

# What Works for States?



## Research-Based Approaches to Improve Return on Investment of Financial Aid

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“Managers tend to pick a strategy that is the least likely to fail, rather than to pick a strategy that is most efficient.” Pete Palmer, Quoted in Michael Lewis, *Moneyball*.

# College Productivity: Strategy Labs

With support from Lumina Foundation, HCM Strategists helps states to improve higher education productivity through:

- Step 1: Performance Funding
- **Step 2: Student Incentives**
- Step 3: New Models for Higher Education
- Step 4: Improvements in Business Efficiency

Strategy Labs provide site visits, networking opportunities, technical assistance, research

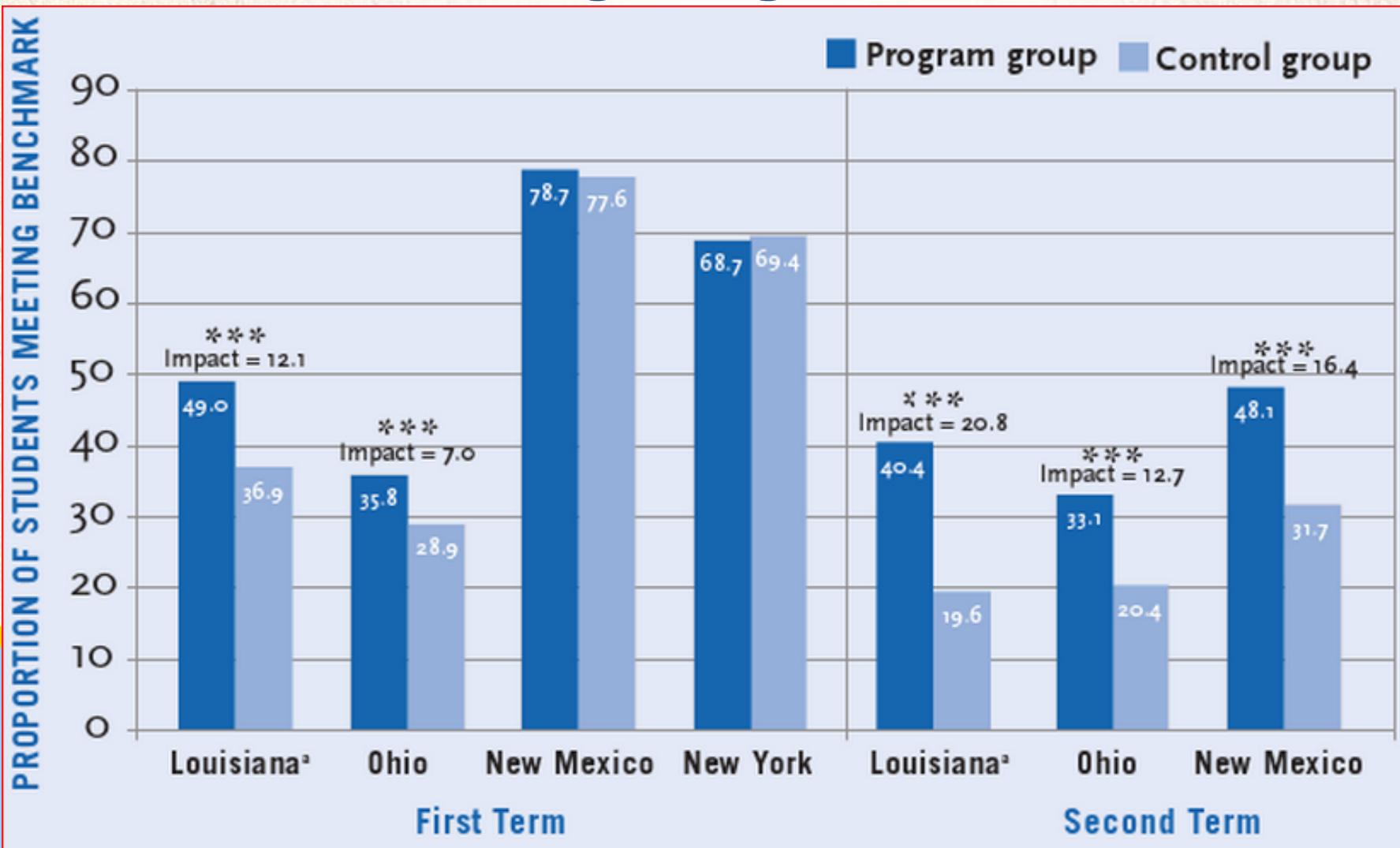
# What we know about aid: Money does change student behaviors and outcomes

