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MEMORANDUM

To: Sen. Roy Herron

From: David Wright, Associate Executive Director
Policy, Planning, and Research

Date: March 18, 2008

Subject: Lottery Scholarship Follow-up

Thank you for the recent opportunity to discuss issues related to the Tennessee Education Lottery Scholarship (TELS) program. I am writing to follow up on a few of your questions that required further analysis on my part.

Scholarship Demographics

Scholarship recipients by sector

The following table shows the distribution of lottery scholarship recipients by postsecondary sector.

- UT campuses and Tennessee Technology Centers (TTCs) account for a greater share of TELS recipients than of higher education enrollments overall. For UT campuses, particularly UT Knoxville, this has to do with admission standards that are more rigorous relative to other public universities in the state. For TTCs, this reflects the fact that any Tennessee resident enrolled in a preparatory program is eligible for the Wilder-Naifeh Technical Skills Grant.
- Community colleges and independent institutions constitute a lower percentage of TELS recipients than of higher education enrollments overall. This is unsurprising in light of community colleges' open enrollment status and independent institutions' propensity to enroll non-state residents.

System	TELS Recipients (2006-07)	Overall Headcount (Fall 2007)
UT campuses	23%	16%
TBR universities	31%	29%
TBR community colleges	14%	26%
Independents	16%	23%
Technology centers	16%	6%
Public higher ed total	100%	100%

Scholarship recipients by race/ethnicity

- Caucasian students represent 85 percent of lottery scholarship recipients, compared to 75 percent of public higher education enrollments overall.
- African-American students represent 9 percent of lottery scholarship recipients, compared to 18 percent of public higher education enrollments overall.

Scholarship recipients by family income

The following table compares the family income distribution of first-time freshman lottery scholarship recipients to that of freshmen overall.

- About 27 percent of TELS freshmen come from families earning \$96,000 or more annually, compared to 22 percent of all freshmen.
- Another 27 percent of TELS freshmen come from families earning less than \$36,000, the current threshold for need-based lottery scholarship awards. Comparatively, students from lower-income families constitute 35 percent of all freshmen.

	Family Income¹ of Public Institution First-Time Freshmen, Fall 2007	
	All	TELS²
Less than \$12,000	11.0%	7.5%
\$12,000 - \$23,999	12.2%	9.4%
\$24,000 - \$35,999	11.6%	10.0%
\$36,000 - \$47,999	9.8%	9.3%
\$48,000 - \$59,999	9.5%	9.7%
\$60,000 - \$71,999	9.0%	9.7%
\$72,000 - \$83,999	8.3%	9.2%
\$84,000 - \$95,999	7.0%	8.0%
\$96,000 and up	21.6%	27.2%
Total	100.0%	100.0%

1. Parental adjusted gross income for students classified as dependents for financial aid purposes.
2. GAMS, HOPE, ASPIRE, and Access

- While these populations are distributed fairly similarly in terms of family income, they are quite different from the population of students receiving the Tennessee Student Assistance Award (TSAA), where virtually all recipients come from families earning \$36,000 or less annually.

It is important to note that our family income data are limited to those students who complete the Free Application for Federal Student Aid (FAFSA). As the following table indicates, the fact that the FAFSA is used as the application for all state student financial aid programs has boosted the percentage of public sector entering freshmen completing a FAFSA from 58 percent prior to the lottery scholarship to 83 percent currently.

System	Percent of First-Time Freshmen Completing the FAFSA	
	Fall 2002	Fall 2007
UT campuses	52%	87%
TBR universities	57%	84%
TBR community colleges	62%	80%
Public higher ed total	58%	83%

Scholarship Retention

First-time freshmen from Fall 2004, the lottery scholarship's inaugural year, have now had the opportunity to progress to their fourth year of college, and we are able to examine their scholarship retention rates over time. The rates at which these students retained their TELS awards in Fall 2005, 2006, and 2007 are as follows:

- For the TELS program as a whole, 50 percent of the first-time freshmen from Fall 2004 retained their award in Fall 2005. The scholarship retention rate for this class was 36 percent by Fall 2006 and 32 percent by Fall 2007.
- For basic HOPE, the scholarship received by most students within the program, the scholarship retention rate was 51 percent in Fall 2005, 36 percent by Fall 2006, and 33 percent by Fall 2007.
- For the General Assembly Merit Scholarship (GAMS), which carries the most stringent criteria for initial eligibility, the scholarship retention rate was 90 percent in Fall 2005, 83 percent by Fall 2006, and 77 percent by Fall 2007.
- For the need-based ASPIRE, the second largest award in terms of participation, the scholarship retention rate was 41 percent in Fall 2005, 26 percent by Fall 2006, and 23 percent by Fall 2007.

These rates varied by sector, gender, race/ethnicity, family income, and the student's level of academic preparation. It is interesting to note that when students who are better prepared academically are compared to each other, other differences are mitigated.

College Retention

The concept of college retention is distinct from the foregoing analyses in that it tracks students who stayed in school independent of scholarship retention.

- The majority of students who lose lottery scholarships stay in college anyway.
 - Among Fall 2006 TELS freshmen, 78 percent returned in Fall 2007 (50 percent with their lottery scholarship and 28 percent without).
 - This college retention is consistent with the freshman-to-sophomore retention rate in our public universities (80-82 percent historically).
- This is more true for higher-income students than for lower-income students.
- Among students who lose their scholarship but stay enrolled, we see a slight migration from 4-year institutions to community colleges.

I hope this is helpful. Please let me know if you have questions or need anything further.

cc: Will Burns