

An Analysis of Policy Solutions to Improve the Efficiency and Equity of Florida's Bright Futures Scholarship Program

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The Bright Futures Scholarship (BFS), Florida's lottery-funded, merit-based scholarship program, has been a source of both praise and criticism since its 1997 inception. Proponents of the scholarship assert the program has achieved the desired goals of making college more affordable for state residents and encouraging the brightest students to attend in-state colleges. Conversely, the BFS program has drawn heavy criticism for providing minority and low-income students with disproportionately fewer scholarships than Whites and high-income students who could have afforded college without the state's financial support. This policy analysis explores four alternatives for Florida policymakers to consider when reexamining the current structure of the BFS program: 1. maintain the status quo; 2. implement flat-rate award amounts; 3. introduce a 'blended' program that provides both merit and need based aid; and 4. transform the BFS into a predominately need-based aid program. All four policy alternatives are evaluated based on the policy goals of cost efficiency, distribution equity, and political feasibility.

Keywords: Financial Aid; Merit Aid; State Scholarship Programs; Florida; Policy Analysis; Bright Futures.

Introduction

Florida lawmakers established the BFS program during the 1997 legislative session "to reward any Florida high school graduate who merits recognition of high academic achievement and who enrolls in an eligible Florida public or private postsecondary education institution within three years of graduation from high school" (Section 240.40201, Florida Statutes). The BFS is the largest financial aid program in Florida and has become one of the largest merit-based scholarship programs in the country. The program uses specific academic eligibility requirements to provide Florida's college students with scholarships at three different funding levels. The primary goals of the BFS at its inception were: 1. to serve as an incentive for high school students to take rigorous courses and perform better academically; 2. to direct lottery dollars to improve postsecondary education in a way that was readily visible to the public; and 3. to improve access to postsecondary education. Since 1997, the BFS has awarded \$2.3 billion in financial aid to over one million Florida students (Florida Department of Education, 2008).

While the BFS program's degree of success in achieving the three initial policy goals outlined by Florida legislators continues to be a source of intense debate among policymakers and educational researchers, it is apparent that unintended and undesirable consequences have emerged as a direct result of the policy's implementation. The primary criticism of the BFS is the fact the program allocates the majority of the state's finite financial aid resources to students who would have attended, and could have afforded, college without the scholarship. While a growing number of minority and low-income students in Florida are pursuing higher education since the BFS was introduced, these student groups continue to receive a disproportionately smaller share of the scholarships than White and high-income students. For the 2007-08 academic year, White students (66%) were awarded three times as many scholarships as Black (7%) and Hispanic (15%) students combined (Florida Department of Education, 2008). This disconcerting trend has been evident and consistent since the BFS program's inception.

The deteriorating fiscal health of the BFS and the inequitable distribution of program resources have served as focusing events that will present Florida lawmakers with a policy window for making changes to the BFS program in the near future (Kingdon, 2003). When the future of Bright Futures reaches the forefront of the Florida legislature's agenda, policymakers must be equipped to answer an important question: How can Florida most efficiently and equitably use limited postsecondary financial aid resources to maximize the number of citizens enrolling, and earning a degree, from an in-state college or university? The ability to successfully answer this question has significant implications for the future of Florida higher education and the state's economic welfare. The primary objective of this policy analysis is to provide state policymakers with several viable alternatives to consider when seeking answers to this question.

History of the Bright Futures Scholarship

As the costs associated with attending college have risen dramatically in recent decades, the federal government, state legislatures, and postsecondary institutions have all searched for viable ways to provide financial assistance to students pursuing higher education. A common mechanism used to deliver this support to students has been financial aid programs that award funding based on specified eligibility requirements. Traditionally, these programs have been categorized as either need-based or merit-based (Creech & Davis, 1999). Using financial need and ability to pay as the primary eligibility requirements, federally funded financial aid programs blossomed during the 1960s and 1970s. The introduction of Title IV of the Higher Education Act of 1965 authorized federal financial assistance programs, and for the past four decades Pell Grants have been the primary means through which this federal assistance has been delivered to students with demonstrated financial need (Heller & Rogers, 2006).

