

Executive Summary



PROVIDING MORE CASH FOR COLLEGE

Interim Findings from the
Performance-Based Scholarship
Demonstration in California

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June 2015

THE PERFORMANCE-BASED SCHOLARSHIP DEMONSTRATION

mdrc
BUILDING KNOWLEDGE
TO IMPROVE SOCIAL POLICY

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Overview

One of the original purposes of student financial aid was to ensure fairer access to postsecondary education to those least able to afford it and to those traditionally underrepresented. Various federal and state programs were put in place to achieve this goal, including the federal Pell Grant and state aid programs. Yet policymakers and education leaders continue to grapple with how to boost college attendance and completion in an era when the number of college graduates is lagging behind demand and government resources are increasingly limited. Increasing the number of college graduates is particularly difficult given the continued rising cost of attending college and the failure of financial aid to keep pace.

This report presents early findings from an evaluation of performance-based scholarships targeting college-bound high school seniors in California, referred to as the Cash for College Performance-Based Scholarship (CFC-PBS) Program. This program is one of six being studied as part of the Performance-Based Scholarship (PBS) Demonstration. Performance-based scholarships are need-based grants contingent on meeting certain academic benchmarks to receive payment — in this case, a half-time course load with a “C” or better grade point average (GPA). Unlike merit-based scholarships, there are no academic criteria to be eligible for the program at the outset. The CFC-PBS scholarship can be taken to any accredited, degree-granting college or university in the country. The goal of the CFC-PBS Program is to increase the amount of aid available for students while simultaneously providing an incentive for academic achievement.

Using a random assignment design — the gold-standard methodology in program evaluation — MDRC assigned over 5,000 students to one of five program groups that were eligible for the incentive scholarship, to a group that was eligible for a scholarship without performance criteria, or to a control group that received their colleges’ standard financial aid packages. This report analyzes three terms of follow-up data from the program in California. Overall, the findings in this report show the following:

- The CFC-PBS Program was largely implemented as designed.
- While few students received the entire amount of the scholarship for which they were eligible, most students received some funding. In this way, the design of the scholarship enabled more students to receive additional financial aid.
- The CFC-PBS Program encouraged more students to matriculate, by about 5 percentage points above the control group rate of 84.4 percent. This increased matriculation largely occurred at community colleges. However, the program had only limited effects on persistence from semester to semester, and only for community college students.
- The program had positive impacts on academic success. These effects extend to numerous subgroups, such as males, females, and students of Latino ethnicity. There is strong evidence that the program affected students with lower high school GPAs more than students with higher high school GPAs.
- The cost to administer scholarships increased as performance requirements were added, but since on the whole, students received only a portion of the scholarship amount they were offered, the decrease in payments to students more than offset the increased cost of administration. All else being equal, scholarships with more performance requirements cost less than scholarships with fewer performance requirements.

A future report will present a cross-site synthesis of the final results from this and other sites from the PBS Demonstration programs.

Preface

From the White House to the schoolhouse, policymakers, educators, and citizens alike are calling for more college graduates across the country. President Obama has set the lofty goal of graduating a higher proportion of citizens than any other nation in the world by 2020. Reaching this level is a daunting task: Only 59 percent of students entering four-year institutions graduate within six years, and just 31 percent of students entering two-year institutions graduate within four years. The completion rate for low-income students is even bleaker, as they face barriers such as limited resources to manage the various costs associated with college, competing demands on their time (such as work or child-care responsibilities), and insufficient preparation. One of the ways that this administration has tackled these obstacles is to expand federal support — primarily Pell Grants to help more students afford college.

State and private donors also contribute more than \$16 billion in scholarships, many of which use merit-based criteria that reward high school performance. What do we know about the most effective way to structure these scholarship programs? Little research has been done to understand how creative financial aid structures might better assist students, especially low-income, disadvantaged students who might not meet merit-based criteria. With support from a consortium of foundations, colleges, and intermediaries, MDRC has worked in six states with over 12,000 students to test several different scholarship designs. All of these subsidies are known as performance-based scholarships — need-based grants, contingent on meeting academic benchmarks in college, that are intended to reduce the cost of college for low-income students and create incentives for academic success once they are enrolled.

This report presents early findings from an evaluation of an innovative application of performance-based scholarships that targeted college-bound high school seniors in California, referred to as the Cash for College Performance-Based Scholarship Program. The program recruited over 5,000 students into the study and randomly assigned them to be eligible for one of six different scholarships (ranging from \$1,000 to \$4,000 and from one term to two years) or a control group. The scholarships were completely portable, meaning that a student could use them at any accredited, degree-granting college or university. The findings indicate that such a statewide program could be implemented well, enabling more students to receive some funding toward their college costs. Additionally, the program encouraged students to matriculate, mainly at two-year institutions. While there is evidence that the program had positive impacts on academic success, it did not boost persistence in college after the students' initial registration.

