



WEST VIRGINIA **HIGHER EDUCATION** POLICY COMMISSION

Final Report of the  
**PROMISE Scholarship**  
Ad-Hoc Advisory Committee



## Table of Contents

List of Tables .....	i
List of Figures .....	ii
I. National Context .....	1
II. History of the PROMISE Scholarship Program .....	6
III. Creation of the Committee/Committee Membership/Charge of the Committee .....	10
IV. PROMISE Scholarship Objectives and Higher Education in West Virginia .....	11
V. Other Educational Trends in West Virginia Post-PROMISE .....	17
VI. Recommendations.....	19
VII. Other Initiatives .....	24
VIII. Future Direction .....	25
Afterword and Acknowledgements .....	27
References.....	29



## List of Tables

Table 1. State Merit Scholarship Program Funding Source and Eligibility Requirements, 2008-2009 .....	4
Table 2. State Merit Scholarship Award Continuation Requirements and Maximum Duration of Award, 2008-2009.....	5
Table 3. State Merit Program Award Amount and Included Components, 2008-2009 .....	5
Table 4. Scholarship Academic Eligibility Requirements by Academic Year .....	7
Table 5. PROMISE Scholarship Freshman Eligibility and Enrollment History .....	8
Table 6. Fall Headcount Enrollment, 2002-2006.....	9
Table 7. Sector Proportion of PROMISE Scholars, 2002-2006 .....	9
Table 8. Institutional Proportion of PROMISE Scholars, 2002-2006 .....	10
Table 9. West Virginia High School Students Taking Advanced Math Courses, 2002-2008.....	13
Table 10. Estimated Overall College-Going Rate of West Virginia High School Seniors by Year, 2000-2007 .....	14
Table 11. College-Going Rate of Low-Income Students, 2000-2007 .....	14
Table 12. West Virginia Recent High School Graduates Leaving State to Attend College, 2000-2006.....	16



## List of Figures

Figure 1. Total Scholarship Recipients by Academic Year .....	7
Figure 2. PROMISE Expenditures by Academic Year.....	8
Figure 3. Percentage of West Virginia High School Seniors Taking the ACT Exam .....	12
Figure 4. ACT Composite Scores: West Virginia Compared to Nation.....	12
Figure 5. Percentage Decrease in Students Eligible with a 1-Point Increase in ACT Requirements by Expected Family Contribution.....	15
Figure 6. Percentage of Tuition Waiver Expenditures Going to In-State Students by Category, 2000-01 and 2005-06 .....	17
Figure 7. Number of Students with Unmet Need at Glenville State College, Marshall University, and West Virginia University, 2002-2006 .....	18
Figure 8. Average Amount of Student Unmet Need at Glenville State College, Marshall University, and West Virginia University, 2002-2006 .....	18





## I. National Context

Historically, state governments have borne the brunt financially of ensuring that public higher education is accessible and affordable to students seeking a postsecondary education. Given that the federal government provided less than 14 percent of the revenue to public colleges and universities in 2004-05 (NCES, 2007), states must find a variety of means to generate the funds needed to operate their respective institutions. One approach, raising tuition, has made higher education less affordable for a larger segment of American families. Compounding this problem are financial aid awards at the state and federal levels that have not kept pace with tuition increases. The average Pell grant has fallen from 50 percent of tuition, fees, room and board at a public four-year institution in 1987-88 to 32 percent in 2007-08 (College Board, 2008). Nationally between 2001-02 and 2006-07, while the average state-funded financial aid package grew from \$480 to \$613, tuition at four-year public institutions increased from \$3,766 to \$5,804 (NASSGAP, 2002, 2007; College Board, 2008). Furthermore, the nature of this aid has also shifted. Whereas 17 percent of state aid in 1987-88 was based on merit rather than need, this figure had risen to 28 percent by 2006-07 (College Board, 2008). Consequently more families across all income levels must borrow money to pay college costs. As noted in *Losing Ground*, many low-income families are being priced out of attendance and the middle class has begun to resist continuing price increases (NCPPE, 2002).

Affordability of higher education is especially difficult to maintain during economic recessions when states cannot provide additional assistance, but citizens have the most need. Harold Hovey (1999) posited that state spending for higher education would have to increase faster over the next decade than in other areas just to maintain current services; however, the burgeoning fiscal needs in other critical state arenas such as K-12 education and health services limit what can be appropriated to higher education. This bleak front, worsened by recession, typically results in even steeper tuition increases. Financial constraints have brought college access to the forefront and drawn attention to the manner in which state governments answer the question, "Access for whom?"

Since the 1970s, state responses to this rising need of increased revenues for higher education have varied. During economic booms, surpluses fill the coffers. Recessions, however, result in significantly fewer dollars since higher education funding is often not mandated (SHEEO, 2007). Beginning in the first half of the 1990s, some states began turning to a new revenue stream which funds students rather than institutions: merit-based lottery-funded scholarships. This phenomenon began in 1993 with Georgia's Helping Outstanding Pupils Educationally (HOPE) Scholarship.

Since the inception of this initiative in Georgia, many other states have implemented various forms of broad-based merit-aid programs. These states include Alaska, Arkansas, Florida, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Mexico, South Carolina, South Dakota, Tennessee and West Virginia. Although academic requirements (GPA and SAT/ACT) and financial rewards (from \$1,000 up to full tuition, fees, and cash) vary by state, the result is new-found revenue being utilized to support students who meet the various minimum merit criteria. These programs have proven to be popular, as evidenced by the annual

increase in state spending from 1995 to 2003 for undergraduates receiving merit-aid of 20.7 percent, while investments in need-based aid rose 7.5 percent annually (Heller, 2006).

The impact of such broad-based merit aid programs is evidenced across both public and private sector institutions. For example, Georgia's HOPE scholarship provides \$3,000 per academic year for full-time study, or \$1,500 for part-time study, to students attending one of Georgia's private institutions. West Virginia's PROMISE scholarship follows this precedent, offering an amount equivalent to the average tuition and mandatory fees at the state's public colleges (\$4,098 for the 2007-08 academic year). Nonetheless, leaders of many independent institutions believe that the deck remains stacked against them because the student's prospect of paying no tuition is more attractive than that of paying partial tuition at private institutions. However, research has indicated that the private sector has also realized enrollment gains because students have decided to remain in-state for their postsecondary education (Dynarski, 2003).

The adoption of merit-based scholarships in more than a dozen states has prompted research on the scholarships' effects on students and institutions. One body of research has focused on students' high school and college academic achievement, a principal stated purpose of most programs. Research found that the Georgia's HOPE contributed to increases in high school grade point averages (GPA) as well as higher SAT scores relative to GPAs. Additionally, SAT scores for African American test takers gained ground relative to those of white peers (Henry & Rubenstein, 2002).<sup>1</sup> Early research on the Michigan scholarship found initially improved scores on the state test used to qualify for the program but plateauing scores soon thereafter (Heller & Rogers, 2003). Similar data for West Virginia can be found in Section IV of this report.

Other research has focused on college achievement. For example, recipients of Georgia's HOPE had higher GPAs, earned more credits, and had higher probabilities of graduation in four years than similar non-recipients (Henry, Rubenstein, & Bugler, 2004). Dynarski (2007) found that the implementation of the programs in Georgia and Arkansas increased the share of the exposed population with a college degree by three percent, and that the effect was stronger for women. However, Cornwell, Lee and Mustard (2005) found that prior to the addition of a semester limit on the HOPE scholarship, HOPE recipients were less likely to take a full load, had more course withdrawals, and took more classes in the summer. Similarly, Binder and Ganderton (2002) found that New Mexico scholarship students take fewer hours and persist at lower rates.

Researchers have also focused on the impact of state merit-aid in increasing access to college. Georgia's HOPE was found to have increased enrollment in the state's colleges by 5.9 percent, with most of this effect at four-year schools. However, this increase was mostly the result of students being diverted from out-of-state to in-state institutions, not new entrants (Cornwell, Mustard, & Sridhar, 2006). Another study, though, found that HOPE increased the college-going rate of all eighteen- to nineteen-year-olds by about seven percent (Dynarski, 2000). Although New Mexico's Legislative Lottery Scholarship was found to have increased four-year college enrollments, Binder and Ganderton (2002) found that this increase represented a shift in enrollment patterns from community colleges to four-year institutions, not an increase in overall access.

---

<sup>1</sup> Research about Georgia's HOPE scholarship is most abundant as it has been around the longest period of time.

Much of the research on the access outcomes of merit aid has focused less on overall access and more on the differential effect on particular groups of students. Heller and Marin (2002) point to the “negative social consequences” of merit aid since these programs provide funding to many students who already could afford college and planned to attend. Conversely, research indicates that low-income and minority students are less likely to be eligible for this assistance in Georgia (Cornwell & Mustard, 2004), Massachusetts (2004), New Mexico (Binder & Ganderton, 2004), Tennessee (Anderson & Wright, 2007), and across multiple states (Farrell, 2004). The high school one attends has also been shown to affect receipt of Georgia’s HOPE. As Cornwell and Mustard (2004) note, students who attend a large high school, or one with more African American, Hispanic, or low-income students, are less likely to receive the scholarship.

Research on the effect of different qualifying criteria has shown that tightening academic standards excludes more minority, low-income, limited English-proficiency, and disabled students from scholarship eligibility (Cornwell & Mustard, 2004; Ledbetter & Seligman, 2003; Heller, 2004). The constriction of opportunity is exacerbated by the fact that states choosing to venture down the merit-aid path (West Virginia being an exception) tend to do so overwhelmingly to the detriment of need-based grants (Heller, 2002).

Research on actual enrollment of minorities and low-income students due to merit aid has been mixed. One study on Georgia’s HOPE found that the scholarship had a larger positive effect on African American enrollment than for Caucasians (Cornwell, Mustard, & Sridhar, 2004). Yet, another study using different data found that the HOPE increased inequality in college attendance between African Americans and Caucasians (Dynarski, 2000). Singell, Waddell, and Curs (2006) found that the number of needy (Pell-eligible) students enrolled in college in Georgia increased after HOPE relative to other southern states at both two-year and four-year institutions, but increases were larger at less-selective institutions. *Postsecondary Education Opportunity*, however, reports that more recently Georgia has had the largest increase of any state from 1997 to 2007 in the number of its low-income students leaving the state to attend public colleges (Mortenson, 2008).

Notably missing among the merit-aid research is how well merit aid fulfills its major goal of stanching brain drain. While some of the enrollment-based research points to students being more likely to stay in-state to attend college, little is known about post-baccalaureate migration of students to graduate school or into the workforce. More general work on the migration of college-educated labor has found that the state in which a graduate attends college has a positive, statistically significant impact on where the graduate chooses to work, but that the magnitude of the impact is rather small (Bound, Groen, Kezdi, & Turner, 2004; Groen, 2004).

