FSG SOCIAL IMPACT ADVISORS

CF Insights Peer Learning Webinar: Scholarships

Prepared for:

CF Insights Members

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Boston • **Geneva** • **San Francisco** • **Seattle**

Answering Several Strategic Questions Can Help Funders Develop Effective and Thoughtful Scholarship Programs
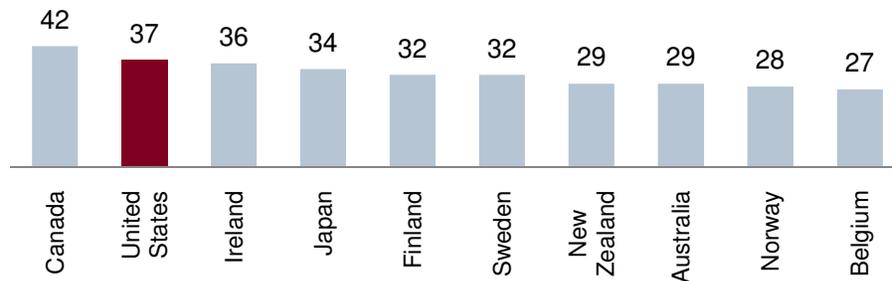
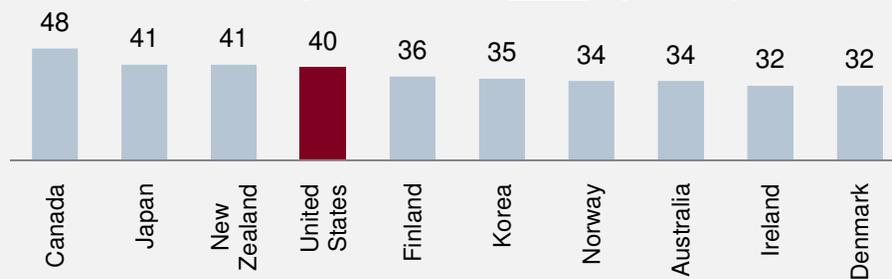| Strategic Questions for Scholarship Funders |
| --- |
| 1. What does success look like? (e.g., access, enrollment, persistence, completion)
2. How long does the funder want to stay involved with the student's education?
3. On which target population does the funder want to have an impact? |

"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"

College Success Is Increasingly Seen as Critical to Both National Economic Competitiveness and Individual Opportunity
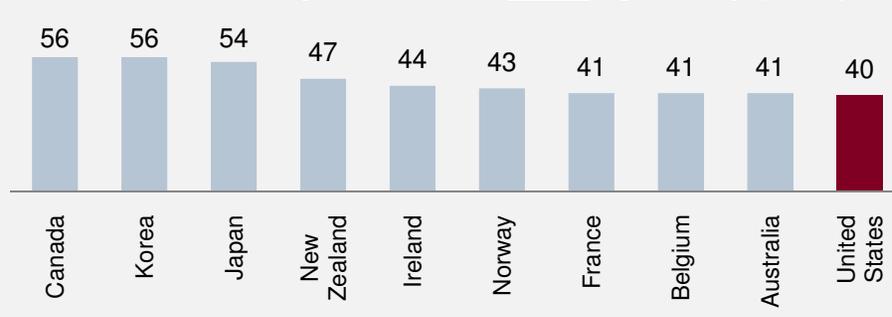
Percent of College Graduates, <u>25-64</u> Age Group (2001)

Canada	United States	Ireland	Japan	Finland	Sweden	New Zealand	Australia	Norway	Belgium
42	37	36	34	32	32	29	29	28	27

Percent of College Graduates, <u>25-64</u> Age Group (2007)

Canada	Japan	New Zealand	United States	Finland	Korea	Norway	Australia	Ireland	Denmark
48	41	41	40	36	35	34	34	32	32

Percent of College Graduates, <u>25-34</u> Age Group (2007)

| Canada	Korea	Japan	New Zealand	Ireland	Norway	France	Belgium	Australia	United States
56	56	54	47	44	43	41	41	41	40

<u>National Initiatives to Increase Completion</u>

- 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*

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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

