

Trends in Higher Education

College Affordability

Legislative Analyst's Office **2024**

Introduction

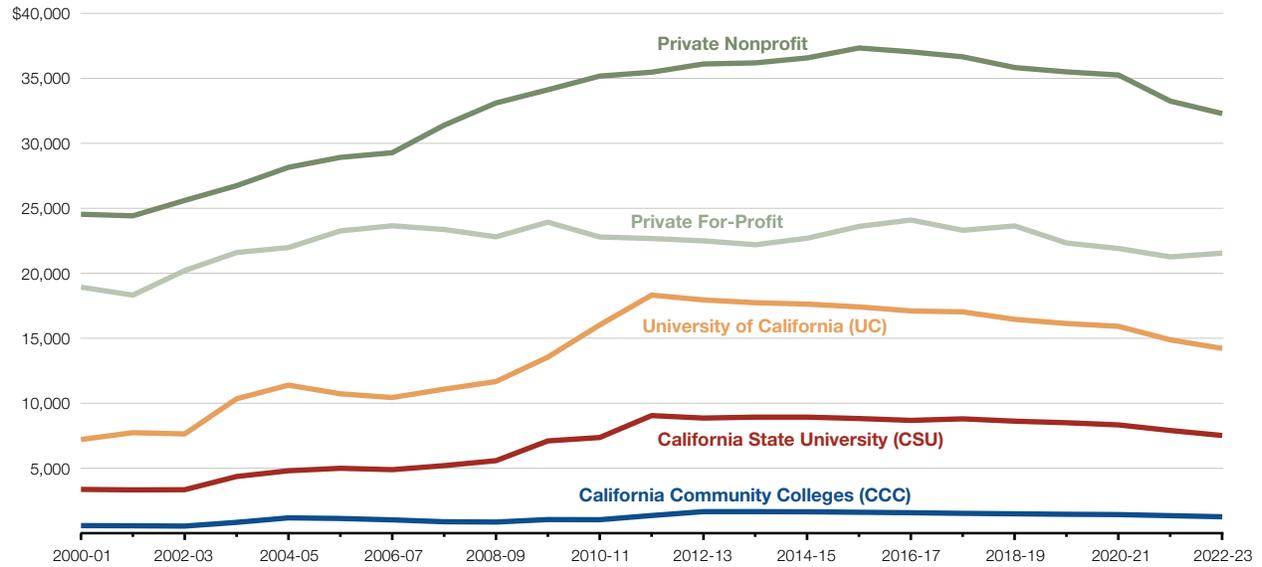
This brief is the second of a six-part analytical series focused on higher education trends. Each brief in the series hones in on a major area of higher education, with the first brief covering student access and this second brief covering college affordability. Forthcoming briefs cover student outcomes, faculty and staff, finance, and facilities. The series has two main objectives. The first is to help legislators, staff, and the general public track many of the key changes that higher education has undergone over the past few decades. The second is to help legislators and staff leverage their better understanding of the past to aid them in better navigating the future. To this end, each brief is punctuated by key issues for legislators to consider as they move forward in making higher education policy and budget decisions.

This brief covers college costs from students' point of view, along with student financial aid available to help cover those costs. (The forthcoming brief covering higher education finance focuses on funding and spending from colleges' point of view.) To attend college, students face tuition costs as well as nontuition costs, including housing, food, transportation, books, and supplies. Various financial aid programs exist to help students cover these costs. Aid comes in multiple forms, including grants, scholarships, subsidized employment, loans, and college savings accounts. Depending on the program, support comes from federal, state, and institutional funds, as well as from philanthropists and other donors. Many of these programs are need-based, with students eligible if their household income falls beneath a certain threshold. Students from middle- and lower-income families typically receive financial aid "packages" consisting of several types of aid supported by several fund sources, which together are intended to help make college more affordable.

As with the other briefs in this series, this brief contains a set of infographics highlighting trends over time, with data drawn primarily from sources at the federal, state, and segment levels. We tend to provide data for the past one or two decades. We select the exact time period for each chart by considering the availability of the particular data at issue, comparability of the reported data over time, and the most interesting trends emanating from the data. Because the focus is on trends over time, we adjust fiscal data for inflation, such that the charts show changes in real terms.

After a Decade of Tuition Increases, Tuition Levels Flattened Over Past Decade

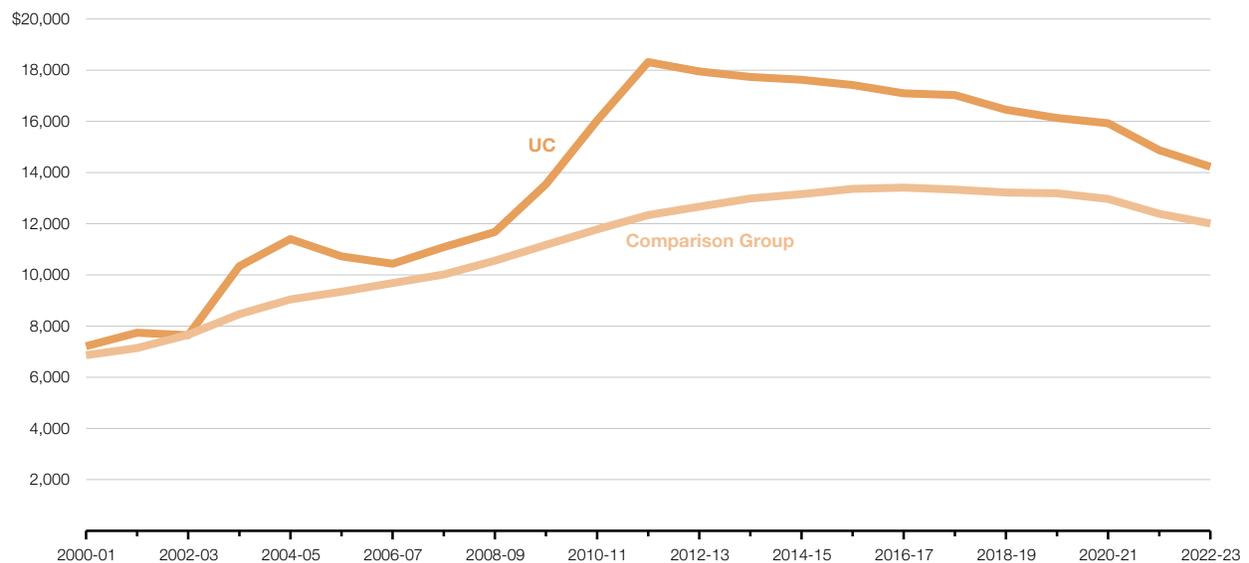
Resident Undergraduate Tuition and Fees, Average Across Campuses, 2022-23 Dollars



After more than doubling from 2000-01 through 2011-12, undergraduate tuition at the public segments began dropping in real terms over the following decade. At UC and CSU, graduate student tuition followed a similar trend. At the private segments, undergraduate tuition increased more gradually over most of the period, before declining in real terms over the past six to seven years.

Relative to Peers, Tuition Remains Higher at UC

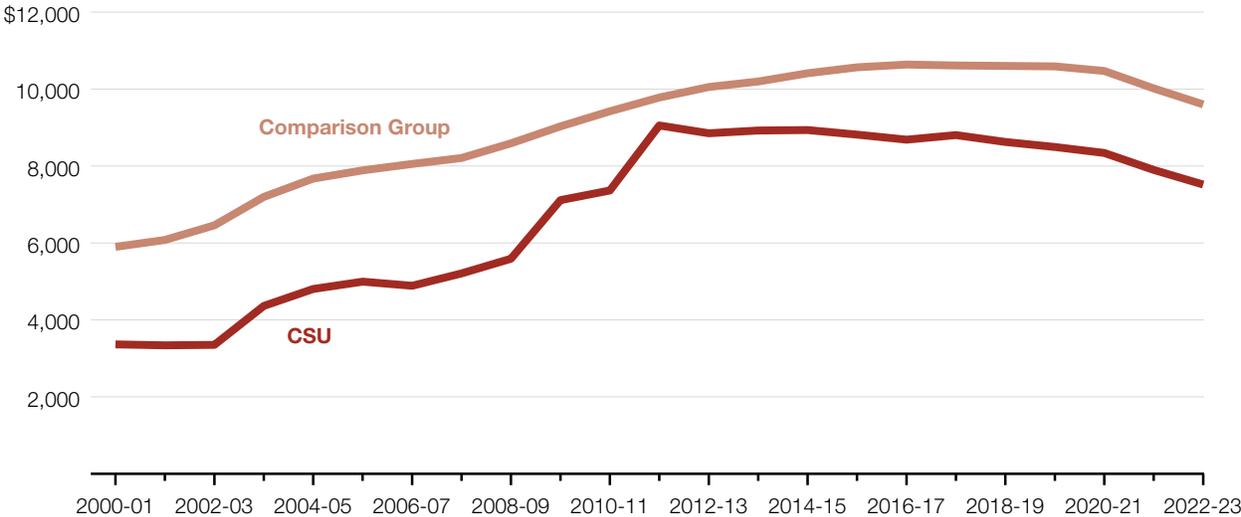
Resident Undergraduate Tuition and Fees, Average Across Campuses, 2022-23 Dollars



