

AAAS/ARC  
Brown Bag Series  
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# Merit Scholarships for College: The Impact on College Access and Racial Equity

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COLLEGE *of* EDUCATION

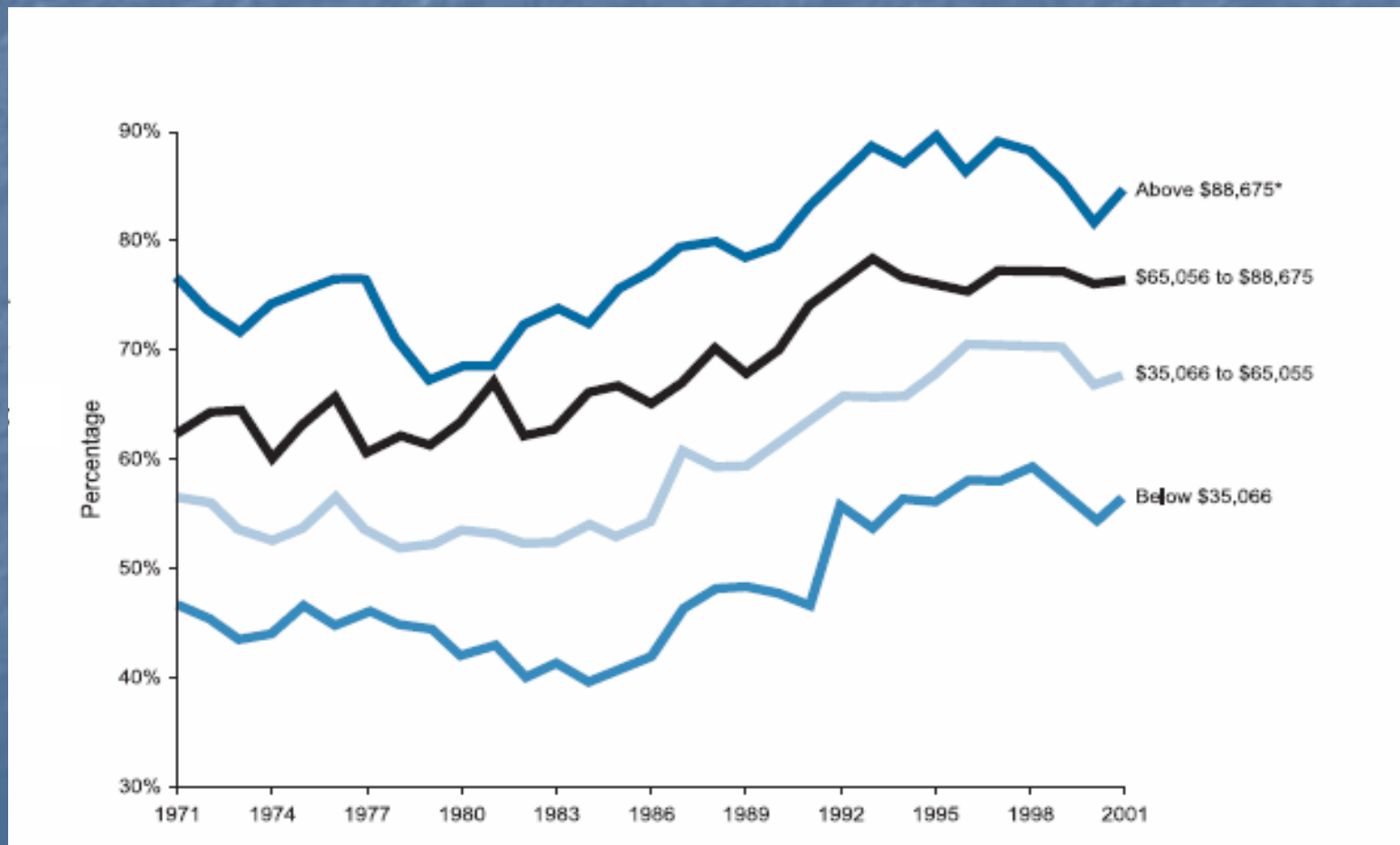
CENTER FOR THE STUDY OF HIGHER EDUCATION

# The trends

- College participation and attainment
  - Increasing, but with increasing inequality
- Economic factors
  - Constrained, or even shrinking, public support
  - A shift in priorities
  - Growing demand
- Academic preparation
  - No Child Left Behind
  - Standardized testing
- Labor market returns to higher education

