

Profiles & Trends

**in Tennessee Higher Education
2014 Annual Report**



Tennessee Higher Education Commission



2013 – 2014 COMMISSION MEMBERS

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PURPOSE OF THE REPORT

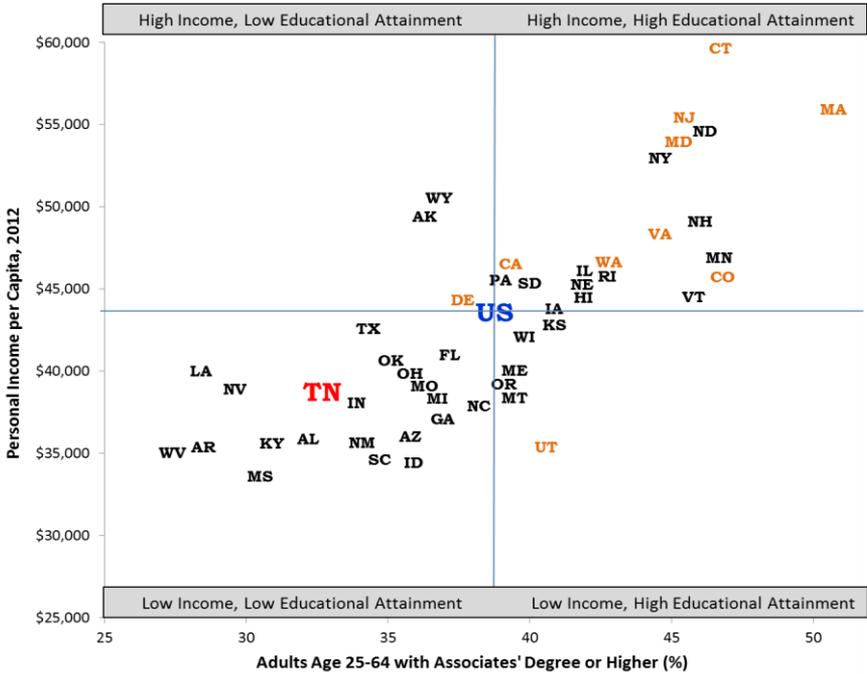
State statute [T.C.A. §49-7-202(c)(7)] requires the Tennessee Higher Education Commission to prepare a biennial report for the governor and the general assembly, *“commenting upon major developments, trends, new policies, budgets and financial considerations which in the judgment of the commission will be useful to the governor and to the general assembly in planning for the sound and adequate development of the state's program of public higher education.”*

The purpose of this report is to provide state policymakers with a brief overview of Tennessee higher education within a regional and national context. This report presents data and analyses on five broad policy issues important to the state: 1) State context of higher education, 2) Student preparation, 3) Student participation, 4) Student progression, and 5) State higher education finance.



1. STATE CONTEXT OF HIGHER EDUCATION

1.1. Educational Attainment and Personal Income per Capita, 2012



Sources: 2012 American Community Survey, U.S. Bureau of Economic Analysis

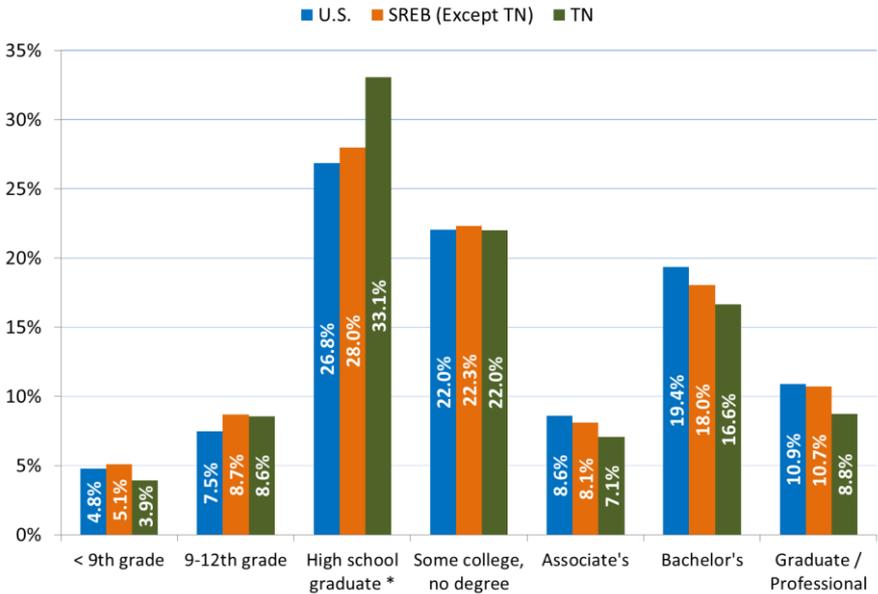
Educational attainment and personal income show a positive correlation and are linked to a state’s economic competitiveness.

In 2012, Tennessee’s per capita income was \$38,752, ranking 34th in the US. Meanwhile, 32.5 percent of adult state residents (25-64) had at least an associate’s degree, ranking Tennessee 43rd in the nation. The orange-lettered states in the upper right quadrant of Figure 1.1 scored in the top ten on the *New Economy Index*, which measures the extent to which state economies are knowledge-based, innovative, and globalized. In 2012, Tennessee ranked 39th in the *New Economy Index*, a slight improvement from 41st in 2010. ¹

¹ The indicators of the New Economy Index are grouped under 5 categories: *Knowledge Jobs, Globalization, Economic Dynamism, The Digital Economy, and Innovation Capacity* [www.itif.org/publications/2012-state-new-economy-index]



1.2. Educational Attainment of Population Age 25-64: U.S., SREB states, and Tennessee (2012)



* Includes equivalency.

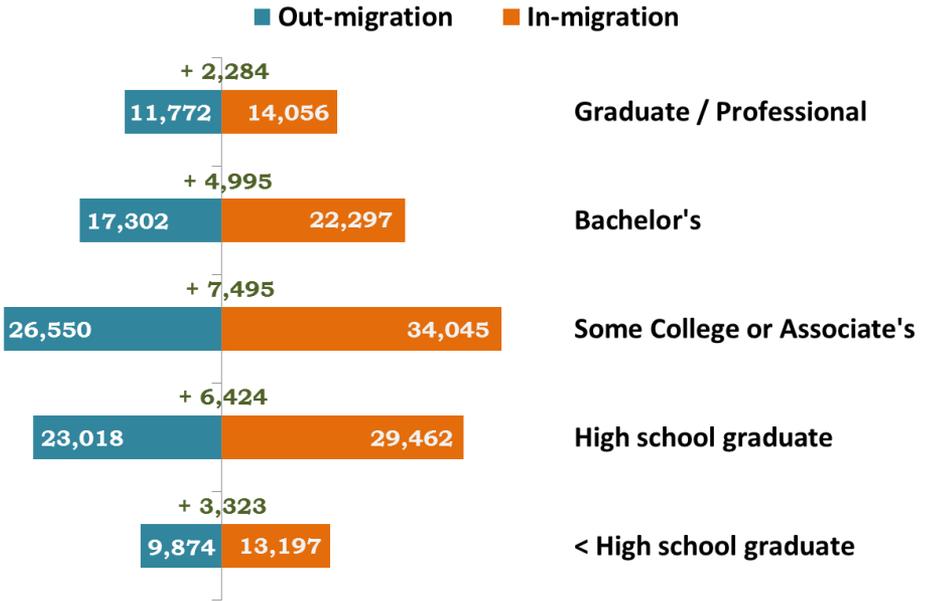
Source: 2012 American Community Survey

Research has demonstrated positive relationships between educational attainment and various economic and social measures. Thus, raising educational attainment is a major tool for economic and social development, with long-term benefits. The key factors affecting educational attainment are: college participation and completion, migration of students and graduates, and economic climate.

Although Tennessee has a comparatively large percentage of its adult population with a high school diploma or equivalent, it is below the averages for the U.S. and Southern Regional Education Board (SREB) states in college educational attainment. In 2012, 12.5 percent of Tennessee's adult population (25-64) did not have a high school diploma, and 55.1 percent of adults had completed either high school or some college. However, less than 33 percent of the state's citizens aged 25-64 had a college degree, ranking Tennessee 43rd nationally on this measure.



1.3. In-migration, Out-migration, and Net Migration to Tennessee by Educational Attainment: Population 25 and Over (2012)

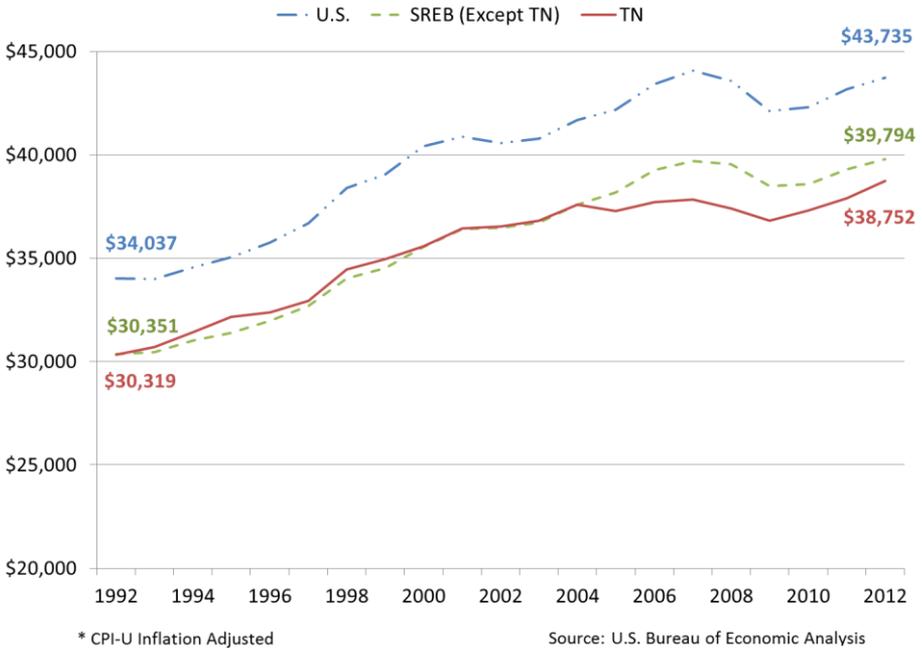


The migration data, presented by degree level, underscore relationships between supply of educated citizens and interstate mobility. These numbers are essential for understanding dynamics of educational attainment and assessing the potential for economic development. Figure 1.3 shows Tennessee’s success in attracting people from out of state with various levels of educational attainment.

