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POSTSECONDARY EDUCATION
AND EMPLOYMENT

Pell Grants as Performance-Based Aid? Examining Satisfactory Academic Progress Standards

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The Pell Grant Program

In the last year, the Pell program

- Provided 9 million students with aid

- Cost over $33 billion

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The Pell Grant Program

"Need-based"

- Awards are dependent on:
  - Expected Family Contribution (EFC)
  - Institution's Cost of Attendance (COA)
  - Enrollment status: full-time or part-time

- Eligibility is *not* based on prior achievement

The Pell Grant Program

Ongoing eligibility assessment:

- Re-application to determine need

- Performance-based standards:
  - "Satisfactory Academic Progress" (SAP)

Federal SAP Guidelines

- Institutions must assess SAP using:
  - "Qualitative Standard": 2.0 or equivalent by the end of second academic year
  - "Quantitative Standard": Minimum percentage of work successfully completed
  - Maximum timeframe: Cannot exceed 150% of published length of undergraduate program in credits

Sources: CFR 668.34; Information for Financial Aid Professionals handbook, ch.1, vol.1

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What do we know about SAP?

- Two opposing hypotheses for SAP impacts:
  - Incentivize effort
  - Discourage persistence

- Draw on related literatures
  - Performance-Based Funding
  - Academic Probation

Incentivizing Effort

- West Virginia's PROMISE scholarship (Scott-Clayton, 2011)
  - Positive annual impacts at the required credit threshold

- Louisiana's Opening Doors (Brock & Richburg-Hayes, 2006; Richburg-Hayes et al., 2009)
  - Increased enrollment, persistence, credit accumulation

- Performance-Based Scholarships Demonstration (Patel et al., 2013)
  - Modest increase in credit accumulation

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Discouragement: Probation

- "Weed out" students with little chance of success and motivate others (Bénabou & Tirole, 2000)

- Probation at the end of first year (Lindo, Sanders, & Oreopoulos, 2008)
  - discourages some students from returning; improves performance of those who return

Research Questions

- How many students fail to meet SAP?
  - Which requirements do they fail?
  - How do Pell students compare to non-Pell students?

- What is the impact of SAP standards on persistence, transfer, and degree attainment?

Data

- National Data: Broad Trends
  - National Postsecondary Student Aid Study
  - First-year equivalent students in 2004, 2008, 2012

- Administrative Data: Closer Look
  - State community college system
  - 49 colleges with equivalent SAP policies
  - ~150,000 first-year students (43,000 receive Pell)
  - Fall cohorts 2002-2007

Institutional SAP Policy

Per college policies:

A student is maintaining Satisfactory Academic Progress *at the end of each term* if—

- Has a cumulative GPA of 2.0 or higher

- Completes at least 67% of all credit hours attempted

- Completes program of study within 150% of expected time frame

Comparison of National and State Samples

State Community College System (SCCS):

- Slightly older students

- Tuition: $1,475 in 2007-2008
  - National CC average = $2,708

- More non-residents

- Lower Expected Family Contribution (EFC)

- Less likely to work while enrolled

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National Trends: 2004-2012

Percent of First-Year Students with GPA < 2.0

Institution sector	Pell			Non-Pell		
	2004	2008	2012	2004	2008	2012
Public 4-year	22.6	24.3	24.2	17.3	19.0	18.7
Private not-for-profit 4-year	19.7	16.0	15.3	9.3	11.0	8.0
Public 2-year	17.0	20.4	24.5	14.8	18.3	20.5
Private for-profit 2-year	13.6	16.1	15.1	8.6	12.8	12.1
Attend more than one college	14.8	15.8	18.0	12.0	12.4	13.5
Total	17.3	18.9	21.0	15.1	17.5	19.2

