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HIGHER EDUCATION IN CALIFORNIA

- CALIFORNIA'S HIGHER EDUCATION SYSTEM
- ADDRESSING CALIFORNIA'S SKILLS GAP
- EXPANDING COLLEGE ACCESS
- IMPROVING COLLEGE COMPLETION
- INCREASING EQUITY AND DIVERSITY
- INVESTING IN PUBLIC HIGHER EDUCATION
- MAKING COLLEGE AFFORDABLE



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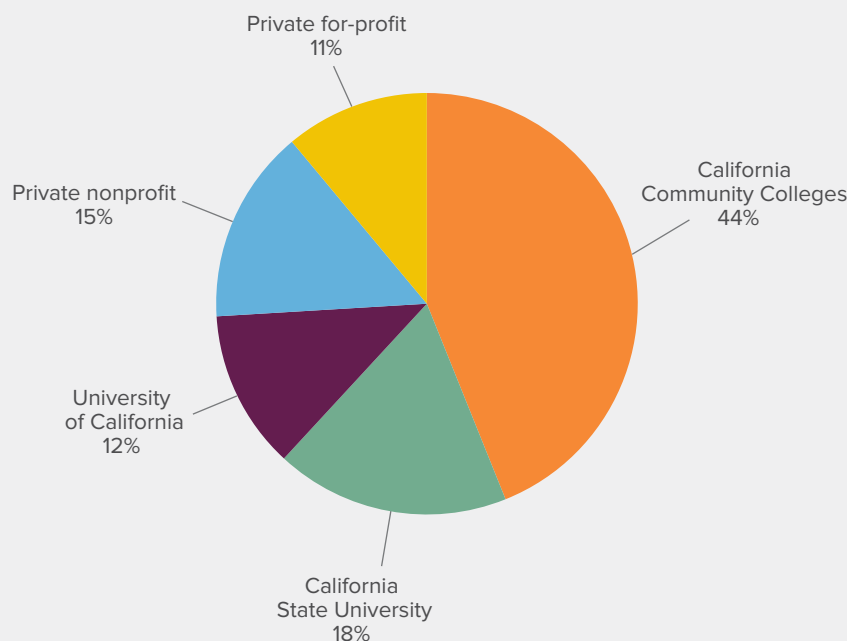
California's system is the largest—and one of the most diverse—in the nation

California's higher education system includes three public segments—the University of California (UC), the California State University (CSU), and the California Community Colleges. It also includes more than 150 private nonprofit colleges and about 200 for-profit institutions. In total, the state's colleges and universities enroll more than two million students from a wide range of backgrounds.

Most students attend public colleges, but a sizable share (26%) attend private schools. Indeed, private nonprofit colleges enroll more students than the University of California. Enrollment in private for-profit colleges has started to decline after increasing sharply for many years.

Unlike most other states, California has no coordinating body for its higher education systems. This makes goal-setting, oversight, and coordination among systems more challenging. The Master Plan for Higher Education, adopted by the state legislature in 1960, established a structure and a set of principles for public higher education that are still largely in effect. Through the Master Plan, the state's public system was able to accommodate dramatic increases in enrollment for several decades while providing broad access and charging little or no tuition. But over the past two decades, tuition has risen sharply and enrollment has not kept up with demand—largely because of reductions in state support.

MOST CALIFORNIA STUDENTS ATTEND PUBLIC INSTITUTIONS



SOURCE: Integrated Postsecondary Education Data System (IPEDS), 2012–13 data.

NOTES: Restricted to two-year or above colleges. Enrollment is for full-time equivalent students.

California's public systems have distinct missions

- **The University of California is the state's primary academic research institution . . .**

The University of California has ten major campuses, five medical centers, and three national laboratories. The university brings in around \$1 billion in federal research funds each year. Six of the schools—Berkeley, Davis, Irvine, Los Angeles, San Diego, and Santa Barbara—are members of the Association of American Universities (AAU), along with 56 other top research-intensive universities in North America. The UC system is constitutionally independent of the state, which means it has more autonomy than CSU; it is governed by a 26-member board of regents.

- **. . . yet it also educates hundreds of thousands of students.**

UC educates almost 250,000 undergraduate and graduate students and is the state's primary awarder of doctoral and professional degrees. Undergraduate tuition and fees averaged \$12,240 in the 2015–16 academic year, and each campus also charges an average of \$1,211 in mandatory fees. The UC is highly selective: only the top eighth of high school graduates are eligible for admission.

- **The California State University is the largest university system in the nation.**

CSU provides undergraduate and graduate instruction to approximately 360,000 students on its 23 campuses. The vast majority of students are undergraduates, but CSU awards master's and doctoral degrees in a few professional fields—and it trains a majority of the state's K–12 teachers. CSU awards more bachelor's degrees than any other segment of higher education in California. Tuition and fees averaged \$5,472 in the 2014–15 fiscal year, and local campus fees averaged about \$1,000. The top third of high school graduates are eligible for admission to CSU. The CSU system is governed by a 25-member board of trustees; most are appointed by the governor and confirmed by the senate.

- **The California Community Colleges constitute the nation's largest higher education system.**

The state's community colleges enroll 2.1 million students (about 900,000 on a full-time equivalent basis) at 113 colleges that are organized into 72 districts. In 2013–14, the community colleges awarded more than 60,000 certificates; 107,000 associate degrees; and transferred more than 105,000 students to four-year institutions. Compared to other states, California relies more heavily on community colleges and less on four-year institutions—the state ranks fifth nationwide in the share of recent high school graduates who enroll in community colleges and 47th in the share who start at four-year schools.

- **The community colleges have multiple missions and a distinct governing structure.**

California's community colleges offer lower-division academic courses for students interested in transferring to four-year colleges; career technical education and vocational certificates; adult basic education, including English language courses for non-native speakers; and enrichment courses for members of the community. Average annual tuition for full-time students is about \$1,100, but many students qualify for full fee waivers. The system is governed by a 17-member board of governors appointed by the governor of California. A locally elected board of trustees appoints campus presidents and oversees the operation and budgets of the colleges in each district.

California's private institutions vary widely in size, selectivity, and mission

- **Private nonprofit colleges range from large research institutions to small liberal arts colleges.**

California's largest private nonprofit, the University of Southern California, enrolls more than 15,000 undergraduates. In contrast, at several private nonprofits there are fewer than 500 undergraduates. Graduate students make up a relatively high share of enrollment at private nonprofits. Three private nonprofits—Stanford, the University of Southern California, and the California Institute of Technology—are AAU members. Private nonprofit colleges are independent and most are governed by a board of trustees. Many belong to the Association of Independent California Colleges and Universities.

- **Private for-profit colleges serve large numbers of students . . .**

For-profit colleges award more than 60 percent of certificates in California. After years of rapid growth, enrollment at private for-profit colleges is beginning to decline. The largest for-profit educational institutions currently operating in California are the University of Phoenix, the Art Institute of California, Academy of Art University, and the Marinello Schools of Beauty; each enrolls more than 10,000 full-time students.

- . . . but there are growing concerns about cost and quality.

Private for-profit colleges account for a disproportionate share of student debt and loan defaults. Controversies over the cost and quality of the training offered by private for-profits have led to greater oversight. In 2015, one of the largest private for-profit colleges (Heald College and its parent, Corinthian Colleges) ceased operations after investigations by the federal government and by attorneys general in several states, including California.

Higher education in California is regulated by many agencies and organizations

Because California does not have a higher education coordinating body, its colleges and universities are governed by a mix of government and independent entities. As a result, the state has trouble setting goals and coordinating its many systems.

- **The California Student Aid Commission oversees state financial aid expenditures.**
The California Student Aid Commission administers financial aid programs for California residents attending public and private universities, colleges, and vocational schools in the state. The Cal Grant program, one of the largest in the country, awards \$2 billion annually to students who meet academic and need-based criteria. Most of the awards cover tuition for low-income students at UC and CSU. There are 15 commissioners, most of whom serve four-year terms—11 are appointed by the governor and two each are appointed by the chair of the Senate Rules Committee and the Speaker of the Assembly.
- **The United States Department of Education provides financial aid and collects data on student outcomes.**
The US Department of Education administers federal financial aid programs, including grants and subsidized student loans. Like many other states, California uses the department's Free Application for Federal Student Aid (FAFSA) to determine eligibility for its own grant and loan programs. The department collects and publishes data on thousands of higher education institutions across the country, including student outcomes such as graduation rates and student debt. This data helps the department evaluate higher education institutions. It also helps parents and students make college choices.
- **Accreditation agencies provide independent oversight of higher education institutions.**
Students cannot receive federal or state financial aid to attend higher education institutions that are not accredited by one of several independent agencies. California's primary accreditor is the Western Association of Schools and Colleges (WASC). The Accrediting Commission for Community and Junior Colleges—a division of WASC—handles accreditation for two-year colleges (that role is being challenged by the California Community College Chancellor's Office). In general, these agencies use a peer review process to evaluate the quality of higher education institutions.
- **The Bureau for Private Postsecondary Education oversees the state's private vocational institutions.**
California's Bureau for Private Postsecondary Education (BPPE) is a state consumer protection agency that provides oversight and limited regulation of California's private vocational postsecondary educational institutions. BPPE monitors and attempts to resolve consumer complaints, evaluates educational quality, and provides licenses to operate.

Looking ahead

In the absence of a higher education coordinating agency, how can California coordinate and regulate its higher education system? Policymakers need to find a way to set overarching, long-term goals and devise strategies to achieve them. They also need to identify the most effective ways to hold institutions accountable to students and to the state.

The state needs to set new goals for its higher education system. California has not updated many of its goals for higher education since the Master Plan was adopted more than 50 years ago, and it has no overarching plan for higher education that is consistent with 21st-century realities. Identifying new goals—including eligibility for UC and CSU, transfer from community colleges to four-year colleges, and ensuring that college is affordable for all students—is essential if we are to measure our progress toward a shared vision for the state's future.

Funding decisions should be tied to increasing the number of college graduates. The state could encourage more students to go to four-year colleges by providing more funding for enrollment growth at UC and CSU, and by providing

more Cal Grant support for students to attend private nonprofit colleges. At the California Community Colleges, the state should consider fiscal incentives to increase high-demand vocational programs and improve transfer pathways to four-year colleges.

Higher education institutions should work with each other and with the state's K–12 system. To improve student outcomes, special attention must be paid to transition points between high school and postsecondary education, and between two-year and four-year institutions. The actions of the segments—and individual campuses within those segments—are interdependent. Policymakers and higher education authorities should look to strengthen critical mechanisms of coordination between segments, including transfer processes, as well as data collection and sharing.

