EXECUTIVE SUMMARY

This brief shows large student loan debt increases in California since the 2004-05 school year. Further, we show that the whole public higher education sector — not just students — is paying more than ever to Wall Street. By the academic year ending in 2009-10, California's public colleges and universities were spending more than $1 billion a year on interest alone for bonds and institutional borrowing. Meanwhile, spending on instruction declined in the California State University (CSU) and community college systems. Spending on auxiliary services, including amenities like dorms and recreation centers, however, increased rapidly. Expansion of such amenities is often financed using bonds marketed by Wall Street banks.

Some key findings include:

• State appropriations to the University of California (UC) system after Prop 30 remain 21% lower than in 2001-02 without even considering inflation or enrollment growth. CSU appropriations are 11% lower. Nor have college appropriations been restored to 2001-02 inflation adjusted levels.
• From 2004-05 to 2013-14, in-state tuition increased by 114% at UC, by 134% at CSU. Fees per unit increased by 80% at community colleges.
• From 2001-02 to 2009-10, average revenue per student from tuition after financial aid is awarded increased by $3,990 at UC, by $2,982 at CSU, and by $537 at community colleges.
• Despite declining interest rates and stabilization of university revenue through tuition increases, growth in borrowing by CSU increased annual spending on interest payments per student by 82% from $265 to $479 per student annually.
• Despite stabilization of university revenue through tuition increases, growth in borrowing by UC increased annual spending on interest payments per student by 21% to $2,078 per student annually.
• Community colleges avoided tuition increases comparable to UC and CSU, but only with borrowing to offset public funding shortfalls under California’s Prop 98 deferred payment scheme. With this new borrowing, community colleges increased spending on interest payments by 2,044% from $25 to $536 per student annually.
• While CSU decreased instructional spending, it had an 18% increase in spending on auxiliary services, an area that includes amenities such as dorms and recreation centers. Expansion of such amenities is often financed through bond borrowing that increases university interest rate costs.
• UC increased spending by 78% on auxiliary services but by just 23% on instruction.
• Facing these increasing costs, the share of current and former college students with student debt increased from 15% in 2004 to 23% in 2012.
• The average debt owed by Californians with student loans increased from $16,600 to $25,700.
• The share of California borrowers who are more than 90 days delinquent increased from 10% to 18%.
• Nationally, 81% of African American students have student loans, the highest rate.
• Nationally, 84% of students at for-profit colleges have student loans, the highest rate for any higher education sub-sector.
PART 1: Tax Breaks For Wall Street, Cuts in Per-Student Funding For Higher Education

While Wall Street profits have soared, benefiting from corporate tax breaks, state funding per student has declined for higher education.

From 2006 to 2012, state appropriations per student in California declined by 28.7%.

Between 2001-02 and 2009-10, state and local funding per student declined by 37% at the University of California, by 38% at California State University, and by 3% at community colleges.

Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars. IPEDS data is not available for years since Proposition 30 restored some funding for higher education. It is clear, however, that Proposition 30 has not altered the basic pattern. State appropriations to UC after Prop 30 remain 21% lower than in 2001-02 without even considering inflation or enrollment growth. CSU appropriations are 11% lower. Community college appropriations have not kept up even with inflation.

Source: "2013 Grapevine Compilation of State Fiscal Support for Higher Education," Center for the Study of Education Policy at Illinois State University. This data is adjusted for inflation to represent 2011 constant dollars.
PART 2: Students Are Paying the Price With Higher Tuition

Public colleges have increased tuition radically to offset state appropriation reductions rather than rein in spending on non-instructional costs.

From 2004-05 to 2013-14, in-state tuition increased by **114%** at UC, by **134%** at CSU, and by **43%** for 2-year at community colleges.

Average revenue per student from tuition after financial aid is awarded increased by **$3,990** at the University of California, by **$2,982** at California State University, and by **$537** at community colleges.

PART 3: More Spending is Going to Wall Street Instead of the Classroom

Public colleges have dramatically increased borrowing from Wall Street, much of it to pay for construction of amenities such as dorms, recreation centers, and sports facilities. Spending is increasing rapidly for auxiliary services, the area in which large parts of amenity spending is reported. Increased borrowing has also led to substantial increases in interest payments to Wall Street, despite a decline in interest rates offered by bond markets. On the other hand, spending on instruction has remained comparatively flat. With flat or reduced instructional spending, California’s public colleges have turned away hundreds of thousands of qualified students.

From 2001-02 to 2009-10, California’s public higher education institutions paid $6.5 billion in interest to Wall Street.

By the 2009-10 academic year, California higher education institutions were paying $775 per student in annual interest to Wall Street, an increase of 127%.

