Eduventures
INSIGHTS

TRADITIONAL STUDENT DEMAND

Fall 2020 Enrollment Scenarios, Part 3: Community Colleges

Introduction

The third installment in this series weighing enrollment fall 2020 scenarios amid COVID-19 considers community colleges. These low-cost, no-frills institutions serving less traditional students, whether by age or background, enroll about 40% of U.S. undergraduates.

Community colleges, public two-year schools, might be the "winners" in a pandemic: an accessible beacon for the unemployed and a waystation for four-year-college-bound students, and for their disgruntled parents in the background, unwilling to pay regular tuition if the virus forces schools online yet again. Community college enrollment certainly boomed during the Great Recession. In a pandemic, simpler community college campuses—no big college sports or residence halls—might even make social distancing easier.

Are community colleges ready for an enrollment influx? Or is the prospect of an enrollment surge a mirage or unwelcome? This report looks back at the past two recessions and ponders continuity and disruption ahead.

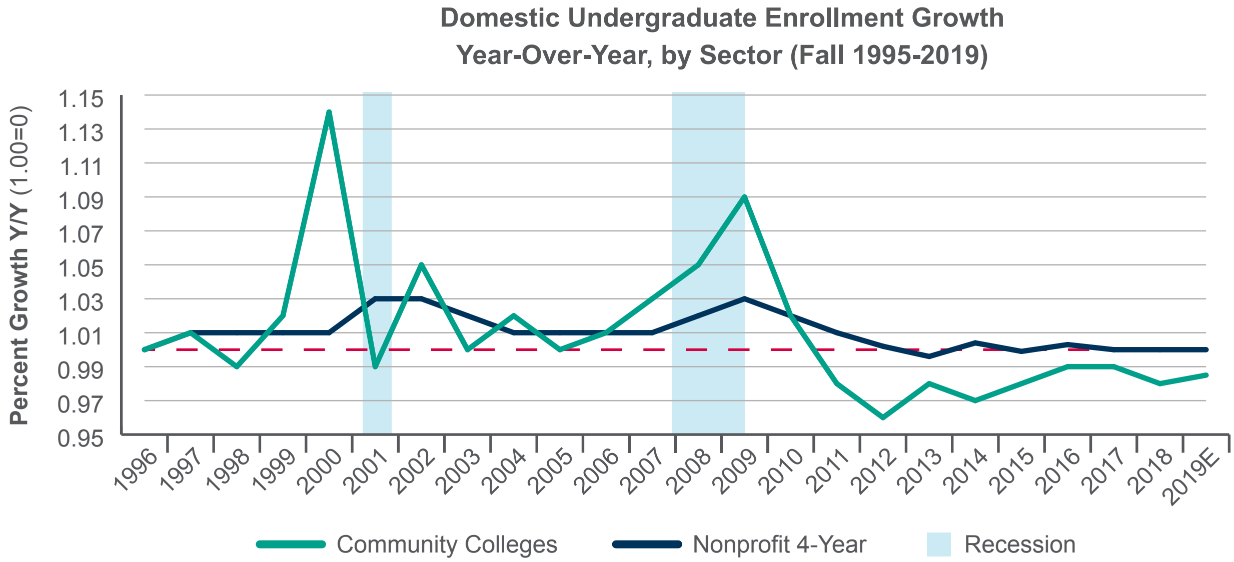
Lessons from the Past

Given their enrollment struggles of the past decade, community colleges might welcome more enrollment in the current environment. After the Great Recession, when the nation entered the longest period of uninterrupted growth in U.S. history, the two core community college markets, adults looking to retrain and traditional-aged undergraduates in search of a bachelor's alternative or a low-cost, four-year school pathway, softened. When the economy was going strong, pushing unemployment down to a 50-year low, adults without degrees spurned higher education. To manage state divestment and rein in tuition, four-year schools expanded enrollment, persuading younger two-year school students to transfer early or forgo community college entirely.

