

FEDERAL WATCH

Where Have All the Low-Income Students Gone?

By Christopher J. Nellum and Terry W. Hartle

Since 2008, an intensive national campaign has sought to boost the number of college graduates. Early in his first term, President Obama laid out an ambitious goal, promising that “by 2020, America will once again have the highest proportion of college graduates in the world.” Foundations have offered significant funding for work in this area. New organizations, such as Complete College America, have also emerged. Federal student aid and college preparation programs have been generously funded as well.

It is against this backdrop that we have discovered a surprising and deeply troubling trend. According to U.S. Census Bureau data, the percentage of students from low-income families enrolling in higher education immediately after graduating from high school has declined by 10 percentage points since 2008, from 56 percent of graduates to just 46 percent.

Put another way, low-income students are actually much less likely to enroll in college immediately after high school than they were seven years ago, despite all of the efforts to increase their post-

secondary participation. As a result, the percentage of low-income students attending college today is only about 3 percent higher than it was 20 years ago.

To some extent, it is no surprise that the percentage of high school graduates who immediately enroll in college has declined since 2008. During an economic recession, more people go to college to improve their skills and help their job prospects. As the recession ends and more jobs are available, fewer people enroll. Total higher education enrollment has declined roughly 3 percent since 2008.

However, the 10 percentage point decline in college enrollment among low-income high school graduates is much sharper than the drop for high- and middle-income students. This development looks even bleaker in light of these facts:

The dramatic decline in enrollment among low-income students in two- and four-year colleges and universities occurred despite a massive increase in grant aid. Between the 2008-09 academic year and 2013-14, the total increased by roughly 50 percent, from \$82 billion in 2008-09 to \$123 billion in 2013-14.

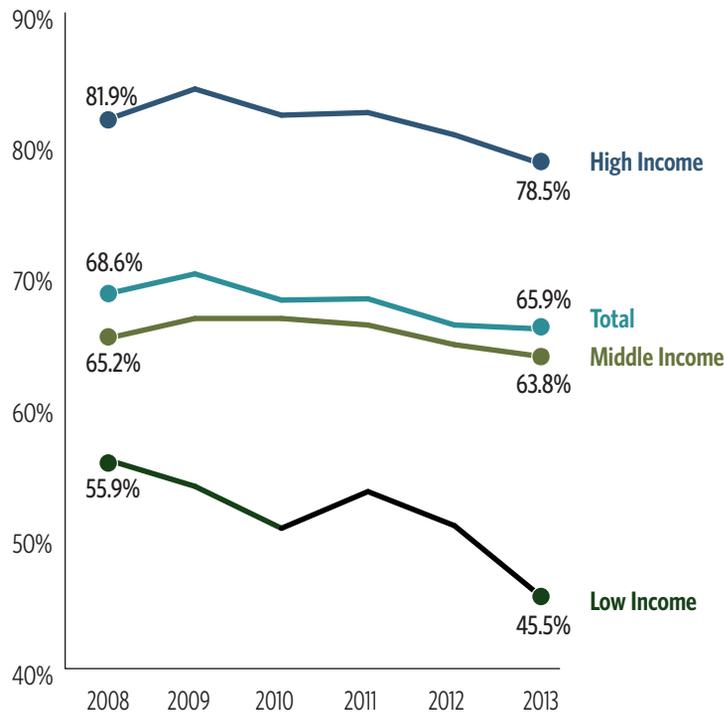
During roughly the same period, the overall high school graduation rate increased from 75 percent to 81 percent, meaning that the pool of potential college students has increased.

Due to increased grant aid, the average net tuition price (as opposed to the published “sticker” price) that students pay has decreased sharply at two-year institutions and increased only modestly at four-year institutions, according to College Board data.



Key Data Points

- 1) College enrollment in two- and four-year institutions among all recent high school graduates has declined since 2008. But that drop has been most significant among the lowest-income students.

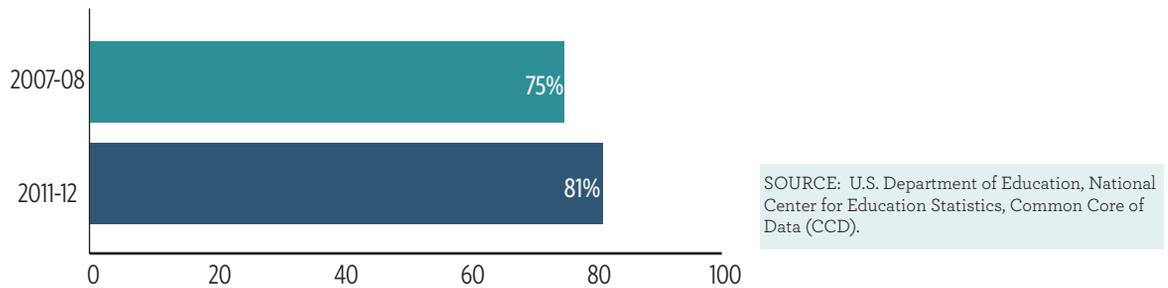


SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), October, 2008 through 2013.