More time is needed to investigate whether these early results will translate into impacts on graduation and to understand whether certain scholarship amounts and durations work better for students. However, these early results and the design of this study lay an important foundation for understanding how we can better configure existing scholarship programs.

Gordon L. Berlin
President, MDRC

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The study would not have been possible without the hard work of Despina Costopoulos from the California Student Aid Commission; David Rattray, Alma Salazar, and Carmen Gomez from the Los Angeles Area Chamber of Commerce; Julia Lopez, Katie Tremper, Marty Campbell, and Jay Sherwin from the College Futures Foundation of California; and Cash for College regional coordinators Marylee Boales, Monica Roberts, and Frank Ramirez.

Many MDRC staff members have contributed to the PBS Demonstration and to this report. On the project team, we would like to recognize Robert Ivry for his leadership and guidance; Alissa Gardenhire for implementation and qualitative research leadership; Michelle Ware, Oscar Cerna, and Elliot Peterson for operations and qualitative research support; Amanda Grossman for resource management; and Colleen Sommo for technical advising. Consulting support came from Edward Deci and Mindy Hernandez, and Leslyn Hall helped design the survey instrument. The authors also thank Hannah Fresques, Melvin Gutierrez, Rich Mezzasalma, Sahil Raina, Jasmine Soltani, and Mary Clair Turner for their help with data processing. Random assignment and baseline data collection would not have been possible without Joel Gordon, Galina Farberova, and Shirley James and her staff in the data room. Gordon Berlin, Alissa Gardenhire, John Hutchins, Robert Ivry, Therese Leung, Alex Mayer, Colleen Sommo, Jed Teres, Johanna Walter, Michelle Ware, and Pei Zhu from MDRC and Phil Oreopoulos from the University of Toronto reviewed drafts of the report and provided invaluable feedback. Phoebe Richman and Himani Gupta fact-checked the report, with support from Alyssa Ratledge, who managed the process. Rebecca Bender, with Alice Tufel, edited the report and Stephanie Cowell and Carolyn Thomas prepared it for publication.

Last, and most important, we would like to thank the thousands of students pursuing postsecondary education who participated in the study in California. We hope that the findings from this study and the demonstration overall can be used to improve college programs and services for them and others in the future.

The Authors

Executive Summary

Students, families, educators, and policymakers alike realize the growing importance of a post-secondary degree or credential in competing for jobs. In fact, many state economic projections show a steadily increasing demand for a highly educated workforce. Yet policymakers and education leaders are grappling with how to boost college attendance and completion in an era when the number of college graduates is lagging behind demand and government resources are increasingly limited.¹ Increasing the number of college graduates is particularly difficult given the continued rising cost of attending college and the failure of financial aid to keep pace, which connects to both access and retention. The combination of these factors particularly affects low-income students, who have limited means to pay for college.

While the Pell Grant is the main federal source of need-based aid, states and private donors together contribute more than \$16.4 billion in scholarships to undergraduates.² Many of these scholarships are structured so that they go to students who already have a high chance of success. In contrast, performance-based scholarships are need-based grants with payment contingent on meeting certain academic benchmarks in college. These types of scholarships have the potential to help students who might not otherwise qualify for merit aid, which is often given based on high school performance. With anchor funding from the Bill & Melinda Gates Foundation and a consortium of other foundations, MDRC has worked in six states with over 12,000 students, eight institutions, and one intermediary to test several different performance-based scholarship designs and to address on a much larger scale and in a wide range of settings the question of whether this innovative form of financial aid can improve academic achievement in both the short term and long term.

This report presents early findings from an ambitious evaluation of performance-based scholarships targeting college-bound high school seniors across the state of California, referred to as the Cash for College Performance-Based Scholarship (CFC-PBS) Program. Building on an existing program geared to induce students to complete their Free Application for Federal Student Aid (FAFSA), CFC-PBS recruited over 5,160 students to participate in the chance to earn scholarships that ranged from \$1,000 to \$4,000. Students were eligible for one of six different scholarship types over a period from one semester to four semesters, so that researchers could learn what amounts and durations of scholarships work best for students. The scholarships were completely portable — not tied to attendance at a particular institution — and could

¹Organisation for Economic Co-operation and Development, *Education at a Glance 2007: OECD Indicators* (Paris: OECD Publishing, 2007); College Board, *Trends in Student Aid 2012* (New York: The College Board, 2012).

²College Board (2012).

be taken to any accredited, degree-granting college or university in the country. The program is evaluated using a random assignment design, similar to that used in medical efficacy trials. The specialized nature of the program and rigor of the evaluation design provide unique causal information on the role of financial aid in matriculation.

This report analyzes three terms of follow-up data from the program in California to address these research questions:

- Is it feasible to implement a statewide, portable scholarship program that makes aid contingent on students' performance in college?
- Do students who are offered performance-based scholarships have better academic outcomes than similar students offered scholarships without performance conditions attached?
- What does it cost to implement a performance-based scholarship program?

