelmingly expressed a belief that the current standards are reasonable. Counselors noted that lowering the academic requirements would have a negative impact on high school academic achievement and course selection which, in turn, would contradict the TELS policy goal of improving high school academic achievement through a scholarship incentive.

This belief parallels the committee's finding that better academic preparation results in increased likelihood of scholarship retention. Unfortunately, the committee also discovered that academic preparation appears uneven across the state. As noted earlier, students with similar high school grade averages have disparate ACT scores and retain the scholarship at different rates.

Action Plan

The committee is in agreement that lottery scholarship policy should encourage thorough high school preparation so that students will have the academic foundation to thrive at the postsecondary level. Therefore, the committee makes the following recommendations:

A. The General Assembly should not lower the high school academic standards required to qualify for the HOPE or ASPIRE awards.

The committee believes that the high school requirements for the base HOPE and need-based ASPIRE awards cannot be lowered without compromising what incoming college students realistically need to achieve in order to succeed at the college level. High school students should receive consistent messages from teachers, families, communities, and state policymakers to work hard to raise their level of high school performance. Lowering the bar in high school would create an environment where retention rates for these awards would plummet because student achievement was not an adequate indicator of the challenges that lay ahead.

B. The General Assembly should broaden the initial eligibility criteria for the need-based Access grant by requiring either a minimum high school GPA or a minimum ACT score, as is the case with other lottery scholarship awards.

(Estimate of fiscal impact: \$1 million in year one; \$1.5 million fully implemented.)

The Access grant is a partial award available to needy students whose high school academic credentials narrowly missed the cutoffs for ASPIRE. Although the Access grant itself is a one-time award, students may remain on scholarship assistance throughout college by meeting the college GPA requirement for the HOPE scholarship. The policy intent behind this grant was to broaden access to students who demonstrate academic promise and financial need. Currently, the award requires a family adjusted gross income of \$36,000 or less, a minimum high school GPA of 2.75, and an ACT composite score of 18-20. This is a small program serving only a few hundred students, with freshman-to-sophomore scholarship retention rates consistently around 20 percent. Expanding eligibility to students who meet *either* criterion (rather than both) could do little harm to current award retention rates in this program, would bring Access grant eligibility requirements into greater alignment with requirements for other scholarship awards, and would further serve the state policy goal of increasing access to higher education through the lottery scholarship.

C. Continued study of the differences in scholarship retention rates based on academic high school performance in differing high schools should be encouraged, to better ascertain uneven academic preparation across the state.

The differences in high school preparation across the state warrant continued study. The fact that a 3.0 high school GPA in one part of the state results in a much different scholarship retention rate than the same grade average in another part of the state is problematic as students try to discern whether they are sufficiently prepared to ensure collegiate success and scholarship retention. To this end, the Commission commits to continuing the college-to-high school feedback reports that have been produced on a pilot basis in cooperation with ACT. These reports provide each high school with feedback on its graduating seniors' postsecondary performance in the freshman year, disaggregating the results for graduates who did and did not attend college on a lottery scholarship.

2. Early Preparation and Awareness

While achievement of a certain high school GPA or standardized test score is an indicator of college readiness, the committee's research has discovered school-to-school variability across the state within the specified high school grade range. In short, a 3.0 in high school results in different college outcomes depending on the school at which the B average was earned. Research by ACT, the National Center for Education Statistics, and others indicates that a better indicator of college readiness is exposure to key courses and adequate performance in a rigorous "college ready" curriculum. This set of courses better prepares one for the rigors of college and assists in better performance on the ACT exam.

Action Plan

The committee finds that students need to be challenged to take courses that lead to college readiness and the associated lifelong benefits of choosing this avenue of preparation. If college access is to be truly meaningful, students need a certain skill set upon entering college that will help ensure access to a college credential – a desirable outcome for students and the state. Therefore, the committee makes the following recommendations:

A. Lottery scholarship requirements or rewards should promote a college preparatory curriculum in high school. This could be done by requiring certain coursework to receive a lottery scholarship, or by providing an increased dollar amount for students who complete such a curriculum.

Rewarding high school students who complete a more rigorous curriculum will give them incentive to prepare in a manner that leads to postsecondary success. The state would need to decide on a metric by which rigor would be judged. Two current possibilities are the standards required by the American Diploma Project or those of the Tennessee Scholars Program. Further research into this area should ensure that the guidelines are clearly articulated and available to all Tennessee high school students.

