



The effect of price shocks on undocumented students' college attainment and completion[☆]



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ABSTRACT

We examine the effect of a price shock caused by the temporary removal of in-state tuition benefits on the attainment of undocumented immigrants enrolled in a large urban college system using a difference-in-differences identification strategy. The 113% one-semester tuition increase led to an 8% decrease in reenrollment and a similarly-sized reduction in credit accumulation. For students who had been enrolled at least a year prior to the policy change, the price hike caused them to leave college sooner but did not increase their probability of dropping out. Conversely, students who entered college the semester prior to the policy change experienced lasting reductions in attainment, including a 22% decrease in degree receipt compared to students with more college experience at the time of the price shock. Our results suggest that public subsidies that lower college prices can increase degree completion among resource-constrained students who have made the decision to enroll in college, with larger benefits accruing to those who are early in their college careers.

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1. Introduction

In the absence of federal policy governing access to higher education for the nation's 11 million undocumented immigrants, many states have chosen to invest in their integration by extending eligibility for in-state higher education tuition benefits. Previous research

suggests that such subsidies affect undocumented students' college entry decisions, yet little is known about whether these public expenditures increase college completion and degree receipt. This same information gap exists in research on the effects of college prices for the general student population; while many studies demonstrate that changes in price affect college enrollment (e.g., Deming and Dynarski, 2010), only a handful of papers investigate price effects on persistence and degree receipt. Despite the growth in college enrollment, college completion rates have declined, particularly among low-income students (Bound et al., 2010; Bailey and Dynarski, 2011), underscoring the importance of research on the long-run effects of public and institutional investments aimed at lowering higher education costs.

In this paper, we estimate the effect of a one-semester price increase on undocumented students' reenrollment, credits, grades, and degree receipt. We identify these effects using the unanticipated elimination and subsequent restoration of the in-state tuition subsidy for undocumented students enrolled in New York City's public university system, the City University of New York (CUNY). Midway through the fall of 2001, CUNY reversed its long-standing policy of charging in-state tuition rates to undocumented students

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from New York. As a result, undocumented students were exposed to a significant increase in tuition for the following semester, with students enrolled in one of CUNY's "senior" colleges (institutions that offer both bachelor's and associate degrees) facing a 113% price increase.¹ The price hike was reversed after a single semester, which renders our variation much like public, private, and institutional policies that change tuition prices and financial aid offerings from year to year.²

To identify the effect of the price shock on short-run attainment, we use a generalized difference-in-differences identification strategy that compares changes in undocumented students' outcomes three semesters before and after the tuition hike to differences in the outcomes of documented noncitizens, a group unaffected by the policy change. The price hike led to an immediate 8% reduction in reenrollment and a similar decrease in credit accumulation. We find no evidence that the price shock led to an increase in transfers, either within or outside of the CUNY System. However, the effect differed substantially for students who had just enrolled when prices increased and those who were further along in their schooling. Among students who entered college the semester before the policy change, the price shock primarily caused students to exit who would have otherwise persisted for the three subsequent semesters. Conversely, we show that the more experienced students who left school when prices increased would have dropped out in the following three semesters even in the absence of a price increase. In other words, the price shock appears to have sped up the timing of exit for the more experienced students, but not their overall probability of exit.

We take advantage of these heterogeneous short-run effects across entry cohorts to provide evidence on the effect of the price shock on long-run outcomes. While undocumented students in all entry cohorts were exposed to the price hike, our analysis of the effects of the policy change on short-run outcomes shows that students in the 1999 cohort did not experience lasting reductions in enrollment or credit accumulation. Therefore, we use this earlier entry cohorts as a comparison group for students in later entry cohorts to evaluate the longer-run impact of the price hike on credit accumulation and degree receipt eight years after entry, again using differences in documented noncitizens' outcomes across entry cohorts to generate a counterfactual. Consistent with the short-run reenrollment analysis, we find that undocumented students exposed to the price shock earlier in their college careers experienced the largest decrease in long-run attainment. Relative to students who entered college in 1999, those who entered in the semester prior to the price shock experienced a 22% reduction in degree receipt, while students with at least one year of enrollment prior to the shock saw a 6% reduction in degree completion. These findings could be attributed to more experienced students having better information

about their probability of long-run success and/or the ability to recognize that tuition changes can be temporary. As a result, price shocks close to college entry are more likely to induce dropout among students who would have ultimately been successful than price shocks affecting more experienced students.