Number of Students ('000s)

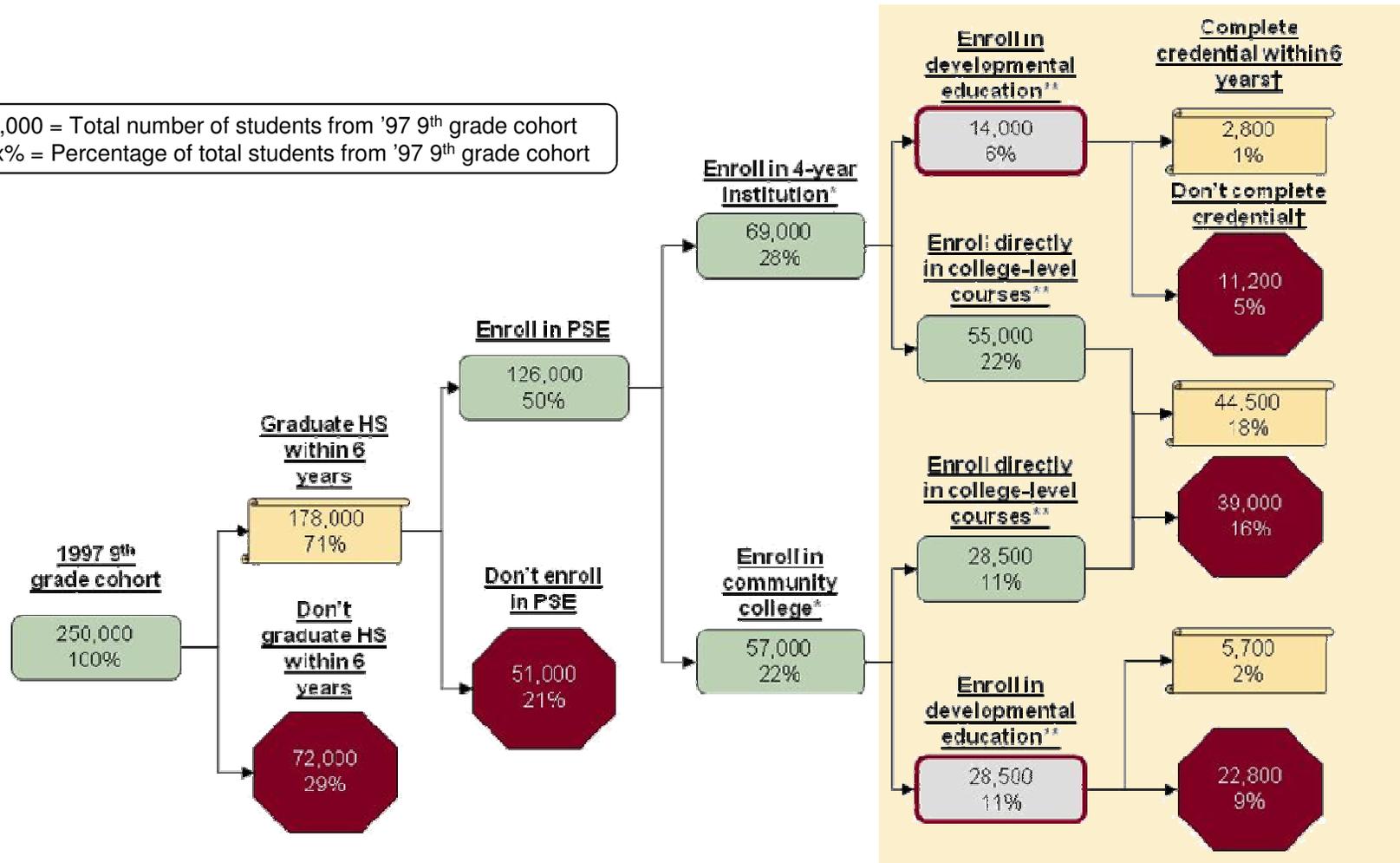Students leaving pipeline

72

51

250

178

126

74

53
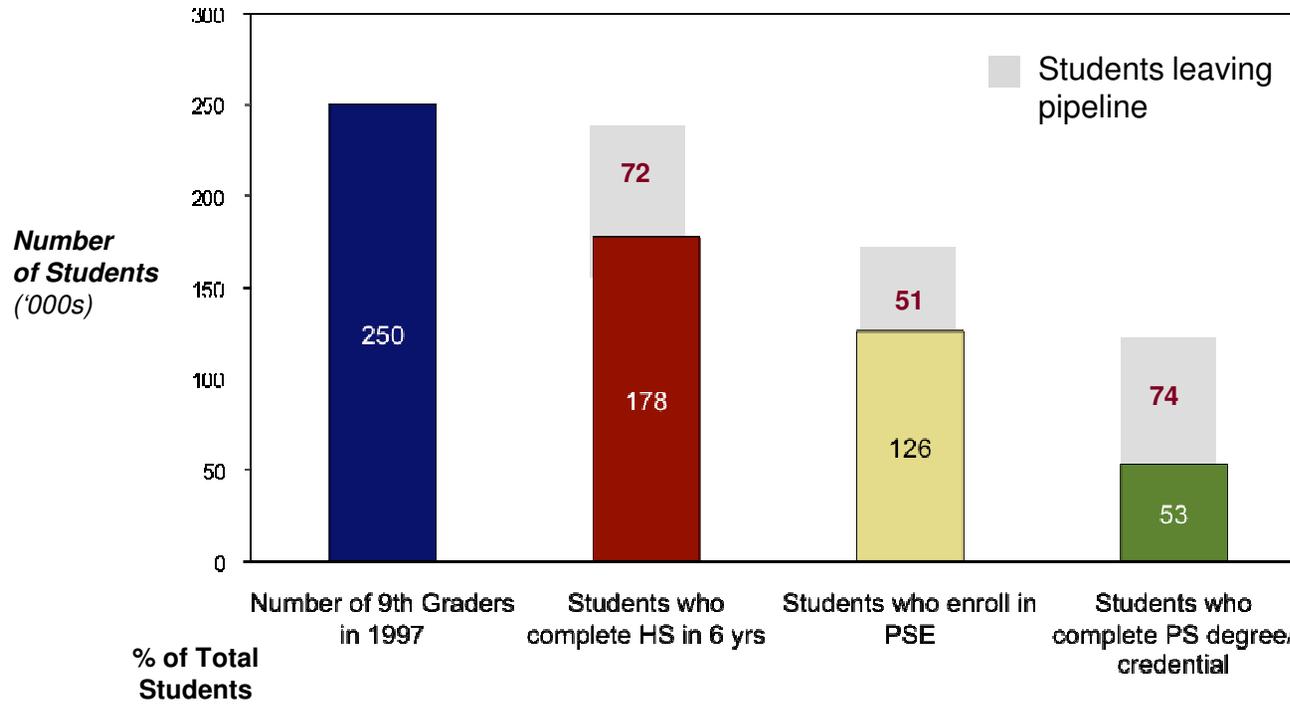
Number of 9th Graders in 1997

Students who complete HS in 6 yrs

Students who enroll in PSE

Students who complete PS degree/credential

% of Total Students			
Texas Completion Rate	--	71%	71%	42%
National Completion Rate	--	69%	67%	47%
TX Dropout Rate	--	29%	29%	58%

