

How to Pay For School: Analysis of The Michigan Tuition Grant



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Econ 380 Project Evaluation

Introduction

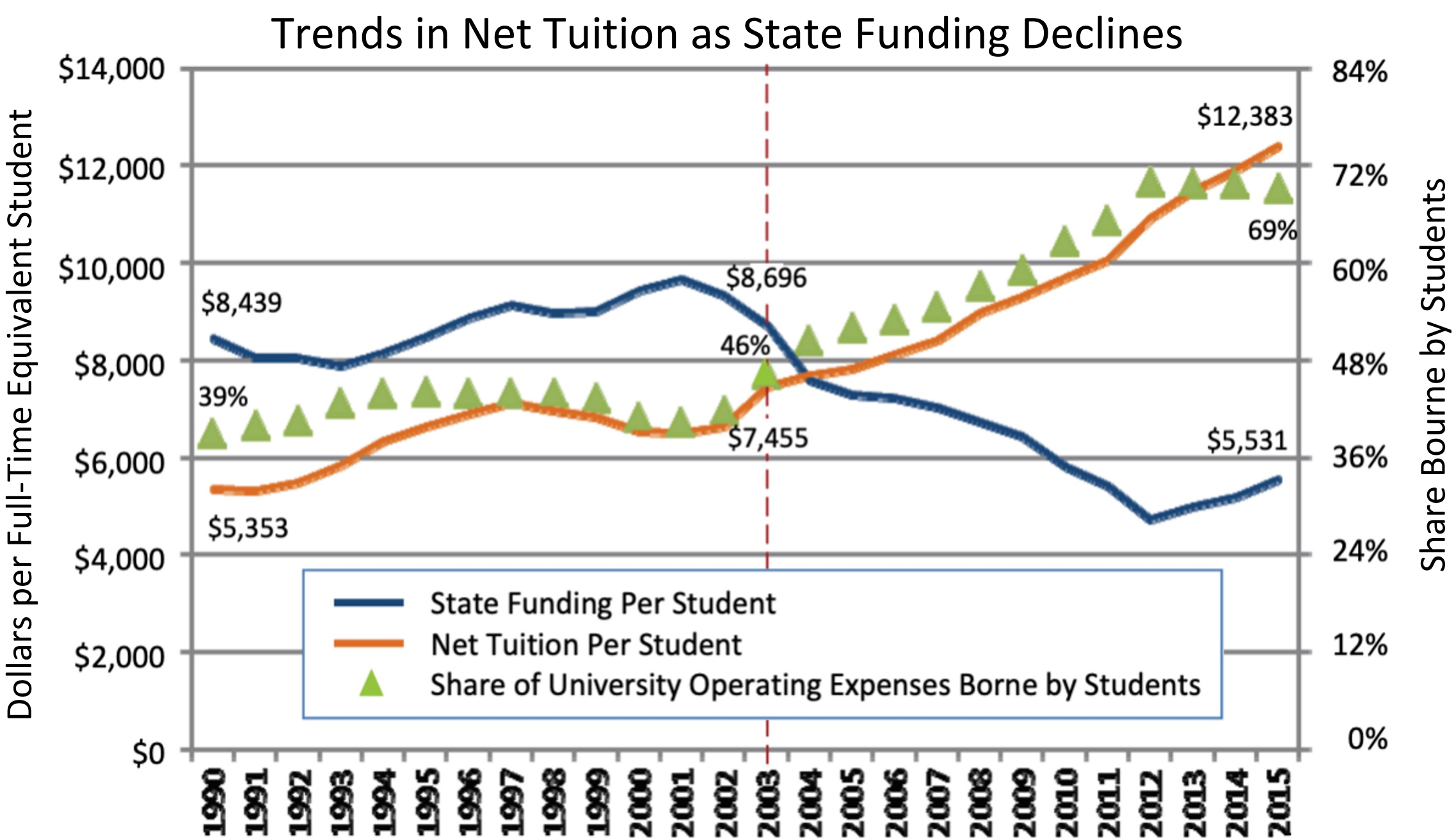
The Michigan Tuition Grant is a state-funded financial aid program that helps many MI undergrads afford college. This grant helps educate a larger, more diverse population, increasing overall work productivity and efficiency. Since better educated people have a higher income, the government can tax more and then have more money to input into the system in the future. Education indirectly boosts research and innovation, so ultimately this program brings bountiful benefits both financial and social to many.

