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College Costs and Family Income: The Affordability Issue at UC and CSU

California Postsecondary Education Commission
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Rising costs are putting an education at California's public universities out of reach for many Californians. 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. Room and board and other costs have grown much faster than inflation. Incomes have not kept pace with these rising costs, particularly for lower- and middle- income families who have seen little income growth in recent years.

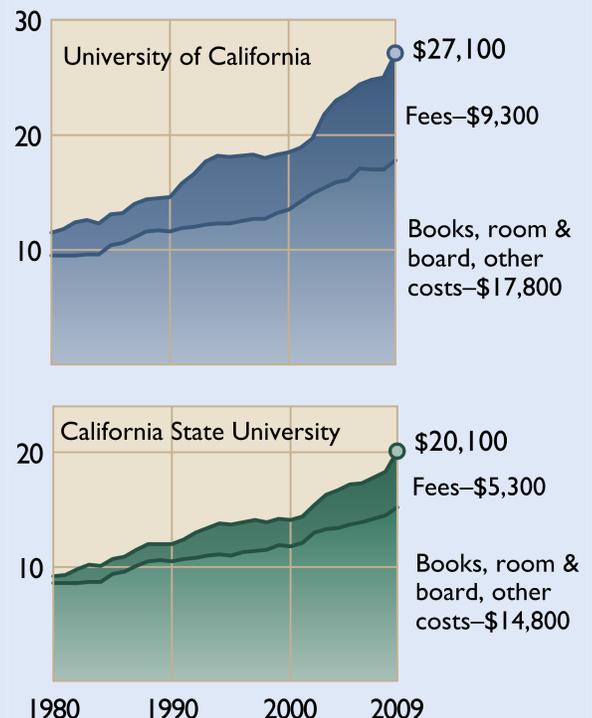
- In 2009, the total cost of attendance for a student living on campus at the University of California was \$27,100, up by 18% from three years earlier. Costs at California State University increased by 23%, to \$20,100, in this period.
- Even with grants and fee waivers, the net cost of a year at a UC or CSU campus is one-third of annual income for a lower-income family. Net costs for middle-income families are about one-quarter of annual income.
- Grants have increased in recent years, but not enough to offset rising costs. Net costs for a middle-income student living on campus at UC grew by 10% between 2006 and 2009. At CSU, net costs for a similar student grew by 20%.
- Costs for students living with their families are lower, but have risen sharply as fees have increased. In 2009, net costs for a CSU commuter student from a lower-middle-income family were \$8,200, 15% of annual income.
- These increases come after many years of rising costs. Between 1990 and 2009, costs for a UC student living on campus rose by 70%. Costs for a CSU student living with their family rose by over 80%. In this period, California median family income grew by only 16%.

Affordability of higher education was a problem even before the state's current budget crisis. But with recent budget cuts, the situation is worsening. Students and their families are taking on higher debt, and costs may deter students from attending college. An ongoing trend of declining affordability will compromise the state's ability to maintain the educated and innovative workforce needed for California's future.

Costs at UC and CSU

Costs have grown significantly, even when adjusted for inflation. Fees have increased sharply in the last 5–10 years.

Annual costs for students living on campus
Thousand \$



Costs adjusted to constant 2009 dollars using the U.S. Consumer Price Index.

Rising Costs at UC and CSU

Costs at UC and CSU have grown significantly over the past decade. In 2000, the total cost of a year of education at UC was \$15,000. By 2009, this figure had nearly doubled to \$27,000. Costs at CSU are lower, but still increased by nearly 70% in this period. These increases far outpace inflation, which was 25% from 2000 to 2009.

A major driver of the rising cost of education is increased fees. Since the 1980s, a continuous erosion of state funding has shifted higher education from a public service heavily subsidized by the state to an expense largely shouldered by students and families. In the 1970s, the State General Fund provided \$12 for every dollar that students paid in fees. By 2009, this had fallen to \$1.40 for every dollar in student fees. With limited state funding, the university systems have had to raise fees. In the 2010–11 school year, fees reached \$11,300 at UC and \$5,300 at CSU, up 50% from only three years earlier.

