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Merit Scholarships and Incentives for Academic Performance

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State Merit Scholarship Programs

- 24% of state grant dollars in merit (no-need) aid, over \$1 billion
- Georgia HOPE started trend in 1993, currently largest
- Michigan is 3rd largest (Georgia and Florida), approximately \$110 million
- Three primary policy rationales
 - Promote college access and attainment
 - Stanch brain drain
 - Encourage and/or reward academic work

Merit Scholarships and Academic Achievement

- Some evidence from Georgia and Florida that grades have increased
- Mixed evidence on standardized test scores – increases in Georgia but decreases in Florida
- Evidence that discourages academic achievement once enrolled in college
 - Lower course loads (GA and NM)
 - Higher course withdrawal rates (GA)
 - Lower first year retention rates (NM)

Michigan Merit Award

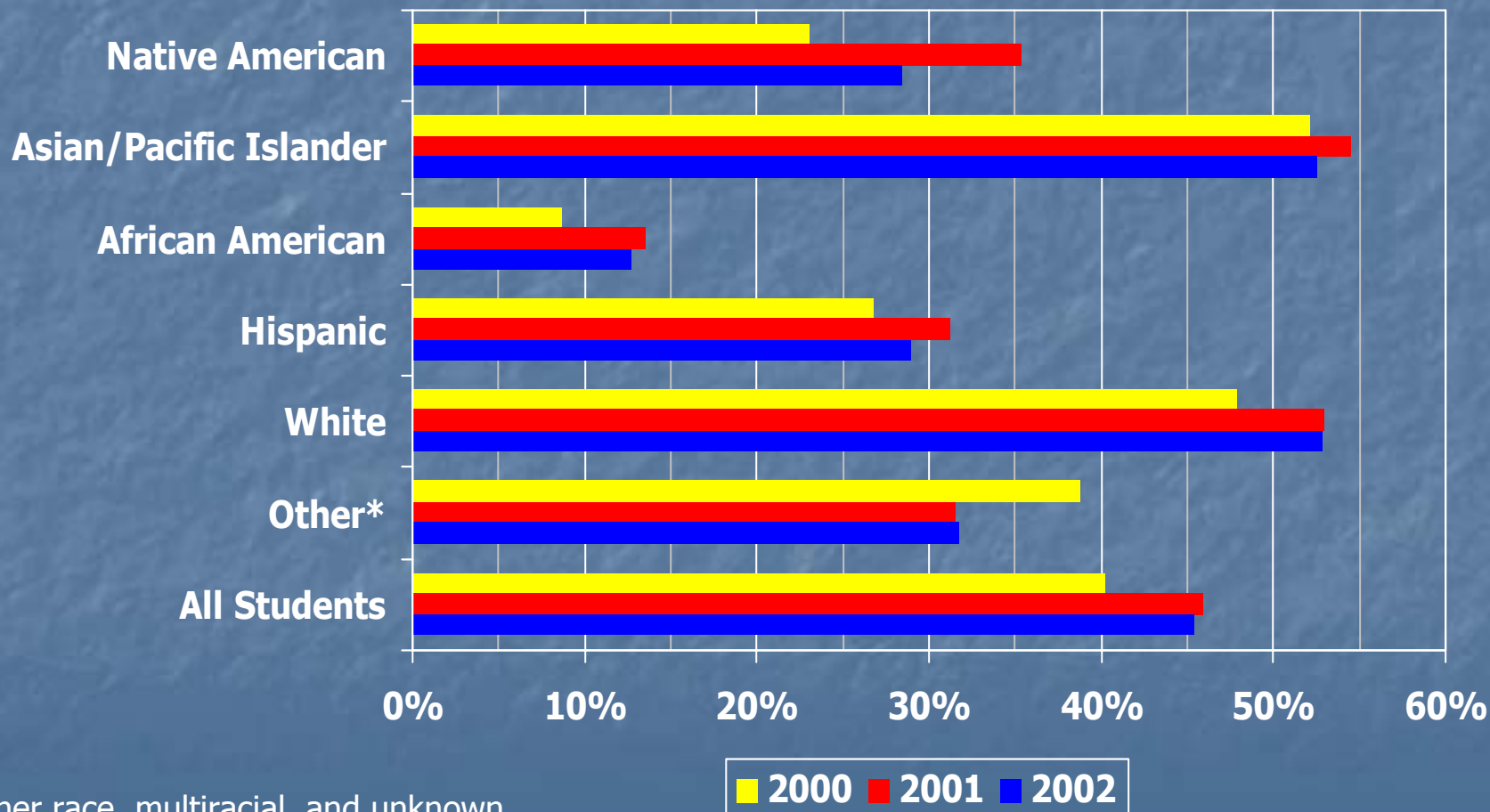
- Created in 1999; first awarded to graduating class of 2000
- Funded by tobacco settlement revenues
- One-time scholarship - \$2,500 for in-state school, \$1,000 out-of-state
- Award based on students' scores on the MEAP, the state's 11th grade curriculum frameworks test (four areas: reading, writing, math, science)
- Can discount effect of grade inflation (unlike research on Georgia HOPE Scholarship)

