

The Wisconsin Covenant: Toward a Truly Merit-Based System of Higher Education

By Sara Goldrick-Rab and Douglas Harris

GUIDING PRINCIPLES

This policy brief offers three guiding principles to ensure the success of the Wisconsin Covenant:

1. Provide scholarships based on merit *and* financial need;
2. Offer grant aid, not loans, that covers tuition, fees, and some living expenses; and
3. Include significant academic and application support to help ensure that students can meet the Covenant challenge.

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Summary

Governor Doyle recently proposed the Wisconsin Covenant to make college more accessible to low-income residents. This policy brief explains why this is an important goal and how the proposal should be designed to best achieve its objectives—and at a reasonable cost.

The reality of higher education in Wisconsin is that high school graduates from low-income families are much less likely to attend college even when they have the same academic qualifications as wealthier students. This has significant consequences for those students and their families and, just as importantly, reduces the quality of life for the entire state. Moreover, this reality conflicts with the notion that educational access should be based on merit rather than family wealth.

We propose three principles for designing the Covenant policy to address the current system's problems. The Covenant should: (a) provide scholarships based on merit *and* financial need; (b) offer grant aid—not loans—that covers tuition, fees, and some living expenses; and (c) include significant academic and application support to help ensure that students can meet the Covenant challenge.

In order to accomplish these goals we also discuss some specific strategies to increase the success of the policy. We argue that, if designed properly, the Covenant has the potential to raise student expectations and improve academic preparation for college, resulting in not only increased numbers of applications from low-income students but also increased likelihood of admission and enrollment. In the long run, this is a good economic investment that helps the state move from rewarding family wealth to rewarding academic merit.

The Current Reality: Rewarding Wealth Instead of Merit

The citizens of Wisconsin can be proud of our higher education system. We offer numerous opportunities in our colleges and universities, public and private, which are embraced by many. We have one of the highest percentages of high school graduates going on to college.¹ These successes are all part of the “Wisconsin Idea” that higher education should benefit citizens in all parts of the state. The state’s colleges and universities do just that and, despite the current cyclical economic downturn, are key pillars of the state’s economic growth.

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But Wisconsin higher education falls far short in one key area: *While it is true that on average almost 60% of our high school graduates go on to college, for students from families earning less than \$29,000 per year, that rate is only 30%.² This college continuation rate for low-income students has declined by more than one-third for low-income students since 1998, despite the fact that the portion of Wisconsin students considered low-income has grown steadily.³ Furthermore, after they gain entrance to college, low-income students graduate at much lower rates than other students.⁴ Clearly, the opportunities our colleges and universities present to so many Wisconsin families are not being extended to all students.*

Why is this happening? The answer involves a combination of inadequate academic preparation, a lack of information, rising tuition costs, and too little financial assistance. Poor students start kindergarten well behind their wealthier classmates and, while they learn at nearly the same rate as they proceed through school, they still end up behind and less able to compete. This is a major reason why students from low-income families are less likely to take a college entrance exam. Even among those who do take the exam, relatively few take the next step of applying to college.⁵

Affording college is difficult for all Wisconsin families, but low-income parents in particular often find themselves without the information they need to make sound decisions about whether and where their kids should attend college. In some cases, this is because parents themselves did not attend college and thus do not have the “know-how” that the college experience provides. As a result, they tend to overestimate tuition and housing costs and underestimate the amount of financial aid that might be available from state and federal governments as well as colleges. Applications for financial aid are highly complex—more so than some tax forms—and this can discourage families from even applying for aid. Affordability has declined as state support for higher education has declined and the real cost of tuition has risen, which makes financial aid all the more essential.

The result is a vicious cycle: Low-income students, perceiving that college is financially out of reach, have little incentive to work hard in elementary and secondary school. Since their low expectations tend to translate into low grades and test scores and little incentive to take college-prep courses, even if they later change their minds and decide to go to college, they are so far behind that it is nearly impossible to catch up. Moreover, these students learn to expect less of themselves, and their teachers come to expect less of them. By their senior year of high school, few would call them “college material.”

