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Education

Colleges caught in tuition alms race

Awards to students who are well off cuts aid to needy

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By Eleanor Chute, Pittsburgh Post-Gazette

The student sitting in a college classroom has something in common with the airplane passenger: The person in the next seat may well be paying a very different price to get to the same destination.

For more than two decades, increasing numbers of colleges have been offering discounts ranging from a few hundred dollars to a full ride as a lure to good students, even when school officials believe the students and their parents can afford to pay the full bill.

Now, some in the academic world are worried that this so-called "alms race" is keeping low-income students out of the classroom and is becoming so pervasive that it's hard for colleges to keep up.

"There's been a huge shift in where both public and private dollars are being directed," said Ross Wiener, principal partner of The Education Trust, a Washington, D.C.-based group that advocates equity in education.

"We haven't been keeping pace with our commitment to low-income students. We've been expanding the benefits we provide for upper-income students."

At Allegheny College, Scott Friedhoff, vice president of enrollment, said

A look at merit money at 62 campuses, in .pdf format.

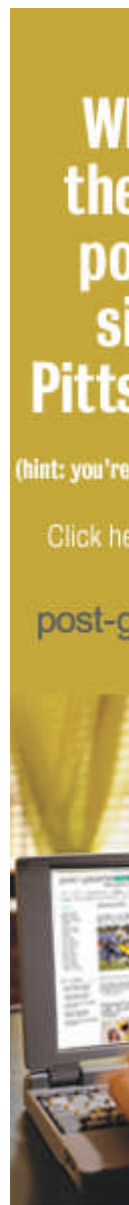
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merit aid probably helped attract students when first offered a couple of decades ago, but "after that initial shot, it's like the arms race. Now we're just trying to keep up. There's no net gain or rarely a gain. It's just staying even."

Colleges use the scholarships to attract students in a very competitive marketplace and, in some cases, to boost their national ratings in guidebooks.

"Clearly, the more selective they are, the higher the rankings, typically," said Don Francis, president of the Association of Independent Colleges and Universities of Pennsylvania, which represents 85 private schools.

Dr. Friedhoff would like to see the race reversed. Allegheny has reduced the number of its \$15,000-a-year scholarships and is replacing them with \$12,500-a-year stipends. The money saved is split between need-based awards and college improvements.

But Allegheny still offers about 75 percent of its students merit awards, counting those with need and those without.

Sandy Baum, a senior policy analyst at the College Board and professor of economics at Skidmore College, believes the trend has plateaued.

"There are conversations around the country. There's reason to believe people are saying, 'Maybe this has some problems.' I think it is slowing down on its own."

Dr. Francis sees non-need-based aid growing.

"As a percent of all of our aid, the non-need-based is growing at a faster rate than the need-based aid," he said.

Whether it has plateaued or not, the practice is so widespread that, of 62 campuses reviewed by the Pittsburgh Post-Gazette, all but five offer at least some non-need-based awards. Those that don't are elite schools such as Princeton University and MIT.

Some schools offer more than 80 percent of their incoming freshmen at least some aid based on academics or other non-need criteria, whether they have financial need or not. If they need financial help, schools often apply merit aid to meet it.

There also are schools that spend more of their own dollars from endowments and other sources, called institutional aid, on non-need-based awards than on grants based on need.

Dr. Francis said members of his group had held two sets of meetings to talk about the issues surrounding merit aid, particularly looking at how to increase need-based aid.

"We all recognize that higher education is a significant step toward access to the American middle class," he said. "It should not be closed off to students because they are not financially able to attend."

But, he said, competing public universities, which already have lower tuitions, have become "much more aggressive" about offering their own non-need-based aid.

Faced with such competition, Dr. Francis said, "that's a factor we can't ignore."

Merit aid works

A College Board study released this year found an average of 60 percent of institutional aid at private nonprofit four-year colleges and universities goes to meet financial need. At public four-year colleges and universities, about 40 percent of institutional aid is used to meet need.

In addition to merit and similar types of aid, the College Board counts as non-need-based awards some athletic scholarships and tuition waivers, with the two accounting for 26 percent of the non-need aid at private four-year colleges and about 45 percent at public four-year schools. Tuition waivers might go to employees or their children or students in certain categories, such as veterans or science majors, in some states.