A more recent line of research has examined the complex political process that results in merit-aid policy adoption and development. The conceptual frameworks employed are often from the political science realm (Bell & Anderson, 2004; Ness, 2008) and the lens most often used is the diffusion of policy innovations (Berry & Berry, 1999; Doyle, 2006). These studies have found that adoption of broad-based, lottery-funded merit scholarships has been driven not so much by rational policy analysis to address identified problems, but more by interstate learning and competition, opportunistic policy entrepreneurs, and electoral pressures.

### Other State Scholarship Programs

Beginning with Georgia in 1993, sixteen states have created merit-based student aid programs. These states typically have been characterized by low college-going rates, lagging student preparation for college, and high school graduates who were more likely to stay in-state if they did attend college (Doyle, 2006). Consequently, their respective scholarship programs were often developed to address these shortcomings and increase academic preparation, college going, and student achievement. As detailed in Table 1, states utilize a variety of eligibility criteria, and most use state general funds or lottery revenues to support the operations of their respective scholarship programs. Compared with eligibility requirements in other states, the standards in West Virginia are demanding. Many of those states that do have stricter standards have tiered awards with varying award amounts depending on high school academic achievement.

Table 1. State Merit Scholarship Program Funding Source and Eligibility Requirements, 2008-2009

State	Funding Source	Merit Award Criteria
Alaska	Land leases and sales	Class rank-top 10 percent
Arkansas	State general funds	GPA and ACT matrix; from 2.5 GPA with 25-36 ACT to 3.25 GPA with 15-18 ACT
Florida	Lottery	Academic Scholars-3.5 weighted GPA, 1270 SAT/28 ACT Medallion Scholars-3.0 weighted GPA, 970 SAT/20 ACT
Georgia	Lottery	3.0 GPA in college prep curriculum, or 3.2 with other diploma types, can qualify while in college by meeting retention criteria
Kentucky	Lottery	Minimum 2.5 GPA; award varies by scores with bonuses for ACT scores of 15+
Louisiana	State general funds	Opportunity Award-2.5 GPA, 20 ACT Performance Award-3.5 GPA, 23 ACT Honors Award-3.5 GPA, 27 ACT
Massachusetts	State general funds	Score in advanced category in math or English section of grade 10 MCAS test and proficient or advanced in the other. Combined MCAS in top 25 percent of school district.
Michigan	Tobacco settlement	Scores of 2 or above in all components of the Michigan Merit Exam qualify student for early installments of award.
Mississippi	State general funds	3.5 GPA and 29 ACT or be a National Merit Scholar
Missouri	State general funds	Composite ACT or SAT in top 3 percent of Missouri students
Nevada	Tobacco settlement	3.25 GPA and pass all areas of Nevada High School Proficiency Examination
New Mexico	Lottery	2.5 GPA in first semester of college
South Carolina	Lottery	Palmetto Fellows-3.5 GPA, 1200 SAT/27 ACT, top 6 percent of sophomore or junior high school class or 4.0 GPA, 1400 SAT/32 ACT Life Scholarship-meet two of these three criteria: 3.0 GPA, 1100 SAT/24 ACT, top 30% of high school graduating class HOPE Scholarship-3.0 GPA
South Dakota	Education Enhancement Trust Fund	GPA 3.0 with no grades below C, 24 ACT/1070 SAT
Tennessee	Lottery	HOPE-GPA 3.0 or 21 ACT/980 SAT ASPIRE-criteria above and parent(s) income below \$36,000 Merit Scholarship-3.75 GPA and 29 ACT/1280 SAT
West Virginia	Lottery and state general revenue	3.0 core and overall GPA and 22 composite ACT with 20 or higher on all subscores

The award continuation requirements also vary from state to state. Some states require full-time enrollment, while others provide awards for students taking at least six hours per term. The maximum award length tends to be either four or five years with Georgia and Florida having limits based on the number of hours taken. Table 2 provides an overview of the continuation requirements and the maximum award length for each state.

Table 2. State Merit Scholarship Award Continuation Requirements and Maximum Duration of Award, 2008-2009

State	Award Continuation Requirements	Maximum Duration of Award
Alaska	Maintain 2.5 GPA and be in good standing (academic, financial, conduct)	8 semesters
Arkansas	2.5 GPA, 15 credit hours per semester (only 12 first semester)	8 semesters
Florida	Academic Scholars-3.0 GPA, at least 6 hours per term Medallion Scholars-2.75 GPA, at least 6 hours per term	132 hours
Georgia	3.0 GPA	127 hours
Kentucky	2.5 GPA to renew second year; 3.0 thereafter	8 semesters
Louisiana	Opportunity-2.3 GPA up to 48 hours, 2.5 thereafter Performance or Honors-3.0 GPA	8 semesters
Massachusetts	3.0 GPA	8 semesters
Michigan	One-time award	4 years
Mississippi	3.5 GPA, continuous full-time enrollment	8 semesters
Missouri	2.5 GPA, satisfactory academic progress	10 semesters
Nevada	2.6 GPA up to 30 credit hours, 2.75 term GPA thereafter	Maximum of \$10,000 within 6 years of high school graduation
New Mexico	Satisfactory academic progress; full-time enrollment	8 semesters
South Carolina	3.0 GPA, 30 credit hours per year	Palmetto and LIFE-8 semesters; HOPE-freshman year only
South Dakota	3.0 GPA from 2 <sup>nd</sup> semester forward; 15 hours per term; pass Board of Regents proficiency exam on first sitting	8 semesters
Tennessee	2.75 GPA through 48 hours, 3.0 thereafter, or 2.75-2.99 cumulative with 3.0 for preceding term; 6 hours per term	5 years
West Virginia	2.75 GPA for first year and 3.0 cumulative thereafter, 30 credit hours per year	8 semesters

West Virginia is atypical in its provision of full tuition and fees for PROMISE recipients. Most states provide a set dollar amount. Those programs with awards that are tiered based on academic achievement provide a range of dollar amounts dependent upon the standard met. Table 3 provides the varying dollar amounts by state.

Table 3. State Merit Program Award Amount and Included Components, 2008-2009

State	Award Amount and Components
Alaska	\$1,375 per year (maximum \$11,000)
Arkansas	\$2,500 for first year, \$2,750 second year, \$3,000 third year, \$3,500 fourth year
Florida	Ranges from 75% to 100% of tuition and fees plus \$300 for college-related expenses; comparable amount at Florida private institution
Georgia	Full tuition and fees plus \$150 book allowance if enrolled for at least 6 hours. \$1,750 at Georgia private school for full-time study
Kentucky	Incremental based on high school GPA and ACT up to \$2,500 per year at any in-state or Academic Common Market institution
Louisiana	Full tuition and fees for all programs plus \$400 for Performance award, plus \$800 for Honors

	Award; at private institutions, receive average public tuition plus above stipends
Massachusetts	Full tuition waiver at public institutions
Michigan	\$4,000 total award at in-state institution
Mississippi	Tuition and fees up to \$2,500 per year at in-state institution
Missouri	\$2,000 per year at in-state institution
Nevada	\$80 per credit hour at Nevada four-year school; \$40-60 at Nevada community colleges
New Mexico	Full tuition at New Mexico public institutions beginning second semester of college
South Carolina	At in-state institutions: Palmetto-\$6,700 first year and \$7,500 thereafter; LIFE-\$4,700 per year plus \$300 book allowance; HOPE-\$2,800 plus \$300 book allowance
South Dakota	\$1,000 for each of first three years, \$2,000 for fourth year
Tennessee	\$4,000 per year at Tennessee institution; ASPIRE-\$1,500 supplement per year; Merit Scholarship-\$1,000 supplement per year
West Virginia	Full tuition and fees at a state public institution or equivalent amount at in-state private institution

## II. History of the PROMISE Scholarship Program

West Virginia's PROMISE Scholarship Program is one of 16 merit-based, state-level student aid programs in the United States. West Virginia policymakers had considered such a program several years before it became a reality. Then in 1999, the State Legislature passed legislation creating the PROMISE Scholarship Program. However, the program was not funded until 2001, when a new revenue stream to subsidize the scholarship and other programs was established through the regulation and taxation of limited video lottery machines throughout the state.

The enabling legislation for PROMISE established initial criteria for students to receive the scholarship; however, those criteria have changed over time. Full funding of the first four classes of PROMISE scholars was initially estimated to cost \$27 million. The actual cost, however, was just under \$40 million. Not only had more students than expected qualified for the scholarship, but also more students than anticipated had accepted the scholarship. Therefore, in October 2003, the PROMISE Board of Control raised standards (by setting minimum subscores on the ACT) beginning with the class of 2004.

The more stringent requirements, however, would have negative consequences. Data from the West Virginia Higher Education Policy Commission suggested low-income students would be disproportionately affected by these higher standards. Based on this information, the Board of Control resolved to maintain the original ACT and SAT standards in fall 2005 and, as a cost-controlling measure, to reduce the dollar value of the scholarship. Rather than students receiving a full tuition payment at state institutions, a flat rate for each student was proposed. However, the State Legislature did not concur with this decision and in March 2006 amended the enabling legislation governing the PROMISE program and mandated that scholars receive full tuition scholarships to state institutions. Furthermore, House Bill (HB) 4049 directed the Board of Control to keep the program within a specified budget. In the event of a projected budget shortfall, the Board of Control was required to raise academic eligibility standards.

### *Criteria Evolution*

As mentioned above, the enabling legislation established initial criteria for students to receive the scholarship: a minimum 3.0 GPA in the core and overall coursework plus additional objective

standards, as determined by the Board of Control. For the 2002 applicants, the Board of Control established a minimum ACT composite score of 21 (or SAT equivalent). As detailed in the chart below, over the next five years the requisite ACT scores to obtain PROMISE increased. These standards now include ACT subscores that require proficiency in specific academic areas.