At all educational levels, the net migration of the adult population (represented by green numbers above the bars) is positive. In 2012, Tennessee imported 7,279 more adults with a bachelor’s degree or higher than the same population that left the state. At the same time, many arriving workers do not have college education: 42,659 in-migrants (37.7 percent of all newcomers) arrived in Tennessee with no previous exposure to postsecondary education or training.



1.4. Per Capita Personal Income in Constant 2012 dollars



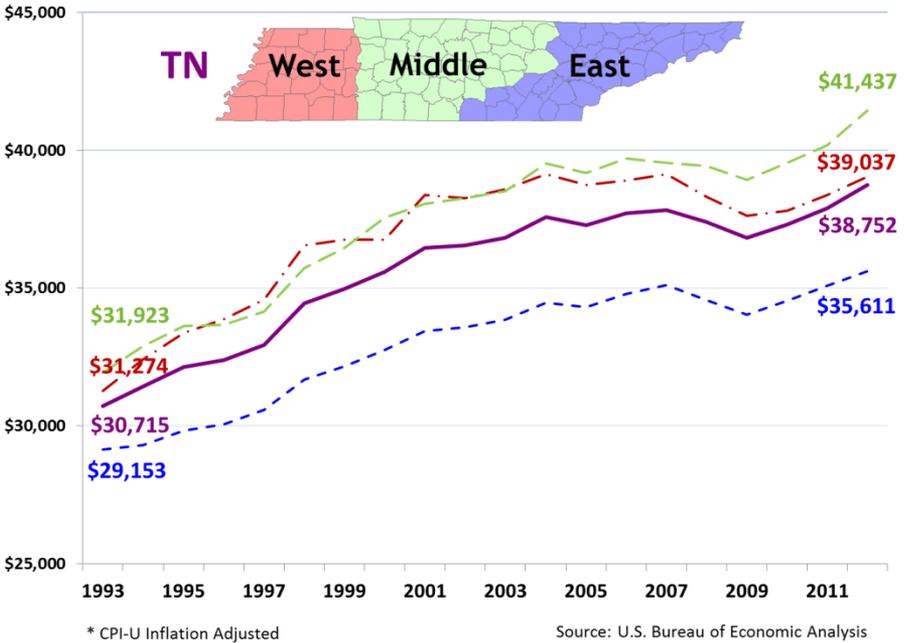
Three commonly used indicators of a state’s economic climate are per capita income, unemployment rate, and poverty rate. Figure 1.4 and the next three figures examine how Tennessee performs on these metrics.

Income per capita measures the amount of money that is earned per person in a given region. This measure is positively correlated with both economic health and educational attainment of the population. Per capita personal income trends measure improvements in individuals’ quality of life and reflect a state’s ability to raise revenue.

Adjusted for inflation, Tennessee’s personal income per capita has increased over the past 20 years. Recently, it has advanced from 85.8 percent of the national average in 2008 to 88.6 percent in 2012. However, Tennessee remains below the national mean and has fallen behind the SREB average after eclipsing the SREB average in the 1990s.



1.5. Per Capita Personal Income for Each of Tennessee’s Grand Divisions in Constant 2012 dollars

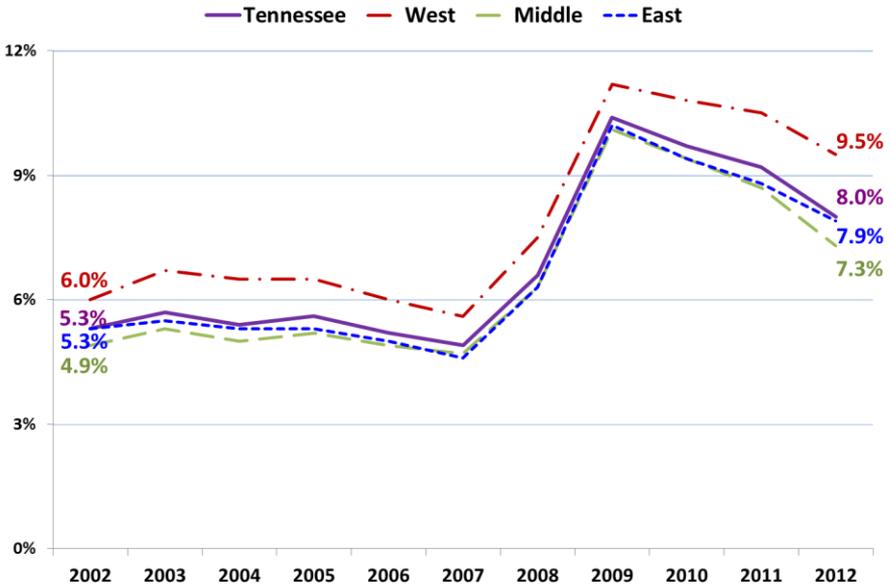


In line with national, SREB, and Tennessee trends over the past 20 years, per capita personal income has been on the rise for all three of the state’s Grand Divisions (Figure 1.5).

The relative positions of Tennessee’s Grand Divisions have been consistent over time. The average income for the Eastern counties of the state, at \$35,611 in 2012, has been appreciably lower than the other regions and the average for the state. West Tennessee is slightly above the state average, while Middle Tennessee demonstrates the highest per capita personal income of all the regions, at \$41,437 in 2012.



1.6. Unemployment Rate for Each of Tennessee's Grand Divisions



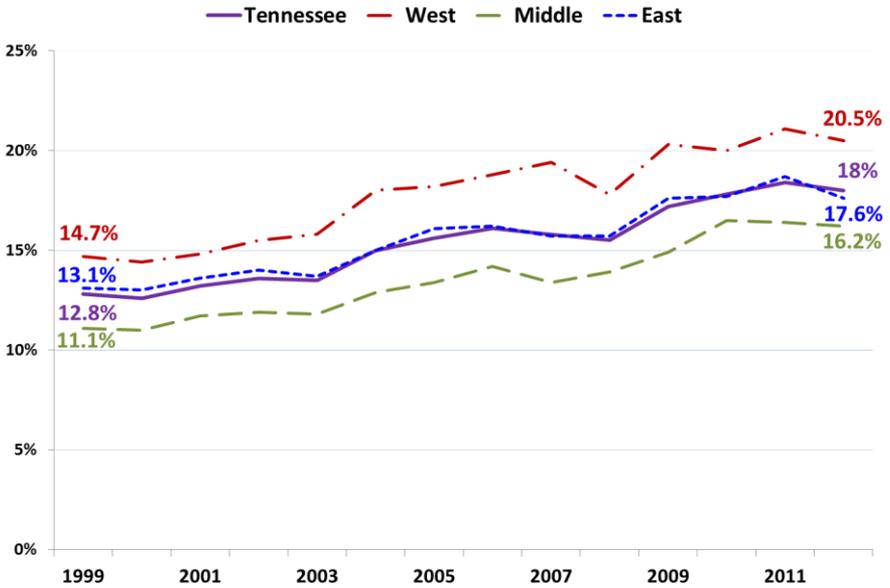
Source: U.S. Bureau of Labor Statistics

Unemployment rate, a ratio of the number of active job seekers to the number in the labor force, is another critical indicator of states' economic health. Figure 1.6 presents unemployment rate changes in Tennessee by Grand Division.

Recessions of the early and late 2000s led to accelerated growth in this indicator. The state's unemployment rate reached a peak of 10.4 percent in 2009; however, it has been declining since then, decreasing to 8 percent in 2012. West Tennessee has consistently had a higher unemployment rate than the other Divisions. The Eastern counties have an unemployment rate that is very close to the state's average. Middle Tennessee demonstrates the lowest percent of unemployed populace. Figures 1.5 and 1.6 attest to economic vitality of Middle Tennessee.



1.7. Poverty Rate for Each of Tennessee’s Grand Divisions



Source: U.S. Census Bureau

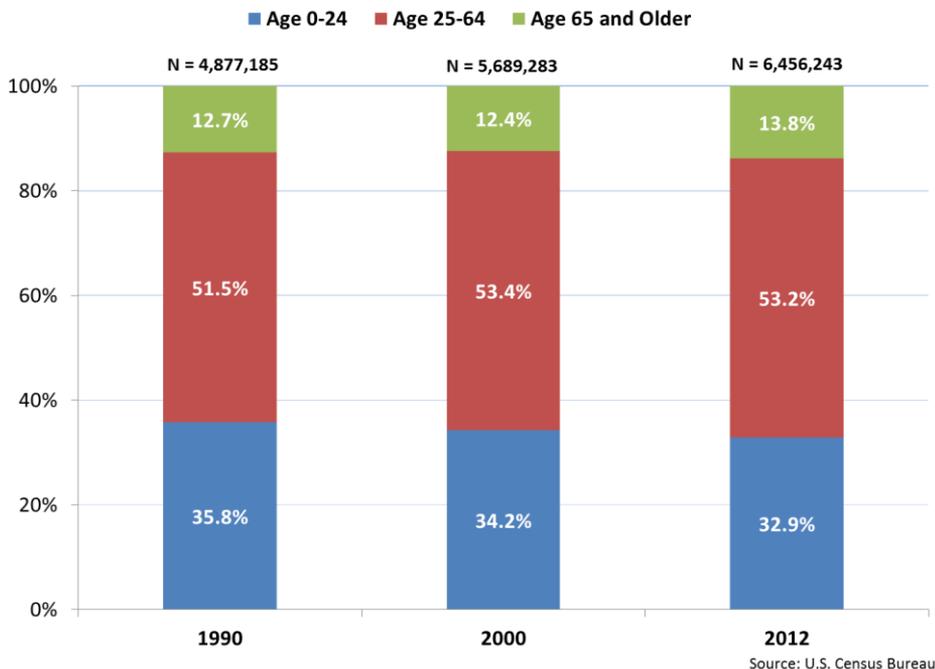
The poverty rate is a key economic and social indicator that denotes inadequacy of family incomes for the necessary consumption of food and other goods and services. The U.S. Census calculates this metric by measuring the number of individuals in a household below its poverty threshold against the total population. Poverty thresholds are based on age, the number of household members older than 18, and dependents younger than 18 years of age.

Figure 1.7 shows that Middle Tennessee has had the lowest poverty rate, while the West has been consistently higher on this indicator than the other Grand Divisions.

Taken together, Figures 1.5 through 1.7 demonstrate a consistent and large disparity in West Tennessee among social strata in the population. That is, West Tennessee consistently outpaces the state average in personal income per capita; yet it also has the highest rates of poverty and unemployment among the Grand Divisions of the state.