Benefit

- The MTG provided 13,301 students with tuition assistance from 2018-2019 and going forward will award \$2800.00 per academic year.
- Lowering costs can improve college access and attendance.
- Students accumulate less debt even if tuition cost rise. (Ruark 2016)
- College attendance among target groups fell by over a third after grant programs (e.g. Social Security Student Benefit) ended. (Dynarski & Scott-Clayton, 2013)
- Prevents brain drain and workers from leaving the state
- Prevents students from needing to work during school, which adversely affect academic performance. (Engle & Tinto, 2008; Scott-Clayton, 2012)

Cost

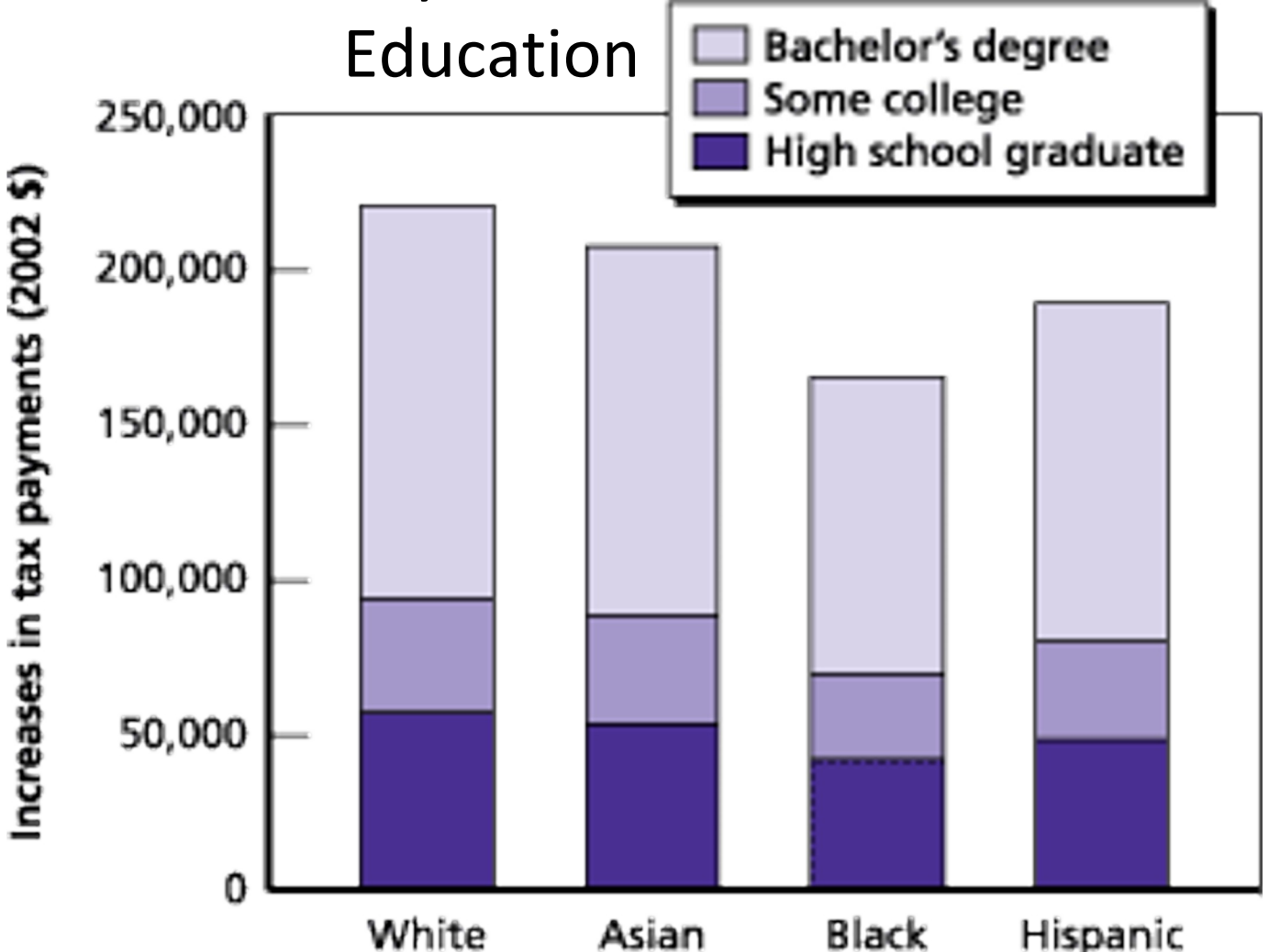
- In 2018-2019 the Michigan Tuition grant recorded costs of \$26,100,176.00. (SSG 2018-2019 Annual report)
- Evidence of purely need-based aid decreasing graduation rates because students choose institutions of lesser quality for the aid money. (Cohodes & Goodman, 2014)
- Diminishes state funding to schools, causing tuition hikes and decreases in institutional aid (Dynarski et al. 2018)
- Bennett Hypothesis: Financial aid and college tuition has a positive correlation. (Gillen, 2012)



Why Government

- The Federal government has an incentive to encourage tuition grants for higher education because:
- Liquidity constraints (Lawson, 2017)
 - Private Market often fails
 - Loan access substantially increases the probability to actually enroll by 50% (Gurgand et al., 2011)
 - Promotes equity since effects are stronger for the poor
 - The State of Michigan has incentive to get involved in higher education to increase labor skills and productivity
 - Merit aid increase resident enrollment 10% (Zhang, 2010)