Indeed, not everyone thinks that another community college surge is a good idea. Some studies, noting that many community colleges suffer low completion rates and transfer challenges, argue that graduation chances improve significantly for less traditional students if they start at a four-year school. Other critics question the community college career preparation pitch, asserting that too often certificates and associate degrees prove to be dead-ends. The compound of falling enrollment and frugal states have starved many community colleges of investment, pushing up tuition.

Figure 1 compares total for-credit domestic enrollment growth at community colleges to trends at nonprofit four-year schools.

Figure 1. Community Colleges Do Well in Tough Times



Source: Eduventures analysis of IPEDS and NSCH data. Shaded areas indicate recessions. In fall 2018, community colleges enrolled about 6.3 million domestic undergraduates, compared to 8.6 million at nonprofit four-year institutions. Figure 1 tracks fall enrollment. The alternative, 12-month unduplicated headcount, boosts community college numbers but the growth trend is unaffected.

Figure 1 makes clear that community colleges are much more sensitive to the economy than four-year schools. Between 1999 and 2002, the bookends of the dotcom crash and subsequent economic downturn, community college enrollment jumped 18% (the community college enrollment dip in fall 2001 may have been due to the shock of 9/11). A few years later, the Great Recession spurred a 16% enrollment boost between 2007 and 2011. Enrollment tracks with unemployment, which peaked after both recessions officially ended, explaining the lag in Figure 1 between GDP contraction and enrollment.

Among nonprofit four-year schools, typically more dependent on high school graduate volume than the ups and downs of the economy, both recessions saw much more modest momentum (see the first report in this series, *Fall 2020 Enrollment Scenarios, Part 1: Traditional-Aged Undergraduates*, on traditional-aged undergraduate enrollment trends at four-year schools). Equally, the long economic expansion post-2009 sent community college enrollment growth negative, while nonprofit four-year institutions held steady. Population growth in some parts of the country (e.g., Texas) kept community college buoyant.

For-profit four-year schools, not shown in Figure 1, outpaced community college enrollment growth rates during the past two recessions, but from a much smaller base. Of course, for-profits overall have also fared much worse than community colleges since 2012.

Yet the community college story of the past 25 years is not as simple as enrollment up in bad times and down in good. The student body has changed. In 1995, half of community college students were "traditional" students, under the age of 25, and half were older adults. By 2018, younger students accounted for 67% of the total. Higher education expansion, the decline in state funding per student, and above-inflation tuition increases underlined the longstanding role of community colleges as an affordable pathway to a bachelor's degree: do a year or two at a community college and then transfer to a four-year school. Indeed, some states permitted community colleges to offer bachelor's degrees themselves.

Population trends also helped: record-breaking numbers of high school graduates meant plenty of students to go around. Demographic shifts ushered in a more diverse, and in some ways less well-prepared, cohort, favoring the more supportive environment of community colleges. Whatever the drivers, more robust younger enrollment helped community colleges weather the long economic expansion over the past decade when adult interest collapsed, and many more four-year schools were chasing that demographic.

But another caveat is in order. A large proportion (20% in 2018) of traditional-aged students at community colleges are not enrolled in a degree or certificate program but are dual-enrollment high school students, pursuing one or more high school courses that also count for college credit. The percentage at four-year schools is only 8%. Dual-enrollment supports the access and affordability mission of community colleges but puts downward pressure on revenue per student. Indeed, community college enrollment overall skews part-time, also reducing revenue-per-student.

Now What? A Once-in-a-Century Recession

If economic trouble spells an enrollment surge at community colleges, there is no question that COVID-19 fits the bill. But this is no ordinary recession. The college experience is up in the air, as schools wrestle with re-opening scenarios, adding complexity to student decision-making.

Current aggregations of four-year college and university plans for the fall lean heavily toward campus re-opening. Over 70% of such institutions cite this goal as of the publication of this report. Community colleges are more likely to anticipate an online or hybrid semester.