1.8. Changes in Tennessee’s Age Composition

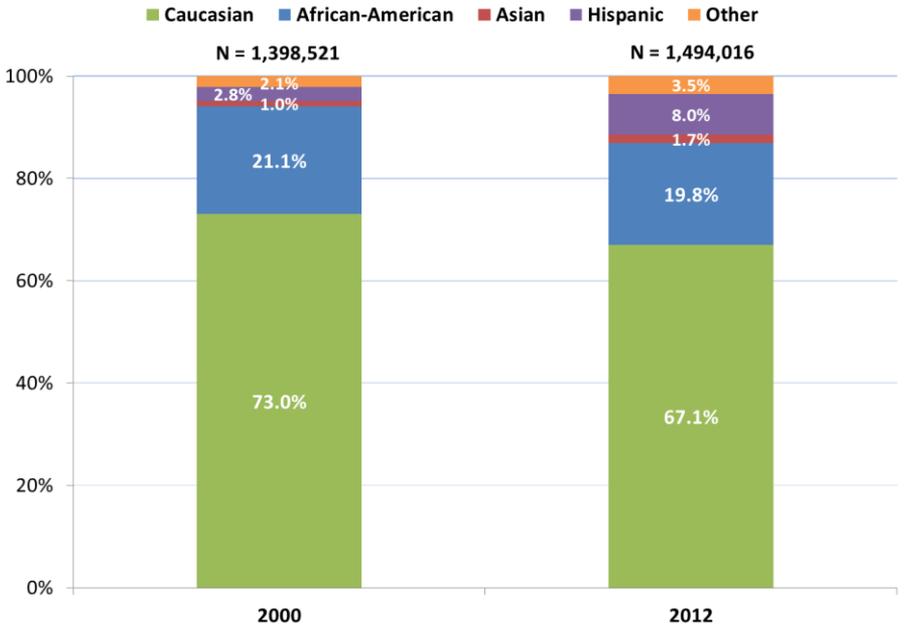


Demographic changes in the state have a direct bearing on student enrollment patterns and student body composition. Research shows that these factors affect various educational outcomes. The most critical demographic changes include shifts in the age and racial/ethnic composition of the state’s population. Figure 1.8 and Figure 1.9 focus on these dynamics.

Figure 1.8 shows that over the last two decades, Tennessee’s population has increased by 32.4 percent. It has also grown perceptibly older: the share of young people has decreased, while the proportions of working-age and older individuals have risen. In absolute numbers, though, the size of the young population has grown by 365,438. Besides economic and social impacts of an aging population, critical implications for education include: a growing share of nontraditional students; shifts in demand for training, program offerings, and new modes of delivery; and the ever-present need for continued education.



1.9. Changes in Racial / Ethnic Composition among Tennessee's Youth *



* Young population: Under age 18

Source: U.S. Census Bureau

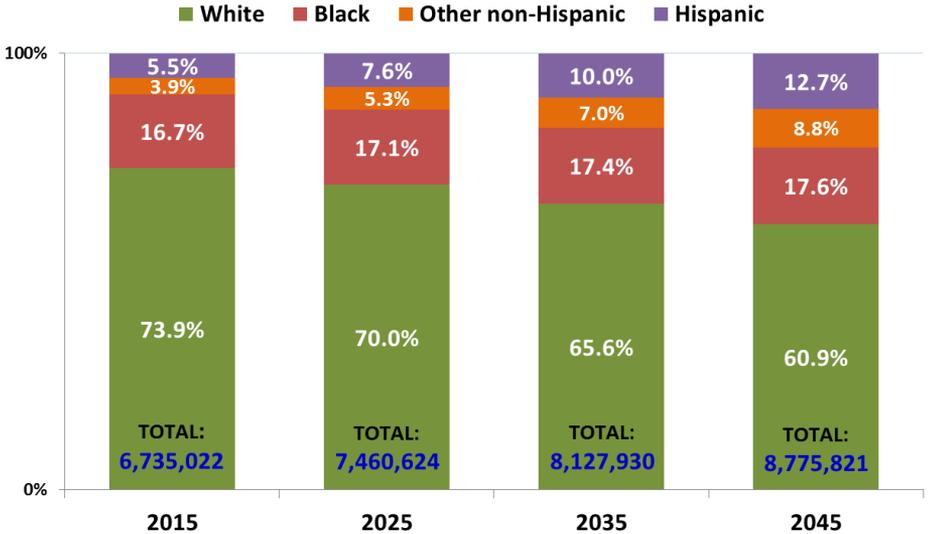
Figure 1.9 shows changes in the ethnic composition of the population under 18 years of age—potential higher education students—from 2000 to 2012.

Over the past 12 years, the share of minority representation has risen dramatically: the Hispanic population grew by more than 200 percent, from 38,899 in 2000 (less than 3 percent of the young population) to 119,003 in 2012 (almost 8 percent of the state’s youth). Over the same period, the Asian population grew from 14,129 to 24,812, a 75.6 percent increase, now representing 1.7 percent of the state’s young population. In contrast, the proportion of Caucasians has decreased by 6 percentage points and, at present, constitutes slightly over 67 percent of the state’s young population.

These demographic changes could have implications for a number of college outcomes—from enrollment to graduation.



1.10. Tennessee Population Projections by Race/Ethnic Group: 2015-2045



Source: UT Center for Business and Economic Research

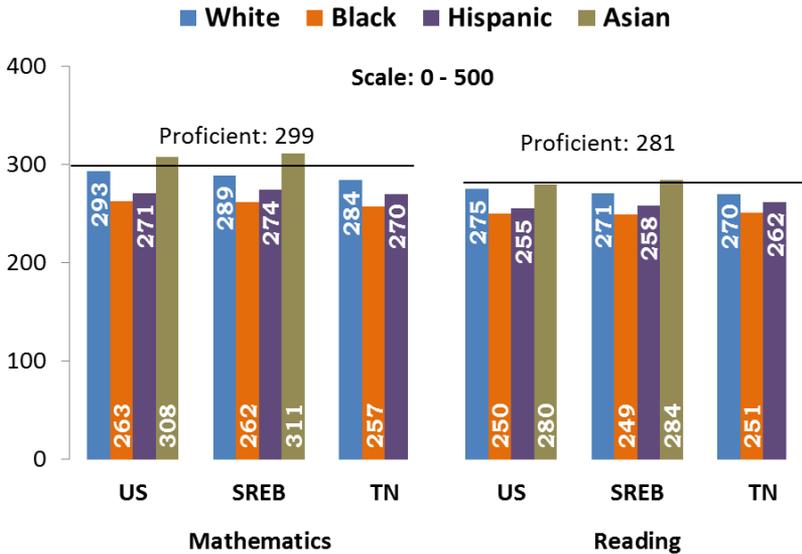
The U.S. Census Bureau projects that, over time, the United States will become a plurality nation, in which the White population will remain the largest group, but no single racial/ethnic group will make up a majority. The U.S. is projected to become a majority-minority nation in 2043. Already the USA’s largest minority group, Hispanics will continue to experience the biggest increase in the share of the overall population.

Figure 1.10 shows that Tennessee will follow these national trends. From 2015 to 2045, the White population’s share is projected to decrease from almost 74 percent to almost 61 percent of the overall state population. During the same period, the share of Hispanics will increase by 7.2 percentage points to 12.7 percent. This projected growth of the Latino population will outpace the increase in the Black population (0.9 percentage points) and all other non-Hispanic populations (4.9 percentage points).



SECTION II. STUDENT PREPARATION

2.1. Educational Progress of 8th-graders: 2013 NAEP Math and Reading Average Scores: U.S., SREB (except TN) and TN



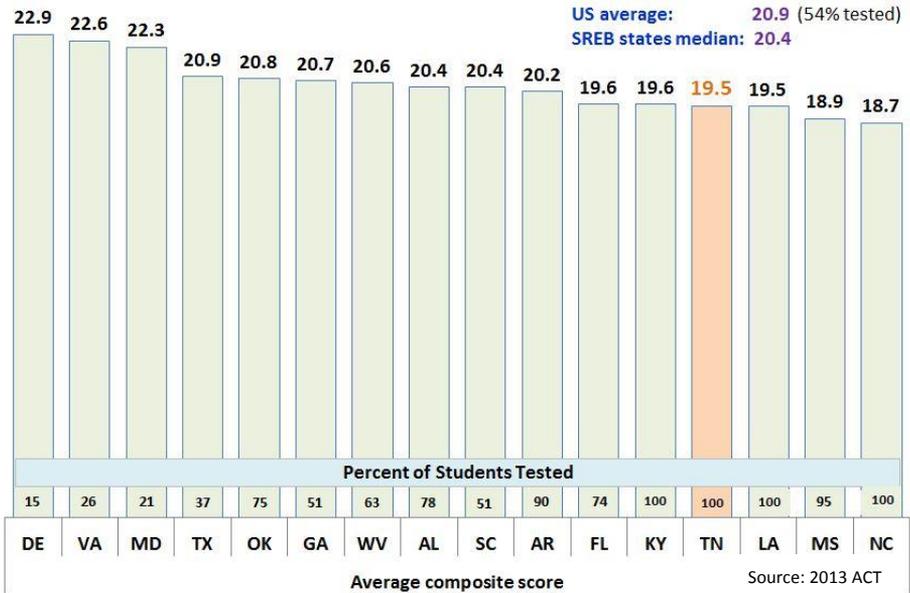
Note: Tennessee data for Asian students did not meet reporting standards.
 Source: National Assessment of Educational Progress: 2013.

Academic performance of secondary school students is a valid indicator of student readiness for college and a reliable predictor of future college success.

Figure 2.1 depicts educational progress of eighth-grade students in the nation, SREB states (excluding Tennessee), and Tennessee, as measured by students’ performance on the mathematics and reading tests. These tests were conducted in 2013 as part of the *National Assessment of Educational Progress*. African-American students underperform in comparison to other ethnic groups both in mathematics and reading and are thus less academically prepared for college-level work. Asian students are the best-performing group; however, their data are not available for Tennessee. All Tennessee’s ethnic groups score below the US and SREB averages in mathematics; however, its minority groups perform on par or better in reading.



