COLLEGE PLANNING

Merit Scholarships Expand
As College Expenses Climb

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Who should get the college scholarship: the good student or the low-income kid?

With college costs rising at twice the rate of inflation and the new focus on federally mandated standardized tests, that's no longer the easy answer it once seemed to be.

The biggest share of the nation's $74 billion in student aid, both from private and government sources, still goes to low-income kids, but it's shrinking fast. Governors and legislators want to motivate high-school students and keep their brightest youngsters from leaving for college in other states. Both state and private institutions are eager to boost the academic profile of their student bodies -- and their own national standing in the process. And everyone hears middle-class parents gasp as they open college-tuition bills.

States devoted about 79% of their scholarship money to financially needy students in 1999, but that's down from 89% a decade earlier, says the National Association of Student Financial Aid Administrators in Washington. Colleges and universities, which awarded $14.5 billion in scholarships in 2000, gave almost half of it to students based on academic merit, sports ability, musical talent -- everything but financial need, the aid administrators add. Even the federal government is making low-cost loans available to more kids, whatever their income.

That's great news for middle-class kids, who tend to get higher grades and test scores because they generally attend better schools and come from education-minded families. But the flip side is that a college education is becoming even more remote for youngsters from low-income families and woeful high schools. "Ultimately, we're going to crowd out students who would have had a shot" at college and a middle-class future, says Donald E. Heller, an education professor at Pennsylvania State University.

Leading the trend toward merit aid are about two dozen states offering scholarships to any of their high-school graduates who meet certain standards. Georgia's Hope Scholarships, for example, will pay full tuition at one of the state's public universities, or as much as $3,000 a year at an in-state private college, to any graduate of a Georgia high school with a B average. Florida's Bright Futures scholarships will pay three-quarters of the tuition -- $2,630 this year at the University of Florida in Gainesville -- for students with a B average and an SAT score of 970, well below the national average. Michigan only asks students to pass its state exam to receive a $2,500
scholarship to an in-state school, or $1,000 for a college out of state.

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<th>GOOD GRADES COUNT</th>
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<td>Some state merit-scholarship programs:</td>
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<tr>
<td><strong>Alaska Scholars</strong></td>
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<td><strong>Mississippi Eminent Scholars</strong></td>
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<td><strong>Kentucky Educational Excellence Scholarship</strong></td>
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Source: state Web sites

The state programs vary widely, but many don't set limits on family income. Most are renewed if a college student keeps a B average. Lotteries fund many, including Georgia's, which paid out $277 million in scholarships in 2000, and Florida's, which funded $164 million in grants. But Nevada and Michigan are using their shares of the tobacco settlement to fund programs, and Mississippi and Missouri are dipping into tax revenue.

Georgia's goal when it launched the first state merit program in 1993 was to stem the state's brain drain as youngsters left for out-of-state college and never returned. With the new focus on public-school performance, the states also see free college tuition as a way to motivate high-school kids.

Both public and private colleges and universities, meanwhile, have begun boosting merit aid to improve their student profiles. Guides ranking colleges based on the grades and test scores of their freshman class have become hugely important to a school's ability to attract applicants. Beyond that, merit aid also helps fill seats when tuition at a private college averages about $17,000 and parents are starting to balk. Private colleges now pay out about $4 in scholarships for every $10 they take in as tuition revenue, up from $2.70 in 1990, and two-thirds of that aid is non-need based, says the aid administrators' association. Public universities also give two-thirds of their aid for reasons other than need.

The sudden increase in merit aid is hugely popular with white, middle-class parents, who, not incidentally, are also the most politically active voters and demanding consumers. Whites accounted for 60% of Florida's 1998 public-high-school graduates, for example, but 77% of the state's Bright Futures scholars. "They're the biggest tax break we've ever given to the middle class," says Don Sullivan, a Florida state senator who helped push Bright Futures through the legislature.

So far, though, there's not much evidence that the scholarships are producing what their promoters envisioned. About 7% of Florida's high-school graduates leave for out-of-state colleges -- the same as before Bright Futures. Moreover, bachelor's degree holders are more likely to flee their home state if they can't find jobs.

There's also no evidence the aid boosts student performance, says Christopher Cornwell, a University of Georgia economist. A and B students would strive for good grades in any event, he says, and D and F students see the chance of a scholarship as too remote to bother with. That leaves only a "narrow band" of kids who might be motivated, he says. Average grades at the University of Georgia have risen since Hope began, he adds, but that could be because students have learned to work the system by taking easy classes and fewer courses per term. Hope scholarships pay for 127 credit hours, but there's no time limit, so Georgia students are staying in school longer, filling slots the university needs for others.

Also merit aid "doesn't change anybody's behavior about whether they go to college or not,"
maintains David Breneman, dean of the University of Virginia's education school.

And then there's the high cost: Oklahoma legislators doubled the appropriation for their merit-aid plan even though other state agencies, including elementary schools, face 4.75% budget cuts. Florida's scholarships get their slice from lottery earnings before other programs -- including the public schools -- divide up what's left. But 92,000 Florida students got aid in 2000, up from 70,000 the year before, meaning there's less money for everything else.

There's not much chance things will change, though. States find their programs politically impossible to amend, much less cut. When Mr. Sullivan tried to raise the minimum grade for Bright Futures aid, he says parents protested and legislators resisted. "We've given away an education that was already cheap," he says. "What fool legislator is going to change that?"

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