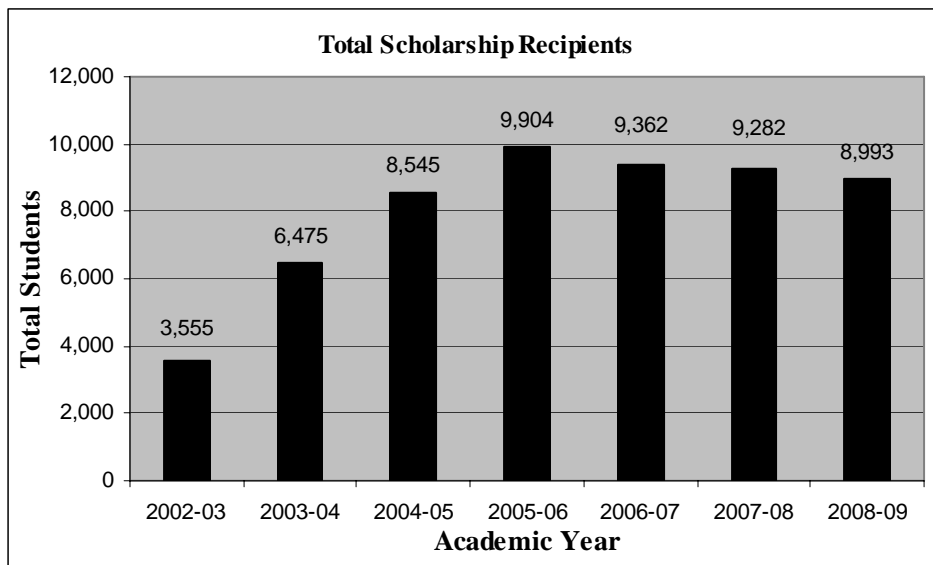
Table 4. Scholarship Academic Eligibility Requirements by Academic Year

Academic Year	ACT Composite	ACT subscore	GPA
2002-03	21	N/A	3.00
2003-04	21	N/A	3.00
2004-05	21	19	3.00
2005-06	21	20	3.00
2006-07	21	20	3.00
2007-08	22	20	3.00
2008-09	22	20	3.00

### *Awardees*

During the first four years of PROMISE, a natural increase of program participants occurred because of the matriculation of each new freshman class. Despite the inability of some students to meet the GPA and minimum number of credit hours earned necessary to maintain the award, the overall number of scholars increased. Thus, changes to the award criteria (2004-2005) were implemented to control costs. Thereafter, the overall numbers decreased, as depicted in the following chart.

Figure 1. Total Scholarship Recipients by Academic Year



### *First-Time Awards*

Another measure of the impact of changing eligibility criteria is the size of the first-time class of awardees. The chart on the next page presents data from the first seven years of the program. The percentage of PROMISE-eligible students, who have accepted the award, has been consistent at 85 to 87 percent. During the first three years of the program's existence, 23 to 24

percent of all high school graduates were offered an award. Beginning in 2005, this share dropped to 19 percent, where it remained for three years before increasing to 20 percent in 2008.

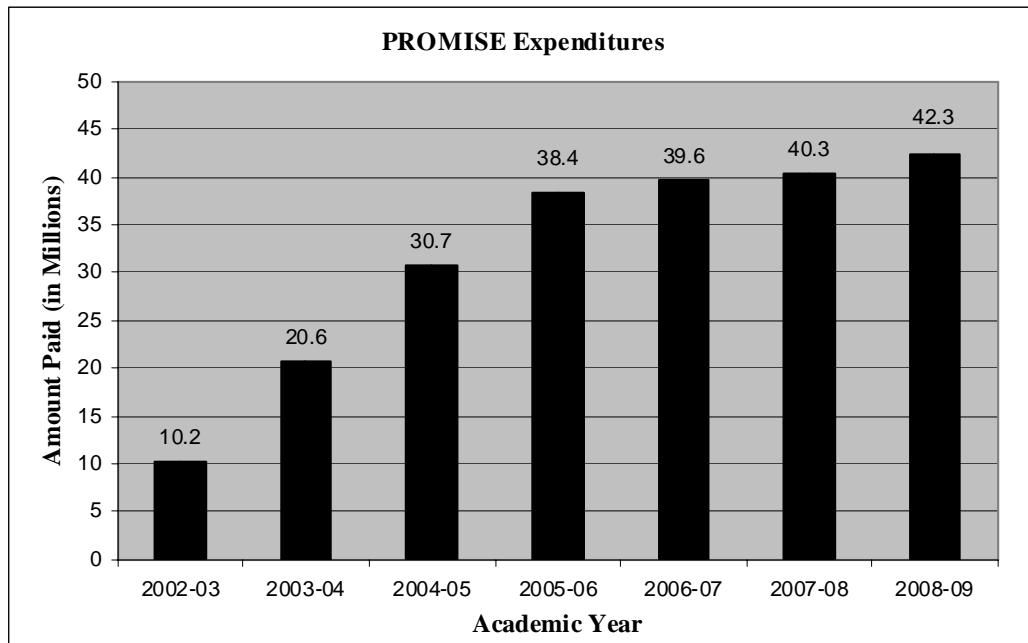
Table 5. PROMISE Scholarship Freshman Eligibility and Enrollment History

Award Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Total Number of High School Graduates	17,776	18,040	18,106	17,838	17,345	18,029	17,477
Total Number of Graduates ACT Tested	11,451	11,728	11,486	11,451	10,990	11,480	11,603
Percent of Total Graduates ACT Tested	64	65	63	64	63	64	66
ACT Criteria for PROMISE	21	21	21/19	21/20	21/20	22/20	22/20
Number of PROMISE-eligible Students / Number Actually Enrolled	4,073 / 3,555	4,392 / 3,812	4,088 / 3,499	3,365 / 2,943	3,315 / 2,867	3,514 / 3,042	3,423 / 2,925
Percentage of PROMISE-eligible Students Actually Enrolled	87	87	87	86	86	86	85
Percentage of High School Graduates Awarded PROMISE	23	24	23	19	19	19	20
Percentage of Students Tested Eligible for PROMISE	36	37	36	29	30	31	30

### Expenditures

Programmatic expenditures have risen steadily each year. This outcome may appear counterintuitive because the number of overall recipients has decreased over the last three years; however, the fact that the award is tied to tuition explains the increase. As tuition has increased, so has the value of the scholarship.

Figure 2. PROMISE Expenditures by Academic Year





Given that projected ongoing costs for the program are a function of tuition levels and enrollment, it is important that one consider changes in the size of the high school population when estimating expenditure levels. For the 2008 academic year, 18,029 students graduated from high school. On average over the past three years, 19 percent of these students go on to become PROMISE scholars. Looking forward, the Southern Regional Education Board (SREB) estimates an increase in graduates in 2009 to 18,732. Although there is a projected decrease in graduates in 2010 to 18,192, the Board of Control may need to address raising academic standards again, most likely for the 2010 graduating class. Cost projections, although still being reviewed, indicate a shortfall for the 2010-11 academic year.

*Shifts in Enrollment of All College Students*

Notably, over the past six years, West Virginia headcount enrollment has shifted toward the public four-year sector. Although this movement cannot be statistically attributed to the rise of the PROMISE Scholarship Program, price sensitivity has been lowered in the public sector because the scholarship pays for all mandatory tuition and fees. While PROMISE mitigates some expenses within the private sector, considerable expenses remain for potential postsecondary students. The chart below demonstrates that between 2002 and 2006, postsecondary enrollment has increased at public four-year institutions, was flat in the community college sector and decreased slightly in the private postsecondary sector.

Table 6. Fall Headcount Enrollment, 2002-2006

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006	% Change 2002-06	% Change 2005-06
Public Four-Year Institutions	57,930	60,382	61,715	63,475	64,943	12%	2%
Public Two-Year Institutions	21,046	20,455	21,130	21,238	21,145	0%	0%
Private Four-Year Institutions	11,034	11,625	11,650	10,811	10,639	-4%	-2%

*Shifts in Enrollment of PROMISE Recipients*

The attendance patterns of PROMISE scholars mirror the overall enrollment shift. The public four-year sector has realized gains, while enrollment in the public two-year sector has remained stable and the private sector has incurred losses. The chart below demonstrates these trends.

Table 7. Sector Proportion of PROMISE Scholars, 2002-2006

	2002	2004	2006
Public Four-Year Institutions	85.79%	87.66%	88.05%
Public Two-Year Institutions	1.63%	1.22%	1.64%
Private Four-Year Institutions	12.58%	11.01%	10.16%

Since the public and private four-year sectors account for over 98 percent of award recipients, it is worthwhile to examine more closely the PROMISE recipients within these sectors. The following chart depicts each institution's percentage of recipients and how the percentages have shifted since 2002. Figures show institutional percentages of both the public and private four-year sectors, and the state overall. It should be noted that small shifts have occurred in the private sector. In keeping with how the private sector has fared overall, most institutions have

seen a slight reduction in their share of PROMISE recipients. The only institutions that have increased their overall share are Alderson-Broaddus College, which increased by less than half of a percent, and the University of Charleston, which increased by just over one percent.

The data indicate that Marshall University and West Virginia University, combined, account for over 70 percent of awardees within the public four-year sector and over 62 percent of awardees overall. Of these two universities, the proportion of recipients at Marshall University has decreased between 2002 and 2006, while the proportion continues to rise at West Virginia University. West Virginia University's share of all in-state college enrollment increased significantly after the creation of PROMISE. This reality will continue to increase the cost of the PROMISE because West Virginia University charges the highest tuition among the public four-year institutions and PROMISE costs are largely tied to its tuition and fees.

Table 8. Institutional Proportion of PROMISE Scholars, 2002-2006

		% of Sector			% of Overall		
		2002	2004	2006	2002	2004	2006
Four-Year Sector	Alderson-Broaddus College	7.3	10.7	12.1	0.9	1.2	1.2
	Appalachian Bible College	2.3	1.5	1.2	0.3	0.2	0.1
	Bethany College	11.6	9.7	7.8	1.5	1.1	0.8
	Davis & Elkins College	4.3	5.1	4.9	0.5	0.6	0.5
	Mountain State University	8.4	8.2	6.2	1.1	0.9	0.6
	Ohio Valley University	2.7	2.6	1.7	0.3	0.3	0.2
	Salem International University*	1.1	1.6	1.1	0.1	0.2	0.1
	University of Charleston	7.7	12.5	20.0	1.0	1.4	2.0
	West Virginia Wesleyan College	41.6	34.5	30.7	5.2	3.8	3.1
	Wheeling Jesuit University	13.0	13.6	14.2	1.6	1.5	1.4
	<b>PRIVATE FOUR-YEAR SECTOR TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>12.6</b>	<b>11.0</b>	<b>10.2</b>
Public Four-Year Sector	Bluefield State College	1.7	1.6	1.1	1.4	1.4	0.9
	Concord University	5.8	5.4	5.1	4.9	4.7	4.5
	Fairmont State University	6.9	7.3	7.0	5.9	6.4	6.1
	Glenville State College	2.1	1.8	1.5	1.8	1.6	1.3
	Marshall University	23.6	23.0	20.8	20.2	20.2	18.3
	Potomac State College of WVU	2.2	1.4	1.2	1.9	1.2	1.0
	Shepherd University	3.8	4.0	4.2	3.3	3.5	3.7
	West Liberty State College	3.4	2.9	2.7	2.9	2.6	2.4
	West Virginia State University	2.6	2.1	1.7	2.2	1.8	1.5
	West Virginia University	42.5	46.2	51.0	36.4	40.5	44.9
	West Virginia University at Parkersburg	2.0	1.7	1.8	1.7	1.5	1.5
WVU Institute of Technology	3.5	2.6	2.0	3.0	2.3	1.8	
<b>PUBLIC FOUR-YEAR SECTOR TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>85.8</b>	<b>87.7</b>	<b>88.0</b>	

\*HB 4049 made new students at Salem International University ineligible for PROMISE funds due to their movement from the not-for-profit to for-profit sector.

