

Observing the impact of changes in net-of-grant prices on college-going among lower income youth

Evidence from two ‘natural experiments’

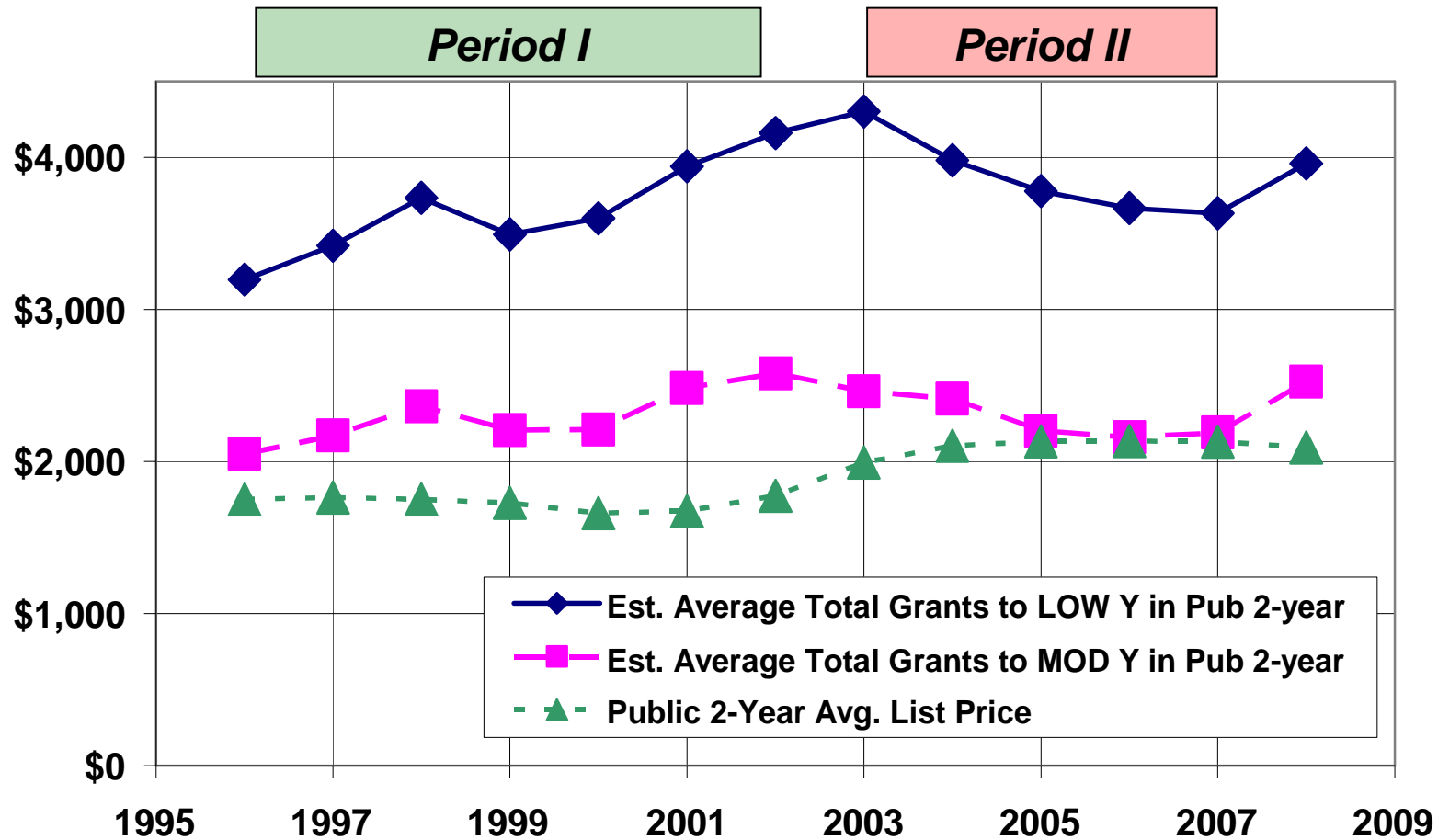
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