20 Scholarship design: How should the scholarship be structured?

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Promise scholarships can be designed in various ways that bring fewer or greater new resources to students.

There are several options for structuring Promise scholarships, and these have important implications for how much new funding is available to students. One distinction is whether the scholarship offers a guarantee of tuition coverage or whether it is set at a flat rate. Another important issue is whether the scholarship is offered before or after other forms of grant aid; "first-dollar" scholarships are rare and expensive but bring more new resources to students. "Last-dollar" scholarships make use of existing forms of grant aid, especially Pell grants. They are more cost-effective but sometimes leave students without new resources. Some programs are pioneering new forms of "middle-dollar" scholarships to ensure all students receive some new resources.

Policy Considerations

- Promise leaders should seek to understand in advance how design decisions will affect cost to make sure their program is feasible and sustainable.

- Keeping the scholarship structure as simple as possible will reduce student uncertainty, make messaging easier, and promote usage.

- It is important for Promise program leaders to have a plan and resources in place to communicate regularly with students and families about the details of the scholarship.

- First-dollar funding structures will better equip low-income students to manage the full costs of college; however, these are expensive and rare.

- Less generous, last- or middle-dollar programs can help increase college access provided effective support and strong messaging are in place around college-going requirements.

- Avoid making program commitments that cannot be sustained; it is better to start modestly and expand benefits than to provide generous benefits that at some point need to be reduced.

What We Know

A core element of a Promise program is the funding it provides for postsecondary education, especially important in an era where the price of college has been rising. The Promise model departs

from the typical college scholarship in several ways: Promise scholarships are, for the most part, **based on residency and are need-blind**, whereas the largest source of student financial aid is need-based, awarded primarily through the federal Pell grant. Promise scholarships are generally **easy to access and are available to all students** who meet established criteria, whereas many other scholarships are limited in number and accessed through a competitive application process.

Most Promise programs address only the **direct costs of college—tuition and mandatory fees—**and not all cover these in their entirety. Some programs commit to covering tuition and fees at eligible institutions, whatever that may be. Others provide a flat grant to be used toward these costs. A few allocate additional resources to covering other costs such as housing, transportation, and books. Economists point out that the largest cost of college for most students is the loss of time they could have spent earning income (the "opportunity cost" of college). Promise programs help make college more attractive and feasible by providing resources to replace this lost income.

There are three main approaches for the timing of the application of scholarship funds to students' tuition bills. **First-dollar scholarships** are the most expensive because they apply the scholarship dollars before eligible federal and state grant aid are applied. This means that the Promise program is paying for tuition (and often mandatory fees) for each Promise program recipient. This is an expensive way to structure a Promise program and rare in the Promise universe, but it has important equity benefits, directing the largest amount of funding to those students most in need.[1] In a **last-dollar design**, which is dominant in the field, Promise scholarship dollars are applied after federal and sometimes state grant aid. This makes the program less expensive because some students

may not receive any Promise scholarship dollars if federal or state grant aid fully covers their tuition bill. **Middle-dollar designs** are becoming a more popular approach, in part to ensure that low-income students receive new resources through a Promise scholarship. They guarantee funding for all students regardless of financial need by offering either a minimum scholarship amount or stipend to cover books and other educational expenses.

Promise programs can help overcome two other problems with existing financial aid systems. Aid triggered by a student's Free Application for Federal Student Aid (FAFSA) filing comes very late in the process, since students do not file their FAFSA until they are high school seniors. The FAFSA form is also notoriously long and complex and has proven to be a barrier in college attendance.[2] One of the most important contributions of Promise programs is to provide an **early message about college affordability**, conveying to eligible students that college is affordable. This makes FAFSA completion just one step along the path to college rather than a formidable barrier. If FAFSA completion is a requirement for receiving a Promise scholarship, stakeholders need to ensure that ample resources are in place to help students and families complete this task. Community partners and hands-on assistance—often working through high schools, which is where the students are—are critical elements of an effective FAFSA completion strategy.

For last-dollar programs that cover only the two-year sector, stakeholders should consider providing supplemental grants to students who receive no funding through the Promise program (i.e., whose Pell grants are covering their tuition). These can be used to help cover some costs of attendance (e.g., transportation, books). This model is sometimes called a "middle-dollar" scholarship.

