

Paying for College Success

An Introduction to the Performance-Based Scholarship Demonstration

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Increasing postsecondary academic success is a national imperative. While *access* to college has increased markedly since the passage of the Higher Education Act of 1965, more work must be done to boost rates of college completion.¹ College graduation rates have not improved in the last 40 years despite the ever-growing number of students matriculating, causing the United States to lose ground internationally in the proportion of adults with college degrees.² President Obama has focused new attention on this challenge with his recent announcement of the \$12-billion American Graduation Initiative and his call for the United States to regain the highest college graduation rate in the world by 2020.

Low-income students are most at risk of not persisting to complete a certificate or degree — often because of financial pressures and inadequate academic preparation for college. One promising solution for improving academic success among low-income students is a performance-based scholarship. Paid contingent on attaining academic benchmarks, a performance-based scholarship can both provide financial assistance and act as an incentive to earn a postsecondary degree.

PERFORMANCE-BASED SCHOLARSHIPS: A POSSIBLE SOLUTION

While studies have examined the relationship between financial aid and college access, few have evaluated the relationship between financial aid and academic success. Factors that are

associated with financial need, such as being low income, are also associated with a lack of academic success, making it difficult to isolate the effect of additional financial aid on student achievement.

MDRC's Opening Doors study of performance-based scholarships in Louisiana is one of a handful of studies that was able to measure the effect of additional aid on academic success.³ As part of the study, two colleges implemented a performance-based scholarship program for low-income parents, providing students with scholarships of up to \$1,000 for each of two semesters (up to \$2,000 per student in total), paid in increments based on each student's success in meeting key benchmarks. An evaluation of the intervention showed that the scholarship had a number of positive effects for students (see the sidebar on p. 2 for more details).

Building on the promising findings from the Louisiana study, MDRC launched the Performance-Based Scholarship (PBS) Demonstration in four states in 2008. The goal of the PBS Demonstration is to evaluate whether performance-based scholarships are an effective way to improve persistence among low-income college students in different geographical locations with different amounts of monies

A performance-based scholarship can both provide financial assistance and act as an incentive to earn a postsecondary degree.

FINDINGS FROM MDRC'S STUDY OF PERFORMANCE-BASED SCHOLARSHIPS IN LOUISIANA

MDRC evaluated a performance-based scholarship program as part of its Opening Doors

Demonstration, which tested several interventions to improve student success at community colleges.

Low-income parents at two New Orleans community colleges enrolled in a program that allowed them to earn up to \$1,000 per semester for two semesters (or \$2,000 total) provided that they maintained at least half-time enrollment and a 2.0 ("C") grade point average. Scholarships were paid in increments so that program counselors could monitor students' performance. The program operated during the 2004-2005 school year.

MDRC's random assignment evaluation found that performance-based scholarships had positive effects on several outcomes, including students' credit accumulation and semester-to-semester retention. For example, 65 percent of the scholarship group registered for courses in their second semester compared with 50 percent of the non-scholarship group (for an increase of 30 percent). These positive findings persisted into the third and fourth semesters, when most students were no longer eligible for the scholarship. Unfortunately, the devastation inflicted by Hurricane Katrina has made it impossible to determine any longer-term effects, such as the program's impact on graduation and transfer rates.

These results are strong, but one study in one place does not provide sufficient evidence that a program will work elsewhere. Therefore, the PBS Demonstration seeks both to replicate the Opening Doors Louisiana results and to test other configurations of performance-based scholarships.

over different durations. This brief provides an introduction to the PBS project and describes the program designs of the sites currently participating in the demonstration.⁴

GOALS AND DESIGN OF THE PERFORMANCE-BASED SCHOLARSHIP DEMONSTRATION

The PBS Demonstration is a multi-state, multi-design study intended to test the effectiveness of performance-based scholarships *in addition to* Pell Grants, the main federal source of need-based aid, and other existing financial aid programs.⁵ In other words, the intervention generally results in students receiving more money. The scholarships are paid to students based on their academic performance in the current term, regardless of what happened in previous terms. Students receive the payment in each term if they meet certain performance benchmarks — independent of whether they received any performance-based scholarship payments in prior terms. The scholarships are designed to be paid directly to students rather than credited to their accounts with the college. In this way, students can use the money for their most pressing needs, whether books for classes, tuition, child care, car repairs, or personal emergencies that might disrupt their studies.

The project seeks to answer several questions:

- What is the impact of performance-based scholarships (in various settings with different types of students) on: Short-term academic outcomes, including credit attempts, credit completion, and grade point averages (GPAs)? Longer-term academic outcomes, including rates of persistence in school and attainment of degrees and credentials?
- How does variation in the amount and duration of scholarships affect academic outcomes? For example, how do the impacts of a \$1,000 scholarship (without performance criteria) compare with those of a \$1,000 performance-based scholarship?
- For which types of students do the scholarships work best?