This is a crucial variable when forecasting community college enrollment prospects. Without much in the way of dorms or lavish campus facilities, community colleges have less of a financial incentive to re-open. Many four-year schools lose money on instruction and academic support and make it up with room, board, and extracurriculars. Many students at the typical four-year school signed up for the full campus experience, compounding pressure on institutions to re-open come what may. The community college experience, first-rate though it can be, is more transactional. Students are commuters who spend relatively little time on campus and juggle work and family obligations. Never mind the student experience; thousands of community college students, faculty, and staff coming and going every day will make virus management doubly difficult.

Of course, the line between two- and four-year schools is increasingly blurred, and some commuter-heavy four-year institutions face a calculus like that of their two-year counterparts.

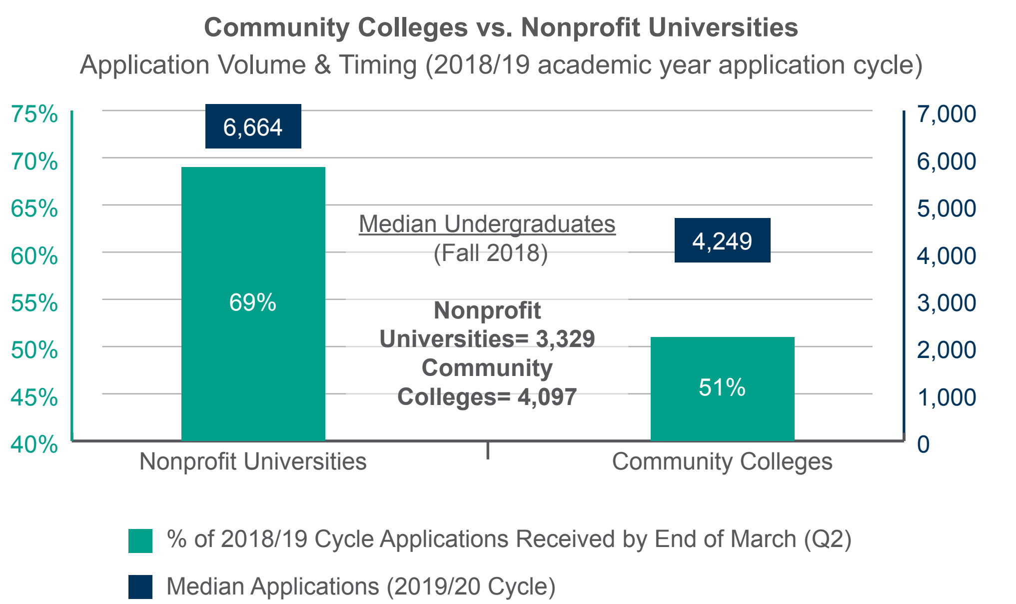
Some argue that the community college is something of a model for pandemic management in higher education. Online learning is already mainstream—about 15% of community college students enrolled fully online pre-pandemic and another 25% took at least one online course, ratios above the four-year benchmark. Faculty and administrators fight less than they do at four-year schools over pedagogic and disciplinary turf, resulting in a more student-centered environment without the "distractions" of research and athletics. A commuter culture means that hybrid learning is the norm. Community colleges may find it easier than four-year schools to run the fall semester majority online leavened with targeted campus activities to accommodate hands-on classes, and not be accused of short-changing students.

Among current and prospective four-year school students, particularly freshman and sophomores, the community college bargain, aligning experience and price, might appeal. There is little appetite for another remote semester, widespread concern that a socially distanced campus may be a far cry from pre-pandemic days, and palpable parental anxiety not to overpay for anything judged a second-rate experience. Sitting out fall 2020 at a community college, keeping things ticking with a few transferable general education online courses until COVID-19 is vanquished, might be a smart move. Throw in swells of displaced adults looking for new career direction and short programs, without burdensome tuition, and community colleges might expect both their core constituencies to come knocking in record numbers.

What do application trends reveal about fall prospects? Compared to four-year schools, community colleges receive fewer applications and receive them later in the admissions cycle (Figure 2).