- Eric Bettinger’s “Financial Aid: A Blunt Instrument for Degree Attainment”
  - Pell Grants
  - GI Benefits
  - State Aid Programs
  - Tax Benefits
- Literature on price sensitivity

## Example: Performance-Based Scholarships

- Series of random trials by MDRC
- Small supplemental scholarships (\$600-\$1,500 per term) conditioned on passing courses with at least a “C”
- Consistently positive results
- Source: Patel & Richburg-Hayes 2011

# Example: Performance-Based Scholarships Increase Number of Students Meeting Progress Benchmarks



# What we know: impacts can be small

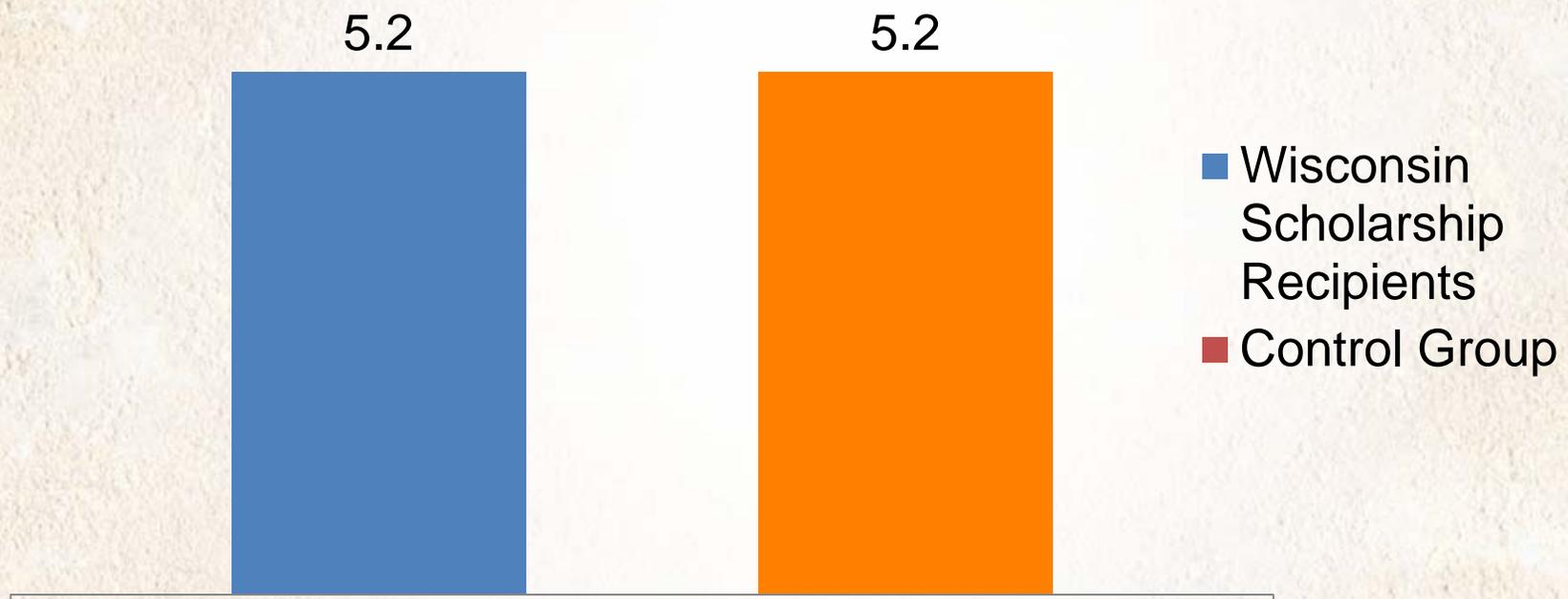
- Large, broad-based, untargeted investments
- Single digit percentage increases in outcomes
- Sometimes no significant impact

## Example: Wisconsin Scholars Grant

- Test of impact of extra money alone—no strings
- Supplemental grants to Pell-eligible students
- No additional conditions
- Average supplement was \$5,400 over two years
- Statewide test—all Wisconsin two- and four-year publics
- Source: Goldrick-Rab, Harris, Benson & Kelchen 2011

# Wisconsin Study Found Few Significant Differences in Academic Outcomes

Total Terms Enrolled in Three-Year Period



# What we know: Some groups are more susceptible than others

- Lack of targeting blunts impact of aid
- Biggest effects found for:
  - Low-income students
  - Lowest-income within low-income groups
  - Lowest GPA students within merit programs
  - The “highest-risk” students
  - Older students
  - Women
  - Second term or second year students (?)

