



# DESIGN MATTERS

## INCENTIVES FOR EARLY GRADUATION

HOW CAN STATE POLICIES ENCOURAGE  
STUDENTS TO COMPLETE HIGH SCHOOL  
IN LESS THAN FOUR YEARS?

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A POLICY BRIEF

BY DIANE WARD AND JOEL VARGAS

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JOBS FOR THE FUTURE



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In many states, high-achieving high school students have long had the ability to skip their senior year. Such policies enable motivated young people who fulfill graduation requirements to move on to college or a career—saving time and money for their families and society. A growing number of states are going further, with financial rewards for students who take a fast track to graduation and college.

Strategies that seek more efficient use of taxpayer dollars by accelerating high school completion hold great appeal during challenging fiscal times. This brief provides guidance for state policymakers who seek savings through programs that will get more students to finish high school faster.

### STATES EXPERIMENT WITH EARLY GRADUATION FINANCIAL INCENTIVES

Arizona, Idaho, and Utah are among the states that provide state-funded college scholarships to students who graduate early. Due to budget cuts, Texas has discontinued its award program. In addition, South Dakota adopted legislation in 2011 that also offers a financial incentive to accelerate high school completion. Indiana's 2012-13 state budget establishes the Mitch Daniels Early Graduation Scholarship, an award program promoted by the governor. Similar bills are pending in at least six other states: Illinois, Kansas, Kentucky, Minnesota, Missouri, and Nevada.

Unlike dual enrollment policies that allow high school students to earn college credit, early graduation incentives give high school students more than a jumpstart on college. They reward students who graduate high school in less than four years by providing them with a state-

funded scholarship or tuition waiver. The money comes from state dollars that would have otherwise gone to local school districts to support their high school programs. In some states, dual enrollment policies also operate on this “funding follows the student” principle by permitting both K-12 agencies and colleges to claim state funding for dual enrollees.

Strategies that help high school students earn diplomas faster have gained traction in cash-strapped states seeking ways to rein in the rising cost of public education. Their appeal will likely grow as states continue trying to contain budget increases. However, policymakers should think carefully about a number of design factors when considering such policies and how to structure and fund them.

Proponents of high school acceleration policies often bill them as cures for “senioritis” or as strategies to improve college access and affordability. However, in the absence of an explicit purpose, it is difficult to anticipate or gauge

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This policy brief draws on Jobs for the Future's extensive work helping states develop and promote sound policies and practice that create stronger pathways from high school to and through college for low-income, minority, and first-generation students.

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their efficacy. To illustrate key design considerations, we discuss such policies in light of three general purposes for states that seek to improve their P-20 education systems:

- To improve efficiency;
- To improve college access; and
- To improve college readiness and success.

How an acceleration policy is designed makes a difference in its ability to serve a state's purposes.

## KEY QUESTIONS FOR POLICYMAKERS

### What is the purpose of your state's early graduation policy?

**TO IMPROVE EFFICIENCY.** Programs that provide incentives for high school students to graduate early likely encourage students who are already academically advanced to advance faster. If states wish to cut costs by eliminating unnecessary time spent in high school for such students, then early graduation incentives are rational if the costs of the incentives are comparable to corresponding reductions in K-12 spending. Policy proposals in Indiana and Kentucky appear to operate on this financing principle.

However, some state policies do not balance incentive costs with spending reductions. Those that do not may not be designed to promote efficiency, a factor that may affect their sustainability.

**TO IMPROVE COLLEGE ACCESS.** Providing students who graduate early with state-funded scholarships can make college more affordable for those who qualify, especially with tuition and fees rising faster than the rate of inflation. However, unless scholarships are targeted to low-income students, higher-income students will benefit disproportionately because they are more likely to be on an accelerated academic path.

This approach is also unlikely to significantly increase the rate at which underrepresented students enroll in college unless accompanied by academic preparation strategies.

