California Postsecondary Education Commission

Public Higher Education Performance Accountability Framework Report:

Goal - Access and Affordability

Measure: Percent of Unmet Need in Paying the Cost of College

December 2007

As part of its Performance Accountability Framework, the Commission analyzed the affordability of public colleges and universities. This report summarizes how the real cost of a college education in California changed between 1996 and 2004 and examines the way students at California's public colleges and universities paid for their education.

Contents

The Commission advises the Governor and the Legislature on higher education policy and fiscal issues. Its primary focus is to ensure that the State's educational resources are used effectively to provide Californians with postsecondary education opportunities. More information about the Commission is available at www.cpec.ca.gov.

Commission Report 07-29

Summary

In this report, the Commission examines how the real cost of a college education in California changed between 1996 and 2004, and how students paid for their education. The Commission examined student costs, financial aid, the amount of borrowing, and contributions that students could expect from their families. The report also includes similar information on students at public colleges and universities in New York, Texas, and Illinois.

The Commission found:

- The cost of attending public higher education institutions in California dramatically outpaced inflation between 1996 and 2004. Inflation-adjusted costs of attending community colleges rose by 31%. Costs at the University of California increased by 15%, while costs at the California State University increased by 11%.
- In all three systems, room and board, books, and other non-fee expenses have grown faster than inflation. This has done more than any state policy to increase costs and reduce affordability.
- Students took on additional debt to pay for college between 1996 and 2004. This is particularly true for students from middle- and high-income families. The need to borrow may discourage some students from attending higher education and may affect the career choices of students.

- CSU students from low-income families faced an 11% increase in cost, but received a 41% increase in aid. Unmet need — a measure of what students needed to pay after aid, borrowing, and reasonable family contributions — was reduced by two-thirds.
- Inflation-adjusted fee increases between 1996 and 2004 were modest in all three systems largely as a result of public policy, which froze and then reduced fees between 1995 and 2000. Since then, fees have increased substantially, making college less affordable.
- The growth in remaining costs after aid and loans may be an incentive for students from middle- and low-income families to reduce their unit load and work more in part-time jobs. This works against the state priority of encouraging students to complete their education in a timely manner.

Is College Affordable in California?

The California Education Code states that "it is the intent of the Legislature that each resident of California who has the capacity and motivation to benefit from higher education should have the opportunity to enroll in an institution of higher education." Further, the education code specifies that "the Legislature hereby reaffirms the commitment of the State of California to provide an appropriate place in California public higher education for every student who is willing and able to benefit from attendance." (CEC §66201).

It is critical to assess how increasing costs affect access to public colleges and universities for students with limited financial means. The cost of education has two components — tuition and fees, and non-fee expenses such as books, room and board, and other personal expenses. In many cases, affordability is affected much more by rising costs for books and room and board, than fee increases.

Keeping track of how students pay for their education is difficult because many agencies, public and private, provide financial assistance.

Measuring Affordability

The Commission used data from the U.S. Department of Education's National Postsecondary Student Aid Study (NPSAS). This study is based on a nationwide sample of college students. The study includes information on aid from state, federal, and private sources and on loans taken out by students. Information was compiled from student applications and interviews, and from data provided directly by educational institutions. Discussions with NPSAS staff indicate that the sample is large enough to support analyses of costs faced by students in California, New York, Texas, and Illinois.

Public Higher Education Accountability Framework

The public's investment in higher education should be measured by outcomes. As the California's independent higher education planning and coordinating body, the Commission is in a unique position to assess performance without bias or conflict of interest. Under State law, the Commission is the only public agency with the data needed to assess student success across the University of California, California State University and California Community College systems. The Commission uses these data, coupled with other relevant State and national higher education data, to compile the performance assessment presented here. The Commission has put a priority on improving public confidence in the administration and delivery of public postsecondary education by increasing public knowledge of student outcomes, transparency of higher education decision making, and efficient achievement of a well educated and prepared workforce and population.

Affordability of higher education is measured by taking the difference between total costs and the amounts students receive from aid and borrowing. It is important to note that all figures in this report are averages for the students who actually enroll. Costs and availability of aid affect who enrolls, so these figures cannot tell the full story on how costs and financing affect opportunities for higher education. For example, cost increases between 1996 and 2004 may have deterred some students who would have enrolled at 1996 cost levels from enrolling in 2004. These students are not included in the data, so affordability may in fact be worse than indicated by averages for those students who actually enrolled.

