



Who Can Afford it? How Rising Costs are Making College Unaffordable for Working Families

This white paper looks at the way that rising college costs are affecting California families. Higher education in California has historically been guided by the principle that maintaining affordability is paramount to providing access to all students who desire a postsecondary education. However, over recent decades, eroding state funding for higher education has meant that more costs are passed on to students and their families in the form of increased fees. Fee increases, compounded by high costs of living in California, and income stagnation, particularly for middle- and lower-income workers, have made paying for a college education impossible for many families.

Findings

College costs in California have grown much faster than inflation during the past 30 years. Much of the increase in the last five years can be attributed to fee increases. Comparing college costs and incomes shows that the rising cost of college has affected various segments of the population differently. Rising costs have been particularly hard on lower- and middle-income families.

- Between 1975 and 2005, the percent of annual income a family in the low-income group would need to pay for college has nearly doubled. In 2005, family in the lowest 20% spends 82% of its annual income to support a student at UC and 56% of its income to support a student at CSU.
- In 2005, a year at UC cost a low-income family 43 weeks of income, up from 23 weeks in 1975. For a family in the top 5%, four to six weeks of income is needed to pay a year's expenses at UC.
- On-campus room and board rates remained a consistent portion of the overall cost of attendance since the mid-1970s, accounting for about half of total costs.
- Fees have increased significantly as a portion of total costs. Between 1975 and 2005, fees grew from 21% to 32% of total costs at UC and from 9% to 22% of costs at CSU.
- Even recipients of substantial grant packages pay one-third to a half of their annual income on college costs.
- Stagnating wages for low-skilled jobs means that it has become difficult for students to pay for college with part-time work and summer jobs.
- The most significant increases in income-to-cost ratios have occurred since 2000. College is quickly becoming out of reach for many lower-income families.

Then and now — number of weeks of income needed to pay a year of university costs				
		Low-income families	Middle-income families	High-income families
At UC	1975	23 weeks	10 weeks	4 weeks
	2005	43 weeks	16 weeks	6 weeks
At CSU	1975	17 weeks	7 weeks	3 weeks
	2005	29 weeks	11 weeks	4 weeks

Trends in College Costs

College costs have grown significantly since the mid-1970s, even when adjusted for inflation. In 1980, the total cost of one year of education at UC was just under \$10,000 when measured in inflation-adjusted 2005 dollars. By 2005, this figure had more than doubled to \$21,000. Costs at CSU are lower, but still nearly doubled between 1975 and 2005.

The cost of college has increased sharply since 2000, largely because of increasing fees. Despite many pronouncements by the higher education systems, the administration, and legislative leaders that fee increases should be gradual, moderate, and predictable, student fees are the most volatile component of total college costs. Fee increases are the default revenue stream for the systems during years of budgetary drought and through the many years of depletion of General Fund allocation to higher education.

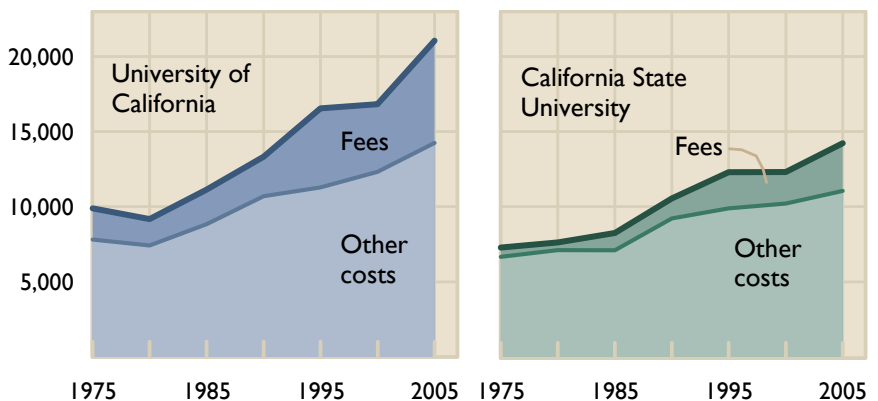
Although fees are the most unpredictable cost component, housing has remained at about half of the total cost of college since 1975. Fees make up the second-largest portion of total cost. Fees at UC increased from 20% of total costs in 1975 to 32% of total costs in 2005. Fees at CSU grew from 9% of total costs to 22% of total costs.

