

Does it help students with limited financial means afford college?

SEPTEMBER 2018 ■ BY ALAIN POUTRÉ AND MAMIE VOIGHT ■ INSTITUTE FOR HIGHER EDUCATION POLICY

Tennessee is at the vanguard of the free-college movement. Launched in 2015, Tennessee Promise makes technical and community colleges tuition-free for recent high school graduates in the state.¹ With the addition of Tennessee Reconnect in 2018, adult students can attend tuition-free as well (see **Sidebox A**). The efforts of the state’s leadership, especially its willingness to re-examine the program and expand it to support adult learners, is commendable. But program details matter. This analysis of Tennessee Promise and Reconnect examines the effects of the program’s design and recommends enhancements that will redirect program resources to help low-income students pay for college.²

Sidebox A. What Are Tennessee Promise and Tennessee Reconnect?³

Both Tennessee Promise and Tennessee Reconnect use state lottery funds to pay tuition and fees for eligible associate’s and certificate programs. Funds cover only tuition and fees remaining after other need and non-need-based grants and scholarships—such as the Pell Grant, Tennessee HOPE, Tennessee Aspire, Tennessee HOPE Access, and General Assembly Merit Scholarship—are applied. **Table 1** summarizes student eligibility and program funding for Promise and Reconnect.

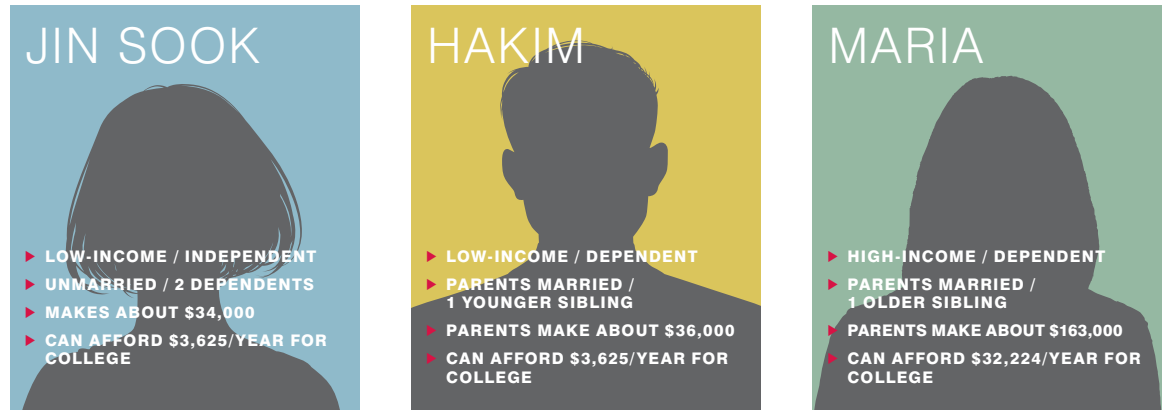
Table 1. Tennessee Promise and Tennessee Reconnect Details

TENNESSEE PROMISE	TENNESSEE RECONNECT
STUDENT ELIGIBILITY	
Attend a Tennessee College of Applied Technology, Tennessee community college, or other approved associate’s degree program	
Be a citizen or eligible non-citizen	
Be a Tennessee resident	
Not be an individual who is incarcerated	
Complete a new application for the program every year	
File a FAFSA	
Maintain a 2.0 GPA	
Complete a Tennessee high school, home-school, or GED before 19th birthday	Be an independent student
Enroll full-time and maintain continuous enrollment	Enroll at least half-time and maintain continuous enrollment
	Participate in a Reconnect Success Plan
Attend meetings before enrolling, and complete eight hours of community service each semester	Not hold an associate’s or bachelor’s degree, not have an outstanding college balance, not be in default on a student loan
PROGRAM COSTS	
Expected 2018–19 cost is \$33.3M	Expected 2018–19 cost is \$11.2M
Funded through earnings from a Tennessee Lottery reserves trust and unspent funds from the Tennessee Education Lottery Scholarship program	Funded through the Tennessee Education Lottery Scholarship program

Tennessee Promise is a last-dollar program, meaning the state covers any tuition and fees not already covered by other grant aid, such as Pell Grants. This follow-up analysis to *Limited Means, Limited Options* examines the impact of Tennessee Promise for three students who represent today’s college-goers from different household types and income backgrounds: Jin Sook, Hakim, and Maria (see **Sidebox B**).⁴ This analysis reveals that, despite its best intentions, Tennessee Promise distributes state funding inequitably, providing the greatest financial benefit to a wealthy student while offering no additional support to low-income and working-class students with greater financial need.⁵

