

Does More Money Matter?

AN INTRODUCTION TO THE PERFORMANCE-BASED SCHOLARSHIP DEMONSTRATION IN CALIFORNIA

By Michelle Ware and Reshma Patel

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California's higher education system is the largest in the nation, serving 2.6 million students each year, or roughly 25 percent of all undergraduates nationwide.¹ While a model in many ways, the system has suffered from a number of stressors, with large enrollment increases over the last 15 years and fewer resources available to help greater numbers of students.² To compound matters, federal support for students has also come under intense pressure, after several years of increased support for Pell Grants — the federal assistance program for low-income college students. This “perfect storm” heightens the importance of available resources for student support such as scholarships. The expense of attending college is one of many factors that may explain why low-income students often drop out of school. Yet little is known about whether financial aid works to increase academic success, and if it does work, how much aid is necessary and whether various conditions for disbursing the aid matter.³

Performance-based scholarships — need-based grants that are contingent on meeting certain academic benchmarks —

represent an innovative type of financial assistance that is intended to supplement existing financial aid and give students an incentive to stay in school and make good progress toward a postsecondary degree. In California — where, despite generous state aid and relatively low fees at community colleges, many low-income students still have substantial costs associated with attending college that they cannot cover — performance-based scholarships may also help to fill some unmet need. (See box on page 2.)

In California, despite generous state aid and relatively low fees at community colleges, many low-income students still have substantial costs associated with attending college that they cannot cover.

In 2008, MDRC launched the national Performance-Based Scholarship (PBS) Demonstration, seeking to evaluate whether performance-based scholarships are effective at improving retention among low-income students — that is, helping

DESPITE GENEROUS STUDENT AID IN CALIFORNIA, UNMET NEED PERSISTS

California is known for its affordable state colleges, with costs as low as \$36 per credit at the state's community colleges (as of the 2011-2012 academic year). In addition to the relatively low cost of its state colleges, California currently offers several generous state aid programs. Cal Grants, which comprise entitlement and competitive awards funded by the State of California, are available to California residents to help pay for college tuition and fees, room and board, and supplies. In the 2011-2012 academic year, students could receive up to \$12,192 annually to pay for college expenses at qualifying California schools. In addition, California residents attending California Community Colleges may also apply for a California Community College Board of Governors Fee Waiver, which waives the college enrollment fee. Because of this aid, a common assumption is that affordability is not a problem in California, but many low-income students still have substantial expenses associated with attending college that they cannot cover, such as for books, transportation, and housing. The performance-based scholarship is intended to help fill some of this need.

SOURCE: California Community Colleges Chancellor's Office, "Frequently Asked Questions – Colleges" (2011). Web site: www.cccco.edu.

The program in California is one of the most ambitious within MDRC's national Performance-Based Scholarship Demonstration.

them persist in their studies — in different geographical locations with different amounts of monies over different durations.⁴ Performance-based scholarships are paid to students in addition to federal and state aid to further assist them with meeting the costs associated with attending college. These scholarships incorporate three key principles:

1. They are predicated on students meeting basic conditions regarding

enrollment and grades in college courses, unlike merit aid, which tends to be tied to high school performance.

2. They are paid directly to students rather than to institutions, in order for students to "feel" the incentive and use the money in any way that will help them succeed academically (for example, to pay for books, supplies, reducing hours at a job, and so forth).
3. They supplement federal Pell Grants and state aid to help meet the needs of low-income students.

This brief provides an overview of the program that was implemented in California — one of six such programs in the PBS Demonstration. All six programs are being evaluated using a random assignment experimental design, in which students are randomly assigned either to a program group that receives a scholarship or to a control group that does not receive a scholarship. In the California case, the random assignment process assigned sample members to one of six possible scholarship types, five of which are performance-based and one that has no performance incentive attached to it, or to a control group that did not receive a scholarship from the program. All groups continued to receive other financial aid and scholarships for which they qualified. By tracking the groups over time, MDRC is able to determine whether the various scholarships cause a difference in, or *impact* on, student outcomes. Random assignment ensures that the motivation levels and personal

characteristics of students in all groups are equivalent at the start of the program; hence, any subsequent differences can be attributed to the program with confidence.

The PBS Demonstration in California has several unique features compared with the five other demonstration sites, as described in more detail below.