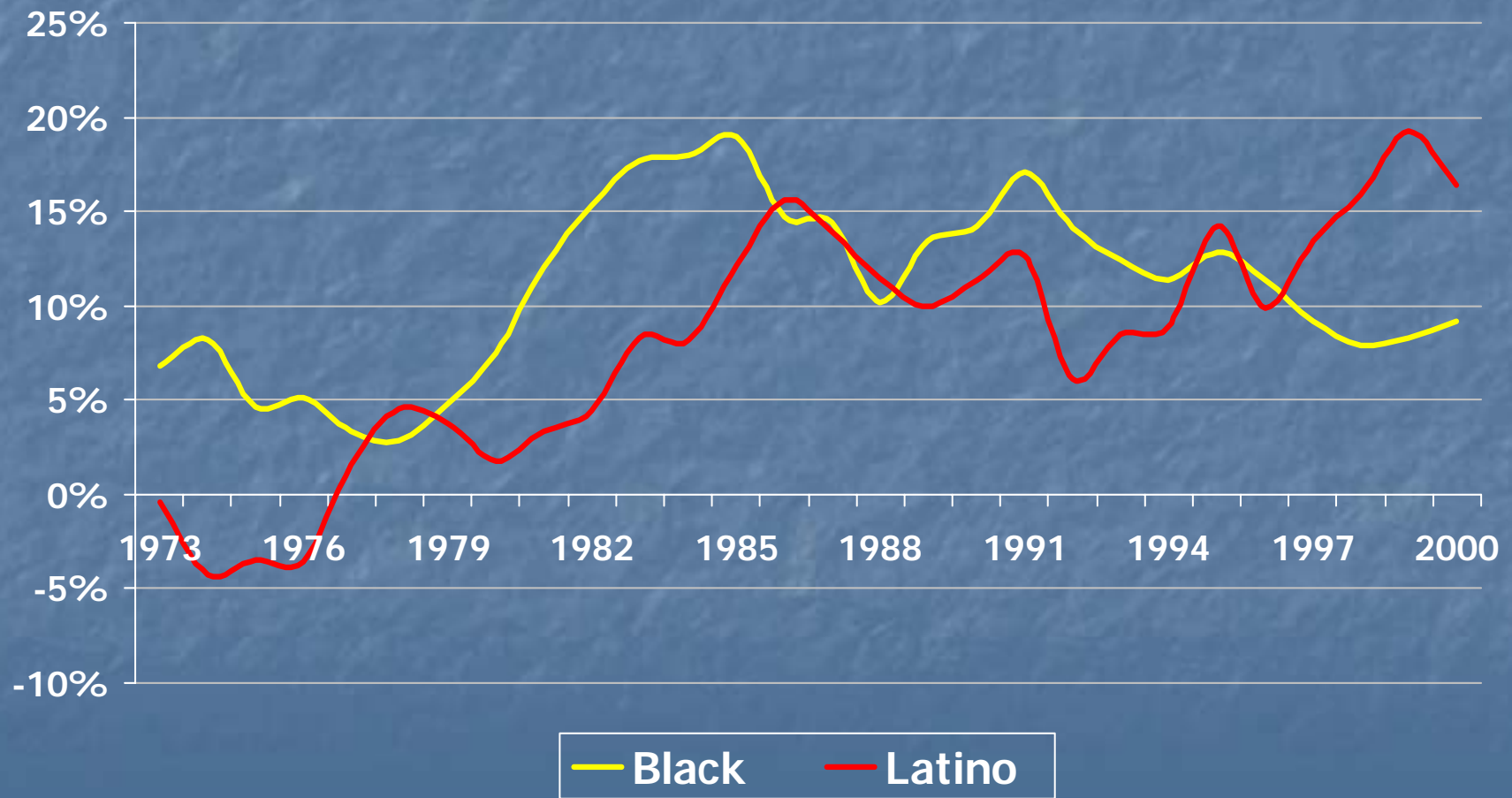
# College participation by income quartile

College participation rates of unmarried 18-24 year olds



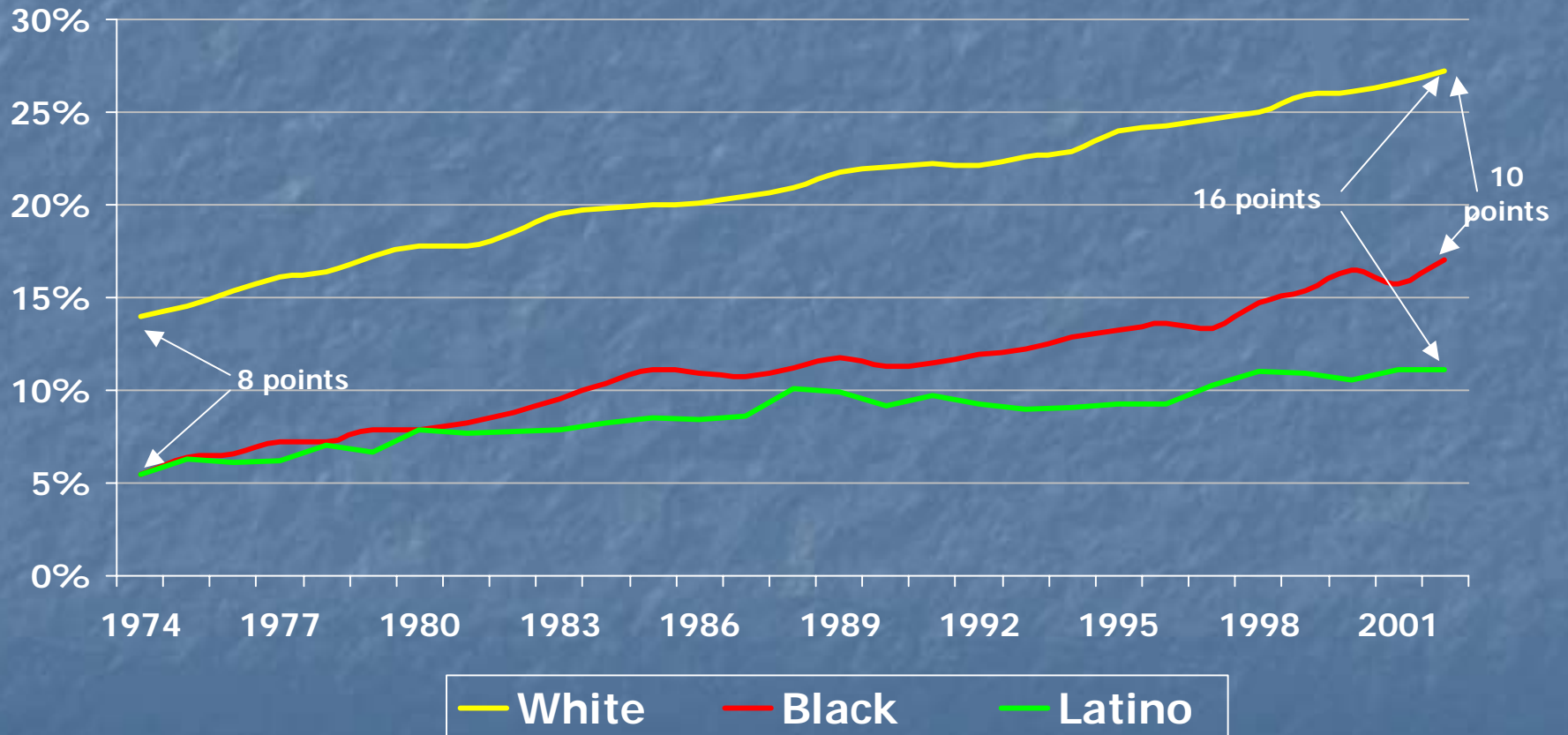
# Gap in college participation by race

HS grads enrolling in college within 12 months  
Difference from white rate (3-year moving averages)



