

## California's Higher Education Policy Landscape

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*This issue brief series is part of the California 100 initiative. The purpose of this brief is to foster conversations about the future of education in California. You may [read the full report here](#).*

### Overview

In this issue brief, we walk readers through the ‘facts’ of California’s higher education policy landscape. We first lay out the descriptive characteristics to get a sense of the students and organizations that are part of California’s higher education ecosystem. The section also reviews the higher education governing structure to understand how the state infrastructure is organized. Next, we use a ‘policy design’ framework to review the *goals* of the higher education system established by lawmakers, the *problems* that have been defined and need solving, and the different policy instruments that policymakers have used in recent years to improve the conditions and overall quality of California’s higher education segments.

### About California’s higher education system

The state’s higher education system is massive: the California Community Colleges (CCC) —the largest higher education system in the nation—serves over 2 million students each year and one out of four community college students nationwide. The California State University (CSU) is the largest four-year public university and enrolls nearly half a million students; and the University of California (UC) educates roughly 280,000 undergraduates and graduates annually (Johnson & Mejia, 2019). While the state also has hundreds of private, for-profit or nonprofit colleges, and a range of technical and vocational schools, eight out of every ten college students in California enrolls in a public institution, with more than half enrolled in the community college system (Johnson & Mejia, 2019).

All three segments of the state’s higher education system serve a majority of students who graduated from the California K-12 system, providing meaningful access to public higher education institutions for those who reside in the state. The higher education system reflects the broader state population, with a highly diverse and low-income student body:

- CCCs – The U.S. Department of Education considers several of the CCCs to be [Minority Serving Institutions](#). In [2017-18](#), about every three in four students across CCC campuses were students of color. The CCC system serves about 43 percent of first-generation students, and the majority of students are California residents. Moreover, CCCs are unique in that many of their students are [‘nontraditional’](#); only 27 percent enroll full-time and students tend to be much older than students on the UC or CSU campuses—roughly half of all CCC students are 25-years-old or older, with about one in six students over the age of 40. CCC’s also serve many inmates in the state’s prison system. In 2014,

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CCCs extended in-person classes that lead to degree programs and certificates for inmates after lawmakers passed [SB 1391](#). [By 2017](#), 22 community colleges were offering instruction to 7,000 inmates across the state's 35 prisons.

- *CSUs* - The CSU system also serves a large population of students of color, with 45 percent of Latino students, 4 percent Black, 16 percent Asian, about 13 percent other, and 22 percent white (California State University, 2021). The US Department of Education has recognized 21 of the 23 CSU campuses as [Hispanic Serving Institutions](#). At CSUs, about one third of students are first generation, and roughly 95 percent of all students are California residents (California State University, 2021).
- *UCs* - The [UC system](#) enrolls a slightly different composition of students, with 22 percent Latino, 31 percent Asian American, 4 percent Black, and 23 percent white (the remainder are international students or identify as 'other'). The UC system serves about 40 percent of students who are first generation, and about 35 percent of students are eligible for the federal Pell grant. UC's serve a blend of in-state and out-of-state students: [In 2021](#), about 83 percent of students were California residents, and 17 percent were nonresidents.<sup>1</sup> About [30 percent](#) of students enrolled at the UC system are community college transfer students.

### Organizational characteristics of the higher education system

The higher education system is organized into three public 'segments,' each with a different purpose established by the 1960 [California Master Plan for Higher Education](#). This includes the University of California system, the California State University system, and the California Community College system.<sup>2</sup> The Master Plan was significant for many reasons; namely, it created distinct functions for each of the three segments and promised universal access to higher education for any student who desired to enroll. It also established goals to keep higher education affordable and tuition free for California students, and to provide quality teaching and learning across the three segments.<sup>3</sup> Table 1 below describes the function and admissions criteria for each segment, along with other descriptions of each segment's infrastructure and organizational characteristics.

It is important to note that lawmakers have considered revising the Master Plan several times since it has become unable to adapt to changing enrollment patterns, student and faculty needs across three segments, institutional changes, and broader workforce demands in a changing economy. To see a summary of the latest 2018 legislative review, see Berman et al.

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<sup>1</sup> This proportion varies by campus, with some campuses like Berkeley, UCLA, and San Diego enrolling about a quarter of their students from out-of-state. Enrolling more out-of-state students was a [revenue strategy](#) following the Great Recession budget cuts, since the UC's can charge about \$20k more in supplemental tuition per student. In the 2021-22 budget, California lawmakers [reduced the number of seats](#) available to out-of-state and international students to allow more California residents to enroll.

