

Financial Aid for College

What Works?

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July 2009

College attendance has risen substantially in the last 40 years

- In 1968 36% of 23-year olds had attended some college – by 2005, 58%
- But gaps have grown as well
 - BA: 37% for whites, 19% African-American, 11% Hispanic
 - Large gaps by income even among high achievers (74% complete in top income quartile vs. 29% in bottom)

Recent Developments in Aid Research

- Aid matters
- But it's not *just* the money
- Program design and incentives have enormous impact on behavior

Aid Matters

Can reducing costs increase college-going?

- Deming and Dynarski (forthcoming) review the evidence
 - By study type (experimental, quasi-experimental, observational)
 - By type of program (federal, state, private)
 - By margin (enrollment, retention)
- Bottom Line: Yes
- If you pin us down on a number....
 - Enrollment increases by about 4 percentage points per \$1,000 of aid
 - Dynarski (2009) finds (using State Merit Aid programs) that this passes a CB test even with subsidy to inframarginal students

Enrollment vs. Retention

- Enrollment has risen but BA receipt is flat (Turner, 2006)
 - Fewer students are completing college
- Interventions that focus on marginal students can yield potentially large returns
 - Community college attendees (Opening Doors)

The Effect of Aid on Enrollment

- Poorly identified studies need not apply
 - Aid is often given out to relatively stronger (merit aid) or weaker (Pell Grants) students
 - So we need credible exogenous variation
- We focus on experimental and strong quasi-experimental designs

Federal Programs

- Pell Grants - not much overall, but positive effect for non-traditional students (Seftor and Turner)
- GI Bill – big effects but hard to generalize
- SS benefit program – Dynarski (2003)
 - 4 percentage points per \$1000

State Merit Aid

- Georgia HOPE (Dynarski 2000 and 2008; Cornwell et al 2006)
 - 4-6 percentage points per \$1000
 - Bigger effects for girls, nonwhite
 - 3-4 pp on completion
- CalGrant program (Kane 2003)
 - 3-4 pp per \$1000
- DC TAG (Kane 2007; Abraham and Clark 2006)
 - 3-4 pp per \$1000

Experimental Estimates

- Upward Bound
 - Precollege services (tutoring, summer coursework) to low-income adolescents
 - No impact on enrollment or credits
- STAR (Angrist et al 2009)
 - RCT at the satellite campus of a Canadian public university
 - Student services and/or incentive scholarships
 - Modest effects of combined treatment on girls, nothing for boys
- Opening Doors

Opening Doors

- Large randomized trial at 6 community colleges nationwide
 - Evaluated by MDRC
 - NYC, New Orleans, Ohio, California
- Supplementary services and/or small (~\$1000 per semester) *incentive* scholarship
 - Relatively large effects (~1-3 credits, 5-10 percentage point increase in post-program enrollment, 7-8 pp reduction in withdrawal)

Lessons

- Effect of Opening Doors is at least as large as broad-based merit aid programs
 - But might be targeted better
 - Less subsidy to inframarginal enrollees
 - But will it scale up / replicate?
 - Promising, but more evidence is needed
- Some evidence that cash works better than services
- Simpler programs (i.e. direct subsidy) work better
 - Burden of filling out FAFSA, delay in notification may blunt effectiveness of Pell, for example
 - Simple programs are also cheaper to administer

Incentives Matter

**On Money and Motivation:
A Quasi-Experimental Analysis of Financial Incentives for College Achievement**

Judith Scott-Clayton*
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Kennedy School of Government