2.2. Average Composite ACT Scores by State: SREB States (2013)

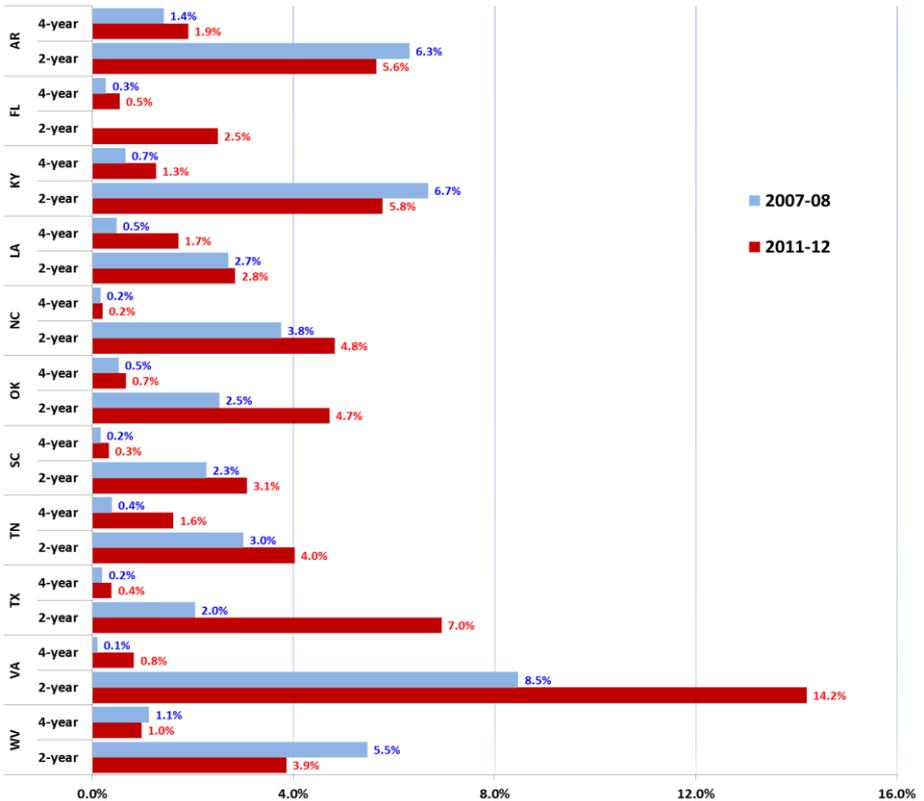


At the individual level, ACT scores are another measure of readiness for college-level work and a useful predictor of future academic performance. At the state level, states with higher average scores on this test produce larger numbers of high school graduates who are prepared for college. Figure 2.2 shows the average composite ACT score for each SREB state in 2013. When comparing state performance, one should be aware that the proportion of high school graduates tested in each state is different and ranges from 15 percent in Delaware (where SAT is mandatory) to 100 percent in states with mandatory ACT—Kentucky, Louisiana, North Carolina, and Tennessee.

In 2013, Delaware had the highest score of 22.9, while North Carolina, with 18.7, had the lowest performance among the SREB states. Tennessee, with an average score of 19.5, ranked 13th (together with Louisiana) among the SREB states. In 2012, Tennessee ranked 15th in the SREB with the average score of 19.7 (not shown on the graph). However, these results are greatly affected by the percent of test takers and the voluntary/mandatory nature of college entrance exams. Tennessee is at the top of states with 100 percent participation.



2.3. High School Students' Share of Undergraduate Credit Hours Attempted: 2007-08 and 2011-12 *



* Data are not available or only partially available for MD, MS, DE, AL, and GA

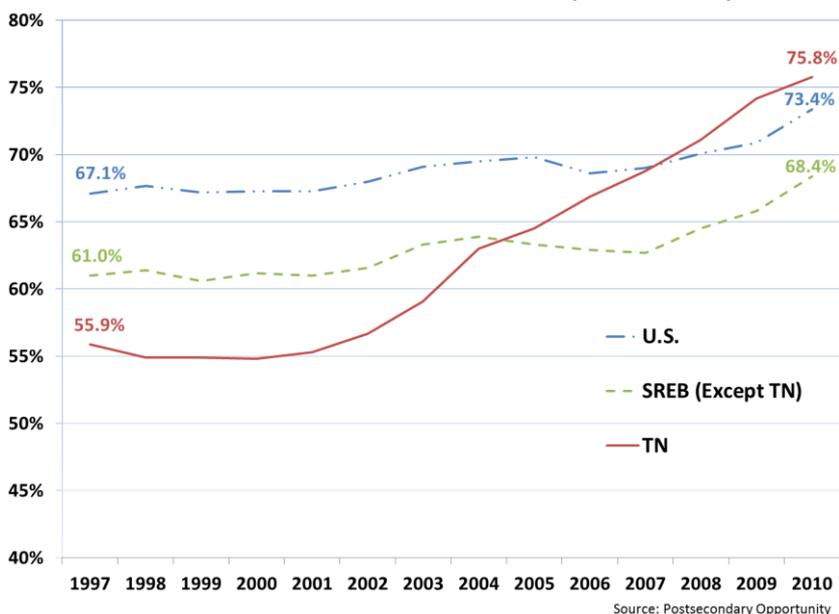
Source: SREB

Students taking higher education courses while in high school are more likely to enroll and succeed in college. Positive trends in high school student involvement in higher education may attest to greater college accessibility and effectiveness of relevant state policies.

Figure 2.3 displays changes in the percent of undergraduate credit hours taken by high school students at 2- and 4-year institutions for the period from 2007-08 to 2011-12 for select SREB states. This metric measures involvement of high schoolers in state higher education. Tennessee shows solid, if not accelerated, progress on this metric at both community colleges and universities. To some extent, this can be attributed to the lottery-sponsored Dual Enrollment Grant program.



2.4. Public High School Graduation Rate: U.S., SREB states, and Tennessee (1997–2010)

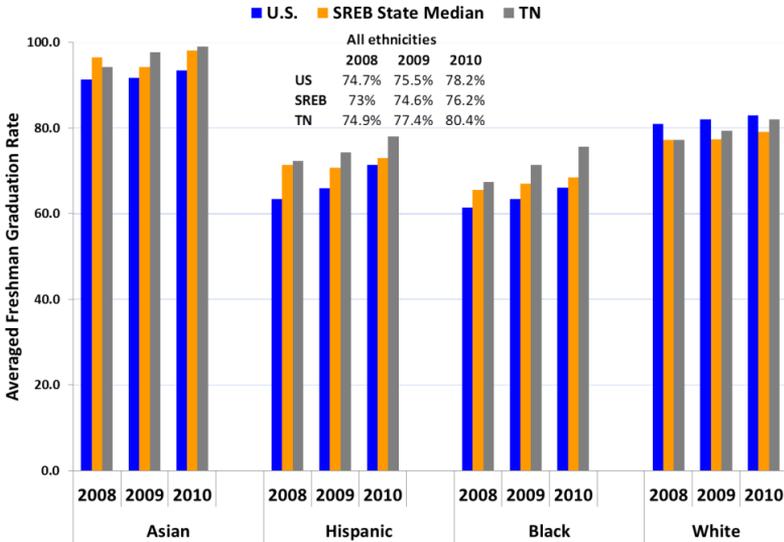


High school graduates (including diploma and equivalency holders) are the primary source of postsecondary education enrollees. Changes in high school graduation rates affect the pool of potential college students; and increasing rates may offset the effects of the reduced size of college-age population caused by demographic shifts. To enable comparison across states, the metric used is the number of high school graduates divided by the number of 9th graders four years earlier. It is not a measure based on longitudinal tracking of a 9th-grade cohort.

Figure 2.4 compares public high school graduation rates for the nation, SREB states, and Tennessee. From 1997 to 2010, these rates have grown for the majority of the states and the nation as a whole. Since 2000 (the lowest point in the period), Tennessee's high school graduation rate has risen by 21 percentage points, surpassing the average of the rest of the SREB states by a large margin. In 2010, the high school graduation rate in the state reached an all-time high of 75.8 percent, exceeding the national average for the third year in a row.



2.5. Public High School Graduation Rate by Race / Ethnicity (2008-2010)



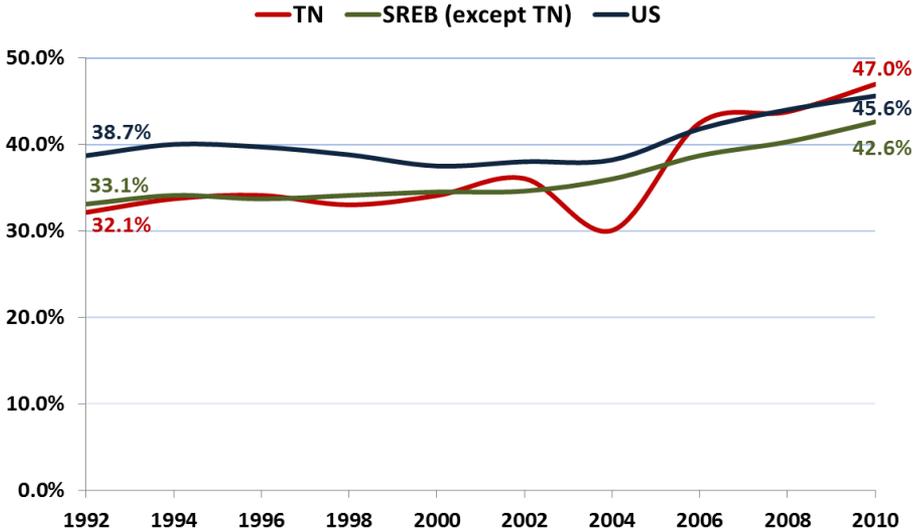
Sources: SREB, NCES

SREB defines the Averaged Freshman Graduation Rate (AFGR) as an estimate of the percentage of an entering freshman class graduating in 4 years. It is estimated as the total number of diploma recipients in a year divided by the average membership of the 8th-grade class four years prior, the 9th-grade class three years prior, and the 10th-grade class two years prior. This metric differs from high school graduation rates in Figure 2.2; thus, the overall reported rates are different.

Figure 2.5 shows that for all high school students, Tennessee generally is doing better than the national and SREB averages. However, the AFGR differs by year and ethnic group. Asian students have the highest graduation rate, while Black and Hispanic students show lower rates. For White students, Tennessee trails the U.S. average; however for minorities, it outperforms the national and SREB averages. To illustrate, in 2010, the AFGR for Hispanics in the state was 78.1 percent versus 71.4 percent nationally; for Blacks, it was 75.6 and 66.1 percent; and for Asians, 99.1 and 93.5 percent, respectively.