B. High schools should provide students with checkpoints for high school preparation to assist them in determining their college readiness.

Early academic checkpoints will provide an opportunity for high school students to discover their progress toward college readiness in sufficient time to make mid-course adjustments. Toward this end, the committee supports the universal administration of ACT Explore and Plan assessments that Governor Bredesen has recommended for all the state's eighth and tenth graders. These pre-ACT achievement tests allow students, teachers, and counselors to determine each student's strengths and weaknesses in a timely manner that will allow for a plan of action that addresses deficiencies and further builds on student strengths.

C. The communication services division of the Tennessee Student Assistance Corporation should be equipped with additional sufficient resources to effectively disseminate information statewide about the benefits of the lottery scholarship program and the need for rigorous academic preparation in high school.

The Tennessee Student Assistance Corporation is statutorily responsible not only for administering, but for promoting the lottery scholarship program. It is paramount that students and their families understand the scholarship requirements, any changes that are made annually, as well as the long-term benefits of more challenging academic preparation. Focus group interviews indicated some students and their parents continue to be limited in their understanding of scholarship and general financial aid availability and requirements, particularly in counties where this information is most needed. Additionally, due to staffing limitations, there is a vast segment of the population yet to be properly informed of educational opportunities and financial aid availability.

The process of learning about the lottery scholarship and the overall benefits of higher education should begin in middle school and should particularly focus on populations traditionally underserved by postsecondary education. After a thorough assessment of current performance and future needs, TSAC should ensure that its communication services division has sufficient additional resources and internal staff support to disseminate information statewide about academic strategies and program guidelines to all Tennessee students. This can be achieved through a combination of internal reallocation of various funding sources and/or the use of additional lottery resources. (See **Appendix D** for details.)

3. College Standards for Maintaining Scholarship Eligibility

The committee inquired into the origins of the 3.0 college GPA required for scholarship renewal and determined this grade average was chosen because it was a standard commonly used by other states with similar programs; it encouraged students to perform academically at a high level in college; and it was fiscally responsible.

Action Plan

As the TELS program nears maturity in 2007-08, TSAC projects a structural annual surplus -- a positive cash flow resulting from net lottery proceeds in excess of projected program expenses -- of \$33 million. With this self-imposed fiscal limitation in mind, the committee makes the following recommendations relative to college standards and practices for helping students retain lottery scholarships:

A. The General Assembly should establish 2.75 as the college cumulative GPA required for scholarship retention at all checkpoints for college credit hours attempted.

(Estimate of fiscal impact: \$7 million in year one; \$16 million fully implemented.)

The structural annual surplus gave the committee room to examine the ramifications of lowering the GPA for TELS retention to 2.75 for all years. This course of action makes use of what we now know about the relationship of high school GPA and freshman year grades in the state. The proposed revision to the college GPA would result in an additional 1,600 students retaining awards, increasing the overall scholarship retention rate after two years of college from the current 35 percent to 44 percent. Further, the recommendation would have a positive impact on the proportional representation within the scholarship population by students currently underserved by higher education. Among students that would be added by implementing the recommendation:

- 14 percent would be African American, compared to 10 percent of TELS freshmen and 8 percent of the lottery scholarship population overall; and
- 27 percent would be from families with an adjusted gross income (AGI) of \$36,000 or less, compared to 24 percent in the overall TELS population.

B. THEC should convene a biennial statewide summit involving public and independent institutions so that campuses can share best practices in college and scholarship retention.

The committee met with several Tennessee campus officials regarding their practices to bolster student academic success. While these institutional practices are largely tailored to each campus's unique student body, there are certain principles that can be applied more generally, such as academic deficiency early warning systems, peer tutoring, and learning communities. A biennial statewide summit on student and scholarship retention would allow campuses to learn from each other and tailor promising practices to their own communities.

C. Campuses should develop an early alert mechanism that connects scholarship recipients with available campus academic success resources if their performance falls below a specified level.

Data indicate that many freshmen have difficulty adjusting to the demands of college, which is reflected in lower initial grade point averages. Further, only four percent of students who fail to achieve the required 2.75 college cumulative GPA by the 24 college credit hour checkpoint successfully take advantage of the scholarship's "regain" provision by raising their collegiate GPA to 3.0 at the 48

hour checkpoint. Any academic deficiency must be remedied quickly in order for students to have a reasonable chance of maintaining scholarship eligibility. Thus, a campus mechanism is needed to connect scholarship recipients with academic success resources during the first semester.