Surprisingly, cost figures for books and supplies have kept the same proportion of total costs from 1975 to 2005. But the survey administered to obtain cost estimates did not specify what should be included in this category. Staff hypothesizes that recent figures do not include computers and other expensive technology that students require today.

Costs of a University Education 1975–2005 Constant 2005 dollars

College costs have grown significantly over the past few decades, even when adjusted for inflation. Fees have increased sharply over the last 5–10 years.

Annual costs — 2005 dollars



Costs for full-time students living on campus. Other costs consist of room and board, books and supplies, transportation, and miscellaneous expenses. Future Commission reports will examine cost trends for commuter students and students living off campus.

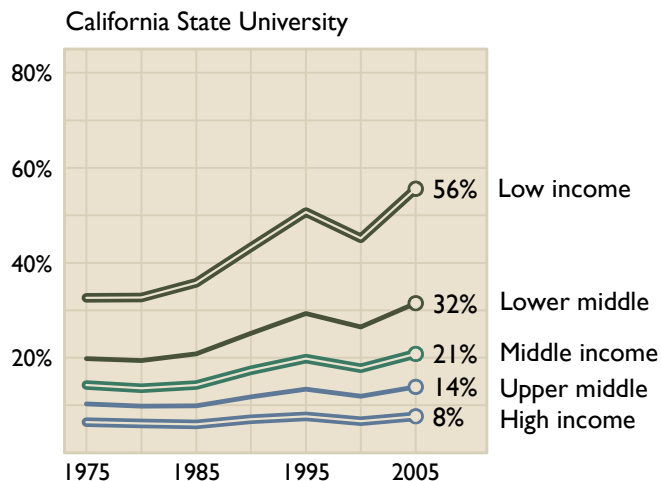
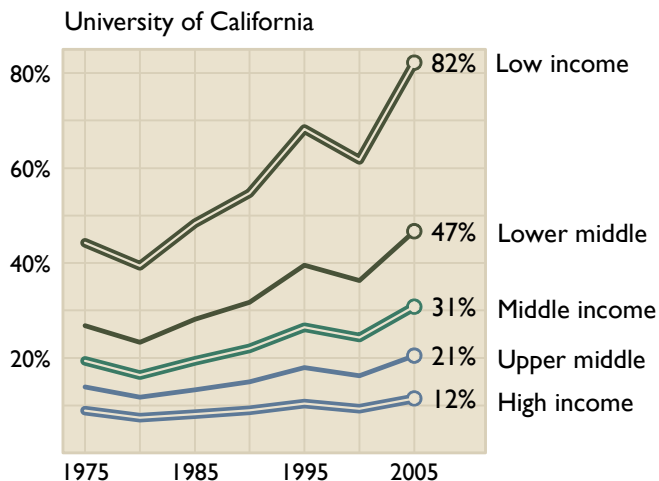
The Widening Income Gap

Increases in the cost of attending college is one reason some people think a college education is becoming unattainable. More important is the widening gap between families in the high-income brackets and low- and middle-income families. A university education appears affordable for top earners, but is not for low- and middle-income families whose incomes have not kept pace with inflation.

The graphs below show college costs as a percentage of family income. Income growth among top earners is increasing at a similar rate to college costs. The picture differs for low- and middle-income families. The percentage of income needed by low-income families to pay for college costs has nearly doubled since 1975, and the gap between low-income families and higher-income families is widening.

Percentage of a Family's Annual Income Needed to Meet a Year of University Costs

In 1975, the cost of supporting a student at UC was 44% of annual income for a family in the low-income group. In 2005, this figure had nearly doubled to 82% of annual income.



Income group		Sample of occupations paying at this level
Low income	Annual income about \$25,000 <i>20% of families have incomes below this level</i>	Delivery drivers, receptionists, preschool teachers, hospital cooks, office machine operators, ticket agents, bank tellers, medical assistants, farm foremen, electronic assemblers, machine minders
Lower-middle income	Annual income about \$43,000 <i>40% of families have incomes below this level</i>	Bricklayers, food service managers, legal secretaries, police dispatchers, plumbers, production foremen, air conditioning repairmen, vocational nurses, motel managers, news reporters
Middle income	Annual income about \$66,000 <i>60% of families have incomes below this level.</i>	Police officers, medical lab technicians, computer network administrators, registered nurses, budget analysts, real estate appraisers
Upper-middle income	Annual income about \$103,000 <i>80% of families have incomes below this level</i>	Pharmacists, personnel managers, marketing managers, research and computer scientists
High income	Annual income about \$185,000 <i>Only 5% of families have incomes above this level</i>	Physicians, top executives

See page 6 for sources of data used in this report.

