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January 2016

Dear Colleague,

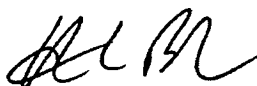
Policymakers in the United States are increasingly focused on expanding the number of college graduates, in addition to ensuring broad and equal access to higher education. Rising tuition costs, however, pose a considerable challenge to these goals, particularly for low-income students, who enroll in and complete college at lower rates than their more affluent peers. Financial aid can help, but often it does not cover the full cost of higher education. Although the Pell Grant is the main source of federal aid, scholarships also play an important role: State and private donors award more than \$20 billion annually to undergraduate students. Yet little rigorous research has been done to test whether and how scholarships increase college completion rates.

More than a decade ago, MDRC began evaluating performance-based scholarships, which are designed to encourage academic progress and are paid only when students achieve key academic benchmarks, such as enrolling in and then earning a pre-specified number of credits. Promising results from an early test of a performance-based scholarship program in Louisiana led to a broad demonstration study — the Performance-Based Scholarship (PBS) Demonstration — to test the effectiveness of this approach, using large randomized controlled trials in multiple settings and with varying scholarship durations, amounts, and incentives.

This report marks the culmination of the PBS Demonstration, which included more than 12,000 students in six different states. The PBS programs generally lasted about a year, and the scholarships were designed to cover about 15 to 25 percent of students' remaining financial need exclusive of other aid. The programs produced impacts on academic outcomes that were evident several years after the programs ended, in some cases reduced student loans, increased college matriculation in one program that targeted high school seniors, and increased students' use of support services when the scholarship was conditioned on the use of those services. Perhaps most important, the scholarship programs helped students earn more credits toward their degrees and modestly improved graduation rates — and the effects appear consistent across different programs. A variety of performance-based scholarship programs have now been effectively implemented in multiple, diverse settings, at both the college and the state levels.

As the focus on college completion intensifies, the results of the PBS Demonstration are encouraging: Modest financial award programs aimed at encouraging academic progress can help students advance toward their degrees and can even make the difference in whether some students graduate. Financial aid providers that add to existing federal and state aid programs can build on these results by tying scholarship payments both to key steps that help students academically and to important markers of academic progress toward earning a degree.

Sincerely,



Gordon L. Berlin
President