Source: NPSAS 2004, 2008, and 2012

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SCCS Trends:
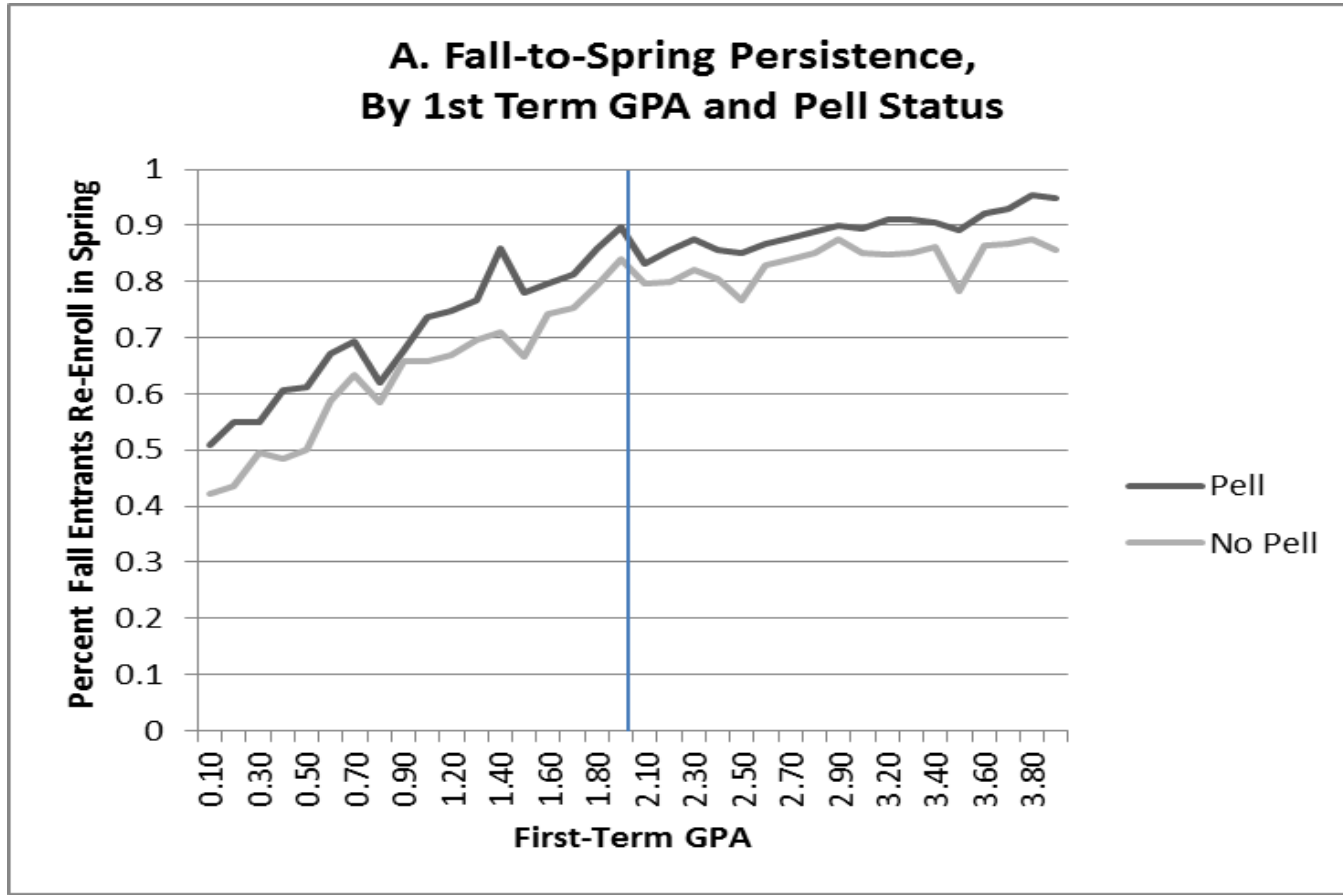## First-Term SAP