Because of the program’s design, low-income students who receive Pell Grants receive less, if any, Promise funding than students who are ineligible for Pell. In fact, a recent report on Tennessee Promise shows that about half of Promise students receive \$0, and of those zero-dollar Promise students, 98 percent are Pell recipients (the report, however, does not cover Tennessee Reconnect). Among non-zero Promise students, less than 3 percent receive Pell Grants.⁶ This is a problem. While the Pell Grant is a critical investment in students and our economy, its purchasing power has declined, so that on its own, it does not make college fully affordable for low-income and working-class students. State investment should build on the federal Pell investment to tackle affordability for students with the greatest financial need, helping to strengthen the state’s workforce and giving low-income Tennesseans greater opportunity for upward economic mobility.

Sidebox B. Three 21st-Century College Students



How affordable were Tennessee colleges before Tennessee Promise?

Using the “Rule of 10,” we consider a college to be affordable if a student can cover all college costs—tuition and fees, room and board, books and supplies, and other educational expenses—by saving 10 percent of their family’s discretionary income for 10 years before college, working 10 hours a week at minimum wage during college, and using grants and scholarships.⁷ In other words, each student has their own “Affordability Threshold,” which indicates what they can afford given their family circumstances.

Net Price = Tuition and fees + room and board + books and supplies + other educational expenses – grants/scholarships

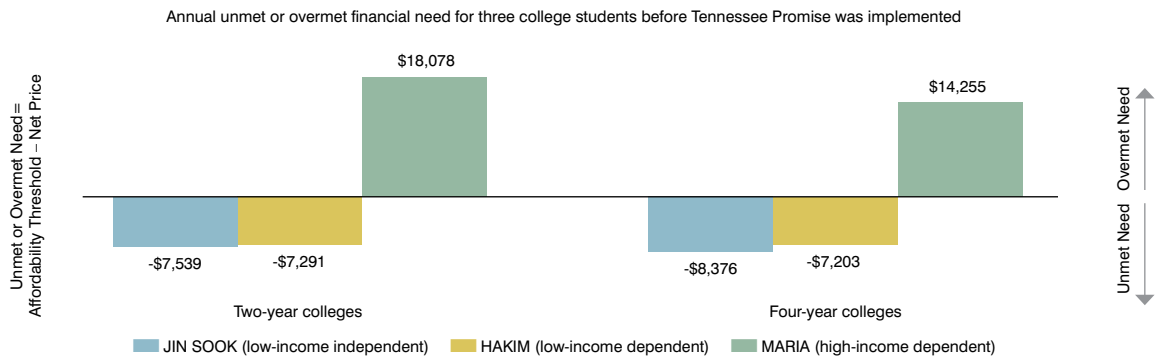
Affordability Threshold = 10% of discretionary income x 10 years + earnings from 10 hours/week of student work

After accounting for expected family savings, student earnings, and grants and scholarships, we find that the low-income students in our analysis—dependent (Hakim) and independent (Jin Sook),

who have \$3,625 available to pay for college each year—could not afford to attend any of the 22 two- or four-year public colleges in Tennessee before Tennessee Promise was implemented. Yet Maria—the high-income dependent with more than \$32,000 available annually for college expenses—had more than enough resources to afford all four- and two-year public colleges in the state (see **Figure 1**).

Figure 1 below shows each student’s unmet need, which represents the additional amount they need to pay for college (a negative number indicates unmet need) or overmet need, which represents the excess amount they have in family resources and grant funding after paying for college (a positive number indicates overmet need). Perhaps surprisingly, the low-income students only have slightly more financial need at four-year colleges than at two-year colleges, despite higher tuition at four-year institutions. This is because low-income students like Jin Sook and Hakim who attend four-year institutions in Tennessee receive more grant aid than those who attend two-year colleges, on average.

Figure 1. Before Tennessee Promise, a high-income student could afford college in Tennessee, but low-income students could not.

