



# The Effectiveness of Need-Based Financial Aid: Evidence from Michigan's Tuition Incentive Program

## Authors

Kevin Stange  
University of Michigan

Kelcie Ferrara-Gerson  
University of Michigan

Margaret Peterman  
University of Michigan

Nelson Oviedo  
University of Michigan

Nathan Sotherland  
Cornerstone Research

Nicole Wagner Lam  
University of Michigan

Marissa E. Thompson  
Columbia University

Katherine Michelmore  
University of Michigan

Contact us at [edpolicyford@umich.edu](mailto:edpolicyford@umich.edu) for more information.

# Policy Issue & Key Findings

The Michigan Tuition Incentive Program (TIP) is a first-dollar financial aid program that supports low-income students in college. TIP typically covers the cost of tuition and fees for an associate's degree at Michigan community colleges and select other institutions, can be used with other financial aid (such as Federal Pell grants), and bases eligibility on consistent participation in Medicaid between the age of 9 and high school graduation.<sup>1</sup> Two recent EPI Policy Briefs have examined factors explaining the incomplete participation in the program among those that appear eligible, using both quantitative and qualitative data.<sup>2</sup>

## How does TIP affect college enrollment?

EPI examined whether TIP leads students to enroll in college at higher rates using two different approaches. First, we examined the effect of TIP eligibility on aid receipt and college enrollment using a quasi-experimental design (regression discontinuity), by comparing students who just barely met the eligibility criteria with those who just barely missed eligibility for the program. Next, we looked at college enrollment rates for high school graduates who had the same level of disadvantage during childhood (as measured by total months participating in Medicaid), some of whom were deemed eligible for TIP, while others were not. The figure below summarizes the results from these analyses.

1

**Students who are eligible for TIP are more likely to go to college than those who are not eligible but similarly disadvantaged:** Eligible students are 2 to 3 percentage points more likely to enroll in any college than similar ineligible students. Results suggest larger effects for students that spend more time on Medicaid in childhood; students who barely meet Medicaid eligibility requirement do not have higher rates of enrollment.

2

**TIP eligibility appears to reduce unequal access to college education:** Our analysis implies that TIP appears to partially level the playing field, reducing the enrollment gap between individuals with higher socioeconomic status and those with lower socioeconomic status.

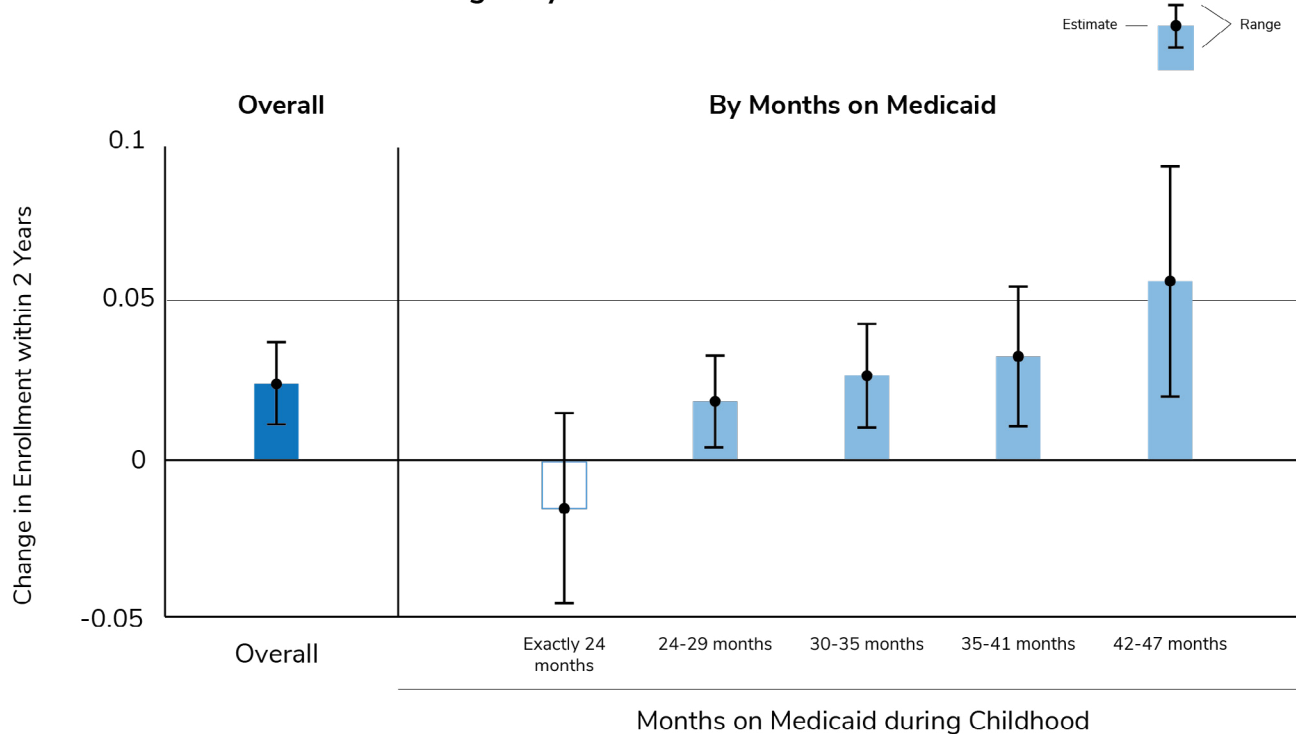
<sup>1</sup>This description is approximate, see <https://www.michigan.gov/mistudentaid/programs/tuition-incentive-program> for more specific details about the program features and eligibility.