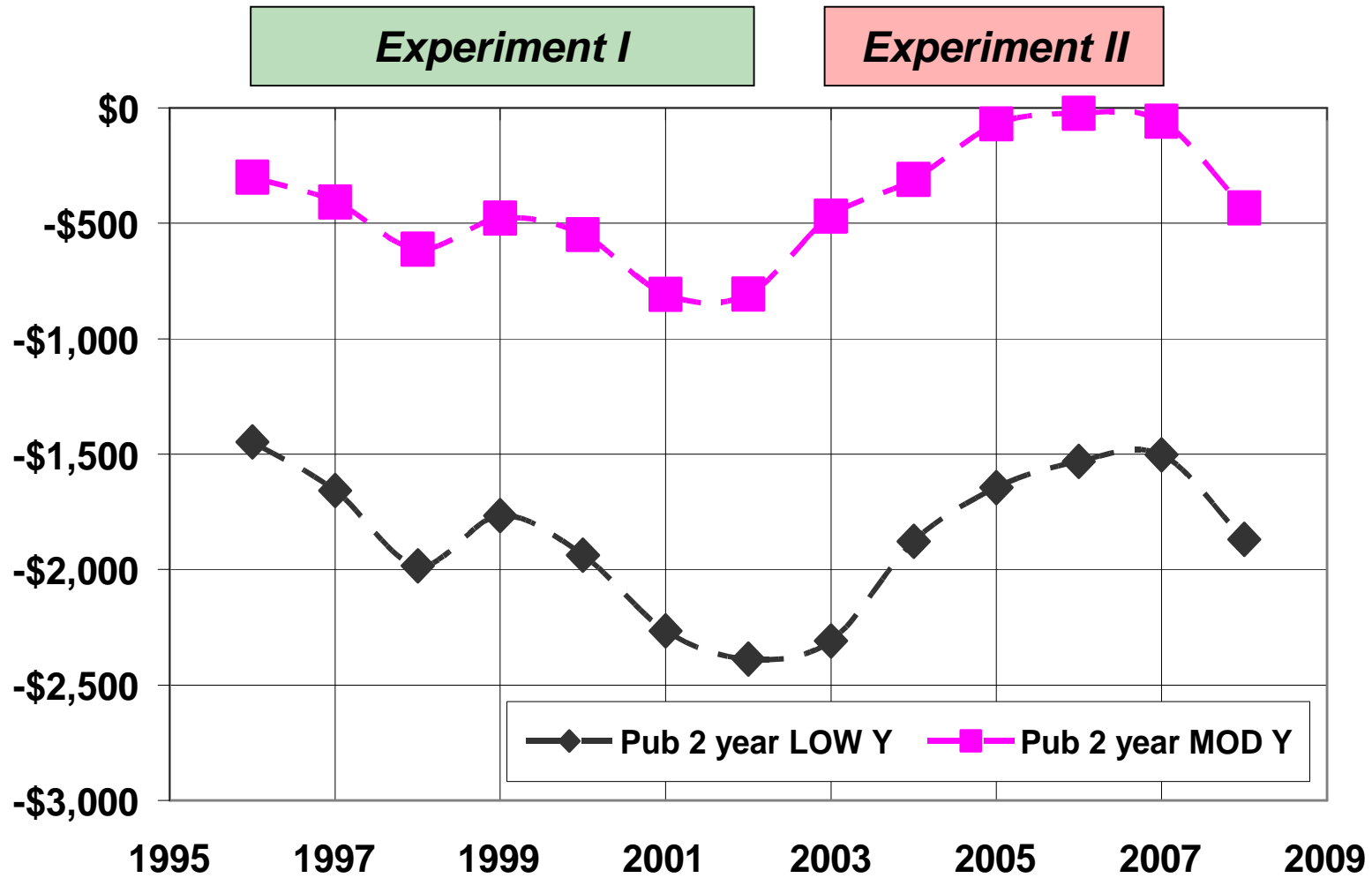
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During two recent periods, lower income students in public 2-yr colleges experienced stable list prices and changing grant awards