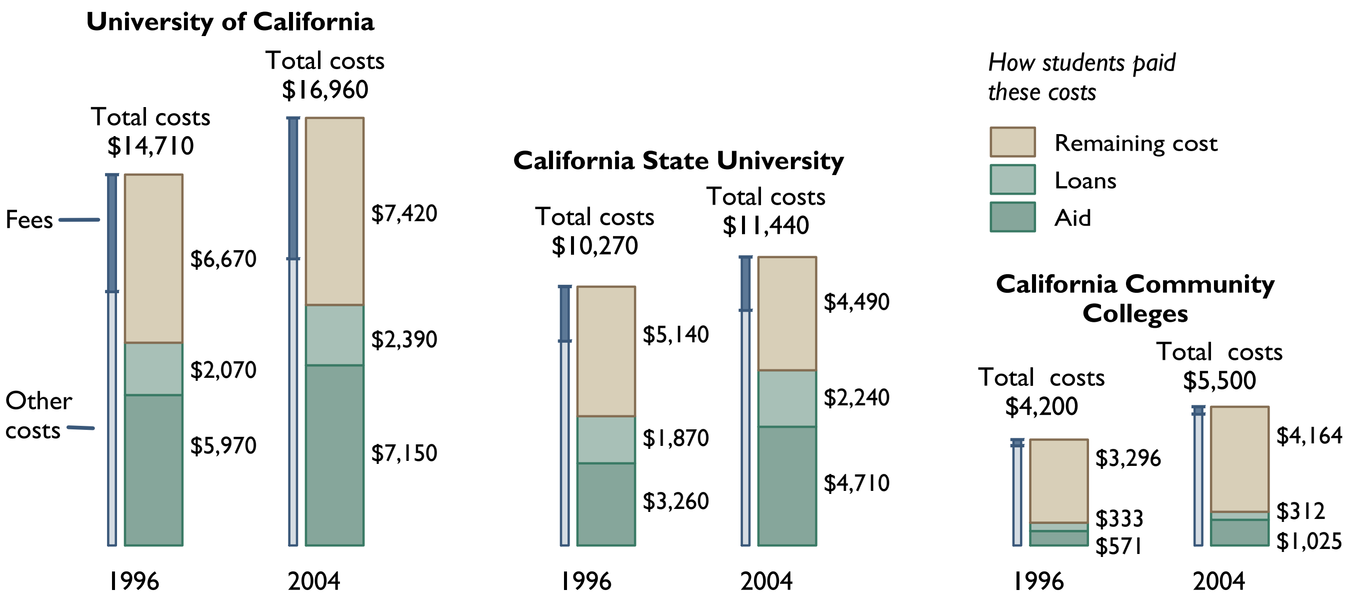
Changes in Affordability

Display 1 shows how students finance the cost of their education at the University of California, the California State University, and the California Community Colleges. In all three systems, costs grew much faster than inflation. Between 1996 and 2004, inflation-adjusted costs rose by 15.3% at UC, by 11.4% at CSU, and by 31% at the community colleges. Nearly all of the cost increase for community colleges results from increases in non-fee costs which account for most of the cost of attending community college.

The resources used to pay the costs of college attendance are divided into three parts: aid from all sources; loans; and remaining costs, which are the costs students or their families must pay from savings or current income. For CSU, financial aid and loans increased faster than costs between 1996 and 2004,

DISPLAY 1 How Students Financed the Costs of Postsecondary Education, 1996 vs. 2004

In all three segments, costs increased faster than inflation between 1996 and 2004. Most of this increase resulted from increases in room and board and other non-fee costs. At the University of California and the community colleges, the amount available from financial aid and loans increased more slowly than costs, with the result that students had a higher remaining cost to be met from current income and savings.



Costs for full-time students. 1996 costs are converted to 2004 dollars using the Consumer Price Index.

so the remaining cost decreased by 16%. The reverse was true at UC and the community colleges. At UC, the cost remaining after aid and loans increased by 23%. At community colleges, remaining cost increased by 20%.

Other factors affecting the cost of attendance include whether students attend full time or part time, and whether they live at or away from home. The percentage of students attending CSU part-time rose from 25% in 1996 to 36% in 2004. For UC, part-time enrollment fell from 10% to 7%. At the community colleges, part-time enrollment dropped slightly between 1996 and 2004. The percentage of students living with their parents did not change significantly during this time period.

Tuition support from parents decreased at the community colleges between 1996 and 2004. The percentage of parents reporting that they paid tuition fell from 28% to 20%. Tuition support from parents of UC and CSU students did not change significantly (see Display 2).

It is important to note that the period studied captures a boom and bust cycle of fee increases, decreases and freezes. Fees were raised dramatically in the early 1990s. In 1996–97, the Legislature froze tuition, meaning it went down when adjusted for inflation. Fees were reduced in 1998–99 and 1999–2000 and held constant in the following years. When adjusted for inflation, fees increased only slightly at the community colleges and UC, and actually fell at CSU.