# Gap in educational attainment by race

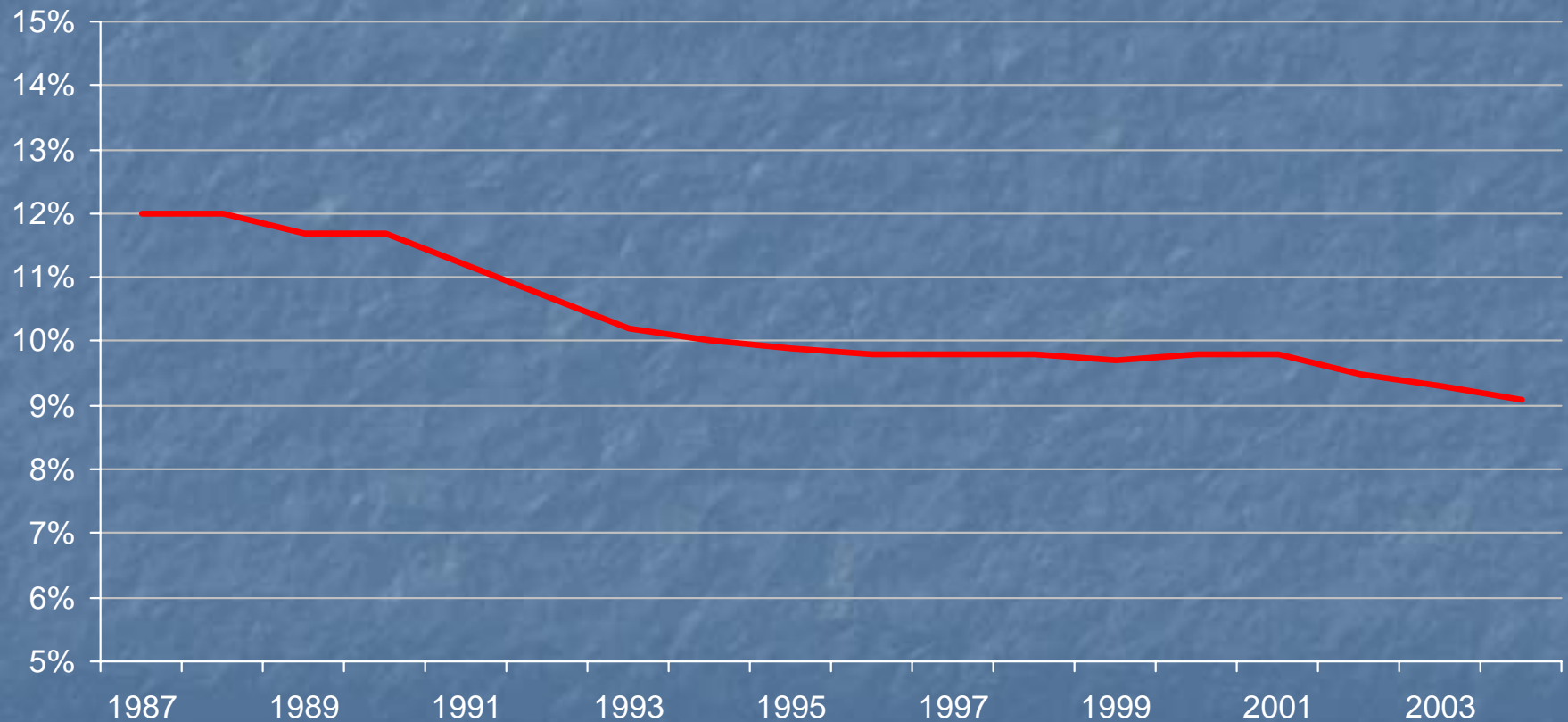
Proportion of population 25 years or older with at least 4 years college