<table>
<thead>
<tr>
<th>Year</th>
<th>University of California</th>
<th>California State University</th>
<th>Community Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>$265</td>
<td>$25</td>
<td>$64</td>
</tr>
<tr>
<td>2002-03</td>
<td>$308</td>
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<tr>
<td>2003-04</td>
<td>$300</td>
<td>$152</td>
<td>$203</td>
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<tr>
<td>2004-05</td>
<td>$304</td>
<td>$203</td>
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<tr>
<td>2005-06</td>
<td>$398</td>
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<td>2006-07</td>
<td>$372</td>
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<td>2007-08</td>
<td>$348</td>
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<tr>
<td>2008-09</td>
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<tr>
<td>2009-10</td>
<td>$479</td>
<td>$536</td>
<td>$536</td>
</tr>
</tbody>
</table>

Between 2001-02 and 2009-10, California’s public higher education institutions increased spending by **44%** for auxiliary services, which include many amenities.

Between 2001-02 and 2009-10, California public colleges increased per-student spending on instruction just 5%. Spending decreased at CSU and community colleges.

<table>
<thead>
<tr>
<th>Year</th>
<th>University of California</th>
<th>California State University</th>
<th>Community Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$4,497</td>
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<tr>
<td>2003</td>
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<td>$4,242</td>
<td>$5,987</td>
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<td>2005</td>
<td>$4,172</td>
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<td>$4,350</td>
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<td>2007</td>
<td>$4,572</td>
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<td>$18,375</td>
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<td>2008</td>
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<td>$6,399</td>
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<td>2009</td>
<td>$4,341</td>
<td>$6,303</td>
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<tr>
<td>2010</td>
<td>$4,001</td>
<td>$5,617</td>
<td>$21,750</td>
</tr>
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PART 4: As Tuition, Amenities Spending, and Financial Transfers to Wall Street Have Risen, So Has Student Debt

While the federal bailout has helped profits soar again on Wall Street, unemployment – especially youth unemployment – remains high. With limited employment opportunities, students are taking on more debt than ever before. An increasing share of borrowers cannot afford to make required payments. Students at for-profit colleges – some of them turned away from publics because of budget cuts – have been particularly hard hit by student debt.

Youth unemployment in California is 20.2%.

The share of current and former college students with student debt increased from 15% in 2004 to 23% in 2012.
The **average debt owed by Californians with student loans** rose from **$16,600** in 2004 to **$25,700** in 2012.

![Graph showing the average student loan debt per loan holder in real 2011 dollars from 2004 to 2012.](image)

*Source: Federal Reserve Bank of New York Consumer Credit Panel*

The share of California borrowers who are **more than 90 days delinquent** has increased to **18%**.

![Graph showing the percent of student loan holders who are more than 90 days delinquent from 2004 to 2012.](image)

*Source: Federal Reserve Bank of New York Consumer Credit Panel*

*90 day delinquency rates tend to be twice as high for borrowers who are in repayment, because many borrowers have loans that do not require repayment until future years and conditions.*
PART 5: Nationally, African Americans Are Hit the Hardest

Students at for-profit colleges have the highest rates of student debt as well as the highest average student debt. African Americans, who have disproportionately turned to for-profit institutions, have the highest rates of borrowing and the highest average debt levels.

National age breakdown of borrowers with education debt

![Bar chart showing national age breakdown of borrowers with education debt.]

Source: CBS News

National rates of borrowing and average student debt level by race

<table>
<thead>
<tr>
<th>Percent of students who borrow</th>
<th>Level of average debt for each student type</th>
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<tr>
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</tbody>
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Source: Demos, College Board

Levels of student debt by institution type

![Pie charts showing levels of student debt by institution type.]

Source: College Board
National Drop out rate by debt level

- Percent of dropouts with $0
- Percent of dropouts with $1-$9,882
- Percent of dropouts with $9,883-$17,288
- Percent of dropouts with $17,289-$27,978
- Percent of dropouts with more than $27,978

Public four-year:
- 10%
- 13%
- 37%
- 17%
- 16%

Private nonprofit four-year:
- 17%
- 28%
- 16%
- 22%
- 29%

For-profit four-year:
- 15%
- 13%
- 27%

Source: College Board

National Drop out rate by school type

- Public Four-Year: 45%
- Private Nonprofit Four-Year: 35%
- For-Profit Four-Year: 54%

Source: Reuters, CNN

Share of students by each school type

- Public non-profit: 75.8%
- Private non-profit: 9.5%
- For-profit: 14.7%

Percent of students who default at each school type

- Public non-profit: 8.3%
- Private non-profit: 5.2%
- For-profit: 12.9%

Source: Department of Education