Display 2: Part-Time Enrollment, Living With Parents and Parent Paying Tuition

		Percent part time	Percent living with parents	Percent where parents pay tuition
UC	1994	10%	13%	58%
	2004	7	11	57
CSU	1994	25	28	27
	2004	36	27	28
Community colleges	1994	79	33	28
	2004	78	33	20

Low-Income Students

The Commission broke down its sample of students by income, using student income for financially-independent students and parental income for dependent students. Display 3 shows how low-income students paid for their education. Low-income families are those who earned $30,000 or less in 2004 and $25,000 or less in 1996. During much of this period the median wage in California did not keep up with inflation, making the impact of these increases even larger for many low-income households.

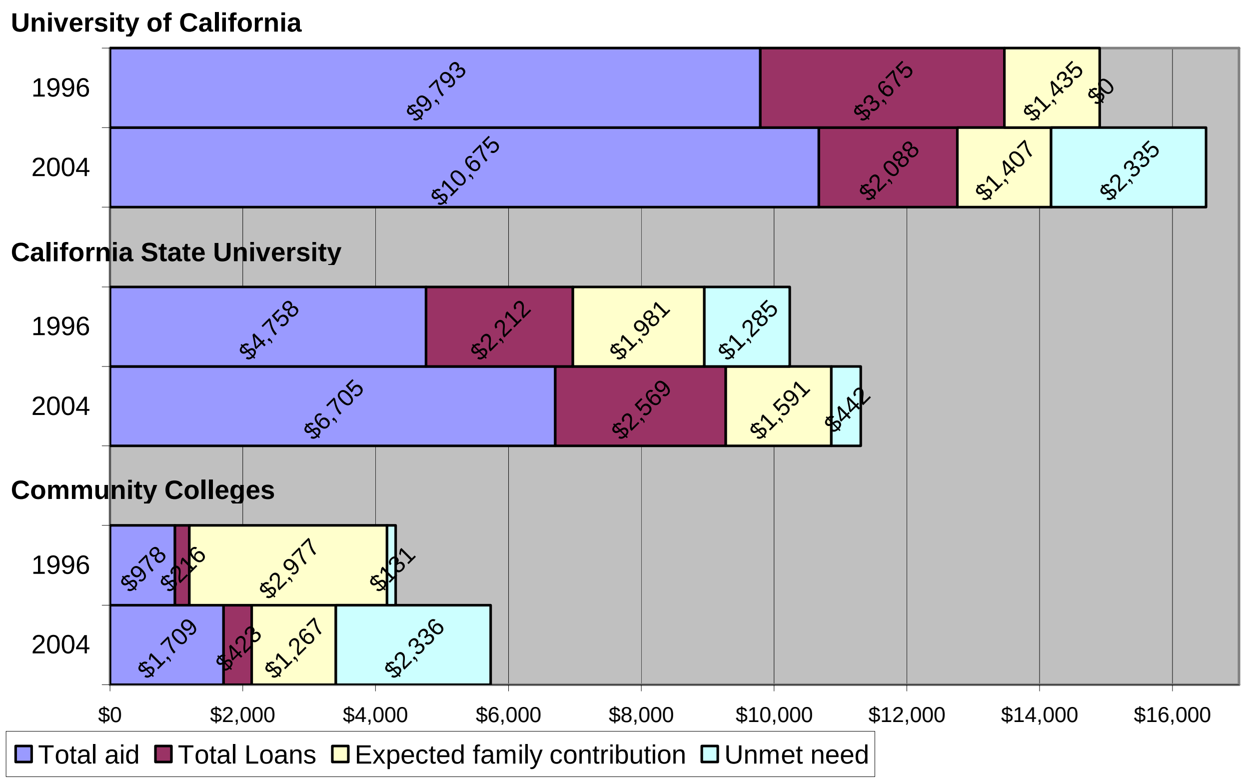
UC students from low-income families saw an 11% increase in costs, and a 9% increase in total financial aid. The amount financed by loans fell by 43%. As a result, the amount that had to be met from current income or savings went from zero in 1996 to $2,335 in 2004.

CSU students from low-income families experienced a 10.5% increase in costs. Financial aid increased by 41% and borrowing increased by 16%. The expected family contribution fell by 20%. This increase in aid and reduction in expected family contribution reflects the fact that more students from the lowest end of the income scale attended CSU in 2004.

“Unmet need” for students from low-income families unmet need is the difference between costs and the total from aid, loans and the expected family contribution used in federal financial aid need analysis.