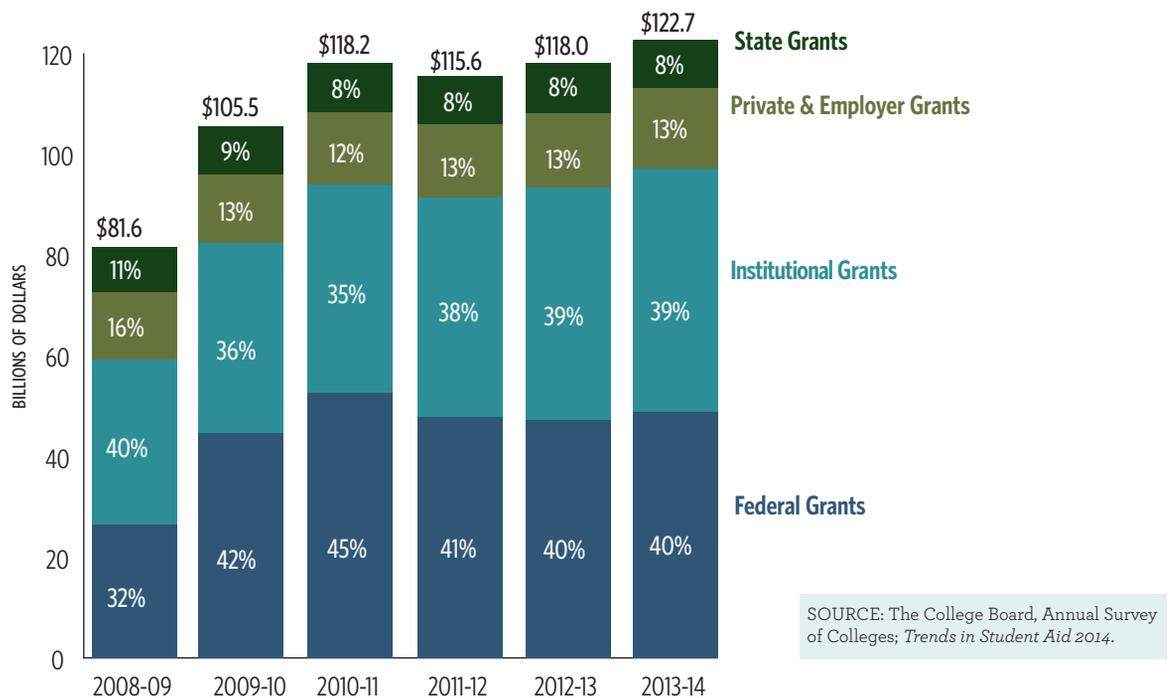
NOTES: Recent high school completers refers to individuals ages 16 to 24 who graduated from high school or completed a GED® test during the calendar year. Low income refers to the bottom 20 percent of all family incomes, high income refers to the top 20 percent of all family incomes, and middle income refers to the 60 percent in between.

- Low-income student enrollment rates are clearly more volatile than for the other income groups. But given all of the efforts to increase college completion, the growth in access-oriented programs, and the sharp boost in student aid funding, this is a discouraging finding.
- Since 2008, the percentage of all high school graduates who immediately enroll in college has fallen from 69 percent to 66 percent in 2013. However, the proportion of low-income high school graduates plummeted during that period from 56 percent to 46 percent.
- By contrast, enrollment among high-income students has fallen from 82 percent to 79 percent. This means that the college participation gap between high- and low-income students is growing.

2) There is some good news: Between 2007-08 and 2011-12, more students graduated from public high schools, with the graduation rate increasing from 75 percent to 81 percent (3 million students). That is a major accomplishment, considering a universe of approximately 14 million students enrolled in grades 9-12. But even as the percentage of low-income students graduating from high school increased, a smaller percentage of them enrolled in college.



