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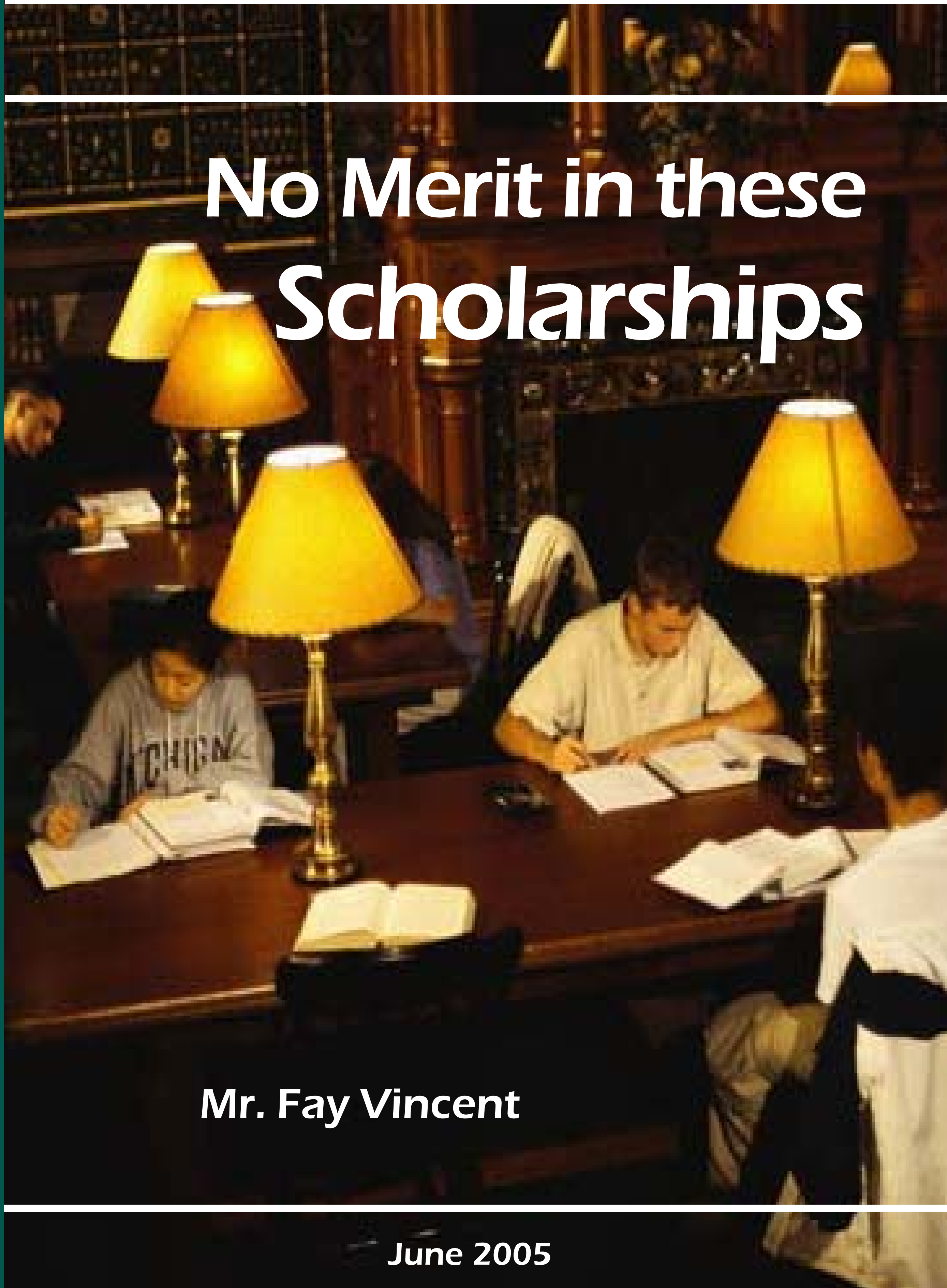

No Merit in these Scholarships

Mr. Fay Vincent

June 2005

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The Educational Policy Institute

The Educational Policy Institute, Inc. (EPI) is a non-profit, non-partisan, and non-governmental organization dedicated to policy-based research on educational opportunity for all students. With offices in Washington, DC, Toronto, Ontario, and Melbourne, Australia, EPI is a collective association of researchers and policy analysts from around the world dedicated to the mission of enhancing our knowledge of critical barriers facing students and families throughout the educational pipeline.