Costs for community college students from low-income families increased by 33% between 1996 and 2004, while aid increased by 75%. These students nearly doubled their use of loans, while the expected family contribution fell by 58%. The combination of these changes resulted in an unmet need that increased from about $130 to more than $2,300.

DISPLAY 3 California Methods of Financing Postsecondary Education — Low-Income Students: 1996 vs. 2004



(Note: In 1996 Unmet need for UC is zero since the combination of aid, loans and expected family contributions add to more than the cost of a UC

All dollar amounts are in constant 2004 dollars.

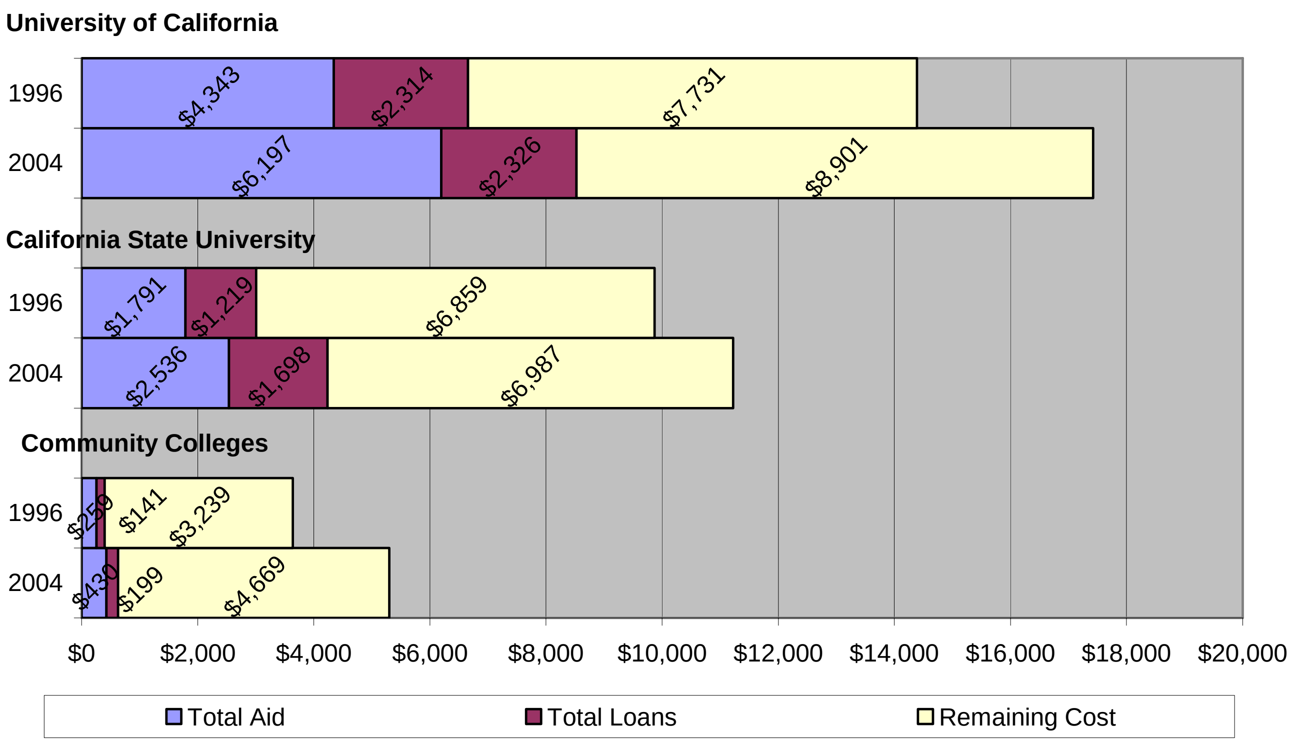
Middle- and High-Income Students

Display 4 shows that the cost of education at UC rose 21% between 1996 and 2004 for students from middle-income families. The cost remaining after aid and loans for these students rose by 15%.

At CSU, the cost of education rose by 14%. The cost remaining after lending and aid increased by about 2% for students from middle-income families.

At community colleges, the cost of education rose by 46% for students from middle-income families. Most costs at community colleges are non-fee expenses, so these data might suggest that there was more enrollment growth for students from middle-income families living in higher cost-of-living areas between 1996 and 2004.