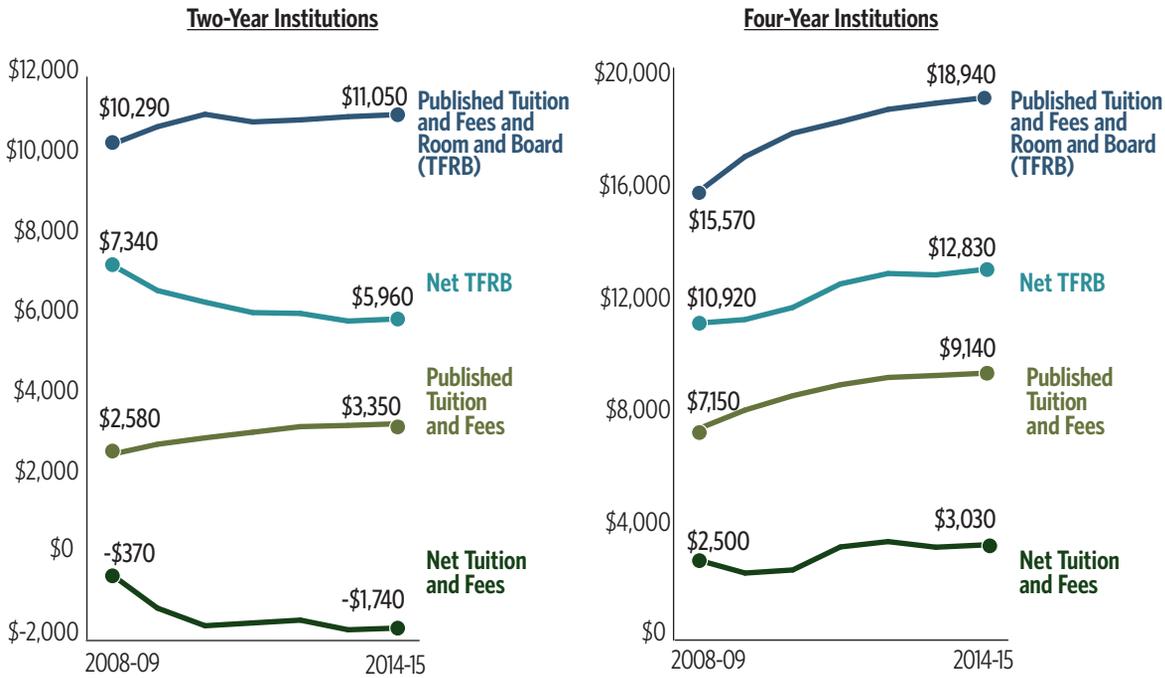
3) Low-income participation in postsecondary education has declined, even though total grant aid from federal and state governments, institutions, and private sources increased, after adjusting for inflation, from \$82 billion to \$123 billion in six years.



In 2013-14 the federal government provided approximately \$49 billion in federal grant aid and institutional grant funding added \$48 billion. After adjusting for inflation:

- Funding for Pell Grants in particular grew from \$19.4 billion to \$33 billion (in 2013 dollars), an increase of 74 percent.
- Institutional aid grew from \$33 billion to \$48 billion (in 2013 dollars), an increase of 50 percent.

4) Participation in college among low-income students has fallen even though the net price of college since 2008 has fallen significantly at two-year institutions and only risen by 21 percent at four-year institutions. The slight rise in the net price of a four-year college or university would have been sharper without federal support for students and institutions.



SOURCE: The College Board, Annual Survey of Colleges; *Trends in Student Aid 2014*.
 NOTES: Because information on grant aid for 2014-15 is not yet available, the net price for 2014-15 is estimated based on 2013-14 financial aid. Prices and grant aid are rounded to the nearest \$10.

Conclusion

It is unclear why the college enrollment of low-income students immediately after high school has fallen so sharply. There are at least five hypotheses that might explain this trend:

1. The rapid price increases in recent years, especially in the public college sector, may have led many students—particularly low-income students—to think that college is out of reach financially.
2. Students may believe that the economic value of higher education has declined.
3. Due to the economic recovery, low-income students have begun to enter the workforce at a higher overall rate than those from higher-income families.
4. College enrollment tends to decline when the economy improves, and the decline of enrollment at for-profit institutions may have disproportionately impacted low-income students.
5. The data are incorrect.

These data are even more worrisome with this fact in mind: While the percentage of low-income students in elementary and secondary schools is increasing, the percentage of low-income students who go on to college is falling. Said a bit differently, at the same time that low-income individuals are enrolling in college at lower rates, the majority of young adults in the pre-college education pipeline are from those same low-income communities. A recent Southern Education Foundation report

showed that for the first time in recent history, low-income students are a majority of the children attending the nation's public schools.

And as the Pew Research Center noted last year in its report, *The Rising Cost of Not Going to College*, "On virtually every measure of economic well-being and career attainment—from personal earnings to job satisfaction to the share employed full time—young college graduates are outperforming their peers with less education. And when today's young adults are compared with previous generations, the disparity in economic outcomes between college graduates and those with a high school diploma or less formal schooling has never been greater in the modern era."

The long-term implications of a society with a growing number of low-income students attending public primary and secondary schools but a

shrinking presence of those low-income students in postsecondary education are ominous.

Regardless of why this is happening, it is a move in the wrong direction. It is a troubling trend that must be carefully analyzed, aggressively addressed, and ultimately reversed. ■



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