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About the Author

Francis T. Vincent, Jr., served as the eighth Commissioner of Major League Baseball from September 13, 1989 to September 7, 1992. Mr. Vincent had joined Major League Baseball as Deputy Commissioner under A. Bartlett Giamatti in April 1989.

Prior to joining Major League Baseball, Mr. Vincent served as Executive Vice President of The Coca-Cola Company until July 1988. He joined Columbia Pictures Industries, Inc. in July 1978 as President and Chief Executive Officer. In March 1982, following the acquisition of Columbia by The Coca-Cola Company, he was appointed Chairman and CEO of its Entertainment Business Sector. In April 1986, he was promoted to Executive Vice President of The Coca-Cola Company responsible for all its entertainment activities.

Mr. Vincent also served as Associate Director of the Division of Corporation Finance of the U.S. Securities and Exchange Commission. He was a partner in the Washington, D.C. law firm of Caplin & Drysdale from 1968 to 1978 where he specialized in corporate, banking and securities matters. Before joining Caplin & Drysdale, he was an associate in the New York law firm of Whitman and Ransom.

Mr. Vincent received his law degree from Yale Law School in 1963 and is a member of the bar in New York, Connecticut and the District of Columbia. After attending The Hotchkiss School in Lakeville, Connecticut, he graduated cum laude in 1960 from Williams College where he was a member of Phi Beta Kappa. He served as a trustee of Williams for 18 years and received an Honorary Degree in June 1990. He has served as a trustee of Carleton College and as chair of the Hotchkiss Board. Mr. Vincent is also a former trustee of Fairfield University and the Saint Thomas More Catholic Center at Yale University. Mr. Vincent has also received honorary degrees from Babson College, Colgate University, Central Connecticut State University, the University of New Haven, Kenyon College and Carleton College. He is currently a member of the Board of The Canterbury School, New Milford, Connecticut.

Mr. Vincent is a member of the Board of Directors of Time Warner, Inc. (member of the Compensation and Human Development Committee and member of the Finance and Audit Committee) and Westfield Holdings Group (Australia). Previously he served on the boards of Continental Corporation, Coca Cola Enterprises, Norton Company, Carson Pirie Scott & Co., and Horizon Group Inc. He has been honored by the Negro League Museum for his assistance to Negro League Alumni.

Suggested Citation:

Vincent, Fay (2005). "Nor Merit in these Scholarships." *Policy Perspectives June 2005.* Washington, DC: Educational Policy Institute.

This article was originally printed in the Washington Post, Sunday, May 29, 2005, B01.

FOREWORD

I was reading the Washington Post on Sunday, May 29 and ran across on opinion editorial by the former commissioner of major league baseball, Mr. Fay Vincent. The piece focused on the issue of merit aid and the implications for institutions and students from non-affluent families. Mr. Vincent provided a crisp, concise assessment of a trend that has worried us for quite a while: the growing trend of rewarding academically-gifted and typically-affluent students with an extra dose of merit aid, often at the expense of much-needed aid for talented students from lower-income families.

