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# COLLEGE COSTS AND CALIFORNIA'S FUTURE

Protecting Students, Increasing Diversity, Renewing Investment

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## Introduction

California has disinvested from its public university – once the beacon of the Golden State – and college costs have skyrocketed. As a result, we may be losing a generation of students who have simply determined that they cannot afford to attend college. The long-range impact of this generational shift on society, its workforce, and its economy should give pause to every person concerned about California's future.

## Declining Affordability of California's Public University

When the University of California was founded in 1868, the UC Board of Regents prohibited the collection of tuition, establishing tuition-free higher education for California residents. In 1960, California's leaders again outlined the vision for a tuition-free public university in the California Master Plan for Higher Education.

However, after decades structural problems in the state budget and reallocation of education funds to prison construction, the state has not been able to deliver on that vision. Rapidly rising tuition (referred to as "fees,") have amounted to a backdoor tax on vulnerable students while the state's leadership has been unwilling to raise taxes on more powerful political interests. Students have few champions and insufficient power to transform these dynamics.

*In just seven years, from the 2003-04 to the 2010-11 academic years, tuition will have more than*

*doubled; since 1990, that figure has increased seven-fold, rising to \$10,302 for the University of California. And that is only one part of the affordability equation. The overall cost of education in California is also impacted by diminishing financial aid, increasing textbook prices and housing costs, and the predatory practices of companies offering student loans and student credit cards.*

## Impact of College Costs on Diversity

Campus diversity has become a casualty of both the affordability crisis and Proposition 209, which ended affirmative action. The University of California has especially seen rapidly-diminishing inclusion of African Americans, Latinos, and other underrepresented minorities, and so the public universities are more racially stratified. California ought to be the bellwether state in a multi-racial democracy where the majority of new households are households of color, and yet the state's public university system nowhere near reflects its diverse population.

## 'Tough on Crime' is Tough on Students

A major factor that veered California's vision for its public university off-track has been "tough on crime" legislation, especially in the 1980s and 1990s. Currently, there are about 173,000 inmates and 56,500 employees operating under the \$10 billion annual budget for California's prisons. By contrast, over three million students and 250,000 faculty and staff members at the state's public universities and community colleges make do with just \$2 billion more.



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California prisons and public universities are both funded by the state's discretionary budget and must compete for the non-mandated portion of the state's budget. Prisons and universities have the same target constituency, young adults. At the University of California, Berkeley, African Americans make up 3% of the population and Latinos 11%. Meanwhile, African Americans comprise 30% and Latinos nearly 40% of the population of California prisons.

**Impact of College Costs on California's Economy**

Many of California's industries require a highly skilled and educated workforce to prosper. Industry demand is shifting from manufacturing jobs to a service-based economy, but only 30% of the California workforce is college-educated. Without an educated workforce, California will be unable to maintain its standing in the extremely competitive biotechnology, online business and computer science industries.

As the economy grows, California is increasingly importing workers from other states and countries due to the shortage of college-educated California residents. Affordable public higher education will increase college access in California and alleviate this workforce shortage, and will help protect California's technology industries within the national and global job markets.

By 2025, the demand for workers with a high school education will decrease while the demand for a college education will increase. Only 33% of the state's working-age adults are projected to have a college degree in 2025, but 39% of jobs in the state's economy are projected to need a college graduate worker.

**Recommendations**

There is no single silver bullet solution to all of the challenges facing our public university system and