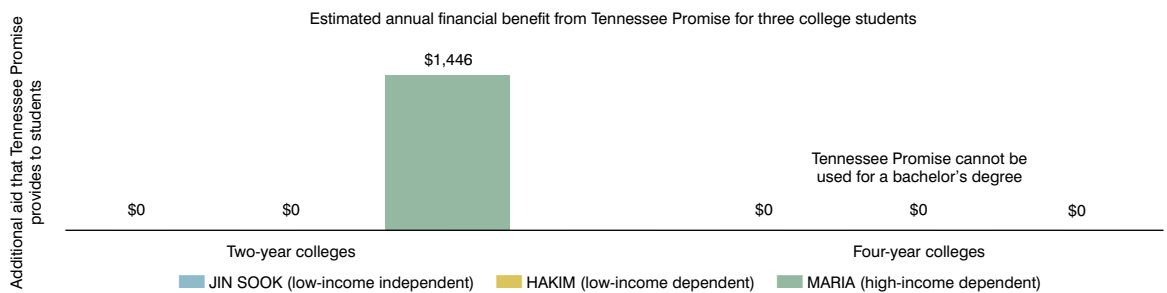


Note: Net prices are means across Tennessee public colleges based on net price calculator output and represent prices for one year of college. The Affordability Threshold calculation is based on Lumina’s Rule of 10. A negative unmet need indicates that an individual needs funding to afford college. A positive overmet need indicates that a person has extra resources even after paying for college.

How affordable are Tennessee colleges after Tennessee Promise?

While the low-income students in this analysis—Hakim and Jin Sook—clearly have the greatest financial need, Maria—whose family makes more than \$160,000 annually—benefits the most from Tennessee Promise (see **Figure 2**). She would receive more than \$1,400 in state subsidies to attend a Tennessee community college, as shown in **Figure 2**, even though she could more than afford the \$14,000 average net price without additional state support, as shown in **Figure 1**. Meanwhile, Hakim and Jin Sook do not receive Tennessee Promise funding because they receive Pell Grants that already cover the relatively low tuition and fees at Tennessee community colleges. Their most pressing financial needs involve paying for non-tuition educational expenses that exceed their grant aid—expenses that are ineligible for Tennessee Promise funding. Yet the lack of an income cap directs scarce funds toward someone who otherwise is able to pay. These funds could cover a larger portion of the attendance costs for the low-income, working-class students.

Figure 2. A high-income student receives a Tennessee Promise award, while a low-income student receives no funding from Tennessee Promise.



Note: Tennessee Promise awards are estimated as the average amount that tuition and fees exceed existing grant aid, based on the net price calculator output for each student. While two public four-year colleges in Tennessee offer eligible associate's degree programs, bachelor's degrees represent the majority of the degrees conferred at those institutions, so this analysis classifies them as four-year colleges, ineligible for Tennessee Promise.

Below is a breakdown of each student and how Tennessee Promise would affect their ability to pay for college.



Jin Sook, a low-income mother of two, would receive no financial benefit from Tennessee Promise because her Pell and other grant aid would cover tuition and fees at Tennessee community colleges (see **Figure 2**). She would still face substantial financial need (more than \$7,500 at a Tennessee two-year college and \$8,000 at a four-year college, see **Figure 1**) after accounting for her grants and earnings from work. Because her income falls below 200 percent of the Federal Poverty Guideline, this analysis assumes she is unable to contribute any savings towards her education.



Hakim, a low-income dependent, also would not benefit financially from Tennessee Promise because his Pell and other grant aid already covers tuition and fees at a Tennessee community college (see **Figure 2**). But paying other college expenses would still be a challenge. Even after grants and expected earnings, he would need more than \$7,000 to afford a Tennessee public four- or two-year college (see **Figure 1**). Like Jin Sook, his family would be unable to save for college because their household income falls below 200 percent of the Federal Poverty Guideline.



Maria, a high-income dependent, could afford any public college in Tennessee without Tennessee Promise because her family's income is high enough to allow them to save for her education (see **Figure 1**). Yet because she is ineligible for need-based aid, such as the Pell Grant to pay tuition and fees, Tennessee Promise subsidizes tuition costs for her at any community college in Tennessee (see **Figure 2**). Maria's benefit from Tennessee Promise would be even larger if she did not already receive other state funds through the non-need-based Tennessee HOPE Scholarship.

This analysis examines three students, who are similar to many of today's college-goers, but it does not attempt to identify every type of student who would benefit—or not benefit—from Tennessee Promise. For instance, a student who is ineligible for Pell because her income is too high and ineligible for HOPE because her academic qualifications are too low would receive a substantial Tennessee Promise award.

What are core tenets of a more equitable free-college program?

Making college more affordable is a laudable state policy goal and worthy of taxpayer investment. Public investment in higher education pays off, not just for students, but also for states, which reap the economic benefits of a skilled workforce. States implementing free-college programs are touting a clear message of free tuition, and data show that college-going rates in Tennessee increased after the program began.⁸ However, free-college programs can maintain simple messaging to encourage college attendance while promoting equity more effectively.

To responsibly steward taxpayer dollars, policies should target limited resources toward students of limited means. The following recommendations would improve free-college policies in Tennessee and other states.

