The Impact of a State Grants Program on Student Outcomes: Access, Persistence, and Graduation

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The Importance of Financial Aid

- A key barrier to college access and completion for minorities and low-income students is financial.
- Affordability landscape is dramatically different for these students.
- Priced out of college because disadvantaged by:
  - High rates of poverty
  - Limited financial, academic, and social capital
  - High levels of unmet financial need
  - High risk of accruing unmanageable debt
  - Financial illiteracy
Financial Aid and the Public

- Americans believe that earning a postsecondary degree is important for the majority of individuals.
- Many are concerned about equity gaps in college access for low-income families, citing large numbers of low-income students who are motivated to enroll in college but are not able to do so because of financial challenges.
- “While many Americans say that major changes are needed in higher education, our research debunks the idea that the public has started to doubt whether college is still worth it," said Geoff Garin, president of Hart Research Associates. “African American and Hispanic parents in particular have high aspirations for their children to graduate college. For them, the question is not whether college is worth it but whether college success is attainable under today's circumstances."
- New polling results reveal a strong public interest in making the student aid system work better for students and families at a time when the student body is becoming increasingly diverse.
Financial Aid: Research Findings on Financial Aid and Student Outcomes

- Research evidence substantiates that financial aid has both *tangible* (receipt of aid to offset college costs) and *intangible* (reduction of stress and development of positive academic and social attitudes) benefits.

- Studies demonstrate that receiving financial aid is associated with college *persistence, academic performance, degree attainment* and *transfer*. 
Financial Aid and Student Persistence

- Research evidence substantiates the importance of financial aid within the student persistence process.
  - Cabrera, Nora, & Castaneda, 1993
  - Chen & DesJardins, 2007
  - Crisp & Nora, 2010
  - Curs & Singell, 2002
  - DesJardins, Ahlburg, & McCall, 2002
  - Gross, 2011
  - Nora, 1990
  - Nora, Barlow, & Crisp, 2006
  - Olivas, 1985
  - Singell, 2004
  - Castleman & Long, 2013
  - Gross, Torres, & Zerguera, 2013
Financial Aid and Student Persistence (cont.)

• These findings address the direct, indirect, and total effects of financial aid on student re-enrollment:
  • **Tangible** component of receiving financial aid
    • Receipt of aid to offset college costs
    • Amount of financial aid received
    • Different sources of financial assistance
  • **Intangible** benefits associated with receiving financial aid
    • Reduction in stress
    • Development of positive academic and social attitudes
    • Money for books, housing, tuition, entertainment
Positive Impact on Different Student Outcomes

- **Academic performance:** cumulative grade point average
  - Cabrera, Castaneda, Nora & Hengstler, 1992
  - Woo & Choy, 2011
- **Transfer from two- to four-year institutions**
  - Crisp & Nora, 2010
  - Woo & Choy, 2011 and
- **Undergraduate degree attainment:** BAs
  - Dynarski, 2003, 2005
Why College Affordability is Critical for Certain Groups

• High rates of poverty are reducing their ability to afford, as well as to complete college.

• It is important to note where students attend college.
  ▫ Lower tuition charges at two-year institutions but low rates of degree completion and transfer
  ▫ For example:
    • 45.8% of degrees earned by Latino students were earned at public, four-year colleges
    • 22.4% of degrees earned by Latino students were earned at public two-year colleges

• The relationship between class and educational attainment points to stark inequalities between the rich and the poor, a point long substantiated in research studies (Adelman, 2004; Reardon, 2011).
Why College Affordability is Critical for Certain Groups (contd.)

- Texas’ college-age population is growing rapidly and experiencing an influx of students from low-income families with few financial resources, and no history of participation in higher education.