As local, non-selective institutions, community colleges attract fewer applicants relative to universities. The non-traditional nature of many community college applicants also means a more drawn-out application cycle driven by shifting circumstances rather than long-term planning. Yet the median undergraduate population at community colleges in 2018 was 23% larger than the median at nonprofit universities, a reminder that for community colleges every application counts. Given the timing of the pandemic, the disparities in Figure 2 are notable. It is normal for community colleges to still be processing large numbers of applications through the summer, but COVID-19 multiplies the uncertainty.

Figure 2. The Community College Waiting Game



Source: Eduventures analysis of 2018/19 FAFSA application data. FAFSA applications are filed over an 18-month period for each academic year. The filing period is broken into six quarters. The second quarter ends on the last day of March prior to the start of the next academic year. Not all community colleges take part in federal financial aid, and not all community college applicants file the FAFSA.

Current FAFSA filing trends, post-March, remain inscrutable. Both new and renewal filings, are still down year-over-year, particularly for less traditional students. This betrays the dynamism of the pandemic rather than lack of interest. Indeed, many four-year school applicants are now weighing whether to jump to a community college for a semester or skip the semester entirely, making existing application volume unreliable. Adults, trying to find their bearings in a pandemic-ravaged economy will be similarly cautious when it comes to enrollment.

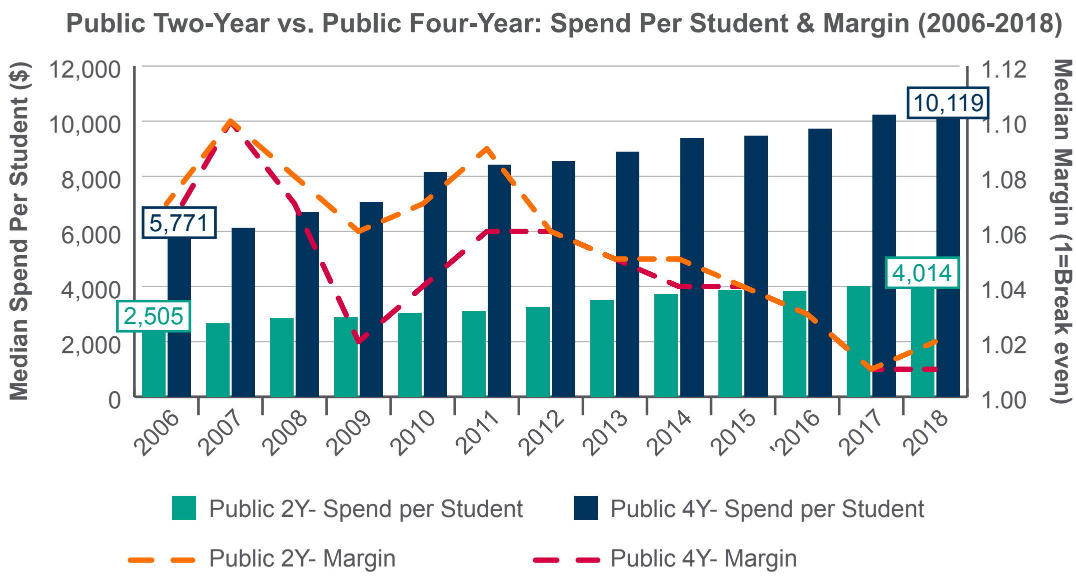
The enrollment flexibility of community colleges, touting multiple entry points across the year, is a boon for students but nail-biting for schools. Only as the summer unfurls and the pandemic's fortunes play out, will many students make a final decision. This year's community college enrollment waiting game will be cliff-hanger.

Value for Money: Spend-Per-Student Trends

It is one thing to ask whether individuals will enroll in community colleges, but it is also worth posing the question of whether they should. Lower tuition reflects fewer resources and more meagre spend per student. With state tax revenues in the red, and short of any further federal stimulus, community colleges can expect little extra government help to cope with any enrollment influx. Indeed, current appropriations, a fraction of those allocated to four-year schools, may sink irrespective of student demand. “Free college” schemes championed by some states may not survive intact.

Figure 3 looks at expenditure per student, on instruction, academic support, and student services, at community colleges before, during and after the Great Recession, as well as institutional margins.