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Addressing California's Skills Gap

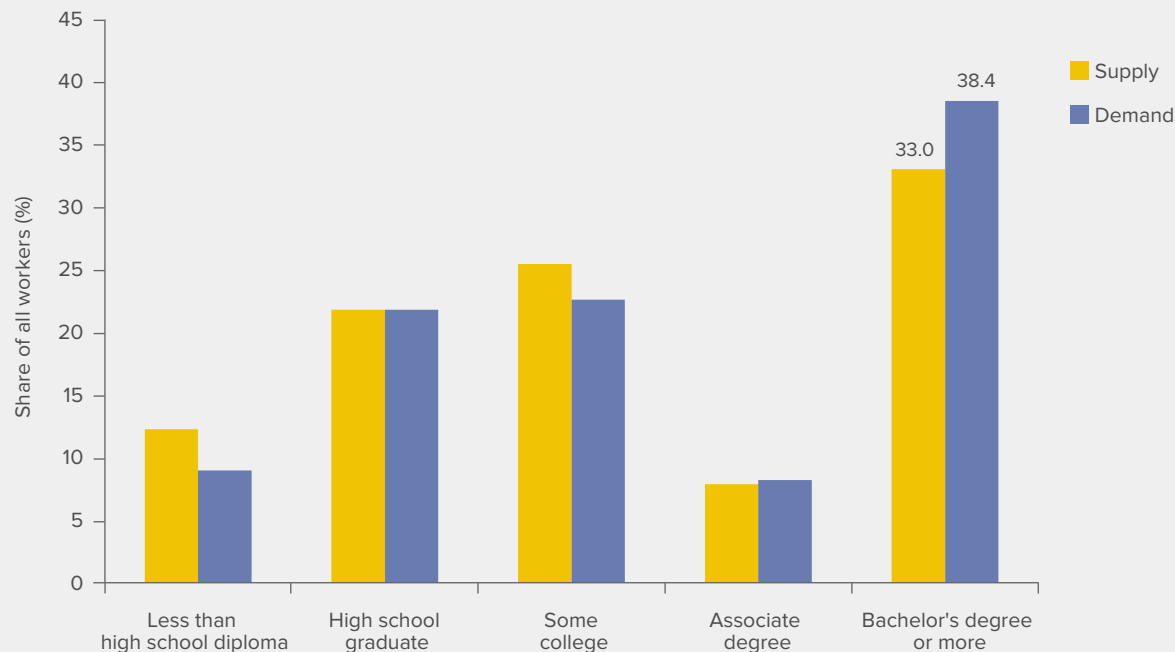
California faces a long-term shortage of college-educated workers

A skilled workforce is key to a thriving California economy. Unfortunately, California's higher education system is not keeping up with the economy's changing needs. If current trends in the demand for skilled workers and the educational attainment of the state's population continue, California will face a large skills gap by 2030—it will be 1.1 million workers with bachelor's degrees short of economic demand.

Falling behind in creating a skilled workforce could curtail economic growth, limit economic mobility, and increase inequality. The economy will be less productive, incomes and tax revenue will be lower, and more Californians will depend on the social safety net. Over time, if California's workforce does not have the skills and training that employers need, firms may close, relocate, or operate at lower levels of productivity.

To close the gap, the state and its higher education institutions should set new goals that are consistent with the demands of the 21st century. New investments will be necessary to meet those goals. Measuring progress and identifying programs and policies that improve student success should be key components of those investments. The good news is that changes made today can set California on a better trajectory. But educational progress takes time, so it is important to act now.

DEMAND FOR COLLEGE WORKERS WILL OUTSTRIP SUPPLY BY 2030



SOURCE: Johnson, Cuellar Mejia, and Bohn, *Will California Run Out of College Graduates?* (PPIC 2015).

California's economy needs and rewards degree holders

Currently, one-third of jobs in California require at least a bachelor's degree. Another third require some training beyond high school. Future job trends are expected to accelerate this demand.

- **College graduates make up a large, and growing, share of the workforce.**

The share of workers with college degrees has increased from 24.5 percent in 1990, to 29.7 percent in 2000, and to 33.7 percent in 2013. If current trends continue, by 2030 an estimated 38.4 percent of jobs—across the entire spectrum of occupations—will require a college degree or more.

- **The demand for skilled workers is increasing in the vast majority of occupations.**

Increased demand comes mostly from a growing need for highly educated workers within occupations, as opposed to a shift in the economy toward specific occupations that require higher levels of education. The share of college-educated workers is increasing not only in occupations that have traditionally required higher levels of education, such as computer science and health care, but also in occupations with low shares of college graduates, such as personal care.

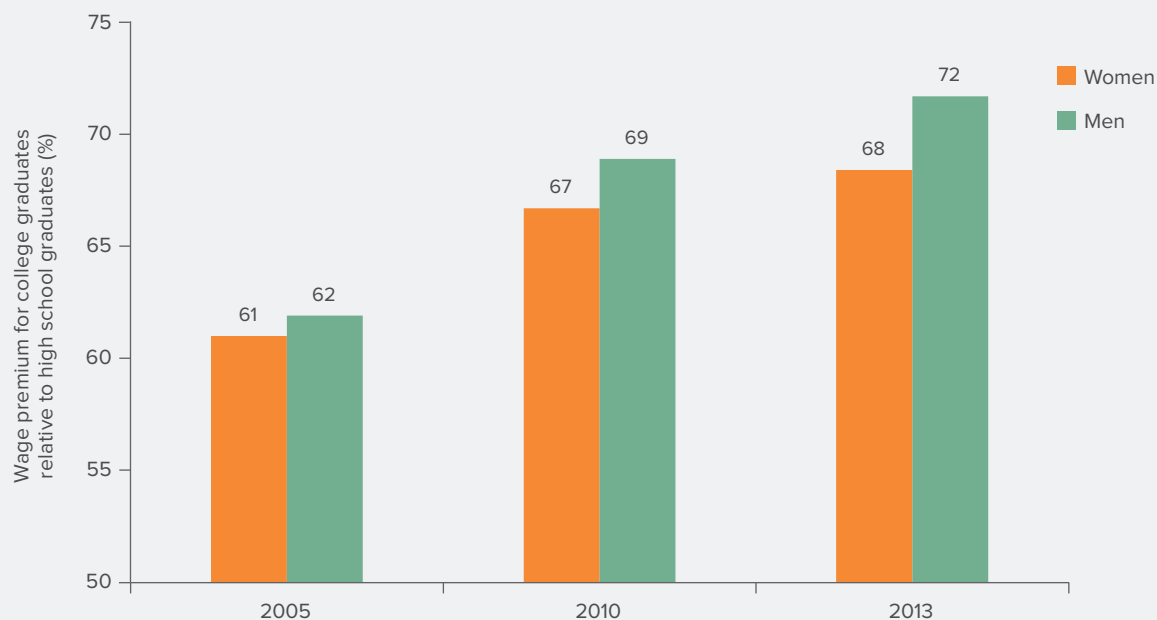
- **Educated workers earn substantially more in California . . .**

Even accounting for demographic and industry differences, workers earn successively more with higher levels of educational attainment. In 2013, workers with a bachelor's degree earned about 70 percent more than otherwise similar workers with only a high school diploma. The growth of this wage differential over time is evidence of a growing demand for higher levels of education, rather than a trend toward an over-educated workforce.

- **. . . but fields of study and work matter.**

Wages for college graduates with bachelor's degrees vary tremendously. For example, workers with engineering degrees earn a median annual wage of \$96,000, while the median wage for workers with degrees in education administration and teaching is \$57,000. But even this lower amount is substantially higher than the \$39,000 median annual wages of those with only a high school diploma.

HIGHER EDUCATION YIELDS HIGHER WAGES



SOURCE: Johnson, Cuellar Mejia, and Bohn, *Will California Run Out of College Graduates?* (PPIC, 2015), based on American Community Survey, 2005–13.

NOTE: Wage premiums indicate the percentage difference between wages of a college graduate and those of a high school graduate, adjusted for individual characteristics.

Educational attainment is not on track to meet future workforce needs

The share of college graduates in California's workforce needs to grow to about 38 percent by 2030 to meet economic demand, if the economy is to operate optimally. This is significantly above and beyond the educational attainment of today's workforce. But if current trends continue, only 33 percent of California's workforce will have college degrees.

- **Retiring baby boomers reduce the number of workers with bachelor's degrees.**

Today, the best-educated age group in California consists of adults ages 60 to 64. The retirement of these and other highly educated baby boomers is a major factor in the slow growth of working adults with at least a bachelor's degree. The share of skilled workers will increase only slightly—about 1 percent—by 2030.

- **Groups with lower educational levels are becoming a growing share of the state's population.**

College completion rates have historically been low among Latinos—who now make up California's largest group of young adults. College completion rates have been rising among Latinos but not fast enough to meet future demand.

- **The skills gap would be wider if it were not for immigration.**

The share of college graduates from other countries has increased quickly since 1980. Asia has replaced Latin America as the leading source of immigrants, and immigrants from Asia tend to be highly educated: about 60 percent of working-age Asian adults (ages 25–64) have college degrees when they arrive in California. Were it not for this trend, the size of the skills gap would be even larger.

- **The state needs more California-born college graduates.**

While immigration trends are likely to continue, future entrants to the California labor market are increasingly likely to be from the state. California's best approach to closing its skills gap will be to concentrate on improving the educational attainment of its residents. Currently, California ranks near the bottom of all states (47th) in the share of recent high school graduates who enroll in four-year colleges or universities.

Looking ahead

The key to closing a future skills gap in California is to make deliberate choices and take action today.

Align state education goals—and funding—with workforce needs. California's policymakers and practitioners need to establish a new set of commonly agreed-upon goals if the state is to close the skills gap. Although many have called for new strategies for educating California's future workforce, the state has not adopted broad and widely accepted targets since it released the Master Plan for Higher Education in 1960. Workforce demand has evolved substantially since then and will continue to do so.

Expand access to the state's four-year colleges and universities. The share of high school graduates eligible for the state's public universities has not changed in more than 50 years, despite dramatic increases in the demand for college and the importance of education for workforce success. The state and its public universities should gradually increase the share of students who are eligible for admittance to the University of California and the California State University (CSU).

Improve completion rates at both two- and four-year institutions. A large share of California's high school graduates attend college, but few obtain four-year degrees. Even small improvements in transfer and completion rates could substantially reduce the skills gap.