October 29, 2008

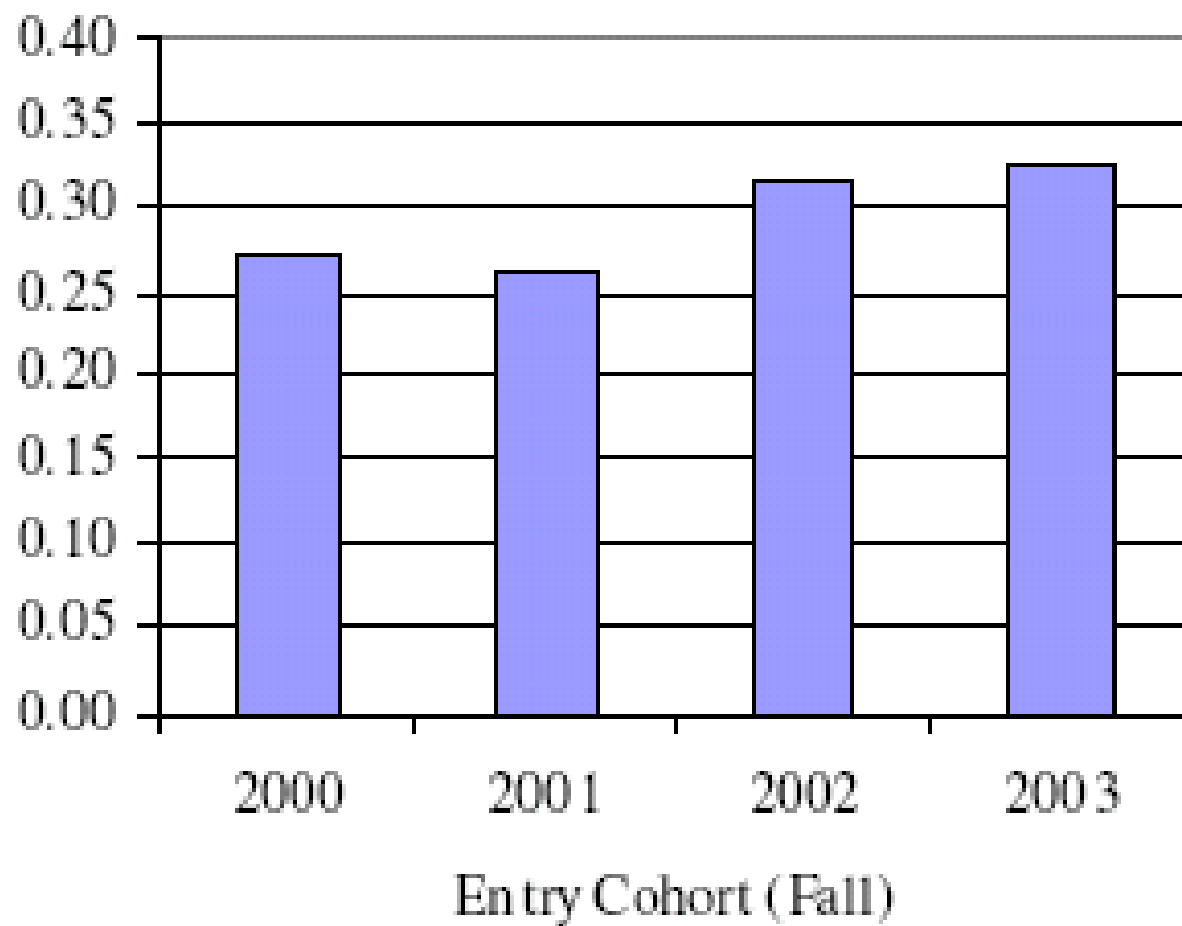
West Virginia PROMISE

- Similar to other merit scholarships
 - Pays college tuition and fees
 - Requires minimum GPA in HS and college
 - Requires minimum ACT
- Different from other merit scholarships
 - Requires 30 credit hours a year

