FIRST COMES DIPLOMA, THEN COMES DEBT.

UNEQUAL DEBT BURDENS AMONG UNIVERSITY OF CALIFORNIA UNDERGRADUATES

MARCH 2019

the institute for college access & success

UNIVERSITY of CALIFORNIA STUDENT ASSOCIATION

Introduction

The cost of a college degree is an enormous challenge for many students. State disinvestment in higher education across the country has led to rising tuition, including a 78 percent increase over the last decade for California resident undergraduates at the University of California (UC).[1] Beyond tuition, the additional costs associated with attending college (including books and supplies, transportation, and living expenses that can exceed $19,000 annually)[2] present substantial – and sometimes insurmountable – financial barriers. In fact, not only are students struggling to come up with the resources to cover all of their college costs, but many recent studies have documented widespread food and housing insecurity among students.[3] At UC, more than 40 percent of undergraduates in 2016 reported struggling with food insecurity, and five percent experienced homelessness sometime during their enrollment.[4]

Compared to other research universities throughout the nation, UC provides needy students with relatively robust financial aid packages. The majority (56 percent) of undergraduates do not pay tuition at all[5] and average debt is much lower than the national average for public four-year institutions.[6] Moreover, the UC system enrolls a higher share of Pell Grant recipients than many other top research universities,[7] and they graduate at relatively high rates.[8] Yet despite its status as a leader in college affordability, more can – and must – be done to address the very real challenges that financially needy students continue to face affording all of the costs necessary to earn a college degree; and to address the disproportionate debt burdens held by low-income graduates and persistent graduation rate gaps between low-income students and their higher income peers.

Among dependent UC bachelor's degree recipients in 2017-18 who borrowed, about two thirds (65 percent) had annual family incomes no greater than $86,000, and nearly half (49 percent) had annual family incomes no greater than $58,000.[9] Lower income graduates were also more likely to borrow than their wealthier peers; while overall 50 percent of dependent UC graduates borrowed, 65 percent of those from families making no more than $29,000 annually did compared to 22 percent of those with annual family incomes more than $173,000 [see Figure 3].

This inequitable burden of college costs on the lowest income students also disproportionately affects underrepresented students of color.[10] Among undergraduates nationally, more than half of Latino students (54 percent), three in five Native American students (60 percent), and almost two-thirds of African-American students (63 percent) have family incomes under $30,000.[11] At the UCs, dependent African American and Chicano/Latino graduates are disproportionately more likely to have debt than their White peers [see Figure 2], with dependent African American graduates from the lowest income bracket (no more than $29,000) the most likely to borrow at 78 percent.[12]

Generally, students at UC are not expected to pay more than about $9,000-$10,000 annually out of pocket, through a combination of work and student loans. Thanks to the state Cal Grant program and the UC's own institutional aid program, which takes total college costs into account, low-income UC students with annual family incomes below $80,000 receive enough financial aid to cover tuition charges and some of the expenses associated with cost of living; and some students with much higher family incomes receive state and institutional need-based aid as well. However, even with the relatively robust UC institutional aid program and the Cal Grant entitlement in place, many UC students struggle to cover the total cost of attendance. These struggles are reflected in students' housing and food insecurity, as well as high rates of borrowing by lower income students. Moreover, while many students work to earn money to help pay for college, either in addition to or instead of borrowing, low-income students' net costs at the majority of UC campuses are such that solely earning money to cover them would require working more hours per week than is recommended. This may be difficult or even impossible for some students to manage while also attending full time – as most UC students are required to do. And, while publicly available data show that most lower income Pell Grant recipients successfully graduate from UC campuses, they still graduate at lower rates than their higher income peers across all nine undergraduate-serving campuses [see Table 2]. These are signals that the state must do more to support its under-resourced students and close equity gaps.

This brief, jointly written by the University of California Student Association (UCSA) and The Institute for College Access & Success (TICAS), explores college affordability challenges faced by financially needy students throughout the UC system, and highlights how the burden of debt is borne inequitably across different demographic groups.