1

Invest first and foremost in low-income students. Setting an income cap on Tennessee Promise eligibility would allow the state to focus resources on low-income students, who need support to pay expenses at two- or four-year colleges, instead of on high-income students, who already can afford to attend college. Nationally, the average low-income student today must find a way to finance an amount equivalent to 157 percent of their family income to pay for college, while a high-income family can attend for a much more manageable 14 percent of their family's income.⁹ To make a difference for the students struggling the most to pay for college, free-college programs should target aid toward low-income students.

2

Fund non-tuition expenses for low-income students. Low-income students need financial aid to help pay college tuition and other college expenses, so free-college programs should allow state “free-college” dollars to fund non-tuition expenses. Similarly, states should shift from a last-dollar model, which only pays tuition expenses that are not already covered by grant aid like the Pell Grant, to a first-dollar model that uses state funds to pay students' tuition, allowing students to use Pell Grants and other grant aid to cover expenses such as room, board, and books.

3

Include four-year colleges. Expanding Tennessee Promise to four-year colleges would meaningfully open more doors for low-income and working-class students to pursue the type of credential that is the best fit for them. Equitable support for two- and four-year programs can help to combat income stratification within our higher education system.

4

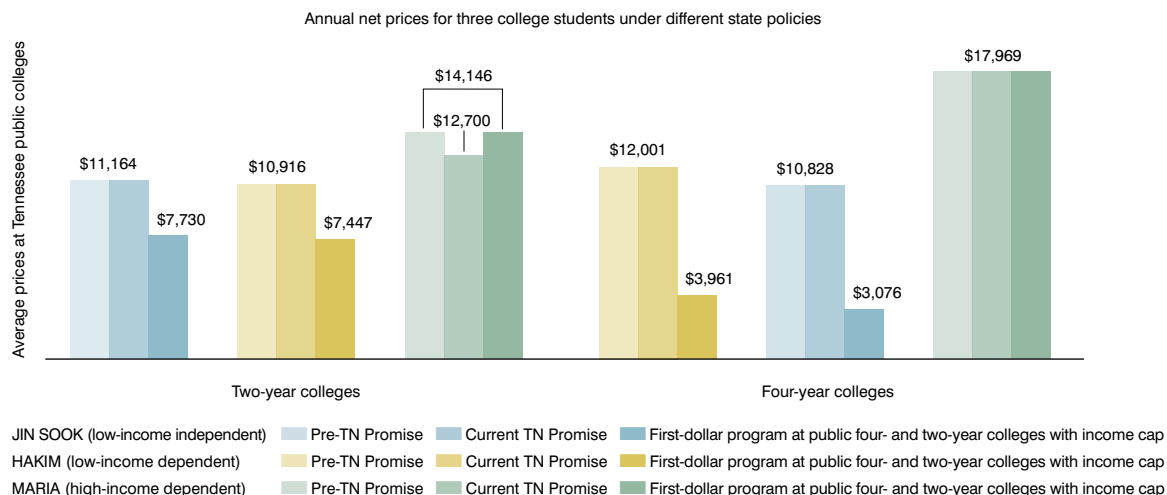
Support state need-based grant programs. Free-college programs interact with state grant programs, and implementing free-college promises should not come at the expense of existing grant programs that help low-income students. Also, new free-college programs offer states an opportunity to reexamine state non-need-based grants, such as Tennessee HOPE. Non-need-based grants, which often disproportionately benefit higher-income students, should be redirected into need-based grants or equity-minded free-college programs so that state dollars are directed toward helping low-income, working-class students pay tuition and other college expenses.

5

Avoid restrictive or punitive requirements. Program details matter. State policymakers should prevent restrictive academic requirements that could disproportionately exclude low-income students; include eligibility for marginalized populations, such as students who are incarcerated; and avoid punishing students for pursuing work or family commitments in another state after college. Some free-college programs come with high-stakes and complicated conditions such as converting grants to loans based on student work and living decisions after college. Tennessee's program does not include such punitive conditions and should continue to avoid them.

Following these tenets would have tangible impacts for low-income students, minimizing the price barriers they face. **Figure 3** shows how implementing these tenets in the Tennessee Promise program would reduce prices for low-income students Jin Sook and Hakim. By converting Tennessee Promise from last-dollar to first-dollar, instituting an income cap, and opening eligibility to students attending four-year institutions, Jin Sook and Hakim would receive an additional \$3,400 each to attend community college or about \$8,000 more to attend a four-year institution. Even though the income cap would make Maria ineligible for Promise aid, she still could afford college given her family's high income.