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

x,000 = Total number of students from '97 9th grade cohort
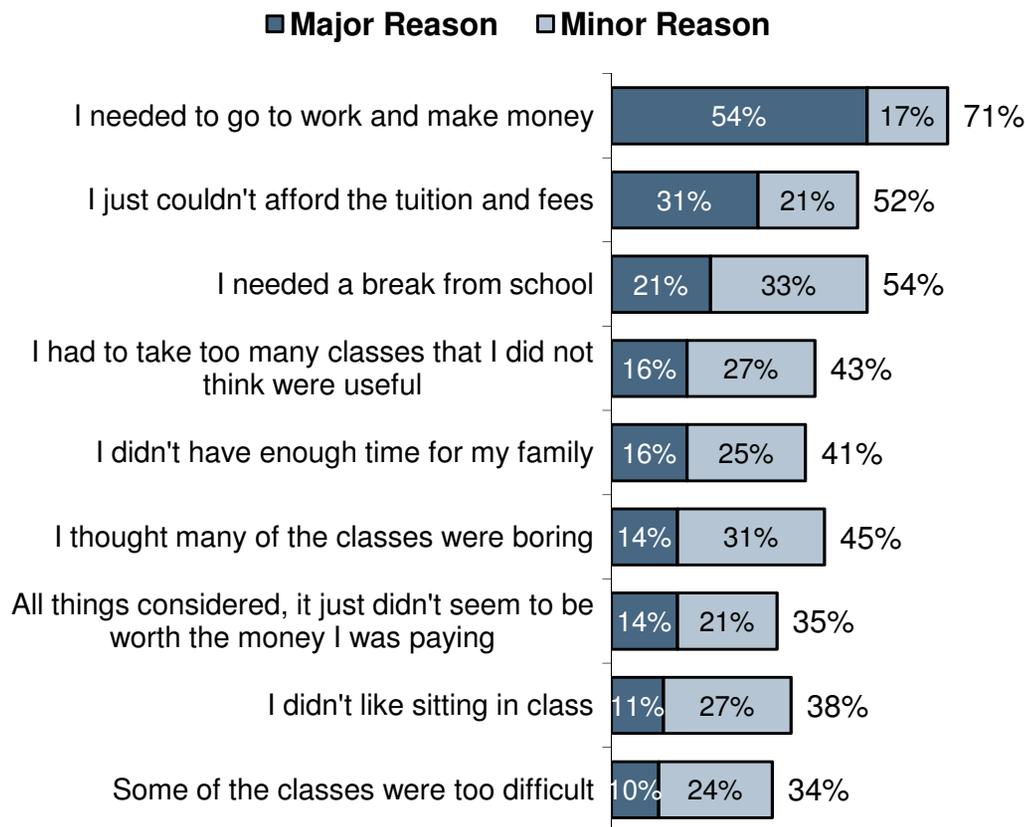xx% = Percentage of total students from '97 9th grade cohort

Enroll in developmental education**
14,000
6%

Complete credential within 6 years†
2,800
1%

Enroll in 4-year Institution*
69,000
28%

Enroll directly in college-level courses**
55,000
22%

Don't complete credential†
11,200
5%

Enroll in PSE
126,000
50%

Graduate HS within 6 years
178,000
71%

Enroll directly in college-level courses**
28,500
11%

44,500
18%

39,000
16%

1997 9th grade cohort
250,000
100%

Don't graduate HS within 6 years
72,000
29%

Don't enroll in PSE
51,000
21%

Enroll in community college*
57,000
22%

Enroll in developmental education**
28,500
11%

5,700
2%

22,800
9%

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

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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

■ **Major Reason** □ **Minor Reason**

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

- 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

Average Unmet Need at Texas Public Post-Secondary Institutions (FY2008)

Bar chart showing:
- Public 4-year: $4,105
- Public 2-year: $5,261
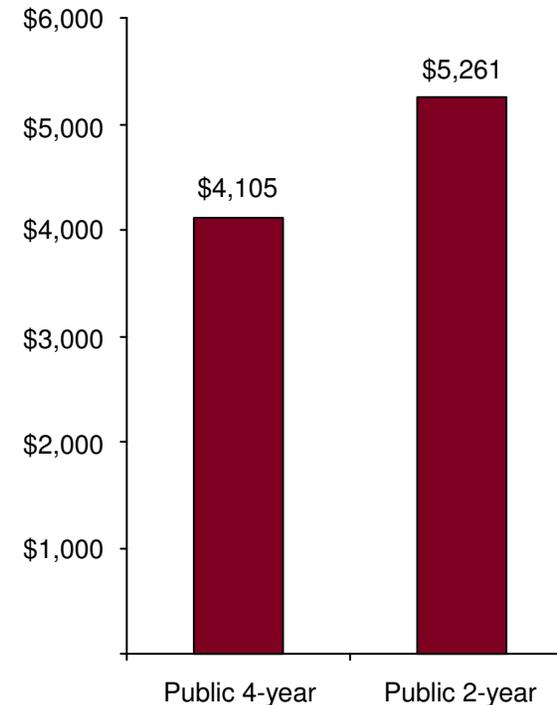
Lower-income students are more likely to attend 2-year institutions