During the 1980s the federal government began to significantly reduce the allocations reserved for need-based financial aid programs (Florida Postsecondary Education Planning Commission, 1999). In response to this decrease in federal support, many states began to increase funding for their own need-based financial aid programs. Numerous states also established merit-based scholarship programs during this time period. Heller (2002) suggests

that states typically launch merit-based financial aid programs for three primary reasons: 1.) to improve access to postsecondary education for citizens of the state; 2.) to provide incentive for students to perform well academically; and 3.) to encourage the best and brightest students to attend in-state colleges. Florida was one of the first states to launch a statewide merit-based program when it established the Florida Undergraduate Scholars' Fund in 1980. In 1992, Florida introduced its second statewide merit-based program when it initiated the Gold Seal Vocational Scholarship specifically for vocational students. Before Georgia established its HOPE Scholarship, Florida actually dispersed more merit aid than any other state (Heller & Rasmussen, 2001).

The introduction of Georgia's HOPE Scholarship in 1993 fundamentally changed the landscape of state merit-based financial aid programs. Funded by the state lottery instead of state appropriations, the HOPE Scholarship was the first such program to award scholarships to students solely on their academic performance and without consideration of their financial need. Soon other states began to follow Georgia's politically popular approach to funding meritorious students (Heller & Rogers, 2006) by addressing college affordability with broad-based discounts to in-state students (Ness & Noland, 2007). As of 2008, 16 states have implemented broad-based, merit-aid scholarship programs, though each of these programs utilize a unique combination of academic criteria to determine eligibility (see Table 1).

TABLE 1: State-Funded, Broad-Based Merit Scholarship Programs

	Name of award	Year of program initiation	Source of funding
Alaska	Alaska Scholars Award	1999	U. of Alaska land grant endowment fund
Arkansas	Academic Challenge Scholarship	1991	General state revenues
Florida	Bright Futures Scholarship	1997	State lottery
Georgia	HOPE Scholarship	1993	State lottery
Kentucky	Educational Excellence Scholarship	1998	State lottery
Louisiana	Tuition Opportunity Program for Students (TOPS)	1997	National tobacco settlement trust fund
Michigan	Merit Award Scholarship	2000	National tobacco settlement trust fund
Missouri	Academic 'Bright Flight' Scholarship	1997	General state revenues
Mississippi	Eminent Scholars Program	1995	Legislative appropriations
Nevada	Millennium Scholarship	2000	National tobacco settlement trust fund
New Mexico	Lottery Success Scholarship	1997	State lottery

South Carolina	LIFE Scholarship	1998	State lottery
South Dakota	Opportunity Scholarship	2003	Legislative appropriations
Tennessee*	Education Lottery Program	2003	State lottery
Washington	PROMISE Scholarship	1999	Legislative appropriations
West Virginia	PROMISE Scholarship	1999	State lottery

*Tennessee's Education Lottery Program also includes a supplemental award based on financial need. Sources: Duffourc, 2006; Selingo, 2001.

Using Georgia's HOPE Scholarship program as a template, Florida legislators established the BFS program during the 1997 legislative session. Politically, the introduction of the BFS represented a tangible avenue through which legislators could appease the growing number of citizens who complained they had no proof state lottery revenues were being used to improve education in Florida (Colavecchio-Van Sickler, 2007). The creation of the BFS restructured Florida's two previously existing merit-based awards (the Florida Undergraduate Scholars Fund and the Gold Seal Vocational Scholarship) and added a middle award level (Florida Postsecondary Education Planning Commission, 1999). The BFS program is currently comprised of three award levels, which are the Florida Academic Scholars Award, the Florida Medallion Scholars Award, and the Florida Gold Seal Vocational Scholars Award. Each of these award levels has different eligibility requirements (i.e. GPA, SAT/ACT test score) that must be met in order for a student to qualify for a scholarship (see Table 2).

TABLE 2: 2008-2009 Bright Futures Award Levels and Eligibility Requirements

	Academic Scholars	Medallion Scholars	Gold Seal Vocational
Tuition waiver (public institutions)	100% of tuition, plus \$375 expense allotment	100% of tuition at community colleges 75% of tuition at other public colleges	75% of tuition
Tuition waiver (private institutions)	Fixed amount based on 100% of tuition at a comparable public institution	Fixed amount based on 75% of tuition at a comparable public institution	Fixed amount based on 75% of tuition at a comparable public institution
GPA requirements (4.0 scale)	3.5	3.0	3.0
Test score requirements	1270 SAT 28 ACT	970 SAT 20 ACT	Minimum scores on subsets of tests: CPT* Reading 83 Sentence Skills 83 Algebra 72

			SAT Critical Reading 440 Math 440 ACT English 17 Reading 18 Math 19
Community service requirements	75 hours	None	None
Cumulative GPA required for renewal	3.0**	2.75	2.75
Minimum earned hours required per term funded	6 credit hours	6 credit hours	6 credit hours

* College placement tests (CPT) are typically taken by community college students to determine their readiness for college.