Although fees have risen substantially, living costs while attending a university are the largest part of costs. These account for two-thirds of costs for a student living on campus and half of costs for students living with their families. These costs have not risen as much as fees, but have still increased much faster than inflation.

On-campus room and board at UC increased by 68% between 2000 and 2009, and by 51% at CSU. The total cost of attendance including books and other living expenses increased by 70–80% between 2000 and 2009. These rising costs are a hardship even for students who live in their family home; high college costs can restrict low- and middle-income students who want to attend a university that is not in their region, but cannot afford to move out of the family home.

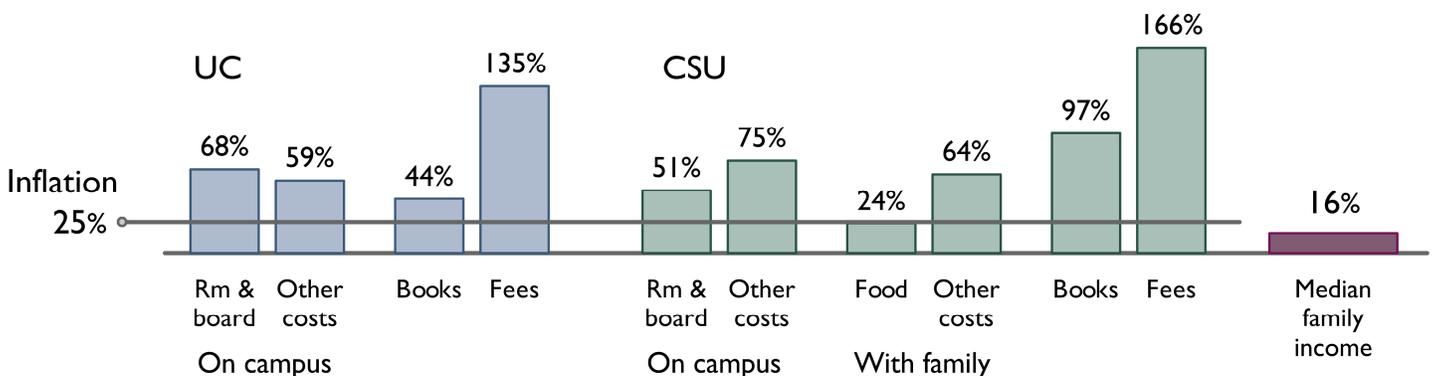
Recent fee increases

	UC		CSU	
	Fees	Increase	Fees	Increase
2000	\$3,970	–	\$1,840	–
2006	6,850	73%	3,200	74%
2007	7,520	10%	3,500	10%
2008	8,030	7%	3,850	9%
2009	9,310	16%	4,890	27%
2010	11,280	21%	5,290	8%
Increase 2000–2010		185%		188%

Annual fees for full-time in-state undergraduate students. More data on costs and fees is on page 7.

Costs for students have risen much faster than inflation

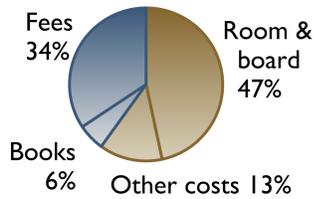
Percent increase in costs, 2000–2009. California median family income increased by only 16% in these years — less than university costs or general inflation.



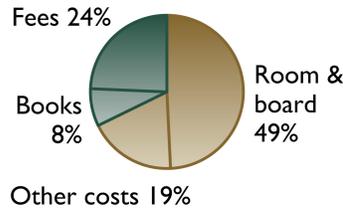
Other costs include clothing, laundry, transportation, entertainment, and miscellaneous expenses.

