INDICATORS
of Opportunity in Higher Education

THE PELL INSTITUTE
for the Study of Opportunity in Higher Education
THE PELL INSTITUTE

The Pell Institute, sponsored by the Council for Opportunity in Education, conducts and disseminates research and policy analysis to encourage policy-makers, educators, and the public to improve educational opportunities and outcomes of low-income, first-generation, and disabled college students.

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IN FALL 2004, the Pell Institute for the Study of Opportunity in Higher Education released the first *Indicators of Opportunity in Higher Education*. The inaugural report was well-received, including praise from the higher education community, press coverage, and policymaker discussions of the issues and data presented in the report. The first report can be found on the Pell Institute website, www.pellinstitute.org.

In compiling this second report, we had several goals in mind:

- Maintain consistency with the indicators first presented in last year’s report.
- Build on that body of data by adding appropriate indicators that express something meaningful about opportunity for higher education, particularly for low-income students and their families.
- Continue the conversation begun last year about the importance of the issue of opportunity not just for those individuals who may or may not be able to participate in education beyond the high school level, but for the nation as a whole.

The challenge is how to present information that will stimulate thoughtful discussion while being careful not to assume too much in making conclusions—two years of data does not a trend make. We present this second report with the goal of building on our knowledge base and continuing to inform a broad audience about the status of opportunity for higher education in the United States. Data presented in the indicators are from the 1999-2000 and 2000-01 academic years—the Indicators report series began with 1999-2000 as the baseline year.

An important addition this year is the inclusion of an indicator that addresses a key financial issue—the percentage of family income that is needed to cover the cost of college. This indicator gives greater depth to understanding what college costs mean in the context of a family budget and therefore, how much college opportunity can vary by income. As noted when we released the first report, we intend to add to the indicators presented over time.

Finally, the essential goal of this report remains to raise the visibility of the issue of postsecondary opportunity in the United States. Much as the first report allowed a dialogue to begin or be renewed, with this second report, we can continue to engage colleagues, policymakers, and the general public about the importance of postsecondary opportunity.
OPPORTUNITY FOR POSTSECONDARY EDUCATION continues to be a key to success for most Americans, particularly those from low-income backgrounds. Every year, data citing the benefits of increased education for individuals are released—including recent information released by the U.S. Census Bureau (2005) regarding the increased earnings enjoyed by college graduates.

This past year also featured reports and projects that highlight the broader societal benefits realized from greater participation in higher education. For example, the College Board (2004) added the publication Education Pays to their series Trends in Student Aid and Trends in College Prices. This report looks at the effects of college participation on earnings and other areas such as unemployment, incarceration, volunteering, and civic participation. The Institute for Higher Education Policy (2005) also released The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education, examining similar data on a state-by-state basis to look at the relationship between state investment in and payoff from higher education.

Both reports frame the economic and social benefits that accrue from postsecondary education for individuals and society. Increased awareness of this combination of benefits is vital to preserving the public investment in postsecondary education opportunity. If the argument for public support of opportunity focuses too much on the individual economic gains to be made from a college degree, the impetus for public investment is lessened. The result? Increased reliance on financial aid in the form of self-help such as loans and work, decreased support for grant aid, and the potential for more low-income and disadvantaged students to get only as much education as they can afford, not as much as they, or the country, need in order to succeed in the long term. As a recent report from the National Center for Public Policy and Higher Education (2005) demonstrates, without improvement in the educational levels of the nation’s workforce, the United States faces such consequences as lower personal income, a decreased tax base, and reduced competitiveness in the global marketplace.

Postsecondary Education in the United States

The U.S. system of education beyond the high school level includes 4,100 degree-granting institutions. Forty-two percent of these institutions are public (15 percent four-year and 27 percent two-year), 42 percent are private not-for-profit institutions (38 percent four-year and 4 percent two-year), and 16 percent are private, for-profit institutions (4 percent four-year and 12 percent two-year). This represents a slight decrease in the percentage of private, for-profit institutions, down from 19 percent in 1999-2000.

In 2000-2001, average tuition and fees at public four-year institutions was $3,226, while at private four-year institutions, the average tuition and fees was $14,003. At public two-year institutions, the average tuition and fees was $1,328 (Chronicle of Higher Education, 2001).