** Academic Scholars with a GPA of 2.75 - 2.99 will renew as Medallion Scholars.

Source: Office of Student Financial Assistance, Florida Department of Education.

Bright Futures: The Current State of Affairs

During the 2007-2008 academic year, a total of \$380 million of BFS funding was awarded to 159,170 Florida college students (Florida Department of Education, 2008). While most of last year's recipients attended the state's public four-year universities (69%), a smaller number used their scholarships at public community colleges (22%) and private four-year institutions (9%). The average cost per BFS award in 2007-08 was \$2,387. The BFS program has grown exponentially every year since 1997, when \$69 million in funding was provided for 42,319 scholarship recipients. The overall BFS program costs have increased by 446%, and the number of scholarship recipients since the program's first year of implementation has increased 267%. In total, over \$2.3 billion in merit-based aid has been awarded to 1.1 million students through the BFS program.

Advocates of the BFS assert the program has been successful in achieving its intended outcomes. Florida lawmakers in favor of the program emphasize the scholarship awards have made higher education more affordable for families, improved academic performance at the high school and college level, and reduced 'brain-drain'. In a 2003 programmatic evaluation of the BFS, Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) found that the percent of high school graduates attending college in-state rose from 52% to 61% between 1997 and 2001. This finding suggests the BFS has been fairly successful at keeping Florida's best and brightest students in-state for college.

While there are still those who strongly support the BFS, the program has drawn more than its share of heavy criticism in recent years. Opponents of the BFS program claim it provides funding to thousands of students who would have attended college without the scholarship and awards a disproportionately small share of scholarships to minority and low-income students. Data from the Florida Department of Education (2008) show that during the 2007-08 academic year, White students received twice as many awards as all other ethnic

groups combined. This unsettling trend has been consistent every year since the program's inception in 1997. Other critics of the BFS have argued the current eligibility requirements to receive an award are far from meritorious. For example, for a Florida student to receive the Medallion Scholars Award (the mid-level award amount) that covers 75% of tuition and fees, he or she must earn a 3.0 GPA and an SAT score of 970 or ACT score of 20. The national averages for the SAT and ACT are 1021 and 21.1 respectively.

From an economic perspective, some critics have blasted the use of state lottery revenue to pay for college scholarships because it is regressive in nature. Research findings suggest that lottery-funded, merit-based scholarship programs tend to have a 'reverse Robin Hood' effect because they redistribute earnings from low-income and minority households to high-income and White households (Stranahan & Borg, 2004). In essence, the BFS program works as a type of regressive tax that extracts a larger percentage share of income away from low-income, non-White people who typically spend the largest amount on lottery tickets (Borg & Stranahan, 2000). Revenue from the state lottery is also unstable because it is susceptible to environmental changes, such as economic downturns. This instability in revenue from year to year makes it difficult to plan for the financial future of the BFS program.

Policy Problems with Bright Futures

In order to identify a policy alternative with the potential to improve the cost efficiency and distributional equity of the BFS, it is essential to understand the nature of the problems that have emerged from 11 years of program implementation. Five major unintended and undesirable consequences of the BFS program are addressed for the purpose of this analysis.

Policy Problem 1: Fiscal Health of the Program in Jeopardy

The skyrocketing annual costs of the BFS program have been widely publicized. The \$380 million in program costs from the 2007-08 academic year represents a 446% increase in total program costs since 1997. Experts who have reviewed the state's university system conclude that without modifications to the existing program structure, the BFS could ultimately bankrupt higher education in Florida (Emerson, 2007). Stagnating revenue from the state lottery together with drastic increases in the number of students qualifying for the scholarship each year have been the primary reasons for the escalation in total program costs. In addition, since the scholarship provides award amounts based on a fixed percentage of public tuition and fees, even a small percent increase in tuition at the state's public colleges and universities can drive up BFS expenditures. These problems have placed the fiscal health of the BFS program in jeopardy and will require that changes be made to the existing program structure in the near future.

Policy Problem 2: Inefficient Utilization of Finite State Financial Aid

In order to make efficient use of state financial aid resources, the BFS program should seek to maximize the number of students who are granted access to higher education because of the financial support provided by the scholarships. While it is difficult to ascertain exactly

how many BFS recipients would have attended college without the scholarship, many scholarships recipients come from affluent families. More than 95% of incoming freshmen at the University of Florida (UF) in 2007 were awarded the BFS, even though a 2004 survey found the median annual income of all UF students’ families was \$100,000 (Colavecchio-Van Sickler, 2007). Consequently, some critics have referred to the BFS as the ‘BMW Scholarship’ because it allows many parents to use their college savings for other purposes, like buying their son or daughter a new car (“Popular Bright Futures Penalizes Needy Florida Students,” 2008).