Costs at UC and CSU, 2009

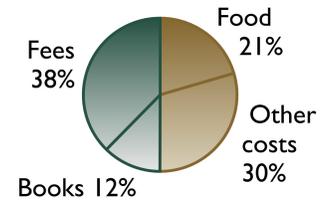
UC student living on campus
Total costs — \$27,120



CSU student living on campus
Total costs — \$20,100



CSU student living with family
Total costs — \$12,980



Costs and Incomes

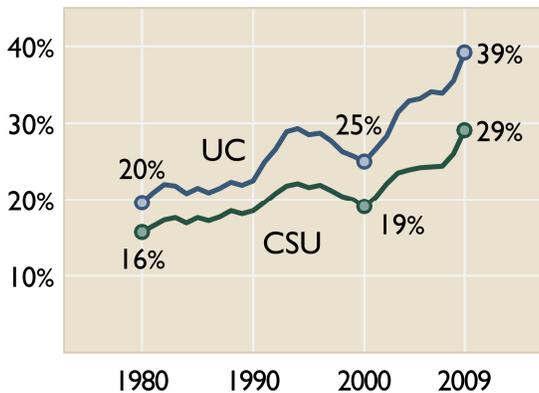
Rising costs are only part of the affordability problem for low-income and middle-income families. Since the early 1990s, earnings for middle- and low-wage workers have stagnated, even as incomes for top earners have continued to grow. Between 1990 and 2001, incomes grew, beating inflation, but family incomes at the lower-middle levels saw income growth only half that of upper-income families. Since 2001 incomes at the lower and middle levels have fallen behind inflation. Middle- and lower-middle-income families saw their incomes fall 2–3% between 2001 and 2009 when adjusted for inflation and low-income families saw an income drop of 6.5%.

With rising costs, and flat or falling incomes, supporting a student is taking an increasing percentage of incomes. In 2000, the cost of attendance for a UC student living on campus was 25% of California median family income. In 2009, this had grown to 39% of median family income. Costs at CSU also grew relative to incomes, going from 19% of median family income in 2000 to 29% of median family income in 2009.

Income level	Some occupations paying at this level	Change in income after inflation	
		1990–2001	2001–2009
Low income Annual income about \$31,000 <i>20% of families have incomes below this level</i>	Receptionists, preschool teachers, office machine operators, ticket agents, medical assistants, cafeteria cooks	Up 14%	Down 6.5%
Lower-middle income Annual income about \$55,000 <i>40% of families have incomes below this level</i>	Social workers, legal secretaries, bricklayers, food service managers, police dispatchers, plumbers, tax preparers	Up 16%	Down 2.9%
Middle income Annual income about \$84,000 <i>60% of families have incomes below this level.</i>	Police officers, registered nurses, computer network administrators, medical lab technicians, urban planners, court reporters	Up 25%	Down 2.2%
Upper-middle income Annual income about \$130,000 <i>80% of families have incomes below this level</i>	Pharmacists, college instructors, airline pilots, veterinarians, software engineers, public relations managers	Up 34%	No change
High income Annual income about \$230,000 <i>Only 5% of families have incomes above this level</i>	Physicians, surgeons, top executives, athletes, entertainers	Up 48%	Up 1.5%

Costs at UC and CSU have grown faster than incomes in the past three decades

Total cost of attendance for a student living on campus as a percent of California median family income



Grants and Net Costs

Many students receive grants that lower the net cost of attendance. These include the federal Pell grant, Cal Grants, fee waivers, and university grants. For a student from a low-income family, this aid can cover nearly 70% of costs at UC and 50% of costs at CSU.

Fortunately, in recent years as fee increases and living costs have increased, so have grant awards. Since 2006, grant aid at UC has increased by 50–60% for students from middle-income families and by 29% for students from low-income families. At CSU, grants increased by 70–80% for middle-income students and 40% for low-income students. Students from families earning under \$55,000 can expect to receive an annual grant of \$12,000–\$17,000 while attending UC, and \$5,000–\$9,000 while attending CSU.