This report finds that the CFC-PBS Program was largely implemented as designed, encouraged more students to matriculate, and had positive impacts on academic success.

The CFC-PBS Program

The program in California is part of a multistate evaluation of performance-based scholarships taking place at institutions in Arizona, Florida, New Mexico, New York, and Ohio. The Performance-Based Scholarship (PBS) Demonstration is testing different versions of these scholarships, and each state represents a program with a different target population, scholarship design, and performance benchmark. However, all programs share a few basic tenets: Payments are based on registering for a certain number of credits and earning a "C" or better at the end of the term; the scholarships are paid directly to students rather than to their institutions; and the scholarship dollars are paid on top of the federal Pell Grant, state-based aid, and any other aid for which students are eligible.

The program in California was built into an existing statewide program called Cash for College, a public-private partnership effort co-led by the California Student Aid Commission and the Los Angeles Area Chamber of Commerce and its affiliate, UNITE-LA, with funding provided by the College Futures Foundation. The Cash for College program brings together high schools, colleges, communities, businesses, and local government organizations and agencies to help low-income youth successfully complete the college financial aid application process (consisting of completing the FAFSA and the application for the California state financial aid program, Cal Grant), with the goal of helping to maximize the amount of state and federal aid that students can obtain. Between December and March of each academic year, college fi-

nancial aid staff members, high school counselors, and trained community volunteers assist students and families at hundreds of Cash for College workshops throughout the state.

Prior to the evaluation of performance-based scholarships, Cash for College workshops offered a \$1,000 scholarship (*not* performance-based) to a randomly selected attendee at every workshop who completed a financial aid application as an incentive to attend. MDRC collaborated closely with the Cash for College partners and the College Futures Foundation to develop an ambitious plan to test not only this Cash for College scholarship but an entire suite of performance-based scholarships, with the goal of determining which configuration would produce the greatest impact on academic outcomes. During the study period (from spring 2009 to summer 2012), students were randomly assigned to one of several different scholarship groups that varied in key features:

- **Scholarship Type 1:** Original Cash for College scholarship of \$1,000 over one term with no performance incentive, described above.³
- **Scholarship Type 2:** Performance-based scholarship of \$1,000 over one term.
- **Scholarship Type 3:** Performance-based scholarship of \$1,000 over one year.
- **Scholarship Type 4:** Performance-based scholarship of \$2,000 over one year.
- **Scholarship Type 5:** Performance-based scholarship of \$2,000 over two years.
- **Scholarship Type 6:** Performance-based scholarship of \$4,000 over two years.

The evaluation also randomly assigned some students to a control group that was not eligible for a scholarship. Random assignment ensured that students in all the groups had similar levels of academic preparation, motivation, and other characteristics at the start of the study. By tracking students in the different groups over time and comparing their outcomes, researchers can determine the “value added,” or impact, of different types of scholarships on college enrollment, credits attempted and earned, graduation, and other outcomes. As a result of the various durations of the scholarship types, the three semesters of follow-up analyzed in this report

³Students who were eligible for this scholarship type received the funds at the start of the semester, so they were not subject to the satisfactory academic progress (SAP) requirements of their institutions, which often require the maintenance of a certain grade point average (GPA) and attainment of a certain pass rate for courses attempted.

show effects that were observed for some scholarships after the program period had ended and for others that had not yet reached the end of the intervention.

The CFC-PBS Study Sample

MDRC and Cash for College recruited students for the evaluation over a two-year period. To be eligible, students had to be high school seniors, attend a Cash for College workshop in a geographic region targeted for the study, complete the federal and state financial aid application process, and meet certain income thresholds.⁴ Intake began in 2009 in Los Angeles County and a vast area referred to as the Far North region, encompassing 11 rural counties below the Oregon border. In 2010, the evaluation expanded to include the Capital region around Sacramento and Kern County in California's agricultural Central Valley.

The analysis in this report focuses on over 5,000 students who met the eligibility criteria and were randomly assigned to one of six program groups or a control group. Students who attended workshops in the Los Angeles region make up over half of the sample, while around one-fourth of the sample are Far North workshop attendees. Over three-fifths of sample members identified themselves as Hispanic/Latino, and around one-fifth of sample members identified as white. Over half of the CFC-PBS sample reported that they are the first member of their family to attend college.

Baseline financial aid data were also collected for all students in the sample and showed that around half received some public benefits (mostly free or reduced-price lunches or food stamps).⁵ Most students had financial circumstances that qualified them for the federal Pell Grant. Around 65 percent of students were eligible for a Cal Grant award. Together, the financial aid and Cal Grant characteristics indicate that the sample is made up primarily of low-income, traditionally aged, dependent students with high levels of financial need.

The CFC-PBS Program sample was not designed to represent all California first-year students. It was drawn out of a population of students who actively chose to attend a Cash for College workshop and opted to be considered for the study. This self-selecting group of fairly motivated students was drawn while students were still in high school applying for admission to college.