The University of California (UC) serves over 220,000 students across nine undergraduate-serving campuses. 29% of undergraduates are underrepresented minorities, 41% are first generation college students, and 37% are Pell Grant recipients.[13]

The Cost of a UC Degree Is More Than Just Tuition

The total cost to attend the UC stretches far beyond statewide tuition, which is currently $12,570 for resident undergraduates and composes about 39 percent of full-time students' total college costs.[14] Basic needs such as food and housing, as well as campus-based fees, textbooks and supplies, transportation, and other personal expenses including childcare for parenting students, all play a role in facilitating success by enabling students to focus on their studies and efficiently complete a degree. These costs are high for all students, but are sometimes especially high for students who live independently off campus, which the majority of UC students do.[15]

Overall, about half of the approximately 36,000 students who earned bachelor's degrees from the UC in 2017-18 graduated with student loan debt, but each campus tells its own story. Across the nine undergraduate-serving UC campuses, the share of 2017-18 graduates who borrowed ranged from 34 percent at Berkeley to as high as 71 percent at Merced, with average debt ranging from $18,200 at Berkeley and Merced to $22,300 at Los Angeles [see Table 1].[16]

To illustrate college costs and affordability across the UC system, Table 1 shows the in-state tuition and campus-based fees, total annual cost of attendance, and the proportion of graduates with debt and the average amount.

TABLE 1: UC Costs and Student Debt, 2017-18 Academic Year				
UC Campus	In-State Tuition and Fees	Annual Total cost of Attendance	Average Debt of Graduates With Bachelor's Degrees	Share of Graduates with Bachelor's Degree With Any Debt
Berkeley	$14,200	$33,200	$18,200	34%
Davis	$14,400	$29,800	$18,600	48%
Irvine	$13,700	$31,900	$19,000	53%
Los Angeles	$13,300	$32,300	$22,300	42%
Merced	$13,600	$27,400	$18,200	71%
Riverside	$13,900	$30,000	$21,100	61%
San Diego	$14,000	$32,400	$21,100	45%
Santa Barbara	$14,500	$33,100	$20,000	50%
Santa Cruz	$14,000	$32,600	$22,100	58%

Average debt and share with debt for graduates who received a bachelor's degree in 2017-18 provided on request to UCSA and TICAS on February 15, 2019 by University of California Office of the President (UCOP). Data on tuition and cost of attendance for 2017-18 are from the U.S. Department of Education, National Center for Education Statistics, College Navigator for 2017-18. Total cost of attendance is for students living off campus without family, the living arrangement for the majority of UC undergraduates. All dollar figures are rounded to the nearest $100.

Net Price: What Low-Income Students Pay Annually and the Work Hours Required to Earn that Amount

The net price is the total cost of attendance after all grant aid has been applied. For example, if the total cost of college is $30,000 and a student receives $5,000 in grant aid, then the net price would be $25,000. With 63 percent of all undergraduates (and 72 percent of California residents) receiving some type of gift aid in 2017-18, most students are not paying the full sticker price to attend a UC campus.[17]

Systemwide, 38 percent of all UC undergraduates, and 45 percent of California residents, received the Pell Grant in 2017-18,[18] which generally serves students from families with incomes of $40,000 or less.[19] Research shows that need-based financial aid like the Pell Grant increases students' likelihood of academic success, with one study finding that an increase of $1,000 in grant aid in a low-income student's first year has been tied to a two to four percentage-point increase in enrollment in the second year.[20]

However, with large gaps for low-income students between total college costs and available financial aid (the Pell Grant alone has lost substantial value, covering the smallest share of college costs in more than 40 years),[21] many have to work more hours than is recommended to cover their expenses, jeopardizing their likelihood of successfully earning a degree. Data on student debt show how many low-income students need to borrow, and gaps in graduation rates underscore the challenges net prices put on low-income students' ability to complete on time [see Table 2]. Improving need-based aid is imperative for both reducing debt disparities and improving graduation rates for underrepresented students.

TABLE 2: Pell Grant Statistics Across the UC, 2016-17 Academic Year

UC Campus	Share of Undergraduates Receiving a Pell Grant	Graduation Rates for Pell Grant Recipients	Graduation Rates for Non-Pell Grant Recipients
Berkeley	28%	89%	92%
Davis	39%	82%	87%
Irvine	42%	82%	87%
Los Angeles	34%	87%	93%
Merced	61%	61%	70%
Riverside	56%	74%	77%
San Diego	34%	83%	86%
Santa Barbara	36%	78%	83%
Santa Cruz	39%	75%	79%

Percent of undergraduates who received Pell Grants at any point during the academic year from the U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS) for 2016-17, the most recent publicly available. TICAS calculations of 2016-17 graduation rates based on data from IPEDS for full-time students who had enrolled in college for the first time and graduated within 150% of normal time.

To cover net price, students must come up with thousands of dollars, whether it be through savings, borrowing, or working. While research shows that working more than 15-20 hours per week can be detrimental to student success,[22] in light of unmanageable costs students may have no choice but to make even more time to work on top of their full-time class schedules.

As demonstrated in the map on the following page, the weekly work hours needed to cover net costs for the lowest income students are burdensome at the very least, and for some may compromise their ability to graduate on time or at all.