The figures may give the impression that the impact of costs relative to income is considerably less for middle-income families, but many of these families are not eligible for need-based grants that would lessen their burden. For example, in 1975, a middle-income family supported by the earnings of a police officer or a nurse paid 19% of its annual income to support a student at UC. Today that figure is 31%. For a police dispatcher's family, in the lower-middle income group, supporting a student for a year at UC took 27% of its income in 1975, compared to 47% in 2005.

Grant Awards

For even the most financially needy students, most financial aid is in the form of student loans that require repayment after leaving or completing college. Lower-income students are eligible for higher levels of grant money, particularly federal grants, than middle- or higher-income students. The graphs on Page 5 show median grants awarded for 2004, by income group. Federal grants are mostly distributed to low- and lower-middle income families. State and institutional grants are more evenly distributed, but grant money clearly diminishes as income levels rise.

How grant awards alleviate the total cost burden of college attendance will be different for every family. In an optimistic scenario where a UC student from the low-income family receives the median amount awarded for a state, a federal, and an institutional grant, the total grant award package is \$7,700. The total cost of one year's attendance at UC, minus the grant package, leaves a cost burden of \$13,300, which is more than half the annual income for the low-income group. A middle-income student receiving \$2,400 from all three grant awards needs to pay or borrow the remaining \$18,700 per year, roughly one-third of annual family income. Middle-income families and students, with little or no eligibility for grant money, tend to rely on greater debt to finance a college education.

Can students work their way through college?

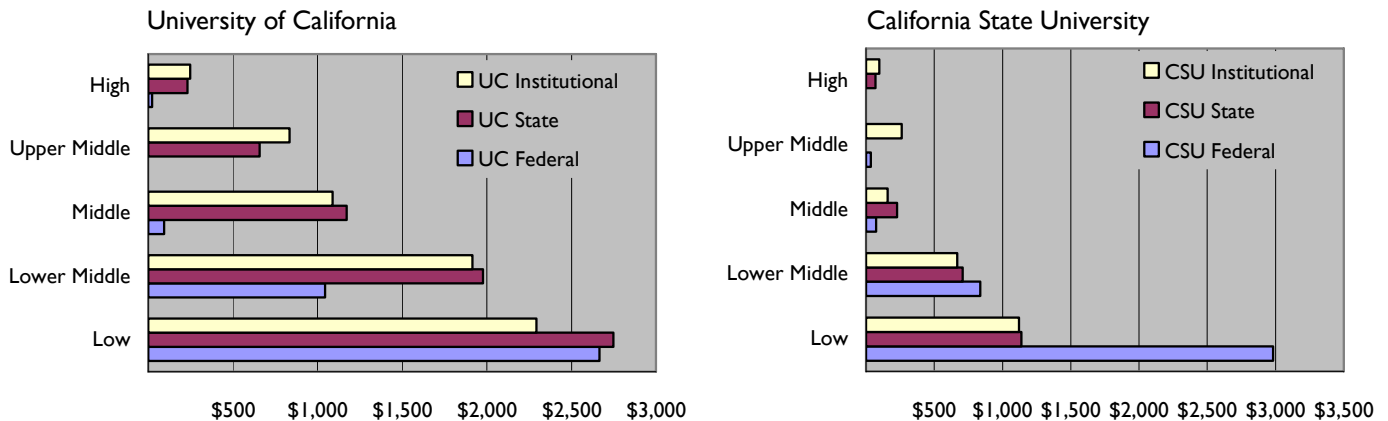
In the 1960s and 1970s, many students financed part of the cost of their education with part-time or summer jobs. However, wages in low-skilled jobs have not kept up with inflation. Today seasonal or part-time work in construction, retail, or food service does not pay enough to make much of a dent in college costs.

For example, in 1975, the average wage for retail salespeople was \$4.75 an hour. By working 12 weeks over the summer at 40 hours a week a student could earn \$2,300, which was three-quarters of the cost of attending UC for a year.

