



THE REAL COST OF A COLLEGE EDUCATION IN CALIFORNIA

In the California Public Higher Education system, students are facing extensive and skyrocketing fee increases. In the past 5 years, fees have increased in both UC and CSU by over 80 percent. These student fees comprise only one portion of the overall costs associated with a college education. Over the past ten years, textbook prices have increased at almost triple the rate of inflation, the cost of housing near all of the UC and most of the CSU campuses has become the highest in the state, college graduates are now entering the workforce with unprecedented debt due to increasingly high interest rates on loans, and student credit card debt is at an all-time high. As a result of this financial crisis, thousands of qualified Californian high school graduates are priced out of higher education every year. If the state is to fulfill its vision of an accessible, affordable system of higher education for all Californians, something must be done.

Textbooks

- According to a 2005 GAO report, college textbook prices have increased by 186% between 1986 and 2004, almost triple the rate of inflation over the same period.
- Five major textbook companies have a virtual monopoly over the choices of California's college students.¹
- Textbooks are made obsolete at a dizzying pace with new editions

and revisions, forcing students to buy the most expensive editions.²

- The average college student in California spends \$1,000 per year on textbooks.

Student Loans

- 52% of UC students graduate with approximately \$13,699 worth of loan debt.
- 48% of CSU students graduate with an average loan debt of \$13,554.

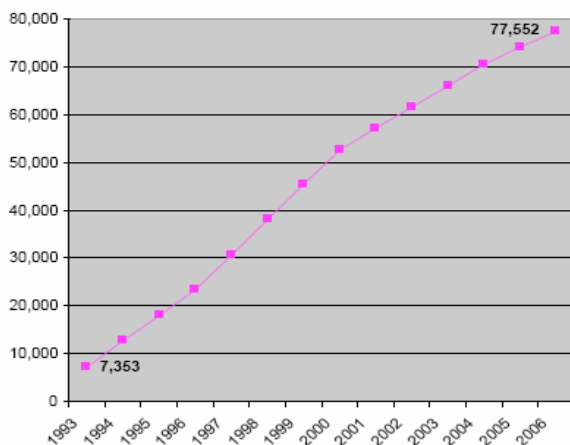
- In 1993, 1.3% of graduating seniors with student loans owed at least \$40,000 (in 2004 dollars). In 2004, 7.7% owed \$40,000 or more. That represents a 10-fold jump from approximately 7,000 to 77,550 new graduates with high debt.³

- Nationwide, public universities have gone from having almost no high borrowers in 1993 (0.3%) to having 5.4% in 2004.⁴

Impact of Debt on Life and Career Goals⁵

- Graduates with college debt are more likely to live paycheck-to-paycheck – 34% of which have sold personal possessions to make ends meet.
- 43% of the indebted have postponed graduate school, and 39% of college graduates with debt said they have left a job they liked because they did not make enough money.

Number of Graduating Seniors with Debt Exceeding \$40,000 (in Constant 2004 Dollars)



Credit Cards

- More than 75% of college students have credit cards, and more than 40% of students have at least four credit cards.
- According to Nellie Mae, 74% of undergraduates reported using credit cards for school supplies (paper, notebooks etc.), the number one reported use of cards; the second most common usage of credit cards reported by undergraduates was a tie between textbooks and food, with 71% reporting these as charged expenses. Nearly 24% reported using credit cards for tuition.
- 24% of college students acquire credit cards from campus solicitation with 46% of students obtained credit cards during their freshman year-- 20% of students reported carrying a monthly balance of more than \$1,000.⁶

- In a June 2000 Bankrate.com survey of lenders that offer student credit cards, the average rate came out to 17.51%, about a half a percentage point higher than the average for all variable-rate credit cards -- It would take more than 12 years and \$1,115 in interest to pay off a \$1,000 bill on a card with 18% annual rate.

Housing

- During the three year period ending in July 2003, housing process in Santa Barbara County and San Diego County increased by 6.3%.⁷
- This increase has affected off-campus student housing. Because of the high cost of living, California is seeing a decrease in an educated workforce; students are going out of California for college

because of the low cost of living.

The Public Policy Institute of California projects that by 2020, the state's supply of college-educated workers won't meet the state's needs.

- For the 2006-2007 Academic year, the average cost of housing for UC and CSU students was \$9,642.⁸
- In 2001, the cost of housing surrounding all 9 UC campuses equals 78% of the total student monthly expenditures.⁹ In the 2004-2005 academic year, the average monthly rent for a one-bedroom apartment surrounding the top five UC campuses (Los Angeles, Davis, Berkeley, San Diego, Santa Barbara) was \$1,1230.¹⁰

Endnotes

¹State Public Interest Research Groups. (February 2007). *Exposing the Textbook Industry: How Publishers' Pricing Tactics Drive Up the Cost of College Textbooks*

²State Public Interest Research Groups. (February 2005). *Rip-off 101: Second Edition; How the Publishing Industry's Practices Needlessly Drive Up Textbook Costs.*

³High Hopes, Big Debts. *The Project on Student Debt.*

⁴High borrowers are those who owe at least \$40,000 in debt. Source: calculations by the Project on Student Debt from the National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), Data Analysis System (DAS). Adjustments for inflation are based on the Consumer Price Index

⁵Graduating with Debt: The Biggest Threat to Young American's Financial Well-Being? - College Savings Crunch. AllianceBernstein Investments.

⁶US General Accounting Office: "Consumer Finance: College Students and Credit Cards". 2001.

⁷John M. Quigly, Steven Raphael "Regulation and the high cost of living in California." November 2004. <http://socrates.berkeley.edu/~raphael/QR%20Regulation%20110804.pdf>

⁸CaliforniaColleges.edu – How Much Does College Cost. <http://www.californiacolleges.edu/finance/how-much-does-college-cost.asp>

⁹University of California Task Force Preliminary Housing Survey, May 2001.

¹⁰Student Housing Cramming Opens Investment Opportunity. Reality Times: June 2006