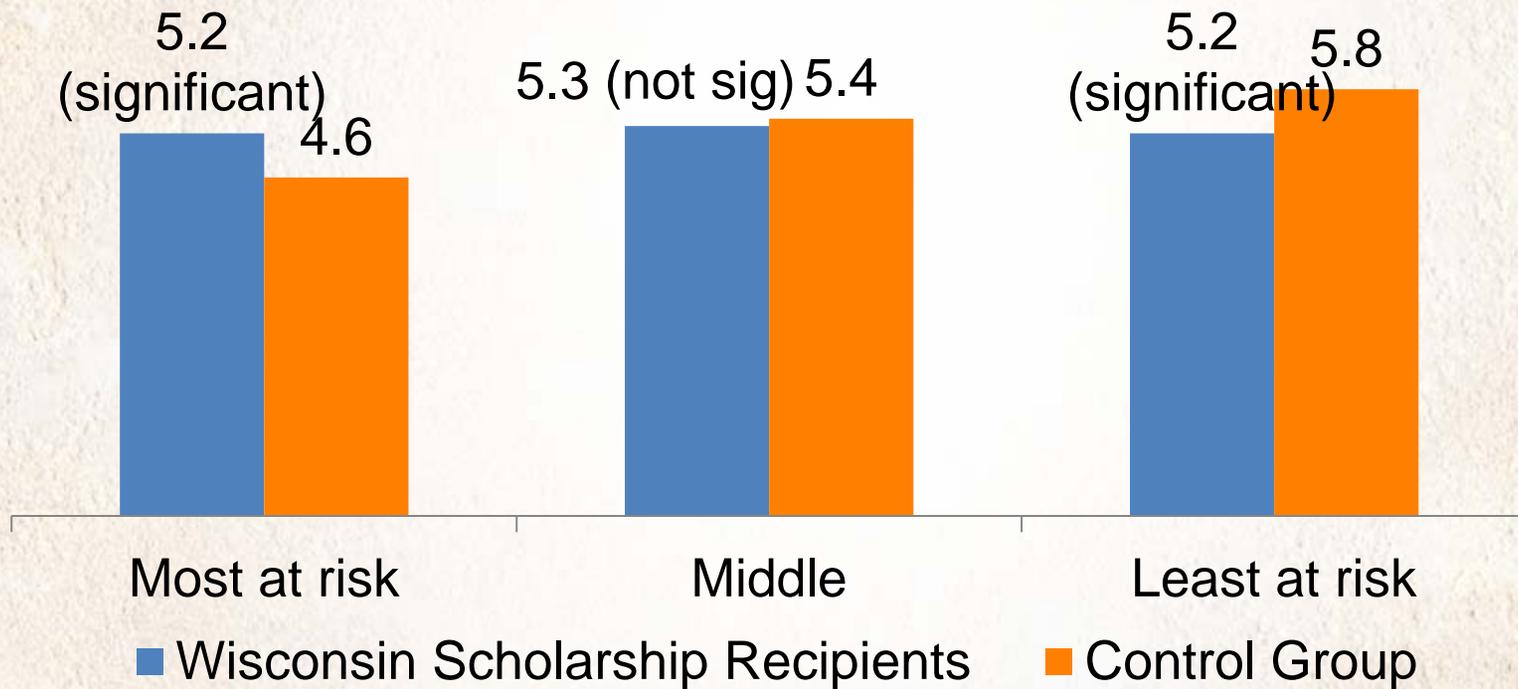
# Summary of Rigorous Studies on Impact of Aid by Subgroup

Source: Harris &  
Goldrick-Rab  
2012

	Effect for Subgroup is:		
	Smaller/ Negative	No Difference/ No Effect	Larger/ Positive
<b>Need only (Pell, Social Security)</b>			
Women			1
Minorities		1	
Low-income/SES		1	1
Older/nontraditional			1
Low ACT/GPA			
<b>Merit within need (GMS, Opening Doors, state programs)</b>			
Women	1	1	2
Minorities		1	
Low-income/SES		1	3
Older/nontraditional			2
Low ACT/GPA			
<b>Merit only (Canada STAR, state programs)</b>			
Women		1	1
Minorities	1	1	1
Low-income/SES	1		1
Older/nontraditional			
Low ACT/GPA			2
<b>General (GI Bill, tuition changes)</b>			
Women			
Minorities		1	
Low-income/SES	0.5		1
Older/nontraditional			
Low ACT/GPA			