College costs have grown much faster than wages. In 2005, the average wage for retail salespeople was \$8.75 an hour. A student working 12 weeks over the summer would earn \$4,200, only enough to pay 20% of the current cost of a year at UC.

Students who need to support themselves with jobs to pay for their education and living expenses now have to work many more hours during the school year and the summer. This level of work is likely to interfere with their studies and stretch out the time they need to complete their degrees.

Grant Awards by Income Group, 2004



Implications for California’s Future

Declining affordability adversely affects student access, retention and college completion. California’s labor market and social and economic fiber also suffer. As college costs escalate, the sticker shock is evident, but understanding cost burden in relation to income provides a new and grim perspective. Twenty thousand dollars is a lot of money by most people’s standards, but when it is 50% to 100% of total annual income, naturally families will ask the question: “Is it worth it?”

When costs increase and income levels do not, there is an inevitable tendency to weigh the pros and cons and to wonder if the benefit of a college degree will outweigh the debt one acquires to earn that degree. Further, some people — particularly lower-income and non-English speaking — have greater aversion to debt. The need to borrow large sums of money to finance education may be creating a barrier to access, and may discourage some families from sending their children to college.

Also, students may drop out of college due to mounting debt or the need to work too many hours to pay their expenses. Becoming financially overwhelmed could be the final straw for students who are already having difficulties adjusting to college life. In addition to the debt burden to students who stop their education short of earning a degree, their departure from the system is a tremendous loss in workforce talent and potential, as well as a lost monetary investment by the state.

The issues discussed in this report extend beyond the realm of higher education. Cutting student expenses is like putting a band-aid on a wound. There are deeper issues at play that indicate multifaceted change is needed. Increased globalization has given way to exportation of middle-class jobs. California’s economy is declining in global economic rank, and more of the state’s educated citizens are moving to states where property values are more affordable or tax burdens are smaller. Income classes are sliding downward; middle-income families are scraping by and low-income families will barely earn enough to keep a family of four out of poverty.

California must curb the disturbing trend of educational and economic stratification. At a time when the state should increase investment in intellectual capital and ensure that its global economic standing does not slip, policymakers continue to chip away at the higher education General Fund allocation. Affordable quality education is paramount, not only to the state economy, but to provide a stepping-stone for people to earn incomes that will elevate overall quality of life for Californians.

Next Steps

Commission staff will continue to examine issues of college affordability and the ability of families to pay costs according to income. In September, staff will present the Commission with an evaluation of total cost of attendance for off-campus residents at UC and CSU, as well as total cost to community college commuter students. Staff will examine financial aid packages in greater detail and determine approximate net costs by family income once grant awards are applied.

Commission staff will continue to explore college affordability using some of the aforementioned data sources, as well as consumer expenditure data from the Bureau of Labor Statistics, when it reports at a later date on the cost of attendance for off-campus students at four-year universities, as well as commuter students and community college students.

Sources of data

Student fees. Data from Commission report *Fiscal Profiles*. Includes total fees, for UC and CSU, from 1975 to present.

Campus housing. Housing costs for years before 1980 compiled from campus catalogs for UC and Executive Order statements for CSU. Costs for later years from the Integrated Postsecondary Education Data System, U.S. Department of Education. Costs include room and board for double occupancy and 19 meal-per-week plans.

Books, supplies, transportation, miscellaneous. Data for years after 1984 from the College Board. Costs for earlier years were estimated from 1984 costs using the change in the appropriate component in the Consumer Price Index from the U.S. Bureau of Labor Statistics.

Income and Wages. Family incomes by percentile from the U.S. Census. Wages by occupation from the U.S. Bureau of Labor Statistics.

Grant Awards. Median federal, state, and institutional grant award amounts from the National Postsecondary Student Aid Study. Figures for California public, doctorate granting institutions were used for UC. Grant award levels for California public four-year, non-doctorate granting institutions were used for CSU.