The BFS program is merit-based and designed to provide financial aid based strictly on a student’s academic achievements. However, distributing a large percentage of the state’s finite postsecondary financial aid resources to students from affluent families is not a cost efficient approach to increasing the number of Florida students pursuing higher education. Research indicates that financial aid is more effective at increasing college enrollment for low-income students than for high-income students because the decision to attend college is constrained by price (Heller & Rasmussen, 2001). This finding suggests that identifying strategies to deliver a greater percentage of the state’s financial aid resources to low-income students could improve overall access to higher education in Florida.

Policy Problem 3: Inequitable Distribution of Finite State Financial Aid

Existing data indicates the BFS program has traditionally awarded a disproportionately smaller share of scholarships to minority and low-income students than to White and high-income students (see Table 3). For the 2006-07 academic year, 75% of undergraduates at UF and 58% at Florida State University received the BFS compared to only 12% of undergraduates at Florida A&M University, a historically Black institution (“Popular Bright Futures Penalizes Needy Florida Students,” 2008). White students have been awarded an average of 72% of the scholarships annually, while Black students (7%) and Hispanic students (12%) have received a significantly smaller percentage of BFS awards each year (Florida Department of Education, 2008). OPPAGA (2003) found that Black and Hispanic students collectively comprised only 11% of the Academic Scholars Award, 21% of the Medallion Scholars Award, and 26% of the Gold Seal Vocational Award.

TABLE 3: Bright Futures Disbursement History by Ethnicity

Academic Year	White (%)	Black (%)	Hispanic (%)	Asian (%)	Native American - Alaska Native (%)	Other* (%)	Total Awards Disbursed
1997-98	32,107 (76%)	2,912 (7%)	4,322 (10%)	2,211 (5%)	122 (0.3%)	645 (2%)	42,319
1998-99	42,918 (76%)	3,796 (7%)	5,692 (10%)	2,806 (5%)	157 (0.3%)	912 (2%)	56,281
1999-00	53,415 (75%)	4,832 (7%)	7,341 (10%)	3,363 (5%)	198 (0.3%)	1,856 (3%)	71,005
2000-01	64,724 (74%)	6,030 (7%)	9,513 (11%)	4,076 (5%)	231 (0.3%)	2,482 (3%)	87,056

2001-02	72,678 (74%)	6,751 (7%)	11,149 (11%)	4,501 (5%)	271 (0.3%)	2,944 (3%)	98,294
2002-03	80,447 (73%)	7,732 (7%)	13,306 (12%)	5,175 (5%)	270 (0.2%)	3,188 (3%)	109,868
2003-04	83,728 (69%)	7,979 (7%)	15,136 (13%)	5,380 (4%)	320 (0.3%)	8,084 (7%)	120,637
2004-05	90,487 (69%)	8,740 (7%)	17,210 (13%)	5,636 (4%)	320 (0.2%)	8,204 (6%)	130,597
2005-06	95,890 (68%)	9,425 (7%)	19,383 (14%)	6,243 (4%)	363 (0.3%)	8,745 (6%)	140,049
2006-07	100,290 (67%)	9,894 (7%)	21,339 (14%)	6,558 (4%)	387 (0.3%)	10,163 (7%)	148,631
2007-08	105,816 (66%)	10,610 (7%)	23,999 (15%)	7,048 (4%)	417 (0.3%)	11,280 (7%)	159,170

* Includes multiracial students and students whose race is unknown.

Source: Florida Department of Education (2008, September).

Critics of the BFS argue that a disproportionate number of scholarships are provided for students who can afford the costs of tuition and fees at Florida's public college and universities, which is already among the lowest in the nation (Emerson, 2007). Borg and Stranahan (2000) found that 81% of the BFS recipients in their sample came from households with annual incomes greater than \$40,000, which was above the median household income in Florida at that time. The researchers also found that 32% of scholarship recipients came from households with annual incomes greater than \$80,000. The inequitable distribution of BFS funding is further exacerbated by the fact that Florida awards much less need-based aid than most states. In 2003, only 16% of the federal Pell Grant recipients in Florida received supplemental financial aid from the state (Schmidt, 2003). Overall, Florida spends three times as much money on merit-based financial aid through the BFS program than it does on need-based financial aid programs.