# Example: Wisconsin Scholars Disaggregated by “Risk”

## Terms Enrolled Within Three Year Period



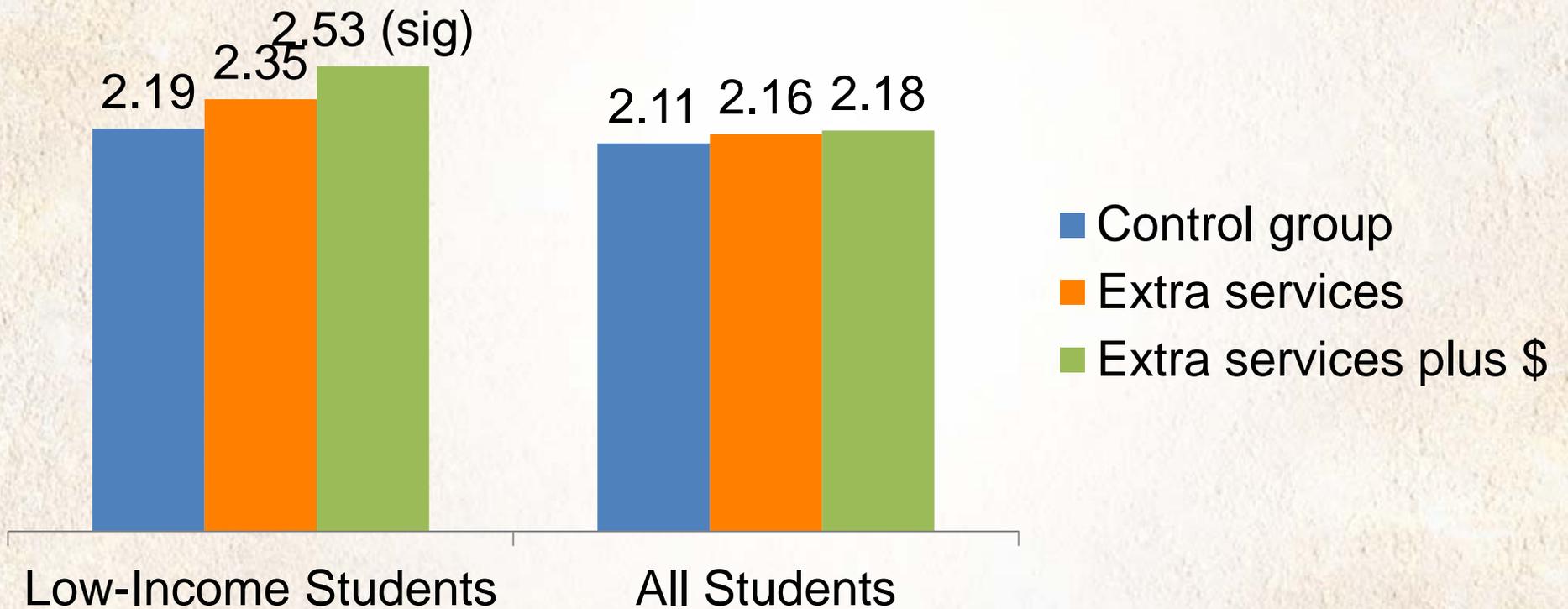
## What we know: Money is effective when it is both support and incentive

- Money can help by enabling students to do something they otherwise couldn't (like go to college, or attend full-time instead of part-time)
- It can also encourage students to do something they wouldn't (like seek tutoring, or attend full-time instead of part-time)
- Money that both encourages and enables has two pathways to change outcomes
- Additional attention and services provided through supplemental aid programs may be part of success