Our findings directly contribute to research examining the effect of state, local, and institutional policies aimed at making college more accessible to undocumented students. Undocumented youth who migrate to the US as children are a centerpiece of federal immigration reform proposals and recent higher education policies in many states. Although federal efforts to pass legislation extending legal status and other federal benefits to this population have been unsuccessful, 20 states now provide in-state tuition benefits to undocumented youth who received their secondary schooling in the state. These subsidies represent a substantial reduction in postsecondary costs given that out-of-state tuition rates are typically more than twice the in-state rates (Hemelt and Marcotte, 2011).

Several existing studies use national survey data and a difference-in-differences framework to estimate the effects of in-state tuition subsidies on undocumented students' college enrollment decisions. Kaushal (2008), Flores (2010b), Chin and Juhn (2011), Amuedo-Dorantes and Sparber (2014), and Darolia and Potochnick (2015) estimate the average effects of in-state tuition across all states with such policies, while Flores (2010a) and Dickson and Pender (2013) focus on the impact of Texas' in-state tuition subsidy. All prior studies proxy for undocumented status with Mexican (or Hispanic) students who are not citizens and, with the exception of Dickson and Pender (2013) and Amuedo-Dorantes and Sparber (2014), use data from the Current Population Survey (CPS) or the American Community Survey (ACS). All but Chin and Juhn (2011) find positive impacts of eligibility for the in-state tuition subsidy on college enrollment. Dickson and Pender (2013) and Darolia and Potochnick (2015) show that resident tuition rates primarily increased noncitizens' college-going at two-year and less selective institutions. Kaushal (2008) further estimates the effects of resident tuition policies on Mexican noncitizens' probability of holding an associates degree or higher, with results that range from zero to small positive effects depending upon the subsample.

Our study builds on this prior work by estimating the effect of such subsidies on enrolled students' retention, credit accumulation, grades, and ultimate degree receipt. Though we are unable to estimate the cumulative effect of resident tuition policies on college enrollment and degree completion, our analysis builds on these earlier studies by providing causal estimates of the effects of tuition changes on attainment among students past the enrollment decision. We are also the first to use administrative data that includes measures of students' documentation status. We provide additional analyses that show substantial differences in findings when noncitizen Hispanic status is used as a proxy for undocumented status, suggesting some caution in interpreting results from studies that rely on this proxy measure.

Our findings are clearly best generalized to the undocumented college population, but our setting also provides a unique opportunity to understand better the effect of postsecondary prices on the human capital acquisition of low-income students in the general population. Research reviewed by Deming and Dynarski (2010) points to significant increases in college-going among students who experience a policy-driven price decrease. However, there is far less evidence on the impact of price changes on students' attainment after they have already spent time in college. Although gaps in college entry by family income have shrunk in recent years, low-income students' graduation rates remain low (Bailey and Dynarski, 2011), suggesting that the effects of financial need on attainment persist beyond the enrollment margin. A handful of studies suggest that increases in need-based grants can boost the attainment of enrolled students when such increases are not offset by reductions in other

¹ Though postsecondary institutions are typically classified as "four-year" or "two-year" schools, we use the CUNY System's label of "senior" college (as opposed to "four-year" college) because approximately 40% of CUNY's senior college students start out in an associate's degree program and these students face the same tuition charges as senior college students enrolled in bachelor's degree programs. Thus, the magnitude of the price change is specific to the institution, not the degree. We elaborate on this point in Section 2. Undocumented students in CUNY's community colleges also faced a price increase of roughly 23% in spring 2002. We find no evidence of statistically significant responses to this modest price hike among undocumented community college students. However, given the size of the tuition shock and the small number of undocumented students enrolled in CUNY community colleges, our estimates are imprecise and prevent us from drawing meaningful conclusions. Results pertaining to community college students are available upon request.

² Although mid-year tuition increases are relatively uncommon, there are several recent examples of such decisions, including Northern Iowa and Iowa State (announced September 2015, \$100 in magnitude) and four University of Maryland System institutions (announced January 2015 and immediately effective, 2% in magnitude).

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