Data Tables

Student Costs

System	Year	Fees	Room and Board	Books	Transportation	Miscellaneous	All costs
Actual dollar amount							
CSU	1975	\$194	\$1,264	\$210	\$154	\$456	\$2,278
	1980	226	1,969	299	256	649	3,399
	1985	666	2,368	375	427	932	4,768
	1990	920	3,966	497	533	1,370	7,286
	1995	1,891	4,994	651	625	1,504	9,665
	2000	1,839	5,679	779	742	1,810	10,849
	2005	3,164	7,623	1,127	675	1,629	14,218
UC	1975	647	1,626	210	154	456	3,093
	1980	776	2,107	299	256	649	4,087
	1985	1,326	3,378	375	427	932	6,438
	1990	1,820	4,984	497	533	1,370	9,204
	1995	4,139	6,090	651	625	1,504	13,009
	2000	3,964	7,540	779	742	1,810	14,835
	2005	6,802	10,814	1,127	675	1,629	21,047
Adjusted 2005 dollar amount							
CSU	1975	\$620	\$4,042	\$672	\$492	\$1,458	\$7,285
	1980	507	4,418	671	574	1,456	7,627
	1985	1,152	4,098	649	739	1,613	8,250
	1990	1,332	5,744	720	772	1,984	10,552
	1995	2,405	6,353	828	795	1,913	12,294
	2000	2,085	6,438	883	841	2,052	12,298
	2005	3,164	7,623	1,127	675	1,629	14,218
UC	1975	2,069	5,200	672	492	1,458	9,891
	1980	1,741	4,728	671	574	1,456	9,171
	1985	2,294	5,845	649	739	1,613	11,140
	1990	2,636	7,218	720	772	1,984	13,330
	1995	5,265	7,747	828	795	1,913	16,548
	2000	4,493	8,547	883	841	2,052	16,817
	2005	6,802	10,814	1,127	675	1,629	21,047

Costs for full-time students living on campus.

Miscellaneous costs consists of items such as clothing, entertainment, and personal care that are not included in the other categories. Figures are based on the College Board survey, which did not specify what items should be included in this category.

Student Costs Compared to Family Incomes

	Annual income	California State University			University of California		
		Costs	Percent of income	Weeks of work	Costs	Percent of income	Weeks of work
Low income families — 20th percentile							
1975	\$7,000	\$2,300	33%	17	\$3,100	44%	23
1980	10,400	3,400	33	17	4,100	39	21
1985	13,300	4,800	36	19	6,400	48	25
1990	16,800	7,300	43	23	9,200	55	29
1995	19,100	9,700	51	26	13,000	68	36
2000	24,000	10,800	45	24	14,800	62	32
2005	25,600	14,200	56	29	21,000	82	43
Lower-middle income families — 40th percentile							
1975	\$11,500	\$2,300	20%	10	\$3,100	27%	14
1980	17,500	3,400	19	10	4,100	23	12
1985	22,900	4,800	21	11	6,400	28	15
1990	29,000	7,300	25	13	9,200	32	16
1995	33,000	9,700	29	15	13,000	40	21
2000	40,800	10,800	27	14	14,800	36	19
2005	45,000	14,200	32	16	21,000	47	24
Middle income families — 60th percentile							
1975	\$16,000	\$2,300	14%	7	\$3,100	19%	10
1980	24,800	3,400	14	7	4,100	16	9
1985	33,200	4,800	14	8	6,400	19	10
1990	42,000	7,300	17	9	9,200	22	11
1995	49,000	9,700	20	10	13,000	27	14
2000	61,300	10,800	18	9	14,800	24	13
2005	68,300	14,200	21	11	21,000	31	16
Upper-middle income families — 80th percentile							
1975	\$22,200	\$2,300	10%	6	\$3,100	14%	7
1980	34,800	3,400	10	5	4,100	12	6
1985	48,200	4,800	10	5	6,400	13	7
1990	61,500	7,300	12	6	9,200	15	8
1995	72,300	9,700	13	7	13,000	18	10
2000	91,400	10,800	12	6	14,800	16	8
2005	103,100	14,200	14	7	21,000	21	11
High income families — 95th percentile							
1975	\$34,700	\$2,300	7%	3	\$3,100	9%	5
1980	55,000	3,400	6	3	4,100	7	4
1985	79,000	4,800	6	3	6,400	8	4
1990	102,400	7,300	7	4	9,200	9	5
1995	123,700	9,700	8	4	13,000	10	5
2000	160,100	10,800	7	4	14,800	9	5
2005	184,500	14,200	8	4	21,000	12	6

Income groups are based on percentile of income as reported by the U.S. Bureau of the Census.