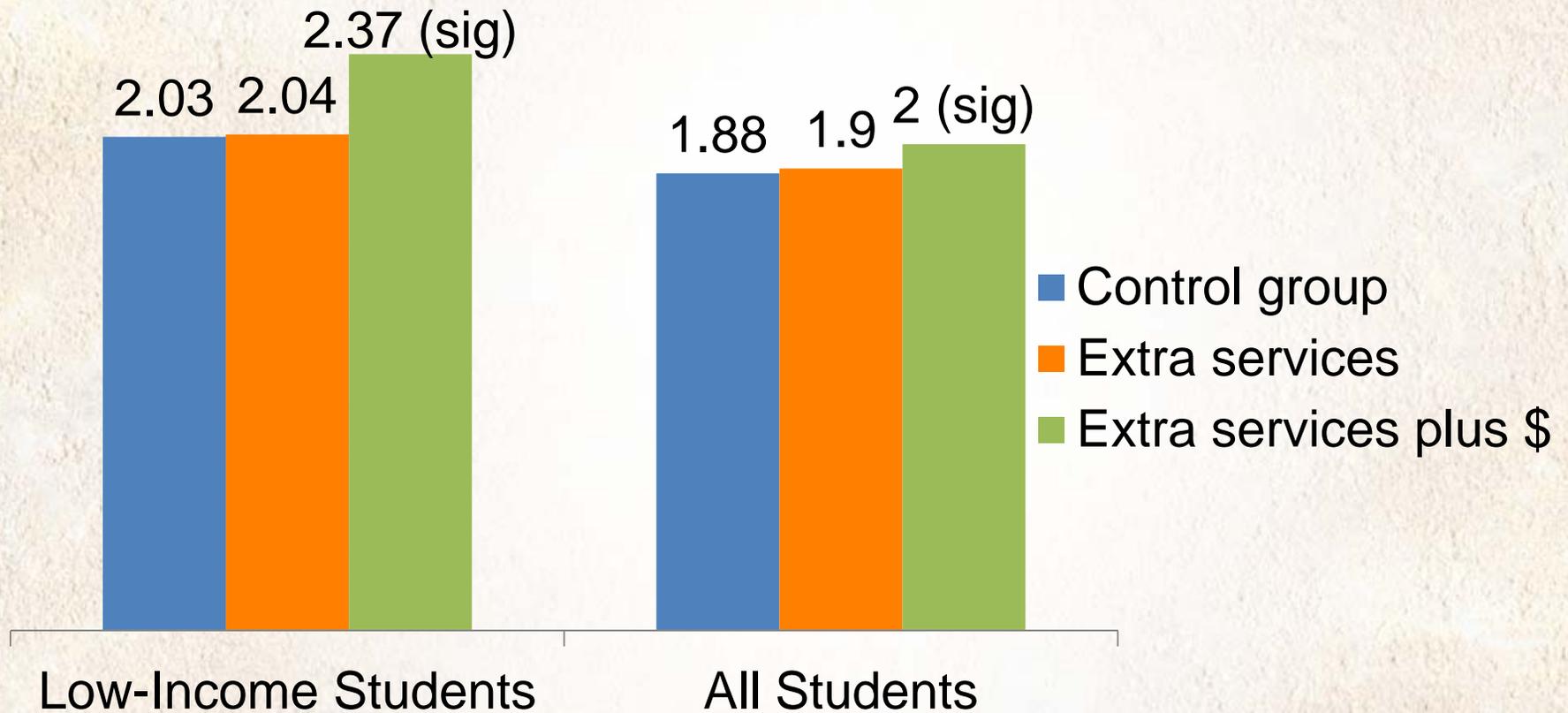
## Example: Millenium Scholars

- Supplemental aid experiment at three Canadian institutions equivalent to U.S. community colleges
- Eligible students (all “at risk”) randomly assigned to one of three groups:
  - Control group
  - Service Only Group: Students offered enhanced student services and strongly encouraged to participate
  - Service + \$: Students offered \$750 per term to participate in enhanced student services
- Source: R.A. Malatest & Associates 2009

