The Economics of Excellence: Student Financial Aid and Scholarships

The second white paper in a series about the challenges and opportunities facing Centre College as it prepares for a third century of service

By John A. Roush, Centre College President

Centre's Homecoming festivities are some of the most rewarding events Susie and I attend each year. It's a time when thousands of alumni reunite with friends and mentors and bask in the beauty of our campus. We catch up, cheer on the Colonels, and attend dedications and recognition ceremonies that leave us proud to be affiliated with this College community.

One of our favorite parts of Homecoming is visiting with alumni and hearing their Centre stories. Every story is unique, but they also share some common themes – professors, coaches, and mentors who went the extra mile, close friendships, and lives transformed by the Centre Experience.

One of the more familiar story lines revolves around the role need-based scholarships played in enabling a bright and aspiring young person to attend Centre. The alumnus often says, “My family could never have afforded for me to attend Centre, but somehow the College found the scholarship money that made it possible for me to be here. As a result, I was the first member of my family to go to college, and what a difference education has made in my life.” It is clear that the person telling the story has lived a richer, fuller, more meaningful life because he obtained the life-changing benefits of a Centre education. Although Centre people usually are too modest to say it, it also is almost always clear that the person telling the story has been able to use his Centre education to make a difference for the greater good in life.

An increasingly familiar story is told by the person whose family could have afforded for her to go to school anywhere, but who came to Centre because she believed she would get the best education here. An academic or merit scholarship was often a decisive factor in the alumnas’s decision to come to Centre. This story usually goes something like this: “I really wanted to attend Centre, but it was more expensive than some of the other schools where I was accepted. Thank goodness the College offered me a scholarship because there was no question then of where I would go to school. And I am so thankful I came here because the experience was even better than I had imagined.”

Later in this paper, you will see two brief profiles of Centre alumni whose stories, taken together, make Centre increasingly distinctive in the American academy: its dual commitment to excellence and to opportunity.

Centre’s Distinctive Mission

Although “mission” is usually spoken of in the singular, colleges and universities have two missions: a functional mission and an expressive mission. The functional mission refers to the fact that all colleges and universities are providers of higher education. Our functional mission is the business we are in. The expressive mission captures the distinctiveness of each institution, that which sets colleges apart from one another. It reflects the way we choose to fulfill our functional mission.

Long ago, Centre’s leaders decided to focus on providing a rigorous education in the liberal arts and sciences. This education requires students to come well-prepared for college and ready to work hard for their diplomas. As a result, Centre students tend to have a level of drive that sets them apart, making it no surprise that many of the College’s alumni have gone on to be leaders in their professions and communities.

Of course, Centre's expressive mission is not limited to academic rigor and the experience provided to students in the classroom, as important as that is. Centre is highly residential; 98 percent of its students live on campus. On campus, students find a vast array of opportunities for involvement, exploration, and personal expression that range from athletics to music and drama, from student government to Greek life, from publications to community service. At Centre, these activities are not simply “extra-curricular,” they are central to the educational experience. They play a huge role in the development that occurs in the lives of students during their time here.
Another example of this experience is the College’s study-abroad program, which is “best-practice,” and an opportunity that we make available to all students.

Because this model of higher education intends to achieve far more than just the intellectual growth of students, it has been referred to as the “human empowerment” model. In the human empowerment model, students grow intellectually, socially, and morally—in other words, develop as whole persons—while pursuing their undergraduate education. To achieve this ideal, a college or university has to be very intentional. An undergraduate, liberal arts college can focus solely on the growth and development of undergraduate students.

Why Does College Cost So Much?

That’s a fair question. The major factor in providing the kind of experience described above is people. This is especially so for a place such as Centre, one committed to a personal and intensive learning experience.

Certainly, there are other models of higher education—the University of Phoenix, for example—where this is not the case. That model has value for some people in some circumstances. However, I am confident that for young people looking not only to acquire a credential, but who seek to grow and develop as whole persons, our model is far superior.

This model requires faculty and staff committed to the guided growth of the individual. If we are to maintain a student-faculty ratio and an average class size that foster individual attention; if we are to provide a range of residential and co-curricular programs that form an essential part of the learning experience; if we are to provide the support services that make the campus a true living and learning environment—if we are to do these things, we must recruit, support, and retain a faculty and staff that truly values working with bright and aspiring young people. And this effort requires money. Compensation, including salaries and benefits, comprises over 56 percent of Centre's operating budget, and I can tell you with great confidence that the people who carry out the College’s mission every day are not overpaid.

When I started at Centre in July 1998, the College's operating budget was $28.3 million. For the current year, it is just over $43 million. This obviously represents a substantial increase, but I can assure you that Centre operates at a high level of efficiency. We have a much leaner staff than any of our peer institutions. We exercise great discipline in creating new programs. We have taken care to fund enhancements of the physical plant with gifts. We have held annual percentage increases to the comprehensive fee to three percent or below in recent years. Centre runs a tight ship.

What I’ve described above is the cost of providing a Centre education. For this year, on average it costs $47,900 to educate each student. And this figure is only operating expense; it does not include capital costs—the cost of constructing,
furnishing, and equipping facilities. In other words, we don’t build buildings out of the pockets of our students or their families. The comprehensive fee—the maximum price that any student pays—is $45,100. The average price that a student pays—once all financial aid is included—is approximately half that number.