4. Expanding the Reach of Lottery Resources to Increase Educational Attainment Levels in Tennessee

Higher education's many benefits to individuals and states are well-documented. Currently, Tennessee ranks among the bottom 10 states in adult baccalaureate attainment and among the bottom 15 in personal income per capita. Further, great disparities exist by county. Only a handful of Tennessee counties exceed the state average on either of these measures. Increasing the level of educational attainment across the state is in the interest of all Tennesseans. Making progress will increase incomes and opportunities for individuals, enhance state revenues, and improve Tennessee's competitiveness from an economic development standpoint.

For all their merit, the preceding proposals essentially extend some additional benefit to students already receiving the lottery scholarship. An opinion survey the Commission administers biennially to high school seniors suggests that 90 percent of these students had planned to attend college anyway. Tennessee's ranking in the bottom fifth of states in terms of adult educational attainment calls for a more targeted allocation of resources, and the positive cash flow referenced earlier, coupled with future interest earnings on the lottery reserve account, provides a funding source from which to work.

Action Plan: The following proposals argue for leveraging lottery dollars to reach out to underserved student populations in order to increase the percentage of Tennesseans completing some level of higher education. The committee makes the following recommendations:

A. Interest earned on the lottery reserve account should be dedicated to supplementing legislative appropriations to the need-based Tennessee Student Assistance Award. *Lottery revenues as a percentage of all TSAA funding should be calculated and reported on an ongoing basis to ensure that lottery funds continue to supplement and not supplant appropriations.*

(No impact on lottery revenues available for annual program expenses; size of contribution to TSAA depends on lottery reserve account balance.)

When most Tennesseans think about student aid, they think about the lottery scholarship programs. Highway billboards, television ads, and radio announcements broadcast how many hundreds of millions of dollars have been raised for lottery scholarships. However, for many low-income Tennesseans, the primary state financial aid program on which they rely for access to postsecondary education is not the lottery scholarship, but the need-based Tennessee Student Assistance Award (TSAA).

There is not as much overlap between the TSAA and lottery scholarship programs as one might expect:

- only about one-fourth of TSAA recipients also qualify for a lottery scholarship;
- most lottery scholarship recipients (70 percent) come from families earning more than \$30,000, but almost all TSAA recipients (90 percent) come from families earning less than that amount; and
- 40 percent of TSAA recipients are African American.

It has long been the case that student demand has outpaced appropriations to the TSAA program. The number of TSAA recipients each year is rivaled by the number of students who apply and are eligible for a TSAA grant but are not awarded due to a lack of funds. Further, students who lose their lottery scholarship and drop out of school are more likely to come from low income backgrounds. The committee's proposal, without requiring additional appropriations, would immediately expand the size of the TSAA program by some 25 percent and target additional resources to college students who need it most, holding great promise for "moving the needle" on degree attainment in Tennessee.

B. The General Assembly should expand the eligibility criteria of the lottery scholarship's existing Nontraditional Student Grant to invite greater access by adults seeking a postsecondary credential.

(Estimate of fiscal impact: \$2 million in year one; \$3 million fully implemented.)

The reality of adult student participation in postsecondary education has not measured up to the higher education community's rhetoric about the importance of lifelong learning. Nationwide, only 14 percent of adults with a high school diploma but no postsecondary credential are currently enrolled in college. In Tennessee, the figure is even lower, at nine percent. Criteria for participation in the lottery scholarship's Nontraditional Student Grant, which currently serves only about 300 students, should be expanded to be more responsive to adult students' needs and more reflective of their attendance patterns. Suggested revisions include lowering the age requirement from 25 to 23; allowing prior postsecondary attendance; and lowering from 24 to 12 the number college credits required to demonstrate a pattern of acceptable postsecondary performance. The program should remain need-contingent to target resources to adults who need them most.

C. The General Assembly should establish a statewide early commitment program, modeled on successful state and local programs, providing a tuition benefit to low-income students who graduate from high school with a college preparatory curriculum regardless of the high school grade point average achieved.

(Estimate of fiscal impact: \$4 million in year one; \$20 million fully implemented.)