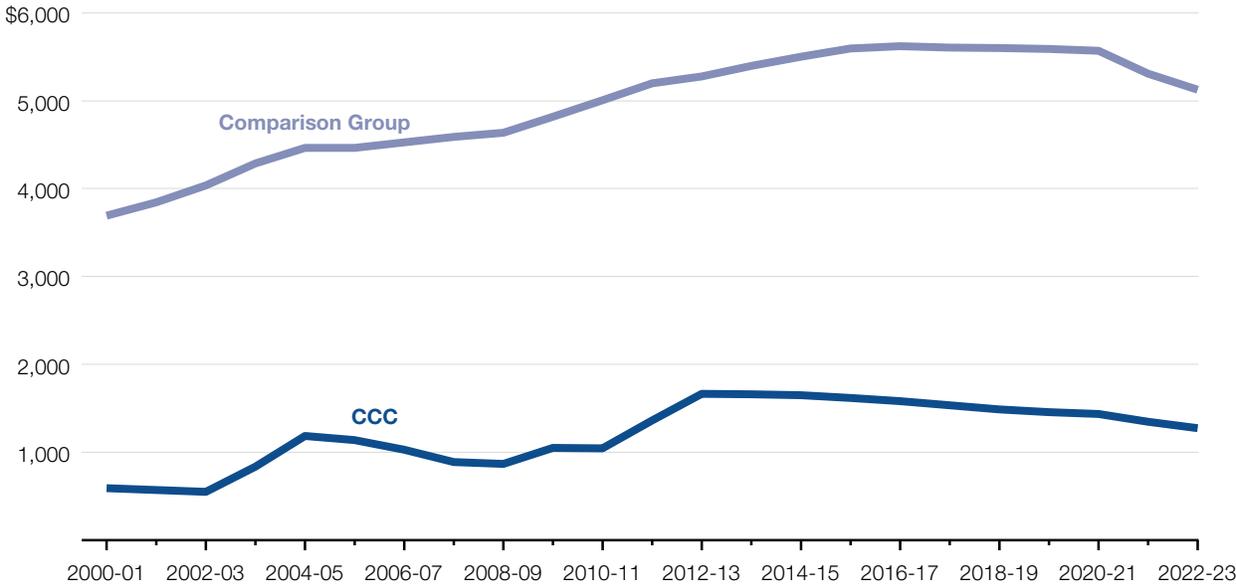
Technical note: Charts compare undergraduate tuition at each segment to undergraduate tuition among public institutions nationally that have a similar Carnegie Classification—a designation based on the highest degree the institution awards and its level of research activity, among other characteristics.

Relative to Peers, Tuition Remains Lower at CSU...

Resident Undergraduate Tuition and Fees, Average Across Campuses, 2022-23 Dollars



...and Much Lower at CCC



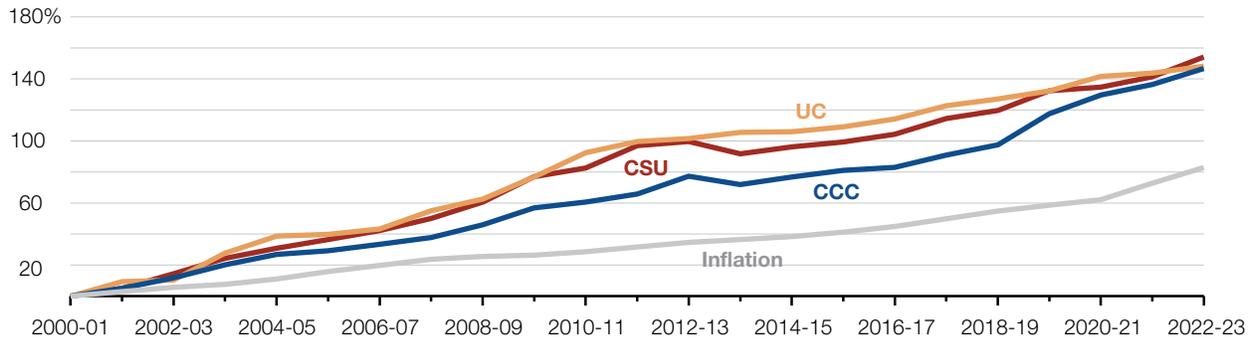
Technical note: Charts compare undergraduate tuition at each segment to undergraduate tuition among public institutions nationally that have a similar Carnegie Classification—a designation based on the highest degree the institution awards and its level of research activity, among other characteristics.

Key Issue

UC and CSU recently adopted policies raising undergraduate and graduate student tuition charges annually (beginning in 2022-23 and 2024-25, respectively). While financial aid programs fully cover tuition for many low- and middle-income undergraduates at the public segments, other students are affected by tuition increases. A key legislative issue moving forward will be how these policies impact student access, college affordability, and outcomes.

Total Cost of Attendance Has Increased Faster Than Inflation

Cumulative Percent Change in Cost of Attendance Since 2000-01 for Undergraduates Living Off Campus

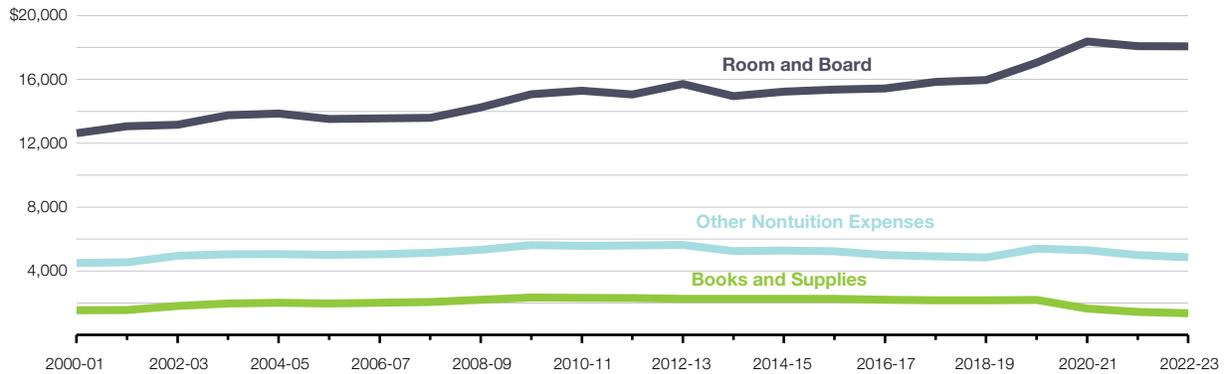


Technical note: Total cost of attendance includes tuition costs as well as nontuition costs such as food, housing, and books.

Nontuition costs outpaced inflation between 2000-01 and 2011-12, though not as notably as tuition. Since 2011-12, tuition charges have flattened while nontuition costs have continued to outpace inflation.