<sup>2</sup> The Master Plan also included governance structures for independent institutions in the state.

<sup>3</sup> As of 2019-20, there were 151 public institutions in California, and also 115 private for-profit and 145 [private](#) nonprofit colleges and universities. For-profit universities award a large share of certificates to students in California (Johnson & Mejia, 2019). California is also home to a range of [vocational and trade schools](#) that award vocational certificates and associate's degrees, and residents have access to a range of for-profit and nonprofit national online institutions, such as the [University of Phoenix](#) or [Liberty University](#).

(2018). Several researchers have also undertaken their own independent review of the Master Plan, and have identified ways the Master Plan could be rewritten to alter the structures, goals, and financing of higher education to better meet the demands of the 21<sup>st</sup> century (College Futures Foundation, 2017; California Competes, 2017; Finney, Riso, Orosz, & Boland, 2014; Governor’s Office of Planning and Research, 2018; Johnson, 2010; Shulock, Moore & Tan, 2014).

**Table 1. Organization and mission of California’s three higher education segments**

Segment	Mission	Infrastructure	Organizational features
University of California	The UC system is the state’s primary academic research institution and provides undergraduate, graduate, and professional degree programs. The UC system has more than <a href="#">160 academic disciplines</a> , offers more than 850 degree programs, and <a href="#">awards</a> 23 percent of California’s master degrees, 62 percent of the state’s doctoral degrees, and 21 percent of graduate professional practice degrees. UC’s undergraduate admissions is highly selective: only the top eighth (about 12 percent) of California’s high school graduates are eligible for enrollment.	UC has ten major campuses, six medical centers, and three national laboratories, which makes the UC system the state’s <a href="#">third largest employer</a> with about 228,000 faculty and staff (PPIC, 2019). Seven of the campuses—Berkeley, Davis, Irvine, Los Angeles, San Diego, Santa Barbara, and Santa Cruz—are members of the prestigious <a href="#">Association of American Universities</a> (AAU), an elite group of research universities in the United States.	Faculty hiring—both ladder-rank and lecturers—has increased over the last decade to accommodate the growing student enrollment on UC campuses, and the <a href="#">faculty to student ratio</a> across the UC has risen in recent years, and is about 1:22. The UC system also offers <a href="#">cross-campus online enrollment</a> that allows any UC student to take online courses offered by faculty at different campuses, but UC does not yet offer online degrees.
California State University	CSUs provide undergraduate and graduate education through the master’s degree level, including professional and teacher education. In recent years, the <a href="#">CSU awards</a> doctoral degrees in the professional fields of Audiology, Education, Nursing, Philosophy, and Physical Therapy, <sup>4</sup> and currently serves about 2,300 doctoral students. The top third of California’s high school graduates are eligible for admission at CSUs.	<a href="#">CSU</a> has 23 campuses that employ about 56,000 faculty and staff. CSU awards about half of California’s bachelor’s degrees, and graduates of CSU account for about one in ten of the state’s workers; CSUs also provide more than half of the degrees earned by the state’s Latino, Black, and Native American students. CSU plays an important role in <a href="#">training a majority</a> of the state’s K–12 teachers, and operates 23 teacher preparation programs approved by the California Commission on Teaching Credentialing.	About 80 percent of faculty are ladder-rank and roughly 20 percent are lecturers, and about half of all instructional faculty are part-time and half are full-time (California State University, 2021). CSU offers a broad array of <a href="#">online courses</a> and <a href="#">degree programs</a> , and nearly a third of all students enroll online, either full-time or in a hybrid format.
California Community Colleges	CCCs are “open access” institutions that admit any student capable of benefiting	The CCC operates 116 colleges that are organized into 73 districts, and recently added a community college	At CCCs, the majority of faculty teach part-time or are adjunct faculty. CCCs operate several

<sup>4</sup> It is noteworthy that the state legislature authorized the CSUs to create many of these programs, not their governing board (for more information, see Legislative Analyst’s Office, 2017).

