

Journal of Student Financial Aid

Volume 16 | Issue 1

Article 3

2-1-1986

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Recommended Citation

Zelenak, Bonnie and Cockriel, Irvin W. (1986) "Who Benefits from No-Need Scholarships?," *Journal of Student Financial Aid*: Vol. 16 : Iss. 1 , Article 3.

Available at: <https://ir.library.louisville.edu/jsfa/vol16/iss1/3>

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Who Benefits from No-Need Scholarships?

by *Bonnie Zelenak and Irvin W. Cockriel*

The literature emerging from between 1983 to 1985 addressing scholarship programs for high ability students tends to arouse emotional responses. In professional journals and popular media there is wide coverage of the issue, probably because of planned national budget cuts coupled with growing concern over the quality of the student body. This article provides several historical snapshots of the popularity of no need scholarships in the United States, the ebb and flow of federal financial aid programs, and the changing academic character of the student body served and influenced by these efforts. A primary question to be considered is: Who benefits from no-need scholarships?

Historical Development

State and federal government participation in direct student aid is a twentieth century phenomenon. In the 1930's, scholarship funds from private philanthropic organizations were clearly earmarked for the academically talented student. Local high schools and colleges were instrumental in identifying gifted students in need of such support. After the Depression, foundations typically considered the financial need of students in addition to their academic talent. Early financial assistance to college students was supported almost solely by private gifts.

Following World War II, financial assistance took a dramatic shift with the introduction of the GI Bill in 1944. This legislation was the first strong federal commitment for funding individual students. The influx of veterans into higher education institutions exerted great pressure on these institutions and on legislators to expand the availability of financial aid to individuals pursuing college degrees (Porter & McColloch, 1983). The National Defense Act of 1958, a response to Russia's launching of Sputnik I and II, provided a dramatic increase in federal funding to higher education. The Higher Education Act of 1965 proposed to help both the institutions and the students.

Specifically, it provided federal support to the states and their institutions in such areas as construction of academic facilities, educational institutions, and libraries; support for developing institutions; and community service and continuing education. Equally, and perhaps more important, Title IV of the Act established a need-based student aid delivery system through the Educational Opportunity Grant (EOG) program, the College Work-Study (CWS) Program, and the Guaranteed Student Loan (GSL) Program (Fenske, 1983, p.11).

The 1972 Education Amendments increased federal support for student aid. New grants in aid were instituted to assure access to higher education for all potential students regardless of their family's financial status. With the Education Amendments of 1976 and 1980 as well as the Middle Income Student Assistance Act of 1978, the Federal government virtually assured educational opportunity to all.

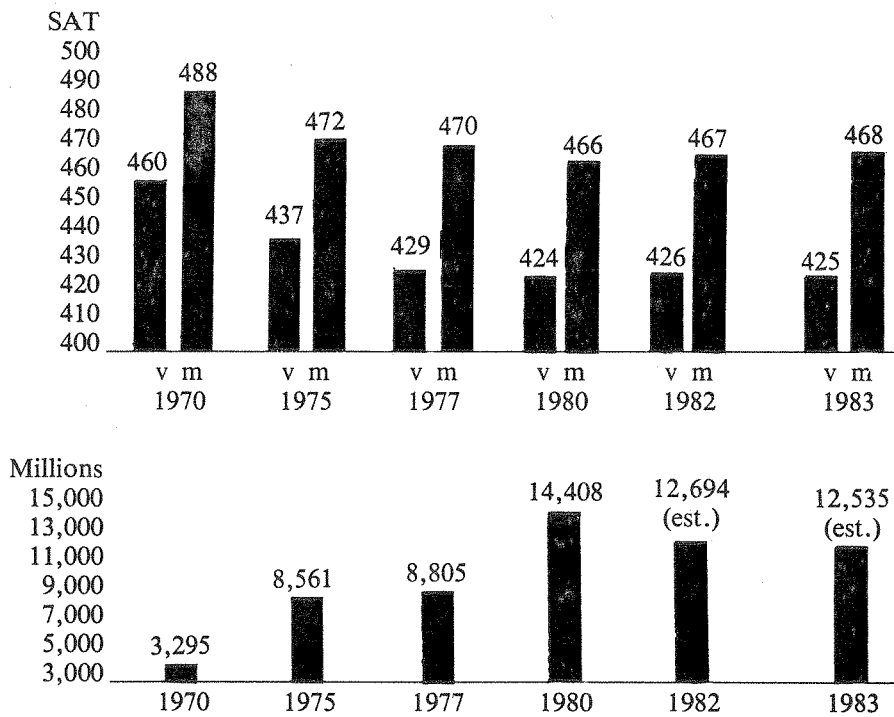
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Changes in Academic Characteristics of the Student Body