The lottery's favorable financial position has enabled state policymakers to consider extending a tuition benefit to students whose academic qualifications do not meet the academic criteria established by the current lottery scholarship program. There has been much talk during this year's policy cycle about extending

a tuition benefit to “C” students – that is, students with less than a 3.0 high school GPA.

The TBR’s 19-19-19 initiative is one approach that has been proposed for reaching out to this population. The committee supports the spirit of 19-19-19, which extends financial help to the next tier of recent high school graduates and attempts to do so in an academically responsible way (that is, students with the prescribed set of scores would not require remediation in math or English). However, the committee finds that the pool of students meeting the 19-19-19 criteria but not already receiving lottery scholarships is small, and the subset of such students not already participating in higher education is smaller still (see **Appendix E** for staff analysis). Even as it makes this observation, the committee asserts its hope and belief that the number of eligible students will grow as the governor’s proposed high school curricular requirements and accompanying early intervention strategies take hold.

Still, reservations about the capacity of 19-19-19 to attract great numbers of new students to higher education led the committee to examine alternative strategies that might supplement the approaches proposed to date. In the course of its deliberations on this topic, the committee discovered that while financial aid is a necessary condition for low income C students to have access to college, money cannot be the sole policy response if we hope to extend access to this student population in a way that provides the greatest possible potential for college success.

Students that come to college with a C average on their high school coursework tend to achieve lower college GPAs and present a greater risk of dropping out. Fortunately, there are successful models (state and local, publicly and privately funded) for mitigating the factors that contribute to these outcomes while targeting the eventual aid on the students who will need it most once they get to college. The committee and Commission staff interviewed representatives of three such programs at length. While each program has unique characteristics, they tend to share the following features:

- early identification of eligible students (in the 6th or 8th grades);
- demonstrated financial need or low income status (for example, eligibility for the federal free/reduced price lunch program);
- student and parental commitment in the form of a pledge or contract;
- graduation from a high school in the state with successful completion of a college preparatory curriculum or specific coursework;
- no use of illegal drugs or alcohol or involvement in criminal activity throughout the period of the pledge;
- application to a public (and sometimes private) postsecondary institution in the state;
- submission of a college financial aid application; and
- “last dollar” status, meaning that the award amount is calculated after all other potential forms of grant aid have been explored.

Additionally, a key feature of these “early commitment” initiatives is a program infrastructure to support students while they progress through high school. For instance, Indiana, whose 21st Century Scholars program is widely considered a model state initiative, provides 16 regional service centers which offer tutoring, mentoring, college visits, activities for parents, and frequent mailings and other contacts explaining college and financial information.

Outcomes research on early commitment programs indicates that such programs, if thoughtfully planned and skillfully executed, can result in participants being more likely than their non-participating peers to complete high school with a college preparatory curriculum; enroll in college; and graduate from college. Indeed, on the whole, Indiana’s 21st Century Scholars have outperformed college students at large on all but the college graduation measure -- a remarkable record considering these students are among the state’s most economically disadvantaged and academically at-risk -- populations previously underserved by higher education.

It should be noted that, if adopted, this program might negate the need for the Access grant.

Conclusion

The General Assembly is currently considering over 40 bills related to the lottery scholarship at a combined cost well over \$1 billion. Rather than address each of these ideas individually, the committee has chosen to focus on a few priorities that, taken together, would (1) expand the potential for successful participation in Tennessee higher education by enabling more current scholarship recipients to retain awards and (2) invite access by students excluded from the program in the past. Most of the recommendations that carry a fiscal note to be paid from lottery funds target resources on students who demonstrate financial need.

Tennessee is in the enviable position of having a structural annual surplus in its lottery scholarship program,¹ coupled with a robust lottery reserve account that generates additional interest income every year.² Limiting future additional spending to these two revenue streams will require discipline. However, such discipline is paramount to ensure that the state can sustain any program enhancements both now and well into the future. **Appendix F** demonstrates that available revenues can accommodate the committee’s recommendations as well as the lottery-related recommendations in the Governor’s Budget.

¹ The annual surplus is a by-product of net lottery proceeds in excess of projected annual expenses for a fully mature lottery scholarship program, and is estimated to be \$33 million in 2007-08.

² The lottery reserve account balance will approach \$400 million by the end of the current fiscal year, generating some \$18 million in interest in 2007-08.