### III. Creation of the Committee/Committee Membership/Charge of the Committee

As a result of a host of proposals to alter PROMISE during the 2008 regular legislative session, and a request by The Honorable Joe Manchin III, Governor of the State of West Virginia, the West Virginia Higher Education Policy Commission (HEPC) convened an assemblage of educational leaders from across the state to review issues pertaining to the PROMISE

Scholarship Program. The PROMISE Scholarship Ad-Hoc Advisory Committee consists of 12 members representing two-year and four-year institutions, both public and private. As directed by Governor Manchin, the Advisory Committee includes representatives from both the West Virginia House of Delegates and the State Senate. The Advisory Committee is led by Dr. Jerry Beasley, President Emeritus of Concord University. HEPC research and staff support were provided by Mr. Rob Anderson, Senior Director of Policy and Planning, and Mr. Jack Toney, Director of State Financial Aid Programs.

#### *Committee Membership*

Ms. Barbara Ashcraft, Coordinator, West Virginia Department of Education  
Dr. Pamela Balch, President, West Virginia Wesleyan College  
Dr. Jerry Beasley, President Emeritus, Concord University  
Dr. J.D. Carpenter, Vice President of Student Affairs, West Liberty State College  
Ms. Janet Fike, Dean of Enrollments Management and Director of Financial Aid, West Virginia Northern Community College  
Dr. George Hammond, Associate Professor of Economics, West Virginia University, and Associate Director, Bureau of Business and Economic Research  
The Honorable Jonathan Miller, Delegate, West Virginia House of Delegates  
The Honorable Mary Poling, Delegate, West Virginia House of Delegates  
Mr. Joseph Randolph, Branch Manager, A.G. Edwards and Sons  
The Honorable Ron Stollings, Senator, West Virginia State Senate  
Mr. Brian Weingart, Director of Financial Aid, Alderson-Broaddus College  
Ms. Kaye Widney, Director of Financial Aid, West Virginia University

#### *Charge of the Committee*

The purpose of the Advisory Committee was to serve in an advisory capacity to the Commission and the PROMISE Board of Control by examining the impact of the PROMISE Scholarship Program on the state of West Virginia and its citizenry. These efforts required an examination of the broader context of college affordability and access since this program is one of several state-level funding sources used to provide opportunity to potential postsecondary attendees. It is important to understand how the PROMISE program operates as a component of this broader context.

#### **IV. PROMISE Scholarship Objectives and Higher Education in West Virginia**

##### *Programmatic Goals: Has PROMISE Achieved the Goals of Its Creators?*

West Virginia's PROMISE Scholarship Program was designed to meet the needs of the state of West Virginia. Its purposes, cited in the enabling legislation, include the following:

- Improve high school and postsecondary academic achievement through scholarship incentives;
- Promote access to higher education by reducing the costs to students;
- Retain the “best and brightest” students in West Virginia colleges and universities; and
- Create a more educated workforce which, in turn, will lead to greater economic development.

The following section examines progress toward meeting each of the goals stated above. It also addresses findings from other states in regard to the impact of their merit-based scholarship programs.

*Goal 1: Academic Achievement*

Improvement in academic achievement can be evaluated in terms of both high school and postsecondary progress. High school achievement progress in West Virginia, similar to that found in other merit-aid states, has occurred. Not only has the percentage of West Virginia high school students taking the ACT college admissions test increased, but also their ACT scores relative to the national average have improved.

As detailed in Figure 3, the proportion of high school seniors taking the ACT exam has risen from 61 percent to 64 percent since the program’s inception. Although all of these students will not receive a PROMISE scholarship, the fact that they have taken the ACT exam will increase their likelihood of continuing on to postsecondary training.

Figure 3. Percentage of West Virginia High School Seniors Taking the ACT Exam

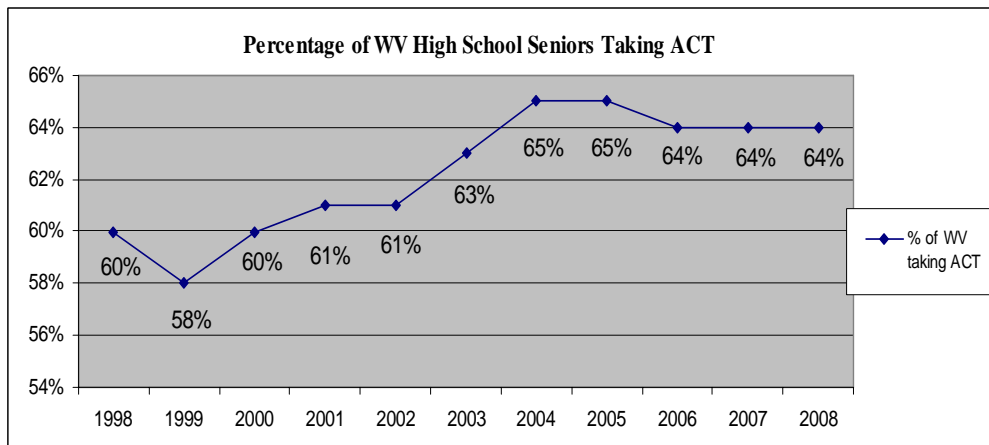


Figure 4. ACT Composite Scores: West Virginia Compared to Nation

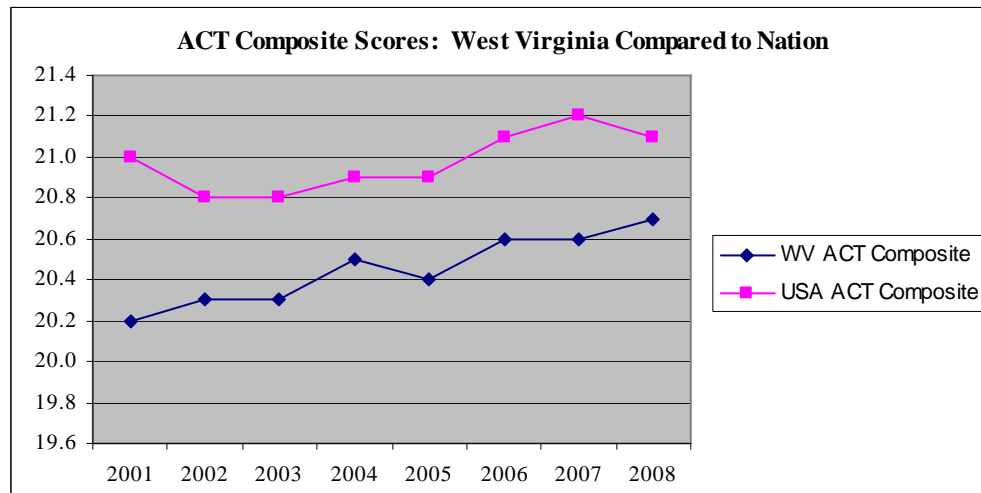


Figure 4 provides a comparison of composite scores for the ACT exam for West Virginia against the national average. These data indicate that the gap between national and state averages has decreased from 0.8 points to 0.4 points post-PROMISE. The improvement in ACT scores may be partially explained by the test-taking behavior of West Virginia high school students. ACT researchers report that 36 percent of students who take the exam actually take it two or more times and improve their scores on subsequent tests. Students whose initial composite scores are between 17 and 28 (about 90 percent of all who take the test) improve their composite score on the second test by 0.4 to 0.7. In 2007, 72 percent of the PROMISE recipients had taken the ACT two or more times (3.7 percent sat for the exam five or more times). Notably, the percentage of students taking the SAT has increased from 9.2 to 14.2 percent of the college-going population (HEPC, 2008).

Data from the West Virginia Educational Information System indicate that since 2002, the number of students taking AP English (literature and language), AP science (biology, chemistry and physics), and mathematics courses at the level of Algebra II and above has increased. The data for the math subject area are supplied below:

Table 9. West Virginia High School Students Taking Advanced Math Courses, 2002-2008

	2002	2004	2006	2008
Algebra II	12,845	12,465	12,613	14,934
Calculus	446	601	382	438
Trigonometry	5,142	5,086	5,481	7,358
AP Calculus AB	1,063	1,428	1,185	1,261
AP Calculus BC	144	198	224	237

Progress in postsecondary achievement in West Virginia is comparable to what has been found regarding Georgia's HOPE:

- Compared to similar students prior to the implementation of the scholarship, PROMISE recipients have higher GPAs, complete more credits overall in college and are more likely to take 30 credits per year. They also persist at a higher rate and have higher four-year graduation rates (Scott-Clayton, 2008). It should be noted that the Scott-Clayton study did not control for credits that students may have earned during high school in dual enrollment courses, which may have affected total credits and graduation rates, but not credit per year findings.<sup>2</sup>
- The achievement of all students, however, has not improved. West Virginia four-year institution retention rates of freshmen returning the following fall and of all students from fall to fall seems to have peaked in 2005 and declined slightly since then.
- The six-year graduation rate of first-time, full-time baccalaureate-seeking freshmen rose from 43 percent in 2003 for the 1997 entering cohort to 47.4 percent in 2006 for the 2000 entering cohort. The most recent data for the 2001 cohort, which still precedes the inception of PROMISE, dropped back down to 45.4 percent.

<sup>2</sup> The number of high school students participating in dual enrollment rose from 4,456 to 5,288 between 2003 and 2007 – a 19 percent increase.

- Baccalaureate licensure exam pass rates for the tests with large-enough numbers of test-takers to be reliable show slight declines. The proportion passing the nursing test across the system was 90 percent in 2002 and 85 percent in 2007. The proportion passing the Praxis II teachers' examination declined from 91 percent in 2002 to 89 percent in 2007.

*Goal 2: Increasing Access to Postsecondary Education*

Thus far, there has been a modest increase in postsecondary access in West Virginia since the implementation of PROMISE:

- The estimated overall college-going rate has increased modestly. The chart below indicates that the college-going rate in West Virginia was 56.4 percent the year before the PROMISE Scholarship Program began. The most recent figure is 57.5 percent.