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

Source: Bowen et. al., *Crossing the Finish Line*, 2009; THECB, "Report on Student Financial Aid in Texas Higher Education for FY 2008; TG Research, "State of Student Aid and Higher Education in Texas," 2010

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

% of Aid from Grants and Loans by Year and Income Level
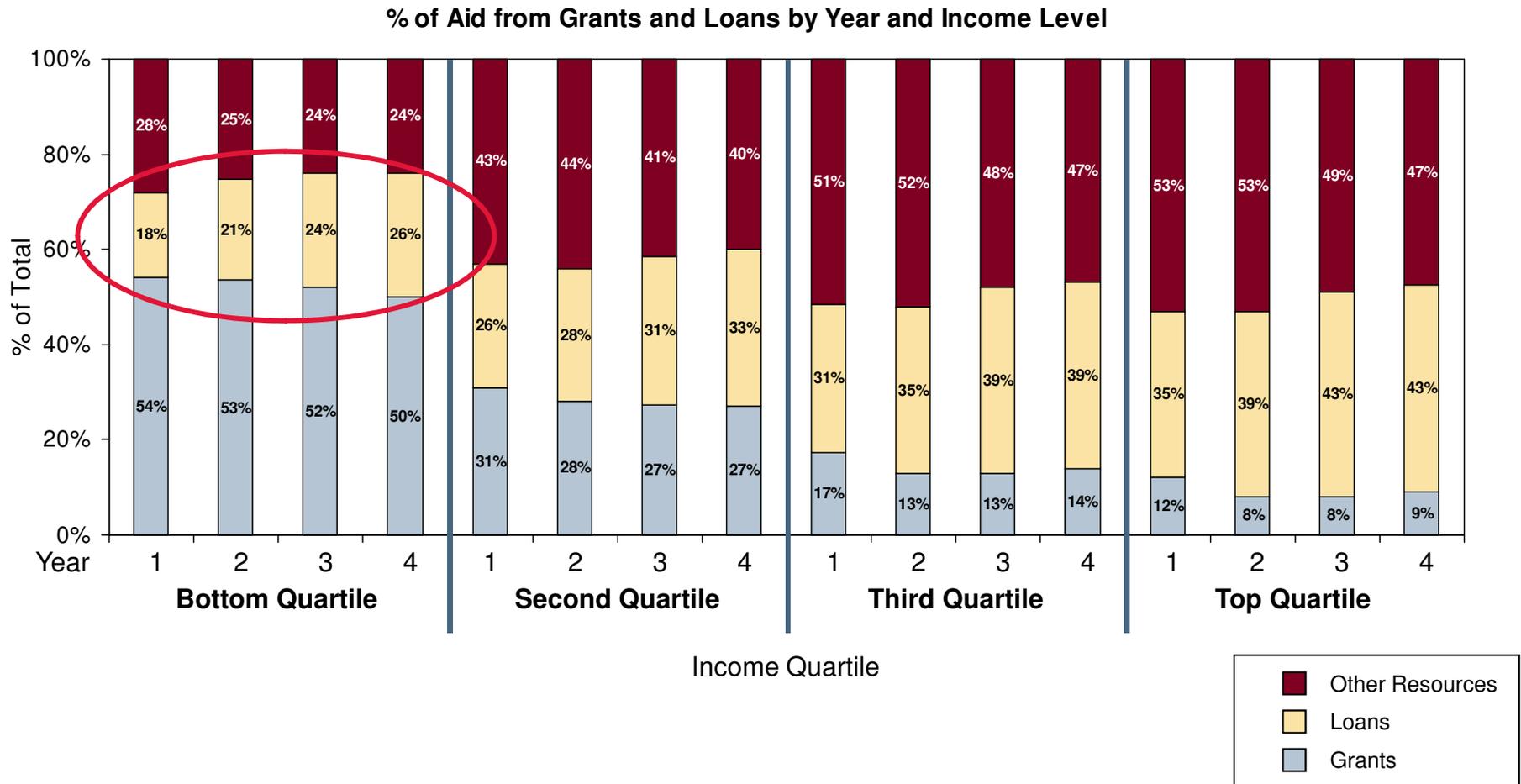
Drop in average grant aid after the first year can be traced mainly to loss of "third-party" grants from outside sources, but universities do little to make up the loss

