

Demography as Destiny: Policy Considerations in Enrollment Management

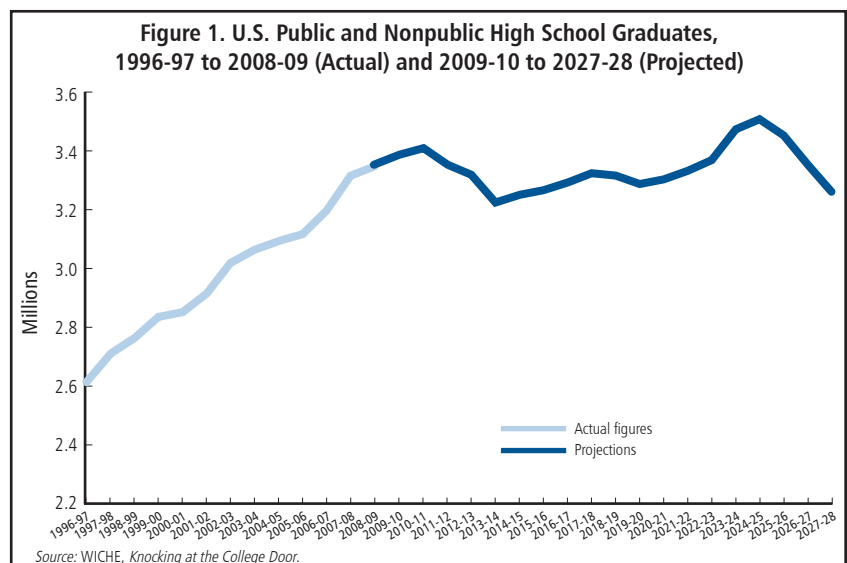
It is often said that demography is destiny, a phrase that reveals both how fundamental demographic projections are to effective educational planning and policymaking and, perhaps somewhat cynically, how difficult it can be to foster large-scale change in social and economic mobility. It is also true that demographic projections like those detailed in our report, Knocking at the College Door, should not take anyone by surprise. After all, the most significant factor in how many students of what color will graduate high school is how many were born 18 years previously. Yet in spite of our foreknowledge of what is to come, we often fail to recognize and fully appreciate impending changes and to evolve and adapt existing policy and practice in a timely manner. Simply stated, the reshaping of the racial/ethnic composition of our nation's high school graduating classes has profound implications for our colleges and universities, for the public policies that support higher education, and for workforce development in a globally competitive, knowledge-driven economy. It also comes at a time when states and the federal government are struggling to adequately finance many public services, including higher education. No one should be sanguine about the size or significance of the challenges confronting us. How the higher education community and concerned policymakers respond to these challenges will go a long way toward determining the degree to which the U.S. can remain in its position of world economic and democratic leadership in the years to come.

Since 1979 the Western Interstate Commission for Higher Education (WICHE) has periodically produced a set of projections of high school graduates, broken down by state and race/ethnicity, in an attempt to provide members of the education and policy communities with a set of early indicators about future postsecondary enrollment demand.¹ With support from ACT, Inc., and the College Board, we released the most recent edition of our report, *Knocking at the College Door*, in January 2013. As in the past, there are two major storylines in this eighth edition of our projections: one addresses changes in the overall production of high school graduates, and the other addresses the ongoing, rapid diversification of our public high school graduates. Each of these storylines varies considerably among the states, and this variation is important to keep in mind, given how central a role state policies play in national educational attainment.

If our projections are accurate, we will look back at the high school graduating class of 2011 as the largest the nation produced, at 3.409 million (Figure 1). That peak will mark the end of a 17-year run of continuous growth in the number of graduates, during which time graduating cohorts increased by an average of 2.2 percent annually. While the years to follow 2011 will likely see only a modest reduction in the number of graduates – the low point, in 2013-14, is projected to

be down only about 190,000 from the peak, or about 5.6 percent – the shift could be jarring for institutions grown accustomed to continuous year-over-year increases in the pool of potential applicants, especially selective institutions that serve a mostly traditional-aged student population.