Net Price Calculations

These figures are derived using colleges' net price calculators, tools designed to help students understand early estimates of their costs of attending a particular college. We use data derived from net price calculators, rather than the net price data reported by colleges to the U.S. Department of Education. The data reported to the Department combine net prices for students with different living arrangements, making it challenging to compare across colleges with different mixes of student living statuses. For this analysis, we chose to compare costs for students living off campus (not with parents or relatives), which is the most common living arrangement of UC students, and the one for which available data are most comparable.

Figure 1: Map of Net Prices for Low-Income UC Students Living Off-Campus and Work Hours Needed

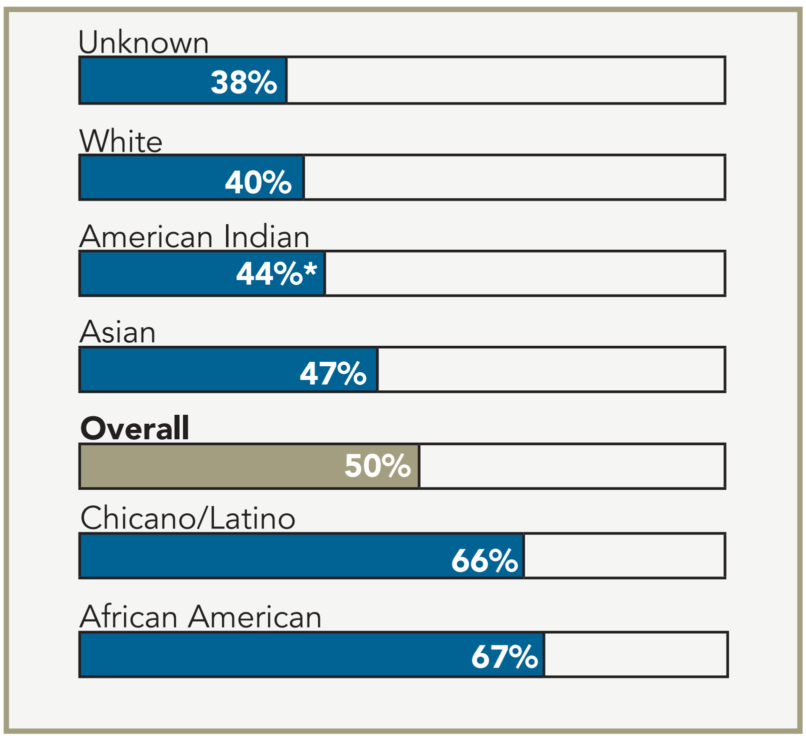
Weekly work hours needed range from 17 to 25, with a median of 20

Figures are from each school's Net Price Calculator (NPC) for a dependent student from a family of four (with one child in college) with parental income of $15,000 and student income of $0, living independently off-campus. Among dependent students attending California public colleges with family incomes between $0 and $30,000, $15,000 is the median parental income and $0 is the median student income (from the U.S. Department of Education, National Postsecondary Student Aid Study, 2016; note that while encompassing a substantial sample size in California, data for this survey were not sampled to be representative at the state level). NPCs were accessed in December 2018; figures are rounded to the nearest $100. Work hours are calculated using 2019 California minimum wage of $12.00 per hour, assuming 39 weeks of work during a nine month academic school year, and rounded to the nearest hour.

Racial and Income Disparities in Student Debt

Students facing affordability challenges may also choose to borrow student loans to help bridge the gap. While public four-year college graduates in California have among the lowest average debt in the nation,[23] digging into the data reveals that the burden is not borne equitably. Overall, half of dependent 2017-18 UC graduates borrowed loans, but African American and Chicano/Latino graduates were disproportionately more likely to borrow than their White peers. And the likelihood of borrowing loans increased as family income decreased. In 2017-18, two-thirds of dependent African-American and Chicano/Latino bachelor's degree recipients had borrowed compared to 40 percent of White graduates. And two-thirds of dependent graduates with annual family incomes no greater than $29,000 had borrowed compared to one-fifth of their peers from families with incomes greater than $173,000 [see Figures 2 and 3].