While low-income students and their families incur the most direct penalties from this problem, in reality all citizens of the state suffer the consequences. Adults with college degrees earn higher salaries and pay more in taxes, are healthier and live longer, and are far less likely to rely on the state for support. A well-educated population is a magnet for employers and investors; indeed, the state has little hope of meeting its workforce needs and “growing Wisconsin” without a larger college-educated population.⁶

But perhaps the most important reason to support this policy is that one of the most crucial factors in determining if children go to college is whether their parents attended. By excluding a segment of our current population from higher education, we perpetuate educational and economic inequality from generation to generation.

The Potential of the Wisconsin Covenant

Recognizing the problem of low expectations—and the underlying problems of inadequate preparation, poor financial information, high tuition costs, and too little financial aid—Governor Doyle created the Wisconsin Covenant. The goal, according to the governor,

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is “to make sure every young person knows that if he or she works hard, college will be an option for them.” According to the newly created office to administer the Covenant, any eighth grade Wisconsin student who is willing to “work hard” and graduate from high school can expect to be a Covenant scholar, have a place in the Wisconsin higher education system, and receive a financial aid package based on federally-defined financial need.⁷

Wisconsin is not the first state to attempt this type of policy, known as an *early commitment financial aid program*. Indiana’s Twenty-first Century Scholars Program has awarded scholarships to nearly 15,000 students since 1995. The Indiana scholarship provides a sum in addition to the normal state grant (approximately \$1,400) to offset the cost of public college tuition for low-income students who commit as eighth graders to prepare for college and follow through.

Evaluations of the Indiana program show that the early commitment to funding college increased aspirations to, preparation for, and applications to college among Indiana’s low-income students. Similar results have been observed in Oklahoma where, since 1992, the Higher Learning Access Program has awarded over 17,000 scholarships to low-income students who joined the program in eighth, ninth, or tenth grade. Thus, if implemented properly, the Covenant should result in increased applications, improved qualifications, and more acceptance letters among low-income students in Wisconsin.

What policymakers in those other states recognize is that, in order to have a truly merit-based system of higher education where entrance is granted based only on talent, need-based aid is essential. This is because merit and financial need are inextricably linked: Students from low-income families who have taken the same courses, received the same grades, and earned the same test scores

are less likely to apply to college and less likely to graduate—as compared to wealthier students—simply because they have less money. Only by alleviating that financial constraint will we have a level playing field.

A Way Forward for the Covenant

There is no question that the Covenant addresses an important state need and that it is essential for creating a truly merit-based system of higher education in Wisconsin. Yet, the Covenant remains bogged down by a combination of state budget constraints and uncertainty about how the policy would work. These are not simple matters, but there are ways to address them.

Below are three specific elements that are critical to the success of the Covenant. If these are adopted, the Covenant will be affordable while taking a real step toward a system that is truly based on merit.

Principle #1: Consider academic merit and financial need by providing aid on a graduated scale based on family income.

The Covenant is clear about the level of academic success that students must reach: According to official reports, a B average is required. But financial need must also be considered. For example, students from families with the very lowest incomes (i.e., those qualifying for the federally subsidized National School Lunch Program) could attend college without paying tuition or fees while incurring minimal living expenses. Research on similar programs in Indiana and Oklahoma very clearly indicates that the specific targeting of economically disadvantaged students was critical to their success. In addition, focusing the program in this way greatly reduces the cost to the state.

Principle #2: Offer real aid.

We propose that the Covenant scholarship entirely cover tuition and fees as well as a substantial portion of living expenses for the poorest students. In fact, existing federal and state grants already meet nearly all of the cost of tuition and fees for the poorest students.⁸ The Covenant will therefore affect their participation and success rates only if it provides additional monies

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Making the Wisconsin Idea Real

The idea behind the Wisconsin Covenant must be simple and powerful. The state needs to promise *low-income* students that they will have a real opportunity for access and success in college. In doing so, it will seek to remedy destructive inequities in our higher education system. In exchange, students will promise the state to work hard in school and stay out of trouble. The likely improvements in school effort alone might make the Covenant worthwhile. The fact that the Covenant will also enable more students to go on to college means that it is surely a good and smart investment for the state's economy and quality of life.

