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2016 COLLEGE AFFORDABILITY DIAGNOSIS

CALIFORNIA



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CALIFORNIA

COLLEGE
AFFORDABILITY
RANKING

04

California remains one of the top states in the nation for affordable postsecondary schooling. The state's widely praised community colleges form the backbone of its system, and the state provides above-average need-based financial aid. But the state's impressive performance may be straining under growing demographic and economic shifts.

A particularly bright spot is California's public two-year institutions, which have become more affordable. The percent of family income required to enroll in these institutions has actually declined since 2008. Students would have to work 21 hours a week on average to pay annual costs of attending these schools full time.

Other postsecondary institutions have become less affordable. Although the state's public research universities have a relatively high affordability ranking nationally, in-state students would have to work more than full time, on average, to pay the costs of attending full time.

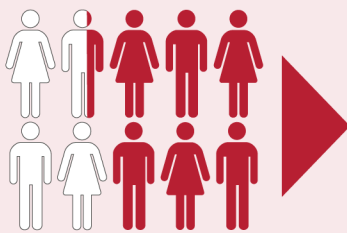
Large degrees of income inequality and significant gaps in college attainment threaten the promise of affordable higher education for many Californians. The income of California families is sharply stratified, with 22 percent of the population making less than \$30,000 per year

and 27 percent making more than \$110,000 per year. Nearly a quarter of young people live in poverty. Very large gaps exist in college attainment between Whites and Hispanics, the largest minority population in California. By 2020, almost half of all high school students will be Hispanic.

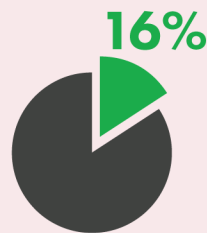
In order for California to address these considerable challenges, the state must have a comprehensive strategy in which college affordability is a central policy.

- ▶ The percent of family income that would be required to attend all types of institutions in California, except its community colleges, has increased since 2008.
- ▶ The state has lost ground on college affordability at public nondoctoral and research universities. Students would have to work an average of 33 and 43 hours, respectively, to pay for the annual costs of attending these institutions full time.
- ▶ By 2020, 48 percent of high school students will be Hispanic. As of 2014, Hispanic college attainment lagged behind Whites (18 percent vs. 52 percent).
- ▶ Poverty among children has increased 3 percent since 2005 and is now 22 percent.

More California students attend **public two-year institutions** than any other kind of institution, with **64 percent enrolled**. Families would spend, on average, **16 percent of annual income** to pay for full-time attendance.



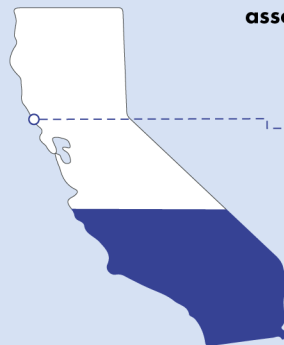
Percentage of students attending public two-year institutions



Percentage of family income required to pay for full-time attendance

On average, **40 percent** of working-age California state residents (age 25-64) have an associate's degree or higher.

By 2020, **67 percent of jobs will require an associate's degree or higher.**



67%

Jobs requiring associate's degree or higher by 2020

40%

Workforce with associate's degree or higher, as of 2014

WHAT PERCENT OF FAMILY INCOME would be needed to attend college full time?

| | Percent of Income 2008 | Percent of Income 2013 | Ranking* |
|---|---------------------------|---------------------------|-----------|
| Public Two-Year (64 percent of enrollment)** | 22 | 16 | 13 |
| Public Four-Year Nondoctoral (18 percent of enrollment) | 19 | 20 | 5 |
| Public Research (10 percent of enrollment) | 25 | 27 | 17 |
| Private Four-Year Nondoctoral (5 percent of enrollment) | 51 | 56 | 44 |
| Private Research (3 percent of enrollment) | 43 | 46 | 12 |

* This measure ranked states 1-50. The lower the ranking on this measure, the better a state performed on overall college affordability.

** Enrollment may not add up to 100% due to rounding.

NOTE: The "net price" reported in the following tables for each sector of higher education includes tuition, mandatory fees, room/board and books *minus* all financial aid (federal, state and institutional).

For information on how these measures were calculated or which institutions were included, please see the technical report, available at www2.gse.upenn.edu/irhe/affordability-diagnosis.