APPENDIX A

Committee Meeting Dates and Agendas



RICHARD G. RHODA
Executive Director

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
PARKWAY TOWERS, SUITE 1900
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605
FAX: (615) 741-6230

PHIL BREDESEN
Governor

TO: Members, THEC Lottery Scholarship Committee

FROM: Richard G. Rhoda 

DATE: February 22, 2007

SUBJECT: Outline of Remaining Meeting Dates

A path of inquiry developed out of our first meeting of the THEC Lottery Scholarship Committee on February 9. I wanted to take this opportunity to set future meeting dates and establish expectations for the types of activities that will take place.

Proposed dates for our three remaining meetings are March 2, 16, and 30. Each of these is a Friday. We will convene at 1:00 PM and finish by 3:00 PM.

Our agenda will lead us in the direction of substantive suggestions we can make by the end of March relative to access and retention. Further, we agreed that the Committee's recommendations need not be limited to the lottery scholarship program itself. With this goal in mind, the following outline addresses some of the topics to be covered:

2nd Meeting

- Best practices at the state level – THEC staff will present initial findings, followed by roundtable discussion

- Best practices at the institutional level – one or more institutional representatives will discuss effective interventions aimed at helping students retain their scholarships
- Georgia’s initiative for African American males – Mayor Wharton’s staff will present findings
- Looking ahead to next meeting:
 - Overview of Indiana and Oklahoma early commitment programs and proposed Tennessee High School Redesign – THEC staff
 - Discussion of any initial findings on school administrator, parent, or student impressions of the lottery scholarship program.
 - Discussion of public forums.

3rd Meeting

- Presentation from a representative of the Oklahoma or Indiana early commitment programs – THEC staff will arrange.
- Review of findings from conversations with school administrators, parents or students relative to their perceptions of the lottery scholarship program.
 - We will be searching for candid feedback regarding the program’s strengths and weaknesses, as well as suggestions regarding its administration.
 - Any focus groups and public forums will take place outside the Committee’s regular meeting dates; a synthesis of findings will be presented, allowing time for discussion.
- Looking ahead to next meeting:
 - Discuss potential policy recommendations and how they will be communicated.

Final Meeting

- Arrive at final policy recommendations – THEC staff will bring a draft based on the above activities.
- Discuss next steps.



RICHARD G. RHODA
Executive Director

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
PARKWAY TOWERS, SUITE 1900
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605
FAX: (615) 741-6230

PHIL BREDESEN
Governor

AGENDA
THEC Lottery Scholarship Committee

Commission Board Room, Parkway Towers
March 2, 2007, 1:00 p.m. CST

- 1. Summary of TELS Interviews with GEAR UP Site Coordinators**
 - Wendy Tabor, THEC Staff
 - Committee Discussion

- 2. Institutional Best Practices**
 - UT - Dr. Ruth Darling, Director, Student Success Center, University of Tennessee Knoxville
 - TBR (handout)
 - Committee Discussion

- 3. Georgia Initiative for African American Males**
 - Robert White, Special Assistant to Mayor Wharton
 - Committee Discussion

- 4. State Best Practices**
 - Overview by Christine Luce, THEC Staff
 - Committee Discussion

- 5. Planning Ahead**
 - Next Meeting March 16 in THEC Board Room
 - Overview of Indiana, Oklahoma, and Ayers Foundation (TN) early commitment programs and proposed Tennessee High School Redesign – THEC staff
 - Governor's plan for free community college tuition and the TBR 19-19 initiative
 - Community Forum March 27 in Memphis



RICHARD G. RHODA
Executive Director

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HIGHER EDUCATION COMMISSION
PARKWAY TOWERS, SUITE 1900
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605
FAX: (615) 741-6230

PHIL BREDESEN
Governor

AGENDA
THEC Lottery Scholarship Committee

Commission Board Room, 18th Floor Parkway Towers
March 30, 2007, 1:00 - 3:30 p.m. CDT