Table 10. Estimated Overall College-Going Rate of West Virginia High School Seniors by Year, 2000-2007

Year	College-Going Rate
2000	54.9%
2001	56.4%
2002	56.5%
2003	58.0%
2004	59.3%
2005	59.3%
2006	58.3%
2007	57.5%

Source: HEPC, 2007

- The college-going rate of low-income students has actually declined since the inception of PROMISE. The chart shows that this trend also has occurred nationally, but the decline has been greater in West Virginia.<sup>3</sup>

Table 11. College-Going Rate of Low-Income Students, 2000-2007

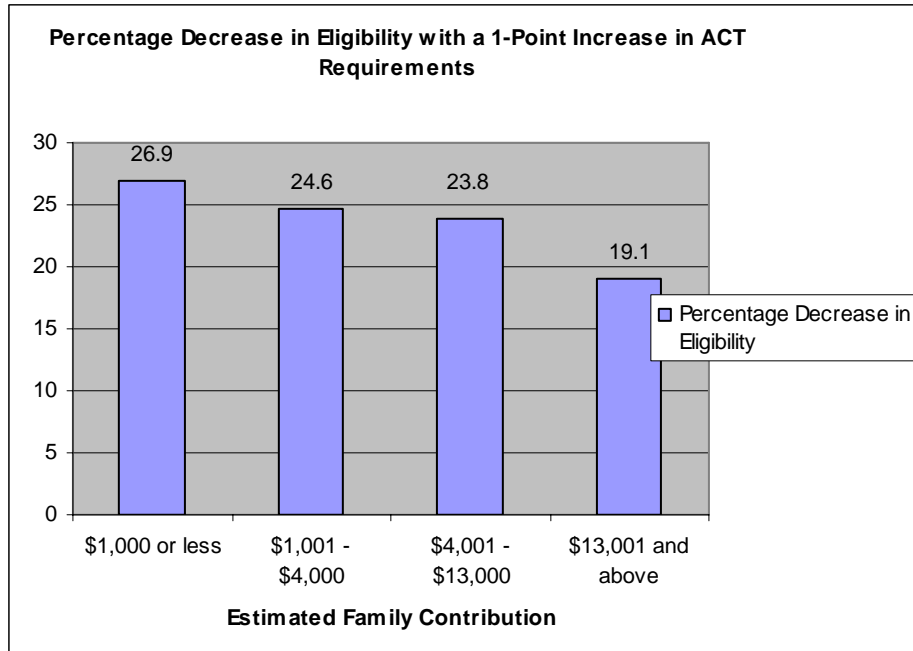
Year	West Virginia	United States
2000	21.5%	25.1%
2001	20.6%	23.5%
2002	21.4%	24.1%
2003	22.4%	25.1%
2004	21.4%	25.9%
2005	21.8%	25.4%
2006	18.6%	23.9%
2007	19.2%	23.8%

Source: Mortenson, 2008

<sup>3</sup> This rate is derived by calculating the number of Pell grant recipients as a proportion of the number of students who were eligible to participate in the federal free and reduced lunch program. This method has the shortcoming of not including either those low-income students who do not receive Pell or those who did not apply when in secondary school for free and reduced lunch status.

- As criteria have increased over time, PROMISE recipients are increasingly from higher-income families (Noland & DeFrank-Cole, 2007). Figure 5 below depicts the impact on student access if the composite score and subscore requirements were to be raised by a single point. The number of PROMISE-eligible students with an estimated expected family contribution (EFC) of \$1,000 or less, the least affluent students, would decrease by 26.9 percent. Conversely, those with an EFC of \$13,000 or greater would experience declines of 19.1 percent.

Figure 5. Percentage Decrease in Students Eligible with a 1-Point Increase in ACT Requirements by Expected Family Contribution



The projected recipients with increased standards as depicted in Figure 5 are consistent with findings in other states. Much of the research which has focused on the unequal effects of merit aid on different types of students concludes that merit aid goes disproportionately to more-advantaged students and to students who attend institutions that are more generously subsidized. Also, similar to West Virginia, raising academic standards for receipt of the scholarship has been shown to hurt minorities and less-affluent students the most.

### *Goal 3: Retaining the Best and Brightest in West Virginia*

While there is some evidence that PROMISE has fulfilled its purpose of retaining West Virginia high school graduates to attend college in the state, there is only one year of data regarding the proportion that subsequently works in the state:

- West Virginia has traditionally been a net importer of students and has remained so after the introduction of PROMISE.

- The number of first-time, degree-seeking freshmen leaving the state to attend college has declined since the inception of PROMISE. As detailed in Table 12, approximately 500 fewer postsecondary students left West Virginia in 2006 than left in 2000.<sup>4</sup>

Table 12. West Virginia Recent High School Graduates Leaving State to Attend College, 2000-2006

Year	Public 4-Year	Private 4-Year	Public 2-Year	Private 2-Year	Total
2000	593	877	180	204	1,854
2002	393	732	146	98	1,369
2004	353	661	138	84	1,236
2006	344	695	207	105	1,351

Source: IPEDS

- In a survey of West Virginia high school seniors, 37.5 percent of PROMISE-eligible students said that the program had a significant impact on their college-going decisions and that they would be attending an in-state institution rather than going out-of-state to attend college (Ness, 2007).
- Research on 2005-06 PROMISE-recipient college graduates (bachelor's or associate degrees) found that 62.9 percent of these students worked (or worked in combination with attending graduate school) in the state in 2007, which was higher than overall rate for recent degree recipients (57.6 percent) but lower than the proportion of in-state students who earned degrees (69.6 percent) (Hammond & Leguizamon, 2008b).

#### *Goal 4: Creating a More Educated Workforce*

Although it is premature to evidence post-PROMISE degree production trend data similar to those found for more mature state programs, there are preliminary data to support movement in West Virginia:

- Since the implementation of PROMISE, the proportion of PROMISE students finishing a BA within four years is seven percent higher than a baseline of 26 percent for similar students prior to the advent of scholarship (Scott-Clayton, 2008). Furthermore, PROMISE increased the overall BA attainment rate by 1.8 to 2.3 percentage points from a baseline of 21.5 percent.
- The number of students majoring in science, technology, engineering and math (STEM) fields since the inception of PROMISE has increased for all students, but has increased even more for PROMISE scholars from 15.3 percent in 2002 to 21.4 percent in 2007.
- While West Virginia has one of the higher rates of exporting its college graduates as a percentage of the college-educated population, the rate of loss of college graduates per year has slowed during the 2004-2007 period (when the first PROMISE students would have graduated) compared to the 1999-2004 period (Mortenson, 2008).

<sup>4</sup> This reduction ranks seventh in the country for reduction in percent of students migrating out for college over the time period (Postsecondary Opportunity spreadsheet entitled Residence and Migration of College Freshmen Graduating from High School in the Last 12 Months retrieved from internet 11/4/08).



## V. Other Educational Trends in West Virginia Post-PROMISE

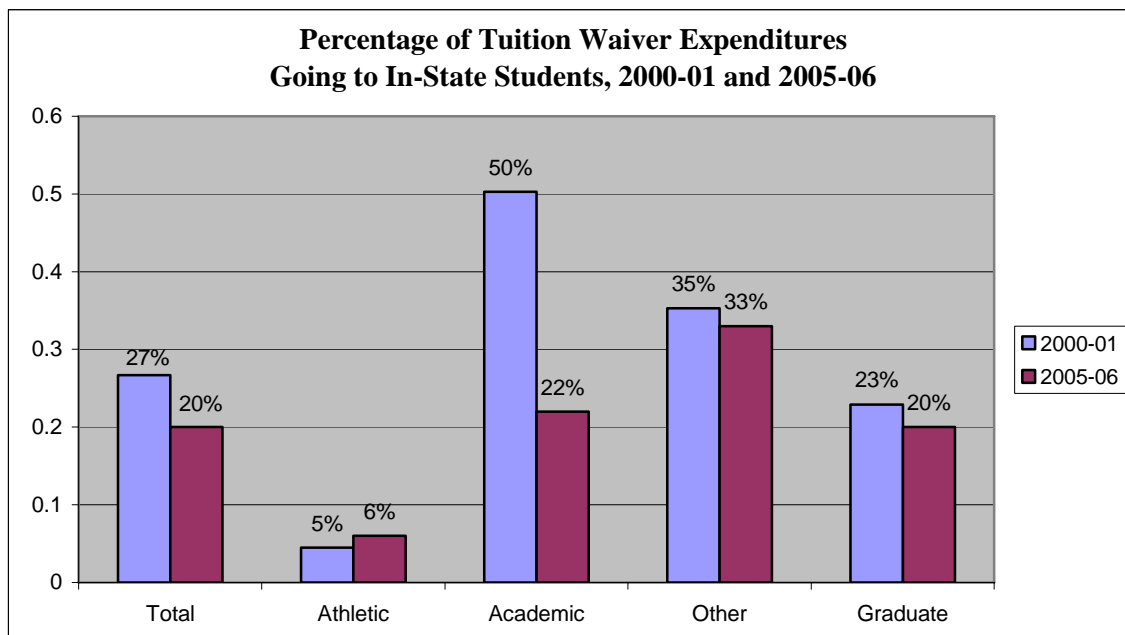
Although not necessarily caused by PROMISE, a number of trends in postsecondary education in West Virginia, nevertheless, may be influenced by the program and are related to who gets an education in West Virginia and the quality of that education.

### *Tuition Waivers*

Tuition waivers are used to attract a variety of in-state and out-of-state students to West Virginia postsecondary institutions. While certain types of waivers are statutorily mandated, the majority fall within the broad categories of academic, athletic, and graduate student. Institutions may choose to utilize these waivers to recruit or retain students, or to diversify their student population. From a financial perspective, institutions are foregoing revenue that they could potentially collect from these students if they were able to attract them without the incentive. A student utilizes a tuition waiver as a scholarship or a grant. While it can affect a student's eligibility for other sources of financial aid by reducing unmet need, it can also serve the purpose of providing the monetary assistance needed to enable a student to afford a postsecondary education (HEPC, 2007).

The advent of the PROMISE Scholarship Program resulted in the creation of a group of students who were no longer eligible for tuition waivers. Since PROMISE scholarships and tuition waivers are limited by the West Virginia Code to paying for tuition and fees, a PROMISE recipient cannot also receive a tuition waiver. With this dynamic in play, a larger percentage of waiver expenditures began to shift to out-of-state students. The following chart demonstrates the shift in waiver expenditures from the year prior to the PROMISE program compared to the 2005-06 academic year.

Figure 6. Percentage of Tuition Waiver Expenditures Going to In-State Students by Category, 2000-01 and 2005-06



The largest shift in expenditures, as a result of the changing nature of tuition waivers, is the decline of institutional funding for in-state students. West Virginians used to account for 50 percent of this waiver category; however, they currently receive 22 percent of this aid as campuses have turned to out-of-state students to round out their incoming classes. The West Virginia students who are academic standouts are receiving PROMISE awards and are making their postsecondary decisions based on this scholarship rather than academic waivers being offered at the institutional level (HEPC, 2007).

