

Performance-Based Scholarships: Paying Students for Academic Performance

Tags: Degree attainment, student services, improving achievement, pay-for-performance, persistence, retention, tuition reduction, data collection/use

Introduction: Performance-Based Scholarships

Performance-based scholarships provide low-income college students with scholarships based on their completion of certain academic benchmarks. Students eligible to receive the scholarship must complete their program's requirements at various points during the semester and in exchange receive a scholarship check sent directly to them rather than to their school.

MDRC evaluated a performance-based scholarship program as part of the Opening Doors Demonstration in Louisiana, which began in 2004. This program targeted low-income, primarily female community college students with children. Students in the program were offered a scholarship up to \$1,000 per semester for two semesters contingent upon getting a "C" or better average in six credits and attending required meetings with an advisor at various points in the semester. The evaluation was conducted using a randomized controlled trial, widely considered the gold standard in social science research for its ability to infer causality – that is, the program's causal effect on the outcomes of those students who were eligible to receive the treatment compared to those who did not.

Given the positive early results of performance-based scholarships in Louisiana, MDRC launched the Performance-Based Scholarship (PBS) Demonstration in four states – Ohio, New York, New Mexico, and California – in 2008, and in another two states – Florida and Arizona – in 2010. Although each of the states' programs varied slightly in its implementation, targeting different populations and offering different incentives, all had at their core the same program: providing scholarships to low-income students in exchange for meeting basic academic benchmarks. A description of each state's program can be found in Table 1 of this document.

Theory of Change

The theory of change behind performance-based scholarship programs is multifaceted. By conditioning additional financial aid on academic benchmarks, the program seeks to encourage students to focus more on their studies, which, in turn, should lead them to perform better in their classes in the short term. In the medium term, they should progress through their degree requirements at a quicker rate by increasing their term-to-term enrollment and their credits attempted and earned. Increases in these academic outcomes may then lead to long-term gains, including year-to-year persistence, more total cumulative credits earned, and graduation or transfer to a four-year or more selective postsecondary institution.

Key Findings and Impacts

Although the program is still ongoing in some states, MDRC now has preliminary results from performance-based scholarship programs in Ohio, New York, and New Mexico, in addition to the original results in Louisiana. All of the sites have found impacts on credits earned by students in the treatment group. The Louisiana study saw an average increase of 1.2 credits earned in the first term, and 1.3 credits earned in the second term. In the Ohio program, which

has a target population similar to that of Louisiana, the program group students earned an average of two full credits more than the control group students over two terms of study. The New York site, which targeted students in need of remedial education, had an increase of 0.6 credits earned in the first term. The New Mexico study, which is the only one housed at a four-year institution, found no impact on credits earned over the first academic year, but showed an increase of 0.6 credits in the second term.

All sites, including the original Louisiana study, showed an increase in credits attempted and/or full-time enrollment in the second term. In Louisiana, there was an increase of 1.2 credits attempted in the second term, and a 15.3 percentage point increase in full-time enrollment. Similarly, in Ohio, program participants showed an increase of 0.6 credits attempted in the second term, and a 6.3 percentage point increase in full-time enrollment. In New York, while there was no increase on credits attempted in the second term, the program did have a 7.4 percentage point increase in full-time enrollment. Lastly, in New Mexico, students in the program attempted almost one full credit more than control group members in the second term.

Finally, both the Ohio and New Mexico studies found evidence of debt reduction as a result of the performance-based scholarships. Loans made up a smaller proportion of total financial aid for program group students in Ohio and New Mexico than for control group students.

These mostly short-term results suggest that performance-based scholarships can move the dial on some important markers of academic success. If the programs can show lasting effects after the scholarships are no longer available to the students — and impacts on persistence emerge in later terms — performance-based scholarships could lead to higher graduation rates. MDRC will follow these longer-range outcomes closely in Ohio, New York and New Mexico in the coming terms. In addition, forthcoming results from three more states in the PBS Demonstration — California, Arizona and Florida — will add to the body of knowledge on the effectiveness of these scholarships on improving academic success for low-income students.

Challenges to Implementation

Perhaps the biggest challenge in implementing performance-based scholarships is identifying funds to be used for these scholarships. In the study, the bulk of the scholarships were provided by foundations, but colleges had to identify a source for a matching contribution from their own financial aid funds. With limited resources, colleges may find funding their part of the scholarships difficult, especially with competing financial aid priorities.

Another challenge is communication. Most important, students must be clear on what they need to do in order to receive the money. Colleges must be careful to craft marketing materials and communications that are clear and concise for students. Colleges in the study found that it was helpful to inform students about scholarship details through multiple modes, including in person during intake, hardcopy via mail, and electronic copy via email. In addition, students received regular reminders about the scholarships at many sites.

