

# **The Public Good: Formula Funding in Tennessee**

**By**

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Higher education has changed over the period of the last thirty years. Once separated from much of the rest of the country higher education is now increasingly susceptible to national and global pressures. As the United States has shifted from manufacturing to informational technology higher education, in many ways, has been behind the rest of the country. That has now changed as financial and political pressures have forced higher education leaders and policymakers to reform how higher education works. From tenure policies to budgeting, to state appropriations, to online technology, to debates centering on the purpose of post-secondary education, higher education is now in the middle of a great struggle over its future. Increasingly, market based ideas about higher education have guided funding decisions. It is this struggle and reform mindset that is forcing policymakers, faculty, administrators and others to reconsider how public higher education is funded and supported. Over the last several years Tennessee has been at the forefront of the reform movement in the United States.

While Tennessee has been at the forefront of this movement, reform of higher education has raised new questions, questions that force us to consider the purpose of higher education in society. Moreover, questions regarding the function, utility, and importance of public higher education makes this reform effort a serious issue. Is public higher education is a public good? Is public higher education a private benefit? Is public higher education for economic and workforce development only? Does public higher education serve higher purposes? These

questions lead us to consider the ramifications of reform and force us to reckon with the implications of change in one of the most traditional and resistant institutions in America society: higher education.

This study examines formula funding in Tennessee. Drawing on the history of higher education across the United States and Tennessee, this study gives policymakers a thorough understanding of the possibilities and drawbacks of such funding arrangements. Moreover, this study will demonstrate that reform of higher education, especially in regards to the appropriation of funds, is generally positive and gives entire systems ways in which to improve accountability, efficiency, and student success.

There are, however, drawbacks to having a market based orientation to higher education funding. This is especially true as it relates to the Humanities and Social Sciences and other affiliated programs whose value is not as apparent as those in business and the hard sciences. Finally, this paper also suggests ways in which higher education policymakers can merge reform with traditional notions of higher education to serve societal and economic and workforce needs in the 21<sup>st</sup> century.

### **Higher Education Since 1945**

For most of American history higher education has been the province of the well to do, not the masses. In the Early Republic education was for white men of considerable means. Most Americans, it was determined, had little need for formal education past the first few grades. One exception to this was religion: Americans, both black and white, had to be able to read and write in order to study the bible and prepare their souls for salvation. Women were not considered important enough to educate. At any rate, educated women could pose problems for men. In

most of the South, it was illegal to educate slaves because they could threaten white supremacy by becoming independent and/or rebelling against the condition in which they found themselves. Immigrants to the United States were stuffed into crowded and dirty urban areas, such as Boston, New York, and Chicago as industrialization brought millions to the United States and its urban areas in search of work. Since most of the established institutions of higher education were private most women, blacks, and immigrants were hard pressed to find entry. (Land grant institutions began in the 1860s but were relatively new at the turn of the 20<sup>th</sup> century).

Privileged young men enjoyed the benefits of higher education, including financial stability, broadened intellectual horizons, and ability to interact in the full social and political life of the country. This began to change as the nation found itself mired in the Great Depression. New Dealers, a term originated from President Franklin D. Roosevelt's call for a New Deal and the individuals who made up his administration, thought of new ways to improve both the economy and the nation. Social Security, labor protection and recognition, public involvement in the private economy, and regulation of industry defined the 1930s. The disastrous financial calamity forced deep cuts to education. States such as Tennessee and North Carolina were forced to make deep cuts to education, and, in the case of North Carolina, reorganize how higher education worked. Through work study programs and the prominence of faculty in the New Deal/administrative state, universities gained importance as these people increasingly linked higher education to the state and federal governments.

As the nation turned to looming crisis in Asia and Europe it geared up its defense and mobilized the populace for the possibility of war. While government had long been involved in higher education prior to World War II it took the war to solidify that relationship. As Christopher Loss notes, "The 1930s thus offered a preview of things to come: the federal

government had become to major sponsor of higher education, and higher education a major institution of the federal government's burgeoning bureaucratic state."<sup>1</sup> Furthermore, Loss points out, "The education soldiers received during and after the war altered their lives and the life of the nation."<sup>2</sup> World War II brought immense change to the United States. The nation took on the forces of fascism in Italy, militarism in Japan, and Nazism in Germany; and won with the help of the British, Soviets, Canadians and others. The Great Depression ended as war time production wiped out the public evils of unemployment and economic inactivity. African Americans began what would be called "The Long Civil Rights Movement." Women entered the workforce in huge numbers. And the government became more dependent on expertise. Often this expertise came from the nation's universities, where scientists and others developed new technologies, theories, and programs that would define the postwar period. Government even went a step further by providing incentives for American soldiers and sailors to obtain an education: the G.I. Bill of Rights.

