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# Keeping College Affordable in California

## A Report of the Special Panel on Affordability to the California Postsecondary Education Commission

FORM 6  
DRAFT

*This report synthesizes the discussions of the Commission's Panel on Affordability, provides background information, and presents policy options.*

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

### Introduction

Historically, higher education has been viewed as one of California's biggest success stories. Its system of high quality public universities, first-rate independent institutions and accessible community colleges has helped integrate millions of Californians into its diverse and vibrant economy and culture. In the past, it has achieved this feat by a combination of strong state budget support, modest student fees at public institutions, and generous financial aid.

But this picture of postsecondary education in California is dated, incomplete, and fails to recognize a disturbing and increasing reliance placed on students and families to shoulder the costs of postsecondary education to its citizens. State support for higher education has dwindled in the past 20 years and student fees have increased exponentially at California's public four-year universities to offset the loss. Yet this is only part of the story. Other components included in the total cost of attendance (e.g. housing, transportation, textbooks) have increased at an even greater rate. In the decade from 1994-95 to 2003-04, median household income in California rose 13%, keeping pace with student fee increases. However, non-fee related costs increased from \$7,355 to \$9689 (32%) at UC and from \$6,533 to \$7,881 (21%) at CSU. The net result is that the total cost of attending California's public four-year universities is no longer the bargain it once was compared to the rest of the nation.

Still, many would argue that the cost of attendance, or posted price, is not an accurate indicator of what students and families actually pay. It is the net cost, after financial aid has been considered, that is the proper indicator of college costs. Moreover, it has been suggested that lack of access to postsecondary

education is more a product of the shortcomings of California's K-12 system, socio-economic and/or cultural barriers, or other factors not related to price.

If price is not a barrier as some suggest, why is the level of education-related debt incurred by students and their families growing so substantially? In California, the indebtedness level of borrowers entering repayment has increased by 60% in the last decade (*EdFund Trends in Student Aid 2006 report*). This reliance on debt as a method of financing the costs of higher education has taken students, families, and educational institutions into uncharted territory. While the unpleasant consequences of student loan defaults have been apparent for decades, the long term implications of students graduating from colleges with substantial debt burden are only now being examined and understood.

Moreover, those most affected by student debt -- low-income, non-traditional and underrepresented student -- often carry the heaviest debt burdens. In 2004, 88.5% of all Pell Grant recipients nationally took out student loans. On average, borrowers who were not Pell recipients took out smaller loans. California enrollment growth projections indicate that it is the neediest students who will make up an ever-increasing percentage of the college going population.

Other well-documented consequences of rising college costs include the need to work more hours, increased time-to-degree, stagnant graduation and degree production numbers, and, perhaps most importantly, an erosion in the long-held belief that the benefits of higher education far outweigh the costs.

Concern for the impact of rising college costs has broadened to include fears that financial barriers may hamper the ability of California and the nation to compete in a knowledge-based global economy. A recent draft report by the Advisory Committee on Student Financial Assistance, *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness*, declares that in the 1990's, between 1 and 1.6 million bachelor's degrees were lost because financial barriers prevented otherwise qualified applicants from attending four year universities and colleges. If this figure is even modestly accurate, it is difficult not to conclude that the price of attendance is creating barriers not only to personal aspirations but to the economic well-being of California and of the nation as a whole.

### **Differing Perspectives**

Although concern about the rising level of college costs has found its way to the forefront of political and legislative agendas (particularly at the national level), the concept of affordability is not an easily defined or understood concept. The basic question, "Has California higher education become unaffordable?" is illusive and not given to easy definitions or a simple response. There are a number of alternative perspectives on the issue including those of parents and students, college and university governing boards and administrators, policy makers, and planners. A balanced and informed understanding of the issue should take into consideration the views and perspectives of the various stakeholders as well as the empirical evidence.

Schools and colleges in California point with justification to students they continue to serve despite rising college costs. Both the University and State University target financial assistance in a manner that allows them to continue to enroll the State's neediest students at a rate much greater than that of comparable public four-year institutions around the country. California's Community College system remains the single largest point of access to higher education in the country at a cost that has remained within reach of most students and families. The State's private institutions have long sought to ensure that all qualified students are able to attend the institution of their choice, regardless of financial circumstances. In fact, the fundamental idea of access coupled with a wide range of educational opportunities has been the distinguishing characteristic of California higher education.

The California higher education community also points to a substantial commitment to institution-based financial aid. This commitment goes beyond simply setting aside a certain percentage of fee revenue to fund need-based aid. The community college fee waiver program (BOG grant) is accessed by as many as 40% of students enrolling. At the State University, the university grant is an integral component of financial aid packages for needy students. The University of California's institution-based aid actually helps defray some of the increases in the total cost of attendance faced by students with demonstrated need.

Institutions and systems of higher education also correctly point out that most of the drivers of increased costs (particularly at two- and four-year public institutions) are simply beyond the control of the institutions themselves. Student fee increases, precipitated by state budget shortfalls, have driven costs in ways that could not have been anticipated nor prevented by the segments. Budget shortfalls have also forced public institutions to redirect limited resources to areas of greatest priority. Many of the fundamental drivers of cost (labor and collective bargaining, health care, housing, transportation, technology, and capital costs) are beyond the limited control of systems and institutions. Another area of increased costs has been that associated with regulatory requirements, both state and federal. Regulatory compliance is the price to be paid for continued eligibility for state and federal assistance -- but it is often costly and comes as an added expense, not funded by the regulatory entity.

To their credit, the public and private systems of higher education in California have been unwilling to sacrifice either educational quality or access -- even when the State's budget has left them short of funding. Instead, they have chosen a path that protects the most vulnerable, while seeking to further their mission. Those most impacted by this ordering of priorities -- middle-income families -- are at least more able to afford and manage increased costs than low-income families.

Moreover, much of the data used to measure longitudinal trends in affordability show patterns that are less alarming than generally understood. While the average debt level of students (and parents) entering repayment has increased substantially, California has the second lowest average debt level in the country. Similarly, both the average level of indebtedness and the overall cost of attendance, when measured in constant dollars, have remained relatively stable over time. It is, however, apparent from the data below that the net cost of attendance faced by California students and their families, when considered in constant dollars, is increasing steadily.

Advocates of postsecondary education point to the underlying idea that higher education should be viewed as an investment whose costs should be weighed against the benefits provided. They point to studies that indicate that in terms of increased income, economic opportunity and mobility, and an array of measures ranging from physical and mental health to civic involvement, the benefits of higher education even at today's prices far outweigh the costs.

Another factor critical to the perception of affordability in California is the role played by the State's Master Plan for Higher Education. Public knowledge and understanding of the Master Plan's goals tend to be limited to the belief that the Master Plan anticipated low fees as a way to ensure continued access for Californians. The unwillingness to even use the term "tuition" is an indication of the public and political importance attached to low fees in California. Other states, many without California's commitment to a comprehensive system of public higher education, have instituted policies that presume significantly higher tuition and fee levels and correspondingly lower state subsidies in support of higher education.

Finally, many in higher education would argue that the emphasis on such visible indicators as the posted price, costs that outstrip general indicators of inflation, and increased debt levels, may have the unintended consequence of discouraging those who could benefit most by postsecondary education.

## Affordability and Public Policy in California

Current state policy relative to higher education offers little real guidance on the issue of affordability. The Master Plan specified that students should pay only fees, not tuition. State-based financial aid (the means by which the State seeks to insulate low income students and families from the impact of fee increases) has long been limited to mandatory fees. State-level policy has been almost exclusively aimed at mitigating the impact of mandatory fee increases caused by shortfalls in general fund appropriations for postsecondary education. There has been little acknowledgement or understanding of the impact of increases in the total cost of attendance.

Historically, the focus of the California Postsecondary Education Commission (the Commission) has been on the development and implementation of a policy for setting and adjusting statewide mandatory student fees. The emphasis has been on “gradual, predictable and moderate” fee increases tied to very general indicators of the public’s ability to pay. In fact, the Commission’s initial efforts in the area of affordability remained focused on modifying its policy to meet the needs of students as well as recognizing the State’s continuing inability to adequately support higher education through general fund expenditures. In doing so, however, the Commission was faced with the fact that in California, as elsewhere in the nation, major shifts in financing higher education were occurring, including the following:

- **Borrowing** has become the principle mechanism for keeping higher education within the reach of most families, resulting in a substantial increase in levels of indebtedness;
- **Grant aid** has not kept pace with increases in total college costs, resulting in higher levels of borrowing, even among students with the greatest financial need;
- **Barriers to access** presented by the total cost of attendance remain a problem even at the State’s community colleges where the ability of many non-traditional students to attend is exacerbated by their need to work as well as care for families; and
- **The Total Cost of Attendance** consistently outruns California families’ ability to pay as measured by median household income.

## The Role of the Affordability Panel

The convening of the Commission’s Panel on Affordability was the direct result of efforts to develop new Commission policy around the issue of affordability. These efforts were driven by the Commission’s view that access and educational opportunity in California are being compromised by steep increases in college costs. At its March 28-29, 2006, meeting, the Commission endorsed a set of “principles” for the development of an affordability policy, including the recommendation that student fees be held to the current levels for the next five years. It also stipulated that adequate general funds be appropriated to California’s public segments of higher education to allow for such a freeze. At the same time, the Commission recognized that increases in student fees were not the only (or the greatest) driver of the cost of a higher education. Therefore, efforts to reduce or slow the growth of college costs in California would require an understanding of, and options for, reducing the steady increases in the total cost of attendance.

Discussion of affordability and the drivers of college costs in California culminated in a hearing on affordability at the Commission’s June 27-28, 2006, meeting. At that meeting, the Commission heard testimony from a wide range of representatives in higher education, as well as those directly impacted by rising costs and the impact of student debt.