STATE INCOME PROFILE

Income

\$0—30,000

Average Income in Group

\$17,035

Families in Group

22%

Income

\$30,000 —48,000

Average Income in Group

\$39,089

Families in Group

15%

Income

\$48,000—75,000

Average Income in Group

\$61,088

Families in Group

19%

Income

\$75,000—110,000

Average Income in Group

\$91,802

Families in Group

17%

Income

\$110,000 and above

Average Income in Group

\$201,394

Families in Group

27%

PERCENT OF FAMILY INCOME needed to attend full time:

PUBLIC TWO-YEAR INSTITUTION

| | Net Price | % of Income Needed to Pay Net Price |
|---------------------|-----------|-------------------------------------|
| \$0—30,000 | 5,617 | 33 |
| \$30,000—48,000 | 6,462 | 17 |
| \$48,000—75,000 | 8,280 | 14 |
| \$75,000—110,000 | 9,797 | 11 |
| \$110,000 and above | 11,414 | 6 |

Students would have to work 21 hours a week, on average, at federal minimum wage to pay for college expenses to attend a public two-year institution full time.

PUBLIC FOUR-YEAR NONDOCTORAL INSTITUTION

| | Net Price | % of Income Needed to Pay Net Price |
|---------------------|-----------|-------------------------------------|
| \$0—30,000 | 6,081 | 36 |
| \$30,000—48,000 | 7,676 | 20 |
| \$48,000—75,000 | 11,552 | 19 |
| \$75,000—110,000 | 16,695 | 18 |
| \$110,000 and above | 18,301 | 9 |

Students would have to work 33 hours a week, on average, at federal minimum wage to pay for college expenses to attend a public four-year nondoctoral institution full time.

PUBLIC RESEARCH INSTITUTION

| | Net Price | % of Income Needed to Pay Net Price |
|---------------------|-----------|-------------------------------------|
| \$0—30,000 | 8,936 | 52 |
| \$30,000—48,000 | 10,276 | 26 |
| \$48,000—75,000 | 13,542 | 22 |
| \$75,000—110,000 | 20,821 | 23 |
| \$110,000 and above | 27,640 | 14 |

Students would have to work 43 hours a week, on average, at federal minimum wage to pay for college expenses to attend a public research institution full time.

Source: Income data: U.S. Census Bureau; Net price data: U.S. Department of Education.

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**STATE
INCOME
PROFILE**

Income
\$0–30,000
Average Income in Group
\$17,035
Families in Group
22%

Income
\$30,000 –48,000
Average Income in Group
\$39,089
Families in Group
15%

Income
\$48,000–75,000
Average Income in Group
\$61,088
Families in Group
19%

Income
\$75,000–110,000
Average Income in Group
\$91,802
Families in Group
17%

Income
\$110,000 and above
Average Income in Group
\$201,394
Families in Group
27%

**PERCENT OF FAMILY INCOME
needed to attend full time:**

PRIVATE FOUR-YEAR NONDOCTORAL INSTITUTION

| | Net Price | % of Income Needed to Pay Net Price |
|---------------------|-----------|-------------------------------------|
| \$0–30,000 | 22,207 | 130 |
| \$30,000–48,000 | 23,093 | 59 |
| \$48,000–75,000 | 25,463 | 42 |
| \$75,000–110,000 | 29,676 | 32 |
| \$110,000 and above | 35,296 | 18 |

Students would have to work 66 hours a week, on average, at federal minimum wage to pay for college expenses to attend a private four-year nondoctoral institution full time.

PRIVATE RESEARCH INSTITUTION

| | Net Price | % of Income Needed to Pay Net Price |
|---------------------|-----------|-------------------------------------|
| \$0–30,000 | 16,707 | 98 |
| \$30,000–48,000 | 17,805 | 46 |
| \$48,000–75,000 | 22,014 | 36 |
| \$75,000–110,000 | 29,458 | 32 |
| \$110,000 and above | 40,719 | 20 |

Students would have to work 66 hours a week, on average, at federal minimum wage to pay for college expenses to attend a private research institution full time.

Source: Income data: U.S. Census Bureau; Net price data: U.S. Department of Education.

For information on how these measures were calculated or which institutions were included, please see the technical report, available at www2.gse.upenn.edu/irhe/affordability-diagnosis.

WHAT INVESTMENT DOES THE STATE MAKE to financial aid programs to make college more affordable?