The impact of this overall projected decline is compounded by escalating racial/ethnic diversification of our nation, which is exaggerated among young people. We project that public high school graduating classes are inching



high school diploma were twice the rate for those with a bachelor's degree. This evidence has not been lost on either policymakers or the general public. Surveys show a growing majority of Americans believe that higher education is necessary for success, and public policymakers have been issuing calls to ensure that educational opportunities beyond high school are widely available and that institutions focus attention on improving student success. Echoing major foundations and armed with evidence that other nations are determined to compete with the U.S. for high-skill/high-wage, knowledge-economy jobs, President Obama has called for a renewed focus on educational attainment.

In this context, the recent news that high school graduation rates are edging upward is certainly welcome.⁴ Yet large gaps in educational attainment based on race/ethnicity remain, and with more and more students coming from underserved populations, the need to close these gaps is increasingly great. Unfortunately, comparing the educational attainment of younger workers (aged 25-34) to their older counterparts (aged 45-54) gives an indication of where overall educational attainment may be headed, and the news is not good. Figure 4 shows the by-now familiar gaps in educational attainment between races/ethnicities, with Black non-Hispanics, Hispanics, and American Indians/Alaska Natives achieving a postsecondary degree at much lower rates than their Asian/Pacific Islander and White non-Hispanic peers.

But what is really troubling is that the gaps are even larger for the younger populations. Most notably, younger Hispanics have a lower attainment rate than their older counterparts and, while younger Black non-Hispanics are better educated than their elders, the difference is slight. Although it is true that individuals continue to seek and obtain a postsecondary education throughout their lives,

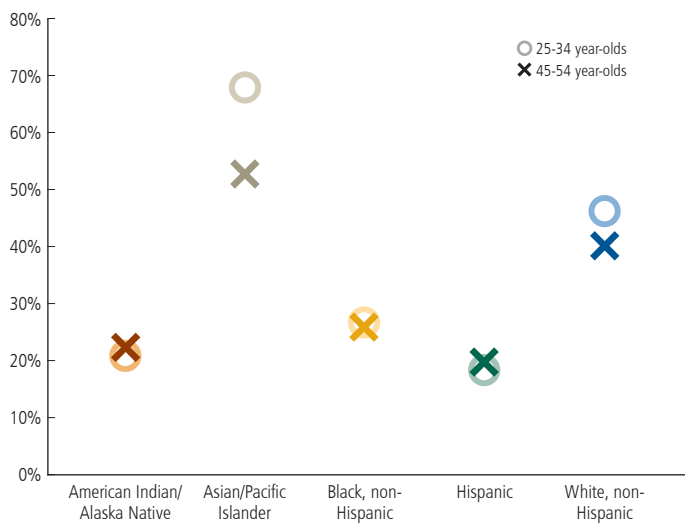
and that therefore we might expect the degree attainment rate for the younger age group to rise as its members grow older, we also know that the barriers to degree completion for older students tend to be higher and that, partly as a consequence, students who begin college later in life achieve degrees at lower rates.⁵ If so, we may be seeing gaps in educational attainment actually grow, despite all the effort and rhetoric invested in trying to close them. Combined with the demographic shifts previously described, these indicators also suggest that the nation's overall educational attainment level may be slow to grow in spite of increases in the rates for younger White non-Hispanic and Asian/Pacific Islanders. Certainly, a focused effort to improve the attainment of underrepresented populations, especially Hispanics, could have a significant effect on the national rate.

Access and the College Completion Agenda

In response to these demands, policy leaders have advocated for what has been called a college completion agenda. Perhaps best exemplified by Complete College America – an organization that has assembled 32 states plus the District of Columbia to pursue completion strategies – such efforts have sought to use data to track students from college entry through completion of a degree or certificate, in order to sweep away bottlenecks in completion (notably remediation) and reduce the time it takes students to finish their programs. States are taking a fresh look at performance funding, in which institutional subsidies are determined based on how well students progress toward milestones on the path to a credential and, eventually, to graduation. The most promising of these efforts also reward institutions for attracting underrepresented populations and ensuring that they succeed at high rates. States are also exploring how to embed incentives to encourage student success in financial aid models. These policies have the potential to transform the incentives facing institutions to ensure that they attend more carefully to student success and recalibrate their policies and practices to be more in tune with the nation's educational attainment needs.