⁴Students had to be below the Cal Grant A and C income thresholds defined by the state of California.

⁵The former Food Stamp Program is now the Supplemental Nutrition Assistance Program (SNAP), but SNAP benefits are often referred to as "food stamps," and the two terms are used interchangeably in this report.

Program Implementation

The program design for the CFC-PBS study was quite complex. During the 2010 intake period, 10,624 students participated in 210 Cash for College workshops in the targeted regions and 9,765 participants were interested in being part of the study. (A total of 15,420 students expressed interest in participating in the study over the two-year intake period.) In addition, eligible participants were randomly assigned to one of six program groups or a control group, and the various verification and disbursement processes were modified to address the dramatic increase in the volume of scholarship disbursements (almost three times larger than the volume given out in 2008-2009).

- **The CFC-PBS Program was largely implemented as designed.**

The existing structure of Cash for College provided a strong foundation for the CFC-PBS Program. The scholarship program complemented the Cash for College program, attesting that a large-scale portable scholarship program can be implemented successfully. The study required additional procedures in order to manage the various scholarship types, the increased volume of program group students, and the additional requirements attached to the disbursement of the award.

- **On average, across all six scholarship types, students received about \$900 in scholarships over the first year and the initial enrollment payment of the second year.**

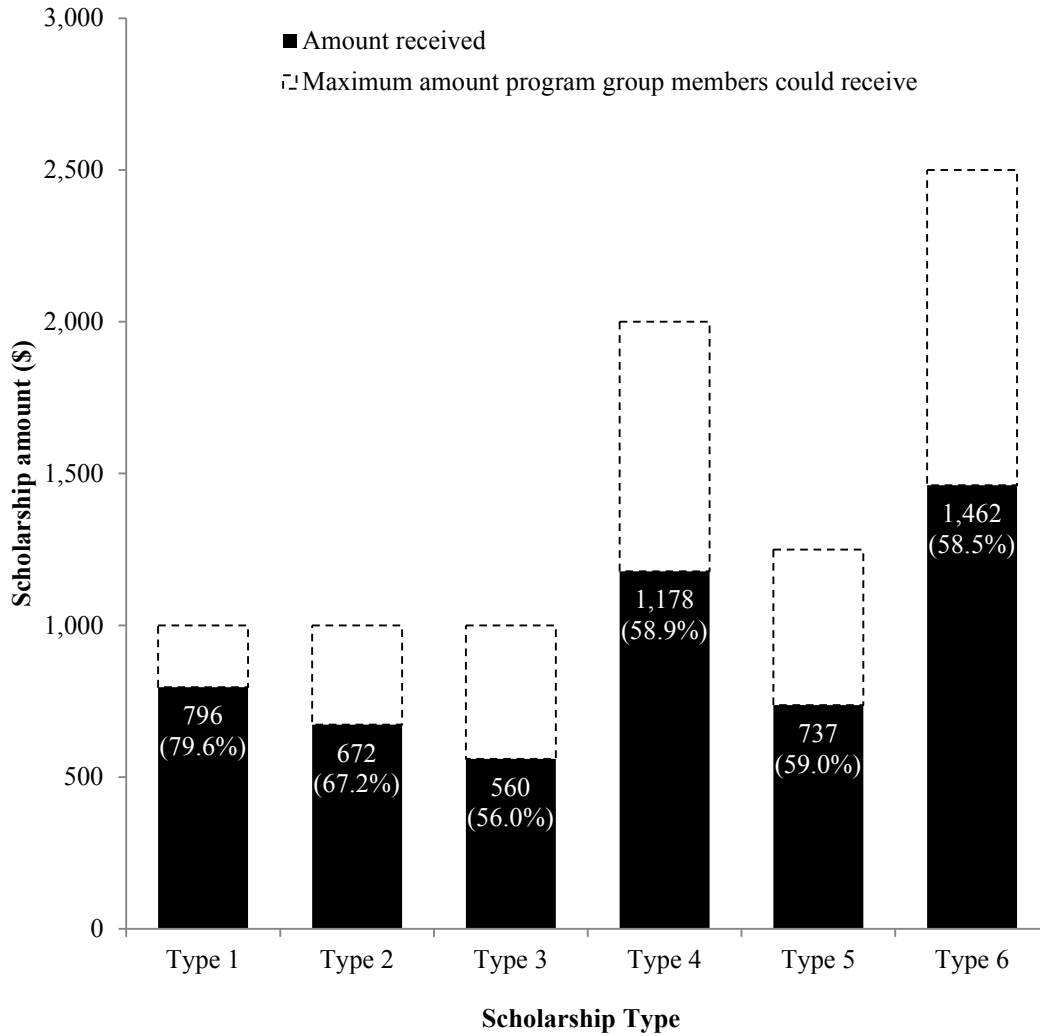
Scholarship disbursements were divided into two categories: those made upon proof of a student enrolling in a college or university, and those made upon proof of a student meeting the performance requirements of a “C” or better GPA in at least six credits. About 83 percent of program group members received at least one scholarship payment over the program’s first three terms. On average, program group members received about \$900 in scholarships, which represents slightly more than 63 percent of the total scholarship amount for which they were eligible. Because of the design of the scholarship, students had to submit documentation to show that they had enrolled at the beginning of a term and then that they had achieved the requirements to receive the award; therefore, there may be a subset of students who met the scholarship benchmark but did not submit their documentation, and thus did not receive their payment. Figure ES.1 outlines the average scholarship amount received by program group members for each scholarship type.