In Fall 2000, nearly 12,500,000 undergraduate students were enrolled, with approximately 1.8 million more enrolled at the graduate level. More than two-thirds of all undergraduates are enrolled in the four-year sector, while approximately 90 percent of all undergraduates are enrolled in public institutions. The percentage of students who are women and who are a minority held steady...
at 56 and 27 percent, respectively. In 2000-01, more than 1.7 undergraduate degrees were awarded, two-thirds were bachelor’s degrees (Chronicle of Higher Education, 2001).

Who Are Low-Income Students?
The major focus of the Indicators report is the breakdown of postsecondary opportunity by income—how low-income students participate in comparison to students from middle and higher income families. But while the indicators report the data for low-income students as a whole, it is hardly true that this is a homogenous group. An examination of data from the U.S. Department of Education reveals some interesting information about this diverse group of students.

Overall, approximately one-fifth of all undergraduate students are low-income. Even though it is hard to describe all low-income students as one group, there are certain characteristics that are more common among them in comparison to their higher income peers. For example, low-income students are more likely than high-income students to be:

- female,
- African American, Hispanic, or Asian,
- the first generation in their family to go to college,
- classified as having a disability; and
- in need of remediation when they start postsecondary education.

One very important distinction to be made about low-income students is their dependency status. For purposes of eligibility for federal financial aid, the U.S. Department of Education defines independent students as those who are age 24 or older, married, single with dependents of their own, veterans, or in graduate school. A student who meets any one of those conditions is independent; all others are considered dependent, or still dependent on their parents’ income. Fifty-two percent of all low-income students are independent, and 48 percent are dependent. This is similar to the overall split for all undergraduate students, 51 percent independent, 49 percent dependent.

Several differences emerge between independent and dependent low-income students, as well as between these two groups of students and their peers from higher income levels. For example, the median age for dependent low-income students is the same as it is for higher income dependent peers (age 19), but for independent low-income students the median age is lower (age 25) than it is for higher income independent students (age 37). Both independent and dependent low-income students are more likely to be in a certificate program than high-income students, but dependent low-income students are more likely to be enrolled in an associate’s degree program, while independent low-income students are more likely to be enrolled in a bachelor’s degree program, than their higher income peers.

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1Income as it is used here refers to both family income and individual income: 19 percent of dependent students are low-income (family income under $25,000) and 20 percent of independent students are low-income (individual income under $10,000).

2Disability is defined broadly as any physical or learning disability that causes difficulty.

3All refer to both independent and dependent students; the trends are same for both groups.
**Indicator One: Who Goes to College?**

Using data collected annually by the U.S. Census Bureau, we can examine the participation of 18- to 24-year-olds in college. While this indicator obviously does not encompass all students in the postsecondary system—34 percent of students enrolled are age 25 and older (NCES, 2004a)—it does provide a good framework for what is traditionally thought of as the college-going years in this country. Increasingly, more students delay enrollment until they are older. However, by focusing on this age group we can examine one of the critical transitions and determine what gaps exist by income. If there are gaps here, we can be certain they are worse when we look at older, non-traditional students from the low-income group.

In 2000-01, approximately 57 percent of all 18- to 24-year-olds were in college or had attended college. When we break down the overall number into income groups (low, middle, and high), there are distinctive gaps between the income groups. Only 31 percent of low-income students were enrolled in or had attended college, substantially lower than the overall rate. Fifty-six percent of students from the middle-income group and 75 percent of students from the high-income group were enrolled or attended college, a gap of 25 and 44 percentage points, respectively, compared to low-income students.

Comparing these data to 1999–2000 data reveals some interesting movement in the college participation rate. The participation rate declined overall, from 59 to 57 percent. The participation rate actually declined for all income groups, with the largest decrease—4 percentage points—among the low-income students.

As mentioned in the foreword, it is difficult to conclude that a trend is developing after only two years. In the first indicators report, we provided some historical data to give a context to the participation numbers, showing that participation over time had improved, but gaps between the groups remained. If we put the 2000-01 data in that same context, sizeable gaps remain between income groups, and even more troubling, we see participation sliding back for all groups, particularly low-income students.