THE NATIONAL PBS DEMONSTRATION

MDRC's national PBS Demonstration grew out of the positive findings from its Opening Doors study in Louisiana, which measured the effect of additional financial aid and counseling on academic success. The Louisiana program offered performance-based scholarships of \$1,000 to low-income parents for up to two semesters. Counselors met with students periodically and disbursed the scholarships. The demonstration in Louisiana led to higher rates of persistence in school and credit accumulation. In MDRC's national PBS Demonstration, variations of the Louisiana program have been implemented in California, Arizona, Florida, New Mexico, New York, and Ohio. Preliminary results for the New York, Ohio, and New Mexico studies are promising.⁵ (See box at right for more details on these early results.)

THE PBS EVALUATION IN CALIFORNIA

The program in California is one of the most ambitious within MDRC's national Performance-Based Scholarship Demonstration for a number of reasons. First, the program is focused solely on providing scholarships, without additional

PERFORMANCE-BASED SCHOLARSHIPS: DO THEY WORK?

Preliminary results from four performance-based scholarship programs are now available. In the Louisiana program, low-income parents earned 3.5 more credits (a 38 percent increase), on average, over four terms and increased their full-time enrollment in the second semester of the program. The Ohio program, with a research sample similar to that in Louisiana, increased credits earned over two terms of study by about 15 percent (or 2 credits), and increased full-time enrollment. The New Mexico study, the only one at a four-year institution, required that students enroll in 15 credits in their second term — which is what they consistently need to complete in order to graduate on time. Credits earned increased modestly in the second term as a result. In New York, students in need of developmental education earned slightly more credits in the first term and saw a small increase in full-time enrollment.

Unlike the programs in Ohio, New York, and New Mexico, only the Louisiana program saw sizeable impacts on registration rates, in part because the control group students in Ohio, New York, and New Mexico enrolled at high rates, which is difficult to improve upon. In addition, while the Louisiana program took place during an economic boom (2004 to 2005), the PBS Demonstration sites began during an economic downturn (2008 to 2010). Despite finding no program effects yet on persistence in the PBS Demonstration sites, modest positive impacts on other academic outcomes continue to be seen. These mostly short-term results suggest that performance-based scholarships can improve some important components of academic success.

SOURCES: For early findings from the study in New York, see Richburg-Hayes, Sommo, and Welbeck (2011); for the Ohio study, see Cha and Patel (2010); for the New Mexico study, see Miller, Binder, Harris, and Krause (2011). For results from the original Opening Doors study in Louisiana, see Richburg-Hayes et al. (2009).

supports, and the scholarships are portable: students are able to take the scholarship to any accredited institution they decide to attend in the United States. Evaluations in the five other PBS states are all tied to attendance at a particular institution. That is, students must be enrolled at a particular college or university participating in the PBS

CASH FOR COLLEGE: Helping Low-Income High School Students Apply for College Financial Aid

Cash for College (CFC) is 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, bringing 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. Each year, college financial aid staff, high school counselors, and trained community volunteers assist students and families at Cash for College workshops.

Key leadership, already in place within Cash for College, made it possible to implement the CFC Performance-Based Scholarship program. This leadership includes:

- A statewide coordinator at the California Student Aid Commission and co-chair of a statewide advisory group, responsible for strategic planning, day-to-day operations, and coordination with MDRC.
- Regional coordinators, responsible for coordinating workshops, recruiting and training volunteers, and working with MDRC to reach the sample target.
- UNITE-LA and the Los Angeles Area Chamber of Commerce Foundation (the fiscal agent for Cash for College), responsible for verifying transcripts, disbursing and documenting scholarship payments, communicating with students, and working closely with the statewide coordinator.

To support the statewide effort, Cash for College has received support from the California Student Aid Commission, College Access Foundation of California, the Kresge Foundation, and significant resources leveraged through regional and local partners.

Demonstration to be eligible for the award. The California model is also distinctive because, unlike the other evaluation sites, the California scholarships vary in amount and duration, with six types of scholarships offered, compared with one or two in the other sites. In addition, while the other PBS programs are administered independently

at specific colleges and universities, the California program is working in partnership with Cash for College (CFC), an initiative that helps mainly low-income high school students apply for college financial aid. (See box at left.) This partnership allowed for a broad recruitment effort that reached more than 15,000 eligible students in California, while the other PBS sites had more modest sizes of eligible populations at the colleges. Finally, the other sites target students who have already registered for college, while the study in California targets college-bound high school seniors who may not have decided where to matriculate.