2.6 Chance for College by Age 19: U.S., SREB states, and Tennessee (1992-2010)



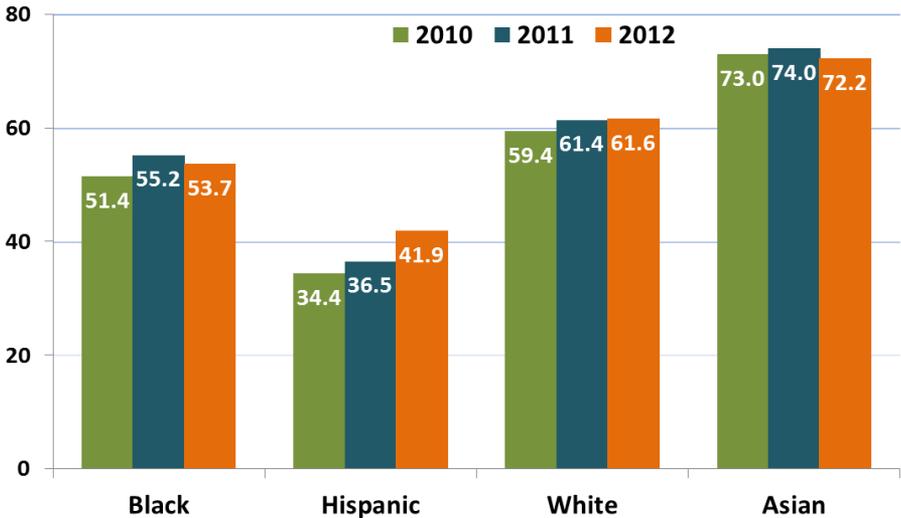
Postsecondary Education Opportunity defines the “Chance for College by Age 19” as the proportion of 19-year-olds who will enroll in college somewhere in the U.S. in the fall following high school graduation. This metric is the product of (1) the public high school graduation rate (ratio of high school graduates to fall 9th grade enrollment) and (2) the college continuation rate (ratio of fall freshmen by state of residence to public and non-public high school graduates).

From 1992 to 2010, the Chance for College has improved for the nation, SREB states, and Tennessee. During that period, Tennessee had improved its national rank from 44th in 1992, with 32.1 percent, to 23rd in 2010, with 47 percent, outpacing the U.S. and SREB averages. The drastic drop for the Tennessee rate in 2004 was due to two factors: an increase in the number of high school graduates (10.8-percent increase since 2002) and a decline in the number of fall freshmen from Tennessee enrolled in the U.S. institutions (17-percent drop since 2002). Combined, these factors negatively affected the college continuation rate and the Chance for College metric for that period.



SECTION III. STUDENT PARTICIPATION

3.1. Tennessee College-going Rates by Race/Ethnicity: 2010-2012



Sources: THEC Student Information System; National Student Clearinghouse

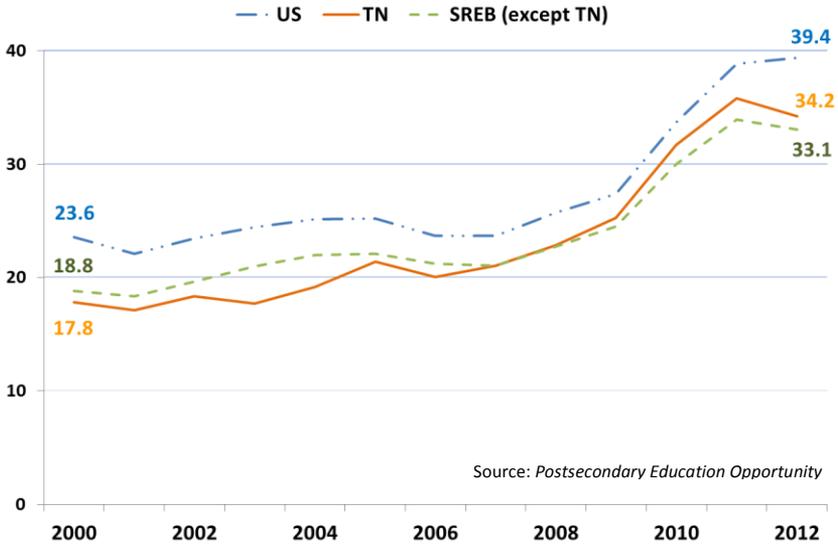
The college-going rate is defined as a percentage of high school graduates who enrolled in college anywhere in the U.S. in the fall semester following high school graduation. This measure is critical for identifying issues with higher education access and participation. It is also important to realize that this metric captures only traditional college-going patterns (immediate enrollment) and does not account for delayed enrollment or non-traditional students.

Disparity among racial/ethnic groups is one of the most severe issues in college participation. Figure 3.1 presents college-going rates for four major ethnic groups in Tennessee over time.

From 2010 to 2012, Hispanics have shown the lowest college-going rates among all ethnic groups in Tennessee; however, they have also demonstrated the greatest increase—7.5 percentage points in three years. The college-going rates for Black high school graduates have been slightly above 50 percent and stable over time. White graduates show a higher rate, which has increased only slightly. Asian graduates have had the highest college-going rate of all ethnic groups.



3.2. College Participation Rates for Students from Low-income Families: U.S., SREB, and Tennessee (2000-2012)



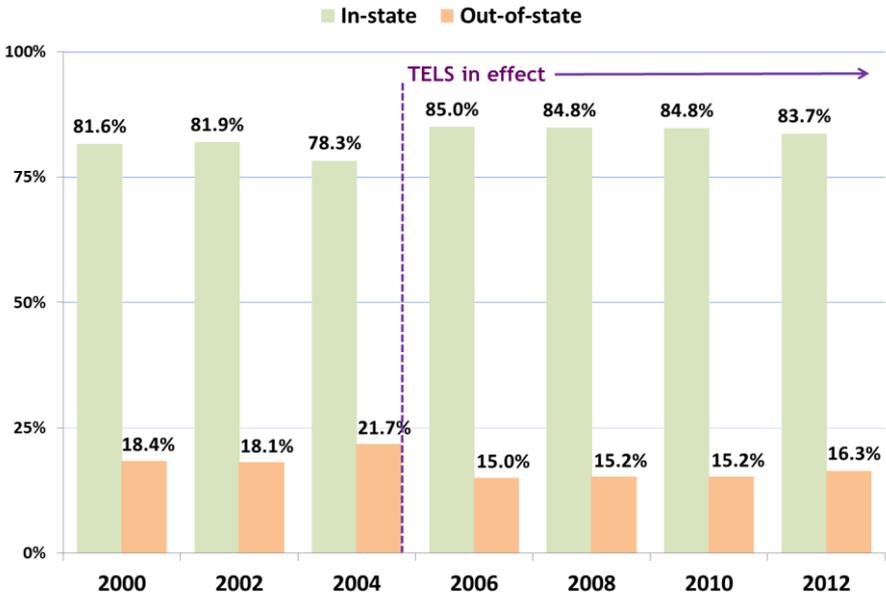
Children from low-income families—defined as those who are approved for free or reduced-price school lunches (FRL)—have the greatest financial obstacles to obtaining a higher education. Positive changes in the proportion of these students in the entire college-going population attest to the success of states’ efforts to ensure greater access to, and affordability of, postsecondary education.

Postsecondary Education Opportunity defines “College Participation Rates for Students from Low-income Families” as the ratio of the number of undergraduate dependents receiving Pell Grants to the number of children in low-income families (FRL 4-9th graders nine years earlier).

Figure 3.2 shows that the share of the K-12 student population from low income families pursuing higher education has been growing over time. This is true nationwide, for SREB states, and for Tennessee. Tennessee’s rate has grown from 17.8 in 2000 to 34.2 in 2012. In 2011, Tennessee had a rate of 35.8, but it dropped slightly in the next year. Tennessee has outpaced the SREB average since 2008; however, as of 2012, it still trails the national average of 39.4.



3.3. Destination of College-going Recent Tennessee High School Graduates (Fall 2000 – Fall 2012)



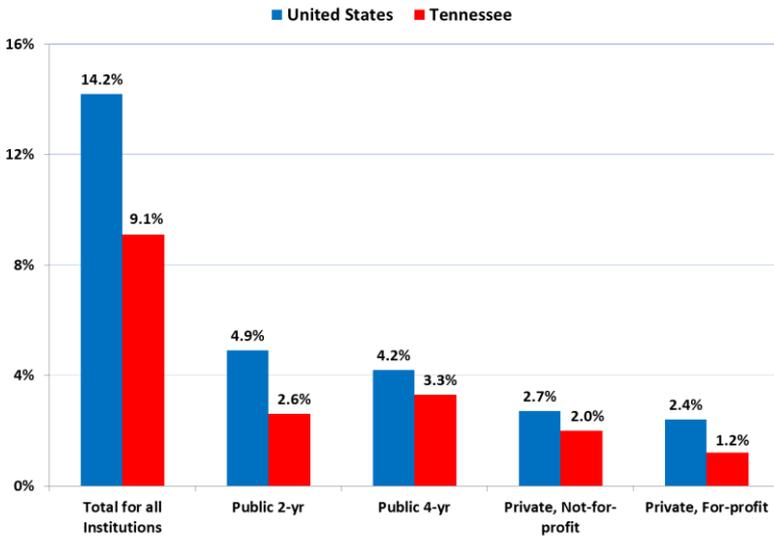
Source: THEC analysis of IPEDS residence & migration data

The decisions of college-bound high school graduates about where to attend a higher education institution have critical implications for state economies. While in college, these students will contribute to the state’s economy through tuition and costs of living. However, more importantly, many of these students will remain in the state after graduation, strengthening its labor force.

One of the key goals of the Tennessee Education Lottery Scholarship (TELS) program is to retain the best and brightest students in the state. Figure 3.3 shows that since 2004, the year TELS was implemented, a greater percentage of recent Tennessee high school graduates are enrolling in state institutions. After an initial increase in the proportion of Tennessee high school graduates opting for in-state institutions, this ratio has remained stable over time at around 85 percent. However, in the fall of 2012, the percent of Tennessee high school graduates enrolling in the state’s institutions was 83.7 percent, down from 84.8 percent in 2010 and 2008.