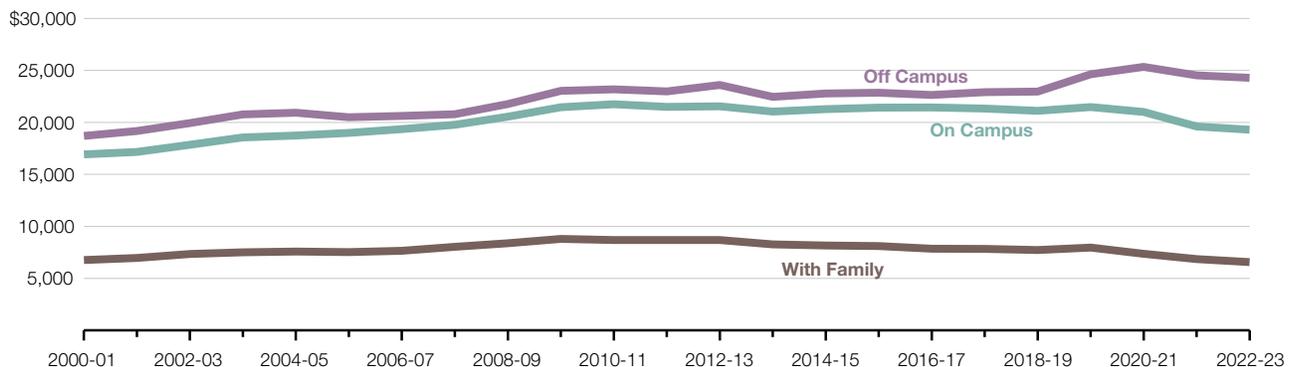
Fastest Growing Nontuition Costs Are Food and Housing

Nontuition Costs for Undergraduates Living Off Campus, Average Across California Public Institutions, 2022-23 Dollars



Nontuition Costs Have Increased for Students Living On and Off Campus

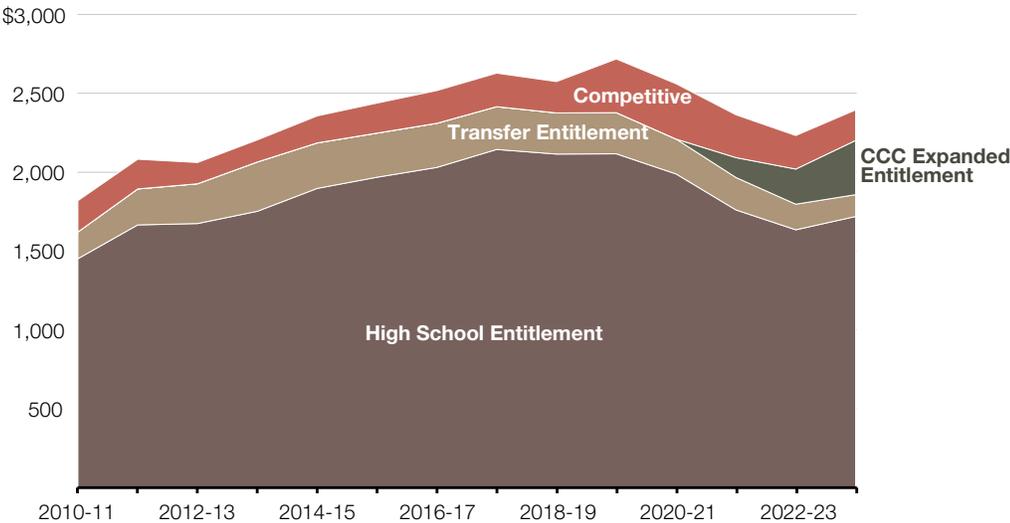
Nontuition Costs for Undergraduates by Living Arrangement, Average Across California Public Institutions, 2022-23 Dollars



Technical note: The shares of students with certain living arrangements vary across the segments. UC has the highest share of undergraduates living away from home (90 percent), including the highest share living on campus (38 percent). Compared to university students, CCC students are more likely to live at home with family.

State Spending on Cal Grants Peaked in 2019-20 in Real Terms

Cal Grant Spending by Program Component, 2023-24 Dollars (In Millions)

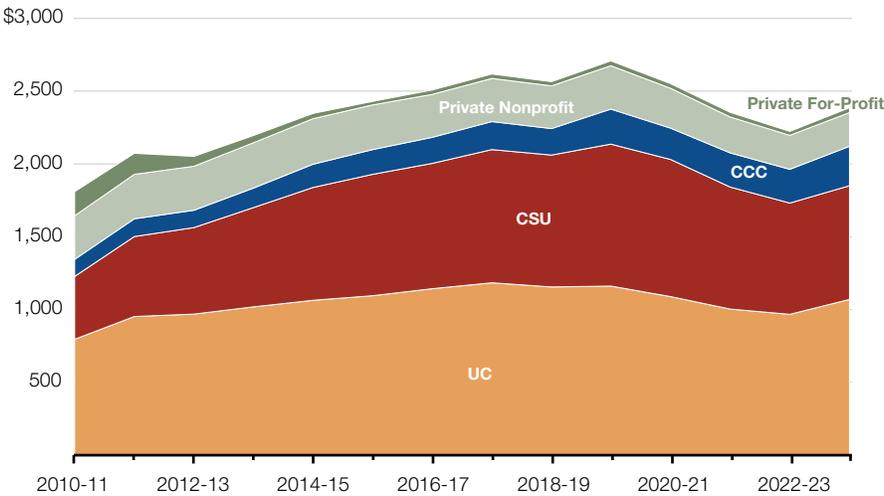


Technical note: "Competitive" includes the Cal Grant C program. Data for 2023-24 are estimates as of October 2023.

From 2010-11 to 2023-24, the number of Cal Grant recipients increased by 71 percent—growing from about 236,000 to 404,000. Whereas some of this growth stemmed from underlying enrollment growth, some was due to policy changes that expanded Cal Grant eligibility. Notably, the state recently removed age and time-out-of-high-school requirements for community college students—making many more students entitled to Cal Grant awards.

Public Segments Account for Growing Share of Cal Grant Spending

Cal Grant Spending by Segment, 2023-24 Dollars (In Millions)

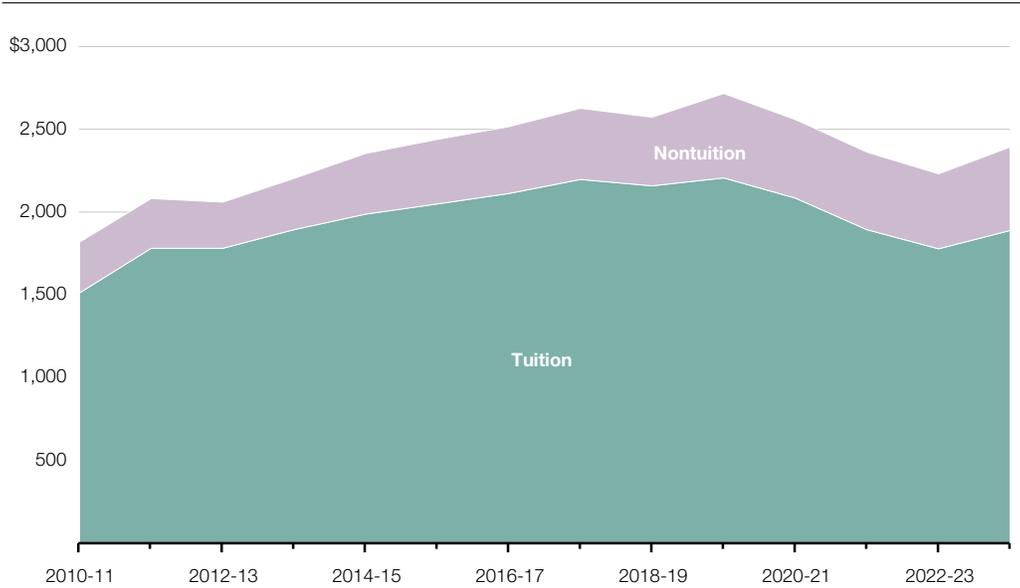


Technical note: Data for 2023-24 are estimates as of October 2023.

Since 2010-11, CSU's share of Cal Grant spending has grown notably (from 24 percent to 33 percent), while the private sector's share has declined notably (from 26 percent to 11 percent).