Design

- First three eligible high school classes (2000 – 2002)
- Unit record data from all MEAP test-takers in Michigan
- Michigan Department of Education school-level data
- Published ACT and SAT data
- Bivariate analyses

Race and Cohort Effects

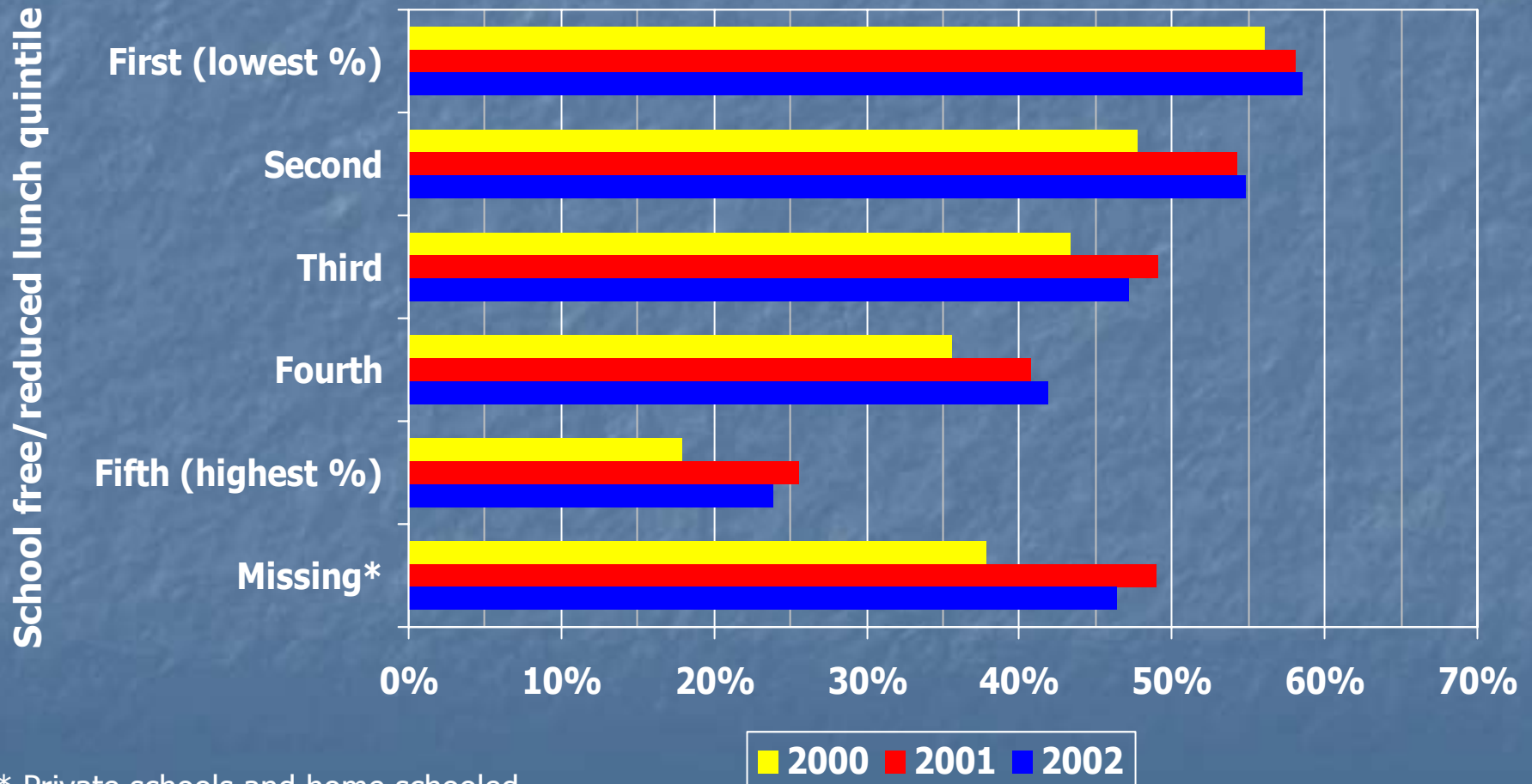
% of Students Qualifying for Scholarship