Failure by Entry Cohort
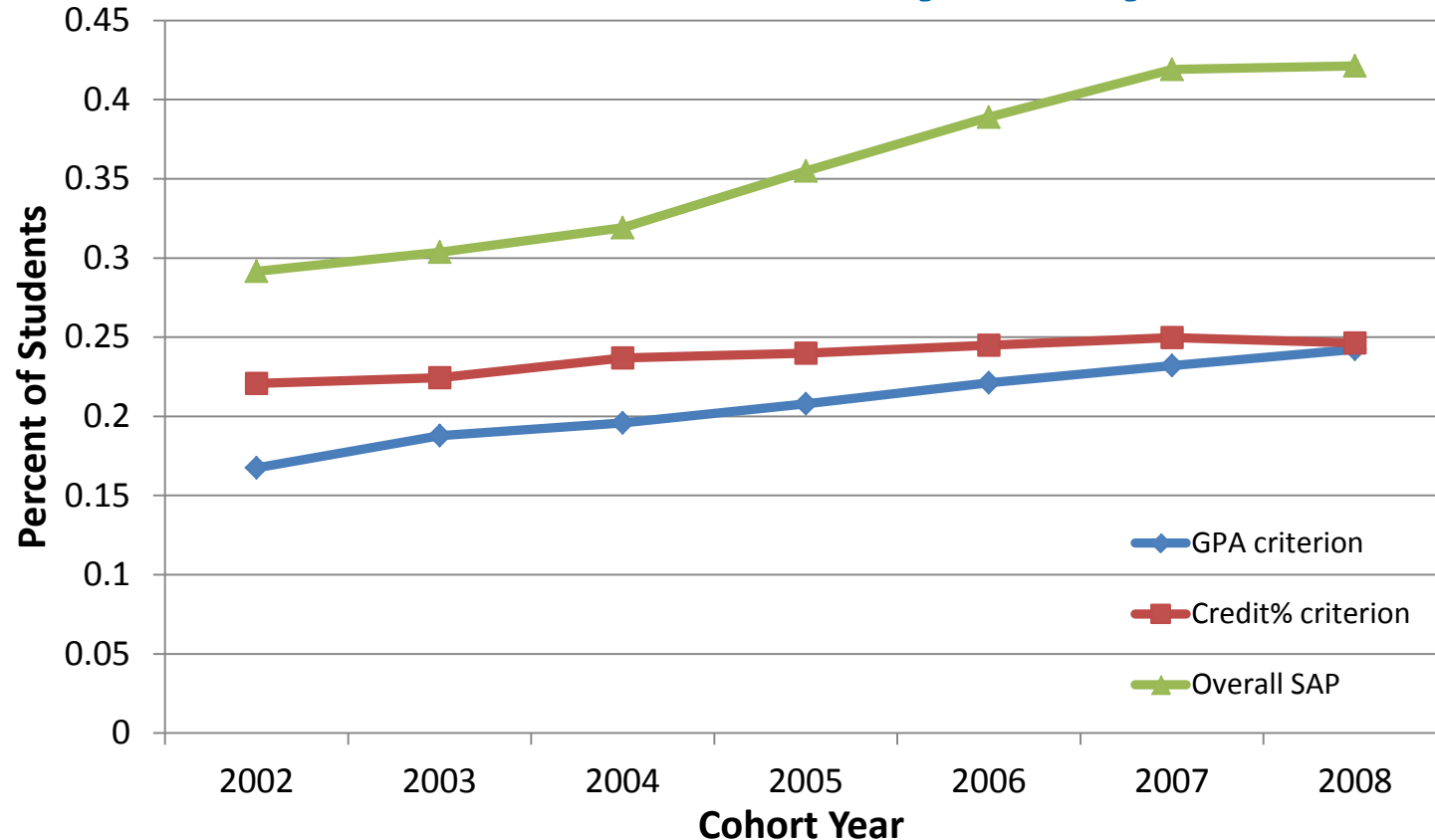
Source: SCCS data. Notes: N= 147,380. Credits attempted/completed data missing in 2005-2006.