Policy Problem 4: Bright Futures as a 'Five-Ton Anchor' on College Tuition

As demonstrated in Table 2, the award amounts for all three levels of the BFS are tied directly to tuition and fees at the state's public colleges and universities. Though increases in public tuition from 2002 to 2006 at these institutions were relatively modest, the costs of the BFS program still rose by 75% during this time period (Stripling, 2007). The current tuition at Florida's public institutions remains among the lowest in the country, and the BFS program has been referred to as the 'five-ton anchor' holding down Florida's public tuition rates (Colavecchio-Van Sickler, 2007). State appropriations to higher education have been drastically reduced within the past few years while more Florida students are pursuing a college education than ever before. Consequently, higher education leaders have expressed that raising tuition is necessary in order to generate the additional revenue required to provide each student with a quality education.

Until recently, the Florida Legislature resisted concerted efforts by college leaders to make any substantial increases in tuition rates for fear these increases would threaten the

fiscal solvency of the BFS program. Legislators passed a bill in 2008 allowing a limited number of the state's research universities to raise tuition significantly over the next several years. This 'tuition differential' will not be covered by the BFS. While this legislation may alleviate some concerns about the quality of education provided by the state's leading research universities, it remains to be seen if BFS award amounts will eventually be decoupled from tuition rates at other colleges and universities across the state.

Policy Problem 5: Voters Feel Entitled to Bright Futures

Many lawmakers have discovered the broad-based, merit-aid programs in their respective state have become so popular they are nearly impossible to modify (Selingo, 2001). The BFS program is no exception. The political popularity of the BFS has only increased since it began in 1997 and several efforts by Florida lawmakers to modify the program have met fierce opposition, particularly from middle-class voters who are the primary beneficiaries of the scholarship. The first attempt to modify the BFS occurred in 1998, when lawmakers attempted to raise the SAT score required for the Merit Scholars Award (Emerson, 2007). Opponents argued the change would disadvantage students with the most financial need and the increase was never enacted. In an effort to encourage more Florida students to pursue a degree in science, math, or technology, Senator Jeremy Ring introduced a bill in 2008 that would have increased BFS award amounts for those fields while reducing award amounts for other fields ("Popular Bright Futures Penalizes Needy Florida Students," 2008). He abandoned the idea after an outpouring of resistance from students and parents. Attempts by Florida lawmakers to modify the BFS have been unsuccessful thus far, primarily because voters have come to feel they are entitled to the scholarship.

Policy Goals

The three policy goals utilized in this analysis are cost efficiency, distribution equity, and political feasibility. These particular policy goals were selected because of the nature of the problems intrinsic to the BFS program. Cost efficiency refers to securing the financial solvency of the program and using available BFS funds to maximize the number of Florida students who attend college because of the scholarship. Distribution equity involves taking steps towards providing state financial aid dollars proportionately to all student groups, including minority and low-income students. As with any policy analysis, consideration of the political feasibility of a proposed policy solution is essential. This policy goal is particularly important when examining changes to the BFS because of the aforementioned challenges Florida lawmakers have encountered when attempting to modify the program.

Policy Alternatives for Bright Futures

This analysis presents four policy alternatives Florida policymakers can consider when reexamining the current structure of the BFS program: 1. maintain the status quo; 2. implement flat-rate scholarship award amounts; 3. establish a 'blended' program that provides both merit and need based aid; and 4. establish a primarily need-based aid program.

Policy Alternative 1: Maintain the Status Quo

The first option is for policymakers to leave the existing structure of the BFS program unchanged. While the program's unintended consequences will not be addressed under this approach, the existing BFS structure continues to provide financial support to thousands of Florida college students annually. The program has been fairly successful at keeping Florida's best and brightest students in-state (OPPAGA, 2003) and is extremely popular among middle-class voters. Though skyrocketing program costs threaten to bankrupt the BFS program in the near future, the program could still operate under the current structure for the next several years.

Policy Alternative 2: Introduce Flat-Rate Award Amounts

A second policy alternative is to uncouple the BFS from public tuition rates and instead introduce a flat-rate scholarship amount for each award level. For example, the Academic Scholars Award is currently indexed at 100% of public tuition. Under the current BFS structure students qualifying for an Academic Scholars Award during the 2008-09 academic year were provided a scholarship of approximately \$3,800 (the average rate of tuition at the state's public colleges and universities). For the 2009-10 academic year, the Florida legislature could introduce a flat-rate award amount, such as \$2,800, to Academic Scholars Award recipients. Appropriate flat-rate award amounts would also be established for the Medallion Scholars Award and Gold Seal Vocational Award. The scholarships provided at each award level should be attractive enough to provide incentive for students to perform well academically and encourage them to attend college in-state.