* Other race, multiracial, and unknown

School Income and Cohort Effects

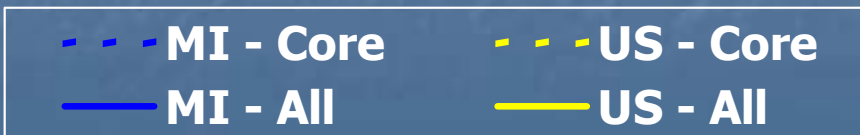
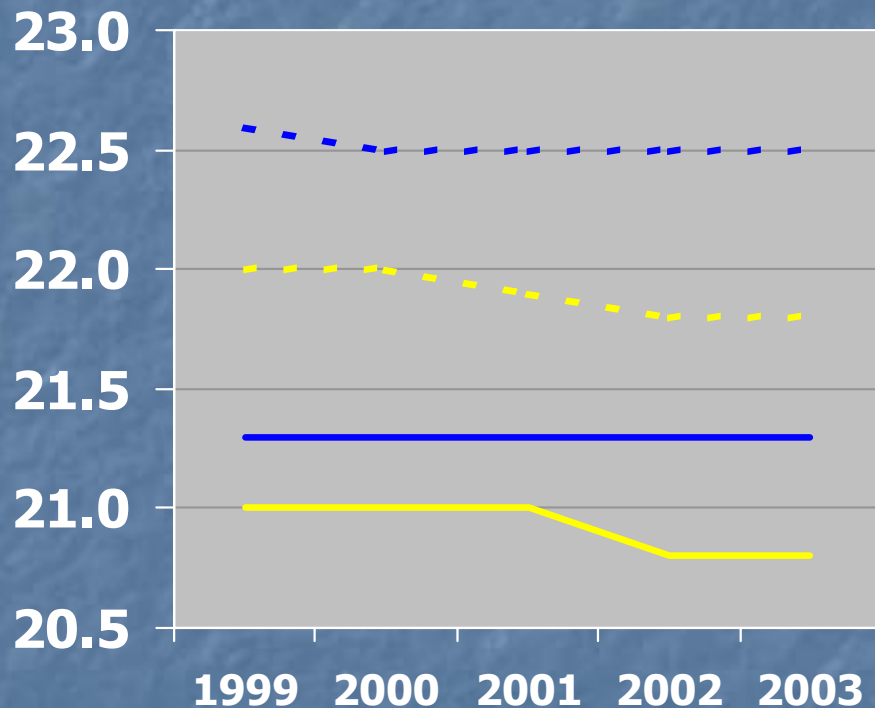
% of Students Qualifying for Scholarship



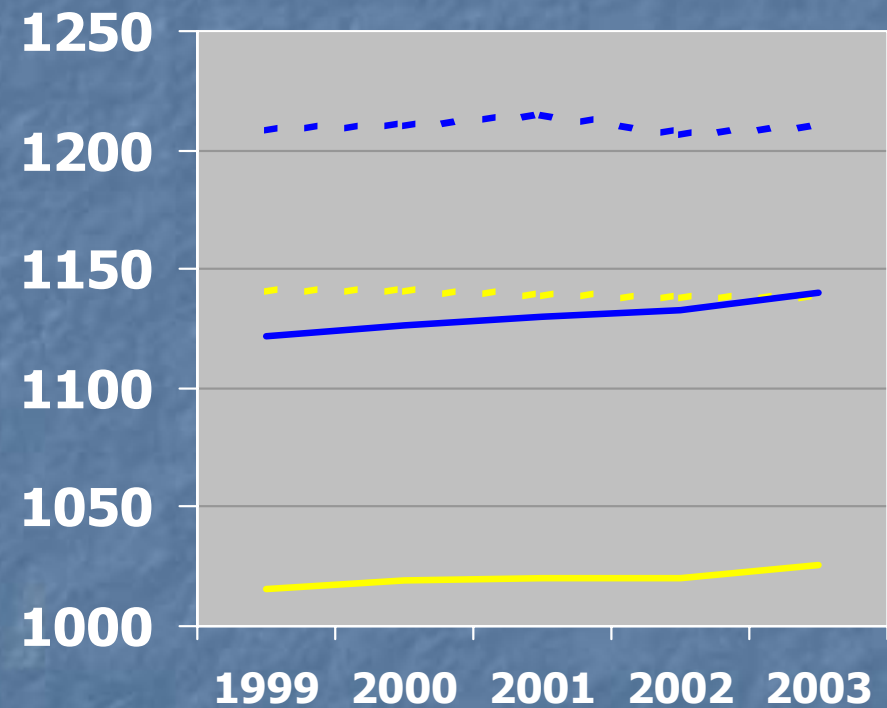
* Private schools and home schooled

Standardized Test Scores

ACT Composite Mean



SAT Combined Mean



Conclusions

- Initial gains, possibly because program became more known
- Quick ceiling effect, however
- Limitations
 - Award may be too small to create much of an incentive effect
 - Difficult to separate effect of changing pool of test-takers
 - MEAP is designed to measure cumulative high school curricular knowledge; two years may not have been enough time to increase learning behavior
- Policymakers should use caution in using merit scholarships as a tool to increase academic performance
 - What's the right incentive amount?
 - Lag time?
 - Can awards be better targeted?