

Prizes for Everyone: How Colleges Use Scholarships to Lure Students

Merit awards are important component of many schools' enrollment strategies



Prospective students and family tour George Washington University in Washington, D.C. on Tuesday. PHOTO: STEPHEN VOSS FOR THE WALL STREET JOURNAL

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At George Washington University, nearly half of all undergraduates receive the school's Presidential Academic Scholarship. The prizes go to "the most competitive applicants in the pool," admissions materials say, and include awards of \$5,000 to \$30,000 for each student.

At some other colleges, a solid majority of students get similarly hefty scholarships. At still others, virtually everyone gets them.

Hundreds of colleges and universities are using academic scholarships and other merit-based financial aid to gain an edge in a battle for students. The scholarships

make students feel wanted and let families think they're getting a good deal, like a shopper who buys an expensive sweater on sale.

The awards also help campuses lure top students from even more prestigious institutions, a few dozen of which don't offer merit aid at all. As published tuition rates climb and debt burdens grow daunting, more students and families have begun to question the value of traditional, four-year degrees—or at least, how much they're willing to pay for such programs. Lowering the price has been one way to ease those concerns.

David Strauss, a principal at higher-ed consulting firm Art & Science Group LLC, says schools are using a strategy well known to retailers: Shoppers generally prefer to buy a \$60 shirt at a 50% discount than a shirt originally priced at \$30.

Offering merit aid “certainly does help us enroll academically gifted students,” said Laurie Koehler, vice provost for enrollment management and retention at George Washington, in Washington, D.C., where tuition is \$55,140 for next year.



At George Washington University, nearly half of all undergraduates receive the school's Presidential Academic Scholarship. PHOTO: STEPHEN VOSS FOR THE WALL STREET JOURNAL

George Washington spent \$138 million in institutional funds last year on scholarships and grants for those who qualify as needy under federal calculations, an increase of 4.4% from the 2014-15 school year. But non-need-based aid surged 52%, to \$48.6 million, over the same period. Many students also receive grants and loans from federal and state sources.

At Tulane University in New Orleans, nearly 39% of undergraduate students received scholarships without showing financial need. The school estimates it will spend \$71.5 million on awards this year not tied to financial need, and \$64.2 million on need-based aid.

“Tulane is constantly reviewing enrollment strategy in the context of the competition of higher education choices among high school students,” said Satyajit Dattagupta, vice president of enrollment management and dean of undergraduate students.

At Cornell College in Mount Vernon, Iowa, 99% of students receive merit scholarships. Marie Schofer, admission director for the school, said the primary purpose of its merit awards is to attract talented students, though a portion goes to students with financial need.



At Tulane University in New Orleans, nearly 39% of undergraduate students received scholarships without showing financial need. PHOTO: EDUCATION IMAGES/UIIG/GETTY IMAGES

Tuition-discount rates for first-time, full-time freshmen at private colleges hit a record 49.1% last year, compared with 38.6% a decade earlier. About one of every five dollars of financial aid that the private schools distribute goes to students who don't demonstrate financial need, according to the National Association of College and University Business Officers.

A multibillion-dollar industry has sprung up to help schools figure out how much to give each student.

"It's become much more data-driven," said James Day, vice president and managing director of financial aid optimization services at EAB Global Inc., a consulting firm in Washington, D.C. that works with more than 1,200 schools, including about 140 on financial-aid strategy.

Using econometric modeling, EAB knows that a \$23,000 discount on a \$50,000 sticker price has a 24% chance of luring a young woman with middle-of-the-road

grades to a nearby private college in the Midwest. Bumping the scholarship up to \$28,000 yields a 47% likelihood.

The approach can be controversial, especially at schools that don't meet the full demonstrated financial need for poorer students.

“What we've seen is almost a closing of the doors for low-income students” while schools try to entice wealthier families, said Stephen Burd, a senior policy analyst at the New America Foundation who has studied the merit-aid wars.

Sam Hall, a senior at Chugiak High School near Anchorage, Alaska, was accepted to 10 liberal-arts colleges. An Eagle Scout and a strong student, he figured he might get a few merit scholarships. But not like this.

Denison dangled an award lowering its total bill, which is more than \$64,000, by 37%. Cornell College knocked enough off to make it the least expensive option. Lawrence, Lewis and Clark, Willamette, Whitman, Dickinson and the College of Wooster each offered thousands of dollars or more.

Mr. Hall, 17 years old, will attend Beloit College in Wisconsin next fall. That school's Presidential Scholarship cut the published price for tuition, fees, room and board—roughly \$59,000—by more than half.



Sam Hall, a senior at Chugiak High School near Anchorage, Alaska, will attend Beloit College in Wisconsin next fall, with a school scholarship cutting the published price for tuition, fees, room and board—roughly \$59,000—by more than half. PHOTO: ASH ADAMS FOR THE WALL STREET JOURNAL
“It makes me feel good, it makes me feel wanted,” Mr. Hall said.

The schools say merit awards help bring in top students by rewarding their academic achievements, and can cover gaps for students who don’t qualify for need-based aid but for whom published prices are still out of reach.

About 40% of Denison undergraduates received non-need-based aid this year, averaging \$21,862.

The school’s strategy helped boost its prospects so much that it is now trying to pull back on some merit scholarships. “We feel we’ve increased the value proposition to get them to be willing to pay more,” President Adam Weinberg said.

Squeezed by tight state budgets and competition from other schools, public universities also are using the strategy.

The University of Alabama spent \$67.9 million on need-based grants and scholarships and twice that much for non-need-based aid last year, in a bid to

recruit “the best and brightest students, wherever we could find them,” said Kevin Whitaker, executive vice president and provost at Alabama.

The school says the approach has helped increase enrollment and improve the quality of students, with 40% of the current freshman class scoring at least in the 93rd percentile on the ACT.

Other schools are focused squarely on enticing more students to enroll, even at a lower per-student rate—and bringing in more money.

“It’s much better to get 50% of the revenue or 60% of the revenue on 100 students than it is to get 70% of the revenue on 50 students,” said John W. Dysart, who has consulted on pricing strategies and other enrollment topics to roughly 180 schools, including religious institutions and historically black colleges.

“If you’re increasing enrollment by 1%, 2%, 5%, it makes sense,” Mr. Dysart said. But if students determine that even at a lower price the college isn’t worth the investment, he said, “You have the possibility of financial disaster.”

Just a few dozen highly selective schools don’t offer merit awards. Some higher-education experts say that group may begin to shrink amid pressure from price-conscious middle- and upper-middle-class families.

Luca Strohmeier, a 17-year-old senior at Homewood-Flossmoor High School near Chicago, is weighing offers that range from no aid at New York University, Cornell University and Washington University in St. Louis, to a few thousand dollars from the University of Chicago and \$10,000 and \$18,000 a year, respectively, from the University of Illinois Urbana-Champaign and the University of Iowa.

Mr. Strohmeier said he is torn. “Do I follow the money?” he asked. “Ultimately, cost is an important factor for us.”

Corrections & Amplifications

Tuition-discount rates for first-time, full-time freshmen hit 49.1% last year. An earlier version of this story said that freshmen got an average 49.1% off the sticker price. The discount rate refers instead to total institutional grant dollars as a percentage of gross tuition and fee revenue. (April 17, 2018)