3.4. Adult Participation Rate: U.S. and Tennessee (2011) *



* Adult enrollment as a percentage of adults 25+ with a high school diploma but no college degree

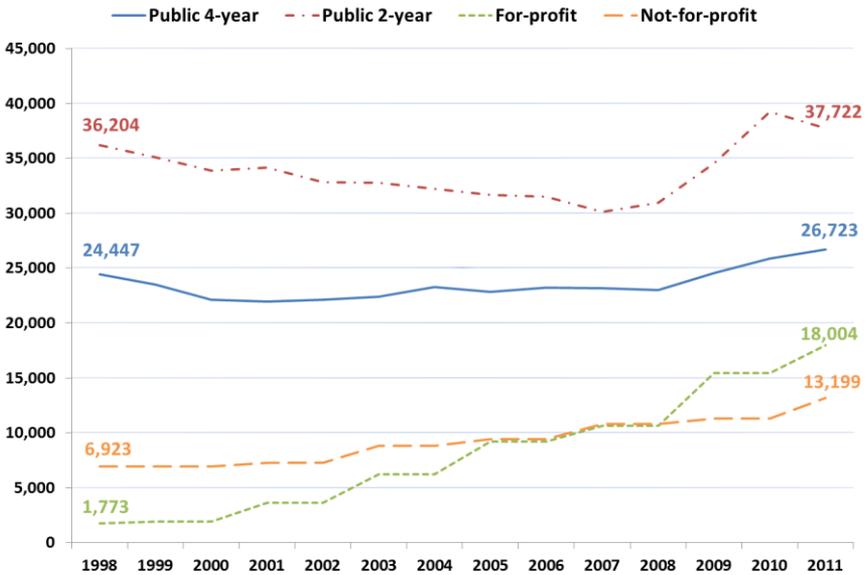
Sources: IPEDS, ACS

Participation of non-traditional students in higher education is crucial for a number of reasons. First, enrolling (and graduating) more adults enables states to move toward attaining goals of a more educated citizenry, economic prosperity and competitiveness, and enhanced social mobility. Second, this metric shows the extent of states' commitment to life-long learning and the provision of educational opportunities to all citizens. Finally, adult participation is reflective of demographic shifts in student populations and college access.

Figure 3.4 presents adult participation rates across various institutional types in the US and Tennessee as of 2011. It shows that participation rates of non-traditional aged students in Tennessee are far below the national average. In 2011, public and private higher education institutions in the state enrolled just 9 percent of adults who had a high school diploma but no college degree, compared to 14 percent nationally. The gap in the adult participation rate in Tennessee and the U.S. differs by institutional sector and is widest at public two-year institutions.



3.5. Tennessee Undergraduate Enrollment: 25 Years Old and Above



Sources: THEC Student Information System, IPEDS

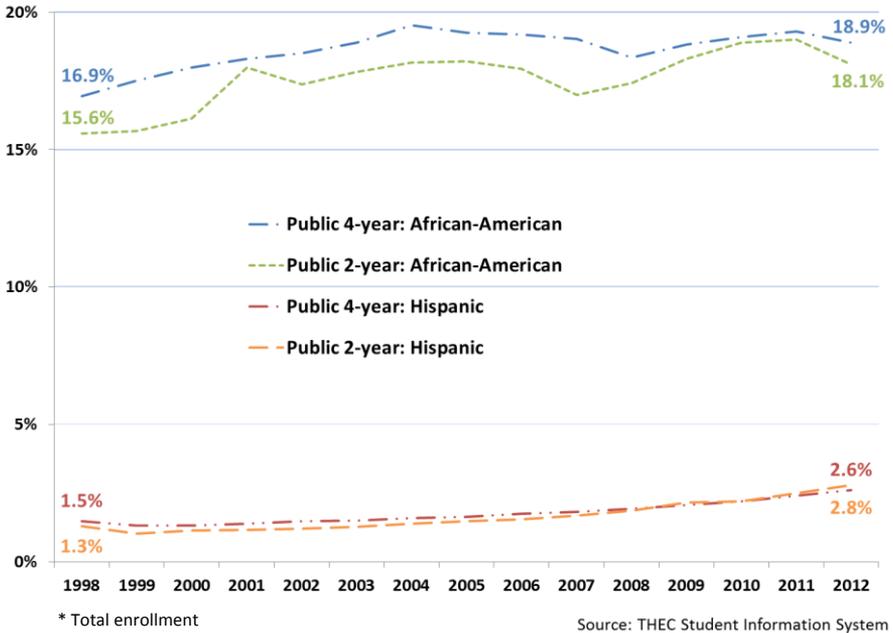
The share of nontraditional students attending postsecondary institutions has been steadily increasing. According to the National Student Clearinghouse Research Center (2012), nationwide, 38 percent of all undergraduate and graduate students are adult learners.

Figure 3.5 displays the enrollment trends of Tennessee adult students since 1998. Until 2008, adult enrollment declined steadily at Tennessee’s public 2-year institutions but has started to improve since then. However, there was a minor dip in adult enrollment in community colleges in 2011. Alternatively, private institutions have consistently enrolled increasing numbers of adult students over the last decade and a half. From 1998 to 2011, adult enrollment increased by 259 percent at private institutions, with for-profit colleges being the primary contributor to the growth of this sector.²

² For-profit institutions’ data are available for Title IV (Federal Student Aid program) participating institutions only and do not reflect the total proprietary enrollment.



3.6. African-American and Hispanic Student Enrollment Share: Tennessee Public Institutions (1998-2012) *



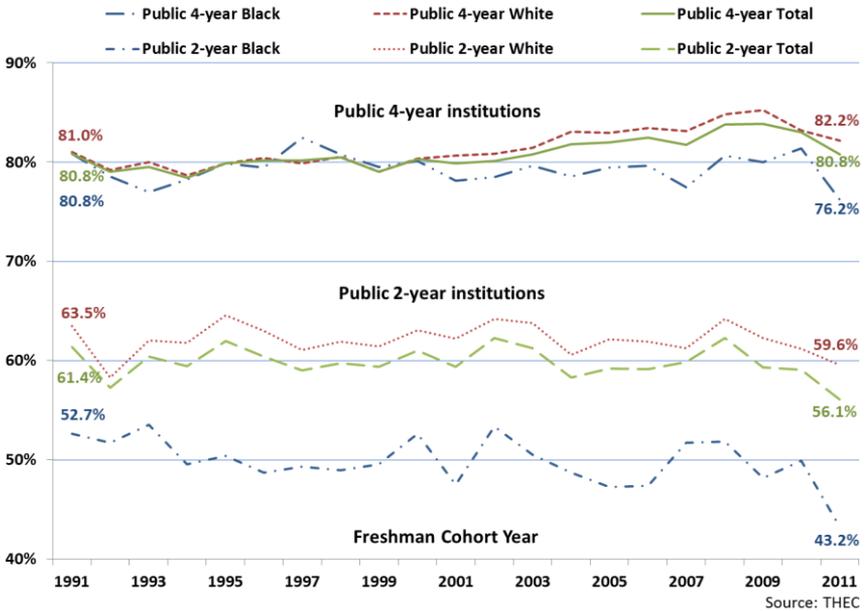
Ethnic diversity in the student body is related to a number of educational outcomes and is reflective of the commitment to equal access to education for all demographic groups. Reflecting the changes in the overall Tennessee population and the subpopulation of young people (Figure 1.9), the race and ethnicity profile of higher education students in the state has gradually changed over time.

Figure 3.6 shows a steady, if small, increase in minority student participation in public higher education. Between 1998 and 2012, the enrollment share of African-American students increased from 16.9 percent to 18.9 percent at public universities and from 15.6 percent to 18.1 percent at community colleges. The small share of Hispanic students has also steadily increased at both types of institutions, reflecting both demographic shifts and changes in the college-going behavior of Hispanic high school graduates.



SECTION IV. STUDENT PROGRESSION

**4.1. One-year Retention Rate for Tennessee Public Institutions:
Freshman Cohorts Fall 1991 – Fall 2011**

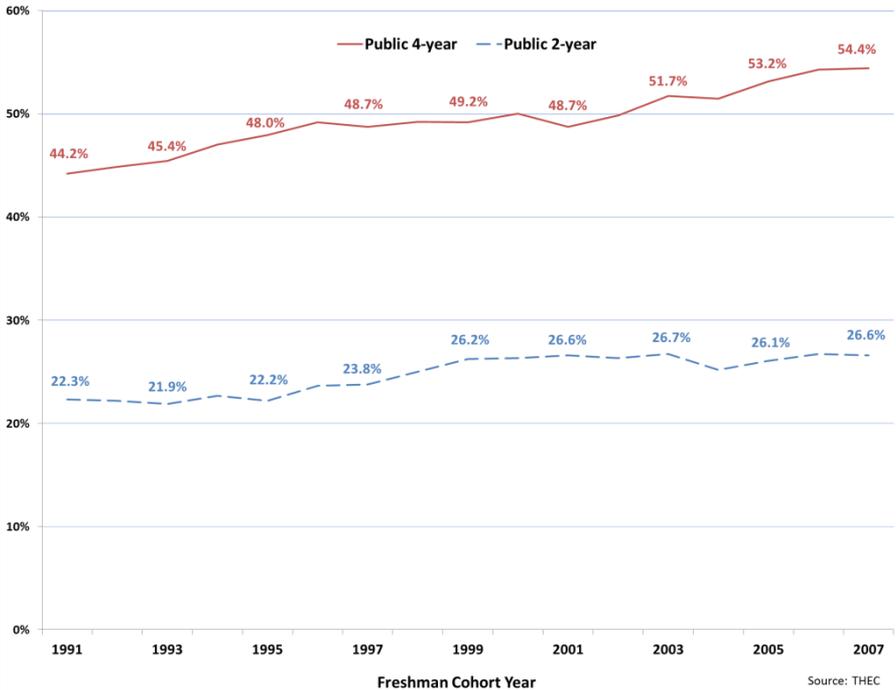


This section uses three indicators of student progression and success: one-year retention rate, six-year graduation rate, and award distribution by demographic group (Figures 4.1-4.5). The one-year retention rate (the proportion of freshmen who continue their studies in the fall of their sophomore year) is important because it is linked to the probability of graduation and has implications for outcomes-based funding.

Figure 4.1 shows a recent downward trend in one-year retention across institutional sectors and racial groups. The largest drop in retention is seen in African-American students attending community colleges. Caucasian freshmen have also persisted at a declining rate for two consecutive years. Over three years, the total rate has decreased by 3 percentage points in universities and 6.2 percentage points in community colleges. These changes may be partly due to the rebounding economy as students choose to enter the workforce.



