

Need-based aid for college students: HOW IT PAYS OFF

The evidence in support of need-based grants grew in 2013 with the release of an authoritative report from the Institute of Higher Education Policy, “Making Sense of the System: Financial Aid Reform for the 21st Century Student.” Funded by the Bill and Melinda Gates Foundation, the report cites evidence that need-based grants increase the likelihood that a student will attend college and reduce the likelihood that low- and moderate-income students will drop out of college.

The Minnesota Private College Council completed its own comprehensive review of existing research that details the positive impacts of need-based grants like the State Grant program. Here are a few key benefits of need-based grants.

1. Improving on-time graduation rates

Student aid has been found to have a positive impact on whether students earn a college degree.

- In particular, increasing the share of higher education funding allocated to grant aid has been proven to increase the odds that students complete their degrees. Increasing grant aid not only helps pay college costs, but it may help students persist in college and be able to earn degrees.
- Need-based aid also increases students’ ability to attend full-time rather than part-time. This increases students’ freedom to become more engaged in the academic and social environments of their schools; research suggests students have improved academic achievement when they are more engaged on campus.
- In terms of impact, on-time graduation reduces college costs associated with being enrolled for longer than four years and it allows graduates to join the workforce sooner and avoid losing out on years of earnings.

Of course, you can’t complete a degree without starting it. Grant aid has been proven to have a strong impact on whether low-income students ever enroll. Increases in grant aid are positively related to increases in low-income enrollment.

“Grants have a more positive impact on persistence than loans. As loan dollars replace need-based grant dollars, the probability of attending college decreases. Further, if enrollment does occur, loans do not contribute to higher persistence or attainment rates like grants have been shown to do.”

— *“Investing in Higher Education Through the Minnesota State Grant Program: A Review of Research on Positive Effects of Need-Based Grant Aid,” Minnesota Private College Council, 2012*

2. Increase time students spend studying by reducing the time students need to work

While most students do some form of work, research indicates that working too much while attending school full-time can have a negative effect on student engagement on campus, grades, persistence and completion. Working often forces students to make trade-offs that cut into the time they have for studying.

- Students who receive need-based grant aid are more likely to work less than 25 hours per week.

3. Reducing reliance on loan aid

Loan and debt aversion by low-income and minority students may prevent them from applying for college. Also, these students are at higher risk of defaulting on their loans if they do borrow to pay for college.

- When adequate grant funding is available, students are more likely to persist in college.
- Taking on too much debt may affect students' choice of major, deterring them from public service fields, and negatively impact life decisions after college such as buying a house, getting married or having children.

Other positive impacts of need-based aid include greater enrollment of low-income students, higher retention and persistence in college, and better outcomes for students over 24 years old.

BUILDING MINNESOTA'S HUMAN CAPITAL FOR ECONOMIC SUCCESS

The Minnesota Private College Council urges investment in the State Grant program because of the strong data that support the impact of need-based grant aid. For more on our priorities visit our website at www.mnprivatecolleges.org or contact our government relations staff.

FOR MORE

For more details and sources see the Council's 2012 [Research Brief](#), "Investing in Higher Education through the Minnesota State Grant Program: A review of Research on Positive Effects of Need-Based Grant Aid."

It is available at www.mnprivatecolleges.org/research/research-briefs.