	<p>from instruction. Their mission is to provide lower division academic and vocational instruction, designed with the intention that many students would later transfer to UCs and CSUs to earn Bachelor's degrees.<sup>5</sup> CCCs also provide remedial or 'basic skills' instruction,<sup>6</sup> English as a Second Language courses, adult education programs, community service courses, and workforce training services.</p>	<p>that is strictly online, <a href="#">Calbright College</a>.<sup>7</sup> CCCs train much of the state's workforce for positions in public law enforcement and the medical industry, and are the <a href="#">nation's leading provider</a> of workforce training.</p>	<p>courses and degree programs online to accommodate nontraditional students (Johnson, Cuellar Mejia, &amp; Cook, 2015).</p>
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### The unique role of CCCs – Providing Transfer Pathways

The CCCs play a unique and very important role in providing transfer pathways for students to attend a UC or CSU campus, especially first-generation students, low-income students, and students from underrepresented groups who are more likely to start their higher education journey in the CCC system. Transfer rates at CCCs have historically been low, but increased significantly after the state legislature established the Associates Degree for Transfer (ADT) program in 2010, which set clear course pathways in certain majors and guarantees that students can transfer to a UC or CSU in their major. At the same time, the CCCs also implemented the [Guided Pathways](#) model, which sets clear course-taking patterns and provides students support services to meet their goals (Johnson & Cuellar Mejilla, 2020b). In 2019-20, the CCC transferred about 132,000 students in total, of which about 91,000 transferred to the UC and CSU systems. Transfer students boost overall [graduation rates](#) at UCs and CSUs: 29 percent of UC graduates and 51 percent of CSU graduates started at a CCC.

### Governance of the three higher education segments

The higher education system in California has an odd governing structure. [Unlike the majority of other states](#), where there is a single, statewide coordinating board or agency, California's three segments of higher education are governed by the state legislature and governor, three separate segmental governing boards, and a range of smaller statewide commissions that take on specific functions of managing the higher education system.

<sup>5</sup> However, there is a movement led by legislators and advocates to consider whether CCCs should also provide Bachelor's degrees. In 2015, SB 850 authorized up to 15 pilot bachelor's programs at CCCs in areas not offered by the CSU system.

<sup>6</sup> Remedial courses are non-credit bearing coursework that students must complete before completing courses that count towards their degrees. In 2017, state lawmakers voted to eliminate the use of skills-placement tests in higher education (by passing AB 705), and instead, rely on high school coursework, grades, and GPAs to determine whether students require remediation.

<sup>7</sup> After just one year of operation, [Calbright faced a state audit](#), which found that the online college was not delivering on its mission to provide educational opportunities for nontraditional students unable to attend traditional brick-and-mortar institutions. The state has given Calbright until the end of 2022 to turnaround its performance or it will close its doors.

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Traditionally (as was defined in the original Master Plan), the legislature’s role has been to set the mission of the three segments, determine eligibility pools, provide funding and set expectations, hold segments accountable, and foster effective governance and coordination, especially between the K-12 and higher education system (Legislative Analyst’s Office, 2017). The legislature has delegated substantial governing control to the three segmental governing boards, including the responsibilities of managing enrollment, allocating funding, determining staffing levels, setting compensation policies, overseeing building projects, and for the UC and CSU, determining tuition and fee policies (Legislative Analyst’s Office, 2017). However, both the governor and members of the legislature sit on each of the three independent governing boards and have a vote. The three segmental governing boards are organized as follows:

- A 26-member Board of Regents, the UC Office of the President, and administrators at the 10 individual campuses govern the UC system. It is important to note that the Board of Regents has constitutional authority to make decisions about its future that the CSU and CCC boards do not have, giving it full authority to decide about issues such as enrollment, tuition, or admissions policies.
- A 25-member Board of Trustees, the Office of the Chancellor, and administrators at the 23 campuses govern the CSU system.
- A 17-member Board of Governors governs the CCC system; a locally elected Board of Trustees appoints college presidents and oversees the operation and budgets of the 115 campus system.

At the state level, there used to be a California Postsecondary Education Planning Commission that coordinated across the tripartite system (CPEC, originally established in 1973), but it was defunded in 2011 since it had very little scope and influence (the commission still technically exists in statute). Some argue that the lack of coordinated administration over the state’s higher education systems has resulted in a lack of vision and coherent strategy for systemic improvement (Berman et al., 2018; Warren, 2019). Abolishing the CPEC has also created a new [tension](#) between the legislature and the three segmental governing boards, since the state legislature sometimes makes important higher education policy decisions that trump local authority and the expertise of the segmental governing boards. (For more information about the governing structure of higher education and other parts of the education system, see Governance Appendix Table 1.)