Lifetime Increases in Tax Payments Resulting from Increased Education

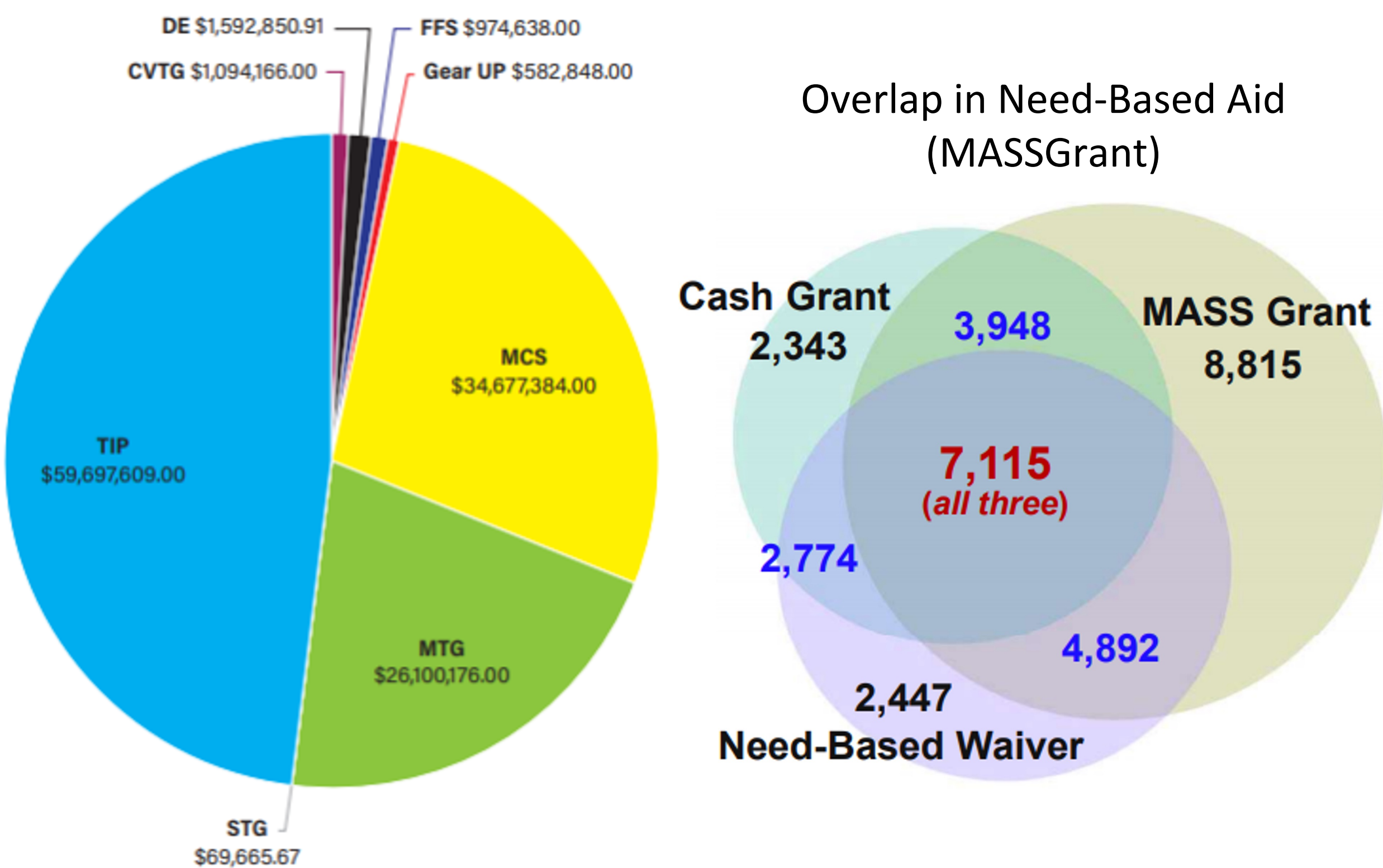


Dollar amounts expressed in 2002 dollars using a 3% real discount rate. Increases relative to taxes paid by high school dropout

Case Study: MASSGrant

- The MASSGrant is a need-based tuition grant provided by the state of Massachusetts. (Long & Chan, 2017).
- Similar need-based grant program to the MTG.
 - Grant award ranges from a maximum of \$1,600 to a median of \$600 depending on need and institution.
 - The program aims to increase ontime graduation rates, close the attainment gap, and improve affordability.
 - Along with other sources, MASSGrant has halved the cost of education for low-income students.
 - Once covered 88% of total costs but now only 8%.
 - Students receiving the MASSGrant likely received other state grants and scholarships.

Funding Split for Michigan Aid Programs



Conclusion

- Although the 1987 Michigan Tuition Grant has demonstrated obvious success, it can be improved. Ultimately, we believe that education is a crucial area for government to provide assistance and we support the Michigan Tuition Grant, but we would make a few specific changes in order to reduce the attainment gap and increase college completion rates.
- Consolidate state and local financial aid programs (those with small budgets, narrow eligibility, and low utilization)
 - Increase median and maximum award for the MTG
 - Expand the pool of eligible schools to public institutions
 - Pursue more aggressive advertising campaigns directed toward low-income families who would most benefit
 - Encourage institutions to provide guidance and continuing support for those qualifying for aid