Distribution of Pell Entrants by Overall SAP and Enrollment Status Over Time
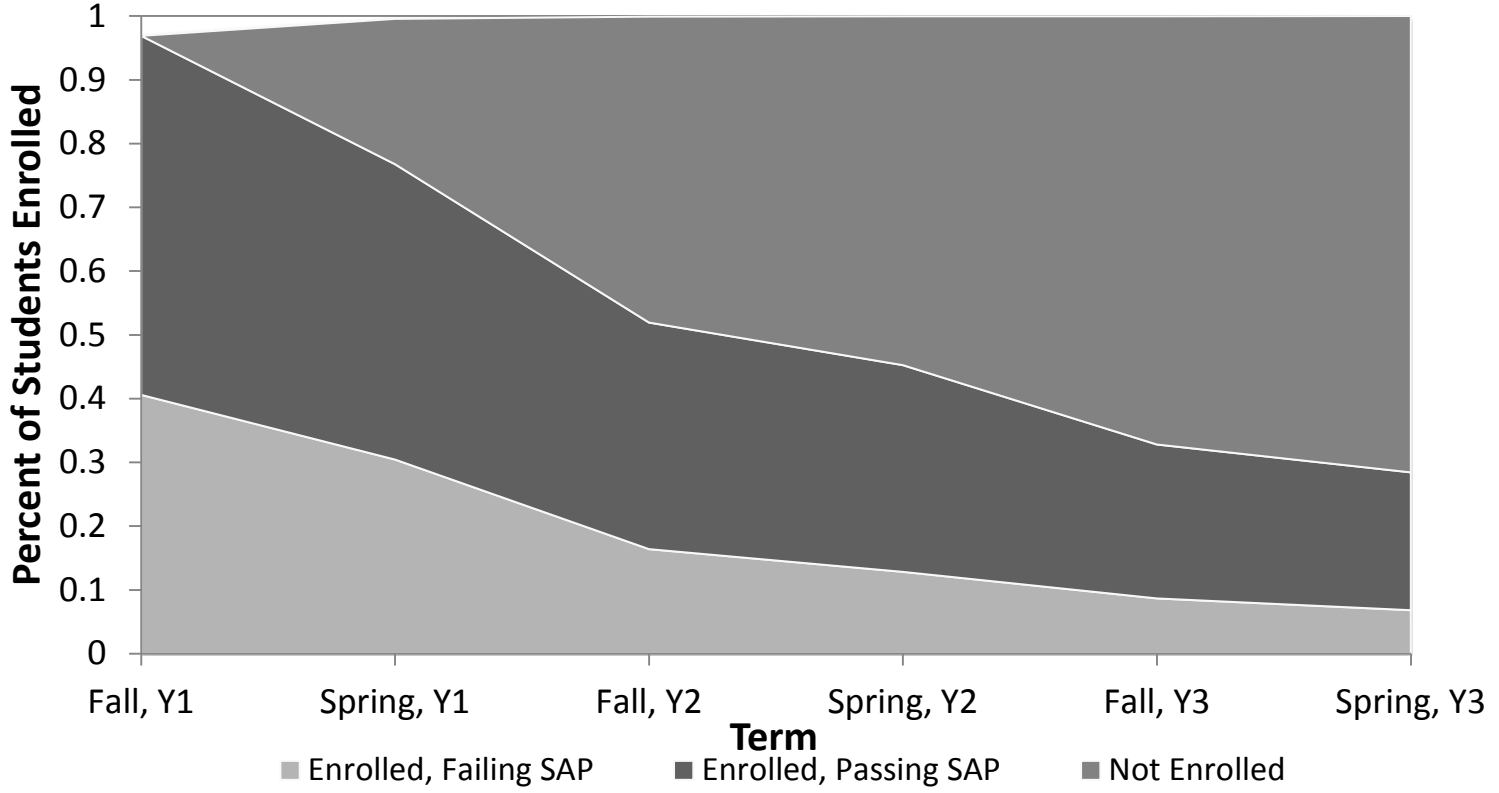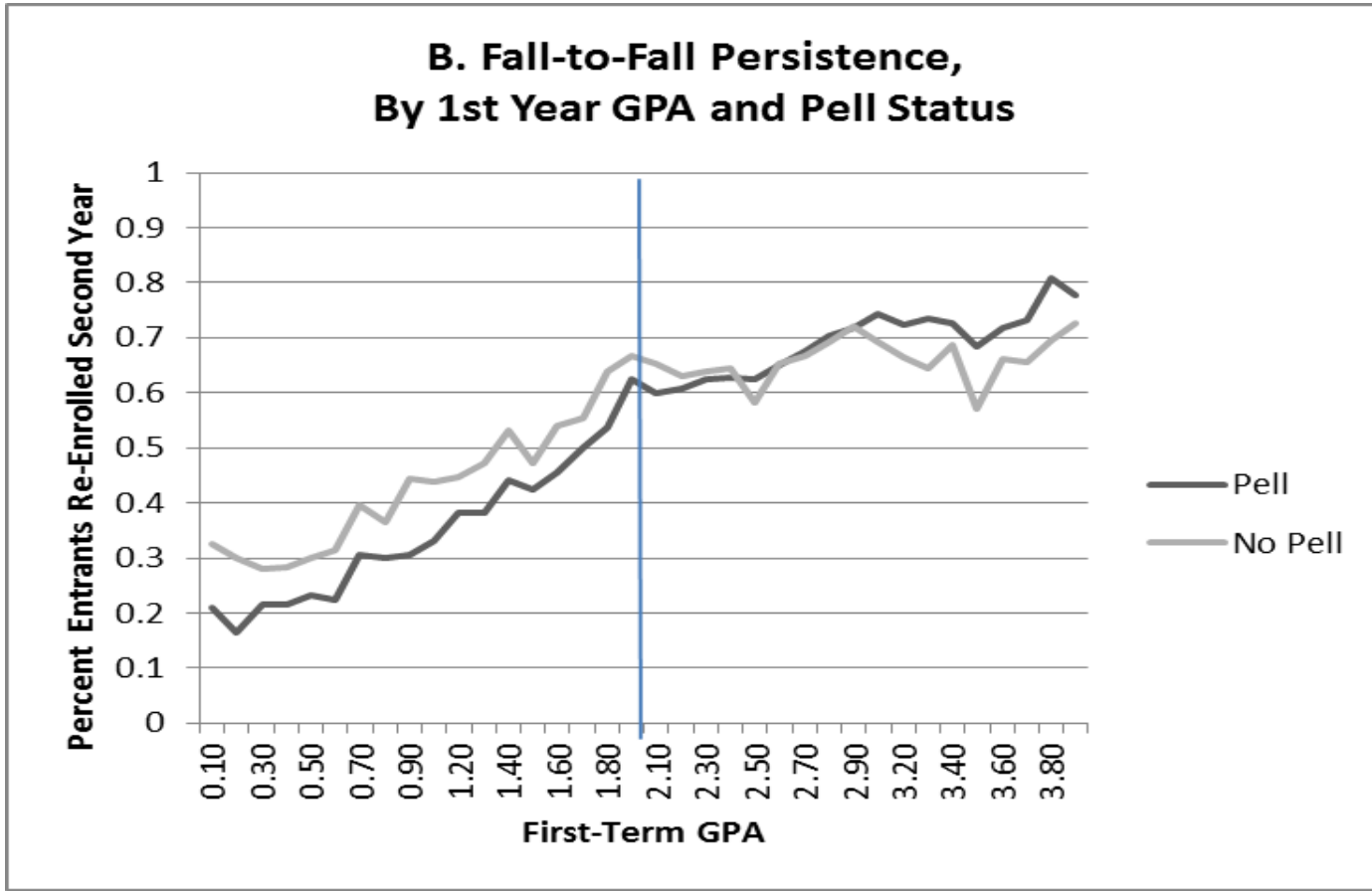