Federal support to college students continued to expand through the 1970's as federal financial assistance became routine for lower and middle income families. During this same time period academic scholarships received little attention. Concurrent with the increase of federal financial aid to students with need came the decline of Scholastic Aptitude Test (SAT) scores (see Figure 1). The score averages declined steadily between 1970 and 1980, reaching an all-time low of 424 on the verbal section and 466 on the math section of the SAT in 1980 (the decline actually began in 1963.) Those lows held steady in 1981 and began to climb in 1982. Slight increases continued to be seen through 1983 (College Entrance Examination Board 1983, *Chronicle of Higher Education*, 1983).

As mean test scores declined, so did the pool of academically talented students. Between 1972 and 1983, high school students who attained 650 or more on the verbal section of the SAT fell from 53,794 to 27,408 (Feinberg, 1984); during that same time period (1972-1982) the number of students who took the exam dropped by only three percent (McGrath, 1983). The pool of high ability students from which to recruit became a prominent problem for colleges in the '80's.

Figure 1. SAT Score Averages For College-Bound Seniors and Total Federal Aid Awarded to Postsecondary Students.



1. The SAT data are from the College Entrance Examination Board (1982). *National College-Bound Seniors*. New York & *Chronicle of Higher Education*, 27 (4). p. 1.
2. The financial aid data are from *Trends in Student Aid: 1963-1983*. by Gillespie, D. & Carlson, N., 1983, College Entrance Examination Board.

All of the above factors affected postsecondary enrollments, the quality of the student body, and the curriculum. Although the percentage of high school graduates who enrolled in postsecondary institutions remained fairly constant between 1969 and 1981, national reports indicate that the quality of the student body declined. In addition to admitting more students with lower standardized test scores, colleges also offered more remedial courses. A *Chronicle of Higher Education* survey conducted by John Minter Associates indicates that between 1980 and 1981 the number of remedial courses offered by colleges and universities increased by 22% (Magarrell, 1981). Higher education institutions today are hard pressed to meet the challenges posed by financial problems, apparent public dissatisfaction and lack of confidence as well as declining academic standards. Since 1982 several major national reports have addressed these problems and most focus on the need to improve the quality of the educational enterprise.

Today many state legislators, public and private colleges and universities, and philanthropic organizations are responding to challenges posed by economic conditions, federal policies, the public will, and national commission reports. Quality is being emphasized over quantity. Equal opportunity as a result, may suffer; it appears to be incongruent with quality.

Federal Policy, Public Support, and Probable Implications

By 1981 the trend of increased federal support for all students to attend college made a dramatic shift. The question of who would pay for higher education was debated more intensely. The Reagan administration recommended large decreases in federal aid to students and colleges and recommended that families assume a larger share of the burden. In 1982 Congress tightened eligibility requirements for the Pell Grant program and for federally subsidized loans. The downward trend in federal financial aid programs is present in 1986 and is expected to continue into 1987. Secretary of Education William Bennett has endorsed President Reagan's recommendations on cutting federal financial aid and insists that caps on the total amount of aid made available to students be initiated (U.S. News and World Report, 1985).

The Administration's plan, according to its proponents, would not close the door to higher education for those who wish to enter. It would, however, have reduced access to high cost colleges and universities. Other observers pointed out that the plan means less expensive public institutions would encounter increased enrollments while private ones would experience declines in enrollment. Low and middle income students would be forced out of the prestigious private colleges if alternate funding sources were not found. Those private colleges that could survive would become segregated by family income levels. Such restrictions on access to expensive, prestigious colleges will, in all probability, result in heightened socio-economic segregation among future leaders of the country. Individuals of influence, the so-called "power-elite," would continue to be drawn first from these institutions, restricting the exchange of ideas to a narrower frame of reference than is now the case.