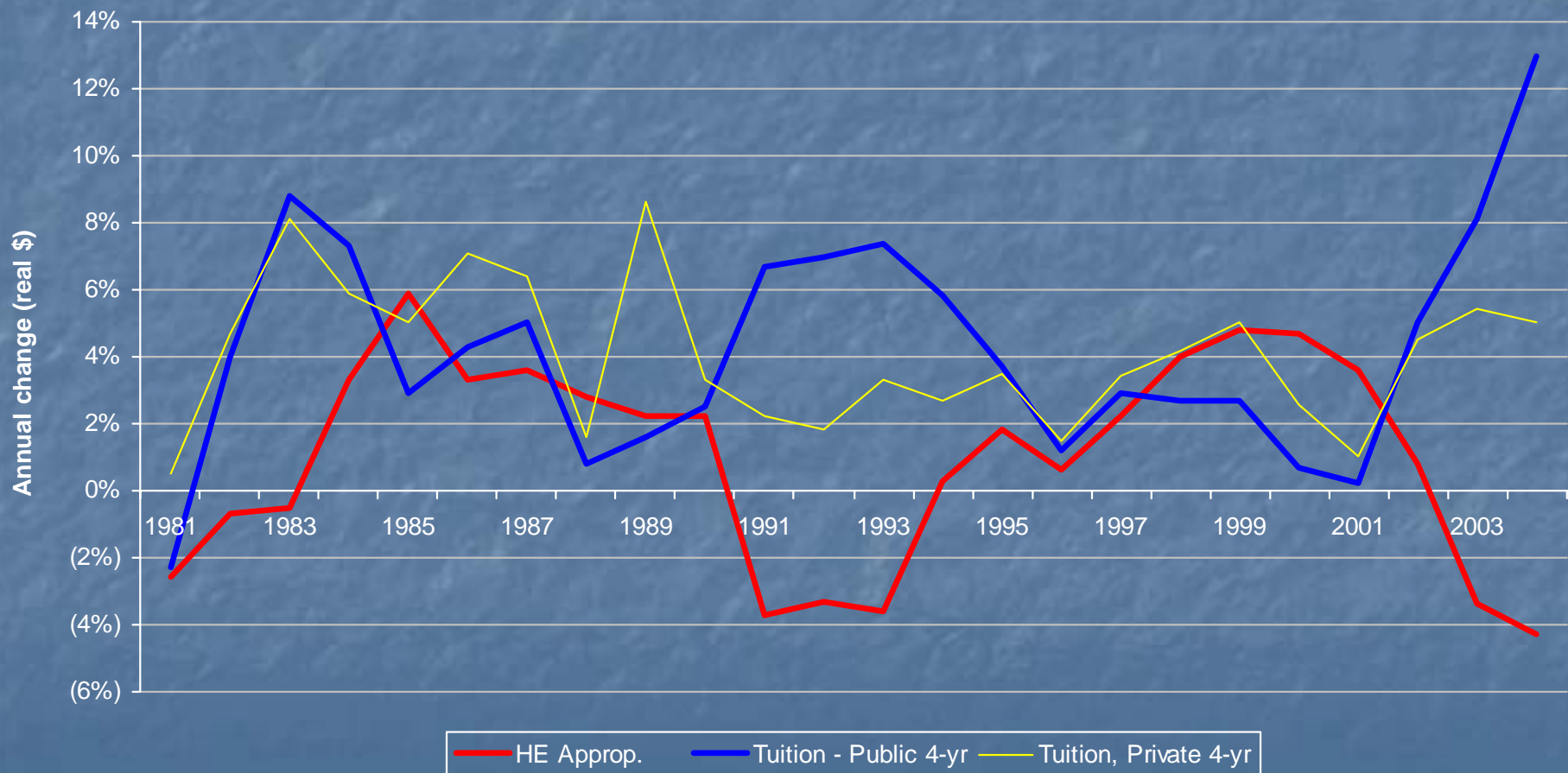
# Students shut out of higher education

- Advisory Committee on Student Financial Assistance, *Empty Promises*
  - Financial barriers prevent 406,000 **college-qualified** (based on NCES definition) high school graduates from low- and moderate-income families from enrolling in a 4-year institution
  - 168,000 of these were unable to enroll in any type of college during the 2001-2002 academic year

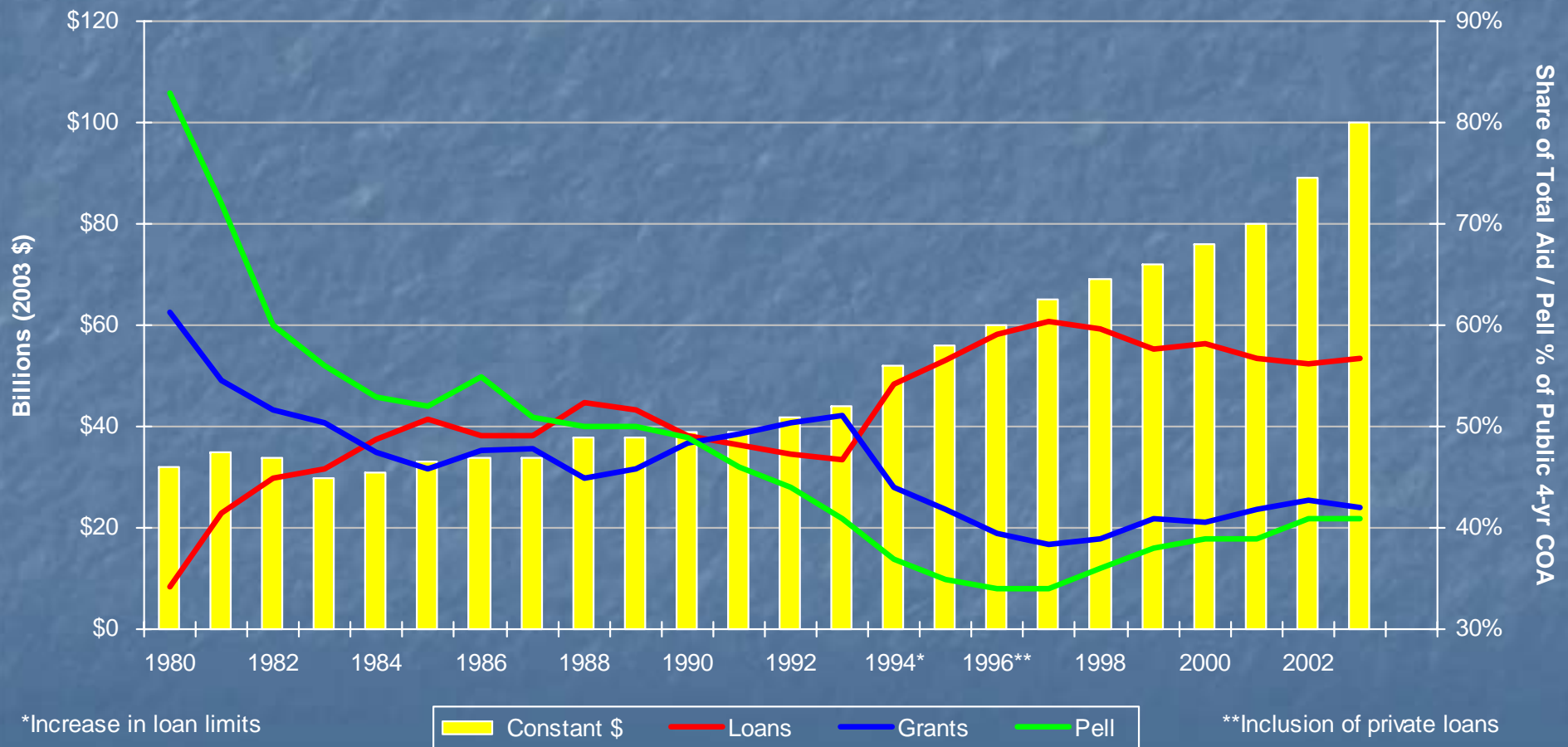
# Higher education share of state budget



