

KEY FINDINGS

CALIFORNIA AT THE EDGE OF A CLIFF: The Failure to Invest in Public Higher Education is Crushing the Economy and Crippling Our Kids Future

Tom Mortenson • January 2009

Economic prosperity and success for individuals, families, states, and countries are today driven by the productivity of college-educated workers and the industries that employ them. Up to now, California's success in what can be described as a human capital economy has been driven by its commitment to its public colleges and universities. This commitment resulted in a highly educated workforce capable of supporting the needs of the businesses behind the eighth largest economy in the world.

Historically, California has been a leader in terms of higher education attainment and investment in public higher education. This study of numerous indicators of competitiveness, prosperity, and success suggest, however, that California is now slipping toward educational and economic mediocrity. With the near future bringing extraordinary demographic changes and concomitant challenges, the state's decisions about higher education today will determine whether it will be able to reverse the downward slide and pursue a more economically prosperous future. This report was researched and written for the California Faculty Association by Higher Education Policy Analyst Tom Mortenson.

DATA

The data analyzed by the author come from public state, federal, and international data sources and have been compiled over the past forty years. Sources include the US Census Bureau, Bureau of Labor Statistics, and the National Center for Education Statistics.

KEY FINDINGS

Once a leader with high rankings, California has shifted to ranking just average or below average on many key indicators of success in today's global economy.

- Per capita personal income in California has dropped from 142% in of the US average in 1929 to 108% of average in 2007.
- In 1983, California ranked first among large states for adult population with at least a high school diploma but in 2006 dropped to 49th among all states.
- The college continuation rate for high school graduates dropped 22% since 1996 and California's ranking on this measure dropped from 5th to 47th among states.

Statistics for all levels of analysis confirm the increasing importance of higher education for economic success and prosperity.

- Over the past 30 years, for families headed by a person with only a high school diploma, real median family income declined by 8.6%; for families headed by a person with a Bachelors degree, it increased by 23.2%.
- Income gaps between the educated and uneducated are widening. Measures of income inequality are rising faster in California than in the US as a whole and the family income inequality is now greater in this state than in the US as a whole.
- Demographic projections indicate a growth in the number of future college-age students from low income households. Today one in two K-12 students qualify for the national subsidized school lunch program (family income must be less than 185% of poverty).

Declining investment and commitment to higher education is resulting in the state losing its reputation as a national leader. Today, the vast majority of California's working age adults have insufficient education to participate productively and earn good wages in today's economy.

- The percentage of Californians age 25+ with college degrees is growing but not fast enough. CA's ranking among states has fallen since 1989 from 8th in the nation to 14th.
- For college participation by age 19, California ranked 46th in 2004, down from 17th in 1996.
- For college participation by students from low-income families, California ranked 31st in 2006, down from 23rd ten years ago.

California has become a less attractive place to attend college. The state recently became a net exporter of college students, with more college freshman leaving the state than coming. Among students from low income families, the net out-migration has been even greater.

- Over 4,000 Pell Grant recipients from California went elsewhere in the country to attend college last year.

Like elsewhere in the country, men in California do not go to college at the same rate as do women today. As a result, the young men are not being prepared for the types of jobs that will be in demand in their adult working lives.

Over the years, California has substantially reduced its investment in higher education and today ranks 21st among states, down from 11th in 1980.

- Investment is 40% lower today than it was in 1980 in terms of investment per \$1000 of state personal income.
- If California had maintained the level of investment from 1980, an additional \$3.2 billion would have been invested in higher education in FY2008.

Students from low income families and low income independent students face ever larger financial barriers to college enrollment as state investment shrinks and tuition rises.

- These students are today a majority of the K-12 population and are the future workforce for the state.
- Federal Pell Grants provide almost twice as much need-based student aid to low income students than do the state's need-based aid programs.
- College students in the state faced over \$4.6 billion in unmet financial need (the difference between the cost of attendance and the family's plus financial aid resources available to pay the costs).