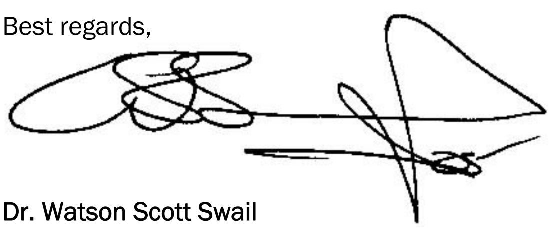
Dr. Watson Scott Swail
President
Educational Policy Institute

Since the mid-1990s, there has been much discussion and action on the merit-aid front. The introduction of the Hope Scholarship in Georgia, followed by a similar-but-different federal version of the program, began to open the door for this type of aid. Other states quickly followed, displacing need-based aid in the process. Between 1993-94 and 2002-03, state merit-based aid grew from $304 million to $1.2 billion dollars — an increase of approximately 300 percent (inflation adjusted). Comparatively, stated need-based aid grew from $2.75 billion to $3.97 billion, an increase of 44 percent. While the need-based aid pot is larger, the trend is unmistakable[1].

Mr. Vincent notes that institutions have also joined in this trend in order to be more "competitive" and attract students who in turn make the institution look better. He quotes a recent College Board report that found that the share of institutional grant aid devoted to merit aid rose from 27 percent in 1992 to 36 percent in 1999.

Pleased and impressed by the article, I contacted Mr. Vincent to congratulate him on providing focus on this issue and extended an invitation to reprint the article through the Educational Policy Institute. We are pleased to provide this important piece in our first Policy Perspectives report and hope that you will see the need to disseminate this to policymakers across the country.

Best regards,



Dr. Watson Scott Swail
President, Educational Policy Institute

[1] 35th Annual Survey Report on State-Sponsored Student Financial Aid, 2003-04 Academic Year. See www.NASSGAP.org.

No Merit in These Scholarships

by Fay Vincent

I was a scholarship student at Williams College in the late 1950s, and fortunate to be one. Yes, I had the academic record to get in, but I would never have been able to go to such an expensive place without the generosity of alumni and other benefactors who believed in helping the less fortunate. Aid based only on merit was unknown at Williams; every kid I knew with a scholarship needed it.

That's no longer the case at many American colleges and universities. Over the last few decades, an increasing number have been offering significant aid based only on merit, without regard to a family's resources. In pursuit of class averages that will support a strong national ranking, these schools are essentially *buying* better students.

As a trustee at several institutions of higher education, I watched this development with dismay. To my mind, merit-based aid betrays the original goal of helping worthy but disadvantaged students; it spends donors' money in a way they may not intend, and it invests college resources in short-term promotional advantage instead of lasting improvements of substance.

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While such elite institutions as Williams (where I was a trustee for 18 years), Harvard and Stanford have sufficient status to limit financial aid to those with need, the merit-based trend among most schools is well documented. "In the 1970s and 1980s, most aid programs were designed to increase access to college for students who would otherwise be unable to afford to enroll," said a College Board report, "Trends in Student Aid 2004." "In recent years, student aid programs have been focused increasingly on affecting students' choice of institutions, on rewarding academic achievement and on reducing the financial strain on middle-income families."

"Need" can be an elusive concept, since a $40,000-a-year college bill will give pause to even well-off families. It may help to picture a situation like this: Two young women apply to a good private college. Both are well qualified. One, whose blue-collar parents have a combined income of $68,000, has solid grades, and SAT scores smack in the middle of the applicant group. The other, first in her high school class, has nearly perfect SATs — as well as extremely wealthy parents. The school accepts both students, but offers only the second girl financial aid, because it wants her impressive statistics to boost the freshman class average. The other student? She is offered a little need-based aid, say a federal Pell grant, and is forced to go to a less expensive school.

My old pal Bart Giamatti, the former Yale president and Major League Baseball commissioner, often ranted against this trend, and we agreed we would fight so-called merit aid at every opportunity. I tried to do so at Fairfield University, the Jesuit institution in Connecticut where I was a trustee for the past 15 years. And while I was able to persuade some fellow trustees of the fallacy of giving funds badly needed by low-income students to students from wealthy families, I ultimately lost the debate. Unlike Williams, Fairfield does award merit scholarships: The administration is convinced many of the top students it buys with cash would not otherwise come to the school. In a perfect world we wouldn't allocate resources this way, they say, but in the highly competitive arena of higher education, we have no choice.