But even a well-designed set of state policies focused on college completion will have to be implemented by public institutions, where the burden of paying for educational costs has been shifting to students and their families for decades. Evidence of the fiscal challenges ahead is clear in reports by Moody's and Standard and Poor's, the two ratings agencies that recently sounded alarms concerning the financial well-being of the higher education industry. According to the State Higher Education Executive Officers annual *State Higher Education Finance* report, in FY 2012 tuition revenue accounted for 42.5 percent of public institutions' two main sources of discretionary operating income (the other being state appropriations). That compares to 31.6 percent in 2008.⁶ The combination of

Figure 4. Differences in College Attainment (Associate's and Higher) Between Younger and Older Adults by Race/Ethnicity, 2008-2010



Source: American Community Survey (via National Center for Higher Education Management Systems).

dwindling state appropriations and increasing enrollment has meant that state direct investments are at their lowest point ever.

The result is that net tuition revenue increasingly is the lifeblood of public institutions, especially in the four-year sector, just as it has traditionally been for private institutions. This trend is not altogether the result of intentional policy choices. Rather, it is a byproduct of resource scarcity, rising demand for higher education, and macro-level state budget decisions. But whether intended or not, the chase for net tuition revenue is intensifying, with some predictable results; already a sophisticated activity, enrollment management is growing ever more so, characterized by the employment of highly compensated consultants, price discrimination, and climbing discount rates.

Even as policymakers develop and adopt reforms that seek to improve completion rates by changing the ways in which funding flows to institutions, they also need to consider how the pressure on campuses to maximize net tuition revenue can potentially undermine their efforts to ensure the existence of a competitively skilled workforce for the years to come. Most importantly, the chase for net tuition revenue is putting enormous and rising pressure on institutions, and especially their admissions and enrollment management operations, in ways that may work at cross purposes to the state's public interest in achieving higher levels of educational attainment.

The Chase for Net Tuition Revenue

As states expect institutions to generate more of the revenue they need to operate, enrollment managers increasingly are faced with difficult decisions about whether to allocate resources away from activities that may better serve the public good in favor of a more secure financial bottom line. The most obvious example is how adept institutions have become at using institutional aid dollars to “price discriminate” among applicants, in order to attract those they perceive to be most desirable.

Less obvious, perhaps, is how far afield recruitment efforts have spread. The pursuit of net tuition has increasingly led state institutions to develop markets for prospective students in other states and foreign countries – students who would be subject to much higher nonresident published tuition rates (even if such students are offered a discount off those higher rates, the institution has more cushion to capture revenue). A scenario in which flagship institutions in neighboring states forge a gentleman's agreement under which they “swap” similarly qualified students, in order to charge them nonresident tuition rates and reap the marginal revenue, is no longer an altogether facetious one. Good for the institutions, but maybe not so good for the students, who would be paying more for a substantially equivalent college experience. Of course,