Provide students with information on the earnings potential of career pathways. Completing college training without the promise of a well-paying career does little to improve economic outcomes or reduce the skills gap. Students need information and guidance to make important choices during their school years. The California Community Colleges have taken a big step in the right direction by providing easily accessible information on the labor market outcomes (and success rates) from different colleges and programs in the system. Other public universities would be wise to do the same.

Focus on college readiness among K–12 students. Currently, the majority of students entering CSU and the community colleges are placed in remedial level English and/or math. Improving student achievement in high school and earlier—especially among low-income and disadvantaged students—can help lay the groundwork for success in college. One of the primary purposes of the newly adopted Common Core curriculum in K–12 schools is to improve college readiness.

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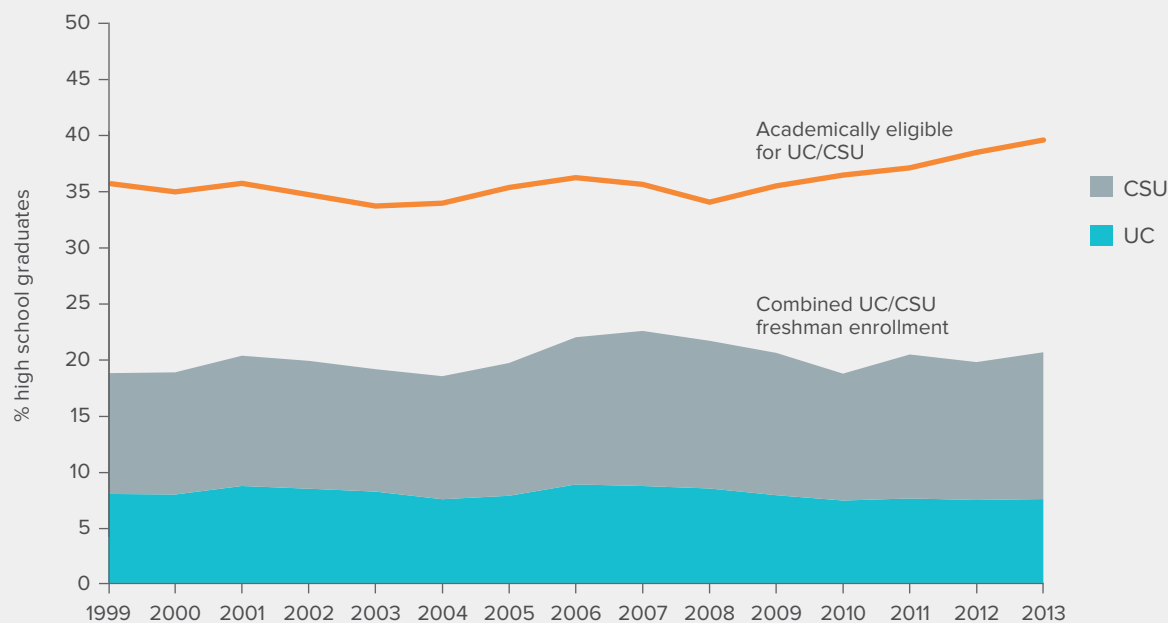
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Access to college is essential for California's success

More California high school graduates than ever are ready for college, but more applicants than ever are being turned away from the state's public universities. This may explain why a 2012 PPIC Statewide Survey found that two-thirds of Californians think access to California's public colleges and universities is a problem.

Expanding access to college will benefit both individuals and the state as a whole. The economic returns to a post-secondary degree have grown, even as more Californians are attending college; and workers with bachelor's degrees will continue to play a crucial role in the state's economic growth. Expanding access can also ensure that our system of higher education offers opportunities to students who have traditionally been underrepresented in postsecondary institutions, including those from low-income families as well as California's Latino and African American populations.

CALIFORNIA'S PUBLIC FOUR-YEAR UNIVERSITIES HAVE RESPONDED SLOWLY TO INCREASES IN ELIGIBLE STUDENTS



SOURCES: University of California, California State University, California Department of Education.

More high school graduates are competing for limited university spots

The growth in the proportion of California high school graduates completing a college preparatory curriculum has increased the competition for access to California's four-year colleges. Enrollment growth at UC and CSU has not kept up with demand. Some students choose other colleges in California, but growing numbers are leaving the state to attend college.

- **California's Master Plan offers higher education opportunities for all students.**

The state's enrollment framework for public systems was set more than 50 years ago by the Master Plan for Higher Education. According to the Master Plan, UC selects from the top 12.5 percent of students, CSU selects from the top 33 percent, and the California Community Colleges offer access to all state residents. In practice, students also choose to attend nonprofit and for-profit private colleges, as well as colleges in other states.

- **More students are ready for college . . .**

To be eligible for enrollment at a public four-year college in California, students must successfully complete a set of college preparatory courses that includes four years of English, three years of math (including advanced algebra), two years of lab science, two years of social science, two years of a foreign language, and one year of visual or performing arts. The proportion of high school graduates who meet this requirement is increasing rapidly: from 34 percent of public high school graduates in 2003–04 to 42 percent in 2013–14. Gains have been especially strong for Latino high school graduates, with the share completing the UC and CSU required preparatory coursework increasing from 22 percent in 2003–04 to 32 percent in 2013–14.

- **. . . but the enrollment framework at UC and CSU has not expanded.**

Even though more students are meeting entrance requirements, CSU and UC have admitted about the same proportion of students as in the past, leaving an increasing number of qualified applicants without access. In the past three years, more than 30,000 qualified freshmen applicants were redirected to UC Merced (fewer than 600 of those students registered). In the California State University system, 17 of the 23 campuses are unable to accept all qualified applicants to the majors to which they apply. In 2013–14, CSU campuses rejected more than 14,000 qualified freshmen applicants.

- **Nonresident enrollment at UC is on the rise.**

Nonresident enrollment (students from another state or country) in the UC system has increased from 5 percent of incoming freshmen in 2007 to 21 percent in 2014, but it is still below the average for public research universities in other states. Nonresidents pay a supplemental tuition of \$24,024 in addition to the in-state tuition. Nonresident tuition has helped make up for state funding cuts, and UC indicates that nonresidents provide funding to support the enrollment of more California residents. UC admitted 1,039 fewer state residents in 2015 than in 2014. Were it not for funds provided by nonresidents, enrollment of state residents would have declined even more.

- **Many more California students are leaving the state to attend college.**

Between 2008 and 2012, the number of recent high school graduates leaving California each year to attend college elsewhere in the United States increased more than 40 percent to almost 33,000—roughly equal to the number of freshmen enrolling at UC.

- **The number of California students enrolling in the state’s private nonprofits has increased modestly.**

The number of recent graduates attending private nonprofits in California increased 23 percent during the same time period, but still amounted to only 7 percent of all high school graduates.

Accessibility varies across types of institutions

Greater numbers of poor and underrepresented minority students enroll at CSU and the community colleges compared to UC; increased competition and rising tuition may widen this gap.

- **Access is high at community colleges, but low at four-year colleges.**

Among the 50 states, California ranked 47th in the share of recent high school graduates who enroll in four-year colleges. Many recent high school graduates in California enroll in community college. The state ranked fifth in the nation in the proportion of recent high school graduates who enroll at a community college.

- **Some colleges are more diverse than others.**

California’s community colleges and CSU serve student populations that more or less match the racial breakdown of high school graduates in the state. In the UC system, Asians are overrepresented, while African American and Latino students are underrepresented. The gap between the share of underrepresented minority high school graduates and the share of underrepresented minority students enrolled at UC has grown since Proposition 209—passed in 1996—eliminated race as a factor that can be considered in the admissions process. Private nonprofit colleges are, on average, less diverse than the state’s public systems.

- **California’s lowest-income students are more likely to start at community colleges.**

The state’s lowest-income students come from families making less than \$30,000 a year. About half of the students at California’s community colleges, private for-profit four-year institutions, and private two-year institutions are from California’s lowest-income families, compared to about one in four at CSU and UC and one in seven at private nonprofit four-year schools.

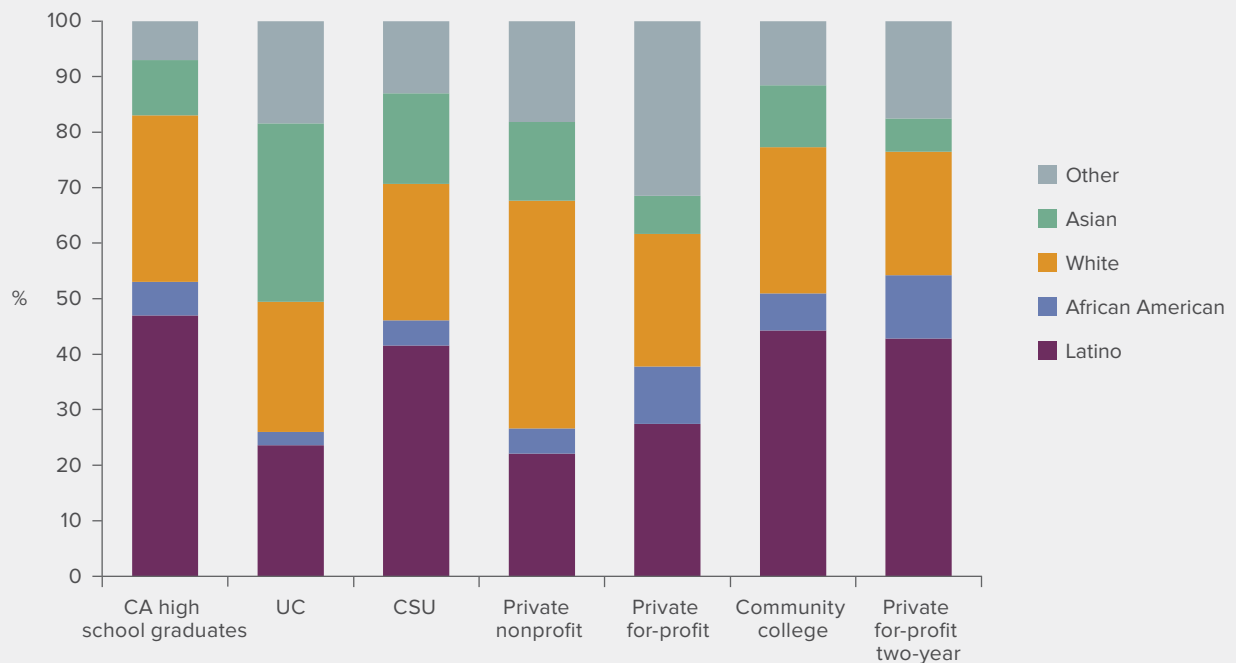
- **Some students who start at community colleges do transfer to four-year schools, but most do not.**

For some students, community colleges are a cost-effective way to begin work on a bachelor's degree. In fact, transfers from community colleges make up about half of CSU graduates each year. However, most students who begin at a two-year institution intending to transfer do not succeed in doing so, and they are less likely to earn bachelor's degrees than those who start at a four-year university. New initiatives such as the Associate Degree for Transfer are beginning to address the challenge of taking the right kind and number of classes to transfer.