- How do the scholarships affect students' academic motivation and behavior? What effect does a performance-based scholarship have on how students spend their time and on their mental well-being?

Table 1 presents the institutions involved in the study with their approximate sample sizes; the goal for the cumulative sample size across the four states is about 9,500 students. The table shows that a mix of community colleges and four-year institutions are participating.

While the project will test the effectiveness of the intervention across different target groups and in different geographic areas, there are a number of commonalities across the participating sites. Specifically, all of the programs:

1. **Address the financial needs of low-income students**, such that the scholarships are targeted to a group of

students with high financial need that is not fully covered by existing federal and state financial aid programs.

2. **Attempt to ensure that the scholarships act as additional aid** by working with financial aid departments to have the scholarships provided on top of Pell Grants and other aid to the extent possible. In addition, as needed, the project works to have the scholarships displace student loans or work-study (rather than grants) and to minimize the potential impact of scholarships on students' eligibility for public benefits (like food stamps).⁶

3. **Receive financial support from local/regional and institutional partners** to ensure buy-in for the performance-based scholarships and possible commitment to continue the scholarship programs, if the results warrant.

TABLE 1 Estimated Number of Participants in the PBS Demonstration, by State

	OHIO	NEW YORK	NEW MEXICO	CALIFORNIA
INSTITUTIONS	<ul style="list-style-type: none"> • Lorain County Community College • Owens Community College • Sinclair Community College 	<ul style="list-style-type: none"> • Borough of Manhattan Community College • Hostos Community College 	<ul style="list-style-type: none"> • University of New Mexico 	<ul style="list-style-type: none"> • Various community colleges and four-year institutions
TOTAL SAMPLE GOAL	<ul style="list-style-type: none"> • 1,400 scholarship group • 950 non-scholarship group 	<ul style="list-style-type: none"> • 750 scholarship group • 750 non-scholarship group 	<ul style="list-style-type: none"> • 500 scholarship group • 500 non-scholarship group 	<ul style="list-style-type: none"> • 1,500 scholarship group • 3,100 non-scholarship group
SAMPLE RECRUITED AS OF SEPTEMBER 2009	2,285 (97% of total goal)	1,504 (100% of total goal)	1,082 (100% of total goal)	2,310 (100% of expected recruitment goal at this point)

HOW WILL THE DEMONSTRATION BE EVALUATED?

The PBS Demonstration includes an implementation study, a qualitative study, an impact study, and a cost study. The project uses a random assignment design, in which students are assigned in a lottery-like fashion to be part of either a scholarship group or a non-scholarship group. The implementation study will describe how the performance-based scholarship program operates, identify promising recruitment strategies and other best practices, and analyze whether the programs operated as intended. The qualitative study will capture the experiences and insights of students and administrators through focus groups and interviews. The impact study will allow for a causal interpretation of the effect of performance-

based scholarships on educational outcomes from administrative records (on such measures as student retention, credit accumulation, and graduation and transfer rates) and on outcomes from a student survey (on such measures as time spent studying, motivation, and use of scholarship monies). If the program is found to have significant impacts, a cost study will be conducted to assess the programs' return on investment.

VARIATION IN THE DESIGN OF THE PERFORMANCE-BASED SCHOLARSHIPS

While the performance-based scholarships offered in the four states share some common features, each state is structuring the amount, duration, and performance requirements of the scholarships somewhat differently. Table 2 summarizes the eligibility criteria and design

TABLE 2 Design of the Performance-Based Scholarships in Each State

	OHIO	NEW YORK	NEW MEXICO	CALIFORNIA
ELIGIBLE POPULATION	<ul style="list-style-type: none"> Age 18 or older Must be a parent Zero EFC^a 	<ul style="list-style-type: none"> Age 22 – 35 Live away from parents Requires developmental education Pell-eligible 	<ul style="list-style-type: none"> Age 16 – 26 Freshmen Pell-eligible 	<ul style="list-style-type: none"> Age 16 – 26 High school seniors applying for financial aid Pell-eligible
SCHOLARSHIP AMOUNT PER TERM	\$300-\$900	\$1,300	\$1,000	\$500-\$1,000
SCHOLARSHIP DURATION	2 semesters or 3 quarters	2 full semesters plus 1 summer semester ^b	4 semesters	1-4 terms
PERFORMANCE BENCHMARKS	<ul style="list-style-type: none"> Part time: 6-11 credits Full time: 12 or more credits “C” or better average 	Complete 6 credits or more with “C” or better in each course	Complete 12 credits (1st semester) or 15 credits (subsequent semesters) with a “C” or better average overall	Complete 6 credits with “C” or better average overall

^a The EFC (Expected Family Contribution) is the amount of money that a family is expected to be able to contribute to a student's education, as calculated according to federal guidelines. Students with a zero EFC are eligible for federal Pell Grants.