The result of these activities was the Commission's decision to convene a special panel on Higher Education Affordability in California, bringing together representatives of the higher education community and others with an interest in the issue of affordability. The panel's charge was to:

- Determine the nature and scope of the problem of affordability in California higher education; and
- Recommend policy options and initiatives for reducing and/or slowing the rate of increase in college costs.

The Commission wished to examine the nature of the expenses driving the total cost of attendance. Therefore, the panel was to examine all elements of a student expense budget to better understand the major drivers of increases in the total cost of attendance and provide policy options and recommendations for the Commission's consideration.

The panel was directed to report its findings and recommendations to the Commission in time for consideration at the Commission's December 12-13, 2006, meeting. This paper summarizes the work of the affordability panel and includes:

- A summary of the panel's deliberations in various issue areas;
- Information and data developed during meetings and exchanges among panel members; and
- A series of recommendations for the Commission's consideration.

## **The Work of the Affordability Panel**

In order to assure a broadly representative point of view on the cost of higher education in California, a broad cross-section of institutional and subject matter experts were asked to participate. These included representatives from housing agencies, tax experts, and textbook publishers as well as representatives from all of California's segments of postsecondary education.

The challenge to the panel was to explore and ultimately recommend policies and initiatives that help foster affordable and accessible higher education for all Californians. The panel reviewed background materials and report drafts via e-mail as well as meeting in person on four occasions in 2006. In attempting to more clearly define its focus, the panel considered a number of issues and approaches as reflected below.

### **Cost vs. Price**

The panel considered at length whether it should focus on the drivers of "costs" of higher education or on the "price" as experienced by students and families. Costs were seen as the structural and systemic expenses associated with the delivery of higher education, and would include everything from labor and capital costs to issues associated with technology, governance and public finance. "Price" was generally associated with the posted price of attendance and the elements of a student expense budget such as tuition/fees, housing, transportation, and textbooks. The panel recognized the fundamental influence of the "cost" of higher education on the "price" of attendance. At the same time, it recognized the Commission's desire to focus on the impact of the "price" of attendance on students and families. It was agreed that the relationship between "cost" and "price" should be integrated into the body of the report to the Commission as well as its recommendations.

### **Defining Terms and Reference Points**

The panel also discussed the usage and meaning of the terms that describe both cost and price. A number of definitions were discussed with panel members, including the following:

- *Cost of Attendance*” is defined in federal statute and is used by postsecondary institutions for federal Title IV financial aid purposes. An essential requirement for receipt of need-based Title IV aid is that financial aid cannot exceed the cost of attendance as defined by the institution. It is viewed as the upper limit for aid eligibility, depending on the calculated financial need of the student or family;
- *“Cost of Education”* is a term used to describe the cost to the state/university of providing direct education services;
- *“Net Cost”* can refer to the posted price of attendance less whatever aid the student/family may receive;
- *“Net Price of Attendance”* typically refers to posted price less grant aid received by the student/family.

The panel noted that posted price affects behavior and attitudes in higher education as elsewhere in the economy. It was pointed out that posted price and its attendant sticker shock to students and families should always be viewed in the context of the “net price”. That is, the net price is the actual cost (including borrowing) for which an individual student or family may be responsible. Net price is not only a more accurate picture of actual costs, it substantially reduces barriers created by a lack of knowledge or understanding of financial resources available to low and middle-income families.

Regardless of perception and definition of terms, data from the federal Department of Education indicates that the total cost of attendance at California’s public four year universities is now comparable to that of the nation as a whole. As Display 1 on page 7 indicates, California is well above the national average and even ranks above such states as Massachusetts, New York, and Michigan when the full cost of attendance is considered.

### **Data – Sources and Analysis**

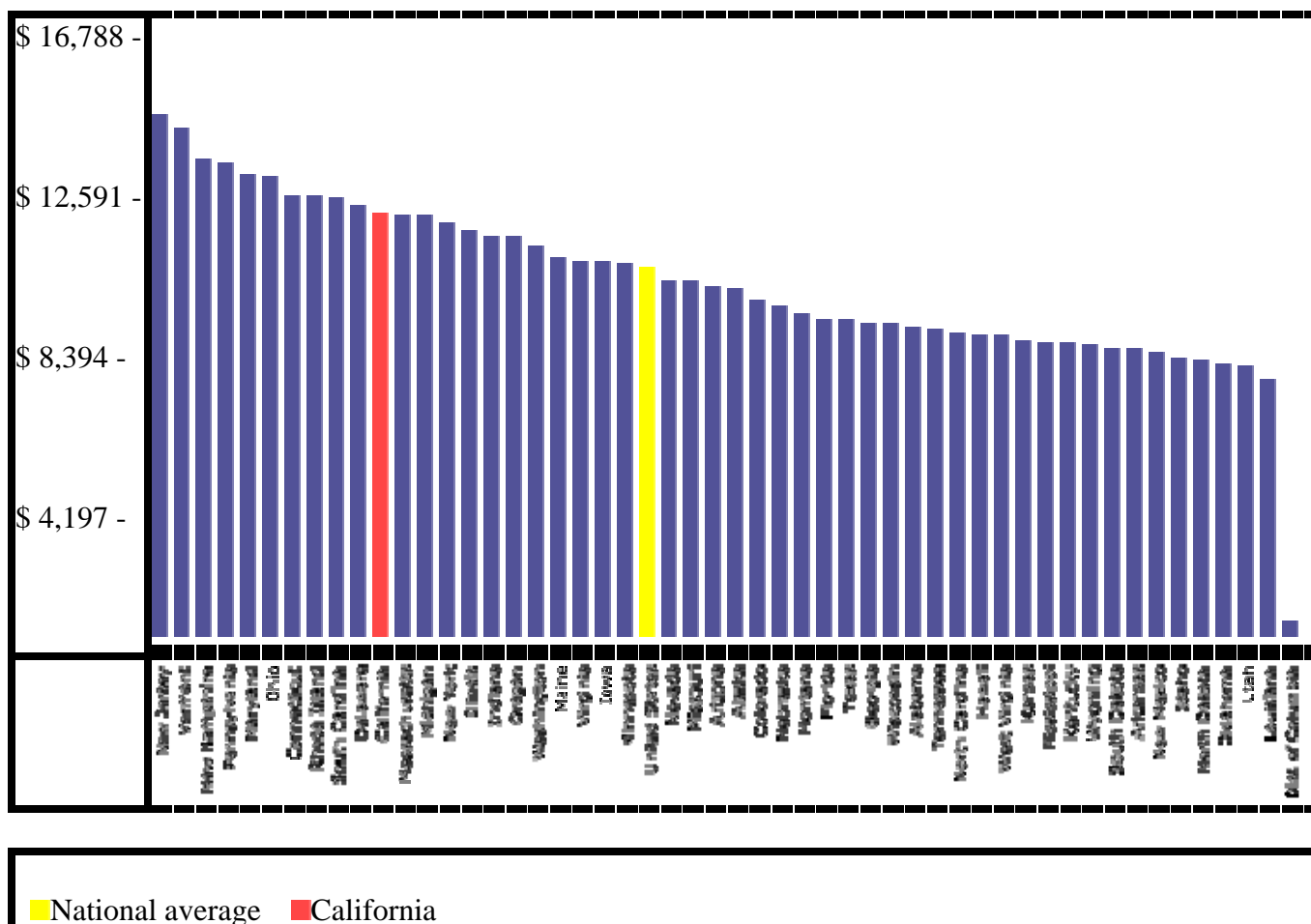
The panel discussed what data would be most useful in:

- Identifying those groups most impacted by rising college cost;
- Helping to target resources effectively and efficiently;
- Determining if there are particular students that have higher/lower costs within each income level; and
- Determining whether the net cost for students at different income levels is affordable.

An informal workgroup was formed to develop a data set that would help panel members assess the current distribution of assistance to students by segment, income level, and type of aid. The panel also requested that, if possible, longitudinal data be included in the analysis. It was initially decided that a California extract of the most recent NCES/NPSAS data would be used to develop an affordability profile for California public and private four-year institutions. However, insufficient data for the independent institutions caused the committee to turn to data developed by the segments using agreed upon criteria.

The data gathering efforts were primarily focused on UC and CSU and appear in Appendix A. Comparable data was not available for the California Community Colleges although federal costs of attendance data for all three segments for a three-year period is included in Appendix B. Cost of attendance data for independent institutions were prepared by the Association of California Independent Colleges and Universities (AICCU) and appear in Appendix C.

**DISPLAY 1 Average Undergraduate Tuition, Fees, Room, and Board Charged for Full-Time Students in Public, Four-Year, Degree-Granting Institutions, 2003-04**



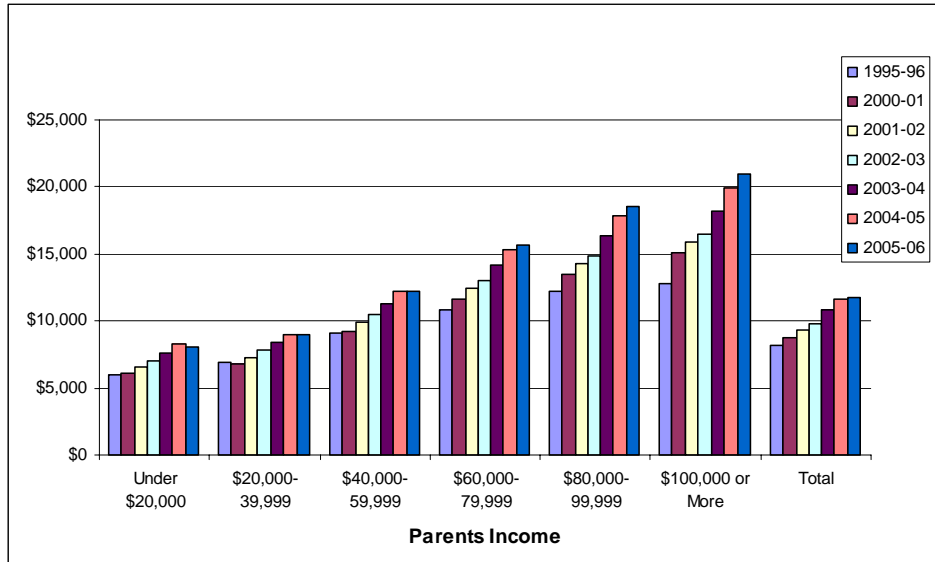
Source of Data: National Center for Education Statistics (NCES).