Introducing flat-rate BFS award amounts would reduce total program costs each year and make it possible for the Florida legislature to implement needed tuition increases without fear of bankrupting the BFS program (OPPAGA, 2004). Alee (2004) evaluated several BFS cost saving options and concluded that introducing flat-rate award amounts would be more cost effective and politically acceptable than using means-testing or increasing eligibility requirements. Currently, Florida is one of the few states with a broad-based, merit-aid scholarship program that does not use a fixed-rate award amount. The fact that fixed-rate awards are being used by other successful state merit-aid programs suggests this approach may also work for the BFS program.

Policy Alternative 3: Establish a Blended Financial Aid Program

Instead of viewing Florida's financial aid programs as either merit-based or need-based, policymakers could transform the existing BFS into a blended program that awards scholarships based on academic performance and financial need. This approach would utilize a fixed-rate award amount for delivering merit-based scholarships, but would also provide supplemental awards to Florida's 'best and brightest' and to students qualifying for merit-aid who are from low-income families. For example, the blended program would adopt generous eligibility requirements of a 3.0 GPA 'or' 19 ACT score (or equivalent SAT score) to qualify for a fixed-rate merit scholarship of \$2,300. In addition to this base award amount, students would receive a supplemental merit award of \$1,000 if they have a 3.75

GPA 'and' 28 ACT score, or a supplemental need award of \$1,000 if they have a family income below \$36,000.

The concept of blended, or hybrid, financial aid programs is a fairly recent phenomenon in higher education. Established in 2003, Tennessee's Education Lottery Scholarship is a blended program that distributes merit-based and need-based awards using eligibility criteria similar to those described above. Ness and Noland (2007) suggest that Tennessee's program model may mitigate many of the existing criticisms about broad-based, merit-aid scholarship programs and provide policymakers with a new framework for understanding how state financial aid resources can be delivered. While the base award amount for the BFS program would be lower under this type of blended program model, this approach still rewards Florida's best and brightest students and provides additional assistance to students with demonstrated financial need.

Policy Alternative 4: Establish a Primarily Need-Based Financial Aid Program

A prominent criticism of the BFS program is that the majority of scholarship recipients come from affluent families that could have afforded to send their child to college without financial assistance from the state. Since one of major intended outcomes of the BFS program is to increase college access and participation in Florida, the fourth policy alternative involves transforming the BFS into a primarily need-based program. Under this approach, the academic eligibility requirements would be eliminated in order to provide need-based awards and a smaller percentage of program revenues would be devoted to rewarding Florida students who excel academically. For example, the need-based scholarship would cover 100% of public tuition for any Florida student with a family income of less than \$36,000. This program model would significantly reduce the total number of scholarships awarded every year. With the dollars saved by providing fewer scholarships, funds would be available to provide a limited number of merit-based awards. Utilizing the existing eligibility requirements for the Academic Scholars Award (3.5 GPA and 1270 SAT/28 ACT) under the BFS program, these merit-based awards would cover 100% of public tuition strictly for Florida's high achieving students.

Existing research suggests that awarding merit-based financial aid without consideration of a student's financial need is unlikely to increase college participation rates (Heller & Rogers, 2006). The need-based program model would help increase college participation in Florida by providing scholarships to many low-income and minority students who are disproportionately underserved by state merit-based programs. Unlike many of the current recipients of scholarships from the BFS program, a significant number of students benefiting from this need-based program would be unable to afford college without these awards. While the total number of merit-based awards to students from middle-class families would be significantly reduced under this type of program, this approach still provides merit-based incentive for Florida's top academic students to remain in-state for college.

Comparison of Policy Alternatives

A comparative analysis of each of the four proposed alternatives is necessary in order to identify the best policy solution. Each policy alternative is evaluated using the policy goals

of cost efficiency, distribution equity, and political feasibility. A goals/alternatives matrix for the proposed alternatives is presented in Table 4.

TABLE 4: Policy Goals/Alternatives Matrix

	Cost Efficiency	Distribution Equity	Political Feasibility
Maintain Status Quo	Low	Low	High
Implement flat-rate award amounts	High	Low	Medium
Introduce a blended program	Medium	High	Medium
Launch a primarily need-based program	Low	High	Low

Policy Alternative 1: Maintain the Status Quo

The existing structure of the BFS program has produced a number of unintended and undesirable consequences in Florida during its 11 years of implementation. While this approach would continue to provide financial support to thousands of Florida students, maintaining the status quo will only exacerbate the existing problems and further jeopardize the fiscal health of the BFS program. The tuition rate at Florida’s public colleges and universities is currently among the lowest in the nation. These institutions are being asked by the Florida legislature to provide a quality education to a growing number of incoming students each year on a shoe-string budget. Furthermore, the state has drastically reduced appropriations to higher education over the last few years. Failure to uncouple BFS awards with tuition rates threatens not only the future of the BFS program, but also the quality of higher education provided by the state of Florida.