With this program design, the evaluation in California focuses on three key questions:

1. Does performance-based aid matter? That is, does any configuration of scholarship affect academic success?
2. Does the amount of the scholarship matter? For example, would a \$500 scholarship produce as much effect as a \$1,000 scholarship?
3. Does the duration matter? For example, would a one- or two-year scholarship lead to better outcomes than a one-term scholarship?

How did California become part of the Performance-Based Scholarship Demonstration?

In 2008, MDRC collaborated with Cash for College to implement the California program because of CFC's commitment to serving low-income students and because of the

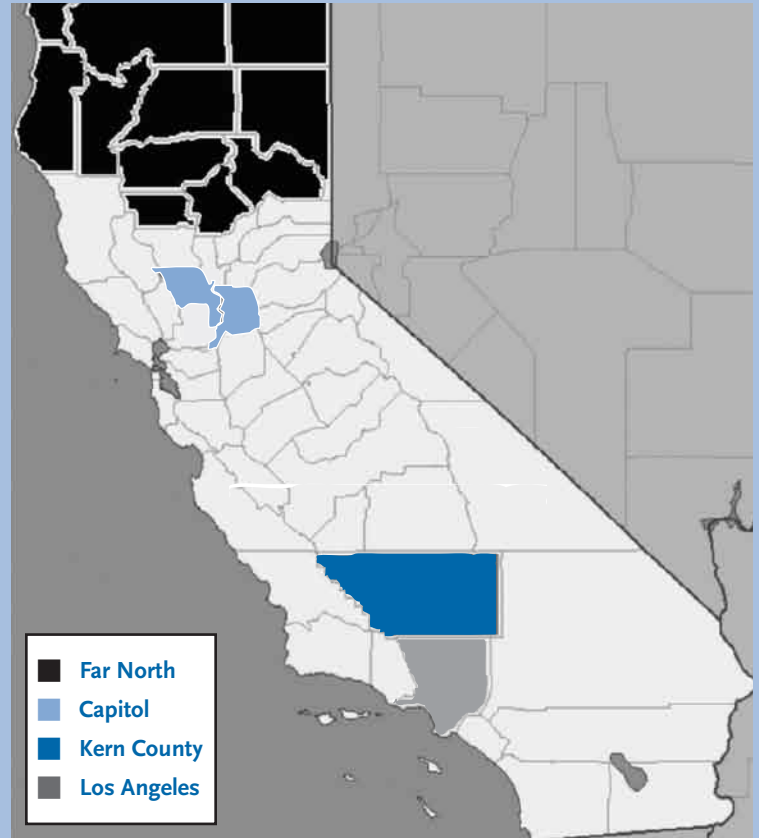
program infrastructure that CFC already had in place. Each year in January and February, Cash for College holds hundreds of workshops throughout the state of California to help low-income students apply for federal and state financial aid. Workshops often target high schools or communities where there is a high concentration of poverty, high student-to-counselor ratios, and historically low financial aid application rates. This population of students is consistent with those targeted in Opening Doors as well as in the other sites of the national PBS Demonstration, all of whom had low incomes. To encourage attendance at the workshops, Cash for College traditionally offered students the chance to qualify for a one-time \$1,000 scholarship, typically using a raffle to select one or two students out of every workshop with 25 or more attendees. This scholarship was contingent on students' enrollment into a two- or four-year accredited, degree-granting institution in the United States.

Who was eligible for the California program and how were participants recruited?

The existing structure of Cash for College provided a crucial mechanism for reaching a large number of students across a wide geographical range over a short period of time. As noted earlier, more than 15,000 students were recruited in January and February of 2009 and 2010, yielding two cohorts for the California program, referred to as the Cash for College Performance-Based Scholarship (CFC-PBS). College-bound high school seniors attending Cash for College

FIGURE 1: Regions Participating in the PBS Demonstration in California

The participating regions in the PBS Demonstration include a mix of urban areas – the Capitol and Los Angeles regions – as well as the more rural and agricultural areas of the Far North and Kern County Regions.



workshops in four distinct regions of California were recruited to participate in the CFC-PBS program. Workshops in the Los Angeles and Far North regions participated in the program in 2009 and 2010. Workshops in the Kern County and Capitol regions joined the program in 2010. These regions were chosen as representations of California's diversity. (See Figure 1.)

Six scholarship types of varying amounts and duration are being tested, with each program group member receiving one of the six types.