At the University and State University, data include the cost of attendance, gift aid received, the average cost of attendance less gift aid, and the average level of borrowing – all by income range. Also included are data for parent (PLUS) borrowing and unsubsidized loan program borrowing for both need-based and non-need based students. In order to provide a picture over time, data are provided for 1995-96 and for the years 2000-01 through 2005-06. The data are displayed in current dollars below and in both current and constant dollars in Appendix A. Data were held in constant dollars by using multipliers for cost of attendance and gift aid as well as income ranges using the CPI index in Appendix B.

As Displays 2 and 3 on page 8 illustrate, the last five years have seen dramatic increases in both the cost of attendance and the average net price of attending California’s public four-year universities. While the net cost of attendance remained relatively stable, with little increase between 1995-96 and 2000-01, the average net cost of attendance increased from \$8,747 to \$11,722 at the University and from \$6,717 to \$9,734 at the State University. The same data is displayed in constant dollars in Appendix A.

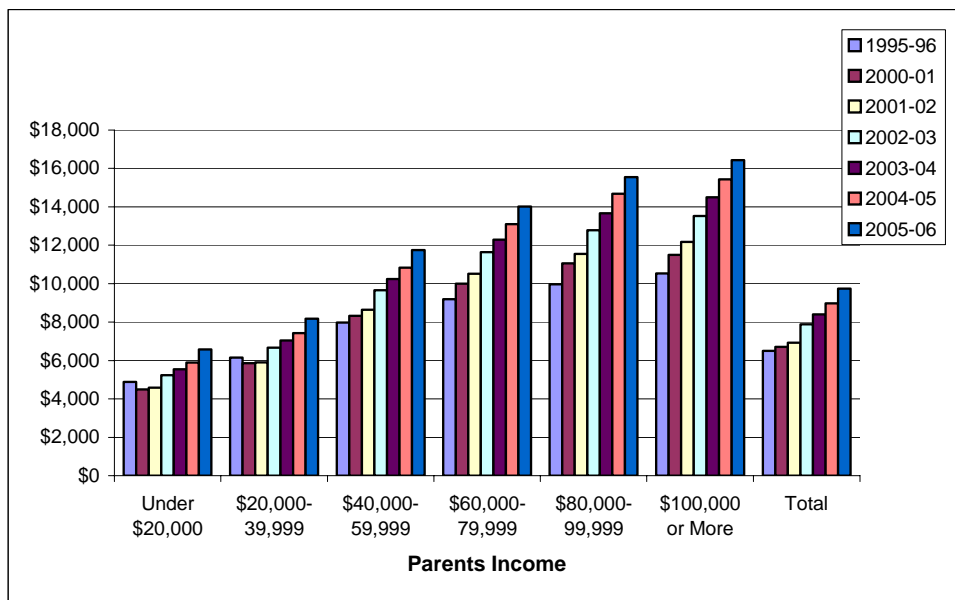
One simple measure of the impact of recent increases is the number of dependent undergraduate students eligible for need-based financial assistance. As indicated in Appendix A, this number increased by only about 4,000 students at the University and slightly more than 1,000 at the State University in the period 1995-96 through 2000-01. The most recent five-year period had increases of 10,000 needy students at the University and more than 13,000 at the State University.

**DISPLAY 2 Net Cost of Attendance at UC (Current Dollars - Full-Time Dependent, Need-Based Students)**



As Displays 2 and 3 illustrate, the University and State University have packaged student assistance in a manner that has maintained an equitable distribution of aid among income brackets. Low income student and families continue to receive the greatest average gift aid and have the lowest average levels of student loans. The commitment to need-based aid for lower-income students and families is consistent with state policies of equity and access for Californians, regardless of income level. With limited access to need-based grant aid and continuing pressure from state budget constraints in recent years, the priorities of the public four-year segments as well as the independent institutions have remained consistent.

**DISPLAY 3 Net Cost of Attendance at CSU (Current Dollars - Full-Time Dependent, Need-Based Students)**



Displays 2 and 3, however, also serve to illustrate the difficult position of middle-income families due to rising college costs. The net cost of attendance increases sharply for incomes ranging between \$40,000 and \$100,000. As eligibility for federal and state need-based grant aid declines and expected student/family contributions increase, middle-income families must absorb even greater levels of expense. The level of borrowing increases and so presumably does the need for students to work. If these trends continue over time and middle-income families are expected to assume an even greater share of the burden for financing higher education, the current level of public concern over college costs will continue to grow.

Another striking element of the data is the substantial gap between the net cost of attendance (average cost less gift aid) and the average level of borrowing. It is clear that for many students and families with demonstrated need, resources other than those available through the loan programs are being tapped. For example, at the State University in 2005-06, 13,625 need-based aid recipients in the \$40,000 to \$60,000 income range had a net cost of attendance averaging \$11,744. Average borrowing was only \$2,500. Less than one-tenth of this number availed themselves of other federal loan programs such as Parent Loans and unsubsidized Stafford loans. Although need analysis generates an Expected Family Contribution (EFC), the total EFC does not approach the amount necessary to cover the net cost of attendance. The question is, then, how do students and families fill this gap? The answer appears to be some combination of working, scrimping, saving, doing without, and borrowing from other sources.

Looking at the data in Appendix A, average student loan levels appear relatively modest at UC and CSU, particularly when viewed in constant dollars. However, these figures include need-based recipients who choose not to borrow. Also, the use of the more expensive unsubsidized Stafford Loan program continues to grow. Although the total number of borrowers remains modest, particularly for low-income groups, rising costs are causing an ever greater percentage of need-based aid recipients in the higher income groups to access this costlier program.

Because federal loan limits remained unchanged until the most recent budget reconciliation act, increases in borrowing in the PLUS program -- the credit based, federally guaranteed program for parents of undergraduates -- has also grown substantially. The number of families accessing this program doubled at the University and tripled at the State University during the period 1995-96 to 2005-06. But it should be noted that while the number of borrowers in the PLUS program has increased overall, as a percentage of dependent undergraduates with need, it has remained relatively constant.

The data also makes it clear that increasing numbers of students and families without demonstrated need are borrowing to finance higher education. An escalating number of students at UC and CSU who do not qualify for need-based aid in the current need-analysis process are availing themselves of both federally unsubsidized loans and the credit based Parent Loan Program. The advent of the new "Grad-Plus" program extends the eligibility of the current PLUS program to qualifying graduate students up to the cost of attendance. This new program has resulted in substantial new borrowing since its inception this year.

Appendix C provides information on the average cost of attendance, net cost of attendance and the type of financial aid packages typically used by California's independent institutions. The data was provided by the Association of Independent California Colleges and Universities from a sample survey of institutions that are, to some degree, comparable to UC and CSU campuses. The independent institutions provide deep discounts on the average cost of attendance through a combination of federal, state, private, and institutional aid. What is also clear is the critical role played by state grant aid in the ability to maintain and foster educational choice for all Californians. One important objective of independent institutions is to use all forms of financial aid in order to remain as affordable as possible, particularly for low-income students. The partnership between these institutions and federal and state government helps to reduce the level of debt students at independent institutions assume.

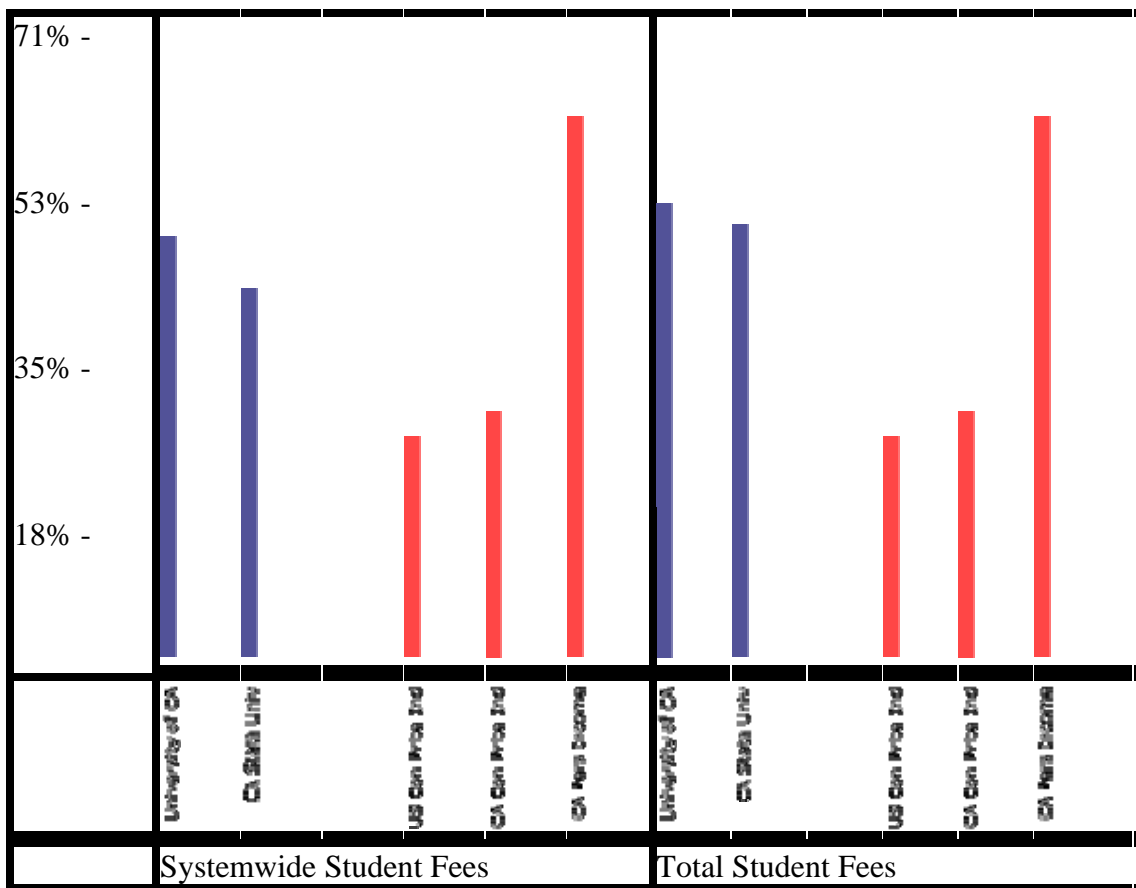
**Student Fees and State Support**

As long as higher education remains one of the few areas of discretionary spending in the state budget, student fees will be viewed as a source of revenue available to back-fill budget shortfalls. It has been suggested that limits on student fee increases be placed in California’s constitution, thereby ensuring the vision of the original Master Plan for Higher Education. However, without access to revenue generated from student fees, California higher education would be at risk of severe declines in educational quality and access during periods of budget shortfalls.