Nontuition Aid Is Small but Growing Share of Cal Grant Spending

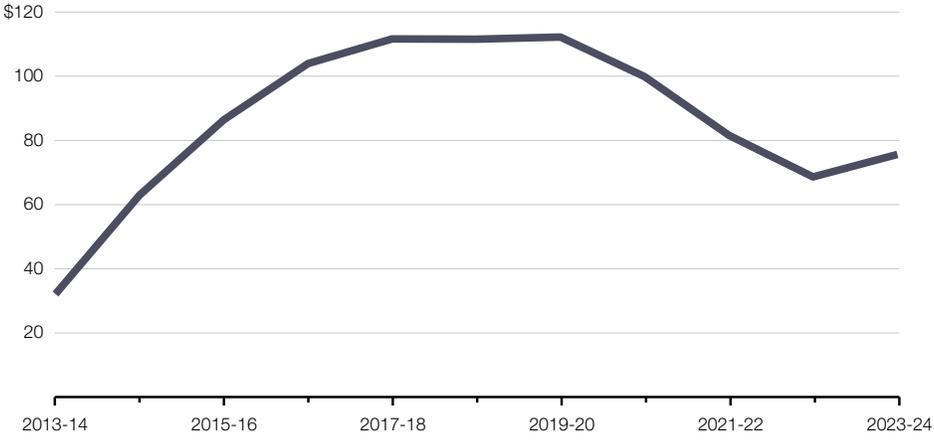
Cal Grant Spending by Purpose, 2023-24 Dollars (In Millions)



Technical note: Data for 2023-24 are estimates as of October 2023.

Cal Grant Spending on Dream Act Students Is Down From the 2019-20 Peak

Cal Grant Spending on Awards for California Dream Act Application Filers, 2023-24 Dollars (In Millions)

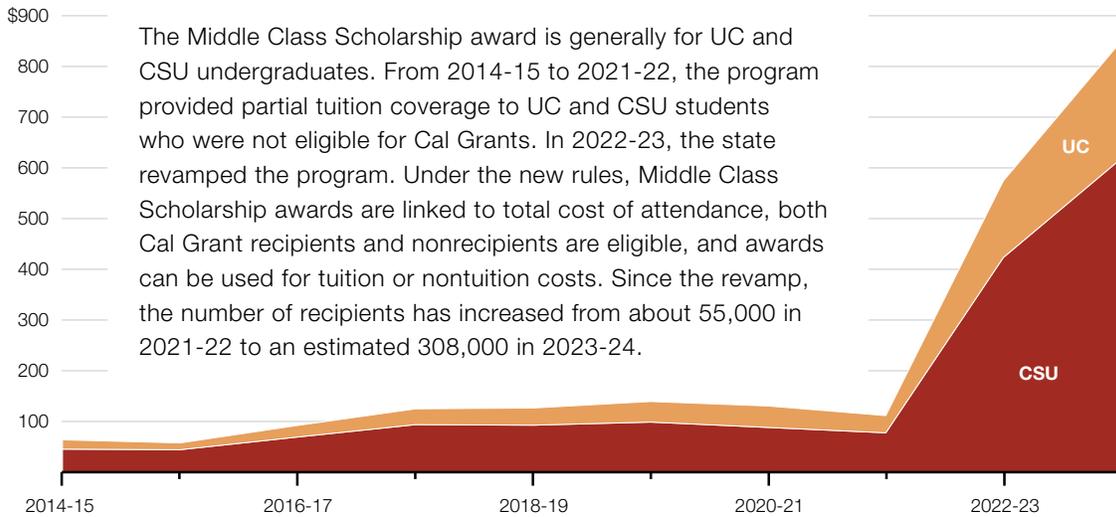


Technical note: The California Dream Act Application is the form used by undocumented students to apply for state financial aid. Undocumented students meeting certain criteria have been eligible for Cal Grants since 2013-14. Data for 2023-24 are estimates as of October 2023.

From 2019-20 to 2023-24, Dream Act Cal Grant spending has fallen primarily because of a decrease in recipients (down by an estimated 4,300 students or 27 percent). The average award amount per recipient did not change as notably over this period.

State Recently Expanded Middle Class Scholarships for UC and CSU Students

Middle Class Scholarship Spending by Segment, 2023-24 Dollars (In Millions)



Technical note: Data for 2023-24 are estimates as of October 2023.

State Recently Created Two CCC Financial Aid Programs for Full-Time Students

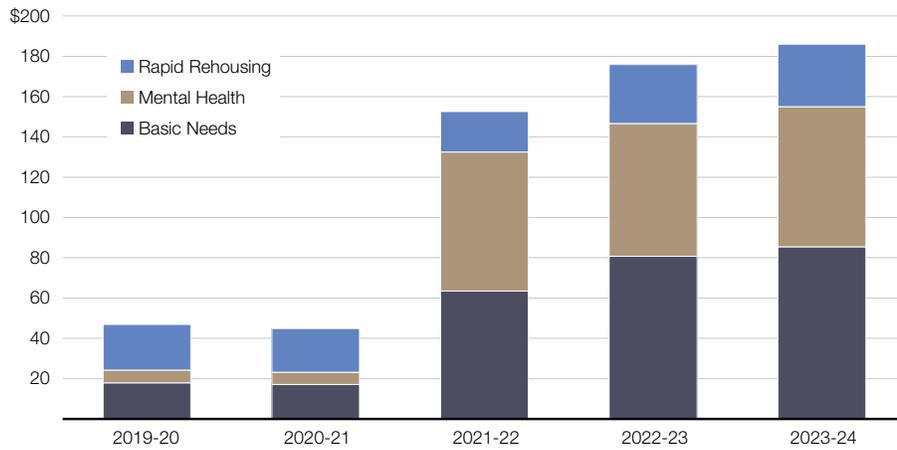
Amount Awarded by Program, 2021-22 Dollars (In Millions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Need-based nontuition aid for full-time students	—	\$41	\$45	\$93	\$161	\$168	\$156	\$144
Nonneed-based tuition waivers for full-time students	—	—	—	—	10	22	26	25
Existing need-based tuition waivers	\$1,002	989	934	896	853	787	676	578

In 2015-16, the state began providing additional nontuition aid to CCC Cal Grant recipients enrolled full time. In 2018-19, the state began waiving tuition for certain students without financial need—currently first-time and returning students enrolled full time. For many years, the state has waived tuition for CCC students with financial need. Spending on need-based tuition waivers has declined as CCC enrollment has declined.

State Recently Began Funding Student Basic Needs Programs

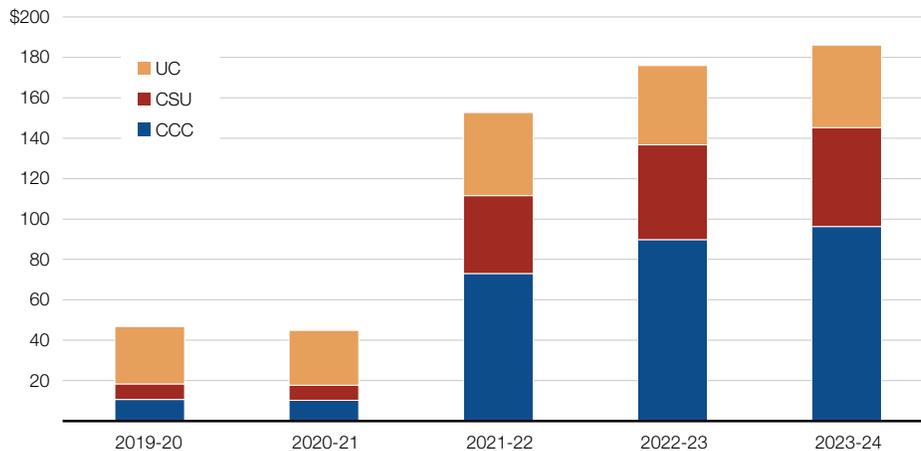
Ongoing General Fund by Program, 2023-24 Dollars (In Millions)



Technical note: Basic needs funding may be used to address food, housing, and other student costs. Rapid rehousing funding may be used for various types of assistance to students who are homeless or housing insecure. Private colleges and universities are not eligible for these state programs.

Funding Has Increased at All Three Public Segments

Ongoing General Fund for Student Basic Needs by Segment, 2023-24 Dollars (In Millions)



Technical note: The state also provided \$100 million one-time funding to CCC in 2021-22 as well as small amounts of one-time funding to all three segments from 2017-18 to 2019-20.