DISPLAY 4 California Methods of Financing Postsecondary Education — Middle-Income Students: 1996 vs. 2004



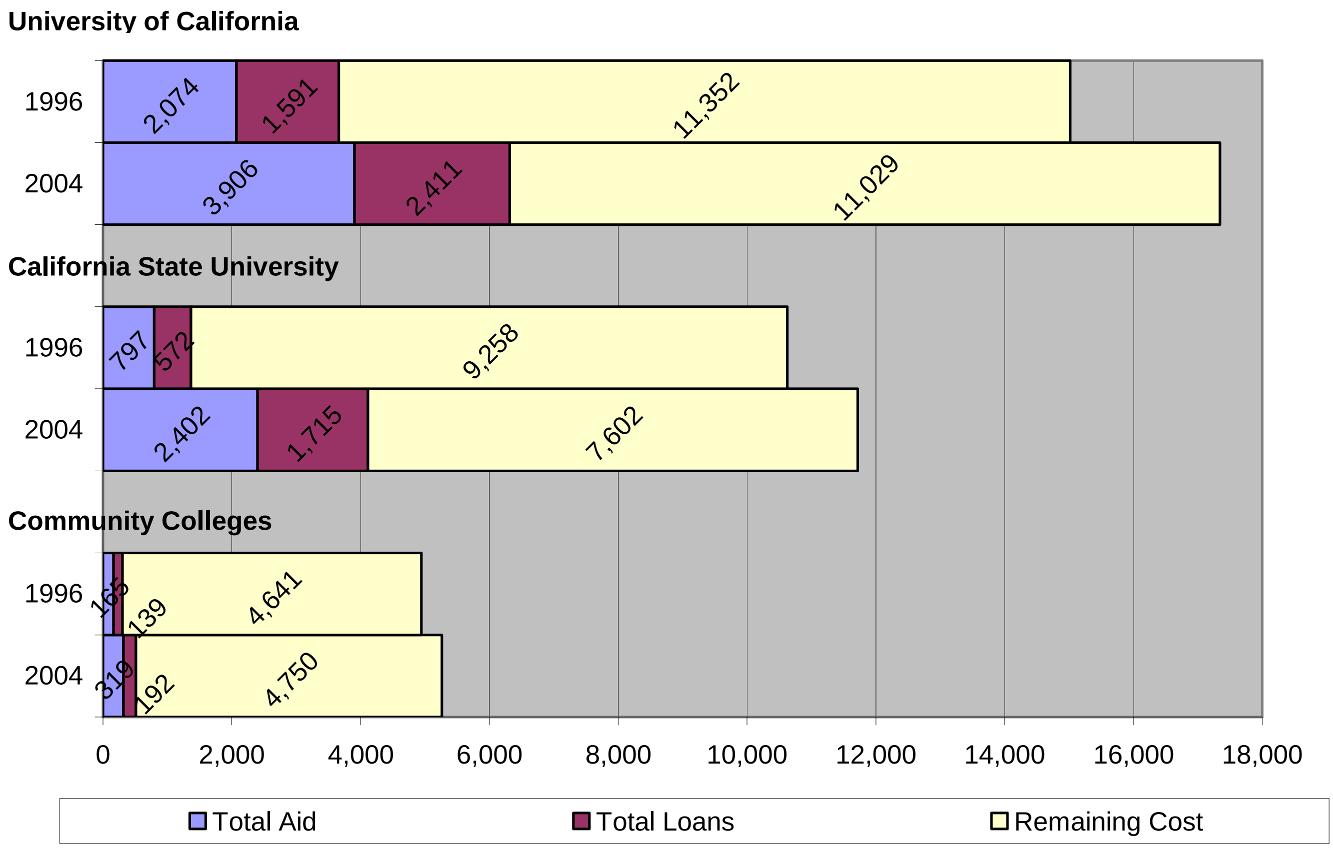
All dollar amounts are in constant 2004 dollars.

Middle-income students are between $45,000 and $74,999 in 2004. The inflation-adjusted equivalent for 1996 is from $37,376 to $62,294. Students with household incomes between $30,000 and $45,000 are not included in either the low-income group or the middle-income group, for two reasons: First, we wanted to contrast the experience of low-income and middle-income students so we enhanced the differences between the groups. Second, we were replicating an earlier study by the National Center for Education Statistics that used similar income breaks in a national analysis.

For high-income students, the cost of education at UC rose by 16% between 1996 and 2004. Costs remaining after aid and loans fell by 2.8%. The major source of this difference lies in an increase of 52% in the use of loans by these students. At CSU, costs rose by 10.3%. The cost remaining after lending and aid declined by 22%.

At community colleges, the costs for students from high-income families rose by 6.4%. As with middle-income students, the increase in remaining costs after aid and loans may be the result of an increase in college-going by students from areas with high living costs.

DISPLAY 5 California Methods of Financing Postsecondary Education — High-Income Students: 1996 vs. 2004



All dollar amounts are in constant 2004 dollars.