4.2. Six-year Graduation Rate for Tennessee Public Institutions: Freshman Cohorts 1991–2007



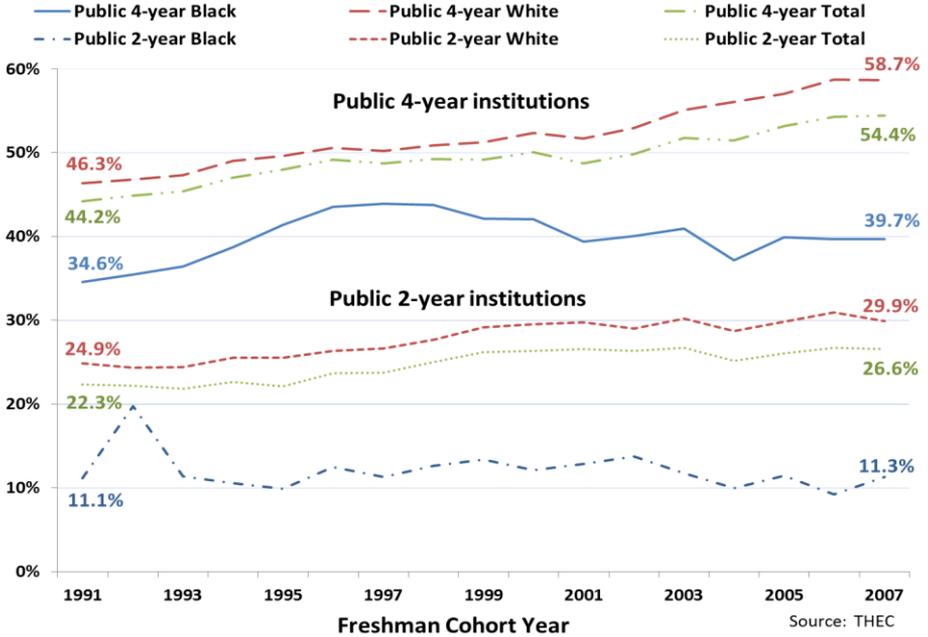
The six-year graduation rate is a common measure of student success and institutional productivity. In Tennessee, this metric is essential for meeting educational attainment goals set by the *Drive to 55* initiative and for public colleges' outcomes-based funding.

Traditionally, two-year institutions have lower graduation rates than their four-year counterparts. This is due to students' demographics, lower retention rates, higher transfer-out rates, and enrollment of many students who do not intend to pursue an associate's degree.

Figure 4.2 shows this metric for each full-time freshman cohort from 1991 (graduation through 1996-97) through 2007 (graduation through 2012-13). Over the past 16 years, the six-year graduation rate has increased by 10.2 percentage points at public universities and 4.3 percentage points at two-year institutions. However, with a drop in one-year retention (Figure 4.1), there may be a greater challenge in coming years for colleges to continue the upward trend.



4.3. Six-year Graduation Rate for Tennessee Public Institutions by Race/Ethnicity: Freshman Cohorts 1991–2007



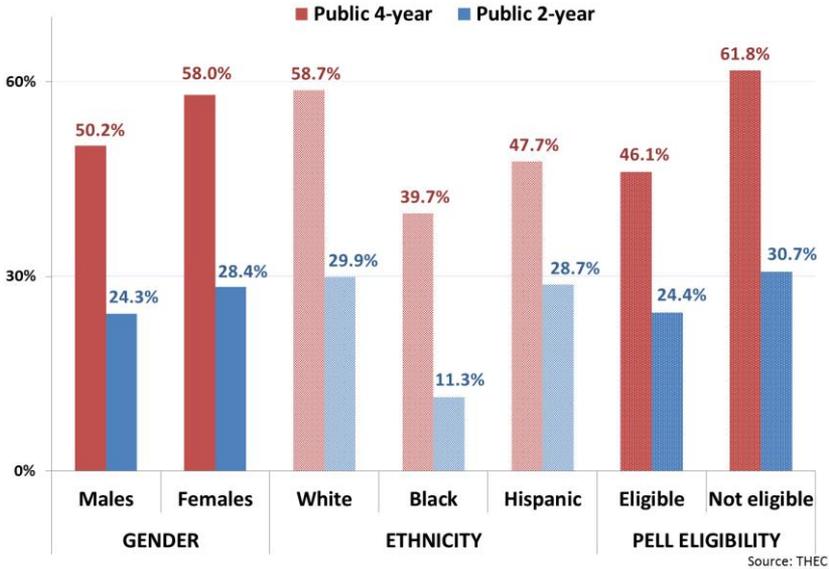
The overall six-year graduation rate (Figure 4.2) masks differences among demographic groups. Sorting this indicator into various cohorts allows for a closer look at how institutional sectors are serving these students in terms of their measureable college success.

Figure 4.3 presents six-year graduation rates for freshman cohorts from 1991 through 2007 for Caucasian and African-American students.

At public universities and community colleges, Caucasian students perform better than average, while graduation rates for African-American students are below average. These trends have been consistent over time. There has been improvement in the six-year the graduation rate for Caucasian students in both sectors. However, the graduation rates among African-American students have increased at universities but have shown no improvement at two-year institutions. Thus, there is a steady disparity between the graduation rate of Caucasian and African-American students.



4.4. Six-year Graduation Rate for Tennessee Public Institutions by Gender, Race/Ethnicity, and Pell Eligibility: 2007 Cohort

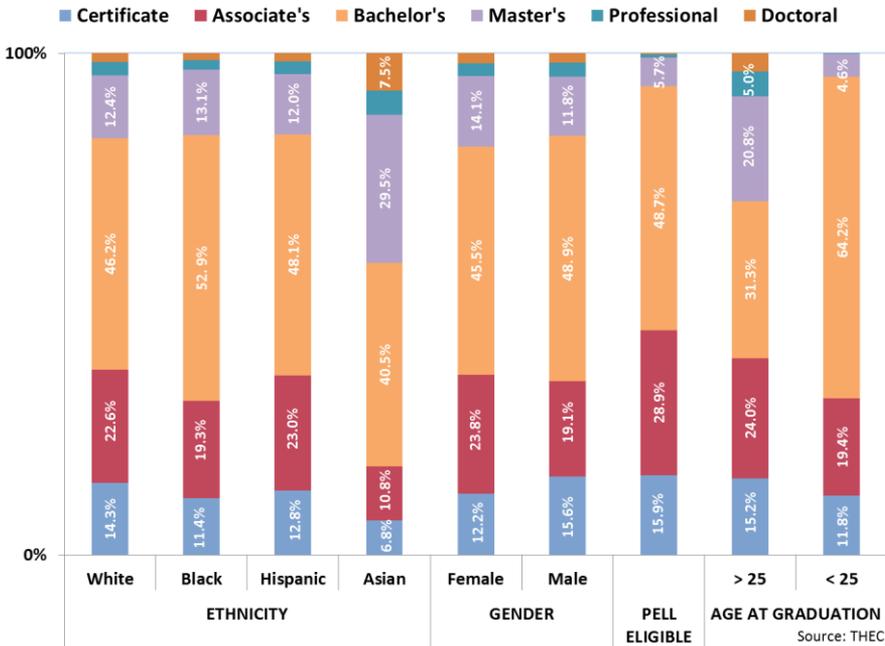


Such characteristics as gender, race, and socioeconomic background greatly determine the likelihood of graduation. Charts showing graduation rates for these sub-populations allow legislators and other decision makers to see how likely different types of students are to graduate and determine where improvements need to be made.

Figure 4.4 shows the six-year graduation rate for the 2007 freshman cohort by gender, race/ethnicity, and Pell eligibility. For every group, graduation at public universities is much higher than at two-year institutions. Females graduate at a higher rate than males in both institutional sectors; Caucasian students have the highest graduation rate, followed by Hispanic and African-American students. While Hispanic students trail Caucasian students at 4-year institutions, these ethnic groups graduate at similar rates in community colleges. As expected, students who qualify for federal Pell grants do not graduate as often as those students who do not qualify for Pell. The graduation rate of Pell-eligible enrollees averages 36 percent for all public institutions in the state and is much lower than the statewide average of 43.8 percent (not shown on the graph).



4.5. Total Awards by Award Type, Gender, Race / Ethnicity, and Pell Eligibility (2012-2013)



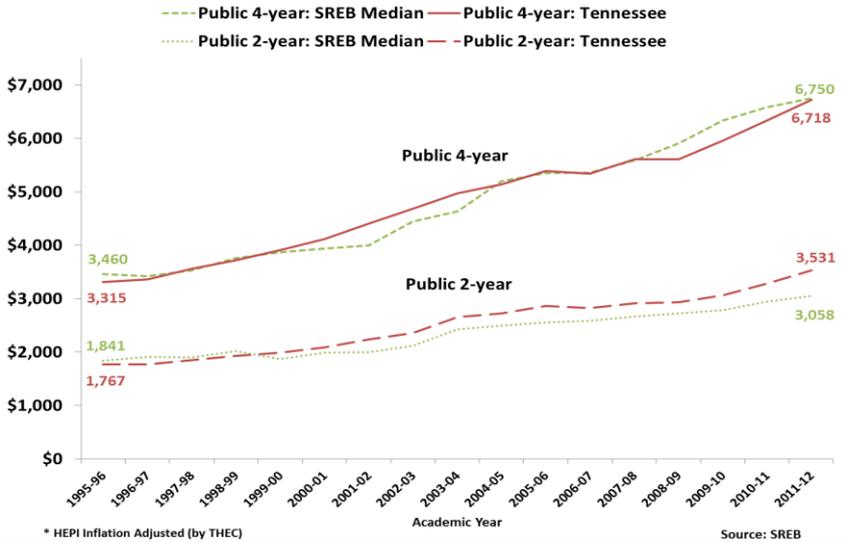
The relationship between educational attainment and economic vitality (Figure 1.1) provides for the need to increase the number of postsecondary degrees. Understanding what types of degrees are awarded is an important part of examining progress toward this goal.

Figure 4.5 demonstrates the distribution of degrees awarded at public Tennessee institutions in 2012-13 by select student demographics. The most common award across all demographic groups is the bachelor’s degree; the associate’s degree holds the second position. Although, in absolute numbers, Caucasian students earn more awards than the other ethnic groups, and females earn more degrees than males, the percent distribution of awards within each group differs only slightly. For adult students, the share of bachelor’s degrees is smaller than the combined share of certificates and associate’s awards. Of note, adults earn lower-level certificates at nearly the same rate as traditional age students. For Pell-eligible students, associate’s degrees are more popular than for any other demographic.