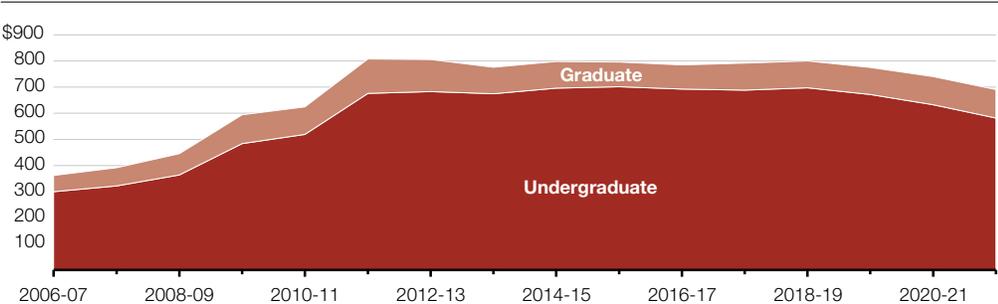
Key Issue

For many decades, California primarily relied on the Cal Grant program to help students from low- and middle-income families cover college costs. Over the past few years, the state has added other programs, including Middle Class Scholarships and basic needs programs, to help these students. A key legislative issue moving forward will be how these programs affects student access, college affordability, and student outcomes.

In addition to participating in the state’s financial aid programs, UC and CSU each administers its own institutional aid programs. The largest of these programs—UC Grants and CSU’s State University Grants (SUG)—are supported by tuition revenue. At CSU, institutional aid covers tuition for low-income students who have not received tuition coverage through Cal Grants. At UC, institutional aid helps students with financial need cover their full cost of attendance.

CSU Institutional Financial Aid Spending Increased Rapidly, Flattened, Then Began a Gradual Decline

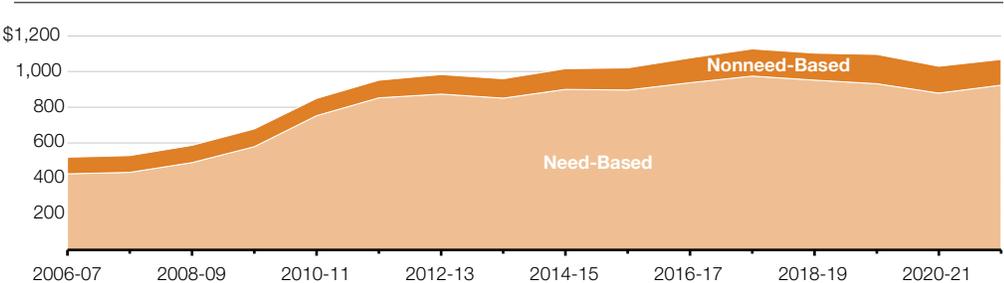
Spending on CSU State University Grants, 2021-22 Dollars (In Millions)



CSU’s SUG spending more than doubled from 2006-07 to 2011-12 as CSU’s tuition charges increased, then flattened as tuition charges generally remained steady. Since 2018-19, spending has declined in real terms, as tuition revenue for the program has not kept pace with inflation.

UC Institutional Financial Aid Spending Has Followed a Somewhat Similar Pattern for Undergraduates...

Spending on UC Gift Aid for Undergraduates by Academic Year, 2021-22 Dollars (In Millions)

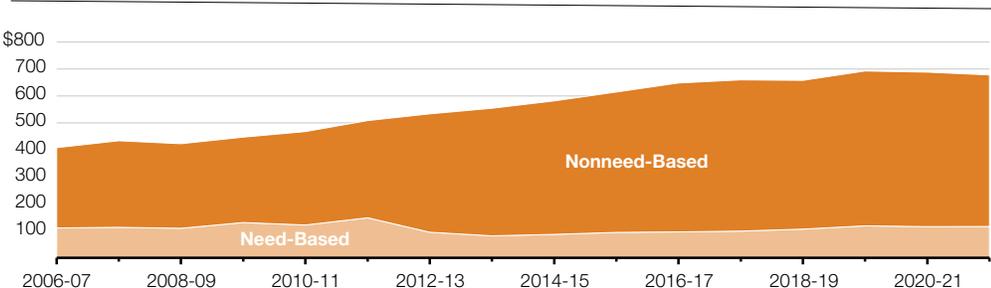


The trend in UC Grant spending has been similar to the trend in CSU SUG spending.

Technical note: The objective of UC’s institutional aid for undergraduates is to help resident low- and middle-income families cover the cost of attendance.

...While Increasing More Steadily for Graduate Students

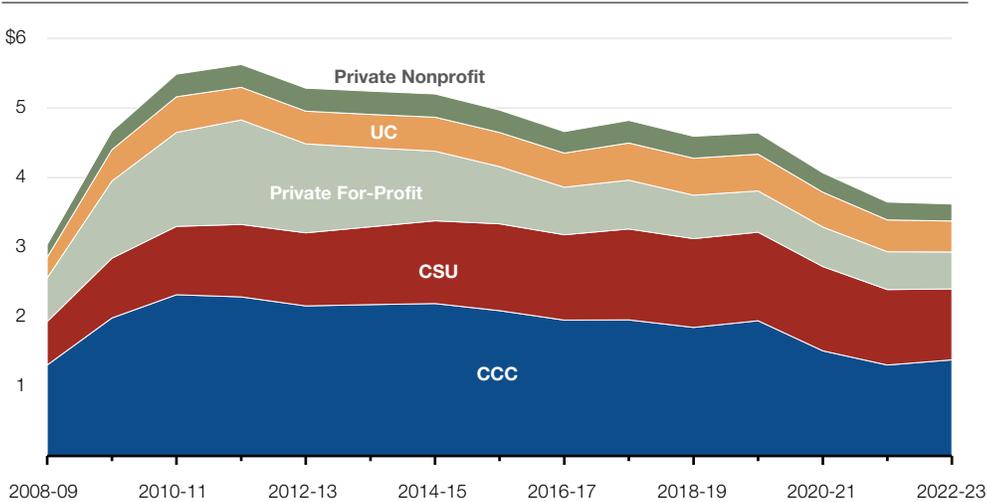
Spending on UC Gift Aid for Graduate Students by Academic Year, 2021-22 Dollars (In Millions)



Technical note: The primary objective of UC’s institutional aid for graduate students is to attract the most promising students.

Total Pell Grant Aid in California Has Declined Since 2011-12

Federal Pell Grant Disbursements by Segment, 2022-23 Dollars (In Billions)

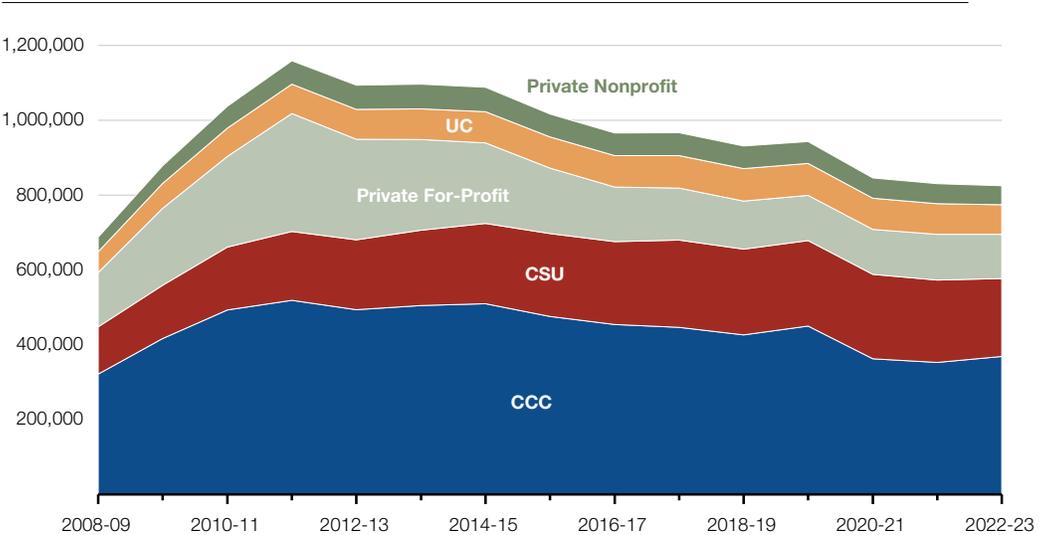


Technical note: In 2009-10 and 2010-11, Pell Grant spending increased rapidly due to several factors, including increased college enrollment during the Great Recession, decreased family income, increased award amounts, and changes in program eligibility rules. Chart excludes aid awarded to students attending public institutions outside the CCC, CSU, and UC systems. In 2022-23, these schools accounted for less than 1 percent of total Pell Grant aid in California.