Source: SCCS data. Notes: N=42,835. In the first term a small percentage of enrolled students had no valid GPA.

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SAP and Persistence by Pell-Status

Source: SCCS administrative data. Notes: N=147,380.

SAP and Persistence by Pell-Status

**B. Fall-to-Fall Persistence,
By 1st Year GPA and Pell Status**

Source: SCCS administrative data. Notes: N=147,380.
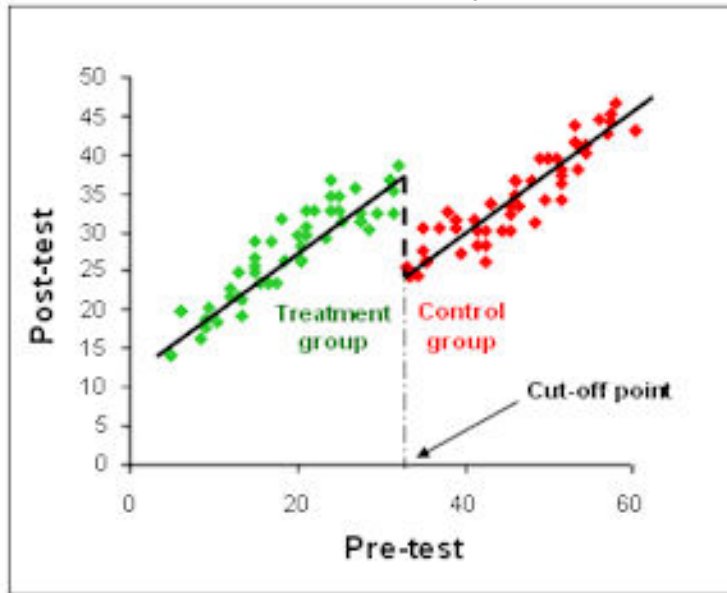
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Methods

