

## STUDENT INCENTIVES IN THE WEST VIRGINIA PROMISE SCHOLARSHIP PROGRAM

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- [Lumina Foundation](http://LuminaFoundation.org)
- [HCM Strategists](http://HCMStrategists.com)
- [WV PROMISE Scholarship Program](http://WVPromiseScholarshipProgram.org)

Financial aid is one of the most important, but also most expensive, tools to help college students succeed. Conversations in legislatures and state agencies about financial aid usually focus on one or more of three criteria:

- Need (which students lack the resources to pay for college?);
- Merit (which students have earned a scholarship from the state by virtue of their academic records?); and
- Resources (how much can the state afford to offer relative to college costs?).

While these issues are hard to avoid, policymakers should make sure that cost-effectiveness and productivity also are part of the conversation. In other words, aid programs should be structured to maximize the impact on student success. Often, however, efficiency still is not the main focus of state spending on financial aid.

What happens when states actually put efficiency at center stage?

One promising answer is illustrated in West Virginia's attempt to structure its aid program to promote not only access but also completion.

In 2002, West Virginia created its "PROMISE" merit scholarship patterned after other similar programs in the southeast; such as Georgia's HOPE scholarships. West Virginia created a stronger incentive for on-time completion than previous state programs, however, by requiring students to complete at least 30 credits per year to remain eligible. A rigorous evaluation of the program's effectiveness by Judith Scott-Clayton has estimated that this incentive improved four-year graduation rates by nearly 7 percentage points.

Many states are looking for innovative ways to make their aid spending less costly and/or more effective. By restricting program eligibility to students who complete 30 credits per year, West Virginia reduced the cost of the program while providing a student incentive that also made it more effective.