The share of Pell Grant funding by segment has changed. Most notably, the share going to CSU students has increased (from 21 percent to 28 percent) whereas the share going to students at private for-profit schools has decreased (from 21 percent to 15 percent).

Number of Pell Grant Recipients in California Also Has Declined

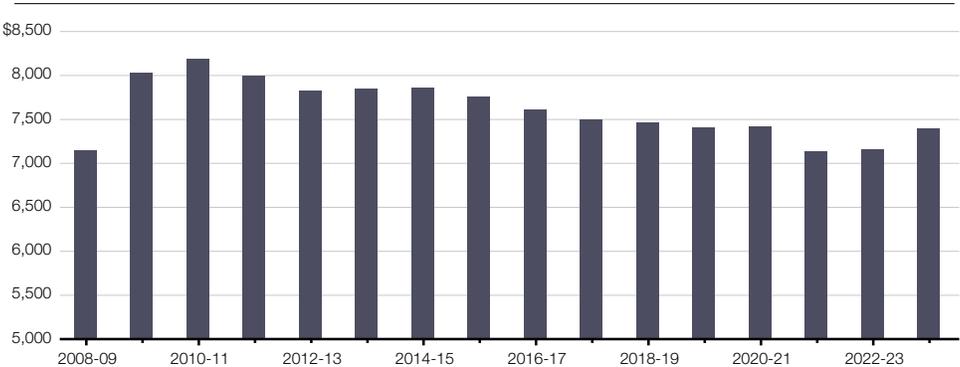
Number of Pell Grant Recipients by Segment



From 2011-12 to 2022-23, the number of Pell Grant recipients in California declined by 29 percent, which is considerably faster than the overall decline in undergraduate enrollment. The steeper drop in the number of Pell Grant recipients could be due to changes in the income distribution of students, making fewer students eligible for Pell Grants.

After Generally Falling Over More Than a Decade, Maximum Pell Grant Award Ticked Up in 2023-24

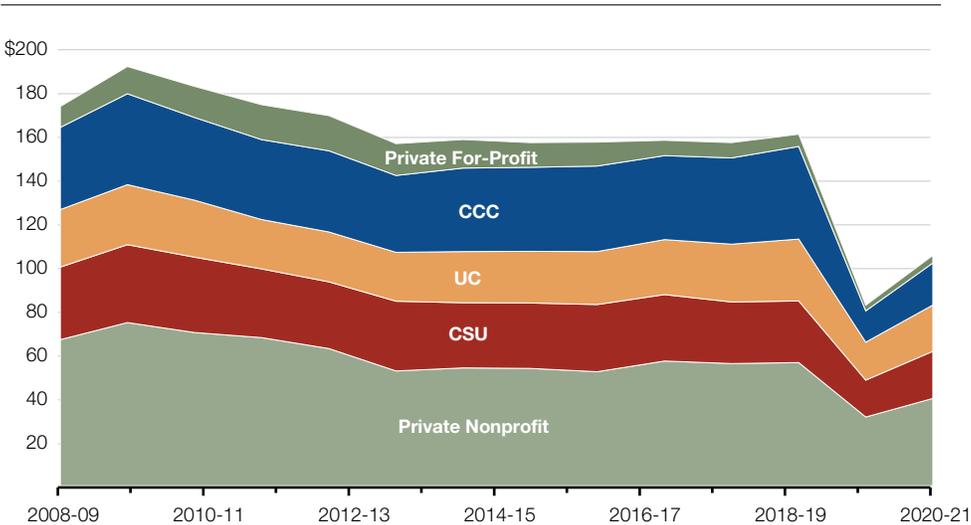
Maximum Federal Pell Grant Award Amount Per Student, 2023-24 Dollars



Technical note: The average Pell Grant award for California students is approximately 70 percent of the maximum award. Many students receive partial awards because award amounts are prorated for part-time students and graduated downward as a student's expected family contribution increases.

Work-Study Aid in California Has Also Generally Declined Over Past Decade

Federal Work-Study Disbursements by Segment, 2021-22 Dollars (In Millions)

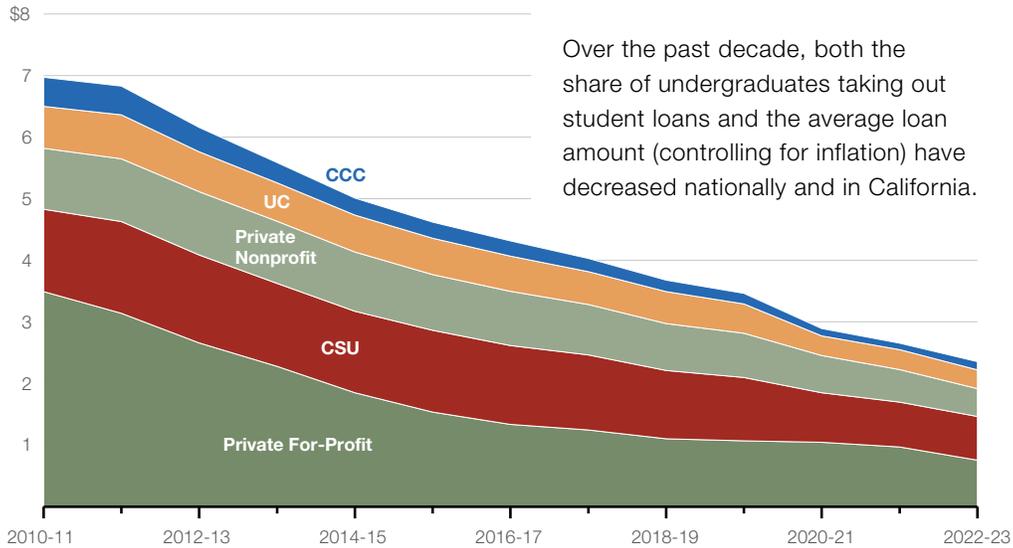


Technical note: Chart reflects funding disbursed by campuses to students from federal work-study funds and institutional match funds. Chart excludes aid disbursed to students attending public institutions outside the CCC, CSU, and UC systems. In 2021-22, these schools accounted for less than 1 percent of total federal work-study disbursements in California.

The number of federal work-study recipients in California declined from a peak of about 64,000 students in 2010-11 to about 52,000 students in 2019-20. In 2020-21, only about 28,000 students received federal work-study disbursements. The unusually low number of recipients and amount disbursed in 2020-21 were likely because the COVID-19 pandemic disrupted job placements.

Undergraduate Student Borrowing in California Has Decreased Notably

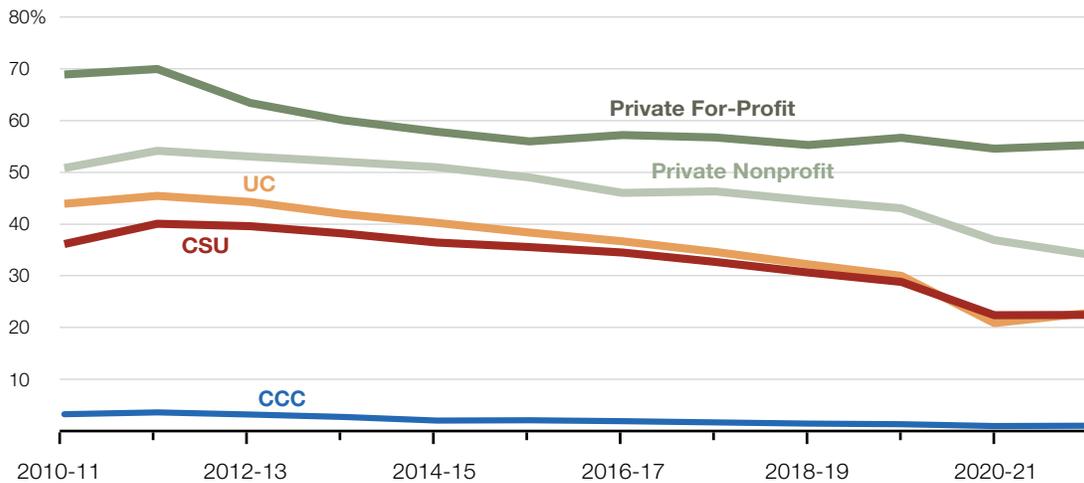
Federal Undergraduate Student Loan Disbursements by Segment, 2022-23 Dollars (In Billions)



Technical note: Chart excludes aid awarded to students attending public institutions outside the CCC, CSU, and UC systems. In 2022-23, these institutions accounted for less than 1 percent of total undergraduate federal student loan aid in California.