Figure 3. Implementing IHEP’s free-college tenets would make college more affordable for low-income students.



Targeted state investment in higher education can help low-income and working-class students tackle daunting college affordability challenges. Tennessee has led the nation in implementing a statewide free community college program. It has spread a clear “free-tuition” message to students across the state and thoughtfully revisited the program’s original design to expand it to serve returning adult students. Yet, low-income, Pell Grant recipients generally do not receive funding through Tennessee Promise. As other states learn from Tennessee’s efforts—and as Tennessee continues to consider ways to refine and enhance its own programs—equity must be at the center of free-college program design. Equity-driven state investment that direct dollars toward students with financial need can go a long way toward driving economic development for the state and socioeconomic mobility for students with limited means and limited college options.

Endnotes

- 1 Tennessee Higher Education Commission & Tennessee Student Assistance Corporation. (2017). *Tennessee Promise annual report*. Retrieved from <https://www.tn.gov/content/dam/tn/thec/bureau/research/promise/TN%20Promise%20Report%20-%202018%20-%20Final.pdf>. Tennessee Promise applies to certificate and associate’s degree programs at public community colleges, Tennessee Colleges of Applied Technology, and two- or four-year public or private colleges with eligible associate’s degree programs. While some private colleges are eligible, less than 5 percent of Tennessee Promise students attend private institutions, so this brief’s analysis focuses on public colleges only.
- 2 We use “Tennessee Promise” throughout the report to encompass both Tennessee Promise and Tennessee Reconnect. When modeling Tennessee Reconnect, we assume Jin Sook has not already exhausted her Pell Grant lifetime eligibility.
- 3 Tennessee Promise. (n.d.). *School resource guide 2017–18*. Retrieved from http://www.tnpromise.gov/files/TNPromiseHandbook_2017-2018.pdf; State of Tennessee. (n.d.). *Budget fiscal year 2018–19*. Retrieved from <https://www.tn.gov/content/dam/tn/finance/budget/documents/2019BudgetDocumentVol1.pdf>; Tennessee Reconnect. (n.d.). *Reconnect for an associate degree*. Retrieved from <http://www.tnreconnect.gov/PayForCollege/LookingfortheCommunityCollegeReconnectGrant/tabid/5258/Default.aspx>; Tennessee Reconnect. (n.d.). *Frequently asked questions*. Retrieved from <https://s3.amazonaws.com/nscc.edu/PDFs/admissions/TN-Reconnect-Questions-Answered.pdf>; Tennessee Reconnect. (n.d.). Tennessee Reconnect [Fact-sheet]. National Governors Association. Retrieved from <https://www.nga.org/files/live/sites/NGA/files/pdf/2017/1706GES-02-03-GutterTNReconnect.pdf>; Kenning, C. (2017, May 12). Tennessee set to be first to make community college free for adults. Reuters. Retrieved from <https://www.reuters.com/article/us-tennessee-college-idUSKBN18831C>
- 4 Poutre, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf
- 5 In this analysis, we use net price calculator output for the three college students to measure colleges’ prices. Some institutions may have errors in their net price calculators. To maintain consistency throughout the analysis, we decided not to adjust any net price calculator output, but instead we rely on that output, which comprises the same data students must rely on as they consider college prices. However, the results presented here are subject to any potential errors that institutions have made with their calculators.
- 6 Tennessee Board of Regents. (2018). *Tennessee Promise students at community colleges: The Fall 2015 cohort after five semesters*. Retrieved from https://www.tbr.edu/sites/tbr.edu/files/media/2018/05/TBR_TNPromise_2015_2.pdf. Note that these findings only apply to Tennessee Promise, not Tennessee Reconnect.
- 7 Lumina Foundation. (2015). *A benchmark for making college affordable: The rule of 10*. Retrieved from <https://www.luminafoundation.org/files/resources/affordability-benchmark-1.pdf>. Tennessee does not have a state minimum wage, so this analysis uses the federal minimum wage.
- 8 Tennessee Higher Education Commission & Tennessee Student Assistance Corporation. (2017). *Tennessee Promise annual report*. Retrieved from https://www.tn.gov/content/dam/tn/thec/bureau/research/promise/2017_TN_Promise_Report.pdf
- 9 IHEP analysis of 2015–16 National Postsecondary Student Aid Study (NPSAS:16) data. Computation by NCES PowerStats Version 1.0. Variables: DEPIN, BUDGETAJ, TOTGRT. Weight: WTA000. Average cost of attendance minus average total grant aid relative to average income for top and bottom income quintiles among full-time, full-year, one-institution, dependent, undergraduate students attending 2015–16.