- The state must effectively distribute limited TEXAS grant awards to an increasingly diverse and financially needy student population.
The TEXAS (Towards Excellence, Access and Success) Grant program was established to provide funds to academically prepared high school graduates with financial need to pursue a higher education. Has played a vital role in helping the state achieve the goals of Closing the Gaps by 2015 in both participation and success. Attempts to improve participation and success through its requirements of students for initial awards and eligibility for continuation in the program.
Research Findings

• Participation since 1999 – roughly 460,592 students have received an award

• FY 2010 Number of grant recipients by income level
  ▫ TEXAS Grant recipients in the lowest two income quintiles (less than $45,000 family income) accounted for approximately 80% of recipients.
  ▫ Total recipients: 68,075
    • Hispanics: 29,790 (43.8%)
    • African American: 9,621 (14.1%)
    • White: 13,683 (20.1%)
Research Findings

- **TEXAS Grants in 2010-2011**
  - 106,000 students received a grant

- **TEXAS Grants in 2012-2013**
  - 77,000 students received a grant

- **TEXAS Grants FY 2000 – 2015**
  - 460,592 students received grants - $3,313,296,152 awarded
  - Harris County: 112,198 - $448,857,088 awarded

- **Cuts to TEXAS Grant Program:**
  - Leave students and families more dependent on loans and working even more during school
  - Lengthen the time to completion or non-completion who lack the resources for college
  - Impact school choice for many low-income students wishing to enroll in a four-year institution
Recent Research: Impact of State Grants on Persistence and Graduation (2016 AERA Conference)

Conceptual Framework

Study built on the *Heterogeneous Research Approach* (Chen, 2008; Perna, 2006) to account for influential aspects on student success

- Incorporated aspects from literature in economics, sociology, and organizational behavior
- For estimation of propensity scores and controls in HGLM estimation

Human capital theory (Becker, 1962) and price response theory (Heller, 1997) for aid effects

Student-level and institutional-level influences on student success measures (Titus, 2004, 2006)
Recent Research: Impact of State Grants on Persistence and Graduation

- Results confirm positive effects for state need-based grants on student success (both persistence & completion)
  - Stronger evidence on 1st-year persistence and 6-year completion (help to keep students in and graduate, but not necessarily on-time)

- Low-income students (ATET)
  - +7.7% on six-year graduation (+4.6% for all)
  - +4.6% on 1st-year persistence (+3.1% for all)

- Significant positive effects for *middle income* students confined to freshman year persistence

- Implications for relevance of state aid (awareness) and policy (need vs. merit aid; overall funding; targeting)
Research on State Aid Grants: Empirical Studies

  - Student’s dropout rates fell by 2% as a result of the program.
  - Increased likelihood that students attend 4-year campuses.
  - Increase in first-year grade point averages.
  - Based on an $800 increase in grant aid
Research on State Aid Grants: Empirical Studies (Selective public university)

  - Increased four-year graduation rates by 8 percentage points.
  - Increased persistence rates over four years.
  - Increase in cumulative earned credits.
  - Increase in academic performance.
  - Aid programs targeting low-income, high-ability students are most successful when they couple grant aid with strong non-financial supports.
Texas Grant Program

Redefining Access

Linda Ballard, TAFSAA Legislative Representative & TSU Director, Student Financial Assistance
Texas Grant Program

• New Grant Program – major expansion of state-funded financial assistance.
• Performance Based Merit Aid – All financial aid programs have an academic requirement to retain the aid. The existing concept of satisfactory academic progress was broadened to ensure the student moved toward graduation in a consistent pattern.
• Initial and Continuing Award Criteria – consistent from school to school. Students know and understand what is expected of them to receive and retain their award.
• **Renewable** Based on Academic Performance
• With the exception of the Federal Pell Grant, the Texas Grant is one of the few programs providing a renewable financial resource over multiple terms of the student’s undergraduate enrollment.
Gathering Information

- Providing consistent reliable information to the students and community is key to the success of the program.

- How will the awarding institutions identify the students who qualify for the program? How will the students know about the program?
  - High School Transcripts
  - Free Application for Federal Student Aid
  - Existing Data on Financial Aid Management System
  - Texas Grant **used existing data** in a new format to develop the candidate pool.