**Indicator Two: Where Do They Go?**

Recently, in lieu of talking about postsecondary opportunity, the phrase “economic diversity” has become more in fashion. Essentially this means the number of low-income students enrolled at a given college or university, but this is difficult to know since colleges do not, as a general practice, track their student body by income levels. Frequently, institutions have income data only for those students who apply for financial aid. While the availability and quality of this data can vary from one institution to another, trying to obtain national enrollment data by income, especially annual data, is even more challenging. Through datasets like the U.S. Department of Education’s National Postsecondary Student Aid Survey (NPSAS), we are able to

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4 Unless otherwise noted, income is broken down in this report as: low-income—under $25,000; middle-income—$25,000 to $74,999; and high-income—$75,000 and above.

5 According to Census data, in 1970 the gap between the lowest income and highest income groups was 46 percentage points, 28 percent for low-income compared to 74 percent for high-income students (Mortenson, 2005).
The percentages were similar in the Private Four-Year and Public Four-Year sectors. The use of Pell Grant data for Indicator Two represents two significant changes: 1) Despite a strong desire to maintain consistency from one year to the next, the source for this indicator has changed from the inaugural report. In the first report, the HERI Annual Survey of College Freshmen was used, but the survey has been changed and no longer includes two-year institutions, a significant sector for low-income students. 2) Using Pell Grant and IPEDS data provides information on low-income students and allows us to make comparisons to enrollment patterns among all undergraduates. However, we are unable to show the comparative information by the income breakdown shown in all of the other indicators—low-income, middle-income, and high-income students.

Looking at where Pell Grant recipients attend college provides a way to answer the question of where low-income students go. In combination with data from the Integrated Postsecondary Education Data Surveys (IPEDS), we can see where Pell Grant recipients are enrolled, compared to all undergraduate students. Among Pell Grant recipients, the highest number and percentage of students were enrolled in public-two year institutions. The sector with the next highest concentration was public-four-year institutions. In comparison to the distribution of all undergraduates, Pell Grant recipients enrolled in higher percentages at private two-year and for-profit institutions. Pell Grant recipients enrolled in lower percentages than all undergraduates at public two- and four-year institutions and private four-year institutions. The patterns were similar from 1999-2000 to 2000-01.

Put simply, these data show that the enrollment patterns of Pell Grant recipients differ greatly from the overall undergraduate population. The most telling case is in the for-profit sector—low-income students are five times more likely to enroll in proprietary institutions than the undergraduate population as a whole.

Another way to think about the data presented in this indicator is whether Pell Grant recipients are over- or under-represented in a given sector compared to their overall presence in higher education. Pell Grant recipients were 29 percent of the undergraduate population in both 2000-01 and 1999-2000. Therefore, they were under-represented in the public two- and four-year sectors—25 and 26 percent respectively—and in the private four-year sector as well, 24 percent. Pell Grant recipients were over-represented in the private-two year and for-profit sectors. The percentages were similar in the 1999–2000 data.

Enrollment in the public two-year sector shows Pell Grant recipients and all undergraduates enrolled at almost the same percentage, over one-third of students. However, it is likely that more low-income students attend two-year colleges, or community colleges as they are more frequently

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6. The use of Pell Grant data for Indicator Two represents two significant changes: 1) Despite a strong desire to maintain consistency from one year to the next, the source for this indicator has changed from the inaugural report. In the first report, we used information from the HERI Annual Survey of College Freshmen, but the survey has been changed and no longer includes two-year institutions, a significant sector for low-income students. 2) Using Pell Grant and IPEDS data provides information on low-income students and allows us to make comparisons to enrollment patterns among all undergraduates. However, we are unable to show the comparative information by the income breakdown shown in all of the other indicators—low-income, middle-income, and high-income students.

7. Data were calculated for both 1999-2000 and 2000-01 for this indicator in order to maintain 1999-2000 as the baseline.

8. This calculation includes full- and part-time undergraduates enrolled in all institutions (degree-granting and non-degree-granting) participating in Title IV federal financial aid programs. Data are from the US Department of Education’s Pell Grant Program End-of-Year Reports and the Digest of Education Statistics.