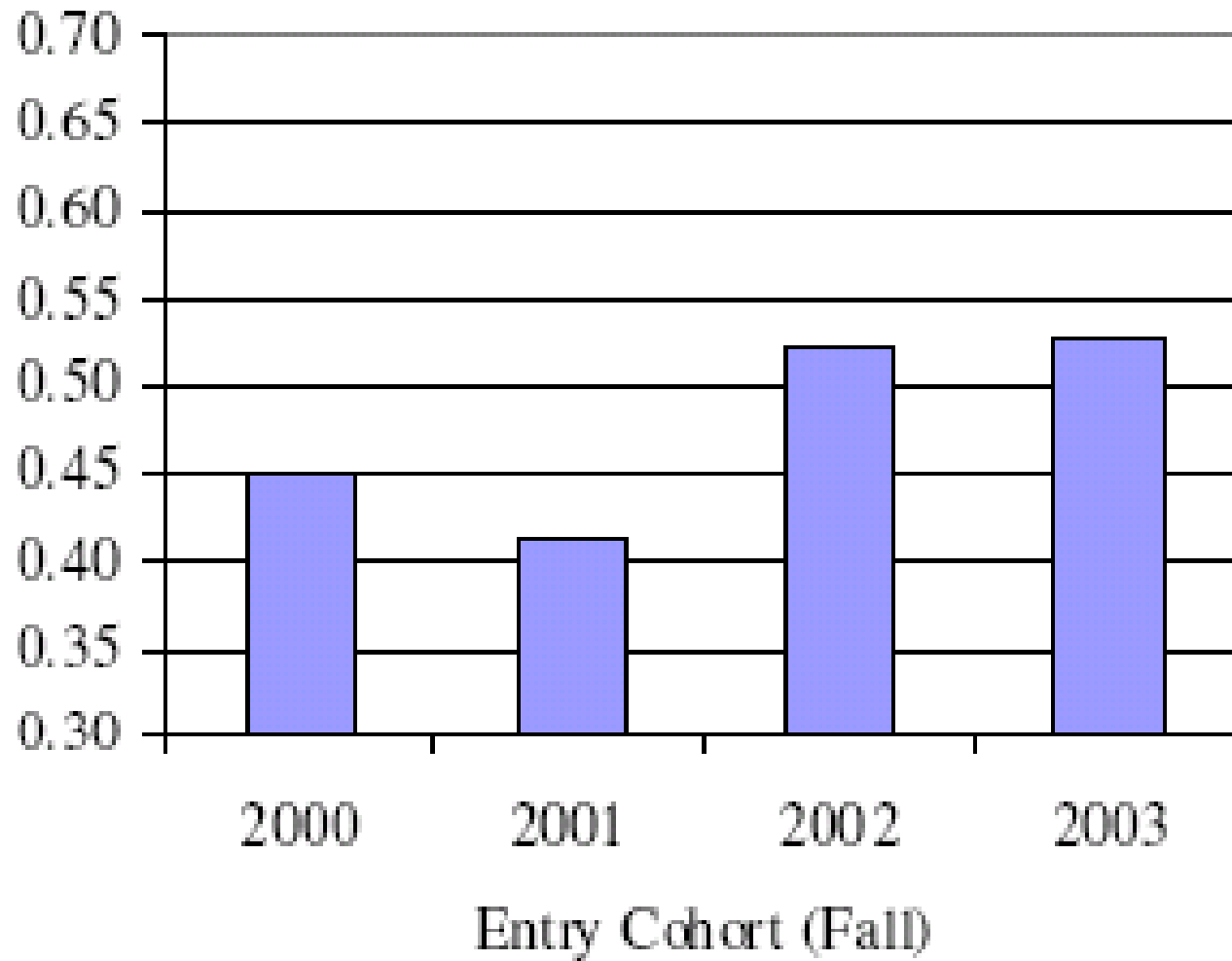
Findings

- Scholarship increases college entry and completion and substantially speeds progress through college
- 6.7 percentage point increase in four-year BA completion rate
- Pattern of findings suggests the program works by establishing clear academic goals and incentives to meet them, rather than simply reducing the cost of college.