The Servicemen's Readjustment Act of 1944 was designed to reintegrate servicemen back into the civilian world. It provided several things: 1. The right to an education free of tuition costs and monthly stipends for servicemen to live off of, 2. Loans to veterans for homes, businesses, and farms, 3. Unemployment insurance, and 4. health care. It was indeed controversial as conservatives complained that the 1944 law would increase public debt, diminish work ethic and incentives to work, and draw the federal government too far into the private sector. Yet it was just this sort of government-private sector initiative that helped to bolster one of the greatest periods of economic growth in American history.

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<sup>1</sup> Christopher Loss, *Between Citizens and the State: The Politics of American Higher in the 20<sup>th</sup> Century*, (Princeton: Princeton University Press, 2012), 87.

<sup>2</sup> Loss, *Between Citizens and the State*, 91.

The G.I. Bill allowed for some 7.8 million Americans to participate in education and training programs.<sup>3</sup> By 1947 nearly fifty percent of all college admissions were veterans as many veterans delayed work to secure educational attainment.<sup>4</sup> These Americans secured good jobs, new homes, new cars, took vacations, and fueled economic growth. Their children often earned college degrees and, thus, created a generational cycle of educational, and often financial, success. Because of the impact of opening higher education to more and more Americans, the federal and state governments pumped billions and billions of dollars in higher education to build campus buildings, research facilities, to hire new faculty and staff, and to develop a modern infrastructure that created new businesses, gadgets, and technology. This was furthered by international events, such as the October 1957 launch of Sputnik by the Soviet Union, which successfully orbited the earth. In response Congress passed and President Eisenhower signed into law the National Defense Education Act of 1958. This act provided for more than a billion dollars to higher education, as well as elementary and secondary education.

During the 1960s and early 1970s government continued to fuel higher education. In Tennessee, many campus building were built as a result of the '60s era imperative to increase funding for higher education. Many of the faculty who have retired in the past ten years secured their positions in the mid-to-late 1960s. In addition, new political pressures changed the dynamics of higher education as African Americans, women, and others demanded first class citizenship and equal rights. Since the Supreme Court's 1954 ruling in *Brown v. Board of Education*, states and policymakers increasingly found themselves struggling to keep up the speed of change. As Loss notes of these changes, "Forged during the World War II era and the

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<sup>3</sup> The GI Bill's History, Born of Controversy: The GI Bill of Rights, [www.gibill.va/benefits/history\\_timeline](http://www.gibill.va/benefits/history_timeline). Accessed September 18, 2013.

<sup>4</sup> The GI Bill's History.

great transformation in state-academic relations that accompanied it, the multiversity was an amalgamation of institutional types. It combined the German commitment to research, the British to teaching, and the American to mass access and practical utility.”<sup>5</sup> These changes impacted the way in which Tennessee viewed higher education. By 1967, Tennessee developed a new system govern higher education.

### **Higher Education in Tennessee Since 1967**

In the mid-1960s the State of Tennessee had several higher education institutions, East Tennessee State University, Middle Tennessee State University, Austin Peay State University, Memphis State University, Tennessee Tech. University, The University of Tennessee at Knoxville, Nashville, etc. In order to create unity and to provide coordination, the state legislature created the Tennessee Higher Education Commission. In 1972, the legislature created the State Board of Regents (commonly referred to as the Tennessee Board of Regents or “TBR”) to govern the state universities and community colleges. By 1983, the state placed technical centers under the TBR. The Tennessee Higher Education Commission operates as a coordinating and policymaking agency between the Tennessee Board of Regents and University of Tennessee systems.

Like most of the nation Tennessee increased its standard of living since the 1960s. Economic growth and industrialization has changed Tennessee from an agricultural state to a diverse state with varied interests. The three grand divisions of Tennessee represent various interests and industries: agricultural, defense, tourism, education, health care, and old line, albeit with high technology, industries such as automakers. As the state has changed so has education.

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<sup>5</sup> Loss, *Between Citizens and the State*, 165.

Every governor since Lamar Alexander has made education, to one degree or another, a centerpiece of his agenda. Yet as the century came to a close new pressures were being placed on higher education beyond simple calls for reform.