9. There may be some discrepancies between enrollment figures because the numbers for Pell recipients are for the entire academic year, while the numbers for total undergraduate enrollment are for the fall semester. This results in the percentage for the two-year private and for profit institutions exceeding 100 percent, meaning that students in these two sectors who receive Pell Grants are more likely to enroll throughout the entire academic year, which is also reflective of the programs offered at these institutions as well.
called, than are captured in the Pell Grant percentages. This is due to two factors:

- students’ attendance patterns—on the whole, students attend community colleges on a less than full-time basis, which reduces their eligibility for the Pell Grant, and
- the price of attending public two-year institutions—community colleges tend to have lower tuition and fees, meaning that low-income students attending these institutions may be less likely to apply for or receive Pell Grant aid. Indeed, NPSAS data show that higher percentages of low-income students attend community colleges compared to higher income students.10

### Examining the Changes in Pell Grant Recipients from 1999–2000 to 2000–01.

Looking at the two years of data for the shares of enrollment by Pell Grant recipients, some interesting issues begin to emerge. Though it is too early to call them trends, the following bear watching:

- From 1999–2000 to 2000–01, the number of Pell Grant recipients increased by nearly 136,000.11

Since there were no significant changes to the program such as changes in eligibility or calculations of need analysis, this means that there were more students who needed the resources of the program to attend college. Over this time period, the actual maximum Pell Grant rose from $3,125 to $3,300.

- The growth in the Pell Grant population and the overall undergraduate population from 1999–2000 to 2000–01 was similar, 3.6 percent versus 3.7 percent.

- However changes in the sectors were not always comparable. While the percentage changes were similar in the four-year institutions for both groups, growth in the private two-year and for-profit sectors was much more substantial for the Pell Grant recipients, with the total undergraduate population declining in the private two-year sector.

#### Undergraduate Enrollment by Institution Type and Control, 1999–2000 and 2000–2001

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Number (%)</td>
<td>Number (%)</td>
<td>Number (%)</td>
<td>Number (%)</td>
</tr>
<tr>
<td>Public Four-Year</td>
<td>1,245,363 (32%)</td>
<td>4,842,261 (37%)</td>
<td>1,224,269 (33%)</td>
<td>4,770,724 (38%)</td>
</tr>
<tr>
<td>Public Two-Year</td>
<td>1,422,942 (36%)</td>
<td>5,697,061 (43%)</td>
<td>1,367,889 (36%)</td>
<td>5,339,285 (42%)</td>
</tr>
<tr>
<td>Private Four-Year</td>
<td>575,082 (15%)</td>
<td>2,154,336 (16%)</td>
<td>567,062 (15%)</td>
<td>2,120,403 (17%)</td>
</tr>
<tr>
<td>Private Two-Year</td>
<td>99,195 (3%)</td>
<td>58,844 (1%)</td>
<td>95,670 (3%)</td>
<td>62,341 (&lt; 1%)</td>
</tr>
<tr>
<td>For-Profit</td>
<td>556,851 (14%)</td>
<td>402,891 (3%)</td>
<td>508,820 (14%)</td>
<td>388,478 (3%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,899,433 (100%)</strong></td>
<td><strong>13,155,393 (100%)</strong></td>
<td><strong>3,763,710 (100%)</strong></td>
<td><strong>12,681,231 (100%)</strong></td>
</tr>
</tbody>
</table>

Note: Totals may not sum to 100 percent due to rounding. Source: U.S. Department of Education, 2001 and NCES, 2002.

#### Enrollment Changes by Sector from 1999–2000 to 2000–01

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Pell Grant Recipients</th>
<th>Total Undergraduate Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Four-Year</td>
<td>+1.7%</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Public Two-Year</td>
<td>+4.0%</td>
<td>+6.7%</td>
</tr>
<tr>
<td>Private Four-Year</td>
<td>+1.4%</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Private Two-Year</td>
<td>+3.4%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>For-Profit</td>
<td>+9.4%</td>
<td>+3.7%</td>
</tr>
<tr>
<td><strong>Overall Change</strong></td>
<td>+ 3.6 %</td>
<td>+3.7%</td>
</tr>
</tbody>
</table>


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10 Approximately 37 percent of low-income students attend public two-year institutions, compared to 34 percent and 25 percent of middle and high-income students, respectively (NCES, 2004b).