There are more scholarships based on merit than the numbers reflect. The College Board's method doesn't count scholarships used to meet financial need.

Many schools do not have enough money to meet 100 percent of every student's financial need. Typically, only those with large endowments, such as Harvard, are in a position to do so.

So some schools, faced with limited resources, ration their money to meet multiple goals.

"Certainly, if the money goes to affluent students instead of the students less affluent, it can mean some students will not get a college education," said Dr. Baum, of the College Board.

One of the reasons colleges offer merit aid is it works.

Decades ago, Duke University was best known as a regional institution, but now it's ranked No. 8 among national universities, sandwiched between the University of Pennsylvania and Dartmouth College by U.S. News and World Report.

Leonard Satterwhite, Duke senior associate director of undergraduate admissions, said non-need awards to stellar students helped in that rise to prominence. Some of the awardees have gone on to become Rhodes

Scholars or have won other major honors. Duke also meets 100 percent of a student's financial need.

"I think an institution has to decide, 'How do we use the institutional dollars we have to attract the kind of students we want?' " he said.

At the University of Pittsburgh, where an estimated 234 freshmen who don't need financial help received merit scholarships in 2005-06, Betsy Porter, director of admissions and financial aid, said non-need scholarships are one of the tools that had helped boost Pitt's prominence.

"We've been able to prove we can compete with some of the top-tier institutions for some of the top students in the country," she said.

By attracting strong students, Dr. Porter said, "It just rises the tide. The proof is really the number and quality of the students who have come to the university in the past 12 years. Applications increased over 150 percent. The quality of each freshman class is better. Retention is up. Graduation rates are up."

At Case Western Reserve University, where about 80 percent of the students receive non-need based financial help, Donald Chenelle, director of university financial aid, said the move toward non-need-based aid started in 1989 as a way to increase the size and quality of freshman classes.

"It's been very successful," he said. "Case is one of the top-tier institutions in the United States, and many of its peer institutions do not do it. So it gives you a competitive advantage."

But it's a drain

On the other side of the debate is Dickinson College's Robert Massa, vice president of enrollment and college relations. He said he believed non-need awards drain college resources and make it more difficult to help those in need.

He saw its impact firsthand when he arrived at Dickinson in 1999. Then, 52 cents of every dollar collected went back into scholarships and grants for students with and without financial need. At the same time, there were significant gaps in the financial aid packages offered to some needy students.

"I knew it couldn't be sustained," he said, explaining the practice wasn't consistent with the goal of promoting Dickinson for its educational experience, not its price.

At the time, about 25 percent of Dickinson's students received scholarships without demonstrating financial need. This fall, 8 percent of freshmen fell into that category.

He said the college now can meet students' financial needs, has greater socioeconomic diversity and has average SAT scores 100 points higher than before merit aid was reduced.

The use of merit aid is a form of tuition discounting which rose from 1994 to 2004-05. Tuition discounting counts the institution's own money, not federal or state grants, that is given to students, both those with financial need and those without.

When both need-based and non-need-based money is considered, public four-year undergraduate schools discounted tuition an average of 14.7 percent in 2004-05, compared with 11.7 percent in 1994.

For private nonprofit undergraduate schools, the average discount rate was 33.5 percent in 2004-05, an increase from 23.8 percent in 1994.

That doesn't necessarily mean that going to college is cheaper, because college costs have risen substantially. College costs have risen faster than inflation, the cost of prescription drugs and health insurance, and family income, according to The Education Trust.

In addition to having to compete for merit grants with students who aren't needy, low-income students are being squeezed by government policies.

Federal Pell grants, which are worth a maximum of \$4,050 this school year, covered about 38 percent of the cost of attending a public college or university, according to Postsecondary Education Opportunity data. They covered about 84 percent of the cost in 1975.

Mr. Wiener said federal tax policies on education also had favored the more wealthy. He said about a third of the tax benefits offered for tuition goes to families earning between \$100,000 and \$199,000 a year.

Raising the equity questions "isn't to be saying we shouldn't be helping middle-class families to make college more affordable," Mr. Wiener said. "We should.

"But we need to prioritize making college affordable for the students who won't be able to go to college otherwise."

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