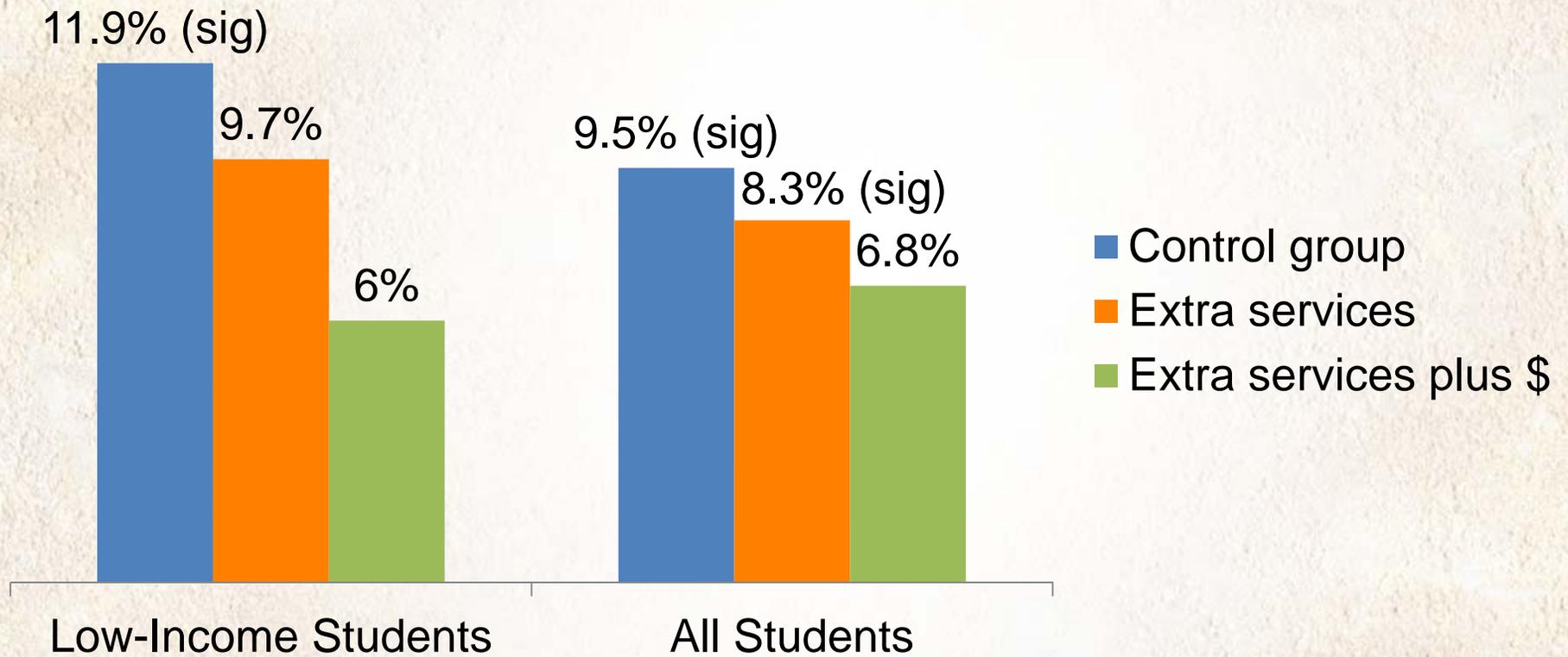
# Millenium Scholars: First Semester Grades



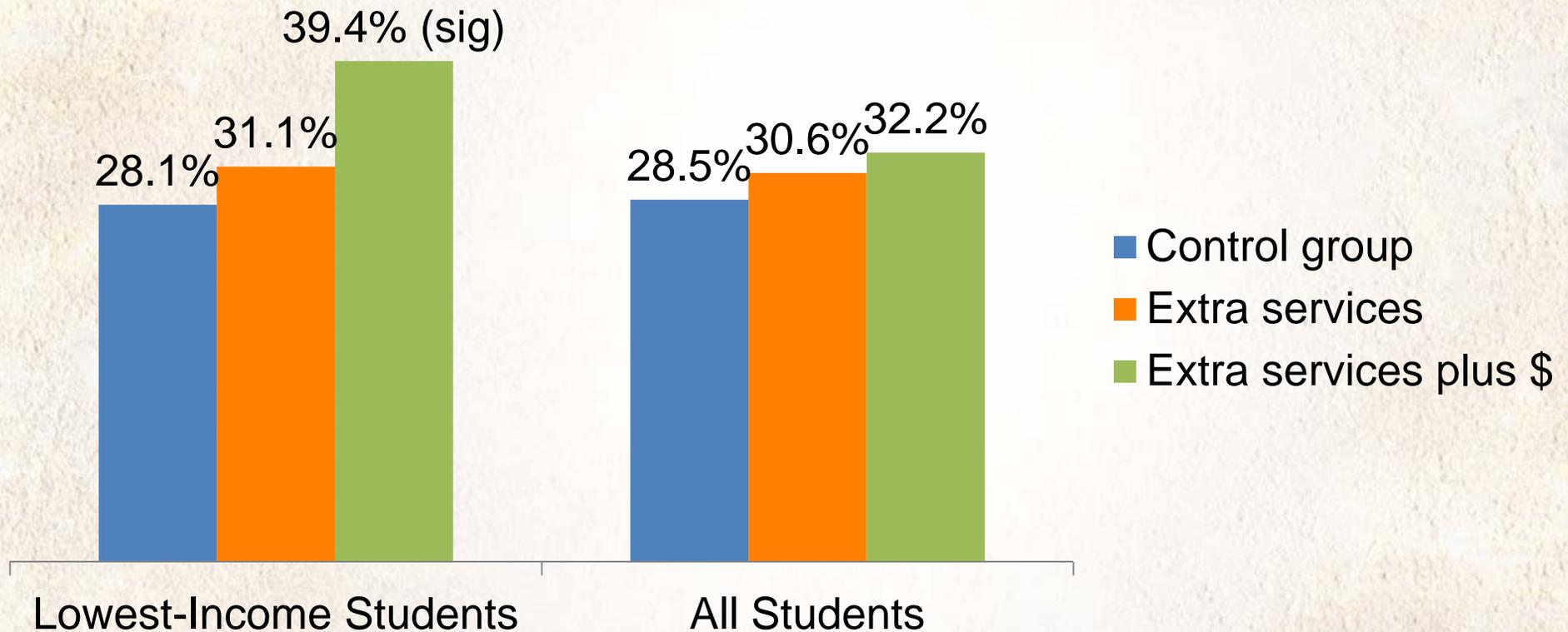
# Millenium Scholars: Second Semester Grades