- 1. Recap of Memphis Lottery Scholarship Forum**
- 2. TSAC Communication Division Outreach Programs**
 - *Jeri Fields, TSAC Assoc Exec Director for Communication Services*
- 3. Reaching Out to “C” Students**
 - Overview of TBR 19-19-19 Initiative: *Paula Short, Vice Chancellor of Academic Affairs, TBR*
 - Panel Discussion: State and Local Early Commitment Programs
 - Indiana’s 21st Century Scholars Program: *Stan Jones, Commissioner, Indiana Commission for Higher Education*
 - Ayers Scholars Program: *Carol Franks, Decatur County, TN*
- 4. Other potential uses of lottery funds for current non-lottery students, or students in programs not currently funded with lottery dollars**
 - Discuss decreasing the current TELS requirement on college GPA from 3.0 to 2.75 (after 48 college credit hours)
 - Recap of original policy discussions that resulted in the current standards for college GPA: *Richard Rhoda, THEC*
 - Impact of lowering the 3.0 college GPA requirement: numbers of students, their demographics, and costs. Would it put the scholarship program in a negative cash flow situation? *Rob Anderson, Director of Research and Planning, THEC*
 - Can interest earned on reserve account be used for need-based aid?
 - Review of constitutional and statutory language: *THEC Staff*
 - Tennessee Student Assistance Award overview
 - *Claude Pressnell, President, TICUA*
 - *Tim Phelps, TSAC Assoc Exec Dir for Scholarships & Grants*
- 5. Planning Ahead**
 - Final Meeting: Friday, April 13 in THEC Board Room
 - Review draft report and recommendations

APPENDIX B

THEC Lottery Scholarship Committee List of Presenters

Robert Anderson, Director of Research & Planning, THEC

Robert Biggers, Lottery Scholarship Program Administrator, TSAC

Ruth Darling, Assistant Vice Provost and Director of the Student Success Center, UT Knoxville

Naomi Derryberry, Grants & Scholarships Administrator, TSAC

Bryce Fair, Associate Vice Chancellor for Scholarships & Grants, Oklahoma State Regents for Higher Education

Jeri Fields, Associate Executive Director for Communication Services, TSAC

Carol Franks, Ayers Scholars Program, Decatur County, Tennessee

Stan Jones, Commissioner, Indiana Commission for Higher Education

Christine Luce, Graduate Assistant, THEC

Tim Phelps, Associate Executive Director for Scholarships & Grants, TSAC

Claude Pressnell, President, TICUA

Paula Short, Vice Chancellor of Academic Affairs, TBR

Wendy Tabor, GEAR UP Program Public Relations Specialist, THEC

Robert White, Special Assistant to Mayor Wharton

David Wright, Associate Executive Director for Policy, Planning, & Research, THEC

APPENDIX C

Summary of Focus Group Interviews with GEAR UP Site Coordinators



Tennessee Education Lottery Scholarship Committee

Focus Group Discussions



Focus Group Participants

- GEAR UP TN Counties
 - Campbell, Cocke, Grundy, Hardeman, Johnson, Lake, Union, Wayne
- GEAR UP partnership grants
 - Nashville
- Independent college access programs
 - Memphis, Chattanooga

Parent Obstacles



- Too much confusing information
 - Parents feel lost
 - Parents need clear details for every step
- Misunderstandings about the program
 - Scholarship based only on income
 - Trust issues with disclosing financial information
- Not getting the information
 - Students do not bring it home
 - Information given at events misplaced
- Lack of awareness of other financial aid options

Parent Suggestions



- Create a hard copy booklet
 - Cover the process from beginning to end (from middle school/high school classes to the appeals process)
- Build trust
 - Explain why financial information is needed
 - Host several financial aid nights to avoid overwhelming parents
 - Assist parents in completing FAFSA
- Mail information to homes
 - In addition to giving it to students and passing it out at events
- Distribute information at other sites
 - Faith-based organizations, workplaces, community events

Student Obstacles



- Misunderstandings about the program
 - Competitive, only top students get award
- Lack of uniform grading across P-16
 - “B” students in high school not “B” students in college
 - “B” students in one system not “B” students in another
- Some resistance to taking rigorous courses
 - No longer based on core, easy classes to keep 3.0 GPA
- Low-income, first generation students
 - Do not ask questions or seek help
 - Have no family source for advice

Student Suggestions



- Provide continuous messages
- Start early
 - Start with basic information and build as they grow older
 - Focus on 8th grade, when they create 4-year plans
- Seek out students who need help
- Make students aware of additional financial aid opportunities

Counselor Obstacles



- Serve large numbers of students
 - Are overworked
 - Cannot dedicate time
- Are the postsecondary/financial aid contact
 - Need to stay informed of changes

Counselor Suggestions



- Encourage counselors
 - Remind them of the difference they make
- Notify counselors when changes are made

High School Standards



- Arguments against lowering ACT to 19
 - Increase in the number of students losing scholarship in college
 - Decrease in student motivation to take challenging classes
 - Students are on track to achieve current standards
- Community college standards should be lower than four-year institution standards

College Standards



- GPA requirements should be lowered
- There is more to college than a GPA
 - “There is no research out there that supports that only students with 3.0 college GPAs become productive employees.”
 - “Many students with 2.75 GPAs are students that are learning while also being involved in student government, working full time, etc.”