**Education Costs**

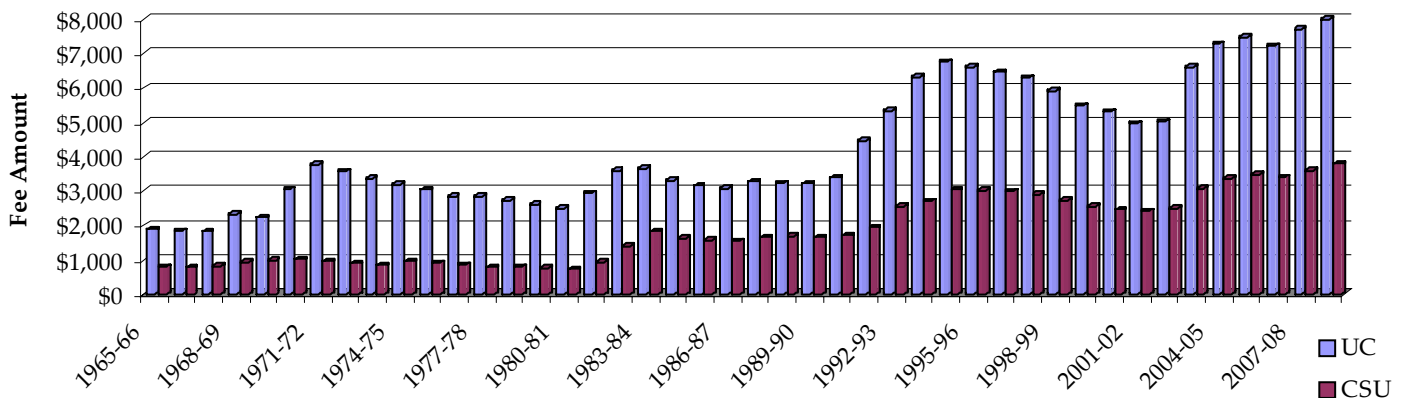
- Support for higher education has slipped from 17% of the state general fund budget in 1976 to 11% in 2006. The result is that students are paying a greater share of higher education costs and to pay those costs they are assuming greater debt.
- Tuition for UC students increased about 40% from 2002 to 2003. CSU students saw a 36% increase during the same period.
- This year, echoing the dramatic increases of an earlier time, UC students will see a 32% increase, and CSU students a 20% increase.
- 52% of UC students graduate with approximately \$13,699 in loan debt.
- 48% of CSU students graduate with an average loan debt of \$13,554.

California's students. But the federal government has recently taken major steps to reform student lending and student credit cards, and California can follow its example. Following are six recommendations that would make significant progress in restoring California's educational promise.

**Re-prioritize higher education in state spending**

Governor Arnold Schwarzenegger helped start a conversation in early 2010 with his proposal to realign our state's priorities so that prison funding could no longer exceed that for higher education. While this is not the most precise way to restore funding for our universities, it begins a conversation to get our once-premier public university system on its way to fiscal recovery. The Governor (along with Assemblymember Ira Ruskin, who

**UC and CSU Fee Increases**



Source: California Postsecondary Education Commission, <http://www.cpec.ca.gov/Accountability/FeesGraph.ASP>

## Benefits of Public Investment in Education

- For every new dollar California invests to get more students in and through college, it will receive a net return of three dollars, translating into about \$3 billion to the state in addition next tax revenue.
- Three industries will require the largest number of highly educated workers: technical services, education and healthcare, with an approximate need of 3.2 million newly educated workers.
- California gains an estimated 300% net return on investments made in college accessibility, returns estimated at over 3 billion dollars.
- Educated workers make higher wages than uneducated workers, resulting in increased income tax revenues.
- Education would reduce the rate of incarceration, resulting in lower prison expenditures.
- Decreasing student fees would result in fewer students graduating from college in debt. Graduates would in turn have more money to spend within the local California economy, rather than having their spending money leave the state as interest on student loans.

is leading the revision of the Master Plan for Higher Education) should convene university, government, business, community, student and faculty leaders to develop further ways to guarantee state investment in our university system.

While the California budget picture is bleak, there are some good proposals that could be debated and refined at a Governor's convening. Among these are the "Close the Loophole" campaign to restore some of the commercial property tax base that was cut by Proposition 13, as well as an oil and gas severance tax (AB 656 - Torrico), which would generate over \$2 billion annually revenue for our public universities.

### Freeze tuition and increase "return to aid"

The Greenlining Institute worked with students in 2007-08 to launch Tuition Relief Now, a student-led, volunteer-driven effort attempt to qualify a ballot initiative that would have frozen tuition at the University of California and California State University (to be funded by a 1% income tax increase for millionaires). While the odds for

volunteer signature gathering were stacked against us and we did not qualify for the ballot, we remain convinced that skyrocketing tuition is not sustainable for California's students and families.

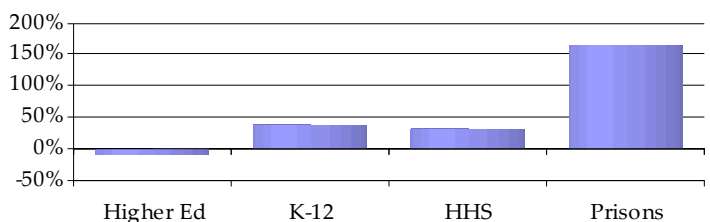
Some university leaders argue that the real issue is financial aid, and that diminished tuition revenue would hurt the lowest-income students, since one-third of UC and CSU tuition revenue is currently funneled back to financial aid. We understand the argument but think it employs a false dichotomy. In a public university that was intended by its founders to be tuition-free, students' wallets should not be the only fast-growing source of university funding, letting the state off the hook. (UC students are seeing a 32% increase in tuition this year, and CSU students 20%).