Figure 3. Expenses Up, Margins Down



Source: Eduventures analysis of IPEDS data. “Spend per Student” refers to the IPEDS categories of Instruction, Academic Support, and Student Services. “Students” means all for-credit enrollment (12-month unduplicated headcount). “Margin” is the difference between total revenue and total expenses. Current dollars.

Community colleges spend, on average, about 60% less than public four-year schools on the core student experience, a percentage that has held over time. Both school types have boosted spending since 2006, but four-year institutions have widened the gap, growing expenditures 75% between 2006 and 2018, compared to a 60% rise at community colleges (compared to 25% inflation). During the Great recession, median spend grew for both sectors, but grew faster (22% vs. 2006) at four-year publics than two-year publics (15%).

But margin adds a plot twist. For both sectors, on average, margins were relatively healthy before the Great Recession. The dip in 2009 points to the combined stress of reduced public funding and an enrollment surge. As the economy recovered so did margins, but thereafter the combination of weaker demand, reduced scope to raise tuition, increased financial aid need, and constrained public expenditure pushed margins down almost to breakeven. Even as more selective public four-year schools managed this period by dipping deeper into their waitlists and expanding class size, flat or increased spending ate into surpluses.

Increased per-student spend over the past decade (75% at four-year publics and 60% at two-year publics, as noted above) outpaced inflation (30%) and enrollment growth. The latter was 7% for public four-year schools, comparing 2018 and 2006, and flat for community colleges. Of course, enrollment did rise in between these years, but it did not come close to matching the growth in expenses. This highlights that higher education perpetually struggles with efficiency. In general, increased student demand is met with increased spend-per-student, and funding constraints are managed through margin rather than expense reduction.

Program bloat is one explanation for rising expenses. Eduventures analysis of IPEDS data shows that after the Great Recession, despite falling or flat enrollment, public four-year schools reported 17% more undergraduate degree and certificate programs in 2018 versus 2012, and the rise was 22% for community colleges. While new programs may be needed to attract students, failing to also cut old programs stores up trouble. In 2012, community colleges had 183 students per program, but only 133 per program by 2018, a 27% drop. Schools of all kinds of have been tempted to promote program breadth rather than focus. The price is inflated costs and undifferentiated brands, leeching funds from student support and undermining enrollment.

What does this mean for fall 2020? Students choosing between four-year and two-year schools should be under no illusions that lower tuition means lower spend and fewer services, even if community colleges have spent more per student over time. Over-built program portfolios portend stretched resources. But 60% lower spend, compared to the four-year median, does not necessarily mean 60% lower value. Students once bound for four-year institutions might see community colleges as better value for money, if only temporarily, even if overall value is diminished. Assuming smooth transfer, these community college visitors might point out that a general education course at a two-year school is worth the same amount of credit as one at a four-year institution, at a bargain price.

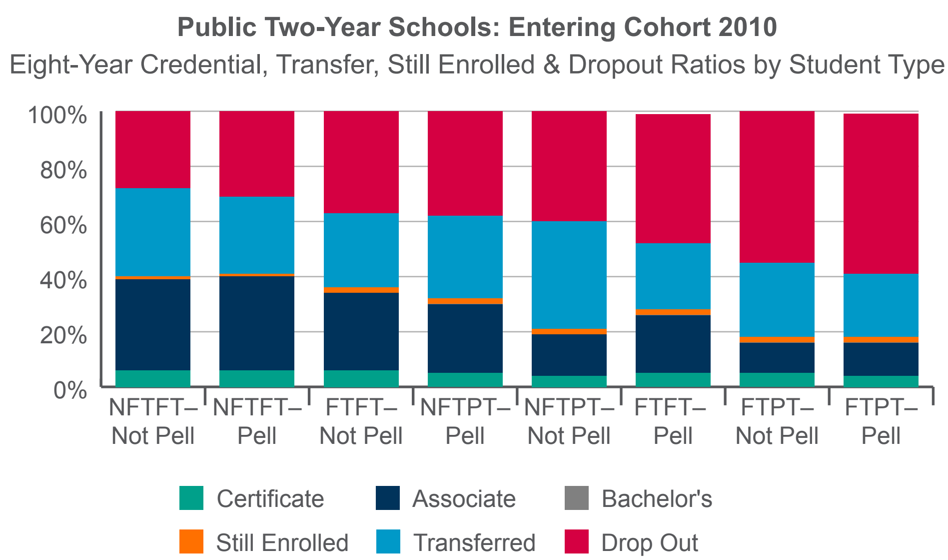
Margin erosion, exacerbated by program bloat, in both sectors cautions that many institutions are in worse financial shape than they were on the eve of the Great Recession. This suggests limited scope this time around to spend more to accommodate more (and more needy) students, particularly if schools cave in to pressure to lower prices and do not rein in other costs. The suddenness and severity of the COVID-19 recession is ravaging state coffers to an extent not seen a decade ago. Widespread use of online learning, driven by the pandemic, is widely viewed by four-year schools as cost-accretive rather than a chance for greater efficiency. Community colleges, drawing on decades of experience, need to maximize the potential of technology to reduce costs.