SECTION V. STATE HIGHER EDUCATION FINANCE

5.1. Median Annual Tuition in Constant 2011 Dollars

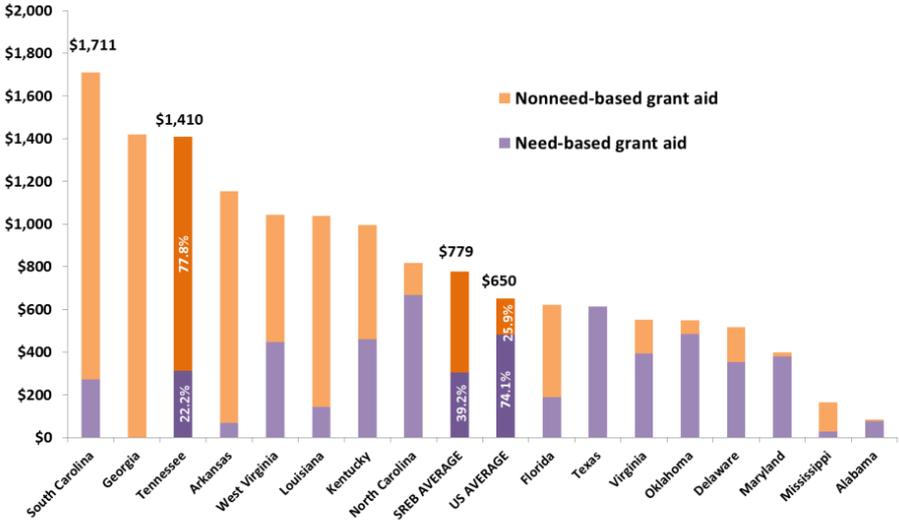


Comparing tuition in Tennessee to the tuition of institutions in neighboring state institutions is a means of gauging how competitive Tennessee is for talented native students to stay for their college career. Nationally, the cost of higher education is climbing at a rate that forces many families to seriously consider cost when deciding where their child will enroll. With federal and state aid making up a smaller portion of the overall cost of college, legislators should be mindful of the influence that price has on a student choosing to go to college or enter the workforce.

Figure 5.1 demonstrates that, on average, changes in the median university tuition in Tennessee have been in step with the rise of average tuition across the other 15 SREB states. Tennessee universities remain a more affordable option than the average in the other SREB states. However, annual tuition charges at public two-year institutions in Tennessee have outpaced the growth in the median tuition for these campuses in other SREB states. Even with these greater than average increases, community colleges remain an affordable option in the state.



5.2. Total State Grant Aid (Need and Non-need) per Public and Private Undergraduate FTE (2011-2012)

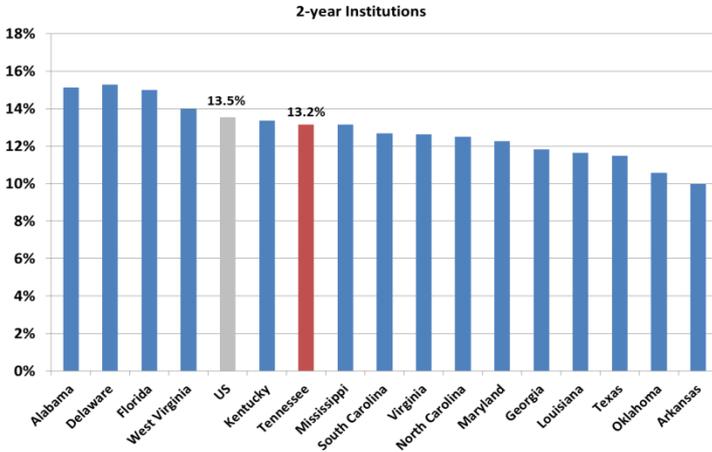


Source: SREB

Figure 5.2 shows the total amount of state grant aid money (both need and non-need based) for the SREB states and presents the average award per full-time equivalent (FTE) undergraduate student for SREB and the nation. In 2011-12, Tennessee ranked 3rd nationally and among the SREB states in the amount of grant aid per FTE. This remarkable progress from Tennessee's 32nd position in 2003 is largely attributable to the creation of the Tennessee Education Lottery Scholarships (TELS) program in 2004. However, Tennessee (22 percent) continues to trail the nation (74 percent) and SREB region (39 percent) in the proportion of grant aid awarded based on need.

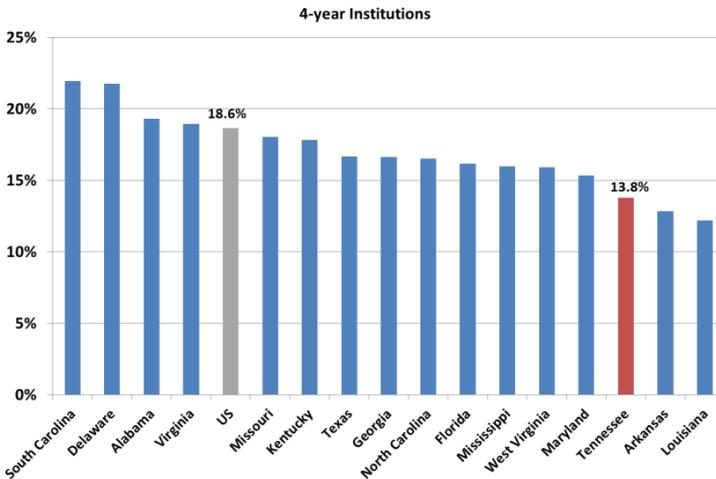


5.3. Net Cost of Attendance as a Percent of Median Family Income



* Net Cost is average total cost less average total grant aid per student.

Source: NCHEMS



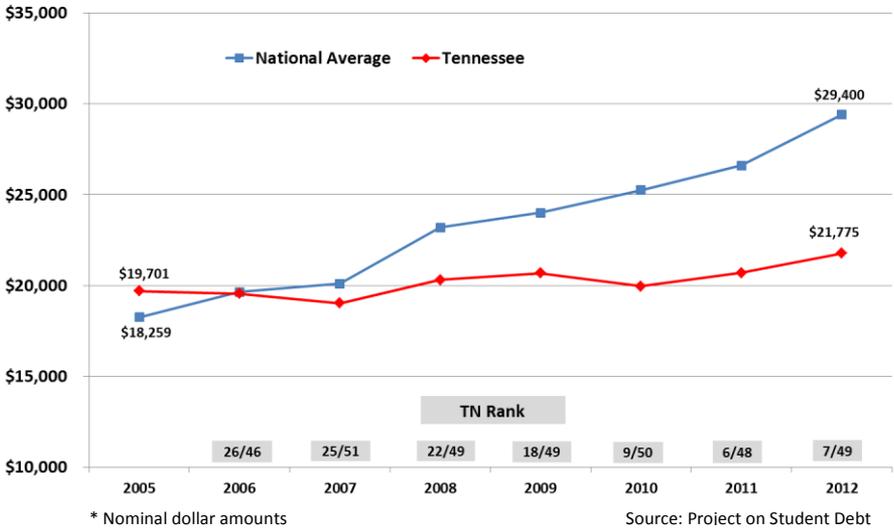
* Net Cost is average total cost less average total grant aid per student.

Source: NCHEMS

The net cost of college as a percent of median family income is a telling indicator of higher education affordability. Figure 5.3 shows that public higher education in Tennessee remains comparatively affordable. In addition, availability of TELS awards brings higher education within reach of more Tennesseans.



5.4. Average Student Loan Debt Comparison *



Student debt has received much attention as a looming issue for the newest generation of college graduates. Nationally, in the past two years, the total amount of student loan debt has eclipsed even credit card debt in size. The influence of student loan debt on the myriad life choices that college graduates face could have lasting impacts on the state's and the country's future.

Figure 5.4 shows the marked improvement in the average debt level of Tennessee graduates (public and private institutions) compared to the nation. Though the average debt for a Tennessee graduate has increased by \$2,000 since 2005, this increase is much lower than that of the nation. In 2012, Tennessee boasted the 7th lowest debt level for all states reporting an average debt of \$21,775. This is a marked improvement from the state's ranking (34th in the nation) in 2005 when the average debt amount of \$19,701 was above the national average.



5.5. University Revenue per University Award

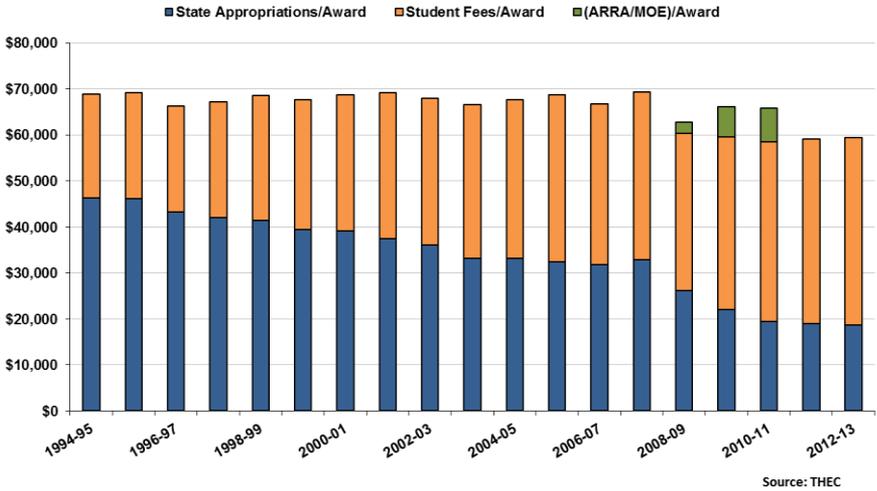


Figure 5.5 presents the efficiency in degree production at Tennessee universities over the last 25 years. Total revenue (including state appropriations and tuition and fees) per award (as measured by total bachelor, master and doctoral degrees) has declined recently from a high of \$69,300 in 2007-08 to \$59,400 in 2012-13 in constant 2012 dollars. It costs less to produce an award at Tennessee universities than it did nearly three decades ago. Additionally, the total amount of state appropriations used per award has also declined, from \$55,000 to \$19,000. This corresponds to a greater reliance by campuses on tuition and fees revenue for each award, which accounted for \$40,500 in 2013 compared to \$21,500 in 1988. The shifting of university revenue sources has implications for students’ ability to enroll and their cumulative debt upon graduation.



CONCLUSION

From any perspective – longitudinal, regional, or national – Tennessee has made strides in the performance of its postsecondary institutions relative to degree efficiency and credential attainment. While this is to be applauded, there is room for improvement. Persistence and graduation rates can and must increase, and the variation in performance between institutions and student subgroups must decrease. Tuition and financial aid policies that put postsecondary attainment within reach for Tennesseans must become a priority for policy makers and institutional leaders. The unique challenges faced by low-income, first-generation, and adult students must be addressed in ways that close performance gaps for these underserved populations. Growth in the population of Hispanic youth will move the academic performance of this population to center stage in the coming decade. College affordability and the ability of postsecondary institutions to sustain recent productivity gains in the face of dwindling state operating appropriations will demand that funding partnerships involving state, local, and private entities continue to develop. Tennessee’s success in addressing these challenges will in large part determine its future economic competitiveness and the quality of life for its citizens.