- **Cost concerns may discourage students from low-income families from attending four-year colleges.**

According to a November 2011 PPIC Statewide Survey, 70 percent of Californians believe that the cost of college keeps students from enrolling. California high school graduates from low-income families are eligible for grants that fully cover tuition at California's public four-year universities. But books, housing, and other living expenses can cost thousands of dollars and are only sometimes partially covered by grants.

CALIFORNIA'S DIVERSE COLLEGE POPULATION IS UNEVENLY DISTRIBUTED



SOURCE: California Department of Education, Integrated Postsecondary Education Data System (IPEDS).

NOTES: High school graduates are from 2014. College enrollment is for fall 2014 first-time degree/certificate-seeking undergraduate students. Students in the "other" category include Pacific Islanders, American Indians, Alaskan Natives, students who mark two or more races, students with unknown race, and students who are not citizens or nationals of the United States.

Looking ahead

Providing meaningful access to college is essential to California residents and the state economy. Projections suggest the number of high school graduates will not change dramatically over the next 10 years, but additional resources devoted to college access could boost enrollment.

Prepare for the impact of better K–12 preparation. In 2014, California began implementing the Common Core State Standards, designed to better prepare students for college and careers. If Common Core is successful, the number of college-ready high school graduates is likely to increase, and therefore boost demand for higher education. California must be ready to provide access to college for these students.

Expand access to four-year colleges. The share of high school graduates admitted to UC and CSU has not changed substantially in more than 50 years, even though the economy is dramatically different and requires far more highly

educated workers. The state and its public systems should increase the share of high school graduates eligible for admittance to UC and CSU. Doing so would have the added benefit of diversifying the student body.

Develop effective online learning strategies. Online learning is the fastest growing area in California's community colleges, with enrollment reaching about one million students. It provides access for nontraditional students and allows students to make faster progress toward long-term goals. But achievement gaps are wider in the online setting, and Latinos are less likely to take online courses. As online learning becomes increasingly common throughout higher education, strategies that lead to improved student outcomes are essential.

Connect high school and college data. Understanding transitions from high school to college is essential to improving access and efficiencies. Unlike many states, California has no longitudinal data system that spans K–12 and college. This limits the state's ability to identify programs and practices that could improve access for California's students.

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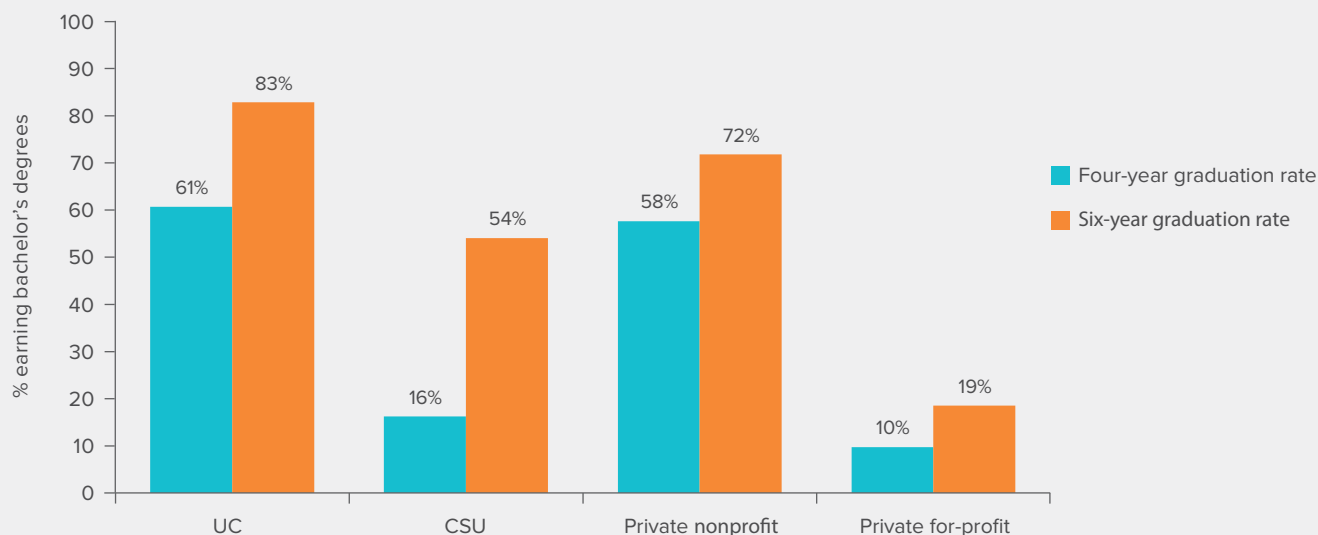
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California needs more college graduates

California is projected to be 1.1 million bachelor's degrees short of economic demand by 2030. Expanding access to higher education could help shrink the gap, but California also needs to boost the likelihood that students who enroll will stay in school and earn college degrees.

Bachelor's degree holders are much less likely to be unemployed and more likely to have higher incomes than those who do not obtain a four-year degree. There are also some financial benefits to the two-year degrees offered by community colleges, and many students who transfer to four-year universities do eventually earn bachelor's degrees. California needs to focus on helping more college students get their degrees. Policies that focus on preparing students for college are also key to increasing transfer and completion rates—and shortening the amount of time needed to graduate.

MANY STUDENTS TAKE LONGER THAN FOUR YEARS TO EARN BACHELOR'S DEGREES



SOURCE: Integrated Postsecondary Education Data System (IPEDS).

NOTES: 2008 IPEDS-defined adjusted entering cohort. All UC and CSU campuses reported graduation rates, 70 percent of private nonprofit colleges reported graduation rates, and 40 percent of private for-profit colleges reported graduation rates.

Graduation rates vary across institutions and demographic groups

California has a slightly higher share of adults with bachelor's degrees than the United States does as a whole—but in order to meet projected economic demand, the state needs to do more to encourage college completion. Students often take longer than four years to graduate; this increases individual costs, delays entry into the workforce, and reduces the number of slots for new students.

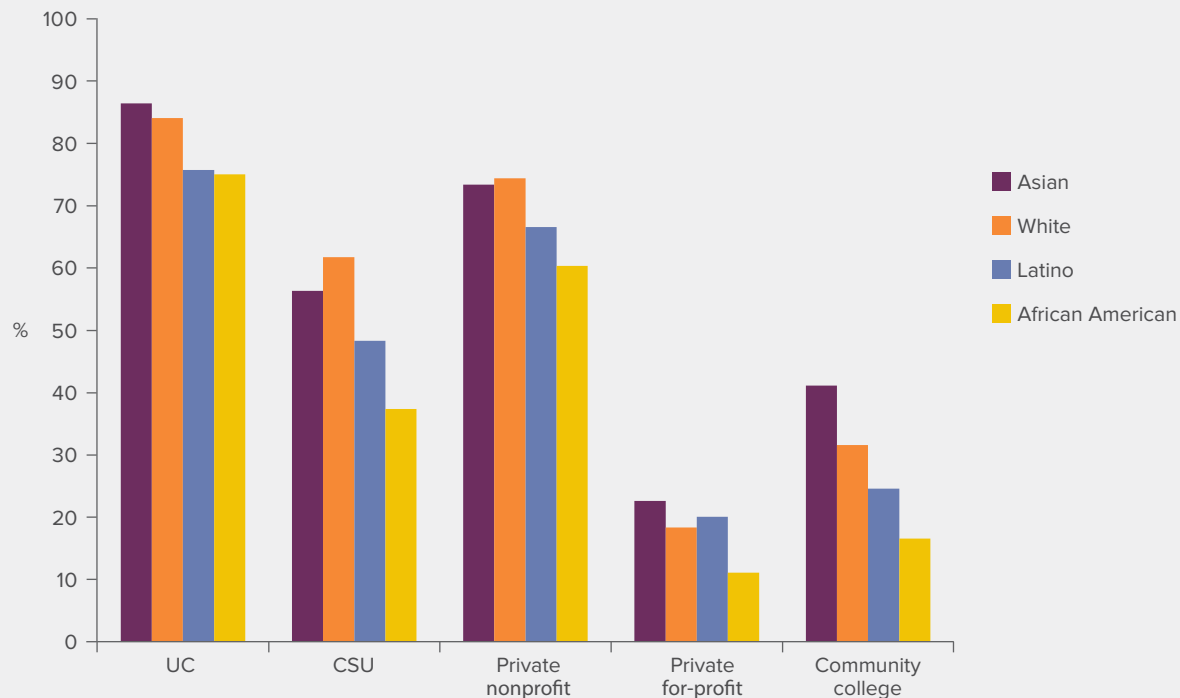
- Few Californians graduate in four years.**

The University of California (UC) has a high six-year graduation rate, but only 61 percent of students graduate on time (within four years). Graduation rates at private nonprofits are similar. At the California State University (CSU), graduation rates are much lower: slightly more than half of students graduate within six years and only 16 percent graduate in four years. Private for-profit universities fare even worse. Many factors may contribute to the slow time-to-degree for a particular student: academic issues such as course availability and college preparedness, and other issues, such as working to cover expenses and the availability of financial aid.

- **Graduation rates vary across demographic groups.**

Women are more likely to graduate than men, as are students from wealthier families compared to students from low-income families. White and Asian students have higher completion rates than African American and Latino students across all types of postsecondary institutions. The Latino-white gap is noticeably smaller at private for-profit institutions, though these institutions generally have the lowest overall completion rates.

GRADUATION RATES FOR RACIAL/ETHNIC GROUPS VARY ACROSS SYSTEMS



SOURCE: Integrated Postsecondary Education Data System (IPEDS).

NOTES: 2008 IPEDS-defined adjusted entering cohort graduation rates within three years of entering community colleges, and within six years of entering four-year colleges. Graduation rates are available for all UC and CSU campuses, but for only about 70 percent of private nonprofits and about 40 percent for private for-profits.