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What's really wrong with this situation? you might ask. Why should anyone be either surprised or offended by this obvious market-oriented response to attracting better students?

There are many reasons, but the first that comes to mind is one of fairness. The original goal of financial aid was to level the playing field for students with the ability but not the means to pursue higher education. But the very board scores that help to trigger today's merit awards are partly generated by income. So the high-income student is twice privileged — once in affording the better schools or special tutoring that help get the high scores, and then in getting a financial award.

It is easy to see how the merit aid idea gained strength. A major influence has been the appreciable clout of the annual college and university rankings done by U.S. News & World Report. Virtually everyone in higher education criticizes these rankings — "meaningless," "trivial," "superficial" — but nevertheless pays attention to them. Fairfield has a good ranking in its category of "Regional Small Comprehensive Universities" and wants to maintain that status. So, every year, Fairfield awards aid to about 18 percent of the freshman class on a purely merit basis, before any financial aid forms are completed. Once that financial information arrives, it usually turns out that about half of the recipients don't need the money, but they get it anyway.

Other private schools are making similar decisions. In its 2004 report, the College Board noted that merit-based aid at such schools constituted 27 percent of total institutional grant aid in 1992, 30 percent in 1995 and 36 percent in 1999. Even when grants are nominally based on need, merit plays a role: Morton Shapiro, president of Williams, and Michael McPherson, former president of Macalester College, recently published a study showing that when qualified students have identical needs, those with higher board scores will often get more money.

The trend also affects public colleges and universities, where the percentage of merit-based financial aid is already higher than at private institutions — 51 percent of total institutional grant aid in 1992, 40 percent in 1995 and 43 percent in 1999. For many of these schools, one problem is brain drain. They offer grants, scholarships and sometimes completely free tuition to any in-state student with an average above 3.0, say, or in the top 5 or 10 percent of their graduating high school class. The idea is to keep bright kids from Georgia in Georgia, or those from Connecticut in Connecticut. The impact is similar to that in private schools: Money goes to families who may not need it as much as others.

I have challenged leaders of several colleges on this subject, and I hear similar arguments. "We agree it is objectionable in principle, but everyone else is doing it and we have to compete." "It works, and we get a much better class." "If we drop it and lose rank with U.S. News & World Report, we will have gained little and lost a lot." Last year, I was told of a very able young graduate of a small prep school in Connecticut — where, as it happens, I have also been a trustee. Her father, a successful surgeon, was able and willing to fund her college education. But a large merit aid package from Fairfield was enough to persuade her to turn down Boston College.

"Clearly offering funding draws some students with little or no need and high achievement who might not otherwise enroll," Orin Grossman, the academic vice president at Fairfield, wrote to me when I told him I was writing this essay. And he added, "Many, though certainly not all, of the student leaders in clubs, organizations, academic programs, Fulbright scholars etc. are merit scholars, and they help to create a more responsive and receptive intellectual tone in the classroom as well."

In other words, Fairfield bought a better student body and is happy. Shapiro and McPherson, while critical of merit aid, see little evidence that the growth is coming at the expense of need-based grants. But in a world of limited resources, I do not think that situation will last.

It is hard not to sympathize with college administrators caught in the web of competitive pressure. Some have confided their dismay at having to give money to families with ample financial resources even as they try to keep tuition down. Shapiro, in an email to me, pointed out that they may feel trapped into spending more than is necessary. "Perhaps the academic dean at Fairfield is correct in saying that they attract students who would not attend Fairfield without a merit award," he wrote. "But some would come anyway, and my guess is that many more would come with a smaller merit award than the one they received."