TOTAL STATE FINANCIAL AID DOLLARS PER STUDENT AT PUBLIC TWO- AND FOUR-YEAR INSTITUTIONS

| | 2004 | 2007 | 2013 | National Average, 2013 |
|-----------------------|------|------|------|------------------------|
| Need-Based Aid | 314 | 362 | 869 | 474 |
| Other Aid | 0 | 0 | 0 | 210 |

TOTAL STATE FINANCIAL AID DOLLARS PER STUDENT AT PRIVATE INSTITUTIONS

| | 2004 | 2007 | 2013 | National Average, 2013 |
|-----------------------|------|------|------|------------------------|
| Need-Based Aid | 1759 | 1763 | 1545 | 644 |
| Other Aid | 4 | 0 | 8 | 221 |

Data Source: National Association of State Student Grant and Aid Programs and the U.S. Department of Education.

HOW MUCH IS ANNUAL UNDERGRADUATE BORROWING for students who earn and do not earn degrees?

- ▶ Students who enroll in public research institutions typically borrow \$2,343 annually.
- ▶ Students who enroll at private research institutions typically borrow \$3,120 annually.
- ▶ Students who enroll at public four-year nondoctoral institutions typically borrow \$2,835 annually.
- ▶ Students who enroll at private four-year nondoctoral institutions typically borrow \$4,647 annually.
- ▶ In contrast, students who enroll at public two-year institutions borrow \$247 annually.

Data Source: U.S. Department of Education.

For information on how these measures were calculated or which institutions were included, please see the technical report, available at www2.gse.upenn.edu/irhe/affordability-diagnosis.

WHAT CONSIDERATIONS SHOULD STATES take into account in establishing policies on college affordability?

Workforce Needs

- ▶ By 2020, 67 percent of jobs in California will require a postsecondary credential.
- ▶ California is 23rd in terms of states with the highest percentage of jobs that will require a postsecondary credential in the future.

Educational Attainment

- ▶ As of 2014, 40 percent of young adults in California (ages 25-34), had an associate's degree or higher compared to 42 percent nationally.
- ▶ As of 2014, 40 percent of working age adults in California (ages 35-64) had an associate's degree or higher, compared to 40 percent nationally.

Educational Attainment by Race/Ethnicity

- ▶ As of 2014, on average 40 percent of working age California state residents (age 25-64) have an associate's degree or higher. However, attainment varies by race: 52 percent of Whites have an associate's degree or higher but the other three most populous racial groups (Hispanics, Asians and Blacks) have attainment of 18 percent, 60 percent and 33 percent respectively.

Educational Pipeline in California

- ▶ In 2020, California's public high school graduates are projected to be 48 percent Hispanic, 16 percent Asian and 5 percent Black.
- ▶ The total number of high school graduates at public institutions in California are projected to decline by 4 percent between 2020 and 2028.
- ▶ The percent of graduates that are Hispanic is projected to increase by 1 percent, the percent of graduates that are Asian is projected to increase by 1 percent and the percent of graduates that are Black in California is projected to remain constant. The percent of graduates that are White is projected to decline by 2 percent over the same time period.
- ▶ While the decline in White graduates is similar but less pronounced than projections for the nation (4 percent decline in White graduates between 2020 and 2028) the decline in Hispanics and the increase in Asians is similar to national trends (Hispanics are projected to increase by 2 percent and Asian high school graduates are projected to increase by 1 percent nationally). The decline in Black graduates in California is in the opposite direction of national trends (Black graduates are projected to increase 1 percent nationally between 2020 and 2028).

