

The COVID-19 pandemic has caused major disruption to education at all levels, and the potential impact on student outcomes will be felt for months and possibly years ahead. The SCORE series of COVID-19 Impact Memos analyzes challenges, examines potential responses, and highlights student-centered solutions.

## COVID-19 Impact Memo 2: Education Lottery Scholarships Spring 2020

### Introduction

The Tennessee Education Lottery Scholarship (TELS) program, funded through net proceeds of the state lottery, is designed to improve academic achievement and workforce development through merit-based and need-based financial assistance to the state's students. Since January 2004, lottery proceeds fund several of Tennessee's hallmark postsecondary access initiatives, including the Tennessee HOPE Scholarship, the Wilder-Naifeh Technical Skills Grant, Tennessee Promise, Tennessee Reconnect, and the Dual Enrollment Grant.

### Tennessee Education Lottery Scholarships

TELS programs provide critical postsecondary access opportunities to Tennessee's students. Currently, over 147,000 students have education lottery scholarships in Tennessee.<sup>1</sup> The term "TELS" is used by the Tennessee Higher Education Commission to refer to the HOPE Scholarship, the Aspire Award, and the General Assembly Merit Scholarship. (For a full list of scholarships funded by net lottery proceeds, see the Appendix.)

- **One in two TELS recipients receive a Tennessee HOPE Scholarship**, for students with either a minimum ACT score of 21 or a 3.0 high school GPA
- **More than 30,000 students access the Dual Enrollment Grant**, a lottery-funded scholarship that enables students to access dual enrollment courses in high school
- **Around 27,000 students are awarded a Tennessee Promise and Tennessee Reconnect scholarship**, which enables these students to waive tuition and fees at community and technical colleges

### COVID-19 Pandemic Impact

In March 2020, Governor Bill Lee declared a state of emergency in Tennessee in response to the spread of the coronavirus infection disease (COVID-19). As businesses, schools, and other entities began to close in the interest of public health and safety, the state's projections for prospective economic growth significantly waned.

### *The Great Recession As A Model*

Importantly, economic projections could have implications on the amount of the Tennessee Education Lottery. **The Tennessee Education Lottery reports an increase in the number of instant gains in funds every year since its inception.** Still, a review of the lottery's chronology through the Great Recession provides some context:<sup>2</sup>

- **July 15, 2007:** A record return of \$284.2 million to education
- **July 15, 2008:** A record return of \$286.1 million to education
- **July 15, 2009:** A return of \$280.1 million to education

These analyses note a slight dip in the education lottery's returns during the Great Recession. However, the \$6 million decrease, albeit minimal, cannot be determined as a direct result of an economic recession.

The chronology suggests that either a recession has little to no impact on education lottery returns for scholarships or the impact cannot be precisely determined.

### *State Financial Aid Impact*

State law<sup>3</sup> specifies that Tennessee's education lottery scholarships are to be funded in the following sequence:

1. Tennessee HOPE Scholarships, Tennessee HOPE Access Grants, and the Wilder-Naifeh Technical Skills Grant
2. Dual Enrollment Grant
3. Tennessee Promise Scholarship Endowment Fund

In the event of a shortfall in the lottery reserves, state law provides the Tennessee Student Assistance Corporation (TSAC) with two avenues to maintain financial aid for students:

- **Authority to review and reduce the financial aid award amounts** in the event net lottery proceeds are deemed insufficient to fully fund scholarships and grants<sup>4</sup>
- **Ability to utilize a general shortfall reserve subaccount** if the net lottery proceeds are insufficient to meet TELS expenditures.<sup>5</sup> The general shortfall reserve account must be maintained at \$100 million, with \$10 million retained in addition to provide a shortfall in the event the lottery funds decrease

The corporation has the ability to use the reserve subaccount if decreased lottery sales affect the amount available for state scholarships. Since the lottery's inception and through the Great Recession, **TSAC has never had to reduce the value of a TELS award.**

## **Conclusion**

Using the Great Recession as a model, it seems unlikely that any economic recession caused by the COVID-19 crisis will affect the value of a Tennessee student's education lottery scholarship. Instant ticket sales have not decreased under prior recessions. Additionally, several legislative levers are in place to ensure a fair and equitable way forward for Tennessee students accessing scholarships and grants from the net lottery proceeds if any shortfall in funds does occur.



## Appendix

### Tennessee Education Lottery Scholarship Recipients and Dollars by Program, 2018-19

Education Lottery Scholarship	Students	Dollars
HOPE	47,817	\$166,366,355
General Assembly Merit Scholarship	8,228	\$40,298,209
Aspire Award	18,027	\$84,255,962
Tennessee Promise	15,341	\$28,836,007
Tennessee Reconnect	12,382	\$29,651,193
TCAT Reconnect	1,644	\$1,835,756
HOPE Access Grant	328	\$604,006
HOPE Non-Traditional	812	\$2,629,050
Wilder-Naifeh Technical Skills Grant	11,239	\$14,379,287
HOPE Foster Care Grant	87	\$572,824
Dual Enrollment Grant	30,937	\$23,060,224
Middle College Scholarship	149	\$163,200
Math & Science Teachers	1	\$2,000
Helping Heroes Grant	424	\$667,000
Rural Health Loan Forgiveness	0	\$0
TN STEP UP	118	\$401,750
<b>TOTAL</b>	<b>148,743</b>	<b>\$393,722,823</b>

Source: Tennessee Higher Education Commission, 2018-19

## Endnotes

<sup>1</sup> Tennessee Education Lottery Scholarship Program. *Tennessee Higher Education Commission* (2019).

<sup>2</sup> Leadership. *Tennessee Education Lottery Corporation*. (2020).

<sup>3</sup> Tennessee Code Annotated, § 49-4-930(f)(1)

<sup>4</sup> Tennessee Code Annotated, § 49-4-903(a)

<sup>5</sup> Tennessee Code Annotated, § 49-51-111(b)(3)(C)

