



Last-dollar or First-dollar Scholarship Programs

Need-based scholarships are often classified as “last-dollar” or “first-dollar,” which refers not only to when the scholarship payments are made, but also to how the scholarship award amounts are determined. Last-dollar scholarships compare a student’s total college costs and the resources available to cover the costs, then award the student the difference to eliminate any funding gap. The award amounts for first-dollar scholarships are not determined by assessing students’ other financial aid and scholarship awards, but are flat amounts or are determined according to the scholarship program guidelines.

Last-dollar scholarships, as their name implies, are intended to be paid after all other financial aid resources have been awarded; the calculation of the last-dollar amount is based on the gap between what aid has been awarded and what aid is still needed to help a student meet the cost of attendance. First-dollar scholarships are not dependent on the other award amounts and can be awarded earlier. Both the first-dollar and last-dollar approach to awarding scholarships have advantages and disadvantages that must be carefully considered when designing a scholarship program.

Last-dollar Scholarships

Last-dollar scholarships, as envisioned by private scholarship providers, are designed to eliminate unmet need, or the gap between a student’s costs and financial resources for college. To accurately determine a last-dollar award amount, a scholarship program must collect information about the student’s costs and resources. The scholarship program must consider the student’s total cost of college attendance (COA), including tuition and fees, books, room and board, and other educational expenses such as transportation costs, required health insurance, etc.

The student’s financial resources must then be tabulated and compared to the total costs. The financial resources include the student’s Expected Family Contribution (EFC), which represents the amount the student and the family are expected to contribute toward educational expenses and is determined by completing the Free Application for Federal Student Aid, and the grants, scholarships, loans, and other aid received from federal, state, institutional, and other sources. Last-dollar awards are determined according to the following calculation and are disbursed after sufficient information is available to complete the calculation:

COA minus EFC = Need

Need minus Grants, Scholarships and Other Aid (loans, work-study, etc.) = Desired last-dollar amount

First-dollar Scholarships

A first-dollar scholarship provider may award the same amount to each recipient, or the provider may award a specified amount, depending on criteria outlined in the program guidelines, such as a student’s year in college, the type of college the student attends, or the student’s level of financial need. Generally, first-dollar awards are made without regard to the other aid a student receives.



Considerations

Both first-dollar and last-dollar award structures offer advantages to a scholarship program, but they each have drawbacks as well. Since first-dollar scholarships are awarded earlier than last-dollar awards, they provide financial assistance to students when they need it, avoiding delays to important educational purchases, such as books. First-dollar awards also require less administrative effort to implement than last-dollar scholarships. Award determination for first-dollar scholarships is streamlined because award amounts are based on set criteria, rather than calculated individually for each student. Because they are based on set criteria, and not likely to vary according to external factors, first-dollar scholarships are more predictable than last-dollar scholarships. However, since first-dollar scholarships are not tailored to each individual student, these scholarships may provide more or less financial support than the student actually needs.

Last-dollar scholarships provide exactly the amount of remaining financial support a student needs, but require significant implementation capacity to collect data and calculate each student's award amount individually. Since last-dollar scholarships require collection of cost and resources information, they are more burdensome to administer and might thus delay award announcements and payments. Program costs for last-dollar scholarships are somewhat unpredictable since costs depends on the gap between participating students' cost of attendance and financial aid resources, which may vary widely from student to student.

Type	Advantages	Disadvantages
First-Dollar	<ul style="list-style-type: none"> • <i>Less chance for delays to students</i> • <i>Less administrative capacity to determine award</i> • <i>More predictable for provider, college, and student</i> 	<ul style="list-style-type: none"> • <i>Less flexibility to meet students' exact needs</i> • <i>Possibility of award to a student that is already has ample funding</i>
Last-Dollar	<ul style="list-style-type: none"> • <i>Maximizes providers' and students' limited resources</i> • <i>Can more closely identify students' levels of need</i> • <i>Can allocate different amounts among students</i> 	<ul style="list-style-type: none"> • <i>Less predictable to provider, college, and student</i> • <i>More time and resources to gather information and calculate amounts</i> • <i>Possible delays in final award package and disbursement, due to communication and negotiation, if required, at the college level</i>

When deciding between last-dollar and first-dollar award structures, providers of scholarships must weigh the advantages and disadvantages of each approach. Providers should consider these guiding questions:



- *Is it important to the organization to ensure that students are awarded exactly the amount of financial support they need to close the gap between costs and resources?*
- *Is it a high priority to ensure that the program is easy to implement and will award scholarships to students at the beginning of the term when they need financial assistance to pay tuition and buy their books?*
- *Does the program have the capacity to collect and track detailed cost and financial aid resource information for each student?*
- *Does the program have the capacity to advocate on behalf of their students with individual colleges to prevent displacement of other funds?*

Answering these questions will help determine which award structure best fits the needs and priorities of a scholarship program.

Source: Louise Myrland, Scholarship Program Director, Denver Scholarship Foundation