Many students enroll in—but few complete—community college

California is more reliant on its community colleges as a point of entry to postsecondary education than almost any other state. Community colleges serve a diverse population with diverse goals. Not all students intend to obtain associate degrees or transfer to four-year programs—many are interested in getting technical training or simply learning new skills. But large numbers of students do enter community colleges with the hope of eventually transferring and earning a bachelor's degree.

- **Success rates are low at community colleges.**

Only 12 percent of community college students receive associate degrees after two years, and only 29 percent graduate within three years. About half receive an associate degree or certificate, transfer, or complete 60 transferrable units within six years of enrolling at a community college. There are completion gaps among racial/ethnic groups at community colleges, with Asian and white students more likely to finish than their African American and Latino classmates.

- **Most community college students who start out intending to transfer to four-year schools do not do so . . .**

Less than half of students who enter a community college intending to transfer eventually do so. Students who do end up transferring often take longer than two years. Only 4 percent of students transfer within two years, and just 13 percent transfer within three years.

- **... but those who do transfer are about as likely to graduate as students who start out at a four-year school.** Transfer students from community college to CSU and UC have similar graduation rates when compared to first-time freshmen at those universities. Transfers from community colleges make up about 44 percent of entering students at CSU and receive more than half of all CSU diplomas. At UC, transfers make up 29 percent of entering students and about 31 percent of graduates.
- **The transfer process can be complicated and difficult.** Transfer pathways from community college to a four-year university can vary greatly, depending on the schools involved. Articulation agreements, which specify the courses and grades required to transfer, are often campus-specific—so credits that are accepted at one four-year school might not be accepted at another. Varying requirements can deter students from transferring or keep them in community colleges longer. The new Associate Degree for Transfer is a step in the right direction, but it offers only a limited number of pathways.

College success depends on K–12 preparation

Many factors influence completion rates at two-year and four-year colleges, but preparedness plays a major role. Entering students who are ready to take college-level courses can graduate more quickly.

- **Academically prepared students are much more likely to graduate.** Entering students who are prepared for college-level work are 50 percent more likely to graduate at CSU and 75 percent more likely to graduate from a community college. Information about academic preparation and completion among students at UC and private nonprofit colleges is limited.
- **Students who enter college unprepared often need to take remedial courses.** In 2014, about 75 percent of first-time community college students were designated as unprepared for college-level coursework, and 42 percent of first-time freshmen at CSU required remediation in at least one subject. Remedial courses lengthen the time to degree, at a cost to both students and the university.
- **Efforts to prepare high school students for college may increase the supply of college-ready students.** College readiness has improved in recent years—the share of high school seniors who have completed the coursework required for admission to UC or CSU is at a historic high, and enrollment in advanced placement courses and participation in the SAT are on the rise. Also, California recently implemented new K–12 standards and assessments that are designed to better prepare students for college and careers. Early testing indicates that about half of 11th grade students are at least conditionally ready for college-level courses in English, and almost a third are ready for college-level math courses.

Looking ahead

The state can boost the number of college graduates by helping students who enroll in its public and private institutions make timely progress toward their degrees.

Adopt more strategies to shorten the time it takes to graduate. Both UC and CSU are adopting practices to expedite graduation, such as CSU's graduation initiative, and the state legislature has considered creating a grant for students who are willing to enroll in more courses per semester, so that they can graduate on time. The legislature should reject planned cuts to grant aid for low-income students enrolling in nonprofit private colleges and consider increasing aid to students attending these schools given their high four-year completion rates.

Increase the number of transfers from community college. The Associate Degree for Transfer is becoming a popular option for students wishing to transfer to CSU from a two-year college. UC is considering a similar initiative and has committed to increasing the share of transfers to a third of all new student enrollments by 2017. A continued focus on removing barriers can help increase the number of students who transfer and obtain bachelor's degrees.

Link funding to student outcomes. Currently, state funding is not tied to measures of student outcomes such as dropout, transfer, and completion rates. As the state increases its contributions to higher education, it has an opportunity to link funding to positive student outcomes.

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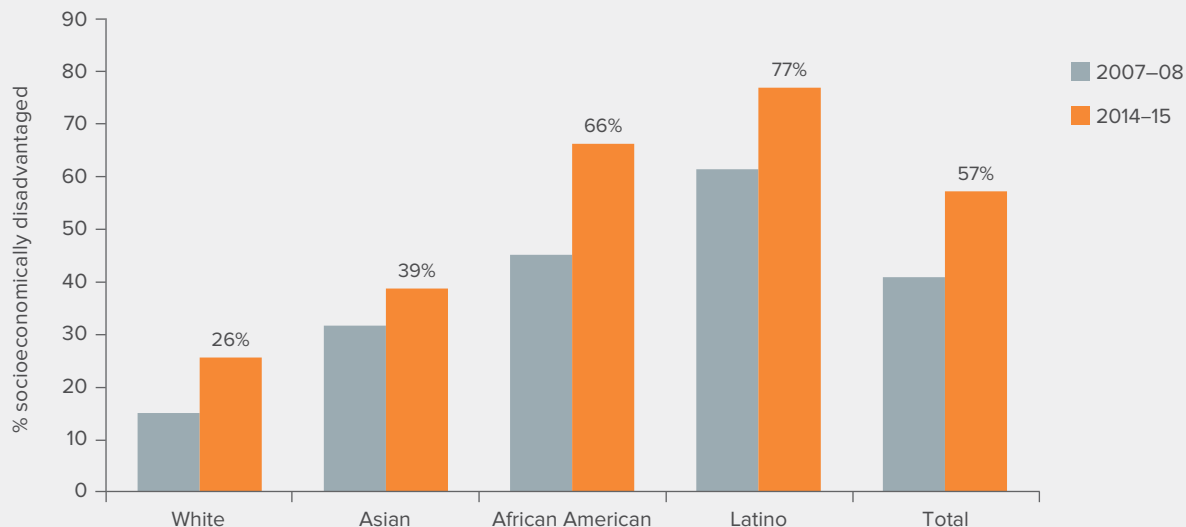
PUBLIC POLICY
INSTITUTE OF CALIFORNIA

California needs more underrepresented students to graduate from college

A solid majority of California's future college-age population will come from groups that have been traditionally underrepresented in higher education—primarily Californians who are low income or who would be the first in their families to go to college, and racial/ethnic groups including Latinos, African Americans, and American Indians. PPIC research has shown that this demographic shift could be a major contributor to the state's future workforce skills gap. To avoid or at least narrow this skills gap, California needs to increase the number of underrepresented students who graduate from college.

It has been well documented that increasing college opportunity can promote upward social and economic mobility among underrepresented groups. According to polling data, students are increasingly aware of this potential—a November 2011 PPIC Statewide Survey found that 73 percent of Latinos believe that a college education is necessary for success. In recent years, the number of bachelor's degrees awarded to underrepresented students has been increasing, but it remains low—and these students continue to have lower odds of obtaining a college degree than their wealthier, well-represented peers. Policymakers need to increase these odds by creating meaningful opportunities for college access and success.

MOST OF CALIFORNIA'S HIGH SCHOOL STUDENTS ARE DISADVANTAGED



SOURCE: California Department of Education, California Basic Educational Data System (CBEDS).

NOTE: Socioeconomically disadvantaged students are defined as those in public schools who are eligible for free or reduced-price lunch or whose parents did not graduate from high school.

Many underrepresented students enroll in college—but access remains uneven

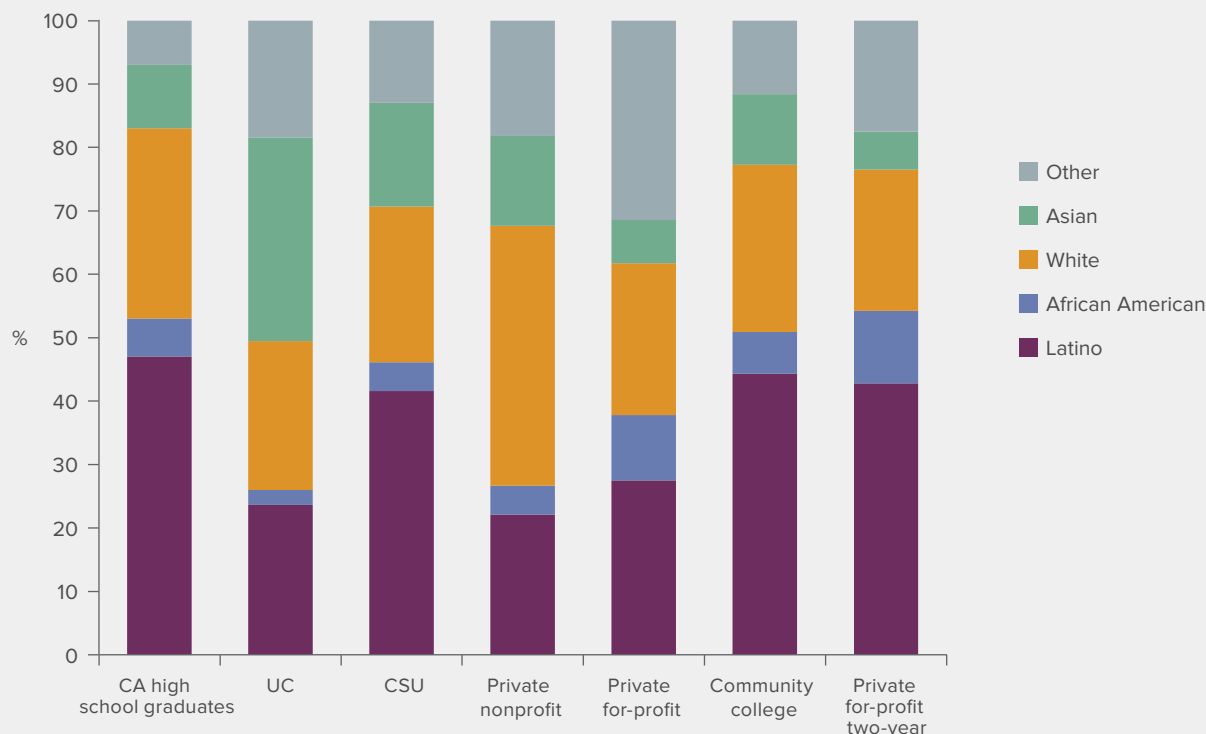
Financial aid makes college possible for many low-income students. However, there are still large differences in the enrollment of underrepresented students across institutions.