The existing BFS program is far from cost efficient. In addition to legitimate concerns about the financial future of the BFS, the existing structure for distributing the state’s limited financial aid resources provides awards to a significant number of students who would have attended college without the scholarship. A more cost efficient usage of state financial aid dollars is to deliver scholarships to students who would not have pursued higher education if they had not received the award. In terms of distribution equity, the current BFS program model has performed poorly because a disproportionately small number of scholarships are awarded annually to minority and low-income students. This persistent and disturbing trend alone serves as an impetus for legislators to at least consider making modifications to the existing program structure.

Maintaining the status quo is naturally the most politically feasible of all the proposed alternatives because the program is already in place and is strongly supported by middle-class voters. Any proposed changes to the BFS program will be opposed by students receiving the scholarship (and their parents) and from legislators who are proponents of the current model. While previous attempts to modify the program have been unsuccessful, this

political barrier may be becoming less daunting because many of the unintended and undesirable consequences of the BFS have been well-documented (Emerson, 2007).

Policy Alternative 2: Introduce a Flat-Rate Award Amount

The primary advantage of introducing a flat-rate award amount is that this approach delivers immediate savings to the BFS program¹. In addition, it would also allow public colleges and universities to raise tuition in order to generate much-needed institutional revenue because BFS awards would no longer be indexed to tuition. Identifying the appropriate flat-rate award amounts for each existing BFS award level would be a critical element of this approach. The award amounts should be high enough to encourage Florida's top academic students to attend an in-state college. Is a flat-rate award amount of \$2,800 enough to keep students in-state? Would providing scholarships of \$2,500 have the same effect? It would be advantageous for state legislators to seek counsel from economic and higher education finance experts in Florida to help answer these types of questions when considering the introduction of flat-rate award amounts.

In terms of cost efficiency, introducing a flat-rate award amount is an effective policy alternative to reduce total program costs. For the 2003-04 academic year, providing flat-rate scholarships of \$2,900 to Academic Scholars and \$1,700 to Medallion Scholars would have reduced the costs of funding new scholarships by \$4 million (Alee, 2004). This approach, however, is not effective at maximizing the number of students who attend college as a direct result of receiving a BFS scholarship. Similar to maintaining the status quo, many of the scholarship awardees under this alternative would still be students from affluent families. Flat-rate award amounts fail to remedy the problems with the existing program structure related to distribution equity. This approach may even have negative consequences for recipients from low-income families if scholarship amounts for Medallion Scholars Award and Gold Seal Vocational Award (the two awards the majority of BFS low-income students qualify for) do not cover a considerable share of their college tuition. In terms of political feasibility, Florida legislators know that making any changes to the BFS program will be challenging. However, introducing flat-rate award amounts keeps much of the existing program structure intact (i.e. award levels, eligibility requirements), suggesting that fewer political barriers will be experienced during policy implementation in comparison to alternatives that significantly restructure the BFS program. When advocating the adoption of this policy alternative, legislators would also be able to capitalize on the fact that other states with merit-based programs use flat-rate award amounts.

Policy Alternative 3: Establish a Blended Financial Aid Program

The high degree of polycentrism in the United States makes it possible for the various levels of government to develop a better understanding of a particular policy issue by examining similar policies in other governments. A political strategy known as sideways analysis can be used to investigate the current and past performance of particular policies in

¹ Raising eligibility requirements, which would reduce the number of scholarship recipients annually, is another approach that has been considered in the research literature to curtail BFS total program costs. However, raising eligibility criteria would only exacerbate distributional inequity (OPPAGA, 2004) and was therefore purposefully omitted from this policy analysis.

other jurisdictions (Bickers & Williams, 2001). Through sideways analysis Florida policymakers can learn from Tennessee's Education Lottery Scholarship Program to transform the BFS into a blended financial aid program. While this alternative provides a lower base award amount, it delivers supplemental awards to the top academic students and students from low-income families.