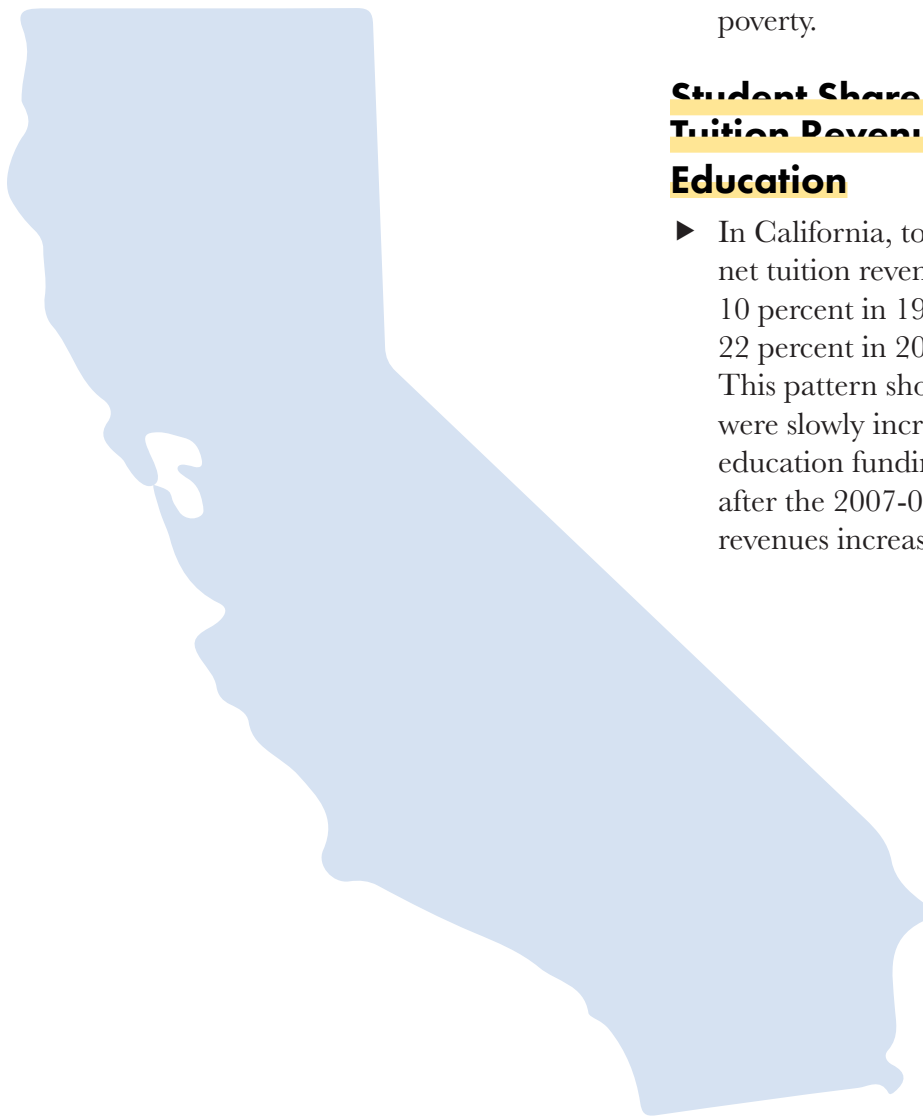
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Children in Poverty

- ▶ The percent of children living in poverty in California increased between 2005 and 2013, from 19 percent to 22 percent.
- ▶ In 2013 California was ranked 30th in terms of percent of children living in poverty. Rank order is from lowest to highest percentages of poverty.

Student Share of Total State and Tuition Revenues for Public Higher Education

- ▶ In California, total student share of state and net tuition revenues per full time student was 10 percent in 1989, 11 percent in 2000, and 22 percent in 2014, adjusted for inflation. This pattern shows that net tuition revenues were slowly increasing as a share of higher education funding from 1989 to 2000 but after the 2007-08 recession net tuition revenues increased even more rapidly.



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POLICY QUESTIONS FOR STATE LEADERS

- ▶ In what types of higher education institutions (sectors) has the state lost ground in college affordability?
- ▶ What are the economic circumstances of families in the state (by income quintiles, by different regions of the state, etc.)? What are the implications for college affordability?
- ▶ What is the projected demand for an educated workforce in the state? How far is your state from addressing this demand? To what extent is college affordability one of the barriers in educating more state residents?
- ▶ What are the gaps in college attainment between Whites and minority groups in your state? How can state policies on college affordability help to narrow these gaps?
- ▶ How is tuition policy related, if at all, to the income of the students and families that the state must educate?
- ▶ If tuition policy is delegated to public institutions, how does the state provide oversight to ensure that tuition and other educational costs are affordable for students and families?
- ▶ In what ways can state policies related to tuition be more tightly coupled with state policies on institutional appropriations and financial aid to address college affordability?
- ▶ To what extent do tuition policies encourage access to higher education and completion of certificates and degrees? How do financial aid policies address the needs of both young and working-age students?
- ▶ In what ways has the state provided incentives for institutions to improve efficiency and productivity in order to reduce the overall costs to students?
- ▶ Research shows that students who work more than 20 hours a week are less likely to make progress toward or complete their certificate or degree programs. How is the state alleviating the need for students to work more than 20 hours a week so that they can focus more on earning their certificates and degrees?
- ▶ How much are students borrowing relative to the percent of family income needed to pay for postsecondary education?
- ▶ Are all state policies that influence college affordability inadvertently stratifying higher education by income or race?

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