In addition to helping students apply for financial aid, which is

TABLE 1. Scholarship Types and Fall Payment Schedule for Semester Institutions

SCHOLARSHIP TYPE	TOTAL AMOUNT	PERFORMANCE-BASED?	DURATION	FALL 2009		SPRING 2010	FALL 2010		SPRING 2011
				INITIAL	FINAL		INITIAL	FINAL	
1	\$1,000	No	1 term	\$ 1,000					
2	\$1,000	Yes	1 term	\$ 500	\$ 500				
3	\$1,000	Yes	1 year	\$ 250	\$ 250	\$ 500			
4	\$2,000	Yes	1 year	\$ 500	\$ 500	\$ 1,000			
5	\$2,000	Yes	2 years	\$ 250	\$ 250	\$ 500	\$ 250	\$ 250	\$ 500
6	\$4,000	Yes	2 years	\$ 500	\$ 500	\$ 1,000	\$ 500	\$ 500	\$ 1,000

NOTE: For simplicity, the fall 2009 cohort is shown above, but the fall 2010 cohort follows a similar schedule one year later. The schedule applies to semester institutions, where the longer-term scholarships would be available for two semesters of the academic year. Quarter institutions provide the same dollar amount in aggregate, but payments are divided into three quarters in the academic year. The majority of the students in the CFC-PBS study attend a semester-based institution.

part of the standard Cash for College workshop, the workshops in the four California regions provided an overview of the Performance-Based Scholarship Demonstration, the various scholarships (described in the next section), and program eligibility.

To be eligible for the CFC-PBS program, students had to:

- Attend a Cash for College workshop in one of the eligible regions of the program
- Be a high school senior at the time of the workshop
- Submit a Free Application for Federal Student Aid (FAFSA) and Cal Grant GPA Verification Form by the March 2 Cal Grant deadline
- Complete the Cash for College Exit Survey
- Meet low-income eligibility standards based on the Cal Grant income thresholds
- Sign an Informed Consent Form and/or have a parent provide consent for participation

How much scholarship money can students receive?

Six scholarship types of varying amounts and duration are being tested, with each program group member receiving one of the six types. As shown in Table 1, there are five performance-based scholarships: \$1,000 over one academic term, \$1,000 over one academic year, \$2,000 over one academic year, \$2,000 over two academic years, and \$4,000 over two academic years.

The first of the scholarship types shown in Table 1, the traditional \$1,000 Cash for College award, has no performance incentive attached to it and is conditional only on enrolling in an accredited, degree-granting, postsecondary institution for six credits or more. Students who are assigned to this type of scholarship receive the full amount of their award in a single payment, made at the beginning of the term. Following past practice of Cash for College, this award is paid directly to the students' institutions. The remaining five scholarships are performance-

based; payment of the full award for these five types is contingent upon a student's meeting specific performance criteria, after which payment is made to the student.

Fall payments are paid in two equal installments per term. An initial "enrollment payment" is made at the start of the term and is contingent upon enrollment for six credits or more at an accredited, degree-granting institution in the United States. A final "performance payment" is made at the end of the term and is contingent upon completing six credits or more with a "C" average or better. Spring payments consist of only one "performance payment" per term, disbursed at the end of the term, upon completing six credits or more with a "C" average or better. For example, as shown in Table 1, scholarship type 4 (with a total amount of \$2,000 over one year) had the following payment schedule: a fall 2009 initial enrollment payment of \$500, a fall 2009 final performance payment of \$500, and one spring 2010 performance payment of \$1,000.

How is the program being operated?

As mentioned earlier, unlike the other PBS sites, which are operating independently, the California program is being operated within the existing administrative structure set up by the Cash for College partners. This structure includes crucial mechanisms for communicating with workshop coordinators and students, implementing a random assignment design, and disbursing scholarships to students at the volume and frequency required by the program. The administrative structure is reinforced by a

Web-based management system that collects student data and administrative records, and tracks payment documentation.

In order to receive each scholarship payment, students are required to submit either a class schedule verifying enrollment or a transcript verifying performance. The students bear the responsibility of submitting the documentation to receive their scholarship payment. E-mails are sent to students reminding them to submit the required verification documents at the end of each term. These verification forms are collected by the Los Angeles Chamber Foundation, the fiscal agent for Cash for College, which then verifies that students meet the required enrollment or performance benchmark and disburses the scholarship funds. In keeping with the portability of the scholarship, students are able to take their scholarship with them if they transfer during their scholarship term. This entire process — contacting students, collecting and verifying documents, and disbursing payments — was incorporated into the existing administrative structure and processes of Cash for College. This structure of program management, collaboration, and communication is important for the lessons it can provide in reaching a large number of students and harnessing resources to implement a large-scale program.

