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Good morning. I want to thank the House Education Committee, and in particular, Representative Brown, for inviting me here this morning to talk about state merit scholarships and their role in promoting college access. As some of you know, I was privileged to have the opportunity to discuss some of these issues with the Education Lottery Task Force last December, and I welcome the chance to speak with you about them.

Before I talk about specific state merit scholarships programs, however, I would like to provide a bit of the national context for you. Since the passage of the federal Higher Education Act of 1965, which helped spur the development of state grant programs, most of these state programs followed the federal lead of awarding the grants based on financial need. Need-based grants have at their core the goal of equalizing educational opportunity for all students, regardless of family income background. If properly structured and adequately funded, need-based grants are an effective tool for closing the gap in college participation between rich and poor students, a gap I should note that has stubbornly persisted in the nation for over three decades. Most states use a methodology for awarding need grants that is very similar to the federal methodology used in the awarding of Pell Grants, with the result that most state need grants are well targeted at students from families with incomes below the national median.

In recent years, however, there has been a strong trend in the states toward the awarding of grants without consideration of financial need, substituting instead different measures of "merit." Ten years ago, less than 10% of state grants were awarded without using need as a criterion; today one-quarter of all grants, or over \$1 billion, are awarded without consideration of financial need, and a dozen states have broad-based merit aid programs. States use a variety of different criteria for awarding merit grants, including high school grades, standardized test scores, some combination of the two, or state curricular frameworks test scores. Funding sources for these programs include general revenues, lottery revenues, tobacco settlement funds, and even one state that uses revenues from toxic and hazardous waste fees.

When we examine the impact of merit grants, on college access, however, we find that they have quite a different impact than do need-based grants. Last year, I co-edited a report for the Civil Rights Project of Harvard University entitled "Who Should We Help? The Negative

Social Consequences of Merit Scholarships.” I brought a few copies of this report and would be happy to leave them with you. This report was the first comprehensive look at four of the nation’s largest state merit scholarships programs in Florida, Georgia, Michigan, and New Mexico. Professor Cornwell has already talked about the Georgia Hope Scholarship Program, so I am not going to reiterate what he said. Instead I will summarize for you our findings regarding the programs in the other three states. I should note at the outset of these remarks that these three programs all award their grants without consideration of financial need, which as I understand, is different than the structure recommended by the Education Lottery Task Force.

Before I describe the impact of the merit programs in these three states, I will briefly describe the structure of each program. New Mexico’s Lottery Success Scholarship Program awards full-tuition grants to students in public institutions in the state, beginning in their second semester in college. The grants are awarded to students who achieve at least a 2.5 GPA in their first semester and carry a full course load. Students who maintain that GPA and continue to attend full time maintain their scholarship. As the program’s name implies, the grants are funded from revenues of the New Mexico lottery.

Florida’s Bright Futures Scholarship program is also funded by the state lottery, and is awarded to college students based on their high school GPA along with SAT or ACT scores. There are three levels of awards; the highest level, Academic Scholars, receive full tuition scholarships at any public institution plus \$600 annually. Students at this level must have at least a 3.5 GPA in 15 college curriculum courses in high school, and score at least 1270 on the SAT or 28 on the ACT exam. The second level, Merit Scholars, receive 75 percent of tuition and fees, and must maintain a 3.0 GPA in high school and score 970 on the SAT or 20 on the ACT. There is also a program for vocational students that I will not go into today. Both the Academic and Merit Scholars receive an amount equivalent to the public college award if they attend a private institution.

The Michigan Merit Award Scholarship Program is different from the others in that it awards only a one-time, \$2,500 scholarship. The awards are made based on the results of students’ scores on the 11<sup>th</sup> grade state curricular frameworks test, and they are funded by the state’s share of the national tobacco settlement.

Here’s what we found about the impact of the merit scholarship programs in these three states. Researchers from the University of New Mexico noted that the sponsors of that state’s program “maintain that the scholarships will enhance access to higher education, particularly for students who may not have considered going to college. Our study finds little evidence that the program has had this effect. We found that the program did not boost college attendance for New Mexico high school seniors, but that it did redirect students from out-of-state institutions to institutions in New Mexico.” These researchers found that approximately 80 percent of the recipients of these scholarships were from families earning more than \$40,000 per year, well above the state’s median income of approximately \$32,000, and that the beneficiaries tended to be whites, a particularly critical finding in a state with a large, and growing, Latino population.