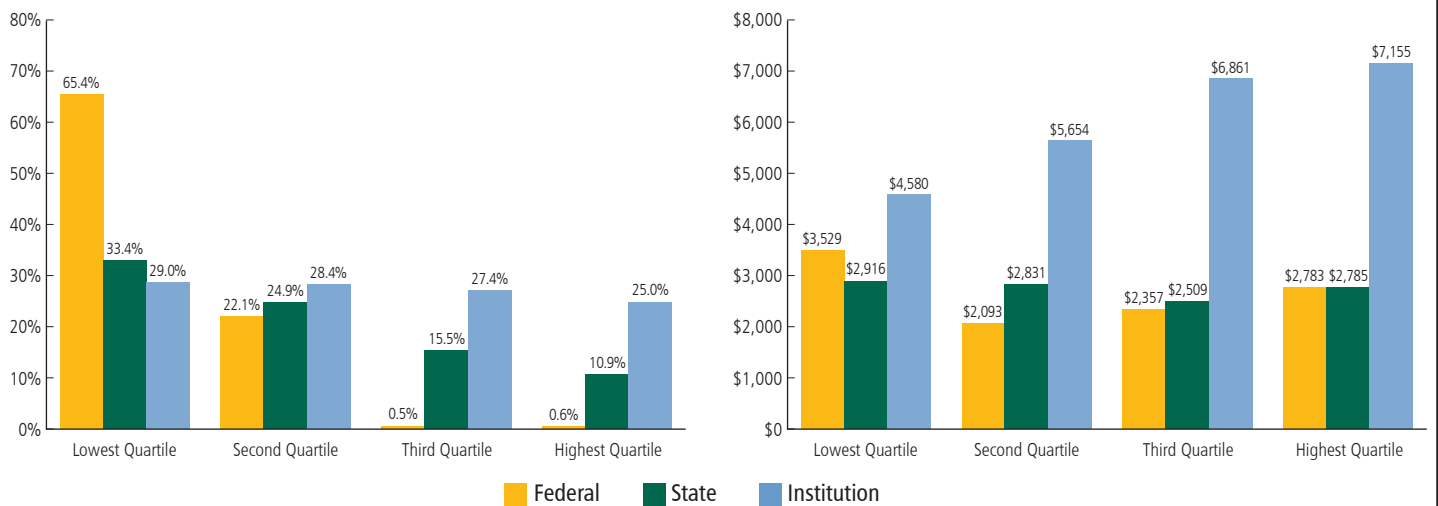
the recruitment of out-of-state students is hardly a new phenomenon. But the incentives to do so have never been greater.

International student recruitment is an even thornier, yet rapidly proliferating practice – so much so that the National Association for College Admission Counseling has been leading a multifaceted review of professional practice in this area, involving a wide array of stakeholder groups. Certainly, international students contribute to institutional diversity and cultural exchange, among other virtues. But the growth in efforts to attract them appears more than ever to be motivated by institutional financial health, which can be seen in a few cases of public institutions creating programs specifically to attract international students, with aid dollars paid for with discretionary funds.⁷

To be sure, attracting full-pay students, some of whom may be required to pay additional surcharges to support specific services designed for them (like international student services), may help cross-subsidize students who require significant financial help to attend college. The notion of raising money from those capable of and willing to pay higher tuition rates in order to promote access among those without the financial means to attend without help is not new. It is at the core of the high tuition/high aid financing model, which is intended to help foster economic efficiency and generate a wider distribution of opportunity. But to the extent that growth in enrollment of international students may crowd out deserving domestic students, especially those from underrepresented populations, institutions and policymakers will need to be aware of how such recruitment activity may come with significant opportunity costs.

Moreover, both recruitment and institutional aid-awarding strategies are opaque to policymakers and the public and tend to give greater advantage to students who come from relatively wealthier backgrounds. Figure 5 shows that while grant aid from the federal government is well-targeted to students from low-income backgrounds, wealthier students are about equally likely to receive a grant award from institutions as their less fortunate peers and, if they do get a grant, the amounts provided to wealthier students are substantially greater. Such patterns are due in part to differences in the colleges students choose to attend, but this evidence also leaves out entirely those individuals who elected not to enroll in college at all – sometimes because they perceived the costs of attendance to be impossibly high – a group that skews toward the lower end of the income spectrum. Institutions hold dear their mission to serve students from all backgrounds and continually look for ways to carry it out while also generating the revenue needed to operate and to preserve quality. Still, when institutions

Figure 5. Percent of Dependent Students Receiving Grants and Average Amount Received by Source of Grant and Income Quartile, 2007-08



Source: NCEES National Postsecondary Student Aid Survey, WICHE calculations.

are rewarded for retention and graduation by outcomes-based performance-funding policies – unless such policies are designed to reward them specifically for their success with at-risk populations – they have a doubly powerful incentive to concentrate recruitment energy on affluent, academically well-prepared prospective applicants.

As we enter a new era, in which the pool of high school graduates for institutions to recruit from is no longer consistently growing, one of the troubling possibilities is that rising competition may tend to exacerbate the awarding of institutional aid to relatively well-off students, as institutions struggle to maintain the incoming profile of their incoming freshman class.

Seeking Alignment Between Policy and Enrollment Management Practice

As the three pressures mount and converge, the need for policy and practice that are better aligned with society's needs is increasingly clear. Fortunately, new evidence emerging from longitudinally linked data systems is starting to equip state policymakers and institutional leaders with new tools for challenging the status quo around admissions that remains driven by prestige-driven rankings, based on input measures that have at best a fleeting relationship with the institution's effectiveness.