Nevertheless, costs are still a high percentage of income for middle- and lower-income students. At UC, the net cost for a student from a family earning under \$55,000 is about \$15,000, or 27% of annual income. For low-income students, grants cover about 60% of the cost of attendance, but the net cost was still 34% of income for on-campus students in 2009. At CSU, the net cost for lower-income families is about 37% of income, up from 32% in 2006. It now costs a low-income family 18 weeks of earnings to support a student at UC. At the middle level, net costs take 10–14 weeks of earnings. Simply put, paying for a university education is a financial hardship for most working families.

Net costs for students

Income level	Average grant	Net cost	Percent of income
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UC student on campus

Low income	2006	12,900	10,000	32%
	2009	16,600	10,500	34%
Lower middle	2006	8,500	14,400	27%
	2009	12,200	14,900	27%
Middle income	2006	3,500	19,400	24%
	2009	5,900	21,200	25%
Upper middle	2006	1,600	21,300	17%
	2009	2,900	24,200	19%

CSU student on campus

Low income	2006	6,300	10,000	32%
	2009	8,800	11,300	37%
Lower middle	2006	2,700	13,600	25%
	2009	4,800	15,300	28%
Middle income	2006	800	15,500	19%
	2009	1,500	18,600	22%
Upper middle	2006	400	15,900	13%
	2009	700	19,400	15%

CSU student living with family

Low income	2006	6,300	4,300	14%
	2009	8,800	4,200	14%
Lower middle	2006	2,700	7,900	15%
	2009	4,800	8,200	15%
Middle income	2006	800	9,800	12%
	2009	1,500	11,500	14%
Upper middle	2006	400	10,200	8%
	2009	700	12,300	10%

Figures in actual dollar amount. See page 7 for sources of these estimates.

Effect on Students

Rising costs raise issues of access and student success. Students must make tough decisions that may include not leaving home to attend a university out of their area, taking on extra employment, or incurring high levels of debt. Many low-income families are not accustomed to borrowing. Latino and Southeast Asian families tend to be more debt averse than other ethnic groups. Students may be intimidated by the amount needed to borrow for an education and conclude that college is not within reach.

Once a student decides to enroll, increased costs can hinder their progress toward a degree. With unexpected annual increases of hundreds of dollars, some students will find that they are unable to cover their costs. They may cut their class load to work more hours, leave for semesters at a time, or drop out of school entirely. Previous generations of students could cover much of their college expenses with a summer job. Today, a 12-week summer job will only cover about 40% of costs, even for a student living with their family.

The inability to cover costs with savings or part-time or summer employment forces students to take out loans. California students incur less debt than students in many other states. Nonetheless, the Project on Student Debt reports that average debt accumulation for California students at public universities has risen by 18% since 2005. Loan repayment is often manageable for graduates with good jobs, but students who drop out without completing a degree may do so with significant debt and may have difficulty paying back loans.

Implications

The trend of rising costs should be of concern for all Californians, regardless of whether they have current or future students in the home. The state's 1960 Master Plan for Higher Education called for making a college education accessible and affordable to every qualified California high school graduate. But public higher education is no longer affordable in the way it was in the 1960s and 1970s. This problem has no easy solution. In the past five years, the country has suffered an economic recession that has deepened the state budget crisis, frozen or cut incomes of working families, and left California with a 12% unemployment rate. All the while, college costs continue to rise.

Attacking the affordability issue can occur on a couple of different fronts. Restoring General Fund allocations and making higher education a priority in the state budget is imperative to keeping costs to students down. The proposed 2011–12 budget calls for deeper cuts to higher education including \$500 million each to UC and CSU. The state must also avoid cuts to the Cal Grant system, and evaluate the need to increase grants for low and middle-income families. The notion that a student must borrow — sometimes in the tens of thousands of dollars — to finance an education is now widely accepted, but how far can this trend go? Policymakers and the higher education community must determine what is an acceptable amount of debt for students to incur in pursuit of a degree.