High-income students are students from families with income greater than $75,000 in 2004 or greater than $62,300 in 1996.

California vs. Other States

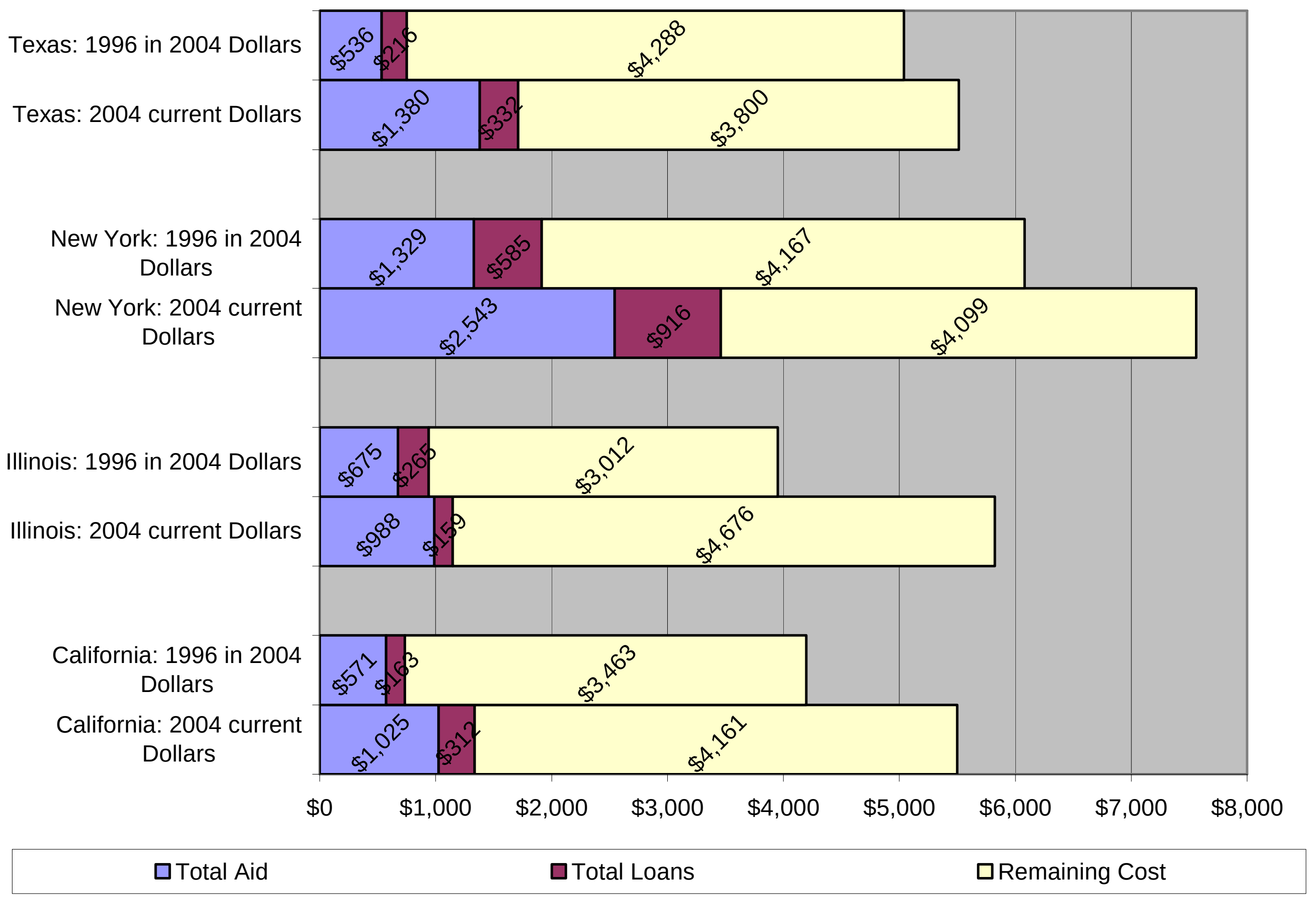
Display 6 compares the methods that community college students in California, New York, Texas, and Illinois used to finance their education. Illinois had the largest percentage increase in costs at 48%, followed by California at 31%, New York at 24% and Texas at 9.3%.

Texas had the highest percentage increase in aid at 158%, followed by New York at 91%, California at 79% and Illinois at 47%. The remaining cost of education after aid and loans increased by 55% for Illinois students and by 20% for California students. Remaining cost fell by 11.4% for Texas students and by 1.6% for New York students.