Media attention and federal policy makers would have it that public support for the financially needy is waning. In actuality, such support is strong and growing according to the findings of the survey, "American Attitudes Toward Higher Education, 1984" conducted by Group Attitudes Corporation of New York (Evangelauf, 1984). Between 1971 and 1982 individuals favoring federal grants for low-income students jumped from 71% to 87%. While 37% of those polled said that colleges should award financial aid on the basis of need, an equal percentage believed it should be given on the basis of merit. About 22% thought that the criteria were of equal importance (Evangelauf, 1984).

Most state aid programs are congruent with the public sentiment. They are maintaining or increasing their funds for needy students while increasing support for the academically talented. By reviewing the results of studies conducted by Huff in 1974 (1975) and the College Scholarship Service (CSS) in the winter and spring of 1976-77 (Sidar and Potter, 1978) we can see that awarding no-need scholarships has been a widespread practice among higher education institutions at least since the mid seventies. The CSS report further reveals that between 1965 and 1977 the monetary ratio of no-need awards to both need-based and no-need awards has grown very little (from .196 to .205). Of the institutions responding to Huff's questionnaire, 54.4% indicated that they were awarding no-need scholarships. Another 4.6% replied that they were considering such awards. Of the institutions responding to the CSS questionnaire, 71% indicated that they were offering no-need/merit awards, including tuition remissions and tuition exchanges. When eliminating tuition remissions from the CSS data for institutions where such remissions constituted more than 75% of the no-need budget, it was found that 63.8% of the colleges granted no-need awards. Sidar and Potter (1978) found that the primary reason most institutions gave for granting no-need awards was to increase the quality of the student body and that this was done to compete with similar institutions. According to the findings of the *National Association of Scholarship and Grant Programs Survey* (1984), during 1984-85 state spending for need-based aid was expected to increase by 15% from the 1983-84 level of \$1.035 billion. No-need based state aid was expected to experience a one year increase of 18.6%, totaling \$132.5 million. Although no-need aid is minimal in comparison to need-based aid, its role in college recruiting is assuming increased importance.

Who Benefits from No-Need Scholarships?

The debate now focuses on the questions of who benefits from no-need scholarships, whether they serve as useful recruiting tools, how they influence the composition of the student body, and thus, whether they aid in improving the quality of an institution. Some have warned against the hazards of merit awards, classifying them as prize money (Feinberg, 1984). State supported higher education institutions have, at least since the equal education opportunity era of the 1960's, considered showing favoritism to bright students as elitist (Austin & Titchener, 1980). Recent trends, however, reveal that at many public institutions concern for equal access or educational opportunity is taking second place to interest in recruiting high ability students. Public institutions as well as private are seeking the prestige associated with attracting finalists in the National Merit Scholarships competition.

Some researchers question the actual benefits of no-need scholarships, such as whether they are a cost-effective way of recruiting high ability students. Freeman (1984), whose doctoral dissertation was on the effects of merit scholarships, found that such awards are more likely to be given to students from high-income families. Since upper income students are least likely to be influenced by cost factors when selecting a college, he determined that the award is likely to go to someone who would have attended the college of his or her choice regardless of whether a scholarship were offered.

Tierney (1983) found that high ability students are least likely to select a college based on financial incentives. They are more likely to choose selective institutions and are more concerned about the academic programs available to them as well as the overall reputation of the institution. A study conducted by the Maryland State Board of Higher Education (Keller and McKeown, 1984) adds further interpretation to Tierney's findings. This report reviewed factors that contribute to postsecondary enrollment decisions of Maryland National Merit Scholarship and National Achievement semi-finalists. It is evident that public and private institutions need to

review and interpret the results carefully. Students who selected public institutions responded differently than those who selected private colleges on issues related to cost, reputation, and quality of the academic program. Students who elected to attend public institutions were more likely to be concerned about low costs (51%) than those who selected private colleges (6%). Students who selected private institutions listed concern about the characteristics of the student body as very important in their decision-making process (63%) compared to 24% of those who selected public colleges. It is noteworthy that students whose financial aid packages covered more than 25% of their educational expenses cited better financial assistance as an incentive in selecting a school (85%). Only 11% of the students whose financial aid covered 25% or less of their costs considered it as very important (Keller & McKeown, 1984).