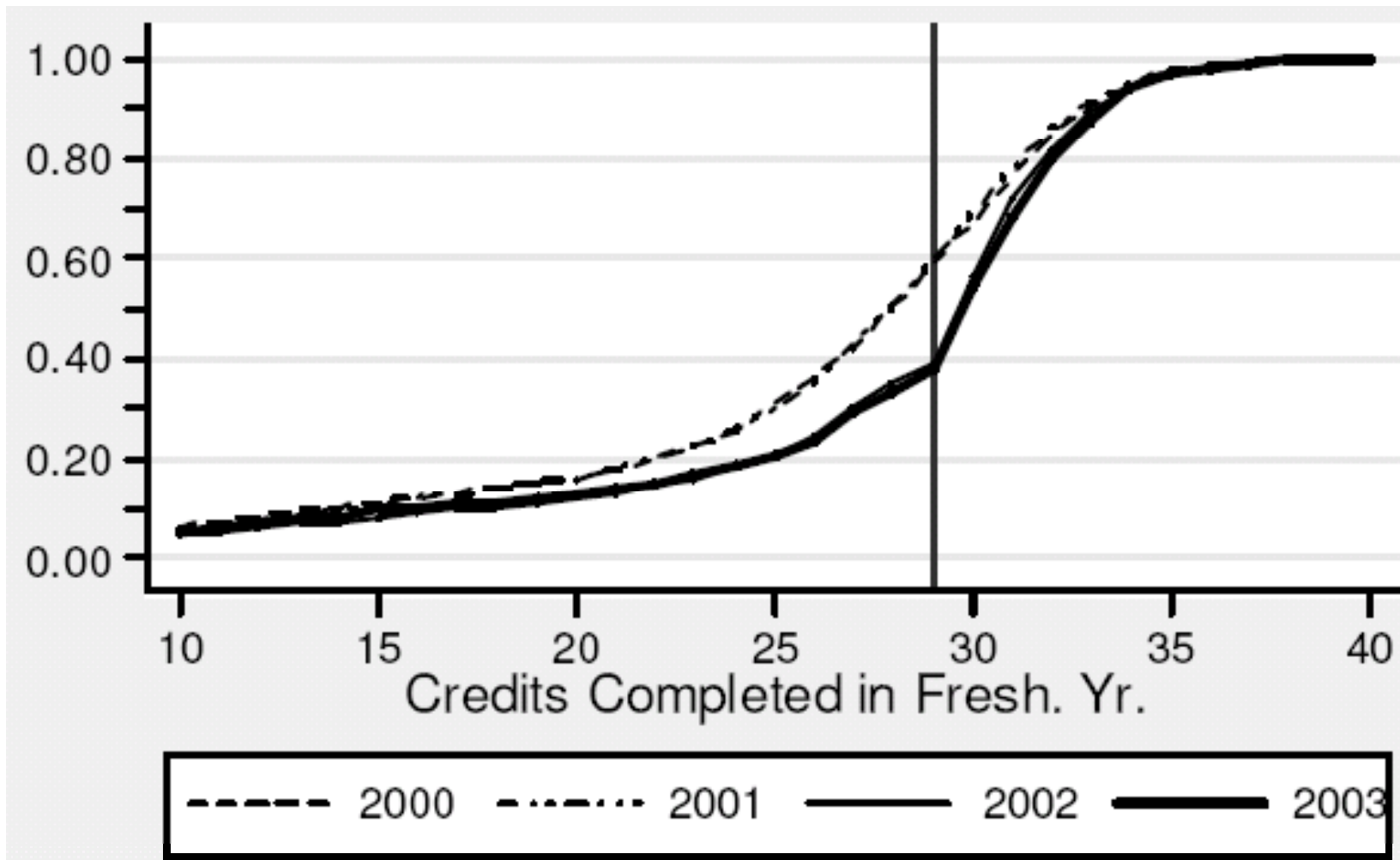
Earned a BA within 4 Years



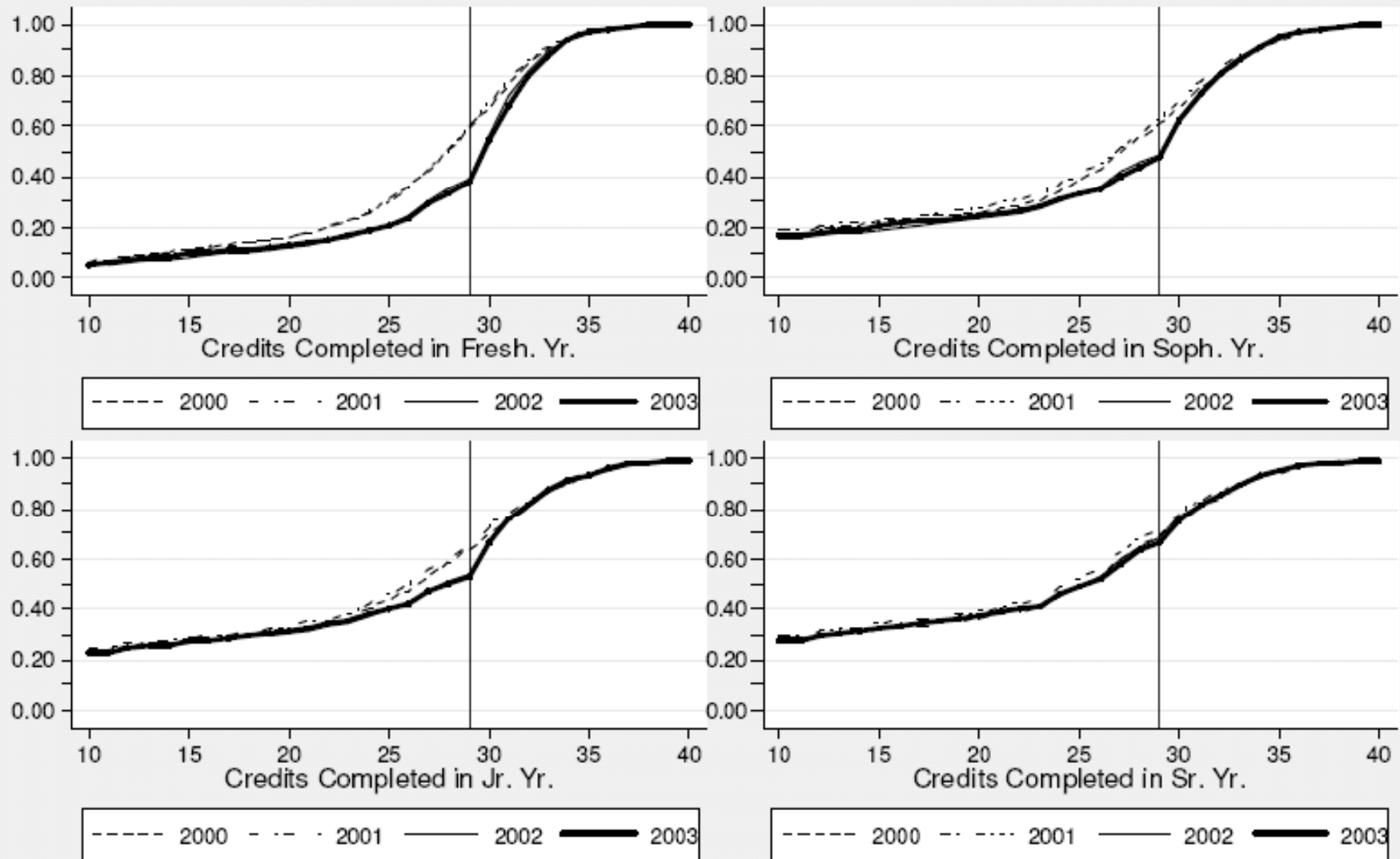
Completed 120+ Credits by Yr. 4



CDFs of Credits Completed Each Year



CDFs of Credits Completed Each Year, By Cohort



SOURCE: Author's calculations using WVHEPC administrative data on 12,911 first-time freshmen age 19 and younger, who met PROMISE eligibility requirements.

Program Design Matters

The Role of Information and Simplification in College Decisions: Results from the FAFSA Experiment*

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FAFSA Study

- H&R Block offices
 - Many poor families do taxes here – help with EITC
- Random Assignment
 - Complete FAFSA
 - Give information about aid
 - Control
- Track FAFSA filing and college-going

Table 3. OLS Regressions of First Stage
Dependent Variable = Filed a FAFSA with the DOE

	Dependent Participants		Independent Participants with No Prior College Experience		Independent Participants with Prior College Experience	
	<i>Control Mean = .402</i>		<i>Control Mean = .138</i>		<i>Control Mean = .353</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
FAFSA Treatment	.157** (.035)	.146** (.033)	.257** (.009)	.257** (.009)	.204** (.012)	.206** (.012)