"Our work indicates that it is very difficult to wean an institution from merit aid," Shapiro added. "The hope is that you reduce the price for rich, smart kids and, after repositioning in the marketplace, you draw back on merit aid. Nice idea — but schools get addicted to higher SAT scores and have real trouble reining in merit aid once the merit wars begin."

"Look, this is a little like poking the bear with a sharp stick," he told me. "The strong schools who only give aid based on need are the bear. When they begin to notice what we are doing because they are losing good students, they will respond and the game will end."

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That raises another reason for colleges to eschew merit aid: self-interest. Right now, the very best schools offer only need-based financial assistance. But if they feel threatened, these well-endowed schools are in the best position to play the admissions game where the determining factor is cash. Rob Oden, when he was president of Kenyon College in Ohio, made this point. (Oden is now president of Carleton College, a top-ranked school in Minnesota, which, like Williams, does not grant merit aid.)

That elite may have already noticed. Recently Harvard announced that it would no longer charge tuition to students with a family income below $40,000. Yale has a similar policy. My prediction is that the elite schools, with their multi-billion dollar endowments, will gradually eliminate tuition. That would trump whatever lesser-rank schools currently achieve by merit aid.

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There is a better way to build a quality school: Build a better faculty. Money spent on teachers is a wise and lasting investment. Money spent trying to steal students from schools up the ranking ladder strikes me as long-term folly. In the words of McPherson and Shapiro, the current situation is "a competitive environment that favors resource-wasting maneuvers for tactical advantage over strategic investments in quality."

Perhaps these institutions should remember where grant money comes from. I have doubts that donors who support aid programs at some of these schools understand that their money is being given to the children of other well-to-do families. And I wonder whether the fundraising appeals sent to alumni and other friends of education are clear about that use of donated funds.

I am troubled by the use of financial inducements to sway a student's decision. In contrast, there is something noble about giving money to talented young people who could not pursue their education without it. I know what that gift can accomplish, and I am grateful. I wonder how grateful the recipients of merit aid will be.

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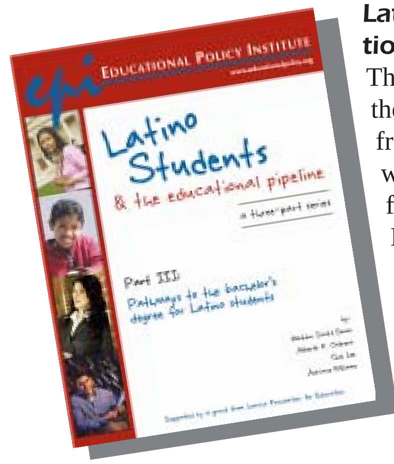

Latino Youth & the Educational Pipeline

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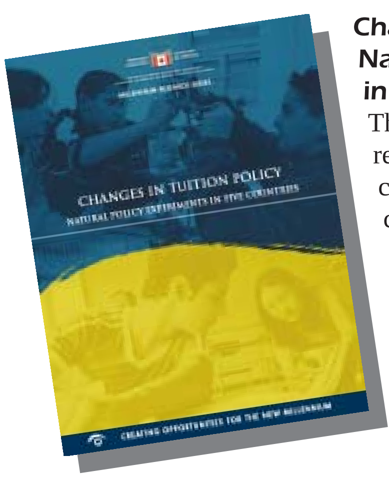

Changes in Tuition Policies: Natural Policy Experiments in Five Countries

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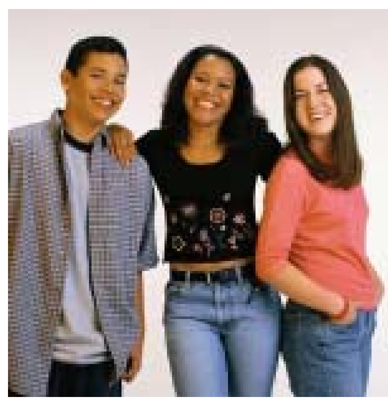

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