Fewer Undergraduates in California Are Borrowing Across All Segments

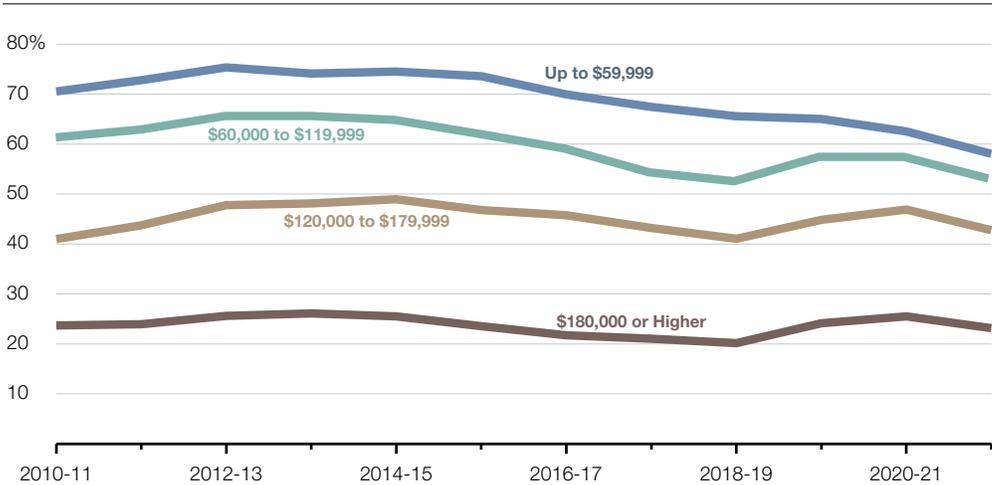
Percent of Undergraduates Receiving Federal Student Loan Aid Annually



As with borrowing rates, student loan default rates also vary by segment. In recent years, reported default rates have been artificially low because student loan repayments were paused in March 2020 and did not resume until October 2023. The best data currently available on student loan default rates is for the cohort that entered repayment in 2016-17. Whereas an estimated 6 percent of all California students in that cohort had defaulted on their loans by September 2019, rates were double that at CCC and private for-profit schools, with an estimated 12 percent of students at each of those segments defaulting.

UC Borrowing Rates Are Dropping but Remain Highest Among Low-Income Students

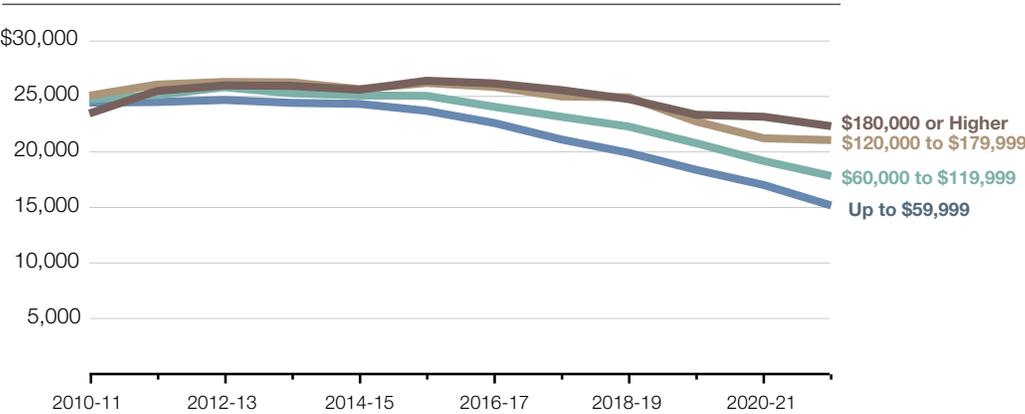
Percent of UC Graduating Seniors With Student Loan Debt by Parent Income



Technical note: Chart reflects all student loans (including federal loans) coordinated by campus financial aid offices.

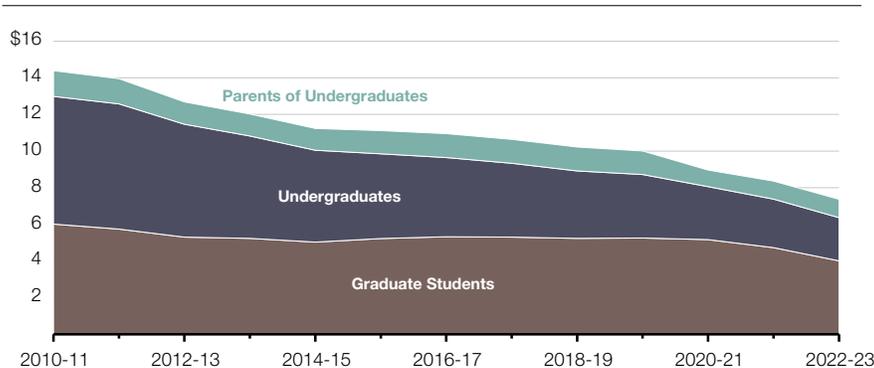
Average Debt Levels Are Declining Most Notably for Lowest-Income Students

Average Debt of UC Graduating Seniors by Parent Income, 2021 Dollars



Graduate Students Account for Growing Share of Borrowing in California

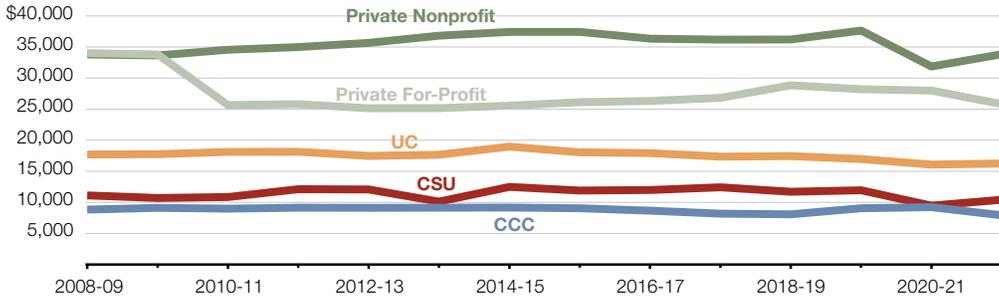
Federal Student Loan Disbursements by Recipient Type, 2022-23 Dollars (In Billions)



Whereas graduate student debt comprised 42 percent of all federal college debt in 2010-11, it accounted for 54 percent in 2022-23.

Net Price Has Been Roughly Flat at Public Segments

Average Net Price for First-Time, Full-Time Undergraduates Receiving Gift Aid, 2021-22 Dollars

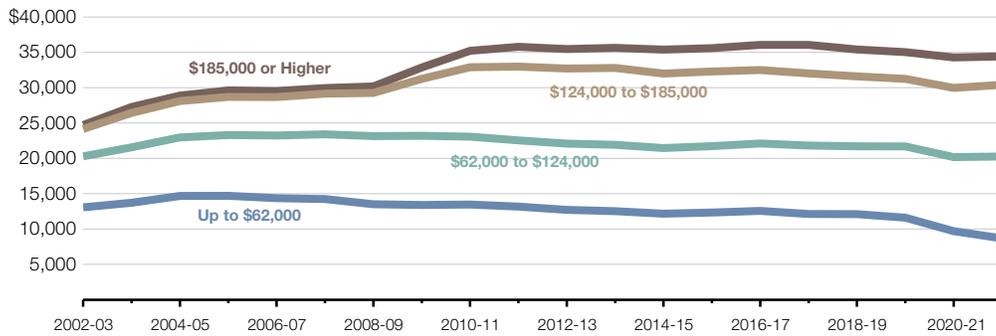


Technical note: Net price is the cost of attendance (tuition and nontuition costs) that students and their families pay after accounting for gift aid. Data covers students awarded grants or scholarships from federal, state, local, or institutional sources. Data for public institutions includes resident students only.

Average net price is lowest at CCC because its tuition level is lowest and it has the highest share of students who live at home with family. The decrease in cost of attendance in 2020-21 at four-year universities likely was due to more students living at home with family during the COVID-19 pandemic.