Emerging Factors for Success and Potential Implications

Performance-based scholarships are paid in addition to Pell grants and other state and local financial aid for students, and thus its results can only speak to the impact of their use on top of the existing aid structure. However, in a time where policy makers are looking for more ways to make financial aid more effective, there are some notable differences in the delivery of performance-based scholarships that could be relevant to current and future aid and scholarship programs:

- Performance-based scholarships are paid directly to students. This creates a potentially powerful tool to signal to students what is expected of them in terms of enrollment (e.g., full-time versus part-time) and academic performance, and means that this scholarship is potentially more salient to students versus other forms of aid that are paid directly to the students' institutions.
- Performance-based scholarships create an opening for more constant communication with students. In this way, an aspect of student support is built into financial aid. Indeed, colleges that incorporate student services with the scholarship have seen bigger impacts than those that do not.
- Performance-based scholarships are generally paid in increments over the semester. This means that students get their aid over the entire semester, rather than in a large lump sum. Students may be encouraged to consistently work towards an end goal while receiving modest benefits along the way, which also keeps the benchmarks salient to students. In addition, students may be able to make better financial decisions throughout the term with this type of disbursement schedule.

The Performance-Based Scholarship Demonstration is ongoing, but its early impacts across sites are promising for student retention and credit accumulation.

For more information, see Richburg-Hayes, Lashawn, Paulette Cha, Monica Cuevas, Amanda Grossman, Reshma Patel, and Colleen Sommo. 2009. *Paying for College Success: An Introduction to the Performance-Based Scholarship Demonstration*. New York: MDRC. www.mdrc.org.

Project contact: Lashawn Richburg-Hayes, lashawn.richburg-hayes@mdrc.org.

The Performance-Based Scholarship Demonstration

Table 1

Study Summary, by Site

	Opening Doors Louisiana	PBS New York	PBS Ohio	PBS New Mexico	PBS California	PBS Arizona	PBS Florida
Eligibility	Age 18-34 Parent Income below 200% of poverty line	Age 22-35 Pell-eligible Lives away from parents In need of at least one remedial course	Age 18+ Parent Zero EFC ¹	Age 16-26 (primarily 17-19) Pell-eligible First-year student	Age 16-19 Below Cal Grant A/C income threshold First-year student Completed FAFSA & Cal Grant application	No age criteria Hispanic male Fewer than 45 credits earned EFC below 5,273 ¹	Age 18+ EFC below 5,273 ¹ In need of remedial math
Scholarship amount per term and duration	\$1,000 for two semesters	\$1,300 for two semesters plus one summer semester ²	\$300 - \$900 (part-time and full-time amounts vary) for 2 semesters / 3 quarters	\$1,000 for four semesters	\$333 -\$1000 (6 program groups with varying amounts and durations) for 1-4 semesters / 1-6 quarters	Up to \$1,500 (part & full-time amounts vary by academic / service criteria) for 3 semesters	\$600 for three semesters + one summer term
Scholarship distribution	\$250 at enrollment \$250 at midterm \$500 at term end	\$200 at enrollment \$450 at midterm \$650 at term end	Full payment at term end	\$250 at enrollment \$250 at midterm \$500 at term end	Varies by amount and duration	\$150 at orientation \$150 at advising Balance at term end	\$100 at enrollment \$500 at term end
Maximum total scholarship amt	\$2,000	\$2,600 to \$3,900 ²	\$1,800	\$4,000	\$4,000	\$4,500	\$1,800
Years of program operation	Spring 2004 to Summer 2005	Fall 2008 to Summer 2010	Fall 2008 to Winter 2010	Fall 2008 to Spring 2011	Fall 2009 to Spring 2012	Fall 2010 to Fall 2012	Fall 2010 to Fall 2012
Program requirements	Enroll in college, and complete at least 6 credits with a "C" or better average Meet with advisor	Enroll in college, and complete at least 6 credits with a "C" in each	Part time: 6-11 credits with "C" or better in each Full time: 12 or more credits, "C" or better in each	Complete at least 12 (first semester) or 15 (subsequent semesters) credits with a "C" or better average Meet with advisor	Enroll in college, and complete at least 6 credits with a "C" or better average	Part time: 6-11 credits with "C" or better Full time: 12 or more credits, "C" or better Meet with advisor Complete tutoring and workshop requirements	Complete a sequence of math courses with a "C" or better Complete tutoring requirements
Study sample & program group	1,019 total 505 program group	1,502 total 754 program group	2,285 total 1,359 program group	1,081 total 536 program group	5,160 total 1,720 program group	1,028 total 611 program group	1,076 total 675 program group

¹ 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 an EFC of up to 5,273 during the 2010-2011 academic term are eligible for federal Pell grants.

² New York had a three-way design where half of all New York program group students were eligible to receive a summer scholarship.