Are We Breaking the Education Bank?

by Charles E. Smith
n recent months, the Tennessee Board of Regents (TBR) has conducted several studies documenting that Tennessee has lagged behind other states in the region for many years in funding for higher education. The studies further confirm that each year we fall further and further behind.

We found Tennessee is 15th of 16 Southern Regional Education Board (SREB) states in percentage of funding increases for higher education over the past two years. We found 11 of 16 states have had double-digit increases over the past two years, while Tennessee has scarcely had any increase. Leading two-year changes in funding were the following:

- Kentucky 25.6% 1st in SREB
- Florida 23.9% 2nd in SREB
- Virginia 21% 3rd in SREB
- Mississippi 7.7% 4th in SREB
- Tennessee ranks 12th of the 16 states in the SREB in funding increase percentages over the past ten years.

SREB states over the last decade have demonstrated a solid commitment to improving higher education, at a time when funding for higher education in Tennessee has been stagnant.

Shifting the Cost Burden

The research shows that the burden of education cost has shifted from the state to the student. At the beginning of the decade, the state contributed 51 percent, and the student contributed 33 percent. This year, the state is providing 45 percent and the students, 37. Federal grants and private funding provide the rest.

Proportion of State Budget

At five-year intervals, the proportion of the state budget going to higher education has continually decreased:

- 1985 52% went to education
- 1990 46% went to education
- 1995 44% went to education

Even with $1 billion in new money through the Better Education Program (BEP) going to K-12, K-12 funding has slipped as a percent of the budget because a larger portion of the budget has gone to healthcare, welfare, and corrections.

Where We Would Like to Be

TBR’s five priorities are access, funding, accountability, workforce development, and articulation. We have made several presentations to legislative committees on accountability, workforce development, and articulation. We continue to work toward being more accountable, meeting the demands of business and industry, and having a seamless system of education where students can easily transfer from one institution to another. This article will focus on the other two topics. We estimate it would cost $289.5 million over the next five years to reach our goals in access and funding.

Access

Tennessee’s percentage of citizens holding baccalaureate degrees is 4.3 points below the national average. Only 16 percent of Tennesseans hold a baccalaureate degree; the regional average is 18 percent, and the national average, 20.3. To reach the national average would require 134,000 additional graduates. Our conservative plan would call for an increase of 7,500 students per year for the next five years, at a cost of $30 million per year. At this rate we may be able to reach the national average in 15 to 17 years.

Funding

Our first goal with increased funding is to raise faculty salaries. We lose too many qualified faculty members to other states and have a difficult time recruiting because our salaries are so low. The goal is for faculty salaries to be at the national average in five years. The gap between the national average and Tennessee ranges from $5,800 per faculty member per year at comprehensive institutions to $13,800 at doctorate-granting institutions.

This widening gap between faculty salaries in Tennessee and other institutions nationwide could not have come at a worse time. Many faculty members, employed in the late 1960s and early 1970s when the baby boomers were entering our institutions, are nearing retirement age, and as many as 30 percent will have to be replaced within the next five years. As access to higher education increases, enrollments will increase, and more faculty members will have to be hired. Both changes are occurring when our institutions are least competitive to recruit the best faculty. The cost to bring our faculty salaries up to the national average would be $15.7 million per year for five years.

Our second goal is to improve the quality of higher education in TBR by securing $30 million per year for five years to provide matching funds for 150 newly created chairs of excellence.

Our third goal is to upgrade technology and outdated equipment. It is not acceptable for students entering our higher education institutions to use more outdated technology than they used in high school.

The current funding formula assumes the need for equipment on a 20-year cycle, which we are recommending changing to seven years, enabling institutions to receive $31 million per year for equipment.

Total Cost

We estimate a five-year cost to improve access and funding for faculty salaries, excellence, and technology at $289.5 million. Economic impact studies show higher education is an investment, not a cost. Compared to the amount the graduates of our institutions will pay back to the state in sales tax alone, $289.5 million over the next five years is reasonable.

Economist Dr. Victor Ukpo-lo’s recent landmark study on the economic impact of higher education in Tennessee shows that, on average, society may expect a return of $9.30, and the state may expect an increase in sales tax returns of $1.04, for every dollar invested in higher education. If we increase access to higher education by 7,500 students per year for five years, increased lifetime earnings for those students would be over $3.8 billion, and they would contribute increased sales tax payments of over $250 million. These 7,500 students would pay the state back in sales tax almost the entire $289.5 million.

Tennessee is obviously at a crossroads. We must choose to invest resources heavily in higher education or continue to fall behind surrounding states."

Charles E. Smith has been chancellor of the Tennessee Board of Regents since 1994. He served for seven years as the state’s Commissioner of Education.