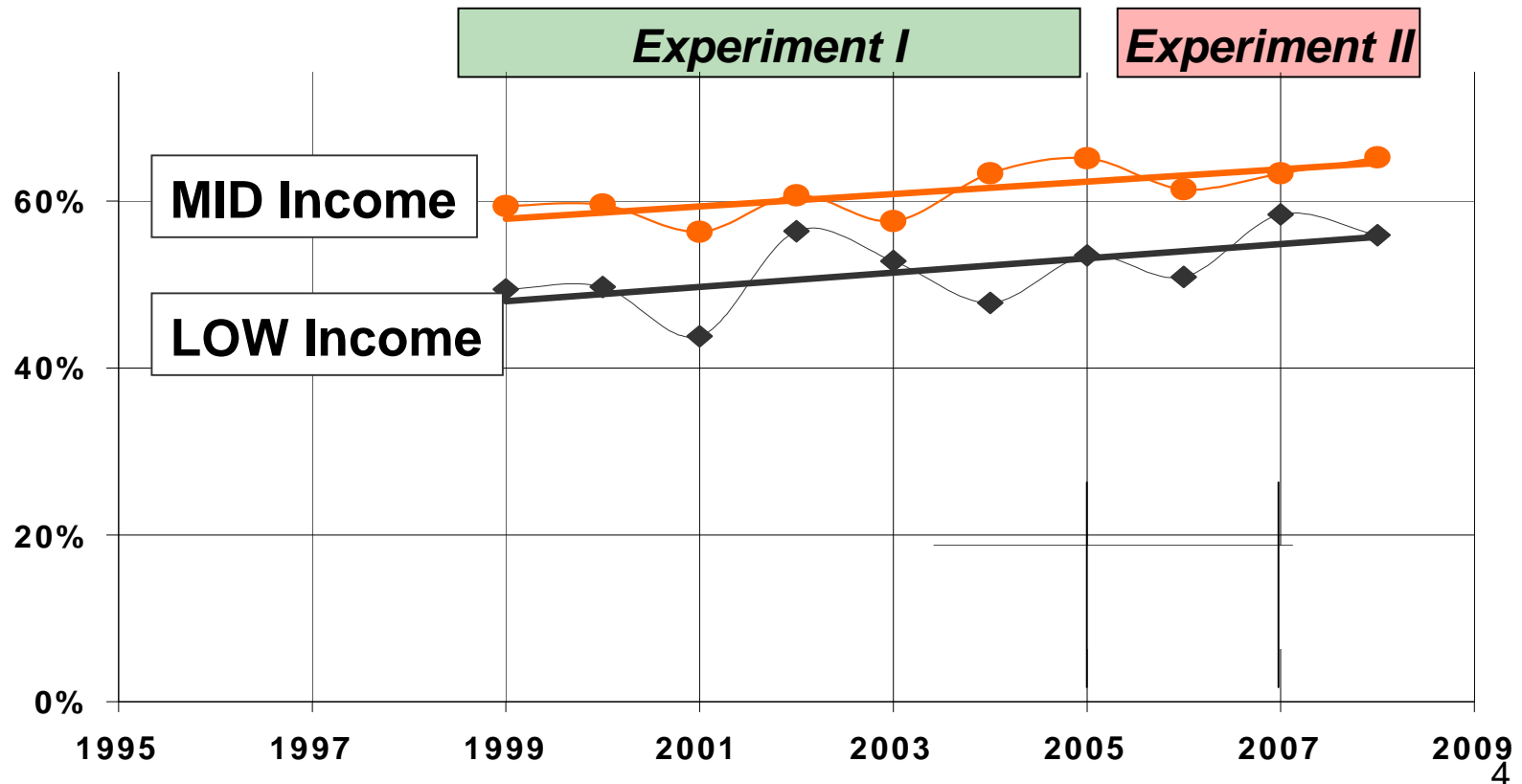
* all \$ are inflation-adjusted, constant 2009\$