As noted earlier, mandatory statewide student fees have increased sharply in the past decade. Display 4 shows a comparison of the change in resident undergraduate fees charged at California's public universities to the change in several economic indicators. As the graph indicates, student fees have increased at a greater rate than all the economic indicators other than the growth in total personal income.

It is unlikely that California will return to a time when state funding can keep pace with enrollment and price increases. Only a major shift in tax and spending policies will alter the proportion of state and federal funding allocated to higher education. In fact, the state percentage of general fund resources is predicted to decline in every state. Increases in student fees impact families particularly hard due to their unpredictability. Students at four-year institutions are unable to plan for educational costs when fee levels cannot be reasonably estimated for their period of enrollment.

**DISPLAY 4 Comparison Between Fees and Economic Indicators, 10 Years (1994-95 to 2004-05)**



Source: CPEC Fiscal Profiles.

Another growing affordability barrier has been the steady increase in campus-based fees. In the past ten years, the average of campus-based fees has increased from \$367 to \$661 at UC and from \$351 to \$644 at CSU. This represents an 80% increase in contrast to the 60% increase in mandatory system-wide fees for the same period. One issue endemic to campus-based fees is the question of taxing future classes of students for projects or improvements voted on by currently enrolled students.

### **Financial Aid in California**

Funds from all sources of financial aid have more than doubled in the last 10 years – from \$4.2 billion in 1994-95 to \$9.05 billion in 2003-04. However, in the same period, enrollments have increased by about one-third at the public four-year segments and the community colleges while borrowing has increased by 60%.

Investing in need-based grant aid appears to be a cost effective method for increasing access and, just as importantly, for encouraging persistence and completion in California higher education. Receiving a Cal Grant was found to be significant in determining whether students enrolled immediately in the first year or stayed at the same institution all four years. However, the availability of grant aid has been constrained both at the federal and state levels and, coupled with persistently escalating costs, has led to substantial increases in borrowing for both low- and middle-income families.

Much has been written about the shift from need-based to merit-based grant aid. However, the primary focus has been on: (1) state grant programs that emphasize merit components that may reward students without demonstrated need (e.g. the Georgia's HOPE scholarship program); and (2) tuition discounting and awarding of institutional grant aid to students that may excel academically but demonstrate little or no financial need. The latter practice is intended to increase an institution's academic prestige by emphasizing more selective enrollments. Although California's Cal Grant program has a merit component, it is realistically an academic floor -- with the real rationing of awards based on financial need. The need vs. merit debate has not been a major factor in California -- particularly for the public institutions. The overwhelming majority of UC and CSU institutional aid has historically been awarded on the basis of need.

### **Borrowing and the Impact of Debt**

As Display 5 indicates, the aggregate average debt level for California borrowers in the period 1995-96 to 2003-04 has increased by over 60% for all segments of California higher education. Of particular concern is the average level of indebtedness for students attending vocational proprietary schools. Not only do they have, on average, the highest level of indebtedness, these students also have higher default rates and less ability to repay educational debt than those attending the other segments. Also, students who attend on a part-time basis are in a more precarious financial position, with higher debt, higher credit card utilization, and lower incomes than either full-time students or students who were repaying their loans.

Although education debt has grown substantially, there is no indication that borrowers are unable to manage current levels. There has not been an epidemic of defaulted loans or overwhelming evidence that educational debt is effectively preventing borrowers from obtaining economic or personal goals. However, trends in credit-based financing for higher education are not reassuring.

- The parent loan, or PLUS program, had enormous growth over the period from 1994-95 through 2003-04, posting a 260% increase;
- Use of unsubsidized borrowing with its consequent high level of repayment obligation resulting from capitalization of interest continues to grow as costs continue to rise; and

- The wave of student loan consolidations resulting from the recent low interest rate environment may have eased monthly payment obligations, but they have also resulted in significantly greater debt obligations due to extended repayment schedules.

**DISPLAY 5      Average Cumulative Family Borrowing From Federal Stafford Programs for Undergraduates Entering Repayment**

	UC	CSU	Private 4-Year	Voc/Prop	All
1995-96	\$10,763	\$9,503	\$14,578	\$22,602	\$11,352
1996-97	\$11,475	\$10,325	\$16,191	\$24,068	\$12,340
1997-98	\$13,911	\$11,355	\$17,552	\$25,139	\$13,709
1998-99	\$15,167	\$12,462	\$18,139	\$26,081	\$14,761
1999-00	\$15,613	\$12,992	\$19,328	\$29,168	\$15,495
2000-01	\$15,652	\$13,498	\$20,408	\$29,918	\$16,045
2001-02	\$16,516	\$13,933	\$20,977	\$22,960	\$16,766
2002-03	\$16,363	\$13,861	\$21,070	\$22,715	\$16,866
2003-04	\$17,075	\$14,386	\$21,982	\$29,003	\$17,884

Source: EdFund.

Note: The above figures reflect borrowing only on the part of the student and represent averages only for those borrowers under the FFEL Program whose loans were guaranteed by EdFund.

**Tax Policy**

The panel considered the role of tax policy at the federal and state level as both a barrier to access and a mechanism to help families lessen the burden of college costs. Tax subsidies for higher education are intended in various ways to reduce the cost of attendance and increase enrollment. They include:

- The Hope Scholarship and Lifetime Learning Credits;
- Education expense and student loan interest deductions; and
- Savings vehicles such as Section 529 plans and Coverdell savings accounts.

Tax and spending programs aimed at financing postsecondary education are designed to benefit different groups of people. Grants and subsidized loans tend to benefit lower-income students and their families, whereas unsubsidized loans and tax programs tend to benefit middle-income students and their families. Tax programs provide limited benefits to lower-income students and their families because the tax subsidies are not refundable -- that is, they are not available to people who do not have income tax liabilities to offset. In addition, tax aid often occurs before or after the actual expenses are incurred.

**Recognizing the Role of the Proprietary Segment**

Often lost in any discussion of California higher education and its costs is the role played by California's private for-profit postsecondary institutions. There are approximately 3,000 private proprietary schools operating in California. According to the California Association of Private Postsecondary Schools (CAPPS), at any given moment these schools enroll almost 400,000 students -- almost as many students as in the University and State University systems combined.

These schools play a critical role in providing workforce training and development and account for \$1.2 billion or 14% of total financial aid dollars in California. Many for-profit California schools are exceptional and effectively compete with, and compliment, public higher education. These schools are par-

ticularly noteworthy for their direct ties to meeting California's economic needs and their innovative delivery options. They also compete in a highly competitive marketplace that effectively measures success in educational outcomes. Their impact on California's economy is substantial. Proprietary institutions also have the lowest ratio of grant to loan aid with only 25% of total aid coming in the form of grants. This compares to 56% for the University of California, 47% for the California State University and 88% for the California Community Colleges. The cost of attendance at these institutions varies greatly, but can be substantially higher than the cost of attending a public institution. Average debt levels for students entering repayment at proprietary institutions often exceed that of students attending independent four-year institutions.

The range and quality of private proprietary institutions in California varies greatly. State oversight and regulation has been inconsistent, and the state agency responsible for licensing and monitoring these schools is largely dysfunctional. But private for-profit postsecondary education in California remains the postsecondary educational choice for hundreds of thousands of Californians and should be more fully integrated into higher education policy planning in California, including issues of affordability.

### **Information and Outreach**

An area critical to the debate over affordability is the role of information and outreach in providing Californians with the knowledge and understanding of both the real nature of college costs and the resources available to meet them. This is particularly critical for students who may be the first in their families seeking to attend college and for whom traditional methods of information dissemination are not easily understood or applied to their own situation.

Understanding and applying for financial aid is a complex and daunting undertaking even for the most sophisticated applicants. Determining eligibility for financial aid is itself a major barrier to obtaining aid. The complexity of the Free Application for Federal Student Assistance (FAFSA) form is often viewed as a major barrier for low and even middle income families. A degree of basic financial aid literacy, available and understandable in multiple languages, is essential for successful outreach efforts.

In addition, there should be better coordination between and among campuses and systems when disseminating information. One effort of note is the Student Friendly Services project. Recent efforts to simplify and expand the project's website, [www.californiacolleges.edu](http://www.californiacolleges.edu), are designed to develop a user-friendly portal for use by all California students, parents, and counselors. Although much has been done to improve access to information, efforts at the federal and state levels also remain fragmented.

The panel discussed and recommended the production and distribution of an annual California Affordability Report. The report should include questions such as: At each institution, how many students from various income brackets applied for and received aid? How much did they receive? How much debt did they incur? The report's findings could be used to provide information to legislative staff and members as well as students and parents.