Net Price for UC Undergraduates Remains Lowest for Lowest-Income Students

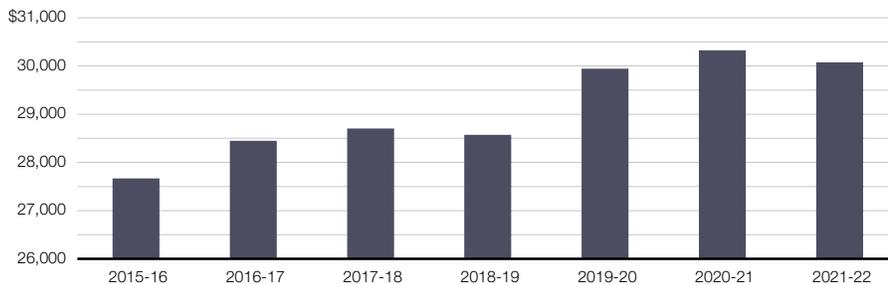
Average Net Price for UC Resident Undergraduate Dependent Students by Family Income, 2021 Dollars



Technical note: Data for CSU and CCC is more limited in that it is only available for a subset of students (first-time, full-time students receiving federal financial aid). This is a more notable limitation at CCC. The available data, however, show similar trends for CSU and CCC students, with net price remaining lowest for the lowest-income students.

Net Stipend for UC Graduate Students Generally Has Been Increasing

Average Net Stipend for Academic Doctoral Students at UC, 2021-22 Dollars



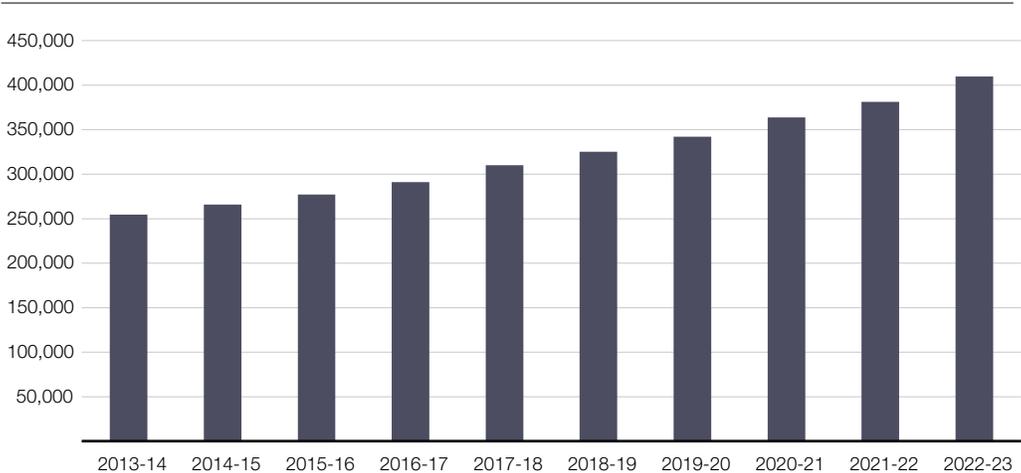
Technical note: Net stipend reflects the amount of financial support (gift aid and university employment earnings) a graduate student has remaining for living costs, after covering tuition and fees. In December 2022, UC and the union representing its graduate student employees ratified new contracts providing significant compensation increases from 2021-22 through 2024-25.

Key Issue

Gift aid, work earnings, student loans, and college savings accounts are all ways that help students cover their cost of attendance. A key legislative issue involves the trade-offs among these options and their respective impacts on students from families with different income levels.

More Families Are Opening College Savings Accounts

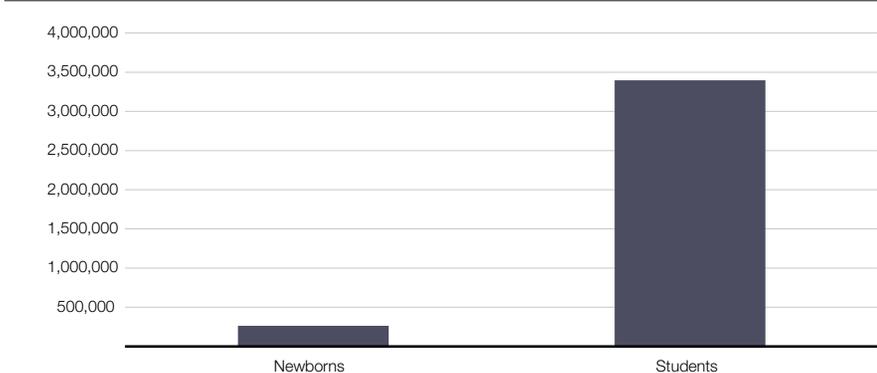
Total Number of Scholarshare 529 Accounts at End of Fiscal Year



Technical note: Under the state’s longstanding Scholarshare 529 program, individuals can open a college savings account and make contributions on behalf of a student. Funds deposited into the account are invested. Investment earnings are not taxable if the student uses the funds for qualified higher education expenses—generally including tuition and fees, books and supplies, computer equipment, and room and board costs.

State Also Recently Started Opening College Savings Accounts for All Children

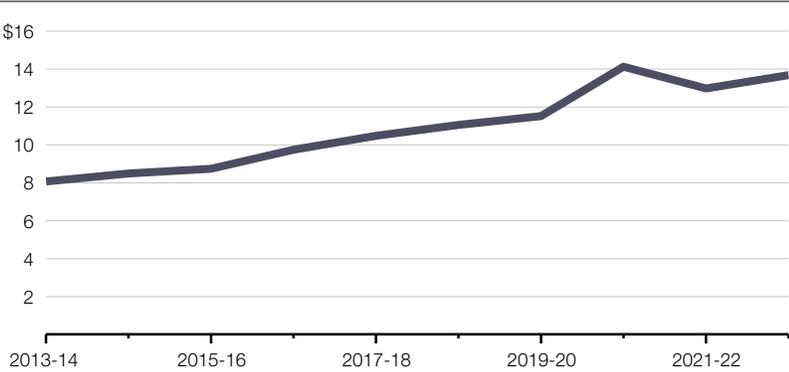
California Kids Investment and Development Savings (CalKIDS) Accounts as of March 31, 2023



Technical note: Under the new CalKIDS program, the state opens college savings accounts for children and provides seed deposits on their behalf. To date, the state has opened college savings accounts for all newborns born since July 1, 2022; low-income public school students enrolled in grades 1-12 in 2021-22; and incoming low-income first graders since 2022-23. The state currently deposits \$100 for each newborn and at least \$500 for each low-income student.

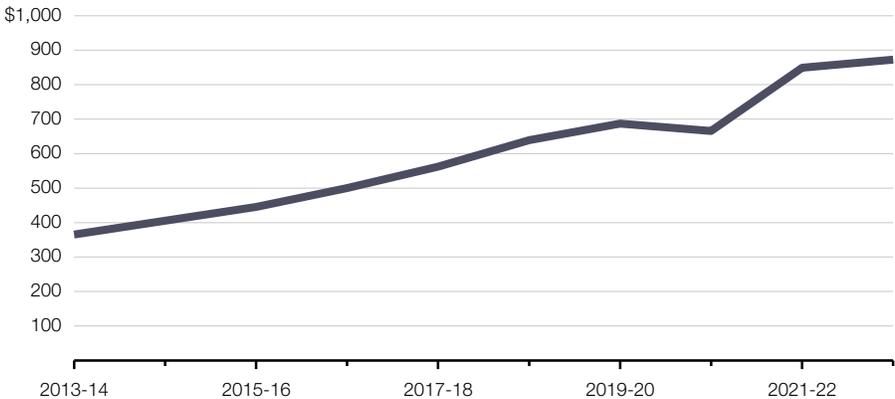
College Savings Account Investments Have Generally Grown Over Time

Total Amount in Scholarshare 529 and CalKIDS Accounts at End of Fiscal Year, 2022-23 Dollars (In Billions)



College Savings Account Distributions Have Generally Increased

Total Scholarshare 529 Distributions for Qualified Higher Education Expenses, 2022-23 Dollars (In Millions)



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This report was prepared by Lisa Qing, with contributions from Ian Klein and Paul Steenhausen. It was designed by Vu Chu and reviewed by Jennifer Pacella. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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