Students from moderate- to middle-income families especially find themselves squeezed between insufficient financial aid and rapidly rising tuition. There are also low-income students (undocumented students, for example) who are generally ineligible for financial aid. Another ballot initiative or legislative effort could be introduced to freeze tuition. We would also encourage an increase in the arbitrary 33% formula on "return to aid."

### Enforce recent legislative victories on student lending and student credit cards

There has been very good recent at the federal level for college students. In February 2010, a piece of the Credit Card Reform Act of 2009 was implemented, prohibiting the worst practices of the credit card industry on college campuses. Then, in late March 2010, upon signing the health reform bill, President Obama also ended "giveaways" to banks to lend to students at high interest rates. More and more students will instead borrow at lower interest rates through the Department of Education,

### Growth (Decline) in General Fund Spending Per Capita on California's Four Largest Programs 1984-2004 (Constant Dollars)



Source: California Legislative Analysts' Office, 2004.

and the \$68 billion in savings over the next 10 years will primarily be used to expand the Pell Grant program for the neediest students. The law will also cap college graduates' loan repayment at 10% of their income.

These federal changes must now be implemented in each of the states. California's leaders must partner with the federal government in enforcement of these new laws (especially against abuses in student lending), and could expand upon the federal example.

### **Promote the open textbook movement**

Textbook prices have long been inflated by frequent revisions, artificial obsolescence of used textbooks, bundling with supplemental materials, and other practices. Textbooks have become a major college expense; the average student spends \$1000 per year, with community college students spending more on textbooks than tuition. In 2007, Greenlining conceptualized AB 1548, a textbook pricing transparency bill. By the time AB 1548 was signed into law, it was so distorted by pressure from textbook lobbyists that we dropped our support.

We believe the open textbook movement is the best way to make textbooks more affordable. Nonprofit initiatives like the California Open Source Textbook Project, philanthropic leadership as manifested by the Hewlett Foundation, as well as for-profit innovations like Flat World Knowledge, will all place pressure on the traditional publishers

### **Resources**

Campaign for College Opportunity. "Return on Investment." Available at: [www.collegecampaign.org](http://www.collegecampaign.org).

California Postsecondary Education Commission. "UC and CSU Fee History." Available at: <http://www.cpec.ca.gov/Accountability/FeesGraph.ASP>.

California Postsecondary Education Commission. "The Nexus Between Postsecondary Education and Workforce Development: A Workforce and Employer Perspective." Available at: <http://www.cpec.ca.gov/completereports/2006reports/06-19.pdf>.

Public Policy Institute of California. "California 2025: Can CA Import Enough College Graduates to Meet Workforce Needs?" Available at: [http://www.ppic.org/content/pubs/cacounts/CC\\_507HJCC.pdf](http://www.ppic.org/content/pubs/cacounts/CC_507HJCC.pdf).

Public Policy Institute of California. "Just the Facts: Future Economy" Available at: [http://www.ppic.org/content/pubs/jtf/JTF\\_FutureEconomyJTF.pdf](http://www.ppic.org/content/pubs/jtf/JTF_FutureEconomyJTF.pdf).

Mesmin Destin and Daphna Oyserman (University of Michigan). "From Assets to School Outcomes: How Finances Shape Children's Perceived Possibilities and Intentions." *Psychological Science*, v. 20, No. 4 (2009).

and drive prices down. These efforts should be incentivized with public and private funds.

### **Ensure diversity by passing AB 2047**

Proposition 209 has proven to be a major barrier to campus diversity for more than a decade. While efforts to reverse this ballot measure have not yet succeeded, there is a simple improvement that can be made: AB 2047 (Hernandez), which authorizes the University of California and California State University to consider race, gender, ethnicity, and income in admissions as long as no preference is given.

### **Support student leadership development**

Some of the best advocates for access to a quality education are students themselves. But in the overall scheme of California politics, students lack the collective influence to prevent continued attacks on affordability and diversity of their public university. Students have no high-priced lobbyists, or financial war chests, or for that matter, even a significant slice of the California electorate.

California's leadership – especially elected and philanthropic leadership – needs to invest in the ability of students to advocate for themselves. Student leadership development should be supported more broadly to train students in civic participation, register them to vote, and employ them as ambassadors of information to their peers (especially using new media) as affordability improvements are rolled out.



### **THE GREENLINING INSTITUTE**

The Greenlining Institute is a national policy, organizing, and leadership institute working for racial and economic justice. We ensure that grassroots leaders are participating in major policy debates by building diverse coalitions of grassroots leaders that work together to advance solutions to our nation's most pressing problems.

Our mission is to empower communities of color and other disadvantaged groups through multi-ethnic economic and leadership development, civil rights and anti-redlining activities.

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