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
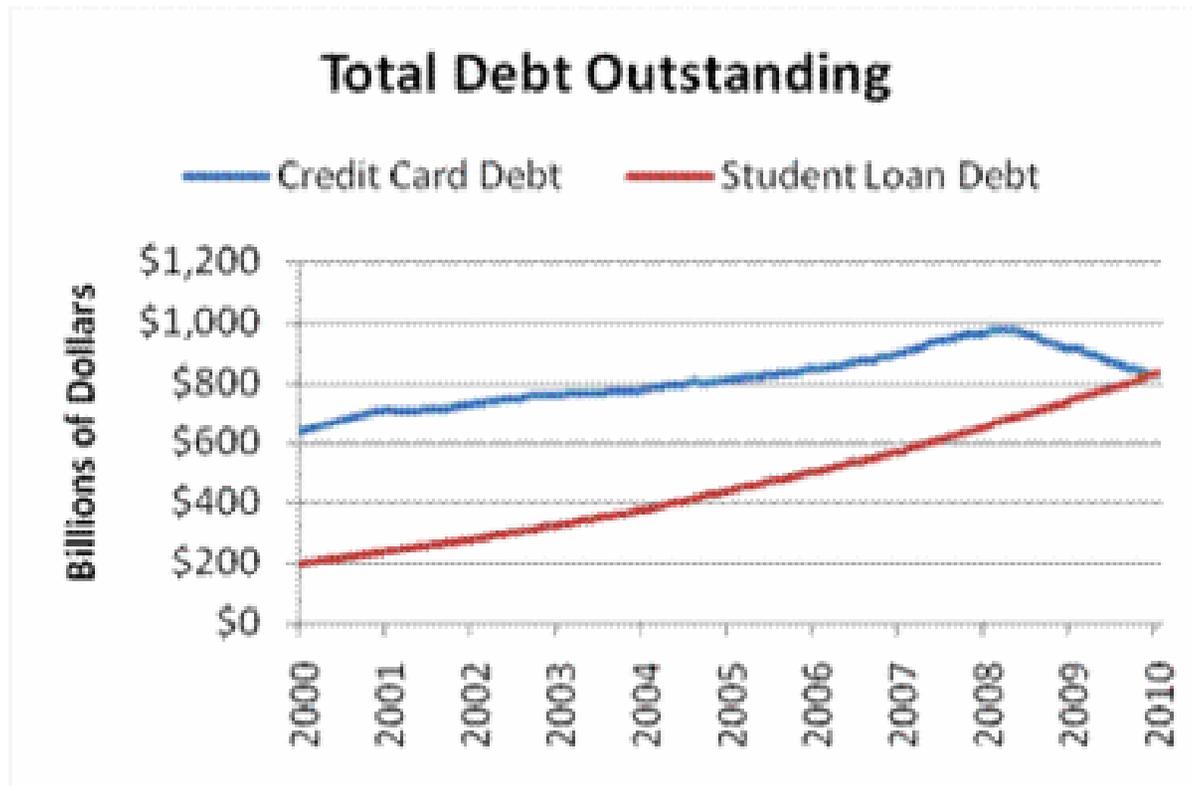
Source: Mark Kantrowitz, FastWeb.com, "Total College Debt Now Exceeds Total Credit Card Debt"

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

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

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

Effective Practice	Rationale
Provide simple and transparent scholarships	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)
Provide funding that is predictable	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
Award incentive grants	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
Collect data on student outcomes	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
Focus on postsecondary degree completion	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
Build relationships with scholars early	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

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"