These trends created two experiments, providing an opportunity to observe the impact of changing net prices on college-going



Readily available and frequently used data incorrectly portray the impact of net-of-grant prices on college-going

For example, data from “The Condition of Education” suggest that the observed changes in net-of-grant prices have had little, if any, impact on college-going among low income youth



In part, this error results from “The Condition of Education” using incorrect estimates for the family incomes of many youth

- For recent HS graduates who do not live with their parents or in college-provided housing, the COE-reported incomes represent the youths’ household incomes rather than their parents’, family incomes
- These ‘family leavers’ account for a significant and growing share of youth attending college immediately following HS

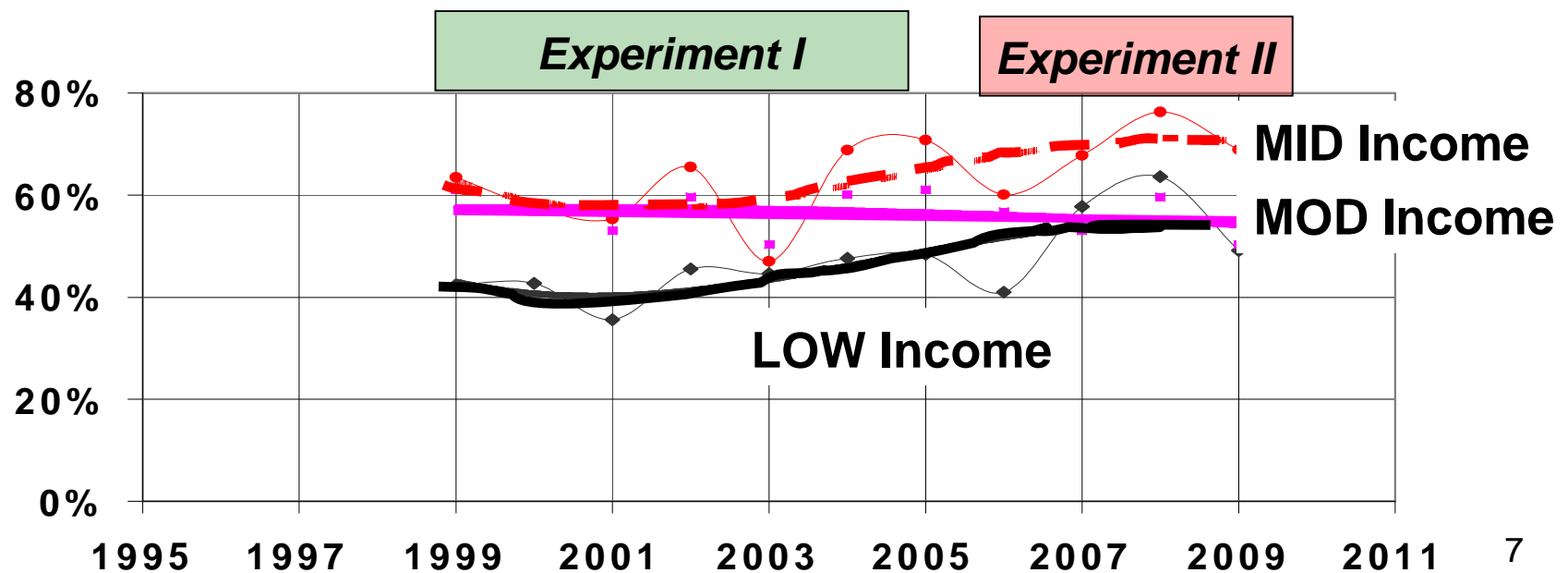
	Low Income	Middle Income
1995	15.8%	9.1%
1999	14.8%	14.1%
2003	16.9%	12.1%
2007	21.0%	18.0%

Two adjustments are needed to correctly observe the impact of changing, net-of-grant prices on college-going

1. the census-based, high school completion and college-going rates must be adjusted to account for family leavers
2. The resulting college-going rates must be adjusted to account for impact of changes in non-price, factors – e.g., HS completion and unemployment rates -- that affect college-going among high school completers