# Millenium Scholars: Forced Withdrawals



# Millenium Scholars: Graduation Rates After Two Years



# Implications for States: Some Ideas

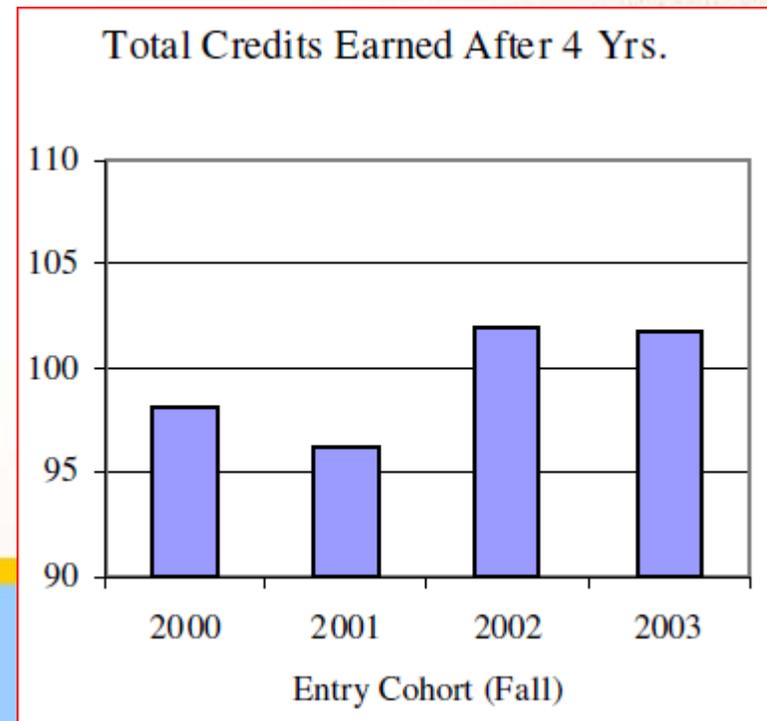
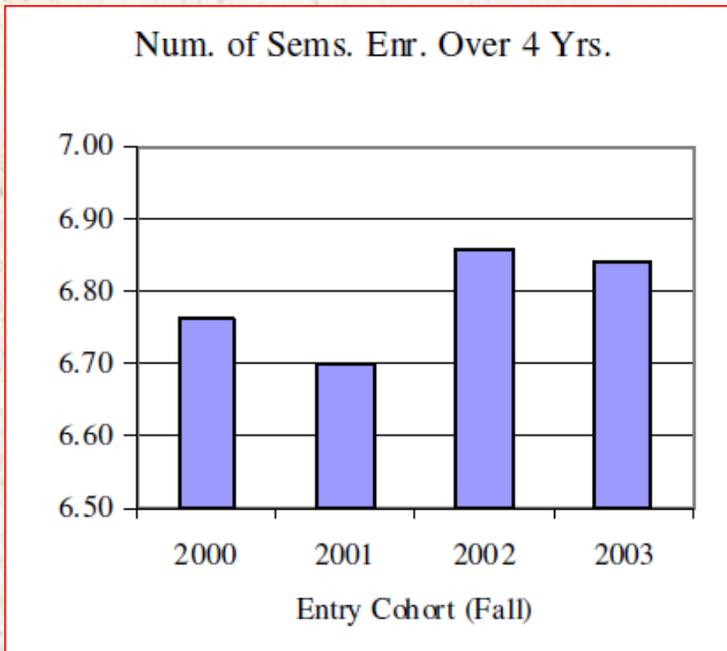
- Target investments
- Focus on students “on the fence”
- Create new incentives (e.g. 15 credits, summer)
- Remove bureaucratic hurdles
- Do not over-award aid
- Focus on course completions rather than grades
- Leverage institutional aid
- Evaluate thoroughly and adjust

