

***THE STUDENT AID GAME:
IT'S NOT JUST THE NUMBERS THAT COUNT***

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Thanks for inviting me to spend a short time with you today talking about an extremely important subject - the financial aid programs that are vital to ensuring access to higher education for a large portion of Virginia's students. I salute the Virginia Association of Student Financial Aid Administrators (VASFAA) for your work "from the trenches." We know that it is there, in the trenches, where the real work gets done. It is not easy work, nor always attractive. Frankly, yours can be a thankless job. Let me extend my thanks to you. I want to recognize one VASFAA member in particular today - Lee Andes. As a result of some reorganization and job changes within SCHEV, Lee has picked up a number of increased responsibilities this year. I hope you agree that he is carrying them out admirably. Thanks, Lee.

Since a major part of your jobs involves working with numbers, I'd like to share with you a story I recently heard about how different professionals approach this business of working with numbers:

A mathematician, an accountant and a lawyer apply for the same job.

The interviewer first asks the mathematician, "What do two plus two equal?" The mathematician replies "Four." The interviewer asks, "Four, exactly?" The mathematician looks at the interviewer incredulously and says "Yes, four, exactly."

The interviewer puts the same question to the accountant, who responds, "On average, four - give or take ten percent, but on average, four."

Finally, the interviewer asks the lawyer, "What do two plus two equal?" The lawyer gets up, locks the door, closes the shade, sits down next to the interviewer and says, "What do you want it to equal?"

I suspect that you would like to discuss numbers with me today and to learn my prognostication about the numbers that the short session of the General Assembly might produce for the Commonwealth's financial aid programs. At its meeting last week, the Council voted unanimously to request an increase of nearly \$28 million in support of financial aid. This amount would fund 50 percent of "unmet need." The Council further endorsed the position

it took last year that state-funded financial aid should be awarded only to students who maintain a 2.0 GPA after 60 credit hours.

I'll be glad to respond to your questions about these numbers. First, however, I'd like to ask you to give some consideration to a few philosophical musings about financial aid, which have been on my mind lately. I find that it helps to step out of the trenches from time to time to survey the entire scene. We all need, from time to time, to recall the fundamental purpose of our work and re-examine the underlying assumptions that shape how we carry out this work. We need to ask whether we are achieving the results we intend.

Some policy analysts have described the financial aid programs of this country as the great engine fueling the American meritocracy. The long-standing, fundamental purposes of financial aid in the U.S. have been to support both access and choice by meeting need and rewarding talent. After decades of progress in advancing these purposes, our complex amalgam of financial aid policies and practices may no longer be so clearly focused on those aims. Many of you, I am sure, believe that our institutions have eroded the earlier commitment to ensure that qualified students would be able to attend college (regardless of their ability to pay) and that these students would have a reasonable ability to choose the colleges that best met their needs.

Most of the reasons for this change are too familiar to need much rehearsing. We have watched the costs of higher education soar beyond general inflation indices and a concomitant shifting of the cost burden to the wallets of parents and students. But higher education is a public good as well as an individual good. Although total enrollments have not declined as a result of this cost-shifting, there is some evidence that it has affected which colleges students choose to attend.

I believe this cost-shift, combined with other factors, has also distorted some of our approaches to financial aid. I want to mention one of these distortions briefly and to talk in a bit more depth about the other.

Over the course of the past two decades, many colleges moved from viewing financial aid as a sort of charitable investment to seeing it as a critical component of enrollment management plans. In their recent book, *The Student Aid Game*, Michael McPherson and Morton Schapiro report that private colleges, in particular, now use financial aid as a "key strategic weapon both in recruiting students and in maximizing institutional resources." At a paper given last month at the Forum for the Future of Higher Education, David Breneman, Lucie Lapovsky, and Daniel Meyers report that at the average private college and university, more than 80 percent of students now receive financial aid. This occurred as tuition levels increased dramatically, which means not only that need levels increased dramatically but that internal subsidies - shifting costs from aid recipients to the few full freight customers as well.

Most informed opinion now believes that the practice of "tuition discounting" has reached its limits. We should consider, too, whether families, students, and society are all

well served by this approach to making college affordable.