Display 7 examines changes in the way that students financed their education in four-year universities comparable to CSU. California's 12% increase in the cost of college was the smallest in this group. California students increased their borrowing by a modest 34%, compared to increases of 127% in Texas and 45% in New York. California students saw remaining cost after aid and loans drop by 16%. Similar drops in the remaining cost of education occurred in all four states.

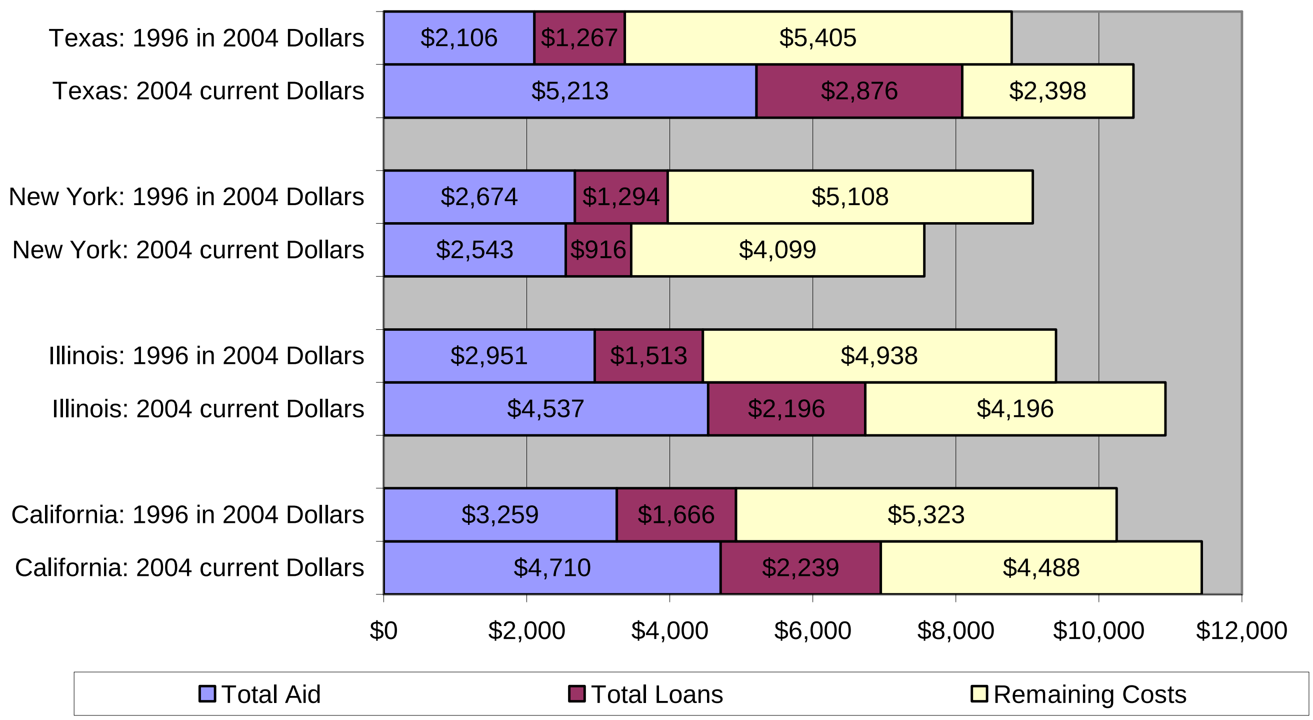
Display 8 compares figures for universities comparable to UC. In California, Illinois, and Texas, costs increased by about 15%. In New York, costs fell slightly. Aid increased by 54% in Texas, 71% in Illinois, 20% in California and 7.3% in New York. Remaining costs fell in all states other than California, where they rose by 23%.