### **Political Change**

Since the 1960s higher education has been viewed with suspicion from outsiders. This is especially true as it relates to the uneducated and the growing belief that universities are filled with left-leaning professors who criticize America. Many faculty did support civil rights, women's rights, gay and lesbian rights. Many faculty became involved in partisan causes. But universities as institutions were and remain relatively conservative, especially administrators. By the late 1970s the United States was in the throes of backlash toward modern American liberalism. Much of the anger and resentment centered on race, culture, and change. In 1980, Ronald Reagan symbolized this resentment as he campaigned against government and promoted the free market. The last twenty years of the 20<sup>th</sup> century and the first decade of the 21<sup>st</sup> century increasingly demonstrated a growing lack of patience on the part of Americans toward the inefficiencies and arrogance of higher education.

Besides politics, universities continued to grow in terms of student population and infrastructure. For example, Tennessee institutions needed more faculty, more technology services, more academic support services, more money. Just as Americans were questioning and criticizing K-12 education for not delivering enough for its students and the taxpayers many were also questioning higher education. And it was not just outsiders but insiders as well. Faculty grew angry over the loss of key faculty lines, the increase in adjunct faculty, and the ballooning

of administrative salaries. Questions were raised as to the how efficient were our public institutions of higher education.

By 1990, Tennessee, like most states, began reducing the amount of support it gave to higher education. The General Assembly in 1990 gave more than 60 percent support for students and institutions in this state. In 2010, that number dropped to just over 30 percent. As a result states dumped the costs associated with higher education into the laps of those least able to afford it: students. In addition, Tennessee, again, like many other states, instituted a lottery system to help fund education. The problem there was that while it increased access it did not help institutions with operating expenses to accommodate those new students. Moreover, as states divested themselves of functions legislators and governors deemed more appropriate for the private sector, the greater the need for reform and the louder the calls for rethinking the purpose of higher education.

Over the past thirty years reform has been only one part of the issue with which ? is currently struggling. The other is the conception of the value of higher education in society. What once was thought of as a public good is now seen as a private benefit. Furthermore, higher education is being viewed in narrow terms and issues such as economic and workforce development. This presents an existential threat to what the university has historically been. It is also an unexpected change that is helping to move higher education into the 21<sup>st</sup> century.

### **Complete College Tennessee Act**

The State of Tennessee, in 2010 enacted a new law: the Complete College Tennessee Act. It changed higher education by introducing an outcomes-based funding formula. This formula was and remains somewhat controversial on the campus of public institutions in



Tennessee. Moreover, the law links higher education funding to the Public Agenda, which is to meet national averages in terms of educational attainment. Further, this law is also linked with Gov. Bill Haslam's Drive to 55 initiative, which seeks to raise the educational attainment of Tennesseans to 55 percent by 2025.

The outcomes-based formula model takes into account several things: 1. Student progression, 2. Transfers out with 12 hours, 3. Degree and certificates per 100 FTE, research and service, and six-year graduation rates. These factors have made institutions more sensitive to certain issues, such as academic support and retention rates. It generated activity in higher education that previously had been generally been as intense. Moreover, both higher education systems in Tennessee have become more adept at using various tools to monitor promote student success, such as the use of Degree Works, Degree Compass, and traditional academic advising. Yet there are problems associated with these very positive changes ?appropriations.

Only 30 percent or so of an institutions funding comes from the state, assuming that the funding formula is fully funded. That means that institutions are still too dependent on enrollment. (Public Institutions in Tennessee, prior to the 2010 law, relied more heavily on enrollment numbers for funding). As one higher education administrative official mentioned to me, we need the students to support faculty, staff, and infrastructure.<sup>6</sup>

Faculty also present problems. They are often ill-informed as to the how their respective institutions make budget decisions. Moreover, there are numerous misnomers about how the funding formula impacts universities.

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<sup>6</sup> Paraphrased comments from Noland, Bach, and Collins.

## **Conclusions and Recommendations**

Higher education has certainly changed over the past thirty years. In many ways higher education is more accountable, responsible, and successful. However, formula funding, if handled improperly or misused by political actors, can hurt higher education down the road.

### Recommendation 1

- Mandatory training for all faculty and staff on formula funding and budgeting.

### Recommendation 2

- All Humanities and Social Sciences, along with other academic units should be required to justify their worth in new and innovative ways.

### Recommendation 3

- Create a clearer understanding of higher education according to level: university, community college, and technical.

### Recommendation 4

- Reintroduce the notion of the Public Good.

### Recommendation 5

- Work with state legislators to enact new law that more equitably and fully funds higher education while maintaining new accountability and efficiency measures.