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WHAT SOME PARTICIPANTS ARE SAYING

Staff from MDRC’s evaluation team spoke with students about their experiences in the Cash for College Performance-Based Scholarship program. Here’s what two of them had to say:

“Usually, I get negative reinforcement from the college of engineering (my major) that I had to maintain a 2.0 or else I got kicked out. But for this scholarship, I get positive reinforcement because I would be rewarded with the thousand dollars.” – Sam

“I try to do well because I know I’ll get my money; it’s a strong motivator for me to pass my classes; I don’t think I’d be able to take as many classes as I’m taking right now.” – Ariana

Names are fictional to protect confidentiality.

Who is participating?

The full research sample in California comprises 5,160 students — 1,720 in the program group who are eligible to receive one of the six scholarship types, and 3,440 in the control group who are not eligible to receive any of the program’s scholarships.

The sample represents a traditional college-going population, with the average age being about 18 years and 60 percent of the sample being female. Over 60 percent are Hispanic, 20 percent are white, and about 10 percent are Asian or Pacific Islander. This is also a population in which a high proportion of students may have difficulty navigating the postsecondary institution system, with 55 percent being the first in their family to attend college, and only a third having a parent with some college experience.

All four PBS sites in California have about the same proportion of males and females in their samples, and all the sample members are the same average age. The highest proportions of Hispanic students are found in the Los Angeles region and Kern County, which translates into higher proportions of first-generation college students, as well as higher percentages of languages other than English being spoken regularly.

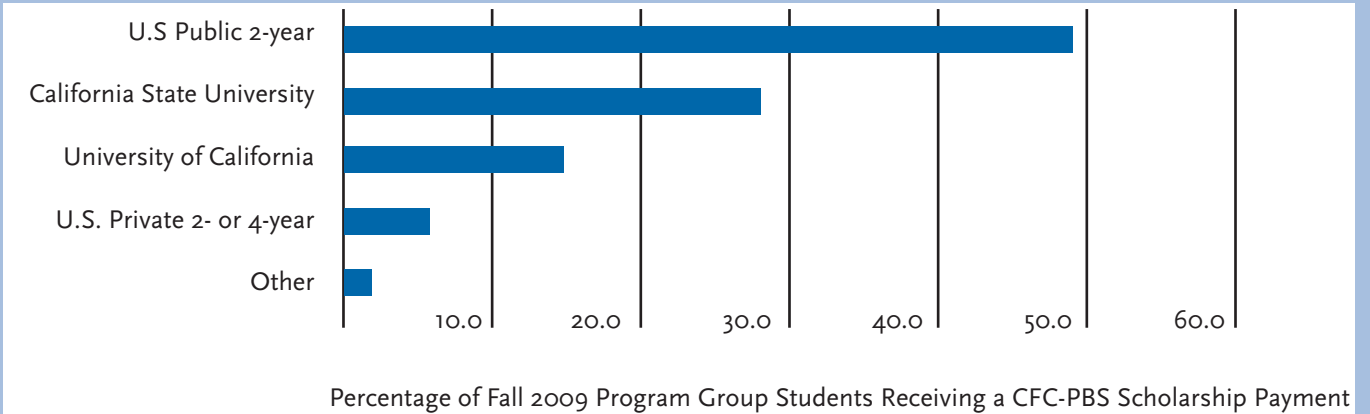
WHAT HAS BEEN LEARNED SO FAR?

The Cash for College partners provided MDRC with scholarship payment records collected from the fall 2009 program group’s first term in the program. These data included scholarship amounts paid to program group students, as well as data provided by students for enrollment and performance verification (that is, class schedules and transcripts). While MDRC will collect data for all students (program group and control group) from the National Student Clearinghouse,⁶ the data presented here provide an early look at where program group students have matriculated in the first year of the program.⁷

In total, approximately 85 percent of the program group received an initial enrollment payment in the fall 2009 term. Additionally, 60 percent of the program group students who were eligible for a performance payment went on to earn that payment at the end of the fall 2009 term.⁸