Info Only Treatment	-.012 (.060)	-.034 (.055)	-.011 (.013)	-.013 (.013)	.019 (.023)	.023 (.022)

Table 4. OLS Regressions of Intention to Treat*Dependent Variable = College Attendance Between April 15 and November 1, 2008*

	Dependent Participants		Independent Participants with No Prior College Experience		Independent Participants with Prior College Experience	
	<i>Control Mean = .116</i>		<i>Control Mean = .029</i>		<i>Control Mean = .237</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
FAFSA treatment	.077 (.033)	.069 (.032)	.006 (.004)	.006 (.004)	.006 (.011)	.007 (.011)
Info Only Treatment	.034 (.056)	.009 (.051)	-.0007 (.0070)	-.001 (.007)	.008 (.021)	.009 (.020)

Dependent Variable	Dependent Participants		
	Control Mean	FAFSA treatment	Info Treatment
Attended Public Post Experiment	.222	.050* (.030)	.030 (.050)
Attended 4-yr Campus Post Experiment	.169	.043 (.028)	-.019 (.043)
Attended Full-time Post Experiment	.189	.054* (.029)	-.017 (.045)
Attended Half-time or More Post Experiment	.207	.056* (.030)	.025 (.048)

Conclusions

- Aid matters
- But it's not *just* the money
- Program design and incentives have enormous impact on behavior
 - In lean times, improving design may be cheap way to boost enrollment