By way of comparison, dual enrollment programs can encourage students who would not otherwise have gone to college. However, unless states develop policies and programs with this intentional purpose, incentives for dual enrollment are unlikely to expand access to such students (Swanson 2008; Karp 2007; Hoffman et al. 2007). One example can be found in Oregon, where the governor has signed legislation that will give at-risk students priority status in the state's Expanded Options tuition-free dual enrollment program.

**TO IMPROVE COLLEGE READINESS AND SUCCESS.** Research has found that the most reliable predictor of college success is the quality and intensity of the high school curriculum (Adelman 2006). Unless early graduates are required to take a rigorous course of study, they may be less prepared for college than classmates who remain in high school and get acquainted with college-level expectations by enrolling in dual enrollment, Advanced Placement, International Baccalaureate, or early college programs. To that end, Kentucky legislators have proposed a bill that would require students to complete two college-level courses through dual enrollment, AP, or IB in order to be eligible for an early graduation scholarship. Without significant college credits on their high school transcript, early graduates in other states may have a more difficult time gaining admission to more selective postsecondary institutions.

Moreover, if early graduation incentives or dual enrollment funds are deducted from K-12 appropriations, they may reduce the capacity of high schools to raise the college and career readiness of their remaining students. This policy could also create disincentives for high schools and colleges to work together to create more aligned, supportive pathways between them—even as more collaboration is needed.

### What are the costs and benefits of your state's early graduation policies?

Most early graduation proposals are designed to be cost-neutral for the state: they repurpose K-12 funding so that early graduates can use them to cover college costs. Recipients and their families benefit through savings on tuition. State tax dollars are used more efficiently because



local and state K-12 agencies do not receive funding for students to spend unnecessary time in high school. And if early graduation scholarships cost less than the K-12 allotments they replace, additional savings can be realized. The Yankee Institute for Public Policy, a proponent of early graduation, has estimated that Connecticut would save \$96 million per year if 25 percent of its students graduated one year early. (Under the institute's proposal, participating students would receive \$5,000 in state scholarships. The balance of the state's \$15,000 average per pupil K-12 allotment (about \$10,000) would be refunded to taxpayers as tax rebates (Andrews 2004).

The tantalizing prospect of reaping these short-term benefits must be weighed against the costs associated with risks and tradeoffs. If early graduation policies do nothing to increase the college readiness of targeted students, then the state risks sending more unprepared students to college—only faster. That would likely lead to increased remediation in college and lowered completion rates. The short-term benefits of speeding students through high school will be offset by the increasing costs of remedial education and the risk of higher non-completion rates in college. The direct costs of remediation in the United States are already an estimated \$3.6 billion annually (Alliance for Excellent Education 2011).

States should not merely consider the immediate financial benefits of these policies. Investments focused on increasing the college readiness and success of students who are historically underrepresented in college can pay dividends that within a few years are comparable to the immediate savings from early graduation programs. They also have the added advantage of increasing the number of state residents who are highly educated. States save money from reductions in the cost-per-degree completed as higher rates of students avoid remediation and complete college.

These savings are even greater if students complete college courses while in high school, transferring their credits toward a two-year or four-year degree. JFF recently studied the academic achievements of graduates from the first early college high schools in Texas—schools that take advantage of the state's robust dual enrollment

policies to raise the college readiness of low-income and minority students. The 900 students examined for this study graduated with higher rates of college readiness than non-early college peers and accumulated an average of 24 college credits. One school's graduates earned an average of 40 college credits, resulting in an estimated savings for Texas taxpayers of \$6,800 to \$10,500 per student going on to complete a college degree.

## DESIGNING FOR EFFICIENCY AND OUTCOMES

States are increasingly interested in early graduation incentive policies, especially in this economic climate. Depending on their design, these policies have the potential to make more efficient use of, or even save, taxpayer dollars *in the short run*. However, policymakers ought to consider whether the goal of cost efficiency is worth undercutting efforts to achieve other *long-term* education goals, such as increasing college access, readiness, and success rates. The long-term benefits of achieving gains toward developing a state's human capital should be comparable to, if not greater than, the short-term benefits of early graduation programs.