[1] Miller-Adams, M., & McMullen, I. (2022). *Promise program design for equity outcomes: A landscape survey*. (Working Paper No. 22-366). W.E. Upjohn Institute for Employment Research.

[2] Bettinger, E., Long, B. T., Oreopoulos, P., & Sanbonmatsu, L. (2012). The role of application assistance and information in college decisions: Results from the H&R Block FAFSA Experiment. *Quarterly Journal of Economics*, 127(3).

The spread of Promise programs has raised questions about **scholarship award displacement**—that is, whether the availability of a Promise scholarship leads institutions to "displace" or withdraw aid they have already awarded to students. Displacement is a widespread practice that is gaining greater scrutiny,[3] and some states have enacted laws to make it illegal.[4] Promise programs have found it helpful to negotiate directly with the financial aid offices of the colleges that receive their students to ensure agreement that a Promise scholarship will add to rather than replace existing aid.

Recommended Reading

Campaign for Free College Tuition. (2022, Revised). *Making public colleges tuition free: A briefing book for state leaders*. Campaign for Free College Tuition.

A compendium of existing statewide Promise programs and "how to" guide for state leaders covering best practices and steps needed to launch a statewide Promise program.

College Promise Campaign. (2018). *Playbook: How to build a Promise*. College Promise.

A resource for city and county elected officials to build College Promise programs for their communities. It includes information on the steps needed to create a Promise program and provides planning documents from several existing Promise programs.

Gándara, D., Acevedo, R., & Cervantes, D. (2022). *Reducing barriers to free college programs*. Scholars Strategy Network.

This brief highlights barriers in program design that could impact student access and persistence. Authors advance policy recommendations aimed at ameliorating the barriers that can limit the effectiveness of free college or Promise programs.

Hodara, M. (2017). *What does the research say about barriers to FAFSA completion and strategies to boost completion?* Education Northwest.

This article discusses the research on FAFSA completion. 2011/2012 data shows that about a third of students who did not submit a FAFSA would have been eligible for Pell Grants. The article lists some of the key barriers to FAFSA completion. Students and their families may believe they do not have financial need, they make not have adequate information about financial aid, they may be deterred by the cost of college,

and they may find the FAFSA completion process to be too complex. The article discusses strategies for overcoming these barriers to boost FAFSA completion, such personally assisting students with completing the FAFSA and providing them with easy-to-understand information about the process.

Jones, T., Ramirez-Mendoza, J., & Jackson, V. (2018). *A promise worth keeping*. Education Trust.

This report reviews statewide Promise programs through an equity lens and sets forth criteria states should adopt if they want their Promise programs to reach those students who struggle the most to pay for college.

Miller-Adams, M. (2021). *The path to free college: In pursuit of access, equity, and prosperity*. Harvard Education Press.

This book provides a high-level analysis of the free-college movement and outlines how the design of free-college programs should relate to programmatic goals, whether those are driven by expanding college access, improving equity in college-going and attainment, or promoting a better-educated workforce.

Miller-Adams, M. (2015). *Promise nation: Transforming communities through place-based scholarships*. W.E. Upjohn Institute for Employment Research.

This free e-book provides a brief overview of the place-based scholarship movement, summarizing key design decisions, the diffusion of the Promise idea from Kalamazoo to other communities and states, and the challenges that stopped some Promise programs before they began.

Perna, L. W., Wright-Kim, J., & Leigh, E. W. (2020). *Is a college promise program an effective use of resources? Understanding the implications of program design and resource investments for equity and efficiency*. AERA Open, 6(4), 1–15.

This research article examines how program design and resource investments influence equity, efficiency, and outcomes for four last-dollar community college Promise programs.

Willard, J., Vasquez, A., & Lepe, M. (2019). *Designing for Success: The early implementation of College Promise programs*. MDRC.

Includes guidelines for Promise program design derived from technical assistance MDRC provided to several Promise programs in their early stages.

[3] Lewis, Z., & Green, B. (2022, April 25). *Scholarship award displacement: The hidden practice*. Forbes.

[4] Francisco, M. (2020, April 14). Now you see it, now you don't: Scholarship displacement dilemma. New America.