GOVERNMENT & POLITICS

For Fans of State Merit Scholarships, a Cautionary Tale From Louisiana

After its first year, popular program is $26-million in the red

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As politicians in many states this spring praise all that's right with dedicating millions of dollars to merit scholarships, lawmakers here are studying what went wrong with their scholarship plan.

Louisiana's program is way over budget after only its first year of operation. But the full-tuition grants are so popular with the voters here that even a potential state-budget deficit threatens the program.

"They'll stop building roads before they stop funding this program," says E. Joseph Savoie, the state's Commissioner of Higher Education, summing up a widely held view of lawmakers.

That commitment comes even as the scholarship program prints each new check with red ink. Its price tag has grown to $62.4 million, nearly double its $36.2 million projected cost. The price is expected to reach $84.3 million next year, if no changes are made in the scholarship criteria.

"The program's cost could hit $123.7 million by 2004.

With at least 10 states considering committing millions of dollars for similar scholarships, the unexpected turmoil in Louisiana's originally modest program shows what can happen when lawmakers push to expand the eligibility rolls, and when states lack the data to estimate costs accurately.

Inspired by the success of Georgia's HOPE scholarship, governors and legislators in Alabama, Maryland, Nevada, Tennessee, Texas, and Washington, among other states, are pushing proposals for grants to make college more affordable and to keep bright students from fleeing to other states. (See story on Page A38.)

But the rising popularity of the programs troubles some college leaders and financial-aid officials, who say the awards most help those least in need—smart students from well-off families. By focusing on achieving results rather than need, the officials say, the states following Georgia's lead are abandoning the traditional role of financial aid as a tool to help students from poor families. As evidence, they point to Georgia's in the days of HOPE: financial support for the state's need-based aid program fell from $5.3 million in 1994, when the HOPE program began, to $2.2 million in 1997.

"SOMETHING FOR nothing!"

"It's not the best use of state resources when you have families making $100,000 to $200,000 a year and their children are getting a full ride," says Charles B. Reed, chancellor of the California State University System, who opposed Florida's merit awards when he headed that state's public-university system. "The middle and upper class get something for nothing, and that makes these scholarship programs dumb popular."

Especially with state legislators. During a presentation on college pricing and financial aid before Midwestern lawmakers last summer, David W. Breneman, dean of the Curry School of Education at the University of Virginia, argued that cost remained the biggest barrier to college for needy students.

"I might as well have been talking to a brick wall," Mr. Breneman recalls. "What affordability clearly meant to the legislators involved was how to pump more money to middle- and upper-income families."

SETTING THE BAR TOO LOW

Scholarship programs without income caps can also complicate efforts to figure out how much the awards will cost: State officials have no idea how students who were ineligible for need-based aid will react to a huge new pot of merit aid.

As a result, lawmakers typically underestimate the cost of setting low academic standards for the awards. A low bar, in turn, often leads to a wave of students who are not academically prepared for four-year institutions. That has led to the awarding of some grants to students who need remedial education or who may flunk out.

"The question is, Where do you cut it off?" says Frances T. Henry, a member of the Louisiana Board of Regents. "You want to allow as many people as possible to step into the arena and succeed, but at the same time, there's only so much we can afford."

"Everyone is shocked at what this program has cost," she adds.

Before adopting the plan, Louisiana, like many other states, had operated for decades a hodgepodge of state financial-aid programs, primarily to assist low-income families. Those efforts were small in scope—awarding $17 million to 8,700 students in 1997-98, for example—and did little to raise the state's historically low college-going rate. (About 40 percent of Louisianans high-school graduates attend college, compared with 65 percent nationwide.) So in 1997, state lawmakers created the "Tuition Opportunity Program for Students," TOPS, as it is known here, pays a student's full tuition at a public institution, or a portion of tuition at a private college.
in the state. To qualify, students must score at least 19 out of a possible 36 on the ACT—the state average—and earn at least a C+ grade-point average in high school. (Georgia’s program requires a B average, as does Florida’s.) Students with higher ACT scores and grade-point averages receive higher awards.

After setting academic standards that would embrace a large number of constituents, lawmakers asked the state’s financial-aid office to figure out how much the program would cost. That would prove to be difficult. State officials knew that half of the 43,000 Louisiana students who had taken the ACT in 1996-97 scored a 19 or better, but they had no data on grade-point averages. So officials were forced to draw on statistics from the state’s need-based aid program.

That exercise, however, turned out to be nothing more than a guessing game, state officials acknowledge, because the data from the need-based program represented such a small fraction of Louisiana students. With tops adding the wealthiest third of Louisiana taxpayers, who weren’t eligible for the need-based grants, state officials estimated that 30 percent of students who scored at least 19 on the ACT would eventually meet the other top requirements. As it turned out, however, 70 percent of those students met the criteria.

Because of the faulty estimates, the number of tops recipients increased from a projected 17,000 to more than 26,000 in the program’s first year.

“We were operating pretty much in the blind in some of the things we did,” says Jack L. Guinn, executive director of the state’s Office of Student Financial Assistance, which oversees tops. “Many times, there was just no real source of hard data to draw from to come up with the assumptions needed.”

WHY THEY MISSED THE MARK

Last fall, as the price of tops skyrocketed, members of Gov. Mike Foster’s administration and state-budget analysts asked why the predictions had been so far off the mark. In a letter to the state’s Commissioner of Administration, Mr. Guinn acknowledged that the forecast had been “seriously flawed,” adding that his office was “not staffed to perform the in-depth research essential to the development of projections for complex programs such as tops.”

State financial-aid officers have other theories about why their agency missed the mark.