- **Two-year colleges are an important access point for underrepresented students.**

Overall increases in enrollment have been driven primarily by two-year colleges. Latinos and African Americans comprise about half of the student population at community colleges and for-profit two-year colleges, but their numbers are lower at public four-year colleges. Low-income student enrollment is similarly distributed. About half

of students at California's community colleges and private for-profit two-year schools are from the lowest-income families (incomes less than \$30,000 a year). By contrast, only about one in four students at the University of California (UC) and the California State University (CSU)—and one in seven students at private nonprofits—come from the state's lowest-income families.

TWO-YEAR COLLEGES ENROLL THE HIGHEST SHARES OF UNDERREPRESENTED GROUPS



SOURCE: California Department of Education, Integrated Postsecondary Education Data System (IPEDS).

NOTES: High school graduates are from 2014. College enrollment is for fall 2014 first-time degree/certificate-seeking undergraduate students. Students in the other category include Pacific Islanders, American Indians, Alaskan Natives, students who mark two or more races, students with unknown race, and students who are not citizens or nationals of the United States.

- **Grant aid makes college possible for many low-income Californians.**

A 2014 PPIC Statewide Survey found that 86 percent of Californians see college affordability as a problem. For students from all low-income and many middle-income families, tuition at public colleges and universities can be fully covered by a combination of federal, state, and institutional grants. Community college tuition for low-income residents is fully covered by fee waivers from the state's Board of Governors. However, many low-income students and their families struggle to cover other expenses, such as housing, health care, and child care.

- **Federal and state policy changes have facilitated college access for undocumented Californians.**

A recent PPIC report estimates that more than 300,000 immigrants in California are eligible for the federal Deferred Action for Childhood Arrivals (DACA). Together with California's Dream Act, DACA offers undocumented students access to benefits such as in-state tuition, state financial aid, work permits, and driver's licenses. Increasing the educational attainment of undocumented Californians is especially important in light of the proposed Federal Dream Act, under which undocumented youth could be eligible for permanent legal status if they obtain at least an associate degree or complete at least two years of a bachelor's degree program.

Completion gaps persist

Graduation rates are slowly increasing among underrepresented students, but these rates are still relatively low. Where these students go to college is a major factor in whether they obtain a degree.

- **The share of bachelor's degrees awarded to underrepresented students is slowly increasing.**
The proportion of bachelor's degrees awarded to Latinos, African Americans, and American Indians at public universities has been rising slowly since 2010—from 25 percent to 35 percent at CSU and from 17 percent to 24 percent at UC. Still, there are substantial gaps. The increase in degrees awarded to underrepresented students has coincided with increased spending on student services at public universities—this suggests that additional programs and services for underrepresented students could help narrow these attainment gaps.
- **Graduation rates for underrepresented students vary across the systems.**
The lowest graduation rates are at community colleges and private for-profit institutions. The system with the highest graduation rates for African American and Latino students is UC, followed by private nonprofits. UC and many private nonprofit colleges have highly selective admission processes and provide students with more student support, which may play a major role in student success.
- **Community colleges can offer students a cost-effective way to begin work on a bachelor's degree.**
Students who complete enough units at a community college are eligible to transfer to a four-year university. Each year, transfers from community colleges earn about half of the bachelor's degrees awarded by CSU and more than a quarter of those awarded by UC. Historically, however, students who begin at two-year institutions are much less likely to earn bachelor's degrees than if they had started at four-year universities. One major barrier is that not all community college credits are transferrable to a four-year university; as a result, many students spend time and money “re-earning” credits after they have transferred. The new Associate Degree for Transfer takes a step in the right direction—it guarantees that 60 community college credits can transfer to a CSU campus and requires students to complete 60 additional credits in order to earn a bachelor's degree.

Remediation policies and limited college prep resources are major barriers

Lower-income students often go to K–12 schools with limited resources and a relatively low focus on college readiness. These students are more likely to be declared unprepared for college-level course work.

- **Remediation rates are especially high among underrepresented students.**
Overall, 75 percent of students entering community college and 43 percent of those entering CSU are deemed in need of remediation in one or more subjects. Remediation rates for Latinos and African Americans are more than 10 percentage points higher. Emerging research suggests that the use of standardized tests for placement has contributed to these gaps. At the community college level, placement policies that include academic measures such as high school transcripts alongside or in place of test scores have begun to reduce remediation rates among underrepresented students.
- **Underrepresented students need greater access to college preparatory resources.**
Underrepresented students often grow up in families with no firsthand experience of college. These students are also more likely to attend schools with weak college-preparatory resources, such as advising, mentoring, and test preparation. Federal, state, and local initiatives can fill an important gap by informing students and their families about college preparation, enrollment, and success. Outreach efforts should begin in middle school so that these students have the opportunity to become prepared for college.

Looking ahead

As the share of California's population with historically low educational attainment is increasing, the state's economy increasingly demands skilled workers. If current trends continue, California will face a large skills gap—and economic inequality will continue to rise. But the state can take steps to increase access to and graduation from college among traditionally underrepresented groups.

Reform remediation policies. As community colleges seek to improve student outcomes and address equity gaps, they are rethinking their approach to remedial placement and programming. In addition to placement policies that look at prior academic achievement alongside or in place of standardized test scores, community colleges are considering programmatic changes. For example, accelerating the remediation process and aligning it more closely with college-level requirements have been found to improve success rates.

Increase transfer rates from community colleges to four-year universities. Given that African American and Latino students enter community colleges at relatively high rates, efforts to improve college access and completion among underrepresented groups need to address the challenges faced by students in this sector. The new Associate Degree for Transfer is a step in the right direction for community college students who intend to transfer to CSU; UC is developing a similar program and has committed to increasing transfers from about a quarter to a third of all new students by 2017. A continued focus on removing the barriers to transfer should be a top priority for the state.

Address the cost of college beyond tuition and fees. California policymakers are responding to the rising cost of tuition and fees, but students also face costs such as room and board, books, and other educational and living expenses. Helping low-income students with these costs would allow them to focus more fully on academic achievement. Federal, state, and institutional financial aid should aim to cover the full cost of attendance so that low-income students can graduate from college and gain access to fulfilling, well-paying jobs and careers.

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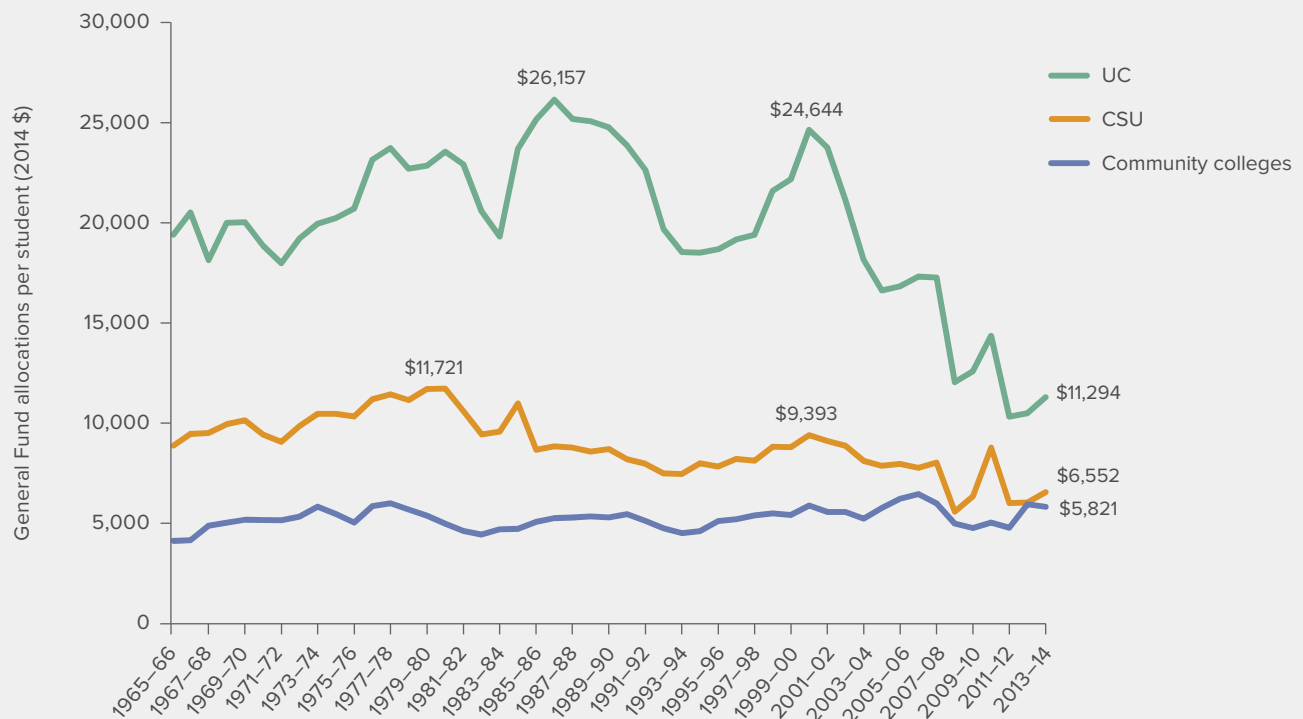
Investing in Public Higher Education

How should California fund public higher education?

California's investments in public higher education have contributed to the state's economic development for many decades. But the state invests less per student at its public universities than it did 30 years ago. As state funding has declined, the University of California (UC) and California State University (CSU) have increased tuition to make up for the lost revenue. This has raised questions about the cost of providing a college education. According to a 2014 PPIC Statewide Survey, a solid majority of Californians believe that higher education affordability is a big problem for the state. Some state policymakers have acknowledged that the state's disinvestment in higher education is partially responsible for rising student costs, and many higher education officials and policymakers have expressed concern that the current financial model of public higher education is inefficient and unsustainable.

Individuals who obtain a bachelor's degree earn more money, are more likely to be employed, use fewer social services, and are more likely to participate in the political process. With clearly defined goals, greater transparency, and better data systems, California's investments in higher education will continue to benefit the state and its residents.

STATE INVESTMENT IN PUBLIC UNIVERSITIES HAS DECLINED SIGNIFICANTLY



SOURCE: California Postsecondary Education Commission and the State Department of Finance.

NOTE: General Fund expenditures per full-time equivalent student shown in this chart do not include federal American Recovery and Reinvestment Act funds used to replace state higher education funding from 2008 to 2011.