A few groups meet to create coherence among the three segments. This includes the [California Education Roundtable](#), which includes the K-12 State Superintendent and a voluntary group of executives from each of the three segments, and the [Intersegmental Coordinating Committee](#), a branch of the California Education Roundtable that seeks to foster collaboration across the higher education system. A little known committee, the [Intersegmental Committee of the Academic Senates](#), is a voluntary group of academic senate members across the three segments that periodically meets primarily to discuss student transfer policies. Several smaller state-level departments regulate higher education policy, including:

- [California Student Aid Commission](#) - the primary state agency responsible for administering all state-funded financial aid programs for students attending any higher education institution, whether public or private colleges and universities or vocational schools.

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- [The California Bureau for Private Postsecondary and Vocational Education](#) - state consumer protection agency that provides oversight of California’s private postsecondary institutions.
  - [Council for Postsecondary Education](#) - the Newsom Administration created this advisory group with the purpose to create an integrated system for postsecondary education and to provide the governor with consultation regarding the economic and social impact of higher education in the state. The Council includes members spanning both the K-12 and higher education sectors.

### Higher education goals

Education goals are important to understand because they can set clear objectives and provide a guiding orientation to educators and administrators across the system about expectations. Goals can be short-term and focus on issues like student achievement and graduation rates, or they can be long-term and address loftier goals such as democratic citizenship and social mobility.

In 2013, the following goals for the state’s higher education system were added into the education code by [SB 195](#): 1) to improve student success and access, especially for low-income students; 2) to better align degrees and credentials with the state’s economic, workforce, and civic needs; and 3) to ensure the effective and efficient use of resources to improve outcomes and maintain affordability. This is the most explicit goal definition for any part of the education system documented in the education code. Yet the goals are framed with short-term gains, with a narrow focus on completing a higher education degree for the purpose of labor market outcomes.

### Problem definition: College access, barriers to completion, and degree attainment

In recent years, lawmakers have reoriented their focus from K-12 to outcomes in higher education, narrowing in on indicators of college access, rates of degree completion, college affordability, and labor market outcomes. In part, this reorientation was triggered by a 2005 report from the Public Policy Institute of California that identified a ‘skills gap’ highlighting the difference between the level of education the future California population was likely to possess versus the level of education demanded in the state’s future economy (Hanak & Baldassare, 2005). Indeed, a mismatch persists even today between the demand for those with college degrees and the current supply (McConville, Bohn, Brooks & Dadgar, 2021), driven to some degree by a complex web of structural and organization factors within the state’s public higher education environment. Below, we describe the major issues California faces in access to higher education, the barriers students face to completion—including the growing problem of college affordability—and inequalities in college completion rates.

### College access

A higher education degree has several direct benefits, namely, college graduates today experience large wage gains—Winters (2020) finds that California college graduates earn on average about double that of high school graduates. Beyond earnings, college graduates generally have higher levels of employment, greater coverage in employer retirement plans, civic engagement, and better voter turnout (Ma, Pender, & Welch, 2019). There are [health](#)



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[benefits too](#)—researchers have found that higher education improves health outcomes and life expectancy, and leads to more individuals having health insurance.

Many California high school students have aspirations to attain a college degree (Baldassare, et al., 2020), but only about a third of all 9th graders actually make it to and through college and low-income, Latino, and Black students are less than half as likely to earn a college degree as their peers (Johnson & Cuellar Mejia, 2020a). California ranks 4th in the nation for the number of high school graduates that enroll in a two-year higher education segment, but the state is toward the bottom of state rankings for the number of students that enroll in 4-year colleges and universities. In part, this was by design since the Master Plan intended to ration limited seats in the UCs and CSUs to the state’s top high school graduates, and to use CCCs as an entry-point into higher education for the majority of students.

What is concerning is that this rationing mechanism appears to be associated with patterns of enrollment by race and income-level. Many low-income and minority high school graduates enroll in the state’s CCCs rather than a UC, CSU, or other 4-year institution, and many never transfer to earn a 4-year degree. Just 22 percent of low-income students enroll directly as a freshman at a 4-year college (Johnson & Cuellar Mejia, 2020a), and just 28 percent of Latino students and about 36 percent of Black students (California Competes, 2018). Of special concern is the fact that the majority of Black students attending a 4-year college enroll in private, for-profit institutions that charge higher tuition and often leave students with much higher student debt levels (California Competes, 2018).

### **Structural barriers to college access**