Value for Money: Student Outcomes

Student outcomes data offers additional perspective on value for money. What is the student success record of low-price, low-spend community colleges?

Figure 4 visualizes eight-year completion rates for the 2010 entering cohort—the most recent available— for community colleges. The chart is ordered from highest to lowest “student success” ratio by student type, distinguishing between full- and part-time students, students who enrolled previously (i.e., “not first-time”) and those who enrolled for the first time, and low-income students who benefited from a federal Pell grant.

Figure 4. Young, Low-Income, Part-Time Students Struggle Most at Community Colleges



Source: Eduventures analysis of IPEDS data. FTFT= first time, full-time; FTPT= first time, part-time; NFTFT= not first-time, full-time; NFTPT= not first-time, part-time.

It is common to criticize community college student outcomes. Credential attainment ratios are indeed low, but students often transfer before receiving a credential, something many students intend from the start and an outcome the institution is in-part designed to facilitate. “Student success,” broadly defined as receipt of a credential, transfer, or continued enrollment, varies by student circumstances.

Students enrolled full-time who have prior credits do best, posting a “success” rate of over 70%, with little difference between Pell and non-Pell. First-time, part-time student do worst: a majority drop out, with Pell recipients doing worst of all.

An associate degree is by far the most common credential awarded by a two-year public institution, followed by a certificate. The number of bachelor's degrees these schools awarded is negligible. Excluding the first three groups to the left of Figure 4, community college students are more likely to transfer than receive a credential from the community college. Most full-time students have received a credential or transfer within four years into enrollment, while part-timers post significant gains thereafter.

Four-year schools generally report better average outcomes than community colleges but not markedly so. For both full-time and not first-time students, four-year nonprofits report a "success" ratio of around 80%, about 10 percentage points higher than community colleges. The gap is only about five percentage points for not-first-time part-timers. First-time, full-time students, Pell and non-Pell, do best at four-year schools, outpacing community colleges by about 20 percentage points. Schools of all types, on average, struggle to graduate first-time, part-time students.

Data from Opportunity Insights, a Harvard-based multi-institutional effort to deepen understanding of economic mobility in the United States, reveals 2014 average individual earnings for former community college students who attended college at the age of 19-22 in the early 2000s as less than $29,000, somewhat below the national median. Median earnings for peers who did not attend college were considerably lower, while the average wage for university graduates was $43,000.

What does this mean for students mulling their fall 2020 options? On the face of it, student success is less likely at a community college, but the gap is nowhere near as big as the per-student spend differences discussed here. Of course, outcome and earnings disparities between two- and four-year schools reflect the sort of students who attend each type of institution as well as different student experiences.

If four-year-bound students sit out a semester at a two-year school, they might be more self-reliant and do better than average. Community colleges might welcome an influx of better prepared students, improving classroom dynamics and motivating others. Successful transfers would benefit from some low-priced community college courses and the graduation and earnings boost afforded by a four-year school. Equally, a community college student tempted by outreach from a four-year school might struggle in a more academic environment and under-perform the four-year norm.