Policymakers

On the policy front, states are making progress developing accountability and funding models that are built on longitudinal data, allowing for the production of reliable indicators of student outcomes. Such outcomes-based performance-funding models should include indicators specifically aimed at institutional efforts to assist students from underrepresented populations. Yet however well-designed, state policies related to higher education will be mediated by institutional policy and practices. As

states roll out new policies, they will also want to examine institutional practices, to ensure fidelity to state goals and the policy's intent.

More generally, policymakers should become conscious of how the market-based incentives may encourage public institutions to look well beyond their own state's borders for affluent students to help make ends meet. The expansion of these recruitment efforts is not without direct costs to institutions and potentially high opportunity costs to the state. At the very least, the recruitment of both out-of-state and international students should raise questions about how public institutions pursue their mission to serve the interests of the state and its residents. State policymakers should also understand that institutions are not at all equal with respect to their ability to penetrate those markets for needed revenue. Without meddling, state policymakers should monitor the extent to which recruitment practices appear out of balance with state goals and institutional mission and, given their common interests in providing affordable educational opportunities to their own residents as well as in retaining educated talent in their labor markets, they may need to work collaboratively across state lines to do so most effectively.

State policymakers can also help ease the financial burden for students by creating greater clarity and transparency in financial aid awards, while also appropriately targeting those students whose decisions are most motivated by financial considerations and fostering greater amounts of student success by embedding clear incentives for student performance in grant aid programs.⁸ A useful start may be made by clarifying and prioritizing the state goals for its aid programs collectively, and then developing a framework – a statement of shared principles linked to a broad outline for determining eligibility and award amounts – that meets those goals. Such a framework could then be used to take a careful look at the array of

existing programs and consolidating those that are only loosely aligned to the state goals, along with those that do not adequately target funds on students for whom financial assistance has a real impact.

Also guided by the framework, state policymakers can also consider how they might embed incentives in state grant aid policies intended to promote student performance and success. Massachusetts, which is piloting a program to reward low-income students based on how many credits they earn, and Colorado, which plans to award larger grants to students at each successive year in college, offer examples of states experimenting with such incentives. Additionally, state policymakers may also consider how to more tightly link its investments in both students and institutions by offering a financial incentive to institutions that succeed with the same students who are eligible for and receive state grants. After all, the state has already invested in those students once; creating a supply-side inducement may give institutions extra impetus to focus attention on the success of those same students.

A clear framework then helps keep state policymakers focused on the goals and equips them with tools to make difficult rationing decisions when the funds available for financial aid simply are insufficient for the demand. Last, together with simplifying and consolidating too many grant programs, the framework can help the state more effectively communicate early on to students and their families about resources available for college about the most important question, namely "How will we afford the cost of attendance?"

Institutional Leaders

At the institutional level, enrollment managers can start asking harder questions about their own policies and practices. For instance, to what extent does the effort to recruit students, even students of color, consume scarce resources that could be put to ensuring the success of students already matriculated? Maintaining a presence in a far away location is costly, but many institutions are committing considerable resources toward trying to entice students who reside in geographic regions shown to be growing, even though there usually remains a large contingent of students closer by who might be served.

Moreover, as we learn more about student enrollment patterns from sources like the National Student Clearinghouse, it is striking how often students opt to transfer away from their original institution. Among students beginning at a private, nonprofit, four-year institution, about one-third transferred away within five years of initial enrollment, about the same rate found for institutions in the public sector, including transfer-oriented community colleges.⁹ The recruitment of all those students who wind up leaving represents time, attention, and often real dollars that are no longer available for finding out

and addressing the reasons why they might have opted to move on to another institution or out of college entirely. The higher education industry can little afford confusing the kind of "fit" associated with a student choosing between fundamentally similar institutions (i.e., the Ohio State University vs. the University of Michigan, never mind the deep rivalries involved) with the kind of fit associated with students choosing the most rigorous institution they are academically prepared for (i.e., to address the "undermatching" phenomenon¹⁰). This kind of rich information about how widely varied student enrollment pathways actually are begs new questions about how institutional leaders measure the effectiveness of student recruitment and enrollment management activities.