My more urgent question to you, however, is whether we have slipped into a mindset in which we imply a false dichotomy between the two goals of “meeting need” and “rewarding talent.” My own observation of financial aid discussions and my reading of much of the published reports suggests that this is so. We too often operate on the unstated assumption that students with the most need are those with the least talent. We also imply the reverse - that the students with the most talent have the least need.

Many policy analysts, including McPherson and Shapiro, express concern about recent increases in the amount of merit-based aid awarded by colleges. The concern may stem, in part, from the mistaken belief that if we award aid based on merit, it will only go to high-income families. I want to challenge the implied assumption that there are no bright, poor kids in our applicant pools - or that too few such cases need attention. If students from low-income families receive only aid that is based on “need” and do not also - or instead - receive scholarships awarded on the basis of “merit,” we should pause to consider the message we convey.

Let me make this personal. When I left for college there was little aid available to assist my efforts, despite my youthful belief that excellence would be rewarded with scholarships. Accordingly, I mainly had to work my own way through, but was able to do so and with a minimum of loans. By the time my own children began college, I learned that still less scholarship aid rewarded accomplishment, at the same time that my not quite six-figure income rendered us ineligible for need-based aid. The rhetoric of the “lingering effects of slavery” takes on a very different meaning in that context.

I want, also, to challenge the conventional wisdom about the impact of merit-based aid on encouraging student performance. McPherson and Shapiro state that high-school students will work hard for top grades in order to improve their chances of admission at highly selective institutions, but that these students will not be motivated by the chance for their work to be recognized and rewarded by a merit scholarship. My own experience suggests instead that students do work toward the goal of such support and recognition. And the shame is that that has become a nearly empty myth in our society.

Previous efforts to overhaul the complex puzzle of financial aid policies have been fruitless. This may not be the moment to undertake comprehensive reform. I do, however, want to work with Virginia's institutions, policy makers, and legislators to consider whether some adjustments within the crazy quilt pattern of financial aid may make the whole picture clearer. By holding a mirror to this picture, we can see whether or not it accurately reflects our intentions.

P.F. Kluge holds such a mirror up to the financial aid policies at Kenyon College in his book, *Alma Mater*. The resulting image is unsettling. “Once,” Kluge writes, “scholarships went to smart kids from poor backgrounds.” He reviews Kenyon's transition to need-based scholarship in the 1970's, which he describes as “giving aid to students who qualified for admission, period.” The next step in this progression was the adoption of “need-blind”

scholarships. Kluge compares this form of aid to “buying talent the same way that deep-pocketed baseball owners try to purchase a World Series on the free-agent market.” Of course, the first step was not “need blind scholarships” but “need blind admissions,” which should have focused a spot-light on merit. But that practice was perverted when tied to aid on the basis of calculated need, in a context in which college budgets weighted more heavily than student accomplishments.

But permutation of financial aid policies at Kenyon did not stop there. In response to complaints from students, Kenyon lowered its GPA requirement for merit scholarship recipients from 3.5 to 3.0. Next, in response to complaints from students receiving need-based aid, the requirement for those students was lowered from 2.67 to 2.0. These policy changes were made so that Kenyon would remain competitive with its peers.

Reflecting on these mutations, Kluges asks himself and the reader, “A funny competition, no, that goes lower rather than higher?” As we urge our students to aim high, I believe we might take a fresh look at the possible role of merit scholarships.

A standard objection to earmarking some financial aid funds for merit is the argument that such a move reduces the aid available for support based on need. I offer these two rebuttals. First, this objection rests on the false notion that those with need lack merit. Second, this objection implies a “zero-sum” game, in which carving some portion of the financial aid pie to reward talent (and hard work) reduces the amount available to meet need. I say instead we need a bigger pie, and, more importantly, we need to reorder our priorities.

I am sure I can count on your support in seeking to increase the pool of funds available for financial aid. Can I also count on you to give some thought to these philosophical questions I have raised? As important as they are, the numbers alone don’t determine how the student aid game is played. The philosophy and goals behind the numbers are at the center of the game.