- **Texas Association of Student Financial Administrators** provides
  - High School Counselor Training Workshops – timeliness and accuracy of information.
  - Partnered with the Texas Higher Education Coordinating Board to provide training, refine reporting requirements, disseminate information to the public through multiple media outlets.
  - Shared policies and procedures, recommendations for best practices
2013-2014 - Significant Program Changes

- March 1 State Priority Deadline
- Texas Grant Priority Model
  - In addition to the basic eligibility requirements, students must meet requirements in at least 2 of the following 4 areas for priority consideration:

<table>
<thead>
<tr>
<th>Area</th>
<th>Requirement(s)</th>
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<tbody>
<tr>
<td>Advanced Academic Program</td>
<td>12 hours of college credit (dual credit or AP courses), complete the Distinguished Achievement Program (DAP), or complete the International Baccalaureate Program (IB).</td>
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<tr>
<td>TSI Readiness</td>
<td>Meet the Texas Success Initiatives (TSI) assessment thresholds or qualify for an exemption.</td>
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<tr>
<td>Class Standing</td>
<td>Graduate in the top one/third of the HS graduating class or have a B average.</td>
</tr>
<tr>
<td>Advanced Math</td>
<td>Complete at least one math course beyond Algebra II.</td>
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- Allows veterans who enlist within 12 months of graduation from high school to complete for an initial year award
Financial Impact - Choice and Withdrawal

- Texas Grant increases the likelihood the students will graduate.
  - They find that increases in need-based financial aid likely improved student retention. Other work by Singell (2001) looks at the effects of the level of financial aid in the first year. He finds that the higher the student’s levels of need-based financial aid, the more likely the student is to graduate. (How Financial Aid Affects Persistence, p. 213)

- Providing predetermined renewable awards decreases the student’s likelihood to withdraw and enhances the student’s ability to plan for the future.
  - With covariates, the estimated coefficient implies that a $1,000 increase in a student’s Pell Grant corresponds to a 9.2 percentage point decrease in the likelihood that the student withdraws. These estimates suggest strongly and consistently that increases in financial aid decrease the likelihood that students withdraw from school. (How Financial Aid Affects Persistence, p. 222)
Financial Impact - Choice and Academic Success

Free Tuition Programs

The Texas Grant programs provides more opportunity to leverage limited funding in innovative ways.

15 Colleges in Texas currently offer a Free Tuition Program

Free Tuition = Federal Pell Grant + Texas Grant + Institutional Dollars

(1)

The reality is many of the student’s earnings are an integral part of the household budget. “Students are most likely to state that work limits their class schedule (48 percent), followed by the number of classes they take (40 percent), class choice (34 percent), and access to facilities (31 percent).” (2) (Ace Issue Brief, “Working Their Way Through College.”)

For students who work, however, working more than part time does seem to have a negative impact on grades at most types of institutions. At public and private not-for-profit four-year institutions, those who work one to 20 hours per week do slightly better, on average, than those who do not work at all. However, as the number of hours spent working increases, the average GPA for students who work declines modestly.

The Texas Grant Program affords students the opportunity to reduce work hours by reducing the additional costs to the household expenses as part of the costs to attend college.

(2) Retrieved from https://www.uta.edu/ubmathsci/apps/Tuition.pdf
TASFAA Embracing Access and Degree Completion

- Ensure continued access to low and middle-income families to a higher education
- Embrace proposals that 1) encourage on-time graduation from college and 2) ensure the most effective use of limited TEXAS Grant funds

Reinforcing retention and degree completion

- 12 hours as a minimum. This approach allows for some enrollment flexibility, ensures enhanced progress to degree completion and utilizes aid funds to more effective advantage in assisting (at least as determined by enrolled hours) fully engaged students.

Respecting the target audience

- 15 hours as a minimum full-time definition for the program, but this suggestion is a cause for concern. Need-based students, who need the funding, are often the least prepared to take larger course loads initially. Further, it is inherently unfair to treat need-based students differently than those students without need (i.e., by only requiring need-based students to enroll in 15 hours each semester).
TASFAA Recommendations

- Fully Fund the TEXAS Grant Program
  - TASFAA strongly supports fully funding the TEXAS Grant program as the best way for the state to achieve its higher education goals regarding participation and success. Though TASFAA realizes that fully funding the program may be feasible, it urges the Legislature not to adopt program changes that limit access among low- and middle-income families to a higher education.