### **Credit Card Debt**

A recent study reported that in 2003-2004, 56% of dependent undergraduates owned at least one credit card and 25% carried a balance. Another study found that entering college students were approached with an average of eight credit card offers during the first week of college and half received offers on a daily or weekly basis. Finally, a recent survey by the National Association of College and university Business Officers found that credit cards account for 18% of tuition payments. How and why a student uses a credit card may be related to the rising costs of attendance. Although addressing this problem would not directly "solve" the affordability issue, it may be one way to limit the harm done when students apply for additional or unnecessary credit lines.

### **The Need to Work**

A large number of undergraduate students enroll on a part-time basis and work while enrolled, yet these decisions can have unforeseen consequences that impact student success. In recent years, several studies have examined the impact of work on student performance and persistence. Studies show that students who work full-time and attend school part-time take longer to graduate and have a higher likelihood of dropping out.

The financial aid system currently provides some students with a disincentive to work. Students who work during the school year may be penalized in the following year with a decrease in their financial aid awards. A decrease in financial aid may lead a student to increase the number of hours they work in an attempt to recover from the financial loss. The more hours students spend at work, the fewer hours they have available to attend or prepare for class.

### **The Cost of Textbooks**

Textbooks have become a pertinent issue for both students and their families, who often share the burden of paying for increasing textbook costs. An average student can spend between \$400 and \$1200 a year on textbooks, varying by major, student preferences and choices, and school. The Assembly Higher Education Committee held a hearing earlier this year to examine the rising costs of textbooks and their cost drivers. The national Advisory Committee on Student Financial Assistance is also focusing on textbook costs and what can be done to reduce or slow the rate of increase in their cost. The “Recommendations” section below contains a number of possible initiatives in this area.

### **The Lack of Affordable Housing**

An increasing proportion of students’ budgets are spent on food and housing. At least 50%, if not more, of a student’s total expenses in an academic year will go toward paying for their housing and food, regardless of campus, system, and housing situation (such as living at home, on-campus, or off-campus). In general, institutions view housing prices as something that is market-driven and for which they have little control. Solutions to the housing problem are generally seen as something that must be addressed on the local level, although more research is needed in the area of use of public subsidies to cap the rising cost of housing for college students.

### **The Middle Income “Squeeze”**

The concept of a “middle-income squeeze” is the idea that current eligibility ceilings for need-based aid are not reflective of a family’s true ability to pay. This in turn requires middle-income families to borrow heavily, particularly through such vehicles as the PLUS and so-called “alternative’ loan programs. In many respects, the Master Plan’s vision of low-cost local educational opportunities was directed at such students and their families.

### **Health Care Costs**

Health care costs impact college costs in two ways. First, the direct delivery of on-campus health services is financed by campus-based fees which have increased along with the delivery of the services. Second, the indirect impact of health care costs creates barriers to access and persistence in higher education. The need to work in order to retain health benefits can be a significant impediment to independent and non-traditional students

## Conclusions

The assumption of an older generation -- that California's unique system of community colleges and affordable public and private four-year institutions remains accessible and affordable -- is not shared by the current, very different, population of students. The affordability panel concluded that without the recognition of the role played by the total cost of attendance, and without adequate attention and resources, California's system of higher education will no longer be able to provide affordable education for its citizens. Based on the panel's deliberations, the following policy options and directions are provided for the Commission's consideration:

- Reestablish a system of higher education that is both accessible and affordable as a major focus of policy makers. Without the attention it deserves, California will be unable to accommodate the growing population of low- and middle-income families from underrepresented populations seeking higher education. The State must remain committed to increasing need-based grant aid and expanding current programs to recognize the impact of the total cost of attendance on students and families.
- California must move beyond the current budget-driven system of funding for public higher education. Students and families should no longer be expected to fund state budget shortfalls. At the same time, it is imperative that the Governor and the Legislature recognize that only by adequately funding programs, services, enrollment growth, and financial aid, can they expect to ease the burden of college costs for California families.
- Policy discussions, proposals and initiatives on affordability must move beyond student fees and recognize that it is the total cost of attendance that state policy should address. In so doing, however, it must look beyond the "sticker" shock caused by posted price information and recognize the affordability gap that remains between the net cost of attendance and a student or family's available financial resources.
- Although the financial burdens, particularly indebtedness, continue to grow, they have not yet reached "crises" proportions, primarily because grants and scholarships help keep higher education within the reach of many low-income students. However, grants and scholarships have not kept pace with increases in total college costs, resulting in higher levels of borrowing, even among students with the greatest financial need. Increased demands on families at all income levels threaten the State's historic commitment to California higher education for each of its citizens.
- Efficiency and accountability are keys to maintaining public support. Higher education must demonstrate that its costs are reasonable and that its programs are relevant to today's economy. It must also provide convincing data to demonstrate that increases in the price of attendance are justified by increases in the costs of delivering its programs and services. With costs consistently outstripping price increases in other areas of the economy, higher education should no longer remain exempt from scrutiny and accountability.
- Market forces and alternative forms of higher education delivery will continue to make inroads if public higher education cannot or will not adjust to the reality of today's diverse and non-traditional college going population. Institutions need to offer more flexible course offerings allowing working students to complete their degree in a timely fashion.
- The Commission should recognize the substantial role played by private, for-profit education in California's economy and attempt to integrate this important segment into its policy and planning efforts. This segment has much potential, but is plagued by a myriad of administrative and regulatory problems that are effectively preventing growth without adequately protecting students.

- Borrowing by students and families to finance higher education must be curbed before it becomes a major impediment to career aspirations as well as a substantial drag on the state's economy. Although reasonable levels of borrowing for higher education can be a wise investment, the specter of substantial indebtedness after graduation is already impacting students' decisions about when, whether, and how to access postsecondary education. It also affects options for postgraduate education and career choices.
- Many of the drivers of the total cost of attendance are local and not amenable to state level intervention or policy making. These include housing, health care, transportation, and textbooks, as well as a myriad of locally imposed "discretionary" fees for everything from parking to technology. However, the State can encourage and facilitate programs that seek to mitigate these costs and may want to consider incentives for systems, districts and institutions to curb local costs.
- Knowledge of college costs and financial aid is often lowest among low-income, underrepresented, and non-traditional students most in need of financial help. The Commission should support more and better information to these students through more focused financial literacy campaigns.
- The Commission should continue to support the simplification of financial aid delivery in California by advocating for changes at the federal level and for decentralization of the State's Cal Grant programs.

### **Policy Options**

The panel suggests to the Commission numerous policy and program options, many with a great level of specificity. However, panel members felt that they should provide general policy direction rather than detailed recommendations for the development and/or support of specific programs. The panel also felt that recommending, advocating, or otherwise opining on federal programs was simply too large a task. Even though federal programs often drive State programs, particularly financial aid programs, the development of a State level policy/legislative agenda around the issue of affordability should be focused on State level analysis and policy initiatives.

### **Student Fees/State Support**

Perspectives of panel members regarding student fees ranged from endorsement of the Commission's call for a five-year freeze on fee increases, to the view that this policy was counterproductive and unrealistic. Similarly, the Commission's historic position of a 'gradual, moderate and predictable' policy for setting and adjusting student fees was viewed by some as an endorsement of fee increases. The view was also expressed that efforts to develop a statewide student fee policy were a "dead end" that should be abandoned in favor of a more comprehensive approach that considers the total cost of attendance in the context of all revenue sources and financial aid programs.

Clearly, the Commission's emphasis on the total cost of attendance is productive in that it recognizes the limitations of the historic approach of offsetting mandatory fee increases with corresponding increases in need-based aid. At the same time, student fees are likely to remain a potent political issue and the allure of fee 'buy outs' that often contribute to the extreme fee increases characteristic of difficult budget years will continue.

It is also true that the only direct impact the State can have on reducing college costs for middle-income families is through a reduction of fees or by substantially raising the income and asset limitations in the State's Cal Grant programs. Currently, middle income families are often ineligible for the need-based grant aid that accompanies fee increases and, without the disposable income that is available to upper

income families, are left with unattractive financing options such as additional work (for students) and borrowing (for parents).

### **Financial Aid**

Increases in funding for the State's need-based Cal Grant programs are critical to any effort aimed at reducing the total cost of attendance. Of particular importance is the need to provide funding for first-year fees for Cal Grant B recipients as well as increasing the buying power of the so-called access subsistence grants designed to offset some of the basic subsistence expenses.

Simplifying and streamlining the financial aid application and delivery process at the State level in a manner that compliments similar efforts at the federal level is an approach that should be explored further. In particular, the Commission should continue to provide leadership on the issue of decentralizing the administration of the Cal Grant programs.

### **Borrowing**

The panel examined possible alternatives to current borrowing programs, particularly the possibility of using federal tax-exempt bond-cap or even State general obligation bonds to provide programs with lower costs and/or opportunities for loan forgiveness for borrowers. Although many questions remain unanswered regarding the feasibility of such programs, the panel felt that its continued exploration was worthwhile. The panel also believed that the example provided by the University of California for obtaining low cost private loans by leveraging system-wide loan volume should be explored further.

There is also an effort at the federal level to reform loan repayment requirements for student loans. The effort includes additional options for hardship deferments, income contingent repayment, and loan forgiveness after 20 years of payments. The Commission may wish to explore the extent to which such efforts could be implemented at the State level.

Another option is the expansion of loan forgiveness/cancellation for students choosing to work in the public sector in such areas as health, law, and education.

Yet another option would be the development of targeted borrowing programs at California's community colleges that have the goal of increasing persistence and actually reducing overall costs of attendance for students to progress more quickly toward their educational goals.

### **Tax Policy**

The Commission may wish to explore the use of tax policy to impact the cost of higher education in California. Tax experts participating on the panel framed a set of principles that should help guide the Commission's deliberations in this area. They include:

- Tax credits and/or deductions should be sufficiently substantial to affect behavior such as increasing access and/or persistence;
- Tax policy should include components that mirror the earned income tax credit so that families of all income levels can benefit from them; and
- Tax credits/deductions should be clearly and timely connected to attending school (e.g. paying tuition, borrowing).