In both Michigan and Florida, the rate at which scholarships were awarded differed greatly among students from different racial/ethnic groups, and among students from communities of different income levels. For example, while approximately one-third of white

students in both states received scholarships, less than 10 percent of African American students in each state were recipients. In both states, students in the 20 percent of schools in the wealthiest communities (as measured by the proportion of students on free or reduced lunch in each high school) received scholarships at rates more than twice that of students in the poorest communities. I want to also mention here that, because of this gap in qualification rates among racial majority and minority students, the Michigan program is currently facing a legal challenge in federal court, a case scheduled to go to trial in the next few months.

The conclusion I would draw from this research is that the reasons these programs do little to increase college access in their respective states, and may actually serve to increase the gaps in participation among varying groups, are twofold:

- 1) These programs place no income cap on eligibility for the scholarships, meaning that many of the dollars are flowing to students who would have attended college anyway, even without assistance from public funds; and
- 2) they use measures of “merit” and/or are structure in ways which systematically exclude populations of students who are most in need of financial aid in order to attend college – largely lower-income and racial minority students.

There is somewhat of a debate in the policy community over whether these state merit programs represent additional dollars that have been added to the pot, or whether they represent a reallocation of resources that would otherwise have been put into need-based aid. This question cannot be answered for certain, because we do not know how state policymakers would have acted if these merit programs had never been invented. But I think it is safe to say that the existence of the merit programs has caused many states to deemphasize the need-based programs, or to even question whether they are needed. Let me provide a couple of examples of why I believe this is true.

Georgia, which had a small need-based program before HOPE, eliminated it entirely and resurrected it only in the last two years. Its funding, however, is less than one-half of 1% of the Georgia HOPE program. In West Virginia, which recently created the Promise Scholarship program which awards grants without consideration of financial need, the legislature mandated a \$7 million increase in the Promise program while it cut the state’s need-based program by \$2 million.

It is important to note here two structural distinctions between most of the state merit and need-based programs. The merit programs have been created as entitlements, which means that all students who meet the merit criteria are guaranteed to receive the full grant amount. And most of the programs provide scholarships that cover full tuition and fees at any public institution in the state. The need-based grants, however, generally provide well less than full tuition and their levels of funding are at the whim of state legislatures and governors and are subject to the fiscal pressures facing states, especially in today’s economy.

Before I close, I would like to leave you with some issues that I believe the House Education Committee should consider as it debates this legislation. I have chosen these issues,

based on the goal of the scholarships to “Enable citizens to attend post-secondary educational institutions located within this state.”

- The first issue is *effectiveness*: How can the lottery revenues best be targeted to accomplish this goal?
- The second issue is *efficiency*: What is the most efficient mechanism for distributing the funds?
- The third issue is *equity*: Are students and institutions treated fairly, according to their needs?
- And the fourth issue is *information*: How can the details of the program best be communicated to targeted populations?

In closing, I would like to read for you the following quotation:

It is the responsibility of the community, at the local, State, and National levels, to guarantee that financial barriers do not prevent any able and otherwise qualified young person from receiving the opportunity for higher education. There must be developed in this country the widespread realization that money expended for education is the wisest and soundest of investments in the national interest. The democratic community cannot tolerate a society based upon education for the well-to-do alone. If college opportunities are restricted to those in the higher income brackets, the way is open to the creation and perpetuation of a class society which has no place in the American way of life.

This is not a quote from the original legislation that created the Higher Education Act of 1965, nor are they the words of one of the legislative champions of financial aid for needy students such as Senators Claiborne Pell or Ted Kennedy, or Representative Bill Ford. These are words written over 50 years ago by President Truman’s Commission on Higher Education, in 1947.

The commitment to use limited public resources for the goal of promoting equality of educational opportunity is one that, as the Truman Commission recognized, will require a partnership among the federal government, state governments, and higher education institutions. No one of these parties can achieve this goal alone; only in working together can we achieve the objectives laid out by the Truman Commission over 50 years ago, and reaffirmed in the Higher Education Act 18 years after that. Thank you once again for your time and attention, and I would be happy to take any questions you may have.