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As Merit-Aid Race Escalates, Wealthy Often Win

State Programs, Competition Between Colleges Fuel Rise of Scholarships With No Regard for Need

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A father recently wrote to Dickinson College complaining that although the school admitted his daughter, it did not offer her any scholarship money, which two of its competitors had. The family's income was \$250,000 a year, but the father figured that the Carlisle, Pa., college would kick in some financial aid rather than risk losing a student with excellent grades and test scores.

Robert J. Massa, Dickinson's vice president for enrollment and college relations, said the father's request did not surprise him. It was typical of the rising tide of "merit" or "non-need-based" scholarships -- a zero-sum game, Massa said, that is hurting the quality of undergraduate education.

"Family expectations of price incentives are rampant, and my colleagues and I take the bait," he said.

A 2003 study by the Indianapolis-based Lumina Foundation for Education reported that from 1995 to 2000, scholarship aid to students from families making \$40,000 or less increased 22 percent in 1999 dollars. At the same time, scholarship aid for students in families making \$100,000 or more a year increased 145 percent.

Experts have said the growth in merit scholarships -- grants for students with good grades or test scores -- stems from two factors: the escalating competition between private colleges for accomplished students and state efforts to encourage enrollment in public universities by giving scholarships to all residents with decent grade-point averages.

Sandy Baum, professor of economics at Skidmore College in Saratoga Springs, N.Y., and senior policy analyst for the New York-based nonprofit College Board, said the private colleges' use of non-need-based aid encourages wealthy applicants and discourages those with little money. "If the private colleges don't refocus more dollars on students with high-level needs," she said, "they are going to become places that are totally closed to low-income students."

A few educators, such as Massa, are trying to turn the tide by reducing the number of merit scholarships they give to students, even if that handicaps them in the battle for prime undergraduates. "The bottom line is that society is no better off if a kid goes to Dickinson or goes to the University of Richmond," Massa said.

That quote is not to be found anywhere on Dickinson's Web site, with its pictures of eager high school students touring the campus. But the 2,200-undergraduate institution has a fine reputation and a surplus of good applicants -- it accepts only half of those who apply -- so Massa has been able to cut back on merit scholarships without reducing the quality of his freshman classes.

Merit aid recipients in Dickinson's freshman class of 600 decreased from 104 in 1999 to 64 last year. At the same time, the average SAT scores of those freshmen increased from 1189 to 1274, and minority enrollment increased from 4 to 15 percent.

Supporters of merit scholarships say students' high school academic accomplishments deserve the same kind of financial recognition that heavily recruited athletes get. They also note that state-sponsored merit programs appear to be persuading more students than ever, including low-income students, to give college a try.

In a chapter of a new book, "College Choices: The Economics of Where to Go, When to Go and How to Pay for It," Susan Dynarski, assistant professor of public policy at Harvard University's John F. Kennedy School of Government, said that "since the early 1990s, more than a dozen states have established broad-based merit aid programs." The typical program gives tuition and fee money to residents who have at least a "B," or 3.0, grade-point average.

One of the most successful programs, the HOPE Scholarships in Georgia, paid \$277 million in state lottery proceeds to 75,000 students from 2000 to 2001, Dynarski said.

Baum said such programs are good at persuading low-income students to think about college because the money is guaranteed, although many fail to get the required grades. Still, the programs appear to increase by 5 to 7 percent the probability that students in those states will attend college, Dynarski said.

"In fact," she said, "the merit programs appear to be *more* effective than need-based aid at achieving this goal," in part because need-based scholarships, unlike merit aid, require families to fill out very complicated forms.

Those results have convinced many governors and state legislatures that merit aid is a good idea. Many private college educators agree, even if it seems that they are sometimes subsidizing the wealthy. Much private-college merit aid goes to families that are making financial sacrifices, even if they don't qualify for need-based aid, college administrators have said.

Nancy Y. Bekavac, president of Scripps College in Claremont, Calif., said she still remembers the impact that a merit scholarship to Pennsylvania's Swarthmore College in 1965 had on her: It boosted her confidence to know she was joining a community of scholars. In a published remembrance of her college days, Bekavac recalled learning that the scholarship committee did not know until after it made its decision that her father had just died. "That meant that I was judged more or less on my own merit and that the scholarship was not a kind of consolation prize," she said.

But such good feelings do not justify the financial damage from the merit-aid arms race, some educators have said. Michael McPherson, president of the Spencer Foundation in Minneapolis, has a slide-show scenario, based on research, in which four colleges battle for the same students. At the end, the schools have lost a total of \$1.6 million that might have been used to improve teaching and learning and instead have improved their average verbal freshman SAT scores by one point -- from 597 to 598.

Critics point out that Dickinson reduced its need-based aid, as well as merit aid, to stop the financial bleeding. But Massa said the college cut those scholarships in part because some need-based aid was spent on students who did not meet the college's goals of more diverse and better-quality students.

In 1999, 52 percent of Dickinson tuition revenue was spent on financial aid, Massa said, but that portion is down to 35 percent. Massa said that 48 percent of Dickinson students receive need-based scholarships and that 10 percent get non-need-based aid. And unlike in 1999, the scholarships provide for the full financial need for those students and have helped increase the percentage of students that stay at Dickinson.

Still, the competition continues. Massa admitted that he gave a \$6,000 merit scholarship to the student whose affluent father suggested Dickinson might lose her if she didn't get some money. That leveled the playing field in the still-not-settled contest for that student, he said, but "who really wins here?"