### **Textbooks**

The cost of textbooks is an issue that is currently being debated extensively at the local, campus, and national levels. The role that State policy can play in the complex interplay between professors, pub-

lishers, students, campus administrators, and bookstores is limited. However, textbook costs are an issue that the panel explored in some depth and, if the Commission believes that it can play a positive and constructive role in this area, it should recommend best practices and initiatives.

### **Housing**

The panel recommended further exploration of subsidized housing programs targeting students. State level legislative initiatives using tax-exempt bond funds were introduced in the last legislative session. The Commission may wish to explore this avenue further as well as explore programs that could partner with Housing and Urban Development (HUD), State, or local housing and redevelopment agencies to provide seed money.

### **Credit Cards**

The use of credit cards as a means of financing higher education costs continues to grow. Concern with increasing instances of credit card distribution on campuses prompted the passage of the Student Financial Responsibility Act (Stats. 2001, Ch. 294; AB 521) by the California Legislature effective January 1, 2002 (codified in Section 99030 of the California *Education Code*). The Act required the Board of Trustees of the California State University and the Board of Governors of the California Community Colleges, and requested the Regents of the University of California and the governing body of each accredited private or independent college or university in the state, to adopt policies “to regulate the marketing practices used on campuses by credit card companies” and expressed intent that credit card and debt education and counseling information be included in student orientation sessions. In response, the CSU Board of Trustees amended Section 42350.6 of Title 5, *California Code of Regulations*, to add a new subdivision addressing the marketing to students of credit cards, authorizing campus presidents to limit and register the sites available for credit card marketing, and prohibiting credit card marketers from offering gifts to students for filling out credit card applications.

### **Students Who Work**

The Commission may wish to support programs that encourage universities to partner with local businesses to provide paid internships for students. Students could be awarded course credit for work, and institutions could subsidize students’ pay so that they earn a reasonable income.

## Acknowledgement

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CA Postsecondary Education Commission

Steve Boilard, Director of Higher Education Unit  
Legislative Analyst Office

Timothy Bonnel, Coordinator, Student Financial  
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Patrick M. Callan, President, The National Center  
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Kathleen Chavira, Principal Consultant  
Senate Education Committee

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Monica Dutton, MST, Marketing Division  
California Housing Finance Agency

David J. Gau, Deputy Director, Property and Special  
Taxes Department, CA State Board of Equalization

Greg Gollihur, Higher Education Consultant

Todd Greenspan, Director, Educational Relations  
Department, UC, Office of the President

Elizabeth Hall, Executive Director University of  
California Student Association

Bruce Hamlett, Chief Consultant  
Assembly Higher Education Committee

Scott Himmelstein, Deputy Secretary/Chief of Staff  
Governor's Office, Office of the Secretary of Education

Barbara Hoblitzell, Vice President  
Sallie Mae Campus Solutions

John Hooper, Legislative Advocate  
California Chamber of Commerce

Kate Jeffery, Director, Student Financial Support  
University of California, Office of the President

David Jung, Professor, Hastings College of the Law

Laura Kerr, Director, Governmental Affairs  
California State Student Association

Sam Kipp, III, President, The EdFund

Bruce R. Langston, Tax Counsel IV  
Franchise Tax Board

Dean Misczynski, Director  
California Research Bureau

Robert Oakes, Vice President  
External Relations & Research, AICCU

Lynn Podesto, Assistant Program Budget Manager,  
Education, Department of Finance

Rodney Rideau, Budget Director  
CSU, Office of the Chancellor

Mary L. Robinson, Associate Director, Academic  
Affairs, CSU, Office of the Chancellor

Dale Shimasaki, CEO/President,  
Strategic Education Services

Sandra Vargas, Strategic Education Services

Courtney Weaver, Legislative Director  
UC Student Association

Jennie Woo, The EdFund

Allan Zaremberg, President & CEO  
California Chamber of Commerce



## Appendix A

### UC Cost of Attendance, Gift Aid, and Loan Statistics for Need-Based Aid Recipients In Constant Dollars

	Need-based Aid Recipients	Constant Dollars				Need Based Borrowers				Non-Need Based Borrowers			
		Average COA	Average Gift Aid	Average Cost Less Gift Aid	Avg. Student Loan (incl. Non-Borrowers)	Parent Loans		Unsubsidized Loans		Parent Loans		Unsubsidized Loans	
						Number	Average	Number	Average	Number	Average	Number	Average
<b>2005-06</b>													
Dependent Undergraduates													
Under \$20,000	13,236	\$21,139	\$13,082	\$8,057	\$3,080	521	\$5,723	818	\$5,219	545	\$6,269	372	\$5,025
\$20,000-39,999	18,519	\$21,046	\$12,052	\$8,994	\$3,039	1,163	\$5,417	1,803	\$4,790	1,197	\$5,799	777	\$3,936
\$40,000-59,999	12,747	\$21,108	\$8,849	\$12,259	\$3,247	1,801	\$6,753	2,527	\$6,233	1,868	\$7,065	989	\$4,871
\$60,000-79,999	8,297	\$21,240	\$5,596	\$15,644	\$3,482	1,906	\$9,718	2,666	\$8,849	2,124	\$10,145	1,411	\$5,446
\$80,000-99,999	4,754	\$21,503	\$2,897	\$18,606	\$3,885	1,586	\$11,934	2,184	\$10,820	2,699	\$12,615	2,813	\$5,302
\$100,000 or More	2,906	\$22,676	\$1,679	\$20,996	\$4,186	1,221	\$13,582	1,607	\$12,488	4,968	\$14,142	6,032	\$5,062
Total	60,459	\$21,220	\$9,498	\$11,722	\$3,274	8,198	\$9,207	11,605	\$8,268	13,401	\$11,147	12,394	\$4,872
<b>2000-01</b>													
Dependent Undergraduates													
Under \$20,000	11,455	\$17,165	\$10,089	\$7,075	\$3,433	365	\$4,912	639	\$4,285	421	\$5,736	416	\$3,919
\$20,000-39,999	14,549	\$17,275	\$9,378	\$7,897	\$3,426	720	\$4,129	1,542	\$3,356	745	\$4,364	962	\$2,758
\$40,000-59,999	10,629	\$17,260	\$6,533	\$10,726	\$3,698	1,324	\$5,175	2,309	\$4,440	1,404	\$5,440	1,391	\$3,146
\$60,000-79,999	7,401	\$17,338	\$3,822	\$13,517	\$3,827	1,575	\$7,503	2,589	\$6,533	1,802	\$7,775	1,986	\$4,051
\$80,000-99,999	3,379	\$17,649	\$1,960	\$15,688	\$4,209	1,002	\$9,271	1,611	\$8,198	1,783	\$9,479	2,546	\$4,627
\$100,000 or More	2,655	\$18,660	\$1,050	\$17,609	\$4,212	913	\$10,770	1,440	\$9,236	4,553	\$10,690	7,391	\$4,832
Total	50,068	\$17,355	\$7,173	\$10,181	\$3,639	5,899	\$7,215	10,130	\$6,079	10,708	\$8,674	14,692	\$4,405
<b>1995-96</b>													
Dependent Undergraduates													
Under \$20,000	12,064	\$17,637	\$9,659	\$7,979	\$3,904	548	\$4,640	414	\$2,975	-	-	-	-
\$20,000-39,999	13,502	\$17,591	\$8,455	\$9,135	\$4,051	842	\$4,880	751	\$2,665	-	-	-	-
\$40,000-59,999	9,433	\$17,476	\$5,382	\$12,094	\$4,404	1,102	\$5,450	802	\$2,889	-	-	-	-
\$60,000-79,999	6,193	\$17,516	\$3,128	\$14,388	\$4,291	1,202	\$6,716	1,012	\$3,481	-	-	-	-
\$80,000-99,999	2,931	\$17,782	\$1,501	\$16,281	\$4,513	715	\$8,187	675	\$3,786	-	-	-	-
\$100,000 or More	1,943	\$18,183	\$1,089	\$17,095	\$4,321	570	\$9,595	581	\$3,604	-	-	-	-
Total	46,066	\$17,606	\$6,672	\$10,935	\$4,158	4,979	\$6,438	4,235	\$3,240	-	-	-	-

Note: Figures include all dependent need-based aid recipients with a known income (including non-residents). Figures exclude any student enrolled for less than a complete academic year.

Note: Conclusion about the change in UC cost of attendance and net cost between 2005-06 and prior years cannot be made due to a change in UC data reporting standards.

