**Abstract Title Page**
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**Title:** Filling the Financial Aid Gap: The Performance-Based Scholarship Demonstration

**Authors and Affiliations:** Lashawn Richburg-Hayes and Reshma Patel; MDRC

## Abstract Body

*Limit 4 pages single-spaced.*

### Background / Context:

*Description of prior research and its intellectual context.*

Increasing postsecondary academic success is a national imperative. While college enrollments have increased about 300 percent from just over 5.9 million students in 1965 to about 17.5 million students in 2005 (Snyder, Dillow, and Hoffman, 2008), college graduation rates have been fairly stagnant over the same period (Eaton, 1997; Turner 2004). As a result, the U.S. is losing ground compared to other nations in the percentage of the adult population attaining college degrees (Organisation for Economic Co-operation and Development, 2007).

Financial aid may improve access to and persistence in college. Previous research suggests that financial aid is positively associated with increased enrollment (St. John et al., 2002; Kane 2004; Dynarski 2000, 2003; Cornwell, Mustard, and Sridhar, 2006) and positively associated with increased persistence (Leslie & Brinkman, 1987; St. John et al., 1991, 1994, 2001; Cabrera, Nora, and Castaneda, 1993; Choy, 2002; DesJardins, Ahlburg, and McCall, 2002; Bettinger, 2004; Singell and Stater, 2006; Scott-Clayton, 2009).

In contrast to the literature cited above, there are a handful of studies on the effectiveness of financial incentives for postsecondary students that have employed random assignment designs. Angrist, Lang, & Oreopoulos (2009) study a financial incentive with academic services offered to first-year, traditional students at a Canadian university. At the end of their second year, women who received both money and support services earned higher grades than women who received neither, but there were no impacts on the academic performance of men. Goldrick-Rab, Harris, Benson & Kelchen (2011) study a need-based grant offered to first-time Wisconsin students enrolling in a Wisconsin public institution. The additional financial aid resembled that of the longstanding federal Pell Grant program. An analysis of the first cohort finds that while there is no impact on persistence, credits attempted or completed, students in the program group were almost 30 percent more likely to have earned at least 60 credits after two years.

Brock and Richburg-Hayes (2006), Richburg-Hayes et al. (2009), and Barrow et al., (2009) evaluated a financial incentive offered to nontraditional community college students as part of MDRC's Opening Doors Demonstration in Louisiana. The program targeted low-income parents, who were predominantly single mothers. The early findings from the Opening Doors program resulted in substantial improvements in scholarship recipients' grades, credit accumulation, and persistence (Brock & Richburg-Hayes, 2006; Richburg-Hayes et al., 2009). For example, 65 percent of the program group registered for courses in the second semester, compared with 50 percent of the control group (a 30 percent increase).

Although the Opening Doors results were strong, one study is not sufficient to verify the effectiveness of a program. Additionally, the devastation inflicted by Hurricane Katrina has made it difficult to confirm the long-term program effects. The Performance-Based Scholarship (PBS) Demonstration is a multi-state, multi-design efficacy and replication study intended to test the effectiveness of performance-based scholarships. Each site targets a different low-income population with high financial need that is not fully covered by existing financial aid programs.

Table 1 presents a matrix illustrating the design in each of the sites (please insert Table 1 here). We propose to share findings from three of the earliest sites.

**Purpose / Objective / Research Question / Focus of Study:**
*Description of the focus of the research.*

The intention of the program is that conditioning additional financial aid on certain behaviors will lead students to increase their effort towards their studies, which in turn will lead them to perform better in their classes in the short-term and progress through their degree requirements at a quicker rate in the medium-term. The program is hypothesized to result in increased enrollment in subsequent terms, increased credits attempted and earned, and increased financial aid. Increases in these short-term education outcomes may then lead to changes in medium- and long-term educational outcomes, including year-to-year persistence, total cumulative credits earned, as well as graduation or transfer to another postsecondary institution. The proposed presentation will focus on the primary research question: What is the impact of performance-based scholarships (in various settings with different types of students) on short-term academic outcomes as well as medium- and long-term academic outcomes? We will present current findings on these outcomes, across the six sites in our demonstration.

**Setting:**
*Description of the research location.*

The demonstration is operating in six key states: New York, Ohio, New Mexico, California, Arizona and Florida. Table 1 details the participating institutions and organizations in each state.

**Population / Participants / Subjects:**
*Description of the participants in the study: who, how many, key features, or characteristics.*

The demonstration targets different populations in each state, in order to determine the impact of these scholarships across different target groups and in different geographic areas. The general eligibility requirements require that all study participants are low-income. More detailed eligibility information is provided in Table 1.