Figure 2: Dependent Bachelor's Degree Recipients Who Graduated in 2017-18 With Debt, by Ethnicity



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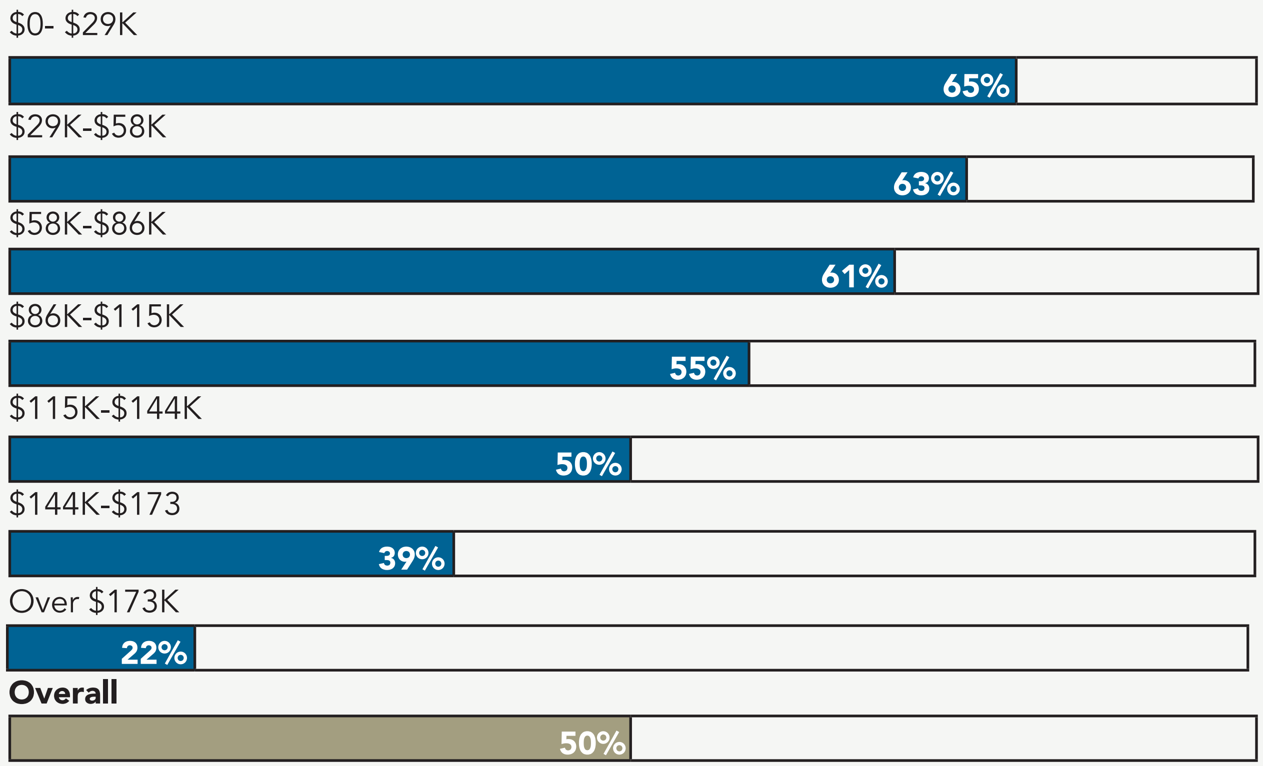
dependent African-American and Chicano/Latino bachelor's degree recipients in 2017-18 graduated with student loan debt.

*Interpret with caution due to small number (fewer than 250) of American Indian bachelor's degree graduates in 2017-18.

Calculations on data provided on request to UCSA and TICAS on November 27, 2018 by UCOP. Includes dependent students who graduated in 2017-18 with a bachelor's degree. Race and ethnicity classifications are those used in the data provided by UCOP.

Graduates with the lowest family incomes were three times as likely to borrow as their peers with the highest family incomes.

Figure 3: Dependent Bachelor's Degree Recipients Who Graduated in 2017-18 With Debt, by Family Income



Calculations based on data provided on request to UCSA and TICAS on November 27, 2018 by UCOP. Includes dependent students who graduated in 2017-18 with a bachelor's degree.

Conclusion

The University of California's approach to financial aid – called its Education Financing Model (EFM) – packages various federal, state, and institutional aid with the aim of creating reasonable financial expectations for students and families. This approach has substantial merit, and some have recommended that California adopt a similar approach for students across all public colleges. However, improvements could be made to address the differences in rates of student borrowing and graduation, as well as the number of work hours needed to cover low-income students' total college costs. Key to improving college affordability at the UC is both strengthening state need-based financial aid, as well as the system's continued examination of how their own financial aid strategies could be strengthened to reduce gaps in borrowing and graduation across demographic groups.