11 According to the College Board’s Trends in Student Aid (2004c), the number of Pell Grant recipients had decreased from 1998-99 to 1999-2000 by approximately 91,000 students.
**Indicator Three: What Do Students Pay for College?**

There are many ways to think about and report data on the costs of college. We have chosen to use three different measures of price of attendance to illustrate the complexity of the situation facing students and their families as they attempt to first understand and then meet the challenge of paying for college.

Briefly, the three different measures are:

- **Published price** or price of attendance—the weighted average price of attendance of all full-time dependent undergraduates.
- **Net price** or price of attendance minus grant aid—published price reduced by the average grant aid per enrolled student.
- **Out-of-pocket price** or price of attendance minus grant and loan aid—the amount remaining that the student and/or family has to pay once grants and loans have been subtracted.

For 2000–01, we can see that low-income students continue to pay the lowest price of all three groups, under all measures of price. Compared to 1999–2000 data:

- The published price increased for all groups of student, with high-income students facing the largest increase of $655 or 5 percent.
- Net price decreased for low-income students, but increased for middle- and high-income students.\(^1\)
- Out-of-pocket price also decreased for low-income students, but increased for the other two income groups.

It is important to remember that these prices reflect attendance patterns for the groups of students. As lower-income students are more likely to attend lower-priced institutions, it is only fitting that they would “pay” lower prices on average than students from the other income groups.

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**Indicator Four: What Percentage of Family Income Does it Take to Pay for College?**

In the first edition of the Indicators report, an additional caveat was attached to the previous indicator regarding “sticker shock,” the reaction to the published price for college that may dissuade some individuals from attending a given institution. While the previous indicator presents information about what students and families are asked to pay, Indicator Four, a new indicator, flips the perspective somewhat to illustrate what the price of college means in the context of a family’s income. In other words, what portion of their income is taken up by the average tuition and fees charged in a given sector? This is sometimes referred to as “ability to pay.” The tuition and fee figures given below represent the published price.

For the lowest income group,\(^1\) the percentage of family income required to meet tuition and fees is

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\(^1\)For this indicator, the data are calculated in quintiles, and the lowest, middle, and highest quintiles are used for reference here. The income ranges for these three quintiles are less than $24,000 (lowest quintile), $40,641-61,325 (third quintile), and $91,375 and above (fifth quintile). Data are only provided for 2000-01, as this is a new indicator.
the highest for each sector. The relative burden of paying for college, or in this case, what students are expected to pay before financial aid is taken into account. When total costs are considered (including room and board), the percentages increase considerably. For the low-income group, for example, the percentage of family income increases from 27 percent to 65 percent at public four-year institutions, and from 123 percent to 170 percent at private four-year institutions. Similar increases occur for the other income groups, but they are not as dramatic.

To provide a rough approximation of what these percentages might mean in terms of dollars, for a low-income family with a median income of $14,222, they would have to come up with nearly $9,200 to cover the total costs of attending a public four-year institution, and slightly more than $24,000 for a private four-year institution. For a middle-income family with a median income of $50,747 they would need more than $9,100 for a public four-year and $23,850 for a private four-year. Among the high-income families, a median income of $156,919 would need approximately $9,400 and $23,500.

We might ask then “What is an acceptable level?” While we have guidelines about such things as mortgage payments and other debt levels, there is no generally accepted value that we, as a society, have indicated that seems about right. There is some precedence set by the Pell Grant when it was created. The original maximum award amount was set to equal 75 percent of the average tuition and fees at a four-year public institution. A student would then have to contribute the remaining 25 percent from “self-help,” which included loans, earnings from employment, savings, and family resources. However, those guidelines have long since ceased to be the rationale by which the maximum Pell Grant amount is determined. Still, using this concept gives us at least a benchmark. For example, for low-income families, the public two-year sector is the only case in which the percentage of family income is below this 25 percent level. For middle-income families, the private four-year sector is beyond the 25 percent threshold. An even more compelling fact to consider is that these calculations take into account the family contributions towards paying for just one child in college—what is the burden for those with more than one student enrolled?