Data for years prior to 2005-06 include 12-month student expense budgets for students en

Note: In Constant Dollars

**UC Cost of Attendance, Gift Aid, and Loan Statistics for Need-Based Aid Recipients  
In Current Dollars**

	Need-based Aid Recipients	Current Dollars				Need Based Borrowers				Non-Need Based Borrowers			
		Average COA	Average Gift Aid	Average Cost Less Gift Aid	Avg. Student Loan (incl. Non-Borrowers)	Parent Loans		Unsubsidized Loans		Parent Loans		Unsubsidized Loans	
						Number	Average	Number	Average	Number	Average	Number	Average
<b>2005-06</b>													
Dependent Undergraduates													
Under \$20,000	13,236	\$21,139	\$13,082	\$8,057	\$3,080	521	\$5,723	818	\$5,219	545	\$6,269	372	\$5,025
\$20,000-39,999	18,519	\$21,046	\$12,052	\$8,994	\$3,039	1,163	\$5,417	1,803	\$4,790	1,197	\$5,799	777	\$3,936
\$40,000-59,999	12,747	\$21,108	\$8,849	\$12,259	\$3,247	1,801	\$6,753	2,527	\$6,233	1,868	\$7,065	989	\$4,871
\$60,000-79,999	8,297	\$21,240	\$5,596	\$15,644	\$3,482	1,906	\$9,718	2,666	\$8,849	2,124	\$10,145	1,411	\$5,446
\$80,000-99,999	4,754	\$21,503	\$2,897	\$18,606	\$3,885	1,586	\$11,934	2,184	\$10,820	2,699	\$12,615	2,813	\$5,302
\$100,000 or More	2,906	\$22,676	\$1,679	\$20,996	\$4,186	1,221	\$13,582	1,607	\$12,488	4,968	\$14,142	6,032	\$5,062
Total	60,459	\$21,220	\$9,498	\$11,722	\$3,274	8,198	\$9,207	11,605	\$8,268	13,401	\$11,147	12,394	\$4,872
<b>2000-01</b>													
Dependent Undergraduates													
Under \$20,000	11,455	\$14,746	\$8,668	\$6,079	\$2,949	365	\$4,220	639	\$3,681	421	\$4,928	416	\$3,367
\$20,000-39,999	14,549	\$14,841	\$8,057	\$6,785	\$2,944	720	\$3,547	1,542	\$2,883	745	\$3,749	962	\$2,370
\$40,000-59,999	10,629	\$14,828	\$5,613	\$9,215	\$3,177	1,324	\$4,446	2,309	\$3,814	1,404	\$4,673	1,391	\$2,703
\$60,000-79,999	7,401	\$14,895	\$3,283	\$11,612	\$3,288	1,575	\$6,446	2,589	\$5,612	1,802	\$6,680	1,986	\$3,480
\$80,000-99,999	3,379	\$15,162	\$1,684	\$13,478	\$3,616	1,002	\$7,965	1,611	\$7,043	1,783	\$8,144	2,546	\$3,975
\$100,000 or More	2,655	\$16,031	\$902	\$15,128	\$3,619	913	\$9,253	1,440	\$7,935	4,553	\$9,184	7,391	\$4,151
Total	50,068	\$14,909	\$6,163	\$8,747	\$3,127	5,899	\$6,198	10,130	\$5,223	10,708	\$7,452	14,692	\$3,785
<b>1995-96</b>													
Dependent Undergraduates													
Under \$20,000	12,064	\$13,251	\$7,257	\$5,994	\$2,933	548	\$3,486	414	\$2,235	-	-	-	-
\$20,000-39,999	13,502	\$13,216	\$6,353	\$6,863	\$3,043	842	\$3,666	751	\$2,002	-	-	-	-
\$40,000-59,999	9,433	\$13,130	\$4,043	\$9,087	\$3,309	1,102	\$4,095	802	\$2,170	-	-	-	-
\$60,000-79,999	6,193	\$13,160	\$2,350	\$10,810	\$3,224	1,202	\$5,046	1,012	\$2,615	-	-	-	-
\$80,000-99,999	2,931	\$13,360	\$1,128	\$12,232	\$3,391	715	\$6,151	675	\$2,845	-	-	-	-
\$100,000 or More	1,943	\$13,661	\$818	\$12,843	\$3,247	570	\$7,209	581	\$2,708	-	-	-	-
Total	46,066	\$13,228	\$5,013	\$8,215	\$3,124	4,979	\$4,837	4,235	\$2,434	-	-	-	-

*Note: Figures include all dependent need-based aid recipients with a known income (including non-residents).  
Figures exclude any student enrolled for less than a complete academic year.*

*Note: Conclusion about the change in UC cost of attendance and net cost between 2005-06 and prior years cannot be made due to a change in UC data reporting standards. Data for years prior to 2005-06 include 12-month student expense budgets for students en*

*Note: In Current (Nominal) Dollars*

**CSU Cost of Attendance, Gift Aid, and Loan Statistics  
In Constant Dollars**

	Need-based Aid Recipients	Constant Dollars				Need Based Borrowers				Non-Need Based Borrowers			
		Average COA	Average Gift Aid	Average Cost Less Gift Aid	Average Student Loan (incl. Non-Borrowers)	Parent Loans		Unsubsidized Loans		Parent Loans		Unsubsidized Loans	
						Number	Average	Number	Average	Number	Average	Number	Average
<b>2005-06</b>													
Dependent Undergraduates													
Under \$20,000	17,544	\$14,395	\$7,829	\$6,566	\$1,538	340	\$6,195	406	\$4,076	8	\$11,153	81	\$6,768
\$20,000-39,999	22,091	\$14,376	\$6,209	\$8,167	\$1,718	723	\$6,587	964	\$3,357	15	\$10,951	101	\$4,791
\$40,000-59,999	13,625	\$14,766	\$3,022	\$11,744	\$2,500	1,152	\$8,618	1,374	\$3,840	53	\$10,190	335	\$4,637
\$60,000-79,999	7,284	\$15,581	\$1,562	\$14,019	\$3,155	1,082	\$10,053	1,712	\$3,824	202	\$9,046	1,275	\$4,514
\$80,000-99,999	3,012	\$16,330	\$786	\$15,544	\$3,713	712	\$10,892	1,010	\$3,852	597	\$9,727	2,369	\$4,460
\$100,000 or More	2,100	\$17,044	\$605	\$16,439	\$3,860	642	\$11,274	1,018	\$3,859	2,001	\$10,984	6,325	\$4,452
Total	65,656	\$14,771	\$5,037	\$9,734	\$2,152	4,651	\$9,174	6,484	\$3,784	2,876	\$10,572	10,486	\$4,489
<b>2000-01</b>													
Dependent Undergraduates													
Under \$20,000	16,580	\$11,726	\$6,503	\$5,223	\$1,704	143	\$5,312	270	\$2,750	9	\$7,714	114	\$4,565
\$20,000-39,999	16,390	\$11,842	\$5,017	\$6,825	\$2,084	313	\$5,508	756	\$2,678	10	\$7,263	87	\$4,690
\$40,000-59,999	10,435	\$12,205	\$2,520	\$9,685	\$2,818	538	\$6,832	1,162	\$3,189	27	\$7,297	293	\$4,747
\$60,000-79,999	5,626	\$12,920	\$1,287	\$11,633	\$3,363	586	\$7,944	1,428	\$3,288	107	\$6,561	1,229	\$4,617
\$80,000-99,999	2,167	\$13,626	\$741	\$12,885	\$3,846	306	\$8,248	785	\$3,462	363	\$7,844	2,204	\$4,699
\$100,000 or More	1,328	\$14,057	\$667	\$13,390	\$3,881	266	\$8,597	643	\$3,590	1,158	\$8,586	5,267	\$4,707
Total	52,526	\$12,123	\$4,304	\$7,819	\$2,365	2,152	\$7,261	5,044	\$3,211	1,674	\$8,262	9,194	\$4,693
<b>1995-96</b>													
Dependent Undergraduates													
Under \$20,000	18,955	\$12,122	\$5,612	\$6,510	\$2,268	211	\$5,682	208	\$3,138	5	\$7,242	54	\$5,740
\$20,000-39,999	15,767	\$12,239	\$4,057	\$8,182	\$2,770	307	\$5,972	452	\$2,638	1	\$9,983	49	\$5,684
\$40,000-59,999	9,133	\$12,544	\$1,939	\$10,605	\$3,454	420	\$7,150	660	\$2,995	9	\$7,812	171	\$5,760
\$60,000-79,999	4,553	\$13,168	\$935	\$12,233	\$3,912	329	\$7,864	853	\$3,607	47	\$8,261	631	\$5,338
\$80,000-99,999	1,799	\$13,750	\$477	\$13,273	\$4,313	214	\$8,347	550	\$3,595	165	\$8,072	1,191	\$5,448
\$100,000 or More	924	\$14,420	\$411	\$14,009	\$4,492	166	\$8,407	454	\$4,013	411	\$8,305	2,257	\$5,443
Total	51,131	\$12,425	\$3,785	\$8,640	\$2,893	1,647	\$7,167	3,177	\$3,367	638	\$8,229	4,353	\$5,448

*Note: Figures include all dependent need-based aid recipients with a known income.*