State budget turmoil and Proposition 98 have reshaped higher education funding

Forty years ago, higher education spending accounted for a quarter of the state General Fund; since then, it has dropped to 10 percent. This decline is a result of policy decisions made by legislators as well as decreased budget flexibility related to funding guarantees and voter initiatives.

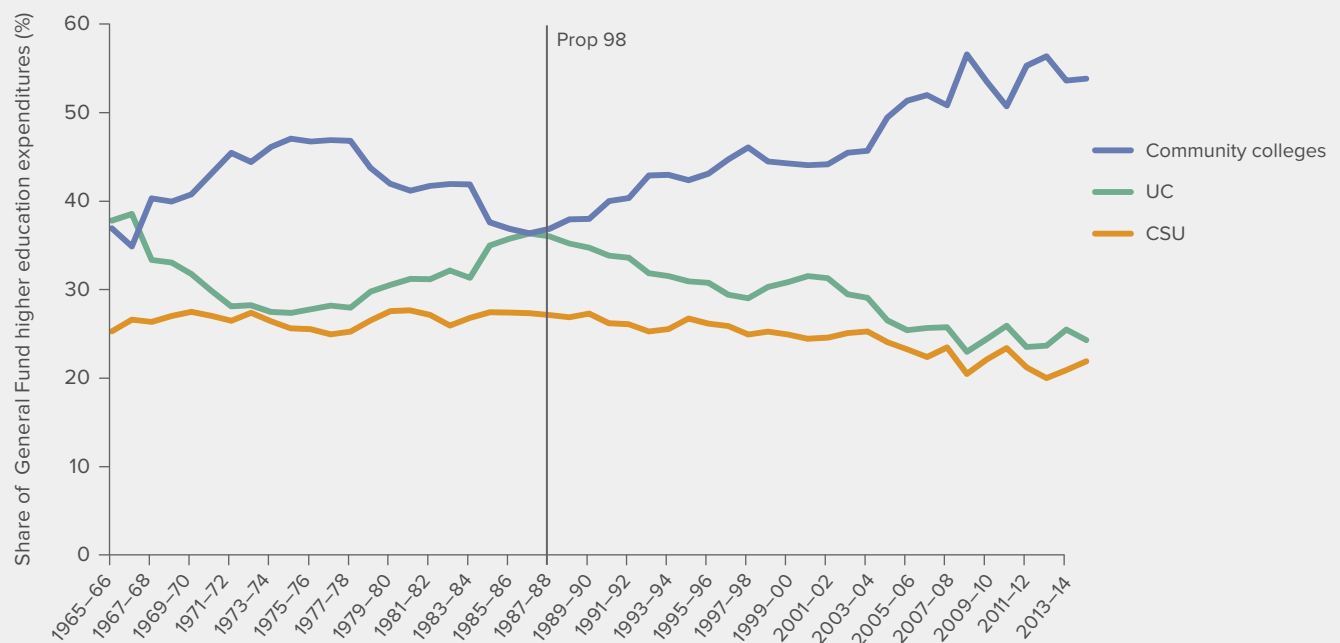
- **The General Fund and student tuition cover most of the cost of educating students at UC, CSU, and the California Community Colleges.**

General Fund appropriations combined with tuition revenue pay for the bulk of undergraduate instructional costs. The state also provides funding support to lower-income students in the form of Cal Grants, which cover the full cost of UC and CSU tuition for state residents who are academically and financially eligible. Students at private colleges also receive Cal Grants—which rarely cover full tuition at those institutions. Non-instructional expenditures—for dormitories, food service, medical centers, and research activities, among other things—are funded primarily through user fees and federal grants.

- **Proposition 98 has altered the distribution of higher education funding.**

Approved by voters in 1988, Proposition 98 requires that 40 percent of the General Fund be spent on K–12 schools and the California Community Colleges. UC and CSU were not included in this funding guarantee. At the time, state higher education funding was split relatively evenly among the three public systems. Now, the community college system receives nearly 60 percent and the other two systems split the remaining 40 percent.

PROPOSITION 98 HAS REDISTRIBUTED HIGHER EDUCATION FUNDING



SOURCE: California Postsecondary Education Commission and the State Department of Finance.

NOTE: General Fund expenditures in this chart do not include federal American Recovery and Reinvestment Act funds used to replace state higher education funding from 2008 to 2011. General Fund expenditures for other higher education purposes, including Cal Grants, are excluded.

- **State allocations to UC and CSU per student have declined dramatically; community college funding has been relatively stable.**

Over the long run, state appropriations to UC and CSU have not kept up with enrollment increases. Between 2007–08 and 2012–13, state appropriations to UC and CSU fell from \$6.3 billion to \$4.3 billion (in constant dollars), or more than 30 percent, even as enrollment increased. On a per student (full-time equivalent) basis, General Fund support at UC and CSU is near record lows. In contrast, per student funding at the community colleges is at historically high levels. Recent state funding increases at UC and CSU have been relatively small in comparison with previous cuts; community college increases have been sizable due to Proposition 98.

Public universities have dealt with reduced state support mainly by raising tuition

State funding cuts have left UC and CSU with two options: obtaining funds from other sources and cutting expenses. In recent years, some expenses have been reduced through enrollment restrictions and other measures, and salaries and

benefits—the bulk of instructional costs—have been relatively flat. But UC and CSU have relied mostly on increasing tuition. Community colleges have also restricted enrollment and increased tuition to help offset past cuts, though community college tuition in California remains the lowest in the nation.

- **Tuition at UC and CSU for California residents has more than tripled over the past 20 years.**

The decline in state support has mostly—but not completely—been offset by increases in revenue from tuition. UC and CSU used some tuition revenue to increase scholarship aid for lower-income students, but even so the net tuition (full tuition minus scholarship aid) per student more than doubled. Community college tuition for in-state students has increased by nearly 40 percent since 2005—from \$1,018 per year to \$1,423 in 2014–15. Although this increase has been significant, California’s community college tuition is still about \$2,000 below the national average and many students receive fee waivers.

- **Since 2006, spending on faculty and administrative support at CSU and UC has held steady or declined.**

Between 2006 and 2012, a period of rapid tuition increases, both faculty compensation and administrative support expenditures by the UC and CSU systems were flat or declining. In fact, UC spent nearly \$200 dollars less on administrative costs (per full-time equivalent student) in 2012 than it did in 2006, shortly before the recession. UC and CSU are increasingly relying on untenured, non-tenure track, and part-time faculty.

- **All three public systems have increased spending on student services.**

Student services include student organizations, financial aid, advising, remedial education, and counseling. Between 2006 and 2012, real spending on student services increased by 24 percent at UC, 40 percent at CSU, and 26 percent at the community colleges. At the national level and in other states, increases in services such as advising, tutoring, and financial aid counseling have been linked to improved student outcomes—and graduation rates at both the UC and CSU systems did improve significantly over this period.

Do the systems spend their resources efficiently?

Increases in tuition have bridged the gap created by falling state funding for both the UC and CSU systems. But these increases have led some policymakers, parents, and students to believe that institutional spending is out of control. At the very least, they have raised concerns about the overall efficiency of all three systems.

- **Recent tuition increases are not caused by out-of-control expenditures at public universities . . .**

Over the past 30 years, California’s public higher education systems have increased enrollment and awarded a steadily rising number of degrees and certificates despite the decline in funding from the state. From 2006 to 2012, when UC and CSU tuition grew the most, the overall distribution of expenditures did not change dramatically. Faculty salaries did not increase over that time frame, and the dollars per student spent on administration were relatively constant.

- **. . . but it is difficult to track revenues and expenditures.**

Multiple funding sources combined with a broad range of activities make for a dense web of financial relationships—but the public systems could provide better information about costs and spending. For example, expenditures are reported in broad categories such as “student services” or “institutional support.” Providing greater detail on the costs in these categories would make it easier for policymakers, taxpayers, students, and parents to understand the services they are paying for. Ideally, it should be possible to connect the dollars invested with outcomes such as degrees awarded, completion rates, and the time it takes students to complete programs. This could allow for comparisons over time, with other states, and across campuses—and these comparisons could reveal effective strategies.

Looking ahead

California and its public colleges and universities can take steps to make the most of state investments in higher education.

The state should consider linking higher education funding to clearly defined goals and measures. Historically, state higher education funding has been based on enrollment targets. Instead, funding could be based on a set of outcomes determined through collaboration by policymakers, college administrators, faculty, and students. For example, the state could focus on increasing the number of bachelor’s degrees awarded to meet future workforce demands, improving

graduation rates at its four-year institutions, increasing the share of low-income students enrolled, or expanding the number of career technical education certificates awarded.

Innovation may help increase efficiency. Online learning and other technological innovations hold the promise of improving student outcomes. To date, however, students enrolled in online courses have lower success rates than students in traditional courses. Moreover, there is little, if any, evidence that colleges save money by delivering courses online. Improvements in course quality and delivery are essential to progress in this area.

Increased transparency and improved data are key to continued progress and support. Future attempts to reduce higher education costs are not likely to succeed without better data systems, transparent reporting, and a deeper analysis of the wide array of costs involved. A more accessible accounting system would help policymakers and institutions develop a mutual understanding of the revenues needed to provide quality higher education.