DISPLAY 6 Community Colleges



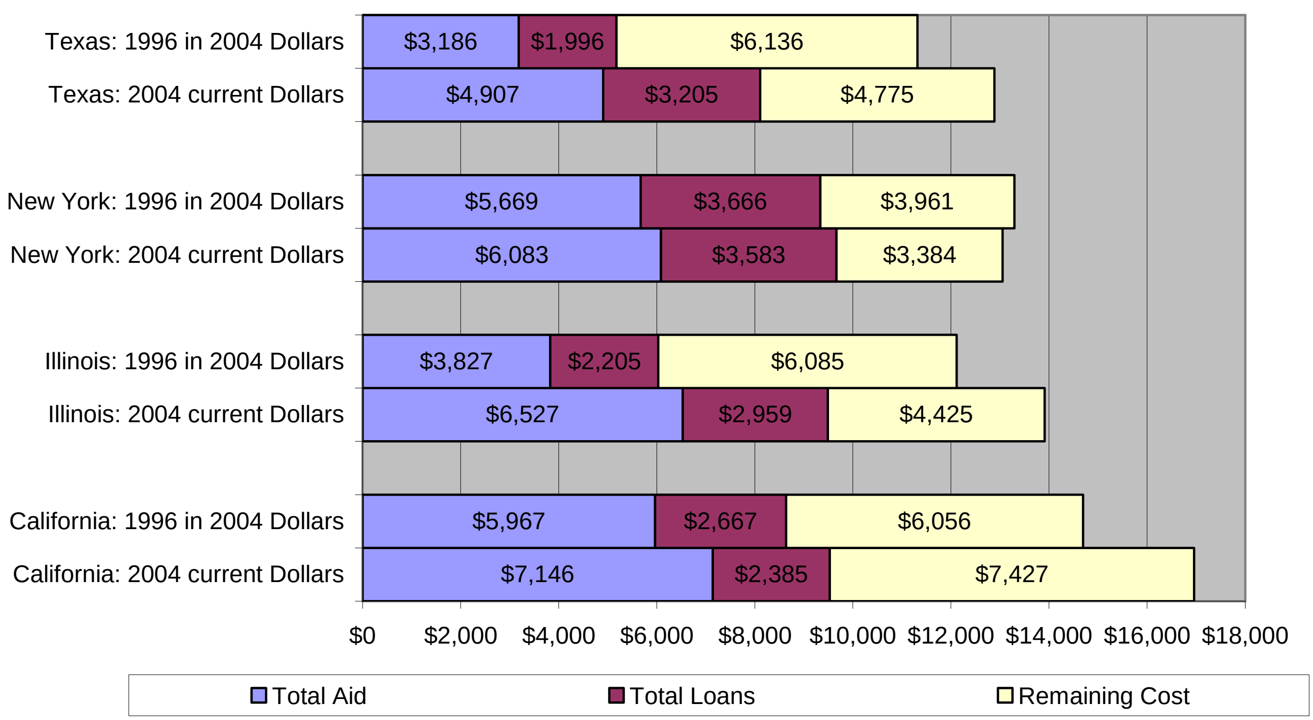
Data for community colleges and other two-year colleges in each state's public system.

DISPLAY 7 Public Four-Year Institutions Comparable to CSU



Data for public four-year colleges in each state that are not classified by NPSAS as doctorate granting/research extensive.

DISPLAY 8 Public Four-Year Institutions Comparable to UC



Data for public four-year colleges in each state that are classified by NPSAS as doctorate granting/research extensive.

Conclusions

California has taken great pride in maintaining a system of public postsecondary education that is affordable and accessible to all persons who can benefit from instruction. It has sought to make postsecondary education accessible, both through its community colleges and through maintaining low-fee colleges and universities. This commitment to high accessibility through low fees was evident in the NPSAS data used in this report. Although the cost of attending college increased far beyond inflation over the period studied, state policy constrained growth in student fees by freezing and subsequently reducing fees between 1995 and 2000. This policy environment kept college costs more affordable in all three public sectors of postsecondary education, particularly when coupled with state and institutional financial aid policies. However, since the period studied, fees have increased substantially, particularly at UC and CSU, pushing up the total cost of attendance.

Is higher education more or less accessible and affordable for Californians than in the past? The data clearly show that costs have grown faster than inflation, indicating that paying for college has become more difficult. Financial aid has helped with this problem, but the picture is complex. Here are the Commission's key conclusions:

- The high cost of living in California has grown faster than inflation for college students and has done more to increase the cost of college and reduce affordability in all higher education systems.
- All students have taken on additional debt in order to pay for college. This is particularly true for students from middle- and high-income families. The need to borrow may discourage some students from attending higher education and may affect their career choices.
- When considering financial aid, loans, and expected family contribution, CSU was the most affordable system for students from low-income families in 2004. In contrast, UC was the most affordable system for low-income students in 1996. Despite low fees, community colleges were less affordable for low-income students in 2004 than either CSU or UC, as measured by unmet need.
- CSU was the more affordable four-year system for students from middle-income and high-income families, as measured by costs remaining after financial aid and loans are deducted from total costs.
- At the community colleges, the costs remaining after aid and loans increased for middle- and high-income students from 1996 to 2004. This trend might suggest that there was more enrollment growth for students from middle-income families living in higher cost-of-living areas between 1996 and 2004.
- The growth in remaining costs after aid and loans may be an incentive for students from middle- and low-income families to reduce their unit load and work more in part-time jobs. This works against the state priority of encouraging students to complete their education in a timely manner.