By lowering the academic eligibility requirements to qualify for the base award amount (i.e., 3.0 GPA 'or' 19 ACT) Florida's blended BFS program would increase the number of recipients each year. Researchers have cautioned that lowering eligibility requirements can increase total program costs, despite its ability to "cast a wider net" and improve the proportion of scholarships distributed to minority and low-income students (Ness & Noland, 2007). In terms of the fiscal health of the BFS program, the cost efficiency of a blended program model is dependent upon the base award amount provided to each student. Determining the appropriate eligibility requirements and base award amount would be critical in controlling program costs. The blended model approach is a more cost efficient utilization of limited state financial aid resources than the first two alternatives because the supplemental need-based award would increase the number of students who would not have been able to afford college without the scholarship.

This type of program structure provides a more equal distribution of financial aid among all student groups. The lower academic eligibility requirements increase the number of students receiving scholarships who have typically been underserved by merit-based programs. The supplemental need-based award also helps improve the distributional inequity that is inherent under the existing BFS program. However, a blended program may not be politically feasible, as middle-class voters would certainly resist any changes that decrease the generous award amounts they have come to consider an entitlement. Legislators could present the fact that students would be able to qualify for roughly the same award amount as under the existing BFS program if they perform well enough academically to receive the supplemental merit-based award. Using Tennessee's blended program as a successful model to follow may also alleviate some of the concerns other legislators and voters have about restructuring the BFS program.

Policy Alternative 4: Establish a Primarily Need-Based Financial Aid Program

The fourth policy alternative represents a dramatic shift in the way existing state lottery revenues are used to deliver financial assistance to Florida's college students. Florida currently spends three times as much money on merit-based as it does on need-based aid. Establishing a primarily need-based financial aid program would reverse this trend with the goal of improving access to higher education for students from low-income families. Under this approach the majority of state lottery revenue would be awarded to college students from households with incomes of less than \$36,000, regardless of the student's academic qualifications. Remaining program revenue would be allocated to provide generous merit-based scholarships (100% of public tuition) for Florida's top academic students to encourage these students to remain in-state.

Since a smaller number of students would qualify for the scholarship each year, using existing BFS funds to establish a primarily need-based program would reduce total program costs. If low-income students are able to attend and graduate from college, then this

approach is more cost efficient than the proposed alternatives that do not incorporate a need-based component. Florida maximizes the positive externalities generated by financial aid awards when recipients earn their degree. Existing research suggests that many of the students who would be awarded need-based scholarships under this program model would not persist until graduation. Since this model does not require students to meet any academic eligibility requirements, the state would likely disburse a significant number of awards to students who might not be academically prepared for the rigors of college-level coursework. While the program does provide much needed assistance to students who have typically been underserved by the BFS, the cost efficiency of this program may be questioned since many recipients may drop out before earning their college degree. If a large percentage of students use the scholarship funding for only one or two years and then drop out of college, the cost efficiency of this approach would be extremely low.

Establishing a primarily need-based financial program has the potential to improve the distribution equity of scholarships among all student groups. White students from middle and high-income families would no longer receive an overwhelming majority of the state's financial aid resources. In terms of political feasibility, legislators may find it very challenging to garner support for this policy alternative. Middle-class voters would be extremely discontented by this program model because many students from these households would no longer receive any financial support from Florida's lottery revenues. This may hinder the success the BFS program has experienced in keeping academically talented students in-state for college.

Evaluation and Recommendation

To achieve the desired policy goals of cost efficiency, distribution equity, and political feasibility, the alternative recommended by this policy analysis is the development of a blended financial aid program. The dichotomous view of state financial aid programs as either merit-based or need-based may no longer be effective to address many of the current challenges facing higher education in Florida. In providing academically meritorious students with a scholarship amount large enough to keep them in-state while providing supplemental aid to students with demonstrated financial need, a blended financial aid program has the potential to solve many of the problems caused by the existing structure of the BFS program. Tennessee's scholarship program provides a useful model that Florida policymakers can follow when developing this blended program for their state.

The popularity of the BFS among voters makes any modification to the existing program structure politically challenging, but an abundance of information about the unintended and undesirable consequences indicate that changes must be made in the very near future. When the policy window opens and the future of the BFS program reaches the forefront of the political agenda, Florida legislators would be wise to consider using state lottery revenues to establish a blended financial aid program. This policy alternative is an innovative and promising strategy that will continue rewarding students for their academic achievements, while simultaneously improving the access and success rates of students who have traditionally been underrepresented on the campuses of Florida's colleges and universities. The implementation of a blended financial aid program would remedy many of

the existing policy problems with the BFS and lead to an even brighter future for higher education in Florida.

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