Mr. Guinn says parents drilled the tops requirements into the heads of their children. More students took the ACT—not just once, as required for admission to many Louisiana colleges, but several times, to try to score high enough for a scholarship. From 1996 to 1998, the proportion of high-school graduates in Louisiana who took the ACT increased from 74 percent to 96 percent. As a result, state officials underestimated the number of potential tops applicants by more than 6,600 students.

The popularity of the scholarship program prompted lawmakers to expand it before the state had awarded the first penny. During a four-week legislative session one year ago, lawmakers added thousands of
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students to the TOPS eligibility rolls. Suddenly the scholarship was available to students educated at home, students accepted at technical or community colleges, and out-of-state students with at least one parent residing in Louisiana.

With each change, state officials worked late into the night to calculate the cost of the additional students. "As that snowball started down that hill, it started picking up more and more students," Mr. Guillen recalls.

When the Legislature finally adjourned, lawmakers had added an estimated 3,600 students and $6-million to the scholarship program. "We should have played better defense," says state Rep. Charles R. McDonald, a Democrat and author of the original scholarship legislation. "We want to give this program a couple of years of life to let it grow on its own. Then we could take a look at it and see if it needs any tweaks."

But some legislators want to tweak TOPS now. A few have proposed waiving a two-year-residency requirement for military personnel. Others want to place an income cap on applicants for the grants. Still others wish to tighten standards. Given the popularity of the program, however, even critics are quick to point out that they want only "to raise the bar of expectations," not to cut costs.

"If you lower the bar six inches, students will rise only to that level," says state Rep. Carl N. Crane, a Republican and vice-chairman of the House Education Committee.

Basing the scholarship on the state's average ACT score was intended to create the largest pool possible of "good, strong students, and not just a program for the scholarly elite," says Mr. McDonald. (Many lawmakers are quick to remind people not to refer to the awards as "merit-based.")

'PRETTY EASY' REQUIREMENTS

For the most part, TOPS has indeed been a boon for "the average student." Only 21 per cent of recipients last year earned a 3.5 grade-point average or above in high school. About 75 per cent scored 21, the national average, or higher on the ACT.

"The requirements are pretty easy," says Ben Tremie, a sophomore history major at Louisiana State University. He and classmates were waived into TOPS after their freshman year, when the program started.

Some college officials in Louisiana and elsewhere wonder, however, if the standards are too easy. While a low academic bar allows more students into the program, the officials worry that the awards simply invite more students to college, rather than inspire them to learn more in high school. As a result, they say, the merit awards support some students who are not prepared for the academic rigors of college.

In Florida, for example, nearly 10 per cent of freshmen who attended the state's public colleges last year on the Bright Futures Scholarships had to take remedial classes in reading, English, or mathematics, according to student records.

"The jury is still out if Bright Futures has really raised academic performance," says Mr. Reed, the former Florida chancellor.

But setting academic standards low early in the life of a program gives some high schools time "to change a culture where grades have never been emphasized," says William L. Jenkins, chancellor of Louisiana State University. As the scholarship program matures and the quality of students improves, Mr. Jenkins adds, standards should be raised.

Such is the case in Georgia, where by 2001 high-school students will need to earn a B average in a college-preparatory curriculum (not just all high-school courses) to qualify for HOPE. That change will probably lead to a "double-digit" drop, in percentage terms, in the number of recipients, according to Stephen R. Portch, chancellor of the University System of Georgia.

High-school graduates here also will soon face tougher standards. The state's average ACT score rose last year, so students now must earn at least a 20 to qualify for TOPS. By 2001, the grade-point average used to determine eligibility for TOPS will no longer include elective high-school courses, such as physical education and music. Instead, students will have to earn a C+ average in core courses, such as English and math. Some lawmakers want to put that change into effect a year early.

The modest standards for TOPS also pose administrative problems for college officials. To keep their scholarships, students must maintain C averages in their freshman year (a C+ in subsequent years), and stay off academic probation each semester. But state officials say they lack the manpower to check grades at mid-semester. And many institutions interpret "academic probation" differently; TOPS recipients at one college might keep their awards, while their counterparts at another college would lose them. State officials are considering a uniform definition of "academic probation" for TOPS recipients.

That's little consolation to some TOPS recipients who lost the grants in January. At Louisiana State, which enrolls 6,500 TOPS recipients—the most in the state—about 4 per cent were placed on probation after the first semester. The percentage is slightly higher statewide, says Mr. Guillen, of the Louisiana financial-aid office.

"Some students find TOPS is an easy scholarship to get, but then they get here and find it's difficult to keep," says Kathleen Sciacchetano, director of L.S.U.'s Office of Student Aid and Scholarships. "The university has worked hard to inform students about tutoring services and advising so that they could attain the proper G.P.A."

LESS RELIANCE ON LOANS

Josh Calmes, a sophomore English major at the university, says he now pays a bit more attention to his grades and is less likely to skip class. "The requirements are easy, but still, it gives you some incentive not to slack off," he says.

TOPS has generated other byproducts, its supporters say. Students are relying less on loans and more on grants to pay tuition. More students have completed the federal government's Free Application for Federal Student Aid, a requirement for TOPS. That has led some students to find out for the first time that they're eligible for Pell Grants. At Louisiana State, for example, preliminary figures show that the amount of money incoming students borrowed this year was down 10 per cent, while the number of Pell recipients was up 17 per cent. But participation in Louisiana's college-savings program has grown at a slower pace this year. State officials believe that families have incorrectly assumed the scholarships pay for both tuition and fees.

Even so, the merit programs here and elsewhere have pumped millions of dollars into higher education—money that otherwise might not have been spent on college, says Joe Crech, director of educational policies at the Southern Regional Education Board.

"Those who argue this money would be better invested in need-based aid assume that the same amount of money would be there," says Mr. Crech. "It's like saying it would be nice to have all the athletics scholarships go to poor people."