Students who received CFC-PBS payments reported that the money was primarily used toward college-related expenses — books being the most commonly purchased item. They also mentioned that the timing of the disbursements of CFC-PBS moneys helped cover up-front costs that were incurred before financial aid was disbursed.

Figure ES.1

**Average Scholarship Amount Received by Program Group Members:
First Through Third Terms**

Cash for College Performance-Based Scholarship Study



(continued)

Figure ES.1 (continued)

SOURCES: MDRC calculations using scholarship payment data provided by the California Student Aid Commission as well as data from the U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS).

NOTES: The figure does not include performance payments in the third term, as fall 2010 cohort data were not available at the time of data acquisition.

Dotted lines above the bars represent the maximum amount of money that students were eligible for over the first two terms and the enrollment payment of the third term.

The percentage of the maximum possible award earned over the first three terms is reported in parentheses under the average amount received over the first three terms.

Students assigned to Scholarship Type 1 are eligible for an enrollment scholarship payment only in the first term.

Students assigned to Scholarship Type 2 are eligible for scholarship payments only in the first term.

Students assigned to Scholarship Types 3 and 4 are eligible for scholarship payments only in the first and second terms.

- **The scholarships' benchmark of a GPA of "C" or better seemed attainable to large numbers of students.**

Field research was conducted to learn about students' experiences in college and their perceptions of the CFC-PBS Program. The majority of focus group participants mentioned that while the extra money was beneficial, they did not feel the scholarship by itself made a significant difference in motivating them academically. However, knowing that they could lose the award did appear to give a considerable number of students an incentive to work harder, based on interviews and survey results. Survey respondents were fairly split between those who were encouraged by the scholarship to take more classes and those who were unaffected by it.

Findings on Academic Outcomes

The academic findings are presented for students' first year in college, as well as the first term of their second year. Sample members were surveyed about 12 months after they entered the study to provide information about their levels of effort in their studies, their motivation levels, and their employment patterns. Overall, the program generated some modest but positive early effects on student outcomes; a future report will provide effects on longer-term outcomes, such as graduation. Moreover, since this report does not present data for *all* of the terms during which students were eligible for an award, it is premature to draw final conclusions about the effectiveness of these awards or to determine what amounts of aid matter based on the analyzed data. Specifically, the early findings show the following:

- **The CFC-PBS Program encouraged more students to matriculate.**

The CFC-PBS Program is one of the first studies to document a causal relationship between financial aid and matriculation. Although the program was marketed mainly to students who had already taken steps to enroll in college (namely, attending a Cash for College workshop for completing financial aid applications), the scholarship offer resulted in about a 6 percent increase in matriculation among program group students (by 4.7 percentage points over the control group mean of 84.4 percent). Figure ES.2 shows that the matriculation impacts are concentrated among students attending two-year colleges (specifically, California community colleges). This is reasonable given the timing of the notification of scholarship eligibility: Letters were sent out in June, in the summer prior to fall matriculation but after the deadlines for acceptance to most four-year institutions. Because community colleges have flexible start dates, this suggests that the program induced students who were not going to attend school to change their decision and enroll in a community college.

These effects extend to numerous subgroups, such as males, females, and students with high school GPAs below and above 3.0. There is compelling evidence that the intervention had larger effects on enrollment for those students with lower high school GPAs than for students with higher high school GPAs. Lastly, the program had stronger effects for students who may not have been intrinsically motivated to apply for financial aid. (In other words, the program seemed to have a greater effect on those students who attended the workshops based on parental pressure, counseling pressure, or other external pressures.)