The Maryland Study forces us to consider whether merit scholarships that do not consider the financial need of students are cost effective recruiting tools. When one realizes that students without need are able to attend the institutions of their choice, without regard to cost, it is apparent that the academic reputation of an institution is a far more serious consideration for recruiting this population than financial incentives. For students with need, however, any form of financial incentive that an institution might offer, and the timeliness of that offer, would be a valuable recruiting tool. These factors must be recognized when designing institutional policies. We must also take into consideration the likely changes that will occur with regard to financial concerns as a result of the proposed changes in federal financial aid regulations recommended by the Reagan administration. Although many academically talented students included in the Maryland study did not list financial assistance as being very important in their college selection process, 51% of those that intended to attend public institutions were concerned about tuition costs compared to 6% for those who selected private colleges (Keller and McKeown, 1984). As tuition costs rise and financial aid decreases, other forms of financial assistance, such as merit scholarships, will probably assume greater importance to students from middle and low-income families, many of whom will demonstrate financial need.

No-need scholarships, at the very least, are an attempt by colleges and universities to improve the quality of the student body. If high ability students can be attracted to institutions via such incentives, these students will help to build the prestige of the institution. For example, Trinity University is attempting to improve the quality of its student body by openly competing for National Merit Scholars. Trinity's enrollment projections show a growth from 13 National Merit Scholars in 1978 to the expectation of 130 to 150 for the class of 1985 (Biemiller, 1984). Since 1977 the pool of colleges offering merit scholarships has risen from 422 in 1977 to about 900 in 1983 (McGrath, 1983). Superior students are being attracted to institutions via these efforts. According to Vice President Billy E. Frye of the University of Michigan, "Overall, the competition (for bright students) is healthy and keeps us on our toes. And the end result is an improvement in the overall quality of higher education" (Solorzano & Peterson, 1985). Bright students stimulate the total campus milieu, not simply other students, but faculty as well. This in turn affects the quality of the curriculum, the library, honors programs, and the image and reputation of the institution. Such effects serve as stimuli to recruit students in the future.

A word of caution is necessary before one assumes that a change in institutional policy related to awarding aid automatically results in the improvement of the overall quality of the student body and thus the institution. According to Dickmeyer and Coldren (1981) institutions may use "an iterative model to determine appropriate tuition rates and student financial aid levels" (p. 3). This model demands

that policy makers understand and project sector-by-sector changes in the institution's market. Planners must realize that changes in financial aid policies enforced to influence one set of goals may run counter to another set. "For example, an institution's decision to concentrate on achieving educational excellence may weaken its ability to maximize revenue, cut costs, and attract disadvantaged students" (Dickmeyer & Coldren, 1981, p. 2). An institutional goal to attract high ability students must be weighed with foresight and with a mind to the effect such a decision will have on other desired goals.

Conclusion

The question once again arises: Who benefits from no-need scholarships? The question must be answered with a few caveats, even a revised definition. For prestigious private institutions the answer as to whether they should offer such scholarships is a probable "No." Students who have selected these colleges in the past have indicated that financial concerns (including the funding provided by merit scholarships) are not major factors governing their decision-making. To pump money into no-need scholarships would probably result in funding students who would have attended these institutions anyway.

For moderately priced public institutions of high quality, the answer to whether they benefit from offering no-need scholarships is a probable "Yes," but with qualification. What has been referred to as no-need scholarships throughout this article should more appropriately be referred to as merit-based if institutions are to use them effectively. To use scholarships as effective recruiting tools, institutions must keep students' financial needs in mind. Institutions that do this stand a good chance of luring to their gates high-ability students from middle and upper-lower income families who must take financial issues into consideration when selecting a college. Such students may opt to attend the most prestigious institution that their families can afford. The scholarship may in fact be a determining factor in making a choice between two colleges. Merit scholarships may also fill in some economic gaps left by the recommended changes in federal financial aid programs. Increasing the total amount of funding offered to high ability students may keep higher education a possibility for those from low income families. Such scholarships may make it possible to retain some of the earlier goals of equal opportunity programs, at least for the brightest students.

College and university officials would be wise to remember the various incentives that attract students and their families. Planning strategies with such knowledge may make the difference between a successful and an unsuccessful recruiting program that is intended to attract high ability students. Appropriate strategies may also serve to keep equal opportunity a viable option for many deserving students. Merit scholarships can serve as recruitment incentives for students with financial need.

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