The Cal Grant is California's primary need-based college financial aid program, yet despite being one of the most generous state grant programs in the country, every year hundreds of thousands of needy eligible applicants do not receive an award simply because not enough are available.[24] At the UC, these eligible non-recipients have an average family income of just under $35,000[25] and receive a University Grant instead. In 2017-18, UC spent over $242 million in institutional aid to cover tuition for students who appeared eligible for a Cal Grant but did not receive one,[26] and greater investment in state need-based financial aid would allow them to help the neediest students better cover their non-tuition costs.

For those who do receive a state Cal Grant, the amount of the access award the neediest students receive to help cover non-tuition costs has stagnated and is worth barely one quarter of its original value.[27] Low-income students also receive institutional aid to cover some non-tuition costs, but the disproportionate debt burdens and work hours needed to cover net costs clearly show that the annual student self-help expectation of about $9,000-$10,000 is burdensome for many students. Increased investment in the state Cal Grant program would reduce low-income students' need to borrow and work, freeing up more time to focus on their studies and graduate on time. UC has recently investigated whether the student self-help expectation should vary based on family income, an important consideration in solving for inequitable debt burdens. Open questions remain, and the UC has identified that without additional resources lowering expectations for the lowest income students would require substantially increasing the self-help expectations for middle-income students who also have financial need. While there are no current plans to adjust self-help based on family income, under the EFM campuses do have the flexibility to target smaller populations, such as those from underserved high schools, with lower self-help.

There is a growing recognition among policymakers and stakeholders that California's current financial aid programs are leaving too many low- and middle- income students with untenable expenses to cover through work and debt. The University of California Student Association is working with the Cal State Student Association and the Student Senate for California Community Colleges to advocate for a substantial investment in financial aid which would include covering more eligible applicants and providing them with sufficient resources to cover total college costs.[28] Strengthening state need-based financial aid to account for non-tuition college costs is critical to ensuring more hardworking students can make their studies—rather than work—their focus while in school. Specific ways to accomplish this include, but are not limited to, providing all eligible applicants with a Cal Grant, increasing the value of the federal Pell Grant and Cal Grant B access award, and targeting institutional grant aid to students with the most financial need. Doing so will increase students' likelihood that they successfully complete a degree in a timely manner with as little student loan debt as possible. These investments are crucial to our state's economic prosperity and creating a more equitable society. California and its students cannot afford to wait.

Endnotes

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7. Ibid.

8. University of California. 2018. *Annual Accountability Report 2018*. https://accountability.universityofcalifornia.edu/2018/chapters/chapter-3.html.

9. Calculations based on data provided on request to UCSA and TICAS by the University of California Office of the President (UCOP) on November 27, 2018. 13 percent of UC bachelor's degree graduates in 2017-18 were independent students. Because their income was not included, and the vast majority of UC graduates were dependent students, they were excluded from calculations using this data.

10. Race and ethnicity classifications are those used by UCOP in the data shared with UCSA and TICAS on November 27, 2018.

11. Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2015-16.

12. Calculations based on data provided on request to UCSA and TICAS by the UCOP on November 27, 2018.

13. University of California Infocenter: *Fall Enrollment at a Glance, Fall 2018*. https://www.universityofcalifornia.edu/infocenter/fall-enrollment-glance.

14. TICAS calculation based on data from CSAC. *2018. 2018-19 Student Expense Budgets*. https://www.csac.ca.gov/sites/main/files/file-attachments/2018-19_student_expense_budget_0.pdf.

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26. Email communication between UCOP and UCSA on February 25, 2019.

27. TICAS. 2016. *How and Why to Improve Cal Grants: Key Facts and Recommendations*. https://ticas.org/sites/default/files/pub_files/how_and_why_to_improve_cal_grants.pdf. Many low-income Cal Grant recipients at UC who are eligible for a Cal Grant B instead receive a Cal Grant A because it provides them with greater grant assistance.

28. Cal State Student Association, Student Senate for California Community Colleges, and University of California Student Association. January 10, 2019. "Statement from CSSA, UCSA, and SSCCC on Governor Newsom's Proposed 2019/20 State Budget." https://calstatestudents.org/statement-from-cssa-ucsa-and-ssccc-on-governor-newsoms-proposed-2019-20-state-budget/.

The University of California Student Association (UCSA) is the official voice of students from across the UC's system of campuses. It is our mission to advocate on behalf of current and future students for the accessibility, affordability, and quality of the University of California system. For more about UCSA, see https://ucsa.org.

The Institute for College Access & Success (TICAS) is an independent, nonprofit research and policy organization dedicated to increasing college access, affordability and success through improvements in student financial aid policies, both nationally and in California. TICAS is home to the Project on Student Debt, which works to increase public understanding of rising debt and the implications for our families, economy, and society. For more about TICAS, see www.ticas.org.