CF Insights Peer Learning Webinar: Scholarships

Prepared for:
CF Insights Members

October 13, 2010

www.fsg-impact.org

Boston • Geneva • San Francisco • Seattle
### Strategic Questions for Scholarship Funders

1. What does success look like? (e.g., access, enrollment, persistence, completion)
2. How long does the funder want to stay involved with the student’s education?
3. On which target population does the funder want to have an impact?

"The great frontier for scholarship awards is to develop a well-conceived program and then follow through with individuals to show the impact on the target population"
National Context

College Success Is Increasingly Seen as Critical to Both National Economic Competitiveness and Individual Opportunity

President Obama has issued a rousing call for the United States to recapture its former leadership in higher education, stating his goal that “by 2020, America will once again have the highest proportion of college graduates in the world.”

Additionally, the Obama Administration is convening the first-ever White House Summit on Community Colleges (to take place October 5th)

23 states have joined the Complete College America Alliance to make college completion a priority in their states

Five states (IN, OH, OK, TN, and WA) have implemented funding reforms to tie institutional funding to student achievement in PSE; other states have expressed interest in doing the same

16 states are participating in Achieving the Dream policy work to increase completion rates for community college students

Source: OECD, Education at a Glance 2002 and 2009
Only One in Five Students Who Enter High School Complete a Post-Secondary Degree or Credential

Grade 9 – PSE Pipeline for Students in Texas Public Schools

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Students ('000s)</th>
<th>% of Total Students</th>
<th>Texas Completion Rate</th>
<th>National Completion Rate</th>
<th>TX Dropout Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of 9th Graders in 1997</td>
<td>250</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Students who complete HS in 6 yrs</td>
<td>178</td>
<td>71%</td>
<td>71%</td>
<td>69%</td>
<td>29%</td>
</tr>
<tr>
<td>Students who enroll in PSE</td>
<td>126</td>
<td>67%</td>
<td>71%</td>
<td>67%</td>
<td>29%</td>
</tr>
<tr>
<td>Students who complete PSE degree</td>
<td>53</td>
<td>42%</td>
<td>42%</td>
<td>47%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Sources: THECB 1995 Cohort Data; Education Week, Diplomas Count; National Center on Education Statistics, Student Effort and Educational Progress: Transition to College, 2007 Rate; NCES, College Persistence on the Rise? Changes in Degree Completion and 5-Year Persistence, 1995-96; Texas State Data Center and Office of the State Demographer; Murdock, S. Population Change in Texas: Implications for Human, Socioeconomic and Natural Resources for the 21st Century; U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement
Higher Education Pipeline (Texas example)

More Students Leave College After Enrolling than Drop out of High School or Do Not Enroll in College at All

50% of students who enroll in community colleges require developmental education and only 20% of those earn a credential within 6 years

Source: THECB 1995 Cohort data; *assumptions based on relative levels of total PSE enrollment in 2003; **assumptions based on Texas Legislative Budget Board, The Cost of Developmental Education; † projected based on total completion rates for 1995 cohort

© FSG Social Impact Advisors
### A Survey of College Students Found the Top Reason for Dropping Out of College to Be Affordability Rather Than Difficulty of Courses

#### Percent Who Say the Following Is a Reason Why They Did Not Complete Their Program

<table>
<thead>
<tr>
<th>Reason</th>
<th>Major Reason</th>
<th>Minor Reason</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>I needed to go to work and make money</td>
<td>54%</td>
<td>17%</td>
<td>71%</td>
</tr>
<tr>
<td>I just couldn't afford the tuition and fees</td>
<td>31%</td>
<td>21%</td>
<td>52%</td>
</tr>
<tr>
<td>I needed a break from school</td>
<td>21%</td>
<td>33%</td>
<td>54%</td>
</tr>
<tr>
<td>I had to take too many classes that I did not think were useful</td>
<td>16%</td>
<td>27%</td>
<td>43%</td>
</tr>
<tr>
<td>I didn't have enough time for my family</td>
<td>16%</td>
<td>25%</td>
<td>41%</td>
</tr>
<tr>
<td>I thought many of the classes were boring</td>
<td>14%</td>
<td>31%</td>
<td>45%</td>
</tr>
<tr>
<td>All things considered, it just didn't seem to be worth the money I was paying</td>
<td>14%</td>
<td>21%</td>
<td>35%</td>
</tr>
<tr>
<td>I didn't like sitting in class</td>
<td>11%</td>
<td>27%</td>
<td>38%</td>
</tr>
<tr>
<td>Some of the classes were too difficult</td>
<td>10%</td>
<td>24%</td>
<td>34%</td>
</tr>
</tbody>
</table>

- The top reason for dropping out was the strain of having to balance both school and work, which in many cases is necessary to pay for an education:
  - A young woman in Seattle describes the common predicament: “Yeah, I think [working and going to school] was hard. You want to work so that you can help pay off [your tuition and loans] so you don’t have this accumulating debt. I think, for me, it always got in the way. I didn’t have enough time in the day to get everything done.”

- Students who drop out are more likely to come from lower socioeconomic backgrounds and are not able to depend on family for support:
  - 6 in 10 students in the study who left higher education without graduating had to pay for college costs themselves, while 6 in 10 who completed their degrees received help from parents or relatives.