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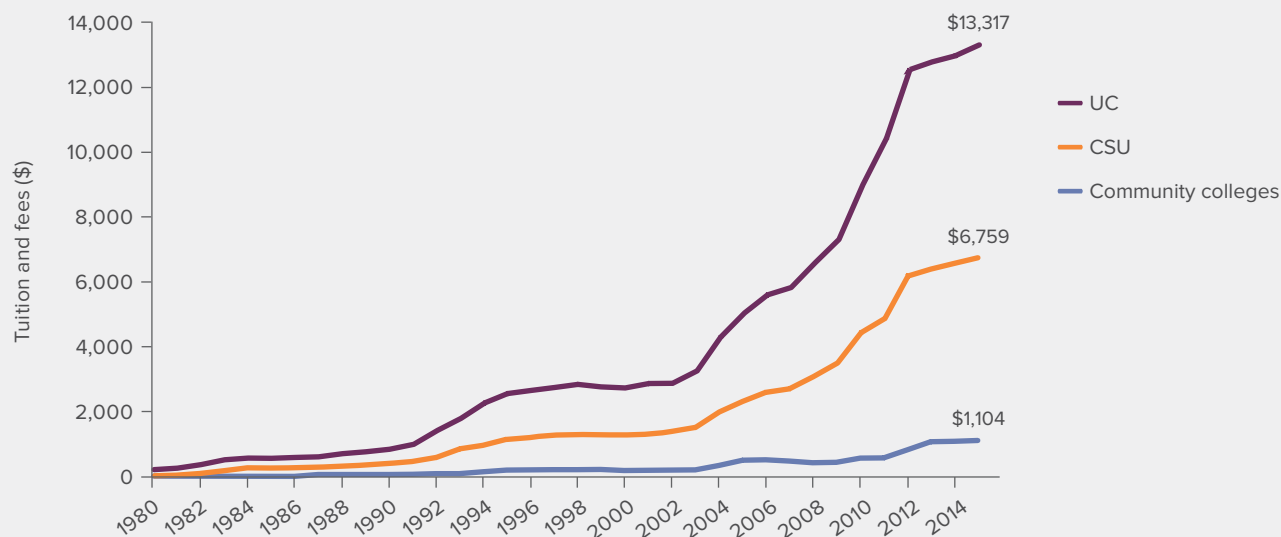
APRIL 2016

College costs are increasing

College costs are at their highest point ever at California's public universities. During the recession, both the University of California (UC) and the California State University (CSU) raised tuition to make up for state funding cuts—state General Fund support for UC and CSU dropped by about 20 percent (about \$2.2 billion) between 2007 and 2013. Community college fees have tripled since 2003. Costs are also rising at the state's private nonprofit colleges, which are much more expensive than the state's public colleges.

To counter the effects of these cost increases on lower-income students, the state and its public institutions have increased financial aid. Still, a 2014 PPIC Statewide Survey found that a large majority of Californians think that affordability in higher education is a big problem. This may be partly because many students and families rely on financial aid and loans to help pay for college—especially those who attend private for-profit institutions. Because the benefits of a college education are well documented and have major implications for economic growth, equality, and social mobility, the state and higher education officials need to expand ways to help lower-income students earn college degrees without incurring large amounts of debt.

TUITION AND FEES HAVE INCREASED DRAMATICALLY AT UC AND CSU



SOURCES: University of California, Office of the President; California State University Chancellor's Office; and California Community Colleges Chancellor's Office.

NOTES: Adjusted for inflation, in 2015 dollars. Community college tuition is for a full-time load of 12 units each semester and does not include campus fees.

Financial aid is keeping college affordable for many students

California's financial aid program is relatively generous—in combination with federal and institutional aid, it helps many low- and middle-income students attend colleges that would otherwise be out of reach, including UC and CSU. The sharp recession-era tuition and fee increases at state colleges were accompanied by increases in financial aid for many students.

- **Financial aid comes from a variety of sources.**

Students in California get financial aid from grants, scholarships, work study, and loans from local, state, and federal institutions. More than two-thirds of grant aid in California comes from federal and state aid, mostly in the form of Pell Grants, Cal Grants, and board of governors fee waivers. Different types of institutions (private versus public, four-year versus two-year) provide very different amounts of aid. Grant aid depends not only on a student's

financial and academic standing but also on the college a student chooses. For example, private nonprofit colleges commonly offer institutional grants to offset relatively high tuition, while students at private for-profit colleges often rely on loans.

- **California has one of the country's most generous state financial aid programs.**

California is more generous than other states in supplementing federal grants with state grants. Moreover, California's grant aid targets low-income students at public institutions. The Middle Class Scholarship program, enacted in 2013, extends state aid even further, providing some support to students from families with annual incomes up to \$150,000.

- **California's poorest students can attend public four-year universities without paying any tuition.**

Students from families with the lowest incomes usually get the largest financial aid packages and therefore often pay no tuition at CSU, UC, and the community colleges. These students often see reduced costs at private institutions.

- **Financial aid is linked to several positive student outcomes.**

Students who receive grants and scholarships are more likely to stay in school and graduate. Making four-year institutions affordable is especially beneficial, because students who start at four-year colleges are more likely to earn bachelor's degrees than those who start at community colleges.

More students than ever rely on loans

Student debt increased dramatically throughout the United States over the past decade. In California, overall debt is relatively low, but students at all income levels rely on loans to help cover the cost of college.

- **Tuition and fees are only part of the price of going to college.**

The total amount a student pays for college can far exceed the cost of tuition. In addition to tuition and fees, students pay for room and board, books, and other educational and living expenses. In 2015–16, the estimated average price for attending a UC school was \$33,600, of which 40 percent (\$13,451) was tuition and fees. At CSU, the estimated average price of attendance was \$23,565, of which 29 percent (\$6,759) was tuition and fees.

- **More students are taking out loans, and the size of those loans has increased.**

Between 2000 and 2012, the share of full-time freshmen who took out loans in California increased 7 percentage points (from 28% to 35%). During the same period, the average loan amount for the first year of college more than doubled, increasing from about \$3,200 to \$6,650.

- **Students at California's colleges are less likely than their peers in most other states to take out loans.**

California's colleges have the third-lowest share of freshmen with loans in the nation—only 35 percent took out loans in 2012, compared with half of freshmen in the rest of the country. This difference is especially pronounced for community college students. In California—with the lowest community college fees in the nation—only 5 percent of freshmen took out loans, compared to 31 percent nationally.

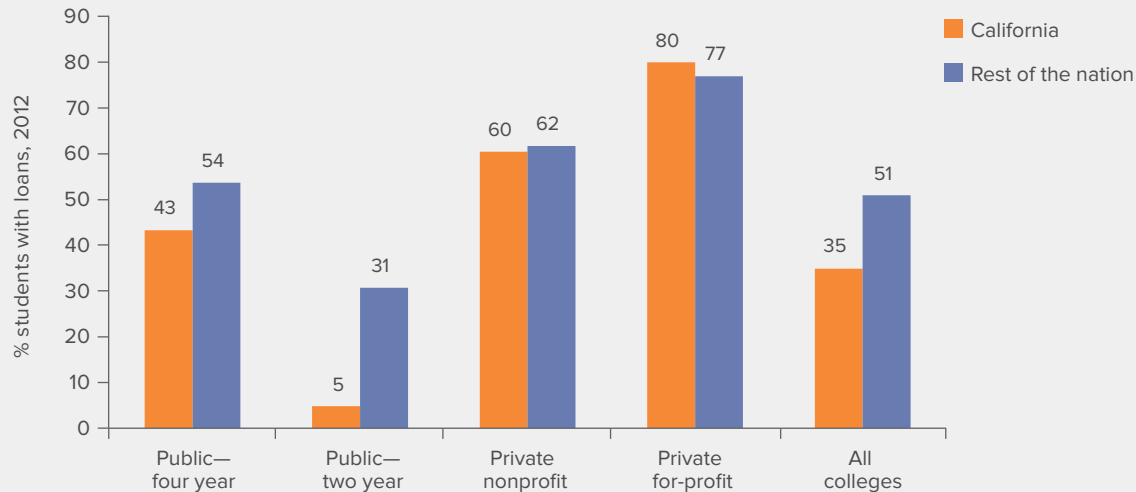
- **Loan amounts vary tremendously between public and private colleges.**

In 2012, California had the fourth-lowest average loan amounts in the nation for students at public four-year institutions, which account for 40 percent of full-time freshmen. However, average loan amounts at California's private institutions were similar to those in the rest of the nation. Average loan amounts for freshmen at the state's private for-profit colleges were 43 percent higher than those for students at public four-year colleges (\$7,684 versus \$5,379).

- **Students attending private institutions are more likely to take out loans.**

Private colleges tend to be more expensive than public colleges. Consequently, the share of students taking out loans at private institutions is much higher. In 2012, 60 percent of full-time freshmen at private nonprofit colleges in California took out loans, compared with only 43 percent of full-time freshmen at public four-year colleges. The share of full-time freshmen taking out loans is particularly high at private for-profit colleges (80%).

THE SHARE OF STUDENTS WITH LOANS IS HIGHEST AT PRIVATE FOR-PROFIT COLLEGES



SOURCE: PPIC calculations based on the Integrated Postsecondary Education Data System (IPEDS) of the National Center for Education Statistics.

NOTE: Restricted to full-time freshmen.

Student debt problems vary across institutions

Not surprisingly, high levels of debt are particularly troublesome for students who do not graduate and for graduates who enter low-paying professions. Loan default rates—which indicate the difficulty of paying off debt—are low among California’s public college students. They are much higher among students at private for-profit colleges, which tend to attract high shares of low-income and underrepresented students.

- **Loan-induced debt is burdensome for some students.**

In California, the accumulated median student debt six years after entering college ranges from \$12,000 to \$25,500, depending on the type of institution. These debt levels are particularly burdensome for students who choose the least-remunerative majors, enter low-paying careers, suffer setbacks such as unemployment, or fail to obtain degrees. However, for most students these debt levels are outweighed by the economic gains from earning a college degree.

- **Rates of loan default are low among students at public universities and private nonprofit colleges.**

Three-year default rates at UC (3.6%), CSU (6.7%), and private nonprofits (10.6%) in California are much lower than rates at private for-profits (18%) and at community colleges (21.9%). The share of community college students who take out loans, however, is extremely small, and average loan amounts are low.

- **Loan default rates are particularly high among students at private for-profit colleges.**

Not only do the vast majority of students attending private for-profit colleges take out loans, but their loans are higher than those in any other higher education sector—58 percent of students in default attended for-profit institutions, which account for only 9 percent of students enrolled statewide.

Looking ahead

CSU and UC have frozen tuition for California residents over the past three years and have agreed to continue doing so. But the state and federal government can do more to make college more affordable for Californians.

Motivate all students to apply for financial aid. Filling out the Free Application for Federal Student Aid (FAFSA)—a prerequisite for federal and state aid as well as federal student loans—can be a roadblock for some students. In 2014, President Obama announced changes that help students apply for aid earlier and more easily. High school seniors can fill out the FAFSA in October instead of waiting until January, and the online form can draw from IRS records to automatically fill in family tax information. State policies that induce all students to fill out the FAFSA can expand the number of students who receive federal grants and loans.

Expand grant aid to cover more costs. Some low- and middle-income families have struggled with the rising net cost of college due to recent tuition increases. Expanding grant aid in California to cover more lower-income students can help those who might not otherwise be able to afford to enroll in and get through college.

Restrict financial aid to students attending institutions that have a track record of success. California should continue to restrict state grant aid to colleges that meet minimum standards of success, as measured by graduation and loan default rates. The federal government has far fewer restrictions, and Pell Grants often go to institutions that do not serve students well. Federal student aid programs should follow California's approach, concentrating aid where it will do the most good.

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