*Unmet Need*

Unmet need is defined as the difference between the amount of a school’s cost of attendance (tuition, fees, books, living expenses) that is not covered by grants, scholarships, need-based loans, work study, and a student’s expected family contribution (EFC). Overall unmet need in the four-year public system has grown from \$80,211,259 in 2002 to \$95,826, 932 in 2006.<sup>5</sup>

Figure 7. Number of Students with Unmet Need at Glenville State College, Marshall University, and West Virginia University, 2002-2006

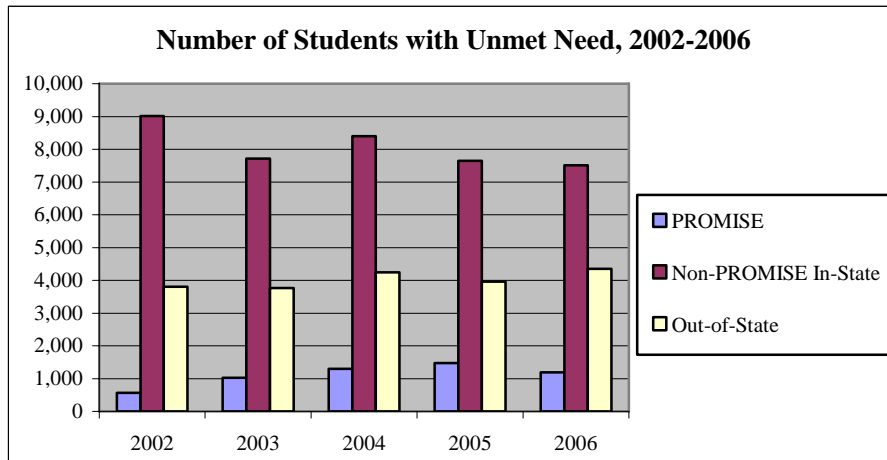
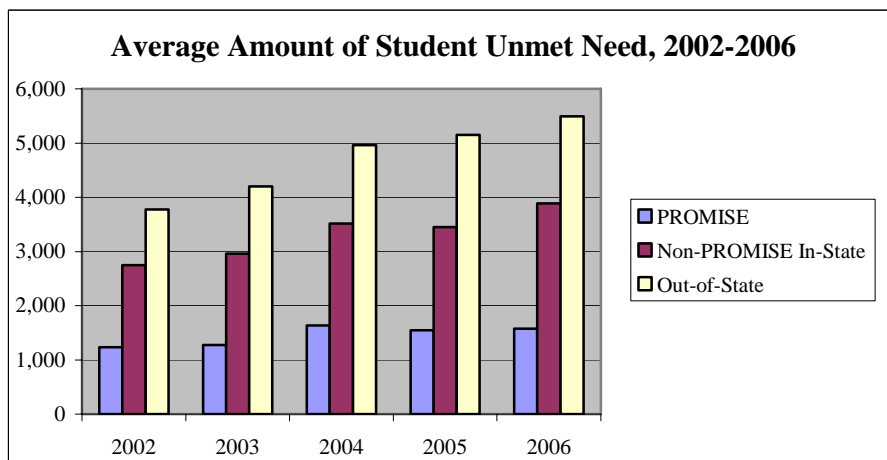


Figure 8. Average Amount of Student Unmet Need at Glenville State College, Marshall University, and West Virginia University, 2002-2006



<sup>5</sup> No unmet need data was provided for West Virginia University Institute of Technology in either year.

An analysis of unmet need at three HEPC institutions since 2002 compares the levels of need over time among PROMISE recipients, in-state non-PROMISE students, and out-of-state students. Throughout the time period, PROMISE scholars have the lowest number of students with unmet need; there are more out-of-state students with unmet need; and in-state students without PROMISE scholarships have the highest number of students with unmet need. Over time, the number of PROMISE scholars with unmet need increased. This is likely due to the growth in number of PROMISE scholars as the program increased from one class of scholars in 2002 to four in 2005. The number of non-PROMISE, in-state students, with unmet need decreased, also partially due to decreasing numbers of non-PROMISE students as the program matured. The number of out-of state students with need decreased at one school, but increased at the other two. When the average level of unmet need per student is examined, PROMISE students are lowest and the average unmet need of out-of-state students is higher than in-state non-PROMISE students. These trends reflect that PROMISE scholars have more grant aid, and therefore less unmet need as well as that out-of-state students have higher tuition than in-state students. Over time, there were increases for all groups in average unmet need. Need increased the least for PROMISE scholars and the most for out-of-state students with in-state non-PROMISE students falling in the middle.

## **VI. Recommendations**

A myriad of topics were considered regarding how West Virginia should move forward with the PROMISE Scholarship Program. Each item was thoroughly researched, discussed, and ranked by the Advisory Committee as to its significance in refining the program and, consequently, improving postsecondary opportunity for all West Virginians.

A comprehensive discussion of the policy options took place at the September 21-22, 2008 meeting of the Advisory Committee. This discussion considered the alignment of each option with the original purposes of PROMISE, as well as the ramifications of each option in terms of cost, impact on students, impact on institutions, and any unintended consequences. The following major topics were considered: (1) increasing financial support of PROMISE; (2) capping award amounts; (3) requiring public service or an internship; (4) identifying unmet need in the system and finding ways to meet it; (5) adding a means test; (6) converting to a forgivable loan; (7) encouraging enrollment in specific majors; (8) varying the scholarship value on the basis of achievement and unmet need; and (9) developing support programs to help students meet eligibility requirements.

The primary options that the Advisory Committee ultimately focused on were as follows: (1) capping the amount of the scholarship; (2) requiring an internship; (3) requiring community service; and (4) making the scholarship a forgivable loan with an in-state work requirement. The Advisory Committee recommends capping scholarship awards and a combination of actions to encourage PROMISE recipients to engage in community service.

*Cap the amount of the PROMISE scholarship at \$4,500 per year.*

Adequate funding of the PROMISE Scholarship Program must be addressed on an annual basis. Because tuition generally increases annually and more students have qualified for awards than

were initially anticipated, an increasing amount of state revenues is needed to fund these scholarships. Current policy directs that the awards pay for all tuition and mandatory fees at a West Virginia public college, or the average equivalent dollar amount at a private college. The anticipated expense for the PROMISE program for the 2008-09 academic year is \$42.3 million.

The transition to capping award amounts will allow West Virginia to mitigate some of the financial uncertainties associated with the current structure. Program expenses would increase if a greater number of high school graduates qualify for the award. However, current population demographics indicate that the number of anticipated recipients will decrease because the overall number of high school graduates is expected to decline over the next decade. Notably, these savings will be realized gradually as current PROMISE awardees, who are grandfathered in under the present rules, exhaust their eligibility and new classes are added.

A method previously implemented to contain costs is the raising of PROMISE's academic standards. While this approach succeeds in being fiscally responsible, an unintended consequence is that lower-income recipients become ineligible at a higher rate than their middle- or upper-income counterparts. In addition to reducing the number of low-income recipients, the constant shift in standards creates uncertainty and confusion for high school students. Commentary and feedback from high school counselors and parents notes that changing standards are frustrating to students whose hopes are dashed by the increasingly elusive targets.

With these consequences in mind, the Advisory Committee does not believe standards should continually be raised in order to balance programmatic expenditures at the expense of West Virginia's most financially needy students. Although a program that pays for all tuition and fees may appear ideal, it creates a scenario where program expenses are more difficult to control and fewer funds are available for other forms of state-level college assistance, such as need-based aid, institutional expenditures, or campus infrastructure investment.

An award cap would also allow for price sensitivity across the public postsecondary system. Decoupling award amounts from tuition levels will return a benefit to those institutions with lower tuitions. There is also the potential for gains by better utilizing federal tax credits. Most PROMISE scholars and their families are unable to utilize current federal education tax credits because PROMISE dollars cover all tuition and fees. Capping awards would lower the funds provided by West Virginia; however, federal tax credits would not only help ameliorate these reductions but, in effect, increase the amount of federal dollars coming into the state.

Another benefit of capping awards is a greater transparency of the eligibility criteria. The award standards have risen three times in the last five years. Because of this variability, it is impossible for entering high school students to know what the PROMISE academic requirements will be by the time they finish high school. Consistent standards will create stability for the state's middle and high school students by presenting a known target for which they can strive.

#### *Encourage community service for scholarship recipients.*

Currently, PROMISE scholars are encouraged to participate in community service. Yet, little has been done to promote community service participation beyond the language that

accompanies a scholar's initial award. The Advisory Committee debated the merits of requiring students to complete a certain number of hours of community service either per year, or in total, during their college career; however, the administrative costs to both the state and colleges would escalate as each sought to facilitate and monitor this process.

While promoting a community service requirement might not be very expensive, ensuring quality experiences for students would be quite costly. The locations of many colleges create a disparity in opportunities for community service off campus. Service on campus would yield some benefits, but students would not reap the benefits of getting to know, and of making a difference, in the broader community. Additionally, service on campus would be less likely to foster students' putting down roots in the community.

Some institutions already have existing community service offices and resources, but others do not. Requiring and monitoring this service leaves unanswered questions and exacerbates the challenge of how to make the scholarship financially viable in the long term. One also questions why only PROMISE scholars would be required to provide this service while other recipients of state aid would not.

Recognizing the importance and purpose of service yet noting the administrative barriers, the Advisory Committee recommends that each PROMISE scholar sign a pledge making PROMISE a "moral obligation" award that urges some form of "payback" to the state. West Virginia should develop a statewide Governor's program to recognize the voluntary efforts of PROMISE scholars and other college students in order to encourage this process. PROMISE scholars should be encouraged to submit an annual report on their service efforts similar to the report required of Truman Scholars. The Commission would support these efforts by providing leadership in developing a statewide support structure to undergird these efforts. Through such activities, students would come to know the rewards of service and begin patterns of lifelong volunteerism and civic engagement.

*Extend the time for scholarship recipients to receive awards after attending an out-of-state institution.*

Scholarship recipients can currently attend an out-of-state institution for one semester and still maintain their eligibility. The Advisory Committee recommends extending this time to one year for previously awarded students who are academically qualified.

Although an extension of the time to claim the scholarship would increase costs, staff evaluation indicates that it would be minimal. Staff found that of the 2004 high school graduates awarded scholarships, 20 scholars returned to West Virginia public institutions after attending an out-of-state institution for one year. Based on the data available, staff could not determine the number of previously awarded students who would have been academically qualified to receive the award upon their enrollment at a West Virginia public institution. This is the number who actually earned PROMISE, went out-of-state and then returned. It is not clear how many students might be incentivized to return to West Virginia by their being able to receive PROMISE upon return. These data are not available for previously awarded students

transferring from out-of-state to West Virginia private institutions; however, staff feels that number would be minimal as well.

*Eliminate the two percent cap on increases in annual appropriations to the PROMISE program.*

The Advisory Committee discussed the advisability of various inflationary factors including the Consumer Price Index (CPI), the Higher Education Price Index (HEPI), the current two percent, and an average of tuition and fee increases at four-year institutions in the state. Aware that the value of the scholarship would be subject to continuous examination, the Advisory Committee agreed that, as a cost-saving measure, the program should be disconnected from any growth expectations and especially from the annual round of tuition and fee increases.

*Maintain the current eligibility criteria.*

The Advisory Committee examined the impact of the elimination of ACT subscores as a requirement for the scholarship. An action of this nature would open scholarship eligibility to a larger pool of West Virginians. Previous research has demonstrated that students with higher financial need tend to be negatively impacted when subscores are present. However, the Advisory Committee declined to recommend a change due to the need for consistency in standards and the unknown impact of such a change on the number of awardees and the overall program cost.