Traditional-aged students or adult learners not seeking a bachelor's degree should select their program of study carefully, looking for evidence of decent completion rates and good earning prospects. Bachelor's prospects might be better off going straight into a four-year school, but a strong transfer pathway from a community college could be a smart starting point if money is tight. Whether at a two- or four-year school, part-time students should try to find a way to combine full-time work and full-time study, significantly boosting their completion chances.

In the end, averages crumble into the particulars of individual institutions, programs, and students. Types and medians offer guide-posts, but case-by-case variables, including the individuals involved, will determine the outcome.

Fall 2020 Forecast

The most likely scenario is that fall 2020 will see a significant increase in community college enrollment, but fit varies by student type:

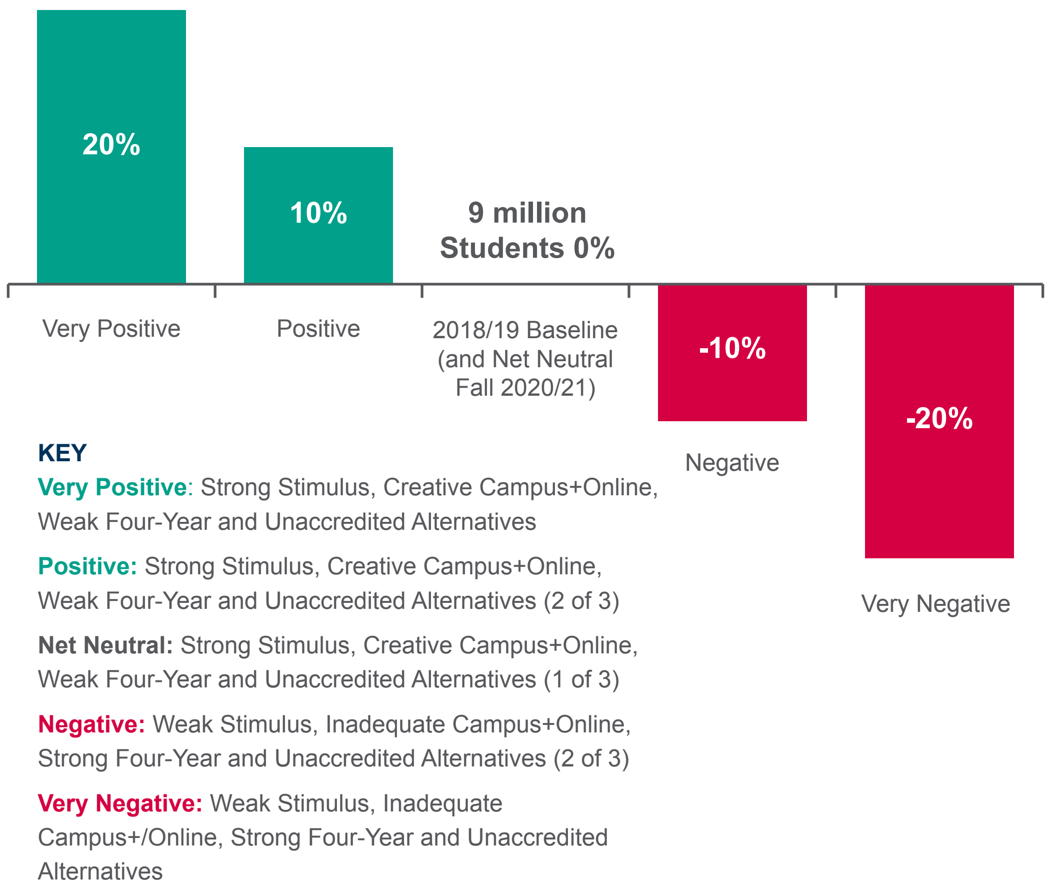
- **Adults.** Affordable tuition, local presence. and lack of pretension will make community colleges the most obvious recourse for lower income adults thrown off course by the pandemic. Even if state grants shrivel or are withdrawn, federal grants and loans will help bridge the gap. Alternative providers, unable to offer federal student aid, will generally see these learners as too risky for private loans or income share agreements (ISAs).
- **Traditional-aged students from lower income families.** Unless they have the grades to secure a full-ride at a university, these students will also favor community colleges, whether as a destination or a stepping-stone. Families of more modest means have been disproportionality affected by the pandemic in terms of job losses, income reduction, and ill-health. COVID-19 underscores the power of education to counter these vulnerabilities, and community colleges are a solid option.
- **Four-year school refugees.** For traditional-aged students who in normal times would never go near a community college, how the fall plays out is in the hands of four-year schools. If campus re-opening plans appear cavalier and the realities of social distancing are not carefully communicated, and if schools do not use the summer to prepare for a compelling online learning Plan B, many of their students and admits will see sitting out a semester at a community college as better value. System loyalties may prevent direct competition with public universities, but community colleges might start to explicitly market to this population, targeting private schools.