**Intervention / Program / Practice:**
*Description of the intervention, program, or practice, including details of administration and duration.*

The performance-based scholarship program differs in each state, and is described in detail in Table 1. While each state is a different test, all of the programs encompass the following:

- Scholarships are paid to students based on their academic performance in the current term, regardless of what happened in previous terms (or in the case of many merit-based scholarships, what happened in high school).
- Scholarships are paid directly to students rather than credited to their accounts with the college. That way, students can use the money for their most pressing needs.
- Scholarships supplement Pell grants and state aid to help meet the needs of low-income students. The scholarships are designed to be paid *on top of* existing federal and state aid.

**Research Design:**
*Description of the research design.*

The evaluation employs a random assignment research design. Students who met program eligibility criteria at each site were randomly assigned to two groups: a program group that received the performance-based scholarship, or a control group that received whatever financial aid was available to all students. Within the program group in New York only, students were randomly selected to be eligible to receive an additional summer term scholarship through being assigned to a summer-eligible group. Within the program group in California only, students were randomly assigned to one of the six different scholarship types, varying in duration and amount. Random assignment ensured that the motivation levels and personal characteristics of students in all groups were the same at the start of the study. By tracking the groups over time, researchers could measure the difference, or impact, that the study had on student outcomes.

**Data Collection and Analysis:**
*Description of the methods for collecting and analyzing data.*

The analysis will be based on data collected from several data sources:

- Baseline Information Form, consisting of demographic and other background information on students prior to any influence by the program
- Student-level academic records, used to provide a look at sample members' performance in college through measures such as enrollment, credits attempted and earned, grades, degrees earned, and financial aid receipt. Data are collected from the colleges themselves, state organizations, and the National Student Clearinghouse.[1]
- Scholarship payment data on the Performance-Based Scholarship payments
- Survey data based on surveys conducted in Ohio and California in the first semester following random assignment. The surveys include data on education and time-use, employment, motivation and experience, program participation and perceptions, and health and well-being.

**Findings / Results:**
*Description of the main findings with specific details.*

We plan to share findings that are currently available for Ohio, New York, and New Mexico. Findings for California, Arizona and Florida are not currently available but may be by the conference date.

*Ohio*

We analyzed outcomes from the first year of the program using student transcript data from the Ohio Board of Regents for the fall 2008 cohort. This sample is about 1,300 students (60 percent of the total sample). As shown in Table 2, the program increased the number of regular credits attempted and earned over the program year and increased the proportion of students earning 24 or more credits by 6.6 percentage points (an increase of more than 42 percent). The program also increased the total amount of financial aid reported by the program group and decreased the amount of loans in their financial aid package.

[1] The National Student Clearinghouse collects and distributes enrollment, degree, and certificate data from 3,300 colleges that enroll 93 percent of the nation's college students (National Student Clearinghouse, 2011).

*New York*
To estimate early impacts, we analyzed outcomes from the first semester and first summer term during which the program operated using student transcript data from the colleges. The first two cohorts, Fall 2008 and Spring 2009, were analyzed (60 percent of the full sample). The early findings suggest that the program encouraged slightly more students to enroll full time rather than part time and resulted in a small number of students registering for summer courses when eligible for additional summer funding.

*New Mexico*
To estimate early impacts, we analyzed student transcript outcomes for the full sample over the first two semesters during which the program operated. As shown in Table 3, the early findings suggest that the primary effect of the program is a large increase in the number of students attempting at least 15 credits during the second semester. This indicates that the program is helping a larger proportion of students to stay on track to graduate in four years. In addition, the program resulted in a reduction in loans (as in Ohio above).

*California*
California is currently the most ambitious program in the demonstration because it offers different versions of scholarships that are portable – i.e., can be used at any accredited college or university in the country. The goal is to measure the effectiveness of varying scholarship amounts for varying durations in order to help determine whether there is a tipping point at which the scholarship would have the greatest impact. The PBS Demonstration randomly awarded six versions of performance-based scholarships that range from $500 to $1,000 per term, and that last between one term and two years.

At this point, we have preliminary scholarship take-up rates and matriculation information for the sample. Table 4 shows that about 82 percent of program group students provided the required information to receive their first scholarship payment. Furthermore, over half of program group students who received their first payment matriculated at public 2-year colleges, 42 percent matriculated at public 4-year colleges, and 96 percent of students remained in California.