Leverage 2.0 GPA cutoff and two analytic approaches:

- Regression Discontinuity (RD)

- Difference-in-Differences (DD)

Analytic Strategy 1

- Examine "discontinuity" at the cutoff
  - Local linear regression: focus on students whose cumulative first-year GPAs fall near the cutoff (Hahn, Todd, & van der Klaauw, 2001)

Analytic Strategy 2

- SAP policy must be "at least as strict as" academic requirements for graduation
  - RD estimates capture combined effects: general academic standards & SAP standards

- Need to remove biases of exposure to general academic regulations

Difference-in-Differences

- Logic of DD estimation: outcomes are observed for two different subgroups
  - Pell recipients exposed to SAP policy and some of the students within this group fell below threshold
  - Non-Pell students not exposed to SAP policy and some students fall below threshold

Difference-in-Differences

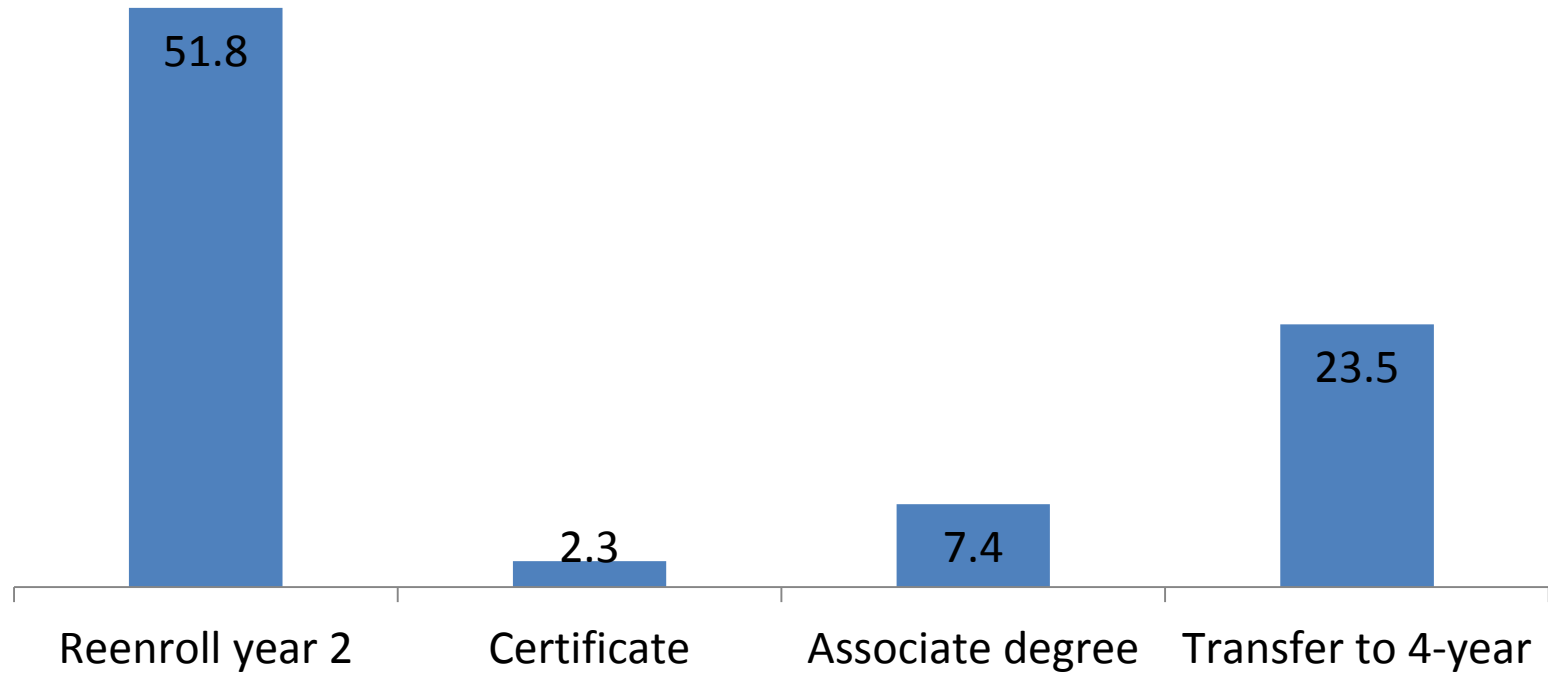| **Pell**	**Non-Pell**
Above	Above
– <u>Below</u>	– <u>Below</u>
Diff for Pell	**Diff for Non-Pell**