# Examples of State Policy

- Good research on state-level programs is limited
- Usually no control groups
- Following examples not all formally evaluated, but align with research

# Example: West Virginia Promise Scholarship

Requires students to complete 30 credits per year to renew



Credits earned and terms enrolled increased

# Florida: Bright Futures Withdrawals

- 7% of all courses funded ended up as “W”
- Cost: \$30 million annually
- Legislature required repayment when students withdrawal
- \$15 million returned to state in first year
- 50% reduction in withdrawals

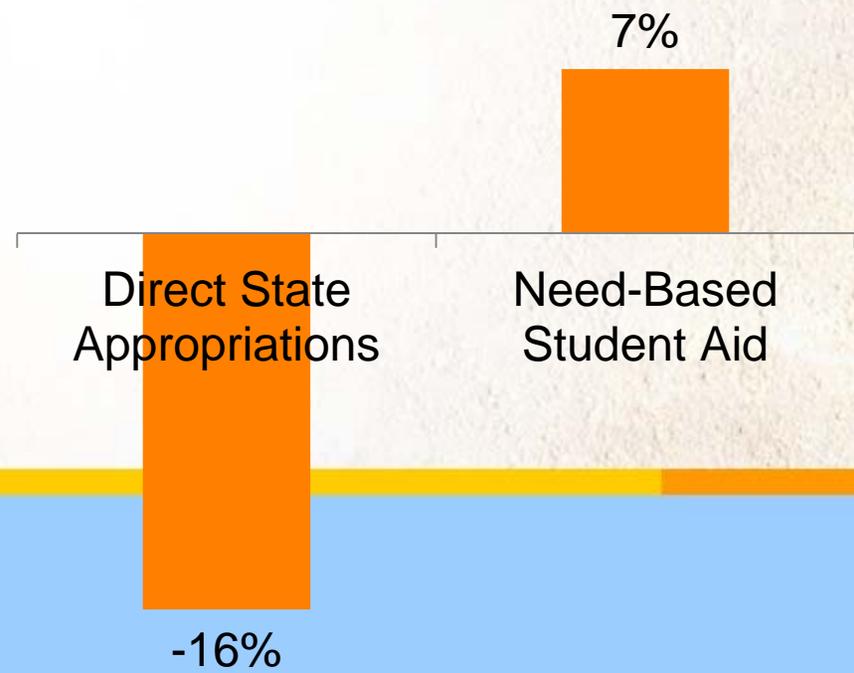
## West Virginia: Clearing Hurdles for At Risk Students

- No state financial aid application—all based on FAFSA
- Late deadline for filing FAFSA for state aid eligibility
- Part of appropriation held back in reserve for summer applicants

# Washington: Maintaining Affordability With Need-Based Aid

- Big budget cuts (and tuition increases)
- Increase in state need-based aid program offsets impact for low-income students
- Less costly than maintaining across-the-board subsidy

## 2009-10 to 2010-11 Change in Higher Education Support in Washington State



# Tennessee Lottery Scholarships

- TN cut costs and created incentives at the same time
- Limited eligibility to 120 credit hours and five years
- Used savings to provide funding for summer scholarships

# Shared Responsibility Model

## Step 1: Student Share

Every student, regardless of need, is expected to contribute something through work or borrowing. [E.g. in Oregon, \$4,750 per year for a community college student; and \$7,500 per year for a four-year college/university student]

## Step 2: Family/Household Share

Families also contribute, based on their ability to pay.

## Step 3: Federal Share

Aid received from federal sources, including Pell grants and tuition tax credits, is taken into account.

## Step 4: State Share

The state contributes when the student, family, and federal contributions are not enough.

# ROI Questions for Colorado

- Is postsecondary completion a primary goal for state aid? If so . . .
  - Which students are most likely to complete without additional aid?
  - Which students are least likely to complete even with additional aid?
  - Where are the students between those extremes?
  - What could they do differently to improve their odds?
  - How can you invest to encourage and enable them?