- **Positive impacts of the program seem to be concentrated among students attending two-year colleges (specifically, California community colleges).**

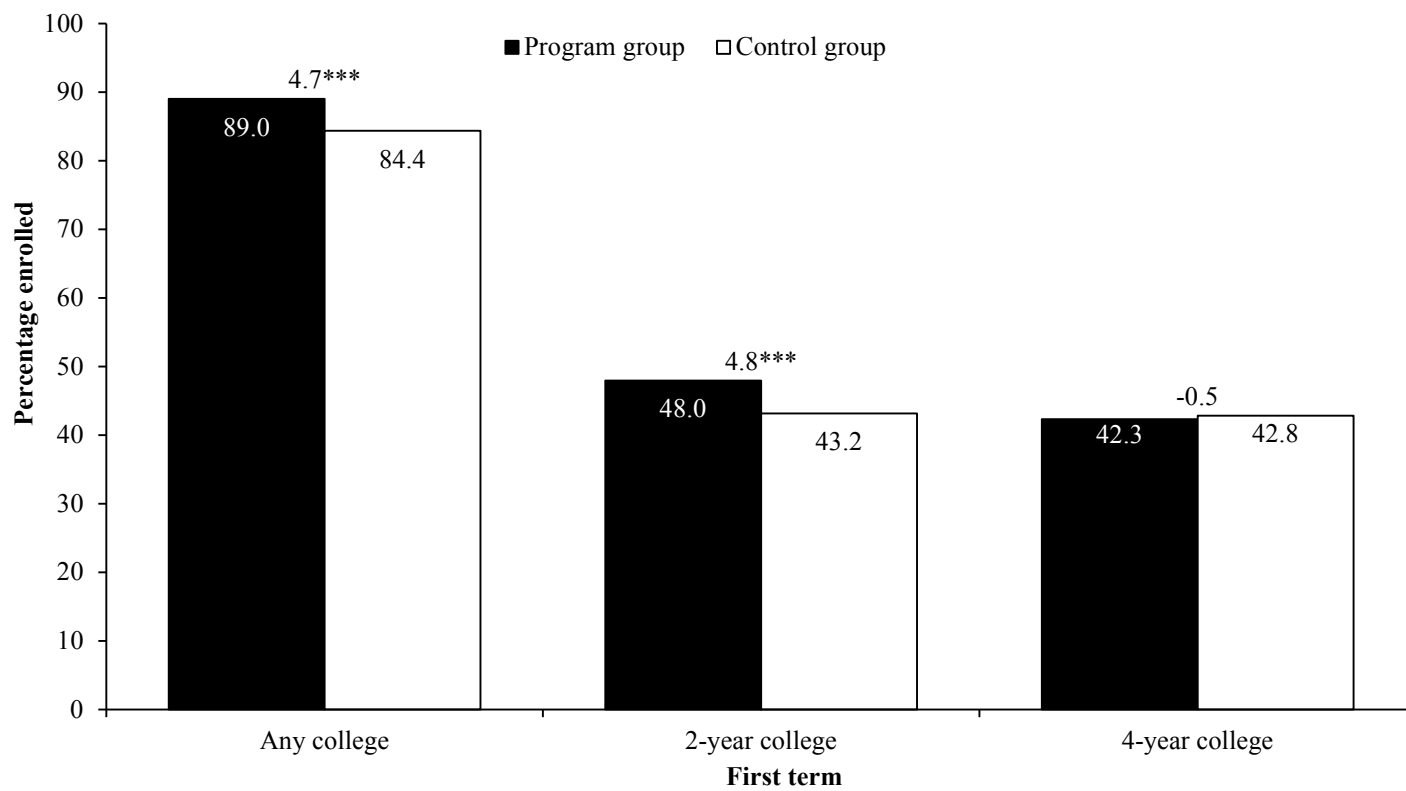
In addition to increasing matriculation at community colleges, the program also modestly increased persistence at such colleges. During the second term after random assignment, students in the program group were 3.7 percentage points more likely to register compared with the control group mean of 84.7 percent. The small increases in enrollment continued into the third term as well.

The program also induced students attending California community colleges to attempt and to earn a greater number of college-level credits. However, the credits attempted and earned are relatively small in magnitude (about one-quarter of a course).

- **The program had positive impacts on students' participation in activities aimed at helping them improve their academic performance.**

Students who were eligible for scholarships were more likely to take courses on improving their study skills, seek academic services outside of class, and participate in study

The Performance-Based Scholarship Demonstration
Figure ES.2
Matriculation
Cash for College Performance-Based Scholarship Study



(continued)

Figure ES.2 (continued)

SOURCE: MDRC calculations using National Student Clearinghouse data.

NOTES: A two-tailed t-test was applied to differences between research groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

Estimates are adjusted by research cohort and workshop region.

Rounding may cause slight discrepancies in sums and differences.

National Student Clearinghouse data were not found for 320 students (6.5 percent of the sample).

groups. The program also seems to increase the “good” types of extrinsic motivation: The survey findings suggest that the money from the intervention likely motivates students to achieve academically, and the motivation may remain when the stimulus of the money is removed. Lastly, there is some evidence that the intervention decreased employment, giving students more time to focus on their studies.