# The relationship between appropriations and tuition



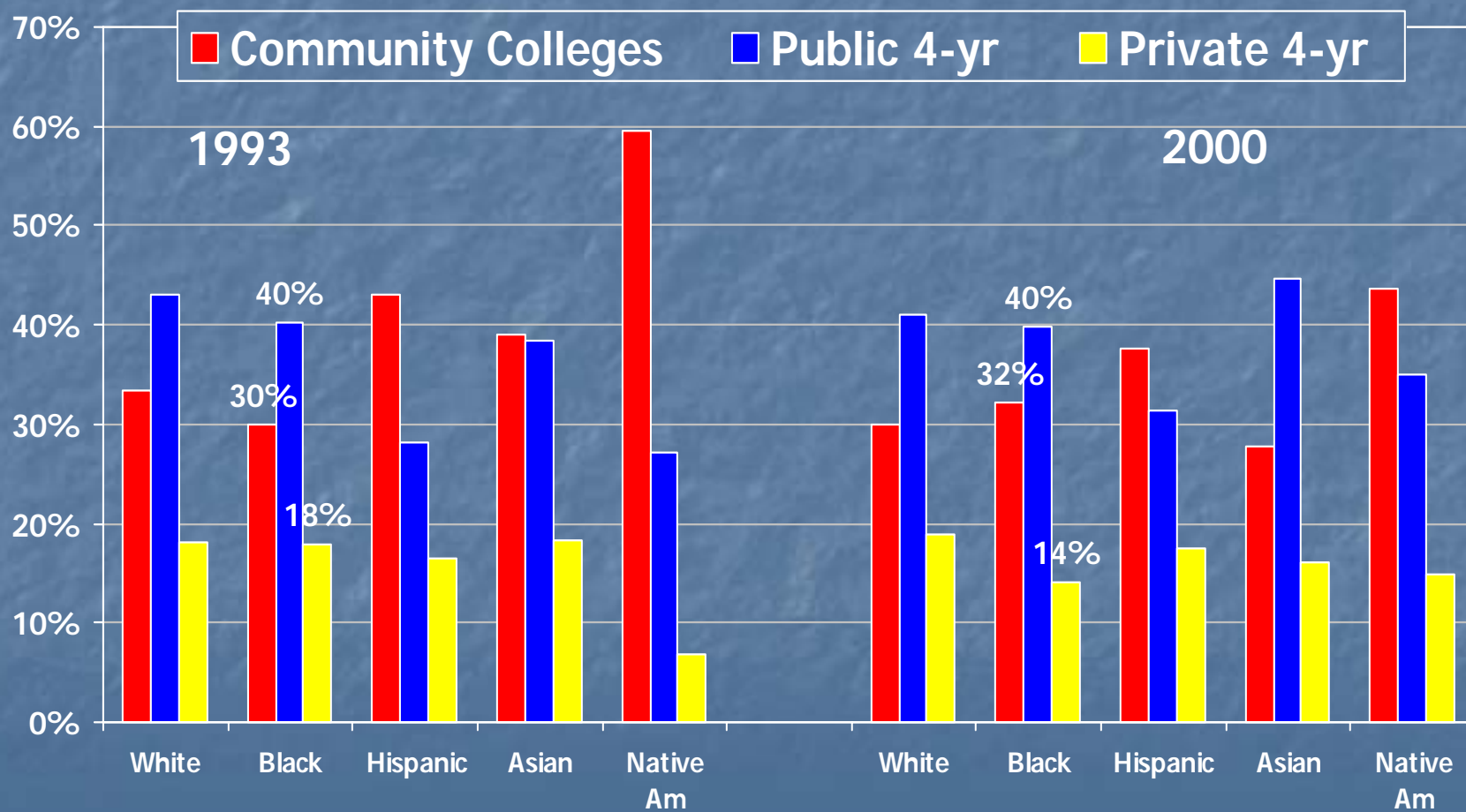
# The growth – and shift – in financial aid



# Changes in grant dollars, 1993 to 2000

Sector	<u>Institutional Grants</u>		<u>State Grants</u>	
	Merit	Need	Merit	Need
Public	61%	78%	<b>423%</b>	97%
Private	<b>144</b>	60	58	95
All	113	62	299	98

# Enrollment by sector, by race 1993 & 2000



# State merit scholarship programs

- 13 states currently have broad-based merit scholarship programs
- 24% of state grant dollars in merit (no-need) aid, over \$1 billion
- Georgia HOPE started trend in 1993, currently largest merit aid program (\$357M last year), larger than *total* aid spending by every state other than CA, IL, and NY
- Three primary policy rationales for merit programs:
  - Promote college access and attainment
  - Encourage and/or reward academic work
  - Stanch brain drain

# Funding and Criteria for Merit Aid

- Funding
  - General state revenues
  - Lotteries
  - Tobacco settlements
- Criteria vary by state
  - High school GPA (LA, MS and AR require less than a 3.0)
  - Standardized test scores (state and/or national tests)
  - Combination of high school GPA and test score
  - Only two states, FL and KY, award differing amounts of aid to students based on their academic credentials

# Standardized Testing – The Racial Gap

- 1976: black-white SAT scoring gap was 240 points.
- 1988: gap was down to 189 points.