*Examine the effectiveness of the PROMISE Board of Control and its current composition.*

The PROMISE Board of Control has tended to meet on an as-needed basis to address issues pertaining to award amounts and eligibility standards. The Advisory Committee believes that there are efficiencies to be gained by having the Board align future efforts with the financial aid coordinating council as well as other bodies that oversee and administer higher education and financial aid within West Virginia.

*Find new means to meet the mounting unmet financial needs of students across the state.*

All scholarship and financial aid policies should be reviewed to assure that they are responsive to the needs of adult students who increasingly represent a larger share of national higher education enrollment. The Advisory Committee applauds the work of the HEPC in its efforts to adjust application deadlines to accommodate adult students and the Governor and State Legislature in increasing the state's investment in the Higher Education Adult Part-Time Student Grant (HEAPS) program.

Need-based awards should also be given parity with merit awards in West Virginia public policy. This type of focused need-based effort at the state level will help alleviate national trends of larger loans and less grant aid. There are numerous qualified college applicants who are hesitant to risk higher education due to a lack of resources. They realize that failure or an inability to afford this endeavor after entry will result in thousands of dollars in loans that they must repay without receiving the intended benefit of a degree. Increased grant aid will help offset these postsecondary expenses making the dream of college a reality for more West

Virginians. Aware of the complexities involved, the Advisory Committee declined to recommend a suggested ratio of financial aid to annual increases in the cost of college attendance.

Both state and institution play important roles in this process. West Virginia institutions of higher education are encouraged to more aggressively seek private funds for need-based awards. State agencies should also work together to address the financial aid dilemma. The West Virginia Department of Education and WORKFORCE West Virginia are examples of two allies in these efforts that should be called upon as we seek to pool resources and knowledge in facing our education challenges.

*Eliminate barriers to sharing of student-level data between the West Virginia Department of Education and Higher Education Policy Commission.*

Increasing access to and success in postsecondary education requires understanding of the dynamics of academic achievement and educational attainment of all students. Research on postsecondary access in West Virginia would be furthered by the ability of postsecondary education researchers to access data about elementary and secondary students beyond those who actually succeed in enrolling in a public college or university in the state. There is need for a P-20 data pipeline that tracks all students from the time they enter the educational system through their transitions between schools and sectors. The two educational agencies should collaborate and share data to enhance analysis of the complexities of educational attainment in West Virginia, while at the same time carefully safeguarding the privacy of individual student information.

Recent clarification by the U.S. Department of Education in regards to the Family Educational Rights and Privacy Act (FERPA) provides hope that major impediments have been removed affording higher education and P-12 the opportunity to collaborate by linking their student data. The U.S. Department of Education acknowledges the importance of privacy but states that it should not create a barrier to “useful and valid educational research.” These opportunities will generate much-needed research addressing the totality of a student’s education experience. Better informed decisions can be made allowing for a more efficient educational system.

*Activate the financial aid coordinating council that was created by statute several years ago.*

The Higher Education Student Financial Aid Advisory Board was established by West Virginia Code “to provide financial aid expertise and policy guidance to the Commission, the Council, the PROMISE Scholarship Board of Control, the Vice Chancellor for Administration and the Executive Director of the PROMISE Scholarship Program on all matters related to federal, state, and private student financial aid resources and programs.” It is recommended that this council be activated to serve its mission of coordinating financial aid programs and to maximize the return on the state’s investment.

Ask business leaders and others to help improve job-related information and counseling and provide internships or other capstone experiences for upper-level college students.

According to Dr. George Kuh, Director of the Center for Postsecondary Research at Indiana University, both business leaders and students place great import on what can be gained from job-related internships. The Advisory Committee recommends that these opportunities as well as other avenues to enhance the relationship between upper-level students and future employers be explored in order to direct prepared students to the appropriate employment resources.

## **VII. Other Initiatives**

As one might imagine, there were many initiatives that were discussed and considered. The Advisory Committee wanted to limit its recommendations to an attainable list it believed would most benefit the PROMISE program as well as the state of West Virginia. The following includes other noteworthy topics that garnered much discussion.

### Internship Requirement for Scholarship Recipients

The Advisory Committee considered requiring all students who receive a PROMISE scholarship to participate in an internship at some point during their college career. One benefit is that students would obtain valuable work experience and career guidance prior to graduation from college. Students could also get their feet in the door with particular employers and network with people in their field before actually going on the job market.

There is also the possibility that working in internships in West Virginia may breed loyalty to a specific employer, increase a student's knowledge about work opportunities in the state, and thereby increase the chances that a student stay in West Virginia to work after graduation. This is one of the original goals of the PROMISE Scholarship Program. Another possible by-product is that businesses providing more internships for students could lead them to become more involved with the institutions. This could range from financial assistance to enhanced input into what skills and knowledge graduates need.

The limitations that were noted include the fact that this option provides no fiscal savings and actually introduces new costs. The administration of the requirement, both keeping track of students' fulfillment of it as well as the necessary facilitation of students finding internship opportunities, would add to the cost of PROMISE. Even if administration of the requirement and its costs are shifted to individual institutions rather than occurring at the system level, the costs must be borne somewhere. One also wonders whether there would be sufficient internships available for the 3,000 or so PROMISE recipients that enter the system each year.

Required internships may also impose an undue burden, and even considerable financial costs, on students, particularly needy ones. Many students must work to help finance college expenses not covered by PROMISE and may be forced to give up paid employment to participate in an internship that is unpaid or less lucrative.



Campus locale might also play a role if the distance is prohibitive to quality internships. Finding rewarding, relevant internships proximal to all institutions in the state will be difficult. While there may be plenty of opportunities close to some colleges, the remoteness of others will require students to commute long distances or even move during the summer to another area to complete their internship. This will be particularly burdensome to the neediest students.

#### Repayment Requirement for Certain Scholarship Recipients

One of the scholarship program goals is to increase the likelihood that West Virginians who perform at high academic levels will remain in the state after completing their postsecondary education by inducing these students to attend institutions of higher education in the state. If PROMISE loan forgiveness was based on a requirement that graduates live and work in West Virginia for a prescribed number of years, it is probable that more graduates would remain in the state after graduation, but it is difficult to predict precisely how many. Also, surveys conducted by Commission staff indicate that fewer students would accept the scholarship if it could later become a loan.

Administering a loan forgiveness program would require significantly more administrative resources than does administering a scholarship program. Additional administrative processes would include securing promissory notes, holding meetings with recipients to discuss obligations, securing documentation for forgiveness, processing deferments, and carrying out collection efforts for recipients who do not meet the forgiveness conditions.

Sixteen other states have broad merit-based scholarship programs. None of these programs has a requirement that recipients repay the scholarship proceeds if they do not later work in the state.

The greatest impact of converting the scholarship to a forgivable loan program would likely be on lower-income students, many of whom are first-generation college students. These students and families may be particularly concerned about the possibility of a financial aid award later becoming a loan. This could result in fewer academically prepared West Virginia students choosing to attend college or more students choosing to enroll in less-expensive programs because of the concerns about incurring or increasing student loan obligations. West Virginia already has one of the higher postsecondary loan default rates in the nation; the state ranked second among SREB states in 2006 and fifth nationally. The Advisory Committee believes that a forgivable loan program would exacerbate this problem.

### **VIII. Future Direction**

West Virginia's master plan for higher education, *Charting the Future*, establishes a public agenda for higher education and outlines the critical role of our postsecondary system in serving diverse needs of our citizens. Higher education has long been the pathway to upward mobility, and the Commission takes responsibility for opening that pathway to all West Virginians. *Charting the Future* identifies the following as the critical components of the public agenda for postsecondary education in West Virginia: (1) economic growth, (2) access, (3) cost and affordability, (4) learning and accountability, and (5) innovation.

Postsecondary education is critical not only to the economic futures of our individual citizens, but also to the health of the state's economy as a whole. In order to foster economic development, maximize use of resources and make our graduates competitive in a knowledge-intensive global economy, *Charting the Future* focuses on the importance of partnerships, entrepreneurship, and research. The Commission looks to capitalize on existing strengths and better position West Virginia as a globally competitive, economically prosperous and dynamic state. The plan also reflects the Commission's belief that higher education plays an instrumental role in the cultural and economic health of our communities.

To address the issue of access, the Commission is examining the tough questions. How can we make postsecondary education accessible for all West Virginians? How can we give students the skills and information they need to succeed in college and other postsecondary education programs? How can we provide a range of educational opportunities for citizens located across the state and at various stages of their adult and working lives? To address the issue of cost and affordability, the Commission is also examining the tough questions. In an era of tight budgets and skyrocketing costs, how can we ensure that higher education is affordable for West Virginians?

These questions serve as a framework for policy debate about the purpose of higher education in West Virginia. At their core, they point to the urgent need for more West Virginians to have affordable access to postsecondary education. Over the past decade, policymakers have demonstrated their commitment to this goal by creating and funding a broad range of financial aid programs.

Through both the PROMISE Scholarship Program and a host of need-based programs, the state annually invests more than \$80 million in state financial aid programs. The Advisory Committee acknowledges this investment and applauds policymakers for their commitment to access.

As noted in this report, these programs have served the state well over the past decade and have opened the doors for more students to attend college in West Virginia. However, if these programs are to remain viable in the years to come, certain structural changes may be required. These changes will not come easy, and will be the source of much debate. It is the hope of the Advisory Committee that this report will inform the debate and provide a foundation for success in the on-going evolution of financial aid policy in West Virginia.

## **Afterword and Acknowledgements**

Good decisions usually require timely, valid, relevant and reliable information. Data consistency and accuracy over time allow policymakers to judge the results of their decisions in view of both original intentions and new circumstances. The work of this ad-hoc Advisory Committee depended heavily on the quality of information maintained by the HEPC staff and public institution administrators, national databases maintained by federal education officials and associations of educators, and studies completed by scholars who have addressed student financial aid issues. We are grateful for the active and willing assistance provided by the Commission staff, especially Dr. Brian Noland, Rob Anderson, Dr. Angela Bell, Jack Toney, Ashley Schumaker, and Larry Ponder.

We have found that the quality of information in the Commission and institutional data files is uneven. The categories of information in the files, if properly filled and maintained, would have facilitated our data collection needs. Unfortunately, all public institutions have not been diligent in entering financial aid information. Each student financial aid file accommodates information that could have supported useful analyses if aggregated appropriately and related to other files. For example, the file expects the “unmet need” (and the extent to which need is exceeded) of every student to be reported. A significant number of institutions reported no unmet need. When contacted, officers at several institutions said that they have chosen not to enter those data. At another institution that originally reported no unmet need, total unmet need was calculated and found to be close to \$4.5 million. Thus, to estimate unmet need throughout the public system, data known to be reliable in a handful of institutions was used to project for all institutions.