Community colleges must avoid complacency. Vanilla remote learning, curtailed applied classes, hazardous transfer pathways and hands-off job placement will tarnish the brand and push adult and low income younger students into the arms of desperate bottom tier four-year schools, inferior for-profits, and DIY online courses. Community colleges must rise to the challenge, not simply trade on being cheap and accessible.

Figure 5 sets out five fall 2020 enrollment scenarios for community colleges:

Figure 5. Community Colleges Will Do Well if Their Fall Value Proposition Resonates

Forecasted Community College Enrollment: Academic Year 2020/21



Source: Eduventures forecasts based on IPEDS and National Student Clearinghouse data. Figure 3 uses the 2018/19 academic year as the baseline because community college enrollment in the 2019/20 academic year has been impacted in yet unclear ways by the pandemic.

A 20% year-over-year enrollment gain would surpass that seen in the past two recessions, but not dramatically. If community colleges can find an appealing and practical balance between re-opening campuses (applied programs, social bonds, multi-faceted support) and online learning (convenience, low cost, pandemic-proof), value proposition fundamentals will shine through (a fully online fall would be sub-optimal given the student and program mix of community colleges). Add a fit-for-purpose federal stimulus, and alternative providers barred from federal financial aid, and an enrollment boom is a near-certainty. The more four-year school re-openings and online offerings misfire, the more momentum for community colleges.

The more this equation unravels, the more vulnerable community colleges become.

The above scenarios concern for-credit enrollment only. Many community colleges also offer noncredit programming. Poorly tracked and inconsistently defined, noncredit enrollment might account for a quarter of community college student headcount, if a smaller proportion of FTE and revenue. Dependent on state subsidy, employers, and out-of-pocket spending, and ineligible for federal financial aid, noncredit offerings typically retrench during recessions.

The Bottom Line

According to the U.S. Census, in 2019 there were 44 million Americans aged 25-54 with no more than a high school diploma. While that is a large number, it is the lowest total since 1940. Over the decades, colleges and universities have raised educational attainment but with the inevitable consequence of— short of faster, low-skills immigration—fewer, less educated citizens to serve. In 2008, when community colleges last boomed, this “no college” population was 25% larger than it is today.

This population, a mainstay for community colleges is not only shrinking but is more economically distressed. Median “no college” wages have fallen this century once inflation is considered, while in-district community college tuition and fees have risen 57% since 2008 in real terms, according to the College Board.

Today’s “some college” cohort, people with credits or a sub-bachelor’s credential, stands at about 32 million, the lowest level since 1996, and in 2008 this figure was 5% higher than today.

This data is a reminder that the economic cycle is not the only higher education enrollment dynamic. The U.S. population is also changing, and schools need to adjust their offerings and outreach if they are to meet the needs of today’s version of the prospective student template.

COVID-19 is a major economic shock that is likely to force large numbers of people to take a hard look at their no-college or some-college future and opt for some kind of postsecondary education. If community colleges can compellingly package experience and value in a pandemic, and alternative providers are kept out of federal student aid, they stand to benefit. If four-year schools fumble their fall re-opening, community colleges will do better still.

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