**Conclusions:**
*Description of conclusions, recommendations, and limitations based on findings.*

The PBS Demonstration is really the first of its kind, testing out different geographical locations, with different amounts of monies, over different durations to ascertain the best means of implementing such a scholarship. The results of the Opening Doors Louisiana study had prompted the state of Ohio to try the performance-based scholarship model (Cha & Patel, 2010). It is our hope that the results of this study can inform an honest and much-needed discussion on need-based aid for a variety of low-income populations across the country to increase their academic success and possibly change their life trajectories.

Since the geographic location, target populations and program designs differ across each state, differences in impacts cannot be attributed directly to any of these varying components. This diversity was intentional in the design of the Demonstration in order to reach a wide variety of student populations and test a number of different designs.

# Appendices

*Not included in page count.*

## Appendix A. References

*References are to be in APA version 6 format.*


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## Appendix B. Tables and Figures

*Not included in page count.*

**Table 1**
**Sites and Sample Criteria**

| | New York City | Ohio | University of New Mexico | California | Arizona | Florida |
|---|---|---|---|---|---|---|
| **Sample Selection Criteria** | | | | | | |
| Age | 22-35 | At least 18 | 16-26 (primarily 17-19) | 16-19 | No age criteria | At least 18 |
| Low-Income Threshold | Pell-Eligible | EFC of 0[2] | Pell-Eligible | Below Cal Grant A/C Threshold | EFC below 5,273[5] | EFC below 5,273[5] |
| Additional Requirements | Live away from parents<br>In need of at least 1 remedial course | Must be a parent | Must be 1st year student | Must be 1st year student<br>Must have completed FAFSA and Cal Grant | Hispanic males<br>< 45 credits earned | In need of remedial math |
| **Intervention** | | | | | | |
| Scholarship amount per term | $1,300 | $300 - $900 (part-time and full-time amounts vary) | $1,000 | $333 -$1000 (6 program groups with varying amounts and durations) | Up to $1,500 (part-time and full-time amounts vary by academic / service criteria) | $600 |
| Scholarship duration | 2 semesters plus 1 summer semester[3] | 2 semesters / 3 quarters | 4 semesters | 1-4 semesters / 1-6 quarters | 3 semesters | 3 semesters + 1 summer term |
| Scholarship distribution | $200 at enrollment<br>$450 at midterm<br>$650 at term end | Full payment at term end | $250 at enrollment<br>$250 at midterm<br>$500 at term end | Varies by amount and duration | $150 at orientation<br>$150 at advising<br>Balance at term end | $100 at enrollment<br>$500 at term end |
| Maximum total scholarship amt | $2,600 to $3,900[2] | $1,800 | $4,000 | $4,000 | $4,500 | $1,800 |
| Portable? | No | No | No | Yes | No | No |
| Cohorts of study | Fall 2008<br>Spring 2009<br>Fall 2009 | Fall 2008<br>Winter 2009<br>Spring 2009 | Fall 2008<br>Fall 2009 | Fall 2009<br>Fall 2010 | Fall 2010<br>Spring 2011<br>Fall 2011 | Fall 2010<br>Spring 2011<br>Fall 2011 |

[2] 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.
[3] New York had a 3-way design where half of all New York program group students are eligible to receive a summer scholarship.

| | New York City | Ohio | University of New Mexico | California | Arizona | Florida |
|---|---|---|---|---|---|---|
| Years of program operation | 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 |
| **Performance Benchmarks** | | | | | | |
| Academic criteria | 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<br>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 | Enroll in college, and complete at least 6 credits with a "C" or better average | Part time: 6-11 credits with "C" or better in each<br>Full time: 12 or more credits, "C" or better in each | Complete a sequence of math courses with a "C" or better |
| Service criteria | N/A | N/A | Meet with advisor | N/A | Meet with advisor, complete tutoring and workshop requirements | Complete tutoring requirements |
| Form of payment | Check or direct deposit | Check | Check | Direct deposit (85%+) or check | Check | Payment on HCC One card (student card) |
| **Experimental Design** | | | | | | |
| Research Design | 3-way design | 2-way design | 2-way design | 6-way design | 2-way design | 2-way design |
| RA Ratio (P:C) | 25:25:50 | 60:40 | 50:50 | 33:67 | 60:40 | 64:36 |
| Total number of students in study & program group | 1,502 total<br>754 program group | 2,285 total<br>1,359 program group | 1,081 total<br>536 program group | 5,160 total<br>1,720 program group | 1,000 total<br>600 program group (projected) | 1,050 total<br>650 program group (projected) |
| **Participating Institutions** | | | | | | |
| Participating Institutions | Hostos Community College<br><br>Borough of Manhattan Community College | Lorain County Community College<br><br>Owens Community College<br><br>Sinclair Community College | University of New Mexico | California Student Aid Commission and LA Chamber of Commerce operate Cash for College workshops and the PBS program. Student can take scholarship to any accredited 2-4 yr institutions in US | Pima Community College | Hillsborough Community College |