Difference of the Difference:
Diff for Pell – Diff for Non-Pell= DD estimate

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Results

SCCS Average Outcomes

Reenroll year 2	Certificate	Associate degree	Transfer to 4-year
51.8	2.3	7.4	23.5

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Difference-in-Differences Estimates
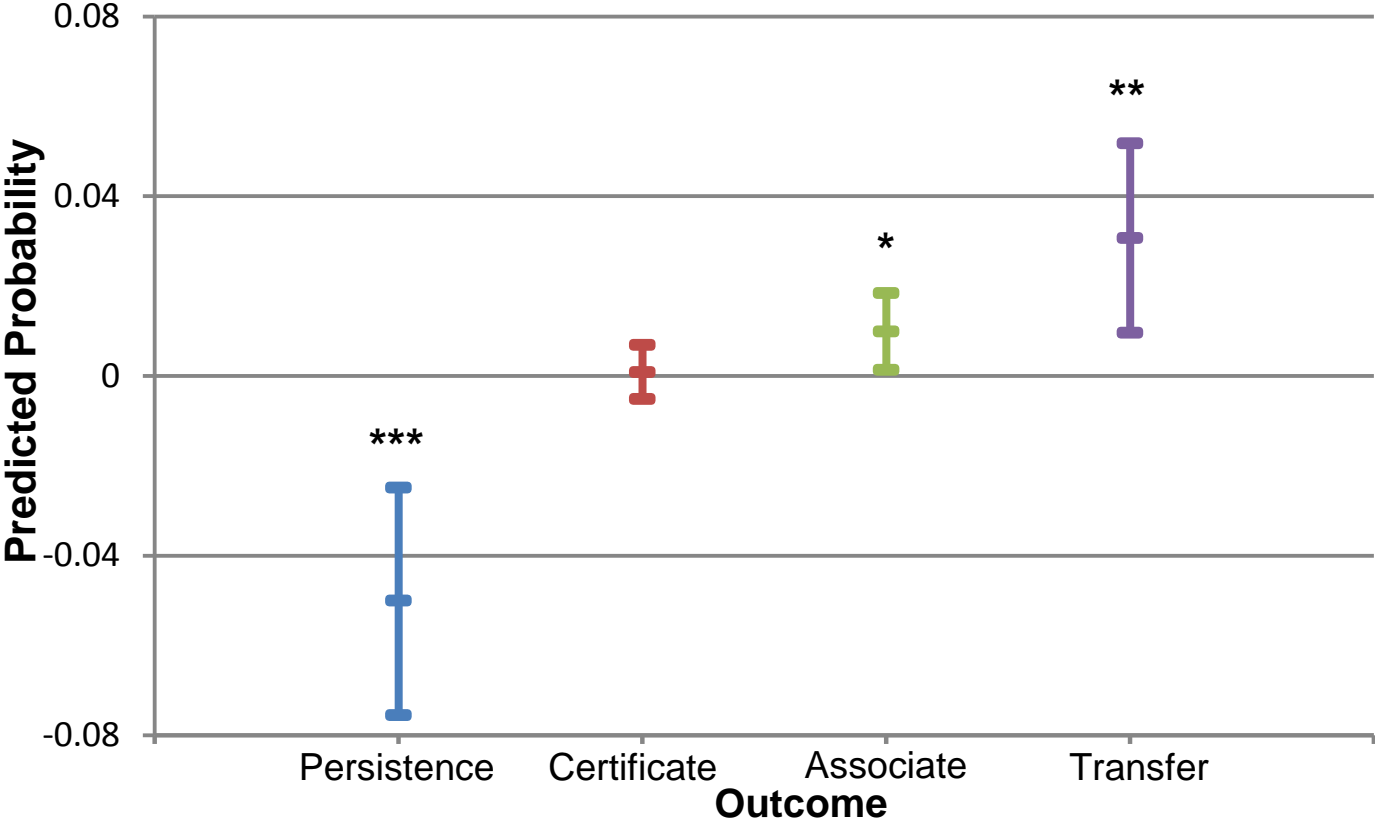
Summary of Findings