Weeks of a family's income needed to support a student at UC or CSU

	At UC	At CSU
Low-income families	18 weeks 34% of income	19 weeks 37% of income
Middle-income families	13 weeks 25% of income	12 weeks 22% of income
Upper middle families	10 weeks 19% of income	8 weeks 15% of income

Total cost of attendance for a student living on campus, less grants, as a percent of annual income

California faces many problems right now with K-12 education, infrastructure, health and social services, and many other needs competing for state funding. Budget prioritization is not easy. But higher education is an investment in our future. Not only does investing in higher education generate increased future income tax revenue, it also creates a citizenry of innovators and problem solvers. The innovation and creativity that is trademark of California industry is due in part to accessibility to affordable learning opportunities. A renewed commitment to the students of today is paramount to ensuring the state’s social and economic well-being.

Can students work their way through college?

In the past, many students financed 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.

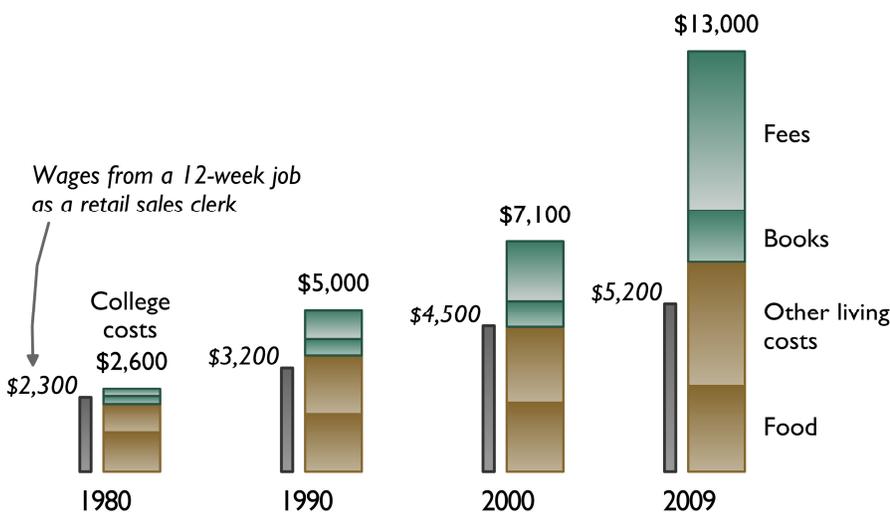
In 1980, the average wage for retail workers was \$4.90 an hour. By working 12 weeks over the summer at 40 hours a week a student could earn \$2,300, over half of the cost of attending UC as residential student for a year and nearly all of the cost of attending CSU as a commuter student.

College costs have grown much faster than wages. In 2009, the average wage for retail salespeople was \$10.90 an hour. A student working 12 weeks over the summer would earn \$5,200, only enough to pay 20% of the current cost of a year at UC, and 40% of the cost of attending CSU as a commuter student.

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.

College costs and earnings from a summer job

Annual costs for a CSU commuter student compared with wages from a 12-week summer job



In 1980, a 12-week job as a retail sales clerk would pay most of what was needed to pay a commuter student’s costs for a year. In 2009, a similar job would pay only 40% of a year’s costs.

Sources of data

Student fees. Data from CPEC report *Fiscal Profiles, 2010*.

Campus housing. Data from the Integrated Postsecondary Education Data System, U.S. Department of Education.

Books and other costs. Data 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. California figures estimated by CPEC from state wage data from the U.S. Bureau of Economic Analysis. Wages by occupation from the U.S. Bureau of Labor Statistics.

Grant Awards. Grant awards by income derived from grant-income estimates provided by UC Office of the President and the CSU Chancellor's Office.