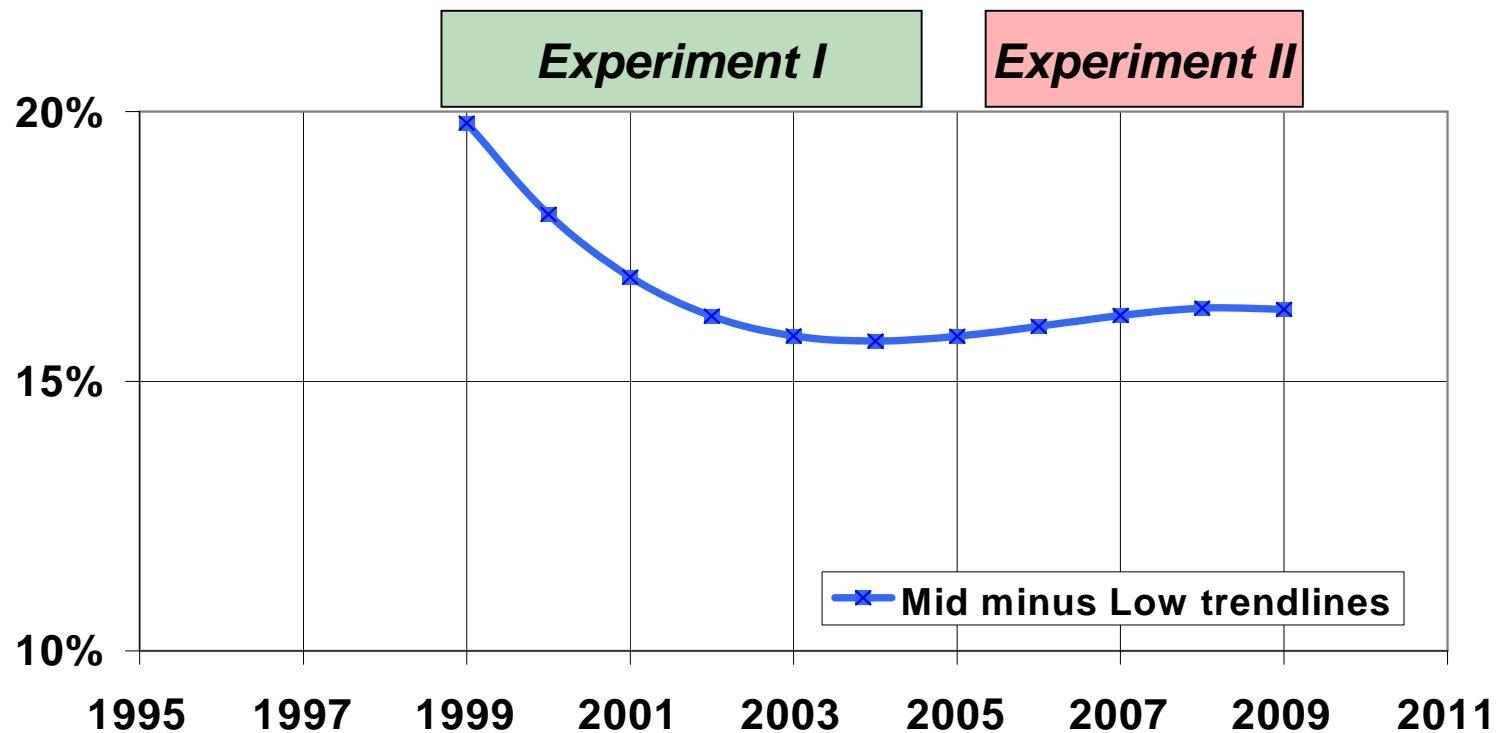
Incorporating these adjustments – it appears that changing net-of-grant prices did affect college-going among low income youth

- For low income youth, college-going youth increased when net-of-grant prices declined and trended downward when prices increased
- During both experiments, college-going among moderate income youth was unaffected by the small net price changes experienced by these youth



The impact of changing net-of-grant prices is also evident in the gap between low- and middle-income college-going rates

- The gap between the college-going rates of middle and low income youth decreased during the period of declining, net-of-grant prices
- Subsequently, when net prices started to grow, the gap stabilized and started to slowly increase



What are the implications of these experimentally-based observations?

- Significant and consistent changes in net-of-grant prices affect immediate, post high school, college-going among low income youth
- The apparent lags between changes in net prices and changes in college-going indicate that net-of-grant prices influence youth over a period of time, rather than simply during the last years of high school
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