But to be successful, the Covenant must do more than lend a special name to existing state investments: It must also put additional resources into the pockets of those students who clearly need it. This is not just about economic benefits for the state. It is about making Wisconsin a state in which academic merit is truly rewarded. It is a harsh reality that students from poor families—even those with strong academic preparation—are much less likely than students from wealthier families to go on to college. This fact is hardly consistent with any definition of merit, and it must be changed.

That is a Wisconsin Idea that we should all be able to agree on.



Notes

¹ See the national report card for higher education, *Measuring Up 2006*. Download at: <http://www.measuringup.highereducation.org>.

² This figure comes from Thomas Mortenson of *Postsecondary Education Opportunity*, in a February 2007 report titled “College Participation Rates for Students from Low-Income Families by State: 1992-1993 to 2004-2005.” Download at: <http://www.postsecondary.org>.

³ The population of students from poor families in Wisconsin is growing: the percent of K-12 students approved for subsidized lunch grew 4.1% from 1995 to 2005.

⁴ Statewide graduation numbers are not available disaggregated by family income. However, a simple comparison of graduation rates for students in UW–Madison’s PEOPLE program, a program for low-income students and students of color, to the school-wide average is revealing: 16% of students in the PEOPLE program who entered college in 2002 completed a degree four years later, versus the school-wide average of 50%.

⁵ Among those Wisconsin students who take the state’s most popular college entrance exam, the ACT, 72% of those in the top income quintile apply to college, compared to 55% of those in the bottom income quintile. Students are accepted and admitted in approximately equivalent proportions, regardless of income.

⁶ Philip Trostel, “Disturbing State Fiscal Priorities,” *Wisconsin State Journal*, 11/16/06.

⁷ This means that the size of the Covenant scholarship given will depend on a family’s *expected family contribution*, or EFC, a number based on a calculation using information provided on the federal financial aid form.

⁸ According to the UW–Madison director of financial aid, a UW–Madison student with an EFC of zero dollars receives a Pell grant of \$4,000 and a WHEG of \$2,600, for a total of \$6,600. Tuition and fees amount to \$6,730. Statewide, 12% of financial aid applicants in the UW system, 15% of those in independent colleges, 31% of those in the technical colleges, and 58% of those in tribal colleges, had an EFC of zero in 2005-2006.

⁹ The difference between tuition and fees and the full cost of attendance at UW–Madison, the most expensive UW System institution, was \$10,530 for resident undergraduates in 2006-2007.

¹⁰ On average, family income is directly related to EFC: the higher the income, the higher the EFC. Reports from the Wisconsin Higher Education Aids Board indicate that among 2005-2006 financial aid applications in the UW System, 63% were from families with EFCs of \$4,000 or higher, the highest category. The rest of the distribution is as follows: \$0 EFC (12.3%), \$1-1,999 EFC (12.38%), and \$2-3,999 EFC (10.67%). While family income cannot be deduced directly from an EFC, since factors such as family size and savings amounts are also considered, a rough calculation indicates that a family of four with one dependent child in college and an EFC of \$4,000 earns approximately \$50,000 per year, which puts them above the bottom 40% of households in the state. In contrast, a similar family with an EFC of \$0 earns less than \$30,000.





WISCAPE

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The Wisconsin Center for the Advancement of Postsecondary Education (WISCAPE) was established in 2001 to study the challenges confronting postsecondary education and to bring national and local university leaders, researchers, and policymakers together to discuss issues and solutions. The center promotes interaction among stakeholders through its research, programs, and publications.

Written by education scholars, WISCAPE Policy Briefs are designed to illuminate the issues and challenges facing postsecondary education while providing policymakers and others with knowledge and insight based on the latest research in the field.

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