As stated earlier, students in the PBS program in California were able to take their scholarships to any college or university in the United States, but by and large, they chose to stay in California. Figure 2 shows the self-reported matriculation patterns of students in the program group of this first cohort. Approximately half of the students enrolled at a public two-year (community) college in the United States; an additional 28 percent enrolled at one of the California State Universities; and 15 percent enrolled at the University of California. Less than 6 percent of students enrolled at a two- or four-year

FIGURE 2: Self-Reported Matriculation of Fall 2009 Program Group Students



*SOURCES: MDRC calculations from fall 2009 scholarship payment data provided by the California Student Aid Commission and data from the U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS).
NOTE: Proportions are calculated among those who received a scholarship payment in fall 2009 (85 percent of total program group).*

private institution in the United States. Given the income threshold in the eligibility criteria, the high proportion of students attending a community college is not surprising.

WHAT'S NEXT?

The California PBS study represents a unique opportunity to provide policymakers, administrators, and philanthropists with information about the extra academic gains that can be triggered by modest amounts of additional aid. The research may shed light on whether supplemental financial aid is effective in increasing academic success and, if so, how much supplemental aid is needed to help students best. In addition, the findings will provide insight into whether and how students respond to contingent-based grants. The next phase of the project involves the analysis and reporting of survey data. The survey, administered to both program and control group members, captures information about educational outcomes, attitudes

toward school, time spent on studies, employment outcomes, health outcomes, peer relationships, and motivation levels. Since students in the California program are spread across various institutions, the survey will provide both a broader and deeper understanding of students' outcomes than will be possible from only administrative data. Additionally, focus groups with students who are participating in the evaluation will provide more detailed insights into questions such as how the scholarship dollars were used and whether they influenced work hours or program skills.

Additionally, the researchers continue to collect data from various sources. These sources include scholarship payment data and school records data from the National Student Clearinghouse. An interim report, containing a full evaluation of all activities and a summary of the implementation, impact, and cost findings, will be released in 2012.

NOTES

1 California Community Colleges Student Success Task Force (2011).

2 California Community Colleges Student Success Task Force (2011).

3 While previous research suggests that financial aid is positively associated with increased enrollment in postsecondary education (St. John, Musoba, Simmons, and Chung, 2002; Dynarski, 2000, 2003) and with increased persistence (Bettinger, 2004), most studies are unable to determine whether financial aid causes enrollment or persistence to increase.

4 Richburg-Hayes et al. (2009).

5 In New York, early results showed that the program modestly increased full-time enrollment and, among students who were eligible for summer funding, summer registration (Richburg-Hayes, Sommo, and Welbeck, 2011). In Ohio, for the first cohort, the PBS program increased full-time enrollment and the number of credits attempted and earned, while reducing educational debt (Cha and Patel, 2010). In New Mexico, the PBS program increased the number of credits attempted and earned in the second semester and the number of credits attempted going into the third semester of the program. In addition, students in the PBS program saw an increase in financial aid dollars and a reduced reliance on loans (Miller, Binder, Harris, and Krause, 2011).

6 The National Student Clearinghouse, a nonprofit organization, collects and distributes enrollment, degree, and certificate data from more than 3,000 colleges that enroll more than 93 percent of the nation's college students. See "About the Clearinghouse" at www.studentclearinghouse.org.

7 These data provide a proxy for where program group students are registered, based on those who submitted documentation to the LA Chamber. Administrative records obtained at a later date from the National Student Clearinghouse will provide a more complete picture of matriculation patterns, for program and control group students. Other data sources may be obtained, including the California Community Colleges Chancellor's Office.

8 MDRC calculations from fall 2009 scholarship payment data provided by the California Student Aid Commission. Students assigned to scholarship type 1 (no performance incentive) are excluded from the 60 percent measure because they are not eligible for a performance award in the first program term.

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CHANGE SERVICE REQUESTED

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The expense of attending college is one factor that may explain why low-income students often drop out of school. In California, despite generous state aid and relatively low fees at community colleges, many low-income students still have substantial college-related costs that they cannot cover. To compound matters, federal support for students has come under intense pressure, heightening the importance of available resources for low-income students. In 2008, MDRC launched the national Performance-based Scholarship Demonstration, now running in six states, to evaluate whether performance-based scholarships — an innovative type of financial assistance that is intended to supplement existing financial aid — are effective at improving academic success. This brief describes the California program, through which students are eligible for scholarships that vary in amount and duration. The California study is aiming to learn more about the types of scholarships that work best for low-income students and to inform policymakers and others about the academic gains that modest amounts of additional aid can trigger.