Program Cost

Cost estimates are based on actual scholarship payments and program expenditures over two years (from January 2009 to June 2011). The cost analysis estimates the cost of Scholarship Types 1 through 4 for the period covered in this report. Cost analyses over the full period of the scholarship will be published in a later report. The analysis describes costs that are required to continue operating the program, as it is believed that this provides the most informative estimate for policymakers, foundations, colleges, or others who may be interested in implementing such a program. As a result, all costs related to MDRC’s evaluation have been excluded, as have start-up costs.⁶ Overall, the analysis suggests the following:

- The conditional nature of performance-based scholarships results in the cost of scholarship payments being noticeably lower than the dollar amount of the scholarships offered to students. The difference between the amount offered and the amount paid widened as scholarship performance requirements were spread across longer periods of time (hence, with a larger number of total performance criteria). That said, there may have been some students who met enrollment or performance benchmarks but did not receive a payment because they did not submit the necessary verification. The size of this group of students may have increased over time.

⁶For example, this analysis excludes costs related to the design and development of the PBS Scholars website but includes costs related to its ongoing maintenance over the analysis period. Start-up costs can be expected to vary widely from setting to setting depending on the existing infrastructure and resources available.

- The cost to administer scholarships increased as performance requirements were added, but the decrease in payments to students more than offset the increased cost of administration. All else being equal, scholarships with more performance requirements cost less than scholarships with fewer performance requirements.

Placing These Findings in Context

A number of factors may contribute to the results summarized above. First, the budget climate in California during the program operation period was marred by funding cuts, which may have created a sense of urgency among students and their parents. Second, the timing of the program — randomly assigning students to scholarship groups while they were still in their senior year of high school, just before graduation — may also have been a strong contributing factor, prompting students on the verge of nonattendance to change their minds. Finally, the results may reflect the increase in the financial aid given to students, similar to other sites in the PBS Demonstration.

Given that the program operated very much like an external scholarship program (that is, one not linked to a particular institution), it is interesting to see how the findings compare with others in the literature. Overall, the magnitude of the CFC-PBS findings is in alignment with those reported previously in other studies, indicating that relatively small scholarship amounts could be effective in increasing matriculation among students if the scholarships are well designed and targeted effectively.⁷ Interestingly, the CFC-PBS Program also compares favorably with the other sites in the PBS Demonstration. This is notable as it may have had the lightest interaction with students as a result of the scholarship being completely portable and implemented by a statewide partnership, while other programs in the PBS Demonstration have been based at institutions. Notably, all of the Demonstration sites, with the exception of New Mexico, have been focused on community colleges, and the positive results from the study in California have been driven almost entirely by students attending community college.

⁷Susan Dynarski, “Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion,” *American Economic Review* 93, 1 (2003): 279-288; Thomas J. Kane, “A Quasi-Experimental Estimate of the Impact of Financial Aid on College-Going,” NBER Working Paper 9,703 (Cambridge, MA: National Bureau of Economic Research, 2003).

In general, impacts for performance-based scholarship programs are slightly more positive than other incentive-based programs found in the literature.⁸ This may reflect the targeting of programs; on average, students in the PBS Demonstration have one or more risk factors for not completing college, such as being low-income, older, parents, and so on, which may contribute to the larger effect of the contingent grant on academic outcomes. Finally, the analysis indicates that the CFC-PBS Program impacts in particular are sizable relative to those reported in other studies. This suggests that larger impacts from these types of designs may not result from larger infusions of money, but rather from better targeting of students who may be responsive to incentives and consideration of the components of the incentive program itself.

Policy Implications and Conclusions

The California Cash for College program provided distinctive features conducive to a large-scale experimental study: (1) the program was able to reach a large group of students, (2) the workshops were held in communities that are low-income or have low college-going rates to ensure that scholarships targeted students at the highest risk of not matriculating, and (3) the original practice of offering a \$1,000 scholarship to one attendee at every workshop provided a platform for adding other scholarships that could be awarded at random. While the strong Cash for College partnership may be distinctive, similar approaches may be possible for state agencies or large, private scholarship providers. In this way, the results speak to both the ability to implement such a program on a large scale and the efficacy of the strategy in helping students persist and be academically successful in college.

Implications for National Policy

Since performance-based scholarships seem to improve outcomes for students, some policymakers might ask whether it would be a good idea to tie federal financial aid payments such as the Pell Grant more closely to achievement.

In some ways, the Pell Grant program is already tied to performance: Students remain eligible for their Pell Grants by meeting satisfactory academic progress (SAP) requirements. The exact SAP criteria vary by institution, but in most cases this means maintaining a GPA of at least 2.0. But there are important differences between this standard and those used in performance-based scholarships. With Pell Grants, performance consequences come with a time lag: Students who fail to meet SAP requirements may see their Pell eligibility revoked the following semester or academic year. In contrast, performance-based scholarships reward performance

⁸Richburg-Hayes, L., “Incentivizing Success: Lessons from Experimenting with Incentive-Based Grants,” pages 101-126 in Andrew Kelly and Sara Goldrick-Rab (eds.), *Reinventing Financial Aid* (Cambridge, MA: Harvard Education Press, 2014).

immediately at the end of the semester: If students do not meet their benchmarks in a given term, they do not receive a payment.