- Restrain from Shrinking the Population of Eligible Recipients.
  - Before the Legislature again considers establishing new programs that will reduce funding for existing programs (which are largely well-designed in terms of the mix of grants, loans, and work-study), it should use appropriations to move toward fully funding the programs already in existence. These are established programs, though currently under-funded, are designed to provide financial assistance to all eligible students. It should also not shrink the eligible population by adding additional merit-requirements to the TEXAS Grant, Tuition Equalization Grant or Be-On-Time programs.
Transparent Equitable Allocation Processes

- **TASFAA** – How will the changes affect Texas’ ability to meet the needs of the continuing, newly defined and previously established populations.

- College presidents were vested in ensuring funds remain committed to serving underrepresented academically prepared populations.

- Legislature, sustained commitment to delivering educational opportunity to students.

- Texas Grant and Financial Aid Databases allow predictive modeling based on proposed changes.
Funding the Eligible Population

- If funds remain after all eligible priority students – who met the priority deadline – have been awarded, the balance of allocated funds can go to those students who met just the basic TEXAS Grant requirements.
  - No school’s share of funds will be reduced or increased because of the priority model system.
  - Funds for initial year awards will continue to be distributed among institutions based on each institution’s share of the eligible needy student population and returning Texas Grant recipients.
  - Recommended target amounts to increase the number of Texas Grant recipients.
Stemming the Tide of Rising Student Debt

- According to the 2015 How America Pays for College study,\(^2\) 38% of students attending college in the 2014-2015 academic year are borrowing money to do so (or having family borrow money on their behalf). The majority of this money comes from loans from the federal government, representing 60% of borrowing for the 2014-2015\(^1\)

- Four years ago, student loan debt in America topped $1 trillion. Today, that number has swelled even further, with some 43 million Americans feeling the enduring gravity of $1.3 trillion in student loan debt.\(^2\)


(2) Why Student Loan Debt Harms Low-Income Students the Most, para 1) http://www.commondreams.org/views/2016/05/03/why-student-loan-debt-harms-low-income-students-most/
Stemming the Tide of Rising Student Debt

• According to the Federal Reserve report, a family in the lowest income quintile—which has an average family income of $17,011 (while the highest quintile has an average family income of $173,474)—would have to pay more than 70 percent of the family income to cover college costs after accounting for grant aid. Yes, 70 percent! (Families in the four remaining quintiles would have to pay 36 percent, 27 percent, 21 percent, and 14 percent, respectively.) (1)
  □ Less likely to have family assistance to repay the loan
  □ Have limited or not parental financial support
  □ Likely to have more family and work obligations

(1) U.S. News, Education Rapidly Rising Student Debt, Harms Low-Income Students, para 6
Texas Grant - a model program

- The type of aid matters
  - The evidence from our review demonstrates that all forms of grants, in most instances, have a positive influence on student persistence.
  - The cumulative evidence suggests that both grants and college work-study have a greater positive impact on persistence than loans.

- When we isolate the unique effects of merit- and need-based grants, both types of aid appear to have a more positive impact than shown in studies that treat all forms of grant as a single variable. The studies that look separately at both forms of grants primarily use institutional data sets as opposed to state or national data sets, and this may at least in part explain why we found these differences. It is important to state explicitly our finding that the receipt of larger amounts of financial aid has a greater positive impact on persistence than smaller amounts of aid.

- Though the record is limited, we found evidence that points to the conclusion that large, visible, and easy to understand financial aid programs have a small positive effect on student persistence when compared with programs that provide similar amounts of money but through multiple sources (multiple forms of grants, subsidized and unsubsidized loans, and college work-study)
Student Perspectives

Fabiola Varela –
Houston Community College

Morgan V. McAllister –
University of Houston-Downtown
Thank You!

Q & A