- Prevalence of SAP failure: Many initial Pell recipients risk ineligibility
  - A quarter of first-year community college students failed to meet GPA requirement in 2012
 - With credit requirement, over a third of CC students potentially affected

Summary of Findings

- Impact of SAP:
  - No significant impacts per RD estimation
  - Mixed impacts per DD estimation: negative impacts on persistence, positive on degree attainment and transfer

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Interpreting Impact of SAP Policy

- Discouraging effect of SAP policy on persistence

- Positive impacts on associate degree and transfer:
  - Incentivizing student effort?
    - Cannot rule it out, but little improvement in GPA
  - Floor effects?

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Floor Effects Driving Observed Positive Effects?

Earned Associate Degree in 3 Years
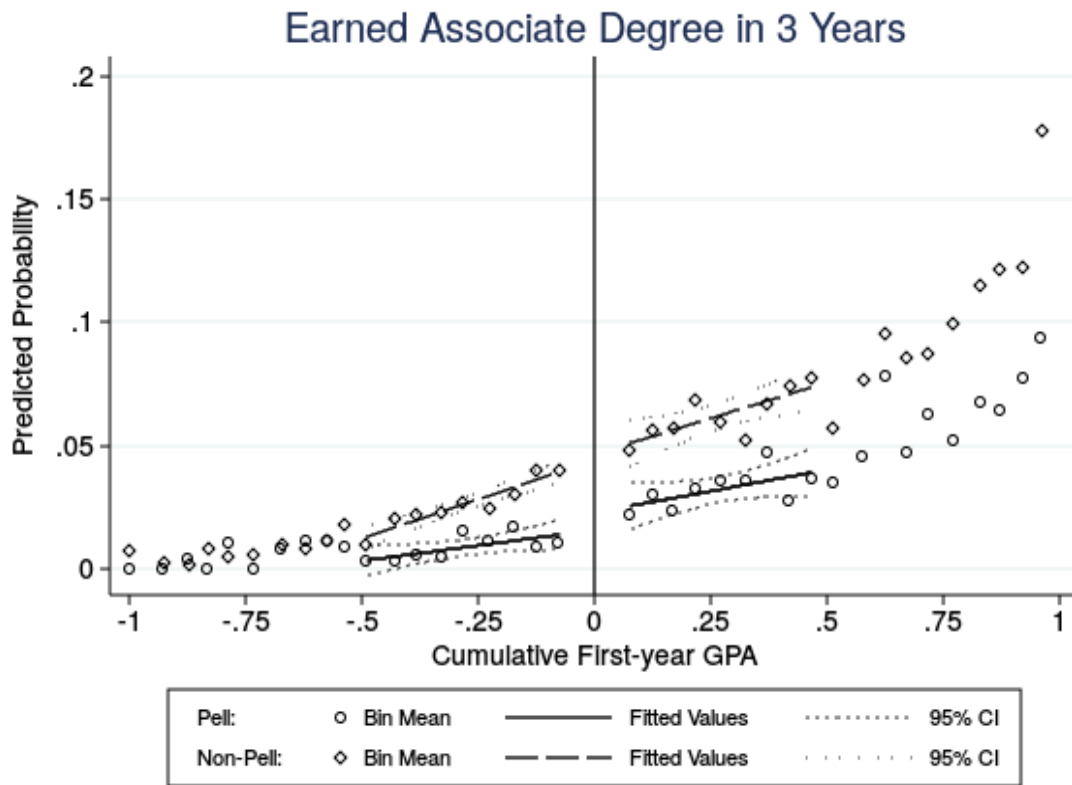
Implications for Federal Policy

- SAP appears to weed out Pell recipients early on

- In current climate, SAP increasingly important:
  - College's increasingly accountable for student completion
    - DoE's college ratings
  - "Free community college" proposal
    - At least half-time, 2.5 GPA, and "steady progress"
      - 37% of first-year CC students in 2012 earned below a 2.5

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