Test year	Black test takers	White test takers	Point gap
1988	847	1036	189
2002	857	1060	203

- In 2002, more than 87 percent of white test takers scored at or above the median score for blacks.

# Why the racial scoring gap?

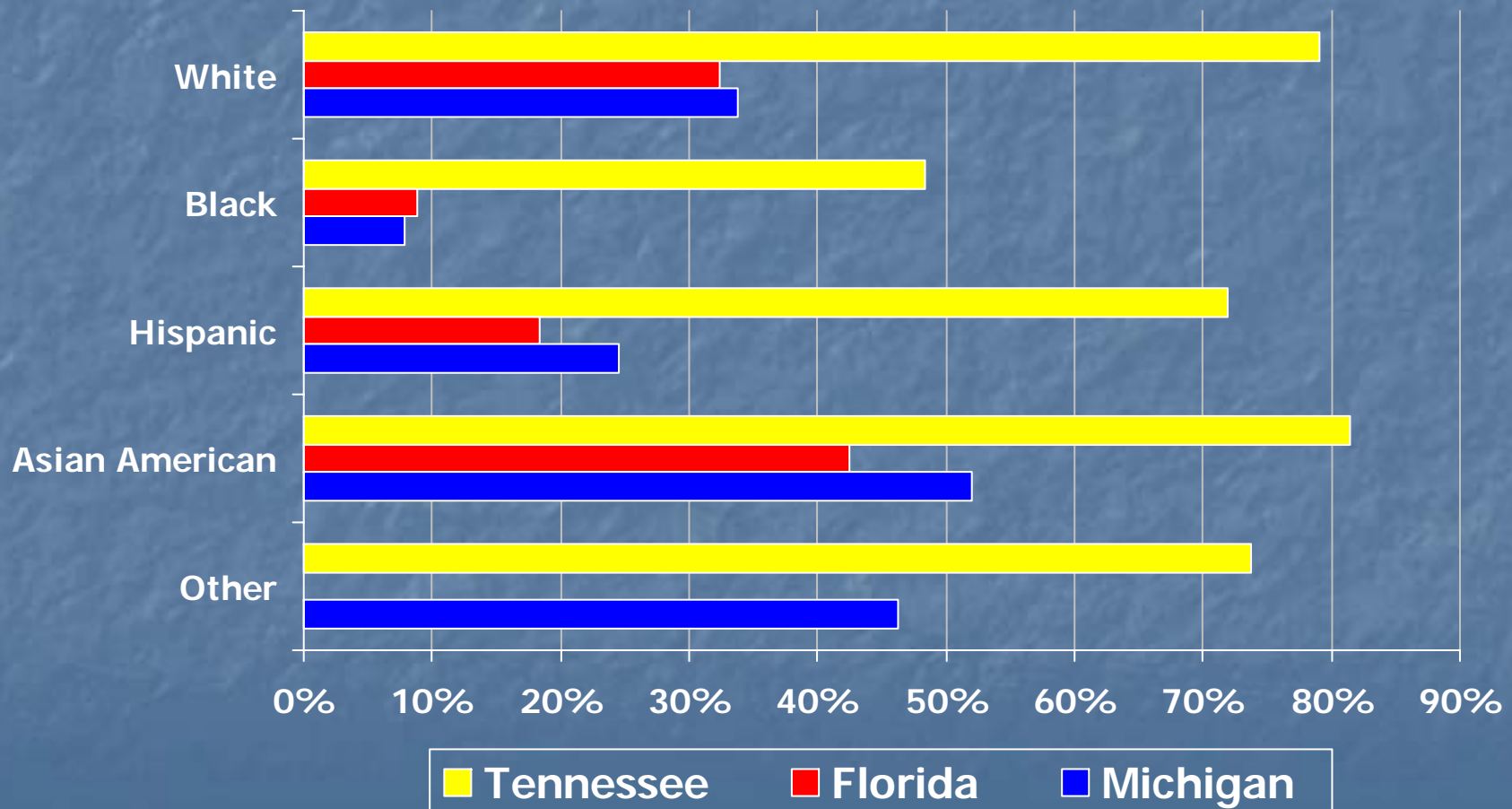
- Family income
  - 28% of black test takers came from families with an annual income <\$20,000; only 5% of whites from similar backgrounds
  - 5% of blacks from families with income >\$100,000, compared to 24% of whites.
- Academic preparation
  - In 2002, 38% of black test takers had taken trigonometry compared to 47% of whites
  - 25% of whites had taken calculus, compared to 14% of blacks. Similar patterns for English courses (American literature, composition, grammar)
- Low teachers' expectations/stereotyping (Claude Steele)
- Segregation

## Merit aid – impact on college access

- Civil Rights Project report, August 2002
  - **Georgia:** Over 90% of expenditures on HOPE went to students who would have attended college anyway; program *increased* the gap in college participation between white and African-American students
  - **Florida and Michigan:** Grants awarded disproportionately to racial majority students and students in wealthier communities (those with higher participation rates)

# Comparing states

Proportion of students qualifying for merit scholarships



This is a projection for TN, which will award its first scholarships in 2004.