Source: 2009 Public Agenda Survey of adults ages 22 to 30
Increases in Net Price Have a Disproportionate Effect on Time-to-Degree and Completion Rates of Lower-income Students

Bowen et. al. (2009) found that:
- Institutions with lower net prices have higher graduation rates, other things equal
- This effect is particularly evident among lower-income students
- The effect is more attenuated in six-year grad rates than four-year ones, implying that financial considerations interfere with continuous progress more than they do with eventual degree attainment
- For students in the bottom income quartile, an increase of $1,000 in the net price was associated with a decline of 4.5% in the 4-year graduation rate and 3% in the 6-year graduation rate
- Among students in the top two income quartiles, there was no relationship between net price and graduation probability

Scholarships can help decrease loans and net prices for low-income students and increase their likelihood of graduation

Across Income Levels, US Students Receive Smaller Amounts of Grant Assistance and Take on More Debt After Their First Year

Drop in average grant aid after the first year can be traced mainly to loss of “third-party” grants from outside sources, but universities do little to make up the loss

Source: Bowen et. al., Crossing the Finish Line, 2009
Rising Costs and Stagnant Grant Aid Levels Are Driving Dramatic Growth in Student Loan Debt Levels

This year, the amount of outstanding student loan debt in the US surpassed that of credit card debt, having quadrupled since 2000

Source: Mark Kantrowitz, FastWeb.com, “Total College Debt Now Exceeds Total Credit Card Debt”
Scholarships Play A Key Role in Fostering Post-secondary Success

Access

- Scholarships can help meet unmet need for diverse groups and often targeted to reach underserved groups
- Scholarships can also enhance ability of students of all income levels to choose among institutions

Persistence

- Scholarship aid allows students to work less at outside jobs, enabling them to engage in campus life, which increases persistence
- Scholarships can include non-financial support and services, increasing chances of students persisting in college

Completion

- Scholarship programs can provide aid to students in later years and compensate for decline in aid after the first year from other sources
- Scholarships also provide a good testing ground for innovative approaches (e.g., incentives) in student financing to increase completion levels
Effective Scholarship Structure

Straightforward, Predictable Aid, in Combination with Support Services, Increases Persistence Rates

**The Virtue of Simplicity**

- Current methods of determining aid succeed in targeting a large amount of grant aid to needy students, but also:
  - **Prolong uncertainty** about how much college will cost until months after admission, complicating student decisions about whether and where to attend college
  - Result in **progressively higher net prices** as students proceed through school – this complicates financial planning and disproportionately affects lower-income students

- Simple, easy-to-understand aid programs (e.g., Georgia HOPE scholarship, Arkansas) **increase the total number of state residents** who enter college
  - Researchers estimate that the offer of free tuition **increased persistence** to a bachelor’s degree by **between 5 and 10 percent**

- Simplifying information to parents and families maybe needed as families are often unable to fully understand net price of attendance and compare award letter and aid terms (Net price calculator should assist in this regard)

**The Need for Support**

- Most students, particularly first-generation college goers may need **higher levels of non-financial support** to persist and complete college. Support can take many forms, including
  - Counsel on which college to attend, weighing factors such as quality of education and net price of attendance
  - Support in managing transition to college (e.g., tips on managing time)
  - Connection with other scholars for mentorship and support
  - Support in dealing with family pressures and personal stress
  - Flexibility to change award terms to complete college over a longer time period
  - Support in leveraging available resources

- Research shows evidence of **positive effect of support services on persistence**, especially when combined with monetary incentives for achievement or other forms of enhanced aid

Source: Bowen et. al., *Crossing the Finish Line*, 2009
Several Effective Practices for Scholarship Funders Have Also Emerged Through Interviews and Secondary Research

<table>
<thead>
<tr>
<th>Effective Practice</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide simple and transparent scholarships</td>
<td>Research shows that offering a scholarship program that is easy for students and their families to understand is critical to increasing postsecondary graduation rates (e.g., Georgia HOPE scholarship)</td>
</tr>
<tr>
<td>Provide funding that is predictable</td>
<td>Predictable funding allows students to better plan financially for college before they are accepted and better understand the cost of their education each year once they are admitted to college</td>
</tr>
<tr>
<td>Award incentive grants</td>
<td>Early research indicates that providing grants dependent on academic achievement, GPA and/or course load requirements are effective ways of engaging students academically, thereby increasing their performance and likelihood to graduate</td>
</tr>
<tr>
<td>Collect data on student outcomes</td>
<td>Effective funders engage in data collection to understand whether their program is having its intended impact so they can continually refine their program and understand where students need additional supports</td>
</tr>
<tr>
<td>Focus on postsecondary degree completion</td>
<td>Students do not gain much from accessing a college education, rather the real gains are made when they complete their degree; Therefore effective private funders define success as degree completion and support students throughout their postsecondary education</td>
</tr>
<tr>
<td>Build relationships with scholars early</td>
<td>Supporting students early in their education (e.g., middle and high school) builds a college-going culture and provides access to strong academic preparation, as well as college and financial aid counseling which increases the likelihood of degree completion</td>
</tr>
</tbody>
</table>
Strategic Questions

Answering Several Strategic Questions Can Help Funders Develop Effective and Thoughtful Scholarship Programs

Strategic Questions for Scholarship Funders

1. What does success look like? (e.g., access, enrollment, persistence, completion)
2. How long does the funder want to stay involved with the student’s education?
3. On which target population does the funder want to have an impact?

“The great frontier for scholarship awards is to develop a well-conceived program and then follow through with individuals to show the impact on the target population”