The absence of financial aid in this indicator is important to consider—indeed as Indicator Three shows, there can be great variation in the price of attending college when aid is included in the calculation. However, data issues once again make it difficult to get useful information about student aid receipt on an annual basis. The inclusion of financial aid might bring down the percentage of income required for the lowest quintile at the public four-year sector to below the 25 percent threshold.
Indicator Five: 
Who Graduates From College?

More attention is being paid to the differences in postsecondary completion by income. While increasing participation is the primary objective, it is also important to make sure that once enrolled, low-income students are as likely as their more advantaged peers to complete their degrees.

Using Census data, it is possible to estimate who has attained a bachelor’s degree by the age of 24. Similar to Indicator One, this indicator focuses on a timeframe that more frequently applies to traditional students, the six-year time frame immediately following high school. We recognize that this indicator will not take into account students who start later or who take longer than six years to complete their degrees. But once again, this indicator can identify gaps and focus our efforts on an important transition period.

In 2000-01, low-income students were much less likely to have completed their bachelor’s degree by the age of 24 than students in the higher income groups. Six percent of low-income students had completed a bachelor’s degree by age 24, compared to 19 percent and 52 percent for the middle- and high-income groups, respectively. This marks a decline from 1999-2000 for the lowest income group, while the high-income groups stayed the same.

14The six years to degree timeframe is used by the U.S. Department of Education (among others) in the required reporting that all Title IV institutions must submit through IPEDS.
BASED ON THE DATA PRESENTED in the five indicators, the following picture of opportunity for higher education for low-income students compared to other students is emerging:

- Low-income students continue to participate in higher education at lower rates, and there is concern that the participation rates are declining.
- The types of postsecondary “opportunity” available to low-income students are limited compared to students in other income groups. Low-income students are more likely to attend for-profit institutions, and less likely to attend institutions that are considered the traditional routes to a baccalaureate degree. Attending lower-priced institutions means that low-income students face lower prices for postsecondary education, but these prices still represent a larger share of resources for low-income families, particularly in the four-year sector.
- Baccalaureate attainment rates for low-income students lag considerably behind the rates for students from other income groups.

The picture of postsecondary opportunity that emerges from these data is cause for concern. From the beginning of the process, we know that fewer low-income students participate in college. If the decreases seen from 1999-2000 to 2000-01 continue, and the gaps between the participation of students from other income groups expand, the opportunity for low-income students to participate in higher education will be in jeopardy. Furthermore, based on where low-income students attend compared to their more wealthy peers, what they experience in terms of postsecondary opportunity is more frequently restricted to the non-baccalaureate sectors. Even for those students who do make it onto the four-year degree path, they are much less likely to complete their degree.

A primary factor that restricts opportunity for low-income students is their limited ability to pay for college. Even for those students and families who recognize the financial aid options beyond the sticker price for college, the high price causes students to alter their behavior—they attend two-year institutions instead of four-year, they work more hours, they go part-time instead of full-time. In the end, while these changes may mean that, in the short-term they may have to spend less money in a given semester, in the long-term, the costs of these choices may be too expensive to bear. Not only will they end up paying for college over a longer period of time, and therefore paying more than they would have had they been able to afford to attend a four-year institution full-time straight through to the completion of the degree, but these behaviors put their ability to remain enrolled, achieve academically, and complete their degree at risk.
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U.S. Census Bureau. 1999. October Current Population Survey 1999, Table 14, Enrollment Status of Dependent Primary Family Members 18 to 24 Years Old, by Family Income, Level of Enrollment, Type of School, Attendance Status, Sex, Race, and Hispanic Origin. Washington, DC.

_____. 2000. October Current Population Survey 2000, Table 14, Enrollment Status of Dependent Primary Family Members 18 to 24 Years Old, by Family Income, Level of Enrollment, Type of School, Attendance Status, Sex, Race, and Hispanic Origin. Washington, DC.

_____. 2003. Historical Income Tables – Families (Table F-3). Washington, DC.