| | New York City | Ohio | University of New Mexico | California | Arizona | Florida |
|---|---|---|---|---|---|---|
| Funders and Partners | Robin Hood Foundation<br><br>NYC Center for Economic Opportunity | The Ohio Department of Job and Family Services through the Ohio Board of Regents<br><br>The Joyce Foundation<br><br>IES | Open Society Foundation<br><br>IES | College Access Foundation of California<br><br>IES | Kresge Foundation<br><br>Helios Foundation<br><br>Open Society Foundation | Helios Foundation<br><br>Open Society Foundation |

## Table 2

## Early Findings for the Fall 2008 Cohort in Ohio

## Lorain County, Owens, and Sinclair Community Colleges

| Outcome | Program Group | Control Group | Difference | Standard Error |
|---|---|---|---|---|
| **Academic outcomes - Full program year** | | | | |
| Registered for any courses (%) | 98.3 | 97.8 | 0.5 | 0.8 |
| Number of credits attempted[a] | 20.0 | 19.5 | 0.5 | 0.4 |
| Regular credits | 17.7 | 16.9 | 0.8 * | 0.4 |
| Developmental credits | 2.4 | 2.6 | -0.2 | 0.2 |
| Number of credits earned[a] | 15.3 | 13.4 | 2.0 *** | 0.5 |
| Regular credits | 13.9 | 12.0 | 1.9 *** | 0.5 |
| Developmental credits | 1.4 | 1.4 | 0.1 | 0.2 |
| Earned 24 or more credits[a] (%) | 22.0 | 15.4 | 6.6 *** | 2.2 |
| Earned 12 to 23 credits[a] (%) | 45.0 | 45.0 | -0.1 | 2.8 |
| Sample size (n = 1,329) | 782 | 547 | | |
| **Financial aid awarded - First program term[b]** | | | | |
| Total financial assistance awarded ($) | 4,504 | 4,164 | 340 *** | 92 |
| Federal Pell grant | 1,699 | 1,754 | -55 | 33 |
| Performance-Based Scholarship | 676 | 0 | 676 *** | 9 |
| Other grants[a] | 654 | 659 | -5 | 27 |
| Subsidized loans | 779 | 901 | -122 *** | 39 |
| Unsubsidized loans | 650 | 765 | -115 ** | 47 |
| Federal work study | 45 | 84 | -39 * | 22 |
| Sample size (n = 1,214) | 720 | 494 | | |

SOURCE: MDRC calculations from Ohio Board of Regents transcript data for the Fall 2008 cohort, and MDRC calculations from financial aid data provided by Lorain County, Owens, and Sinclair Community Colleges.

NOTES: Rounding may cause slight discrepancies in sums and differences.

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 campus.

The program year is considered the fall 2008 and spring 2009 semesters for Lorain County and Owens Community Colleges, and the fall 2008, winter 2009 and spring 2009 quarters for Sinclair Community College.

[a]These are based on semester-equivalent credits.

[b]The financial aid impacts exclude students for whom MDRC did not recieve financial aid data at the midterm point (29 students: 14 program group, 15 control group). It further excludes Lorain students whose financial aid was repackaged before their initial financial aid data could be collected (86 students: 48 program group, 38 control group).