<sup>2</sup>[Michigan's Tuition Incentive Program: An Initial Look at Take-up](#) and [Bureaucracy and Burden: Understanding Take-up of a Need-Based Financial Aid Program](#)

These research results use data structured and maintained by the Michigan Education Data Center (MEDC). MEDC data is modified for analysis purposes using rules governed by MEDC and are not identical to those data collected and maintained by the Michigan Department of Education (MDE), Michigan's Center for Educational Performance and Information (CEPI), or Michigan's Department of Lifelong Education, Advancement, and Potential (MiLEAP). Results represent the analysis, information and opinions of the authors and are not endorsed by, nor do they reflect the views or positions of grantors, MDE, CEPI, MiLEAP or any employee thereof. Financial support from this project was provided by the Institute for Educational Sciences (R305A220070). We are grateful to our state partners at MiLEAP, MDE, CEPI, and the Michigan Department of Health and Human Services.

# Discussion

### Effect of TIP Eligibility on Enrollment within 2 Years of HS



Note: The estimate for exactly 24 months comes from a regression discontinuity approach comparing barely eligible to barely ineligible students. The other estimates come from a matching approach, where we compare students with the same total months on Medicaid during childhood, but differ in TIP eligibility due to the precise timing of Medicaid participation. The matching approach also controls for differences in number of Medicaid spells and demographic, socioeconomic, and academic characteristics of students. The sample includes Michigan high school graduates from 2011 to 2022 that were on Medicaid for between 24 and 96 months. The low and high range indicates the 95% confidence interval for the estimated effect. Solid bars indicate that estimate is statistically different from zero.

Our findings suggest that students near the TIP eligibility threshold have been less informed about the program and their eligibility than their peers with greater socioeconomic need. We find that students with a greater connection to the social safety net, who are plausibly more likely to have learned about the program, have positive enrollment effects on average. In contrast, TIP appears to have almost no effect on rates of college enrollment for students who barely meet TIP’s needs-based criteria, likely because few of them know about the program.

This research uses historical data collected before the State of Michigan made significant changes intended to improve take-up rates for TIP and other state financial aid programs, including removing the requirement for a separate TIP application, increasing student outreach, and implementing a new universal scholarship that may “crowd-in” use of TIP. A large increase in TIP volume in 2023-2024 relative to the prior year suggests some of these efforts may be paying off, improving the effectiveness of the State’s investment in college affordability.