Another possible avenue for productive change is to ask not only whether leveraging strategies for institutional aid are making a difference in who enrolls and whether aid budgets are promoting access, but also to take a closer look at how those budgets contribute to student success, or not. Such a review might be informed by a new generation of leveraging models, in which institutional aid expenditures are more highly valued when they go to successful students whose profile suggests they overcame the greatest obstacles, based on sophisticated predictive analysis.

At the same time, institutions might consider how to shed light on the black box of institutional awarding strategies. Institutions rightfully may think of these as trade secrets, an absolutely vital weapon in the competition over prospective students. But at a time in which so much attention is being given to simplifying federal and state aid policy and to promoting more widely available consumer information (like the net price calculator), a bold, access- and affordability-focused institution could lay out a more transparent framework for institutional aid decision making. An example of one such framework exists in the need-based grant programs of both Oregon and Minnesota, which may be adaptable to an institution setting. Both programs determine eligibility by beginning with a clear expectation for students, who must shoulder a substantial share of their own costs of attendance, but then also account for the contributions of families and the federal government through Pell Grants and tuition tax credits. Such eligibility criteria could be marketed early to students and their families, offering them a tool for early financial planning in place of the prevailing practice by which very little or no useful information about institutional aid is available to families until after the admissions decision is made.

Enrollment managers at four-year institutions who are looking to simultaneously increase racial/ethnic diversity in their student bodies and measures of student quality can also tap into a ready source of promising students in community colleges. It may be true that the recruitment of

transfer students is not very highly valued in the prestige-seeking activities driven by rankings or in the data collected and reported by the U.S. Department of Education, but in many respects those students may be a safer bet for institutions wanting to boost their graduate numbers and demonstrate productivity improvement to policymakers. It stands to reason that a student who has already proven he or she is capable of performing well at the postsecondary level, even in an environment that is often less rich in student support services, is at least as likely to continue their success at a new institution as an otherwise similar student who is recruited directly from high school. Available research lends evidence to that view: students who come to a four-year institution after a successful stint at a two-year college perform as well as or better than their peers who are native to the four-year institution.¹¹

Finally, in many cases admissions officers and other student services offices that are involved in a student's matriculation have committed significant time to working with a student, and that student may view those offices as a source for helpful advice and counsel. Therefore, enrollment managers should understand the virtues of developing a close association with institutional research and an intimate familiarity with the institution's curriculum, degree programs, and transfer pathways to other institutions may equip them to help students, especially those most at risk, make choices that set them on a path toward success. There are benefits beyond simply serving students, too: it is usually less costly to retain a student for another year than it is to recruit a marginal student choosing from among multiple options (including foregoing college altogether), while a close working relationship can keep enrollment managers better informed about the characteristics of the students most likely to succeed at their campus.

Conclusion

If the phrase "demography is destiny" has any merit, then the challenges confronting our higher education industry – heightened pressure to produce graduates at a lower cost, more of which is being supported by students and their families – are clear and potentially towering. The fastest-growing populations among recent high school graduates are less well-prepared academically and have far fewer financial resources at their disposal, on average. Too many of the incentives embedded in higher education's "business as usual" favor policies and practices that may exacerbate already large gaps in educational attainment among individuals of different races/ethnicities.

More than ever, our national prosperity and security, in a globalized labor market driven by the prevalence of well-educated, highly-skilled workers, depend on improving our performance with underrepresented populations. Therefore, to ensure that demography – at least as

extrapolated based on existing rates of educational attainment – does not in fact become our destiny, policymakers and practitioners need to examine issues of affordability, student recruitment, and accountability and to reward institutions for their successes in addressing the gaps in educational attainment.

A Word about the Projections

The methodological approach WICHE takes in producing these projections is known as the Cohort Survival Ratio (CSR). CSR is a highly transparent, straightforward forecasting approach that combines data on births with year-by-year grade level enrollment data and graduate counts. It rests on one key assumption: that whatever underlying factors are influencing these underlying data will carry forward indefinitely. So we assume that the census counts implicitly capture the combined effects of mortality, mobility (among states, in and out of the country, and between schooling options), grade level acceleration/retention, early graduation and dropout behavior, and the adoption of any policies or practices that would affect graduation.