There are a few reasons to be cautious about drawing conclusions for Pell Grants from the results of performance-based scholarships, however. First, the Pell Grant is far more generous than the performance-based scholarships studied here, and as such, it is generally the foundation of a student's financial aid package. Performance-based scholarships are paid in addition to all other financial aid. For example, both the program group and the control group in the CFC-PBS project received significant base levels of financial aid. This means that changing disbursement criteria for Pell Grants could change students' behavior in quite different ways from the CFC-PBS project.

Second, structuring Pell Grants more like performance-based scholarships could have a chilling effect on enrollment. The Pell Grant is generally paid all at once, near the beginning of the semester. Students often use it to pay for tuition and fees first, before other educational expenses. Performance-based scholarships, on the other hand, are paid in increments, and could help with other educational expenses, such as room and board, books, and transportation over the semester. These expenses are important, but only after the primary expense of tuition is covered at the outset of the semester. Therefore, an incremental payment model could bar many low-income students from the higher education system altogether and create a lot of upheaval for colleges, which are unlikely to have other funds to assist students who need a stable source of aid.

The question of whether the current Pell program should be more performance-based is another study entirely. The PBS Demonstration was designed to answer the question of whether additional financial aid, made contingent on certain academic benchmarks, could help low-income students progress through college. It was not a test of whether a large, existing, need-based grant program, such as the Pell Grant program, should be similarly performance-based. Additional research is needed before informed decisions could be made about such a large change.⁹

⁹A current evaluation of Aid Like A Paycheck — an intervention in which financial aid refunds are disbursed every two weeks during the semester — is testing the effects of changing the timing of Pell Grant disbursements to be more closely aligned with when aid is earned. By providing students with their refunds evenly throughout the term, the program may help students better manage their time and money. As with performance-based scholarships, the incremental disbursements of aid may also give students an incentive to continue in their classes in order to receive all of their financial aid. See Michelle Ware, Evan Weissman, and Drew McDermott, *Aid Like a Paycheck: Incremental Aid to Promote Student Success* (New York: MDRC, 2013).

Implications for State Policy in California

Budgetary shortfalls and the recent recession spanning 2007 to 2009 have hurt California's community colleges and universities. The demand for postsecondary education has increased at the same time that the state's support has been reduced. Although the passage of California Proposition 30 during the 2012 election cycle helped to stabilize the financial situation in the state, public education funding has only returned to levels comparable to those before the economic collapse.¹⁰

In such a budgetary situation, accompanied by increased demand for financial aid, systematically studying the effect of randomly implementing performance-based aid or exploring alternative distribution patterns may be prudent policy. For example, policymakers may be able to experiment with performance criteria by lowering the high school GPA threshold and permitting students who would not otherwise be eligible to earn a performance-based Cal Grant.¹¹ This could potentially increase the proportion of low-income students who matriculate. Alternatively, instead of raising the Cal Grant high school GPA threshold (as was proposed during the 2012-2013 budget discussions), the original GPA level could be maintained if the scholarship were performance-based.¹² In this way, more students would be served despite restrictions to eligibility.

Implications for Scholarship Providers

Private scholarship providers often give scholarships based on various eligibility criteria that may or may not include financial need. Indeed, some of these scholarships are administered somewhat haphazardly.¹³ They often do not have a specific goal or, as with merit-based scholarships, they go to students who already have a high chance of academic success.

Scholarship providers that are able to experiment with performance-based aid programs could help answer questions about how performance-based scholarships affect students and how these scholarships might help the providers accomplish their goals. Performance-based scholarships could also help traditional scholarship programs maximize the amount of money

¹⁰Jessica Calefati and Josh Richman, "Proposition 30: A Year Later, California Schools Seeing Benefits of Tax Measure," *San Jose Mercury News* (November 2, 2013).

¹¹While there are some performance criteria with the existing Cal Grant program, they vary and their application can be delayed based on institutional requirements. Performance-based programs in this context imply a greater frequency and earlier checks on performance adherence.

¹²Mac Taylor, *The 2012-13 Budget: Analysis of the Governor's Higher Education Proposal* (Sacramento, CA: Legislative Analyst's Office, 2012).

¹³Jennie H. Woo and Susan P. Choy, *Merit Aid for Undergraduates: Trends from 1995-96 to 2007-08*, NCES 2012-160 (Washington, DC: U.S. Department of Education, National Center for Education Statistics, 2011).

they are able to offer, because students are offered the opportunity to earn more scholarship dollars than they actually do earn on average. But here, too, there could be trade-offs if dependable, non-performance-based money often makes it possible for students to enroll who otherwise would not.

Next Steps for the Project

A future report will present a cross-site synthesis of the final results from this and other sites from the PBS Demonstration programs. Importantly, it will provide more follow-up on the longer scholarship types to provide more insight into how scholarship amounts and duration can influence student outcomes.

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About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.