**Table 3**

**Early Findings for the First Two Semesters in New Mexico**

**University of New Mexico**

| Outcome | Program Group | Control Group | Difference | Standard Error |
|---|---|---|---|---|
| **Academic outcomes - Full sample** | | | | |
| **First program semester** | | | | |
| Registered for any courses (%) | 98.0 | 99.0 | -0.9 | 0.7 |
| Number of credits attempted | 14.8 | 15.0 | -0.2 | 0.2 |
| Regular credits | 13.2 | 13.5 | -0.2 | 0.2 |
| Developmental credits | 1.6 | 1.6 | 0.0 | 0.1 |
| Attempted 15 or more credits (%) | 73.2 | 75.8 | -2.6 | 2.7 |
| **Second program semester** | | | | |
| Registered for any courses (%) | 91.8 | 91.4 | 0.4 | 1.7 |
| Number of credits attempted | 14.1 | 13.3 | 0.8 *** | 0.3 |
| Regular credits | 13.8 | 13.0 | 0.7 *** | 0.3 |
| Developmental credits | 0.4 | 0.3 | 0.1 | 0.1 |
| Attempted 15 or more credits (%) | 80.4 | 55.8 | 24.5 *** | 2.7 |
| Sample size (n = 1,081) | 536 | 545 | | |
| **Financial aid disbursement - Fall 2008 cohort only** | | | | |
| **First program semester** | | | | |
| Total financial assistance disbursed ($) | 5,885 | 5,328 | 557 *** | 204 |
| Federal Pell grant | 1,711 | 1,786 | -75 | 64 |
| NM Bridge to Success or Lottery grant | 1,093 | 1,105 | -11 | 55 |
| VISTA Scholarship | 853 | 0 | 853 *** | 19 |
| Other grants[a] | 1,544 | 1,448 | 96 | 160 |
| Subsidized loans | 349 | 546 | -197 *** | 69 |
| Unsubsidized loans | 205 | 214 | -9 | 75 |
| Federal work study | 130 | 229 | -99 ** | 50 |
| **Second program semester** | | | | |
| Total financial assistance disbursed ($) | 5,057 | 5,001 | 56 | 218 |
| Federal Pell grant | 1,592 | 1,685 | -93 | 73 |
| NM Bridge to Success or Lottery grant | 1,431 | 1,556 | -125 | 85 |
| VISTA Scholarship | 622 | 0 | 622 *** | 27 |
| Other grants[a] | 867 | 816 | 50 | 106 |
| Subsidized loans | 259 | 519 | -260 *** | 65 |
| Unsubsidized loans | 193 | 219 | -26 | 74 |
| Federal work study | 93 | 205 | -111 ** | 43 |
| Sample size (n = 487) | 240 | 247 | | |

SOURCE: MDRC calculations from University of New Mexico transcript and financial aid data.

NOTES: Rounding may cause slight discrepancies in sums and differences.

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

Academic impact estimates are adjusted by the following student characteristics: gender, race/ethnicity, mother and father's education levels, current employment, language spoken at home, high school GPA, and ACT composite score.

[a]This includes all grants and scholarships excluding the Pell Grant, NM Bridge to Success and Legislative Lottery Grant, and VISTA scholarships.

## Table 4

## Scholarship Receipt for the First Program Term

## California

| Outcome | Program Group |
|---|---|
| **First program term** | |
| Claimed scholarship (%) | 93.1 |
| Received a scholarship payment (%) | 81.5 |
| Received initial enrollment payment | 81.5 |
| Received other payment[a] | 0.1 |
| Average scholarship amount received ($) | 475 |
| *Average scholarship among recipients* | *583* |
| Among those who received a scholarship payment (n = 1,401): | |
| *Breakdown by sector (%)* | |
| *Public 2-year* | *51.5* |
| *Public 4-year or above* | *42.2* |
| *California State University* | *26.1* |
| *University of California* | *14.4* |
| *Private 2-year* | *0.2* |
| *Private 4-year or above* | *6.1* |
| *Breakdown by state (%)* | |
| *In-state (CA)* | *96.4* |
| *Out-of-state* | *3.6* |
| *Breakdown by term type (%)* | |
| *Semester-based system* | *78.1* |
| *Quarter-based system* | *21.9* |
| *Credits attempted on enrollment verification* | *12.9* |
| *Semester-equivalent credits attempted on enrollment verification* [b] | *11.9* |
| *Enrolled full-time at institution of enrollment verification* [c] *(%)* | *80.2* |
| *Enrolled part-time at institution of enrollment verification* [d] *(%)* | *19.8* |
| *Payment made by electronic fund transfer (%)* | *88.2* |
| *Payment made by check (%)* | *11.5* |
| Sample Size | 1,720 |

SOURCE: MDRC calculations from scholarship payment data provided by the California Student Aid Commission (CSAC) as well as data from U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). The data presented in this table may change slightly as students can still submit verification and receive a payment for the periods presented.

NOTES: Characteristics shown in italics are calculated for a subset of the program group.

Institution information shown is based on data provided with the initial enrollment payment for the first program term.

The institution information presented is for a student's main institution of attendance, but credits attempted and earned represent the total across multiple institutions if more than one is attended.

[a]Other payments indicate payment amounts that did not line up with the scheduled payment amount for the student's scholarship type for a given semester or quarter institution. We are following up with CSAC to clarify these payments.

[b]Credits attempted at quarter institutions have been multiplied by 2/3 to obtain semester-equivalency.

[c]Full-time enrollment is defined as 12 or more credits, without adjustment for quarter institutions.

[d]Part-time enrollment is defined as 6 to less than 12 credits, without adjustment for quarter institutions.