^b Half of all New York scholarship recipients are eligible to receive a summer scholarship.

variations for sites currently participating in the PBS project. These variations in program design will help answer questions about which type of performance-based scholarship can best help low-income college students succeed. A short description of the program in each state follows.

Ohio

Using federal and state welfare dollars, the Ohio State legislature created the Temporary Assistance for Needy Families (TANF) Educational Awards Program (TEAP) in 2006 based on positive findings from the Opening Doors project in Louisiana. TEAP was originally a state-run program in multiple community colleges across the state, but, because of funding cutbacks, it is now operating at only four community colleges, all participating in the PBS Demonstration. TEAP is targeted toward TANF-eligible students, consisting primarily of low-income mothers — a similar population of students to the one served in the Louisiana study. The program is funded by the Ohio Department of Job and Family Services and administered by the Ohio Board of Regents in cooperation with the participating colleges. TEAP is the only program in the demonstration that has a single payment at the end of the semester;⁷ it is also the only state with differential scholarship amounts for part-time and full-time students. Students earning 6-11 credits with an average of a “C” or better receive \$900 dollars over two semesters or three quarters, and students completing 12 or more credits with at least a “C” average receive \$1,800 over two semesters or three quarters.⁸ The Ohio sites are a pure test of the performance-based aspect of the scholarship because, unlike Opening Doors Louisiana, there is no counseling component. Enrollment in the study began in fall 2008 and ended in spring 2009.

New York

At the Borough of Manhattan Community College and Hostos Community College, the PBS program is targeted to low-income 22- to

FUNDERS OF THE PERFORMANCE-BASED SCHOLARSHIP DEMONSTRATION

The launch of the Performance-Based Scholarship Demonstration was made possible by the generous support of the Bill & Melinda Gates Foundation. The operation and research for the demonstration at various sites was enabled by support from:

- College Access Foundation of California
- The Joyce Foundation
- The Kresge Foundation
- The Ohio Department of Job and Family Services through the Ohio Board of Regents
- NYC Center for Economic Opportunity
- Robin Hood Foundation

35-year-old students, enrolled at least part time and placed in at least one developmental (or remedial) course. This target group has high levels of unmet financial need, even after federal and state aid is applied, and low success rates in college. Students receive a scholarship of \$1,300 per semester for two semesters (\$2,600 in total), disbursed in three increments after registration. The first disbursement of \$200 occurs after the official enrollment period for the semester, the second disbursement of \$450 is given upon meeting an attendance requirement, and the third disbursement of \$650 happens after completing at least six credits with a “pass” grade for pass/fail courses and a “C” average or higher for graded courses. Like the Ohio study, the New York study does not include a counseling component. Recruitment for the study began in fall 2008 and concluded in fall 2009.

New Mexico

The University of New Mexico, a public, Hispanic-serving institution,⁹ is the first four-year university participating in the PBS project

Each site in the demonstration adds distinctive value to the learning agenda.

and the only site with a strong student service component. The Vision Inspired Scholarship Through Academic Achievement (VISTA) performance-based scholarship program is targeted toward low-income, traditional-age students (16 to 26 years old). The program provides \$1,000 per semester for up to four terms (\$4,000 total) predicated on students' earning a "C" grade or higher in at least 12 credits during their first semester and at least 15 credits in subsequent terms. Students who meet the benchmarks receive the scholarship in three increments: \$250 at the beginning of the semester, \$250 at midterm, and \$500 at the end of the semester. Students are required to meet with an adviser in order to receive each payment, and the second and third payments are earned when students achieve a GPA of 2.0 (or a grade of "C") or better for the requisite number of credits each semester. Enrollment in the study began during fall 2008 and concluded in fall 2009.

California

California's program is the most ambitious one in the demonstration to evaluate because the scholarships are portable and can be used at any accredited college or university in the country. With varying scholarship amounts for varying durations, the California study will help determine whether there is a "tipping point" at which a performance-based scholarship would have the greatest impact. The intervention builds upon a long-standing program called California Cash for College, which offers workshops throughout the state to help low-income high school seniors and their parents to apply for federal and state financial aid. Performance-based scholarship amounts range from \$500 to \$1,000 per term, and the duration ranges from one to four terms. The six scholarship variations that will be tested are:

1. \$1,000 scholarship over one semester with no performance incentive;
2. \$1,000 performance-based scholarship over one semester (or one quarter);

3. \$1,000 performance-based scholarship over two semesters (or three quarters);
4. \$2,000 performance-based scholarship over two semesters (or three quarters);
5. \$2,000 performance-based scholarship over four semesters (or six quarters); and
6. \$4,000 performance-based scholarship over four semesters (or six quarters).