*Figures exclude any student enrolled for less than a complete academic year.*

*Note: In Constant Dollars*

**CSU Cost of Attendance, Gift Aid, and Loan Statistics  
In Current Dollars**

	Need-based Aid Recipients	Current Dollars				Need Based Borrowers				Non-Need Based Borrowers			
		Average COA	Average Gift Aid	Average Cost Less Gift Aid	Average Student Loan (incl. Non-Borrowers)	Parent Loans		Unsubsidized Loans		Parent Loans		Unsubsidized Loans	
						Number	Average	Number	Average	Number	Average	Number	Average
<b>2005-06</b>													
Dependent Undergraduates													
Under \$20,000	17,544	\$14,395	\$7,829	\$6,566	\$1,538	340	\$6,195	406	\$4,076	8	\$11,153	81	\$6,768
\$20,000-39,999	22,091	\$14,376	\$6,209	\$8,167	\$1,718	723	\$6,587	964	\$3,357	15	\$10,951	101	\$4,791
\$40,000-59,999	13,625	\$14,766	\$3,022	\$11,744	\$2,500	1,152	\$8,618	1,374	\$3,840	53	\$10,190	335	\$4,637
\$60,000-79,999	7,284	\$15,581	\$1,562	\$14,019	\$3,155	1,082	\$10,053	1,712	\$3,824	202	\$9,046	1,275	\$4,514
\$80,000-99,999	3,012	\$16,330	\$786	\$15,544	\$3,713	712	\$10,892	1,010	\$3,852	597	\$9,727	2,369	\$4,460
\$100,000 or More	2,100	\$17,044	\$605	\$16,439	\$3,860	642	\$11,274	1,018	\$3,859	2,001	\$10,984	6,325	\$4,452
Total	65,656	\$14,771	\$5,037	\$9,734	\$2,152	4,651	\$9,174	6,484	\$3,784	2,876	\$10,572	10,486	\$4,489
<b>2000-01</b>													
Dependent Undergraduates													
Under \$20,000	16,580	\$10,074	\$5,586	\$4,488	\$1,464	143	\$4,563	270	\$2,363	9	\$6,627	114	\$3,922
\$20,000-39,999	16,390	\$10,173	\$4,310	\$5,863	\$1,790	313	\$4,732	756	\$2,301	10	\$6,240	87	\$4,029
\$40,000-59,999	10,435	\$10,485	\$2,165	\$8,320	\$2,421	538	\$5,870	1,162	\$2,740	27	\$6,269	293	\$4,078
\$60,000-79,999	5,626	\$11,099	\$1,105	\$9,994	\$2,889	586	\$6,824	1,428	\$2,825	107	\$5,636	1,229	\$3,967
\$80,000-99,999	2,167	\$11,706	\$637	\$11,069	\$3,304	306	\$7,086	785	\$2,974	363	\$6,739	2,204	\$4,037
\$100,000 or More	1,328	\$12,076	\$573	\$11,503	\$3,334	266	\$7,386	643	\$3,084	1,158	\$7,376	5,267	\$4,044
Total	52,526	\$10,415	\$3,698	\$6,717	\$2,032	2,152	\$6,238	5,044	\$2,758	1,674	\$7,098	9,194	\$4,031
<b>1995-96</b>													
Dependent Undergraduates													
Under \$20,000	18,955	\$9,107	\$4,217	\$4,890	\$1,704	211	\$4,269	208	\$2,357	5	\$5,441	54	\$4,312
\$20,000-39,999	15,767	\$9,195	\$3,048	\$6,147	\$2,081	307	\$4,487	452	\$1,982	1	-	49	\$4,271
\$40,000-59,999	9,133	\$9,424	\$1,457	\$7,967	\$2,595	420	\$5,372	660	\$2,251	9	\$5,870	171	\$4,328
\$60,000-79,999	4,553	\$9,893	\$703	\$9,190	\$2,939	329	\$5,908	853	\$2,710	47	\$6,206	631	\$4,010
\$80,000-99,999	1,799	\$10,331	\$358	\$9,973	\$3,240	214	\$6,272	550	\$2,701	165	\$6,065	1,191	\$4,093
\$100,000 or More	924	\$10,834	\$309	\$10,525	\$3,375	166	\$6,316	454	\$3,015	411	\$6,240	2,257	\$4,089
Total	51,131	\$9,335	\$2,844	\$6,491	\$2,174	1,647	\$5,385	3,177	\$2,530	638	\$6,182	4,353	\$4,093

*Note: Figures include all dependent need-based aid recipients with a known income. Figures exclude any student enrolled for less than a complete academic year.*

*Note: In Current (Nominal) Dollars*

## Appendix B

### Dependent Full-Time Undergraduate Students NPSAS Data indexed to 2005-06

Parents' Income	Cost of Attendance			Net Cost of Attendance		
	UC	CSU	CCC	UC	CSU	CCC
< \$20,000	\$ 20,447	\$ 14,360	\$ 10,502	\$ 10,065	\$ 7,826	\$ 8,542
\$20,000 - \$39,999	\$ 19,677	\$ 14,765	\$ 9,863	\$ 12,575	\$ 9,229	\$ 8,449
\$40,000 - \$59,999	\$ 20,525	\$ 14,257	\$ 10,487	\$ 15,034	\$ 12,753	\$ 10,061
\$60,000 - \$79,999	\$ 20,263	\$ 15,556	\$ 10,255	\$ 16,964	\$ 15,088	\$ 10,181
\$80,000 - \$99,999	\$ 19,833	low n	\$ 10,522	\$ 17,346	low n	\$ 10,359
>= \$100,000	\$ 19,924	\$ 14,964	\$ 10,072	\$ 18,834	\$ 14,308	\$ 10,010

## Appendix C

### CSU Comparable Institutions\*

Parent income	Cost of Attendance	Grant Aid	Cost of Attendance less		Cost of Attendance less		Subsidized Loans	Unsubsidized Loans
			Grant Aid	Student Loans	Grant Aid and Student Loans	Student Loans		
Less than \$20,000	\$ 33,121	\$ 19,951	\$ 13,170	\$ 7,461	\$ 5,709	\$ 4,065	\$ 4,314	
\$20,000 to \$39,999	\$ 33,137	\$ 17,053	\$ 16,084	\$ 7,594	\$ 8,490	\$ 3,272	\$ 2,903	
\$40,000 to \$59,999	\$ 34,562	\$ 20,118	\$ 14,444	\$ 7,393	\$ 7,051	\$ 3,988	\$ 4,287	
\$60,000 to \$79,999	\$ 34,599	\$ 18,580	\$ 16,019	\$ 6,461	\$ 9,558	\$ 3,673	\$ 3,680	
\$80,000 to \$99,999	\$ 34,619	\$ 17,359	\$ 17,260	\$ 6,282	\$ 10,978	\$ 3,352	\$ 5,113	
\$100,000 or more	\$ 34,590	\$ 11,870	\$ 22,720	\$ 6,395	\$ 16,325	\$ 2,800	\$ 4,938	

\*Data provided for CSU Comparable Institutions are from four institutions. These institutions range in enrollment from 1,200 to 3,900. Three of the institutions are located in Northern California and one is located in Southern California.

### UC Comparable Institutions\*

Parent income	Cost of Attendance	Grant Aid	Cost of Attendance less		Cost of Attendance less		Subsidized Loans	Unsubsidized Loans
			Grant Aid	Student Loans	Grant Aid and Student Loans	Student Loans		
Less than \$20,000	\$ 41,067	\$ 29,880	\$ 11,187	\$ 5,896	\$ 5,291	\$ 5,193	\$ 1,152	
\$20,000 to \$39,999	\$ 41,726	\$ 29,571	\$ 12,155	\$ 5,824	\$ 6,331	\$ 5,100	\$ 1,232	
\$40,000 to \$59,999	\$ 41,842	\$ 27,027	\$ 14,815	\$ 5,681	\$ 9,134	\$ 4,641	\$ 1,581	
\$60,000 to \$79,999	\$ 41,796	\$ 24,935	\$ 16,861	\$ 5,021	\$ 11,840	\$ 3,883	\$ 1,796	
\$80,000 to \$99,999	\$ 41,568	\$ 22,995	\$ 18,573	\$ 5,059	\$ 13,514	\$ 3,549	\$ 1,847	
\$100,000 or more	\$ 41,782	\$ 17,522	\$ 24,260	\$ 5,034	\$ 19,226	\$ 2,555	\$ 3,330	

\*Data provided for UC Comparable Institutions are from four institutions. These institutions range in enrollment from 1,100 to 16,900. Three of the institutions are located in Southern California and one is located in northern California.

The Data provided is for full-time/full-year dependent UG students who were enrolled full-time for 9 or more months from July 1, 2005 to June 30, 2006 and who received financial aid. The price of attendance includes tuition and fees charged by the institu

**CSU Comparable Institutions\***

Parent income	Federal Grant	State Grant	Institutional Grant	Private Grant	Total Financial Aid Package without Loans	Loans	Total Financial Aid Package with Loans
Less than \$20,000	\$ 4,016	\$ 6,565	\$ 8,114	\$ 1,676	\$ 20,371	\$ 7,461	\$ 27,832
\$20,000 to \$39,999	\$ 3,159	\$ 5,858	\$ 8,665	\$ 2,167	\$ 19,849	\$ 7,594	\$ 27,443
\$40,000 to \$59,999	\$ 1,287	\$ 5,193	\$ 10,077	\$ 3,562	\$ 20,119	\$ 7,393	\$ 27,512
\$60,000 to \$79,999	\$ 846	\$ 4,328	\$ 10,553	\$ 2,854	\$ 18,581	\$ 6,461	\$ 25,042
\$80,000 to \$99,999	\$ 24	\$ 3,077	\$ 10,392	\$ 3,875	\$ 17,368	\$ 6,282	\$ 23,650
\$100,000 or more	\$ 8	\$ 64	\$ 8,583	\$ 3,263	\$ 11,918	\$ 6,395	\$ 18,313

\*Data provided for CSU Comparable Institutions are from four institutions. These institutions range in enrollment from 1,200 to 3,900. Three of the institutions are located in Northern California and one is located in Southern California.

**UC Comparable Institutions\***

Parent income	Federal Grant	State Grant	Institutional Grant	Private Grant	Total Financial Aid Package without Loans	Loans	Total Financial Aid Package with Loans
Less than \$20,000	\$ 5,177	\$ 7,019	\$ 16,894	\$ 1,054	\$ 30,144	\$ 5,896	\$ 36,040
\$20,000 to \$39,999	\$ 3,853	\$ 6,929	\$ 17,247	\$ 2,056	\$ 30,085	\$ 5,824	\$ 35,909
\$40,000 to \$59,999	\$ 1,967	\$ 6,446	\$ 17,468	\$ 1,528	\$ 27,409	\$ 5,681	\$ 33,090
\$60,000 to \$79,999	\$ 1,903	\$ 5,577	\$ 16,614	\$ 1,121	\$ 25,215	\$ 5,021	\$ 30,236
\$80,000 to \$99,999	\$ 1,618	\$ 5,156	\$ 15,307	\$ 1,220	\$ 23,301	\$ 5,059	\$ 28,360
\$100,000 or more	\$ 2,038	\$ 4,663	\$ 10,118	\$ 1,617	\$ 18,436	\$ 5,034	\$ 23,470

\*Data provided for UC Comparable Institutions are from four institutions. These institutions range in enrollment from 1,100 to 16,900. Three of the institutions are located in Southern California and one is located in northern California.

The Data provided is for full-time/full-year dependent UG students who were enrolled full-time for 9 or more months from July 1, 2005 to June 30, 2006 and who received financial aid. All data are unweighted averages.

9 out of 10 AICCU UG Dependent Students receive some form of financial aid whether it be grants, scholarships, or loans.