# Merit aid – Reward for high-achieving high school students

- High school academic achievement
  - Grades have increased (GA, FL)—grade inflation??
  - More students have qualified for the awards
  - In FL, largest impact on among minority students who are Limited English-Proficient, but not necessarily low income
  - Effect on high school curriculum
- Mixed evidence on standardized test scores
  - increases in Georgia and Michigan (very small increases in SAT in MI, but no change in ACT scores)
  - decreases in Florida (possibly attributable to larger pool of test takers)
- College destination
  - Students are more likely to remain in state for college
  - Increases the likelihood of attending a four-year institution

# Merit aid as an incentive for college students

- College achievement
  - GPA-driven perhaps encourages students to attend class regularly, complete assignments, and study for exams
  - Students substitute academic work for employed work
  - Lower course loads (GA and NM)
  - Grade inflation and grade petitioning
  - Higher course withdrawal rates (GA)
  - Lower first year retention rates (NM)
  - Incentive to work harder exists only for borderline students

# Merit aid – stanching brain drain

- Chasing the “best and brightest”
- Encourage labor force and general economic development
- Issues
  - The best and brightest are the most likely to enroll in graduate school and are the most mobile
  - Students are becoming increasingly mobile
  - How to guarantee the state’s investment?

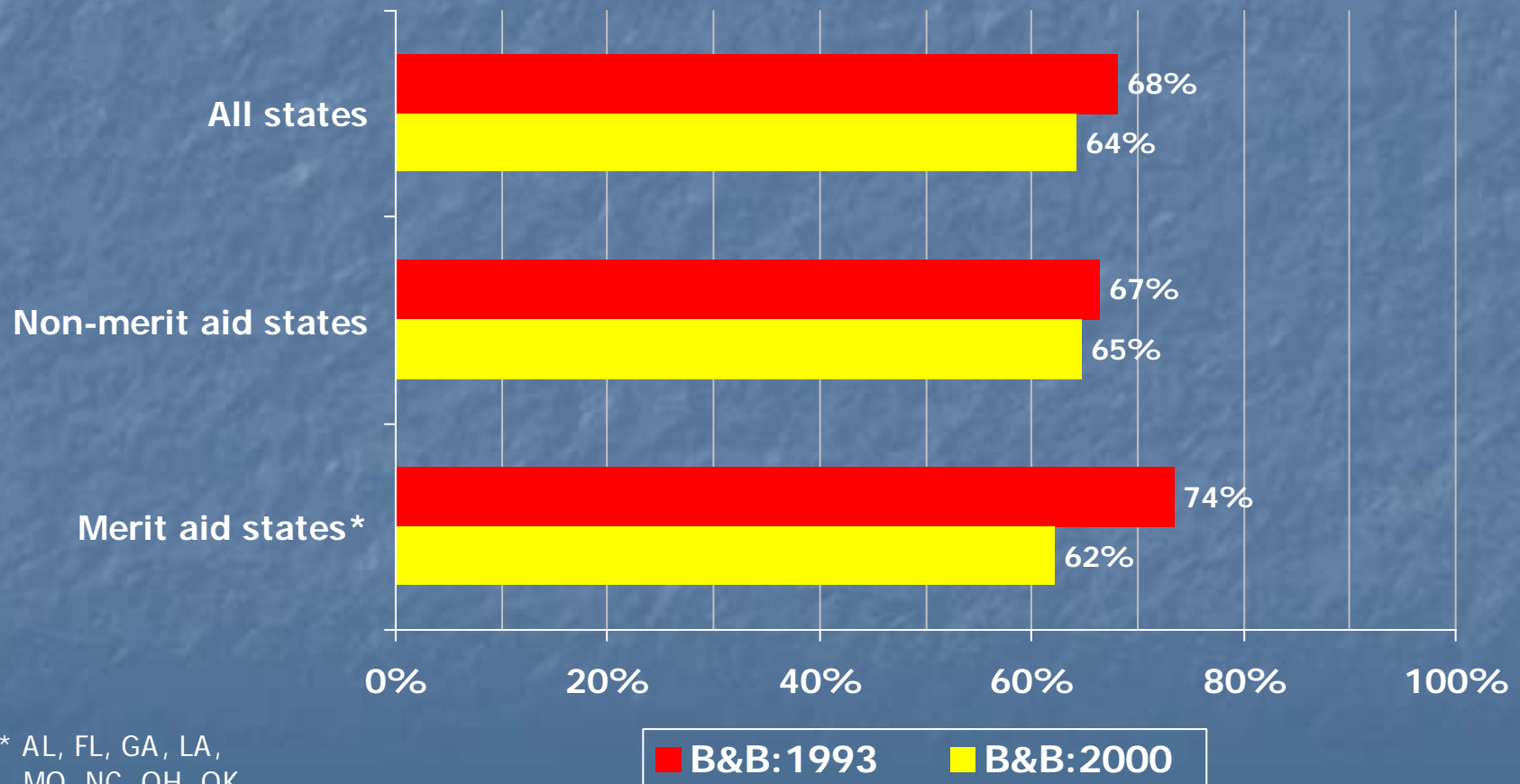
# Chasing the “best and the brightest”

Baccalaureate class of 1993 (dependent students)

- Graduate enrollment
  - 34% of all students enrolled in a graduate degree program by April 1997
  - 47% in highest SAT/ACT quartile enrolled
  - 49% in highest GPA quartile enrolled
- Still in same state in 1997
  - 63% of those who never enrolled in graduate school
  - 56% who enrolled in grad school but didn't earn a degree
  - 51% of those earning a graduate degree

# Labor market mobility is increasing

Baccalaureate classes of 1993 and 2000 (dependent students)  
Proportion of full-time workers remaining in-state one year later