In other words, you price your product below your actual cost, then you provide an average discount of about fifty percent to your customers. Sounds like a crazy business, right?

If we were just a business, you would be correct. Of course, Centre has to be financially responsible and sustainable. But our returns are measured not in dollars, but in how the lives of students are enriched, and how, in turn, alumni enrich the communities in which they work and serve as they contribute to the common good. Ours is a growth business, with an investment strategy for the long term.

But there is a crisis in higher education, and it is only expected to get worse. It is increasingly difficult for families from all but the very top levels of income to afford a college education without taking on burdensome levels of debt.

For generations Americans have looked to education, especially higher education, as the primary avenue to social mobility. Many colleges have chosen to embrace either academic excellence or access to opportunity, but not both. In many instances, private colleges, in particular, have focused on academic excellence at the expense of opportunity—i.e., access to the American Dream. As a result, they have become places of privilege for the privileged. They offer an elite education mostly to students who come from affluent households that can afford the high cost of a private college education. At other colleges, access to opportunity has been provided at the expense of academic excellence. In order to remain affordable, they have reduced the quality of the experience. As a result, their graduates often are unable to compete effectively in the job market or for admission to the best graduate and professional schools.

What we do at Centre is decidedly different, and I think better in terms of meeting the greater needs of society. However, many of the College’s alumni and friends are unaware of just how distinctive Centre has become as a result of its dual commitment to excellence and opportunity. While Centre is among the lowest priced of the nation’s top 50 liberal arts colleges, it sharply differs from most of its peers in providing need-based financial assistance to two-thirds of its students. The belief that any qualified student should be able to choose Centre regardless of her family financial background remains strong here. Moreover, we believe that we act not only in the best interests of those students but also of our nation. The National Governors Association correctly states that “the driving force behind the 21st century economy is knowledge, and developing human capital is the best way to ensure prosperity.” Centre exists to empower through learning the men and women who will be the civic, economic, and religious leaders of the 21st century, just as it did for the 19th and 20th centuries.

Scholarships play a critical role in maintaining both dimensions of Centre’s dual commitment. In the highly competitive world of college admissions, Centre must be able to offer financial assistance to both academically meritorious students and students whose...
families require help in meeting their educational costs. Especially so at Centre, those students are one and the same. About two-thirds of our students who receive merit scholarships would have qualified for need-based aid had they not been awarded a grant that recognizes their academic achievements. Moreover, many Centre students who receive need-based financial assistance are not the neediest of the needy, i.e., students qualifying for Pell Grants, although we also have our share of such students. (Proving once again that you do not have to be rich, or even middle-income, in order to be smart.) Many of the need-based scholarship students at Centre come from families that are middle class, as it is traditionally defined, but who cannot afford $200,000 per child to send their children to college.

In addition, some Centre students receive scholarships even though their parents could afford the College's comprehensive fee of $45,100. These students' abilities, achievement, and potential enhance the culture of learning at Centre as well as the quality of the dialogue in our residence halls and on our playing fields. These students could attend college wherever they choose, and in the vast majority of cases, they would receive academic or merit scholarships. Centre must compete for these students, and we do.

Because of Centre's dual commitment to excellence and opportunity, I have seen the College's budget for scholarships and financial aid increase from $5.8 million in 1998 to $23.8 million this year. Most significantly, over that time the percentage of student aid underwritten by earnings from endowed scholarships has decreased from more than 50 percent to less than 25 percent. One of the College's top strategic goals, therefore, is to significantly increase the number and size of endowed scholarships, both merit and need-based.

As I said in the first white paper, private colleges have only three sources of operating revenues: tuition and fees, endowment earnings, and other (a category that includes the annual fund, net revenues from room and board charges, government grants, etc.). Given that families increasingly cannot afford to pay the full cost of tuition, Centre must find ways to increase the revenues it receives from its endowment and from its annual fund, the Centre Fund.

Paying It Forward

While the stories told in the opening paragraphs are familiar, another familiar story at Centre is how people like Andrea and Randy are committed to paying forward. Through all of their success, they remember the generosity of those who established the scholarships that encouraged and enabled them to attend Centre, and they have done the same for those students who have followed them. If Centre is to remain true to its dual commitments, if Centre is to serve our society by serving such young people—and by so doing become an increasingly distinctive model for liberal arts education in the 21st Century—all of us need to follow their example.

Randal B. Kell '69

Randy, a native of Paducah, Ky., was involved in Greek life and served in Student Congress. He was chosen for Omicron Delta Kappa, a national leadership honor society and made the Dean's List, all while holding several jobs on campus. He graduated magna cum laude from Centre in 1969.

Randy attended law school at the University of Virginia, earning his J.D. degree magna cum laude in 1973. He clerked for a federal appellate judge and worked for large law firms in Los Angeles and Washington, D.C. The Mark Winkler Company—one of Washington, D.C.'s largest commercial real estate firms—became a client, and by 1987, asked Randy to become CEO and part owner of the company.

Randy was first elected to the Board of Trustees in 1994, serving as vice chair from January 2008 until he became the chair in October 2013. He served as chair for the Campaign for a More Perfect Centre, which concluded in 2007, having exceeded its goal of $120 million by nearly $50 million.

In addition to his service to Centre, Randy is active on the boards of the National Capital Area Council of the Boy Scouts of America, Cardinal Bank, the Alexandria Education Partnership, the Alexandria Economic Development Partnership, and the Alexandria Industrial Development Authority.