Other Suggestions



- More money to advertise scholarship program
- College 101 class
 - High school level, elective credit
- Retention focus at postsecondary institutions
 - Programs/Counselors that help at risk students
- College coaches
 - High school level, entire process through freshman year

Questions



APPENDIX D



STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
SUITE 1950, PARKWAY TOWERS
404 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0820
(615)741-1346 • 1-800-342-1663 • FAX (615)741-6101
www.CollegePaysTN.com

MEMORANDUM

TO: David Wright, Associate Executive Director for Policy, Planning & Research
Tennessee Higher Education Commission

FROM: Jeri Fields, Associate Executive Director for Communication Services
Tennessee Student Assistance Corporation

DATE: April 5, 2007

SUBJECT: Response to request from Mayor A C Wharton regarding staff and budget requirements for expansion of TSAC outreach efforts

The Tennessee Student Assistance Corporation currently offers year-round services to parents, students and school administrators through presentations at financial aid nights, career/college fairs, TELS programs, FAFSA workshops and informational publications.

As the TELS program matures, citizen and legislative concerns have arisen regarding low participation rates for low-income and minority students and low retention rates overall. TSAC must expand its outreach to include academic preparation, college and financial planning, financial literacy and general college access programs. Through reaching a broader audience, including middle school students, parents and non-traditional students, we are able to educate all Tennesseans in the requirements and opportunities associated with the program.

With the expansion of both message and audience, TSAC requires an increase in staff of seven and an increase in budget of \$750,000 to meet the evolving needs of the TELS program. Six new outreach staff will be located at regional offices throughout the state and one administrative staff will be housed in the Nashville office. The associated costs including salary, benefits, transportation, travel, communication, operating/supplies, shipping, printing etc. are below:

Salary and Benefits – 7 New Positions	\$428,000
Equipment	\$ 90,000
Travel, Communication, Oper./Supp., Shipping, etc.	\$ 60,000
Printing, Promotions, Program, Misc.	\$127,000
Indirect Costs	<u>\$ 45,000</u>
	\$750,000

This would be possible through a combination of internal reallocation of various funding sources and/or the use of additional lottery resources.

cc: Robert Ruble

APPENDIX E

THEC Analysis of 19-19-19 Initiative's Capacity to Increase Higher Education Access

According to the ACT EIS database, in 2006, approximately 45,000 graduating public and private high school seniors in Tennessee took the ACT.

- 7,273 students scored a 19-20 composite on the ACT.
- 1,884 of those students with a composite score of 19-20 also scored a 19 or better on both the math and English sections of the test.

Students seeking the Tennessee Education Lottery Scholarship can qualify with either a minimum 21 ACT composite score of 21 or minimum 3.0 high school GPA. When controlling for the 19-19-19 ACT scenario and removing students that would qualify for the lottery scholarship with a 3.0 HS GPA, the number of students not already being served decreases substantially.

1. 511 students scored a 19-20 composite ACT, scored a 19 or above on both math and English, and had less than a 3.0 high school GPA.
2. 331 students are currently enrolled in *Tennessee public institutions* (the limits of THEC's student-level database) with the 19-20 composite, minimum 19 on both math and English, and less than a 3.0 high school GPA.
3. The difference between items 1 and 2 above leaves 180 students who meet the requirements of a 19-19-19 and are not enrolled in Tennessee public higher education.
4. Some unknown students from item 3 above are enrolled in Tennessee private institutions or out-of-state schools.
5. The above enrollment patterns were consistent for graduating high school seniors in 2005 and 2006 (see table).

19-19-19 Tennessee ACT Test Takers & Subsequent Public College Enrollment				
	2005		2006	
	HS Seniors Taking ACT	Fall First-Time Frosh Enrolled in Public Insts	HS Seniors Taking ACT	Fall First-Time Frosh Enrolled in Public Insts
Students with a 19-20 ACT composite and a 19 or better on both math and English.	1736	1032	1884	1020
Students meeting the ACT requirement with below a 3.0 HS GPA	461	318	511	331