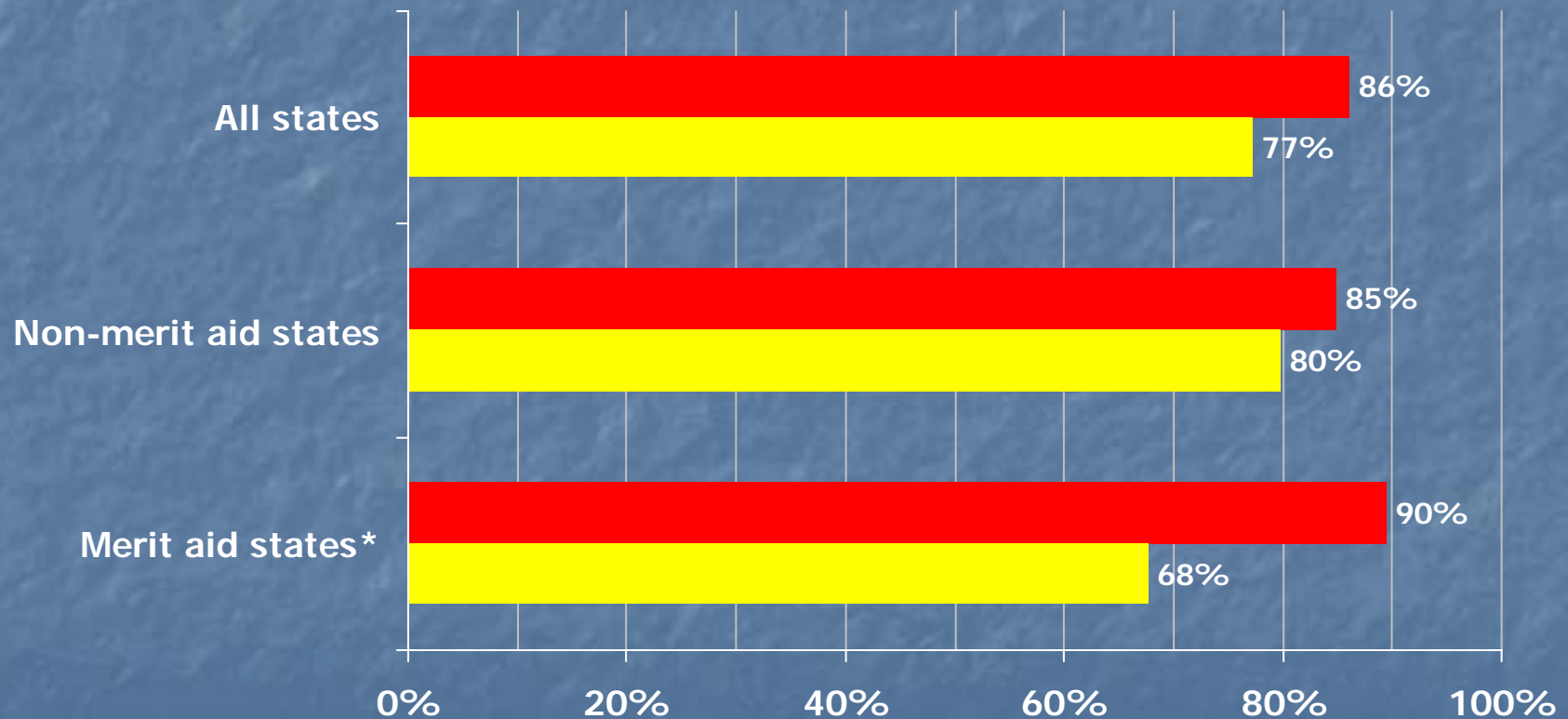


\* AL, FL, GA, LA,  
MO, NC, OH, OK

# Labor market mobility is increasing

Baccalaureate classes of 1993 and 2000 (dependent students)

## Students who attended in-state public institutions



\* AL, FL, GA, LA,  
MO, NC, OH, OK

■ B&B:1993    ■ B&B:2000

## The state's investment in stanching brain drain

Example: Georgia resident freshman receiving Georgia HOPE Scholarship

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### 2003-2004 Academic Year

	State approp.	HOPE scholarship	Total state investment	<b>Four year investment*</b>
GA Tech	\$15,134	\$4,376	\$19,510	<b>\$81,623</b>
U. of Georgia	14,202	4,378	18,580	<b>77,732</b>

\* Assuming 3% increase per year in appropriation and tuition

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# Alternative brain drain policies

- Ways to guarantee the state's investment in labor force development
  - Loan forgiveness programs
  - Convertible grants
  - State income tax credits
  - State employer tax credits
  - Cash bounty

## Implications of Merit Aid as a Brain Drain Remedy

- Increased spending on merit programs has occurred simultaneously with decreasing state appropriations for need-based aid
- Racial disparity and rising racial inequity
- Subsidizing the enrollment of middle- and upper-income students serves no obvious purpose of equity
- Merit aid, infra-marginal students, and marginal academic ability
- No evidence that any of these policy responses help retain students in state after the receipt of the baccalaureate degree

## Growing demand

- Increasing demographics – change in number of HS grads, 2002 to 2014
  - All students +5%
  - White -11%
  - Black +6%
  - Latino +73%
  - Native American +16%
  - Asian American +44%
- At *current* participation rates, this means an additional 660,000 students in higher education

## The challenges

- Managing the “perfect storm” (Deno Curris) of increasing demand and lagging resources
  - Operating expenditures
  - Capital expenditures
  - The promise of technology?
- Convincing policymakers and institutional leaders to target resources efficiently and effectively
- Unknown impact of NCLB on preparation, demand, and participation

# Website

<http://www.personal.psu.edu/deh29>