Optimal early graduation policies should ensure that:

- Students graduating early meet the same or higher competencies as their peers who graduate in four years;
- Students are ready to start college without remediation; and
- Low-income and other underrepresented students are targeted with preparatory strategies, such as pathways that prepare and support them to complete college courses in high school and take advantage of incentives for acceleration.



## EARLY HIGH SCHOOL GRADUATION INCENTIVE PROGRAMS: CURRENT STATE LAWS (AS OF JULY 1, 2011)

STATE	PROGRAM	NEED-BASED	ACADEMIC ELIGIBILITY REQUIREMENT	IMPACT ON DISTRICT FINANCES
<b>Arizona</b> AZ Revised Statute §15-105	Arizona Early Graduation Scholarship Program	No	Not specified	Districts include early graduates in their student counts until their classes are scheduled to graduate. Districts receive per-pupil funding minus \$2,200 for a student who graduates at least one year early or minus \$1,700 for a student who graduates one semester early.
<b>Idaho</b> 2011 Session Law Chapter 275	Mastery Advancement Pilot Program	No	Students must demonstrate that they have met all of their districts' graduation requirements. Students who graduate early under the program can stay in school and participate in concurrent enrollment or AP courses.	School districts receive an amount equal to each scholarship or 35% of Average Daily Attendance (ADA).
<b>Indiana</b> HEA 1001 (budget) signed by the governor on 5/10/2011	Mitch Daniels Early Graduation Scholarship	No	Students must meet minimum requirements for a high school diploma. Scholarships may not be used for remedial coursework.	The state's education department deducts the \$4,000 scholarship award from districts' appropriations. School districts are not allowed to claim the difference.
<b>South Dakota</b> HB 1175 (signed by the governor on 3/11/2011)	Jump Start Scholarship Program	No	Students must complete requirements of the recommended high school program established by the Board of Education.	Early graduates can no longer be claimed in their districts' student counts.
<b>Utah</b> UT Code §53A-15-102	Utah Centennial Scholarship Program	No	Not Specified	High schools receive an amount equal to one-half of the scholarship awarded to each student graduating by the end of grade 11—or a proportionately lesser amount for any student graduating after grade 11 but before the end of grade 12.



## EARLY HIGH SCHOOL GRADUATION INCENTIVE PROGRAMS: PROGRAMS PENDING LEGISLATION

STATE	PROGRAM	NEED-BASED	ACADEMIC ELIGIBILITY REQUIREMENT	IMPACT ON DISTRICT FINANCES
Illinois SB2097	Early Graduation Tuition Waiver Act	No	Not Specified	School districts lose ADA funding.
Kansas HB2234	Early High School Graduation Scholarship Program	No	Students must meet minimum GPA requirements established by the State Board and receive counseling from their high school counselors on the advantages and disadvantages of graduating early.	Early graduation students are removed from their districts' enrollment counts, which results in a reduction of general state aid payment to those districts. Savings are deposited in a state fund, which is used to raise the base state aid per pupil.
Kentucky SB69	Early Graduation Scholarship Certificate	No	Students must have at least 18 credits in core academic areas, including 2 college-level courses through dual enrollment, AP, or IB—and baseline ACT scores. Students must reach minimum scores on statewide end-of-course exams and maintain a 3.2 GPA. Scholarship students receive unconditional admission to a two-year public community or technical college, and conditional admission into a four-year public college.	School districts lose ADA funding. Support Education Excellence in Kentucky (SEEK) appropriation is deposited into an Early Graduation Trust fund and transferred to colleges and universities that admit early graduates.
Minnesota S.F. No. 203	Early Graduation Achievement Act	No	Not Specified	Scholarship money is transferred from general education aid to the scholarship recipient.
Missouri SB130	Early High School Graduation Scholarship Program	No	Not Specified	School districts are offered grants equal to 10% of the the state's aid payment, divided by the districts' own ADA for the year immediately prior to students' graduation.
Nevada SB239	Not named	No	Students must satisfy all graduation requirements and pass all subject areas of the high school profile examination.	N/A



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