The definition of “unmet need” itself presents a host of challenges. Probably most problematic is the determination of “student cost of attendance” at each institution, for student need is calculated simply by subtracting the expected family contribution (EFC) from the student cost of attendance. If, after subtracting all financial aid from the cost of attendance, there is still any remaining amount, that amount is considered “unmet need.” Each institution determines the “cost of attendance” for several categories of students including on-campus or residential, commuter, dependent and independent. The Advisory Committee was surprised to learn that the “cost of attendance” at some community colleges was as high as the “cost of attendance” at some public, four-year institutions.

The need for current, accurate and comprehensive financial aid data is underscored by the relative importance of student financial aid in West Virginia as a means of financing higher education in the state. Recall one of the principal findings of this report: West Virginia is sixth in the nation in the percentage of higher education funds devoted to student aid. With the exception of last year, augmenting student aid has been the highest budget priority of the Commission and of its predecessor state boards. In addition, the Commission has recently employed a policy analyst who will focus her efforts largely on financial aid issues. The quality and benefits of this work will turn largely on the nature of the information that can be summoned from the institutions.

While there may be some data gaps on public higher education, very little information at all could be found on students attending private institutions. Until 2004, the private colleges and universities did provide information on student financial aid that was compiled by Commission staff (and their predecessors at the Higher Education Central Office) and published in an annual statewide report on student financial aid. That publication did not appear for several years, and recently some of the data included in earlier reports were updated and published for 2006-2007 in draft form. The West Virginia Independent Colleges and Universities (WVICU) was able to provide information on changes in average tuition charges among the private colleges and universities over the past decade.

Because the state is now providing substantial, albeit indirect support to private and proprietary institutions through its various financial aid programs (\$8,729,111 in 2006-2007), it is reasonable to expect that these institutions will allow policymakers to ascertain the quality of educational experiences students are obtaining with these state funds. This report includes data on student performance in the public institutions. Similar data should be available from the private institutions as long as the state is facilitating student choice of institutions. Increasingly, states that invest large sums in student aid assume the additional duty of consumer protection.

## References

- Anderson, R., and Wright, D. (2007). *False HOPE? Implications of expansive eligibility requirements for the Tennessee Education Lottery Scholarship Program*. Paper presented at the Southern Association for Institutional Research, Little Rock, AK.
- Angrist, J., Lang, D., and Oreopolous, P. (2007). Incentives and services for college achievement: Evidence from a randomized trial. IZA Discussion Paper 3134. URL: <ftp://repec.iza.org/RePEc/Discussionpaper/dp3134.pdf>.
- Baum, S., and Ma, J. (2007). *Trends in College Pricing 2007*. Washington, DC: The College Board.
- Baum, S., and Ma, J. (2008). *Trends in College Pricing 2008*. Washington, DC: The College Board.
- Baum, S., and Payea, K. (2007). *Trends in Student Aid 2007*. Washington, DC: The College Board.
- Bell, A., and Anderson, R. (2004). Setting the governmental agenda to state lottery funded tuition scholarships. Paper presented at the Annual Meeting of the Association for the Study of Higher Education, Kansas City, MO.
- Berry, F.S., and Berry, W.D. (1999). Innovation and diffusion models in policy research. In P. Sabatier (Ed.), *Theories of the Policy Process*. Boulder, CO: Westview Press.
- Binder, M., and Ganderton, P.T. (2004). The New Mexico Lottery Scholarship: Does it help minority and low-income students? In D.E. Heller and P. Marin (Eds.), *State Merit Scholarship Programs and Racial Inequality*. Cambridge, MA: The Civil Rights Project at Harvard University.
- Bound, J., Groen, J., Kezdi, G., and Turner, S. (2004). Trade in university training: Cross-state variation in the production and stock of college-educated labor. *Journal of Econometrics*, 121, 143-173.
- Brock, T., and Richburg-Hayes, L. (2006). *Paying for persistence: Early results of a Louisiana scholarship program for low-income parents attending community college*. New York: MDRC.
- Cornwell, C.M., and Mustard, D.B. (2004). Georgia's HOPE Scholarship and minority and low-income students: Program effects and proposed reforms. In D.E. Heller and P. Marin (Eds.), *State Merit Scholarship Programs and Racial Inequality*. Cambridge, MA: The Civil Rights Project at Harvard University.
- Cornwell, C.M., Lee, K.H., and Mustard, D.B. (2005). Student responses to merit scholarship retention rules. *The Journal of Human Resources*, 40(4), 895-917.

- Cornwell, C.M., Mustard, D.B., and Sridhar, D.J. (2006). The enrollment effects of merit-based financial aid: Evidence from Georgia's HOPE Program. *Journal of Labor Economics*, 24(4), 761-786.
- Doyle, W.R. (2006). Adoption of merit-based student grant programs: An event history analysis. *Educational Evaluation and Policy Analysis*, 28(3), 259-285.
- Dynarski, S. (2000). HOPE for whom? Financial aid for the middle class and its impact on college attendance. *National Tax Journal*, 53(3), 329-361.
- Dynarski, S. (2003). *The New Merit Aid*. Working Paper. Cambridge, MA.
- Dynarski, S. (2007). Building the stock of college-educated labor. In press at *Journal of Human Resources*.
- Farrell, P.L. (2004). Who are the students receiving merit scholarships? In D.E. Heller and P. Marin (Eds.), *State Merit Scholarship Programs and Racial Inequality*. Cambridge, MA: The Civil Rights Project at Harvard University.
- Fox, W.F., Couch, S.E., and Thacker, A. (2007). *School-to-work: Do Tennessee's higher education graduates work in Tennessee?* Paper prepared under an agreement with the Tennessee Higher Education Commission with the cooperation of the Tennessee Department of Labor and Workforce Development.
- Noland, B., and DeFrank-Cole, L. (2007). Merit-based aid in West Virginia: An overview of the PROMISE Scholarship Program. Paper presented at the 47<sup>th</sup> Annual Forum of the Association for Institutional Research, Kansas City, Missouri.
- Groen, J. (2004). The effect of college location on migration of college-educated labor. *Journal of Econometrics*, 121, 125-142.
- Hammond, G.W., and Leguizamon, J.S. (2008a). *West Virginia work and wages by institution and major*. Paper prepared for the West Virginia Higher Education Policy Commission. Morgantown, WV: West Virginia University Bureau of Business and Economic Research.
- Hammond, G.W., and Leguizamon, J.S. (2008b). *Work participation and wages of PROMISE graduates in 2007*. Memo prepared for the West Virginia Higher Education Policy Commission. Morgantown, WV: West Virginia University Bureau of Business and Economic Research.
- Heller, D.E. (2002). State merit scholarship programs: An introduction. In D.E. Heller and P. Marin (Eds.), *Who should we help? The negative social consequences of merit scholarships*. Cambridge, MA: The Civil Rights Project at Harvard University.
- Heller, D.E. (2004). The devil is in the details: An analysis of eligibility criteria for merit scholarships in Massachusetts. In D.E. Heller and P. Marin (Eds.), *State Merit Scholarship*

*Programs and Racial Inequality*. Cambridge, MA: The Civil Rights Project at Harvard University.

Heller, D.E. (2006). *Merit Aid and College Access*. Paper presented at the Symposium on the Consequences of Merit-Based Student Aid, Madison, WI.

Heller, D.E., and Marin, P. (2002). *Who Should We Help? The Negative Social Consequences of Merit Scholarships*. Cambridge, MA: The Civil Rights Project at Harvard University.

Heller, D.E., and Rogers, K.R. (2003). *Merit scholarships and incentives for academic performance*. Paper presented at the 20<sup>th</sup> Annual NASSGAP/NCHELP Student Financial Aid Research Network Conference, Annapolis, MD.

Heller, D.E., and Rogers, K.R. (2004). *Stanching the brain drain: Merit scholarships and post-baccalaureate migration patterns*. Paper presented at the 21<sup>st</sup> Annual NASSGAP/NCHELP Student Financial Aid Research Network Conference, San Francisco, CA.

Henry, G.T., and Rubenstein, R. (2002). Paying for grades: Impact of merit-based financial aid on educational quality. *Journal of Policy Analysis and Management*, 21 (1), 93-109.

Henry, G.T., Rubenstein, R., and Bugler, D.T. (2004). Is HOPE enough? Impacts of receiving and losing merit-based financial aid. *Educational Policy* 18(5), 686-709

Hovey, H. (1999). *State Spending for Higher Education in the Next Decade: The Battle to Sustain Current Support*. San Jose, CA: The National Center for Public Policy and Higher Education.

Ledbetter, J., and Seligman, J. (2003). Changing eligibility requirements: HSGPA and SAT. Carl Vinson Institute of Government (October 22). Retrieved September 30, 2004, from <http://www.cviog.uga.edu.hope/031022requirements.pdf>.

Mortenson, T. (2008, July). Interstate migration of college freshmen 1986 to 2006. *Postsecondary Education Opportunity*, 193.

Mortenson, T. (2008). *College Participation Rates for Students from Low-Income Families by State*. Spreadsheet retrieved on November 20, 2008 from <http://www.postsecondary.org/topicslist.asp?page=1&od=&search=College%20participation>.

National Association of State Student Grant and Aid Programs. (2002). *33<sup>rd</sup> Annual Survey Report on State-Sponsored Student Financial Aid, 2001-2002 Academic Year*.

National Association of State Student Grant and Aid Programs. (2007). *38<sup>th</sup> Annual Survey Report on State-Sponsored Student Financial Aid, 2006-2007 Academic Year*.

National Center for Education Statistics, (2007). *2003-04 and 2004-05 Integrated Postsecondary Education Data System, Spring 2004, Spring 2005, Spring 2006*. Retrieved on December 15, 2008 from [http://nces.ed.gov/programs/digest/d07/tables/dt07\\_338.asp?referrer=list](http://nces.ed.gov/programs/digest/d07/tables/dt07_338.asp?referrer=list).

National Center for Public Policy and Higher Education. (2002). *Losing Ground: A National Status Report on the Affordability of American Higher Education*. San Jose, CA: Author.

Ness, E. C. (2008). *Merit aid and the politics of education*. New York: Routledge.

Ness, E.C. (2007). *Class of 2007 Senior Opinions Survey: Implications for College Access, College Choice, and the PROMISE Scholarship Program*. Charleston, WV: West Virginia Higher Education Policy Commission.

Scott-Clayton, J. (2008). *On money and motivation: A quasi-experimental analysis of financial incentives for college achievement*. National Bureau of Economic Research working paper. Cambridge, MA: Harvard University.

Singell, L.D., Waddell, G.R., and Curs, B.R. (2006). HOPE for the Pell? Institutional effects in the intersection of merit-based and need-based aid. *Southern Economic Journal*, 73(1), 79-99.

State Higher Education Executive Officers. (2008). *State Higher Education Finance FY 2007*. Boulder, CO: Author.







**West Virginia Higher Education Policy Commission**

1018 Kanawha Blvd. East  
Charleston, West Virginia 25301-2025

[www.hepc.wvnet.edu](http://www.hepc.wvnet.edu)