In California, students must receive at least a "C" average to earn the scholarship. Enrollment in the study began in spring 2009 and will conclude in spring 2010.

Each site in the demonstration adds distinctive value to the demonstration's learning agenda. For example, the New Mexico site ramps up the requirements for credits (from 12 credits the first semester to 15 credits each subsequent semester), while there are differential incentive payments for part-time and full-time attendance in Ohio. And the pure scholarship test in California will provide an interesting contrast to the scholarship program with a robust service component in New Mexico.

WHAT'S NEXT?

The research team will document findings in two sets of reports between now and the completion of the project in December 2012:

- **Research Briefs** (2010 and 2011) — State-specific research briefs will provide information on the enrollment process and the characteristics of the target population of each state. These reports will document how the PBS scholarships are being delivered by drawing on quantitative and qualitative data.
- **Final Reports** (2011 and 2012) — State-specific reports will contain a full evaluation of all activities, including a summary of the implementation, impact, and cost-benefit findings.

In addition, short periodic updates will be available on MDRC's Web site at www.mdrc.org.

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NOTES

¹For example, in 1970, about 51 percent of high school graduates enrolled in college at some point, compared with 67 percent of high school graduates in 1999. Yet, the percentage of those enrolled who eventually earned a bachelor's degree remained stagnant: 23 percent for the 1970 group and 24 percent for the 1999 group. See Sarah Turner. 2004. "Going to College and Finishing College: Explaining Different Educational Outcomes" in Caroline M. Hoxby (ed.), *College Choices: The Economics of Where to Go, When to Go, and How to Pay for It*. Chicago: University of Chicago Press.

² Organisation for Economic Co-operation and Development. 2007. *Education at a Glance 2007: OECD Indicators*. Paris: OECD Publishing.

³ See Lashawn Richburg-Hayes, Thomas Brock, Allen LeBlanc, Christina Paxson, Cecilia Rouse, and Lisa Barrow. 2009. *Rewarding Persistence: Effects of a Performance-Based Scholarship Program for Low-Income Parents*. New York: MDRC; and Thomas Brock and Lashawn Richburg-Hayes. 2006. *Paying for Persistence: Early Results of a Louisiana Scholarship Program for Low-Income Parents Attending Community College*. New York: MDRC. Another recent random assignment study of a financial aid intervention that suggests a positive relationship between financial aid and academic success for a subgroup of students is Joshua Angrist, Daniel Lang, and Philip Oreopoulos. 2009. "Incentives and Services for College Achievement: Evidence from a Randomized Trial." *American Economic Journal: Applied Economics* 1, 1:1-28.

⁴ MDRC is exploring adding two more states to the demonstration.

⁵ Financial aid regulations prohibit certain students from receiving financial aid in excess of their need. In these instances, federal work-study or loans may be displaced for the performance-based scholarship.

⁶ Public benefits include TANF (welfare), food stamps, and disability benefits. The PBS Demonstration has been able to avoid having the scholarships count as income against students' eligibility for public benefits.

⁷ Ohio regulations would treat multiple scholarship payments as recurring income because the scholarships are not specifically earmarked for educational expenses only. A single lump payment was implemented in order to minimize potential interaction with students' benefit receipt.

⁸ Students have the flexibility to earn either the full-time or part-time award each semester or quarter without regard to the type of reward earned in the prior semester or quarter.

⁹ The Hispanic Association of Colleges and Universities defines "Hispanic-serving institutions" as those where Hispanic enrollment constitutes a minimum of 25 percent of the school's total enrollment.

**PAYING FOR COLLEGE SUCCESS:
AN INTRODUCTION TO THE PERFORMANCE-BASED SCHOLARSHIP DEMONSTRATION**

President Obama has focused new attention on the problem of low rates of college completion with his recent announcement of the \$12-billion American Graduation Initiative and his call for the United States to regain the highest college graduation rate in the world by 2020. Low-income students are most at risk of not persisting to complete a certificate or degree — often because of financial pressures and inadequate academic preparation for college. Paid contingent on attaining academic benchmarks, performance-based scholarships can both provide financial assistance and act as an incentive to earn a postsecondary degree. This brief describes MDRC’s Performance-Based Scholarship Demonstration, which is testing variations of these scholarships in four states.