Even though our methodology does not separately account for these factors, we nevertheless make note of a few important observations. First, immigration into this country from Mexico has fallen to 40-year lows, and it appears that about as many Mexican-born residents in the U.S. repatriated between 2005 and 2010 as there were new arrivals.¹² Second, the actual data upon which our projections are based only reach 2008-09 for graduates, 2010-11 for enrollments, and 2009-10 for private schools. It is unknown how the Great Recession may have shifted students between states or in and out of public and private schools as it wore on beyond the reach of these underlying data, but our projections – especially for nonpublic graduates – will reflect trends that were evident only at the outset of the economic downturn. Finally, readers should be aware of changes to racial/ethnic classifications in federal data collection and reporting requirements and how they might have impacted our projections, including that the traditional five, mutually exclusive racial/ethnic categories for which we make projections in this edition of *Knocking at the College Door* will not perfectly match the groups to be reported on as of 2010-11 for all states.¹³

Endnotes

¹ It is essential for policymakers and members of the postsecondary education community to remain aware that these projections focus narrowly on the traditional educational pipeline. Students emerging from high school and seeking entrance directly into colleges and universities remain a critical mass served by those institutions and the target of most policies. However, adult learners are a growing share of the postsecondary student body: the National Center for Education Statistics within the U.S. Department of Education projects an increase of 22 percent in the number of individuals aged 25 or older enrolled in colleges and universities between 2010 and 2021. Institutions expecting to serve adult learners effectively recognize that such students confront different challenges and have different needs along their path to a degree or credential than do traditional-age students.

² South Carolina's position below zero on this scale is an artifact of the years selected for presentation. Its K-12 enrollments are projected to have a higher share of students of color by 2019-20, and its public high school graduating classes beyond 2019-20 can also expect to see increased diversity.

³ Anthony Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018* (Washington, D.C.: The Georgetown University Center on Education and the Workforce, 2010).

⁴ Robert Stillwell and Jennifer Sable, *Public School Graduates and Dropouts from the Common Core of Data: School Year 2009-10* (Washington, D.C.: U.S. Department of Education, 2013).

⁵ Doug Shapiro, Afet Dundar, Jin Chen, Mary Ziskin, Eunkyong Park, Vasti Torres, and Yi-Chen Chiang, *Completing College: A National View of Student Attainment Rates*, National Student Clearinghouse Research Center Signature Report #4 (Herndon, VA: National Student Clearinghouse Research Center, 2012).

⁶ State Higher Education Executive Officers, *State Higher Education Finance FY 2012* (Boulder, CO: author, 2013).

⁷ A. De Luca, W. Robinson, and B. Yunek, "Improving Access Through Innovative Aid Programs," presentation at the College Board Annual Forum, Miami, 25 October 2012.

⁸ Brookings Institution State Grant Aid Study Group, *Beyond Need and Merit: Strengthening State Grant Programs* (Washington, D.C.: Brookings Institution, 2012).

⁹ Don Hossler, Doug Shapiro, Afet Dundar, Mary Ziskin, Jin Chen, Desiree Zerquera, and Vasti Torres, *Transfer & Mobility: A National View of Pre-Degree Student Movement in Postsecondary Institutions*, National Student Clearinghouse Research Center Signature Report #2 (Herndon, VA: National Student Clearinghouse Research Center, 2012).

¹⁰ William G. Bowen, Matthew M. Chingos, and Michael S. McPherson, *Crossing the Finish Line: Completing College at America's Public Universities* (Princeton, NJ: Princeton University Press, 2011).

¹¹ Christopher M. Mullin, *Transfer: An Indispensable Part of the Community College Mission* (Washington, D.C.: American Association of Community Colleges, 2012).

¹² Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, "Net Migration from Mexico Falls to Zero – and Perhaps Less" (Washington, D.C.: Pew Hispanic Center, 2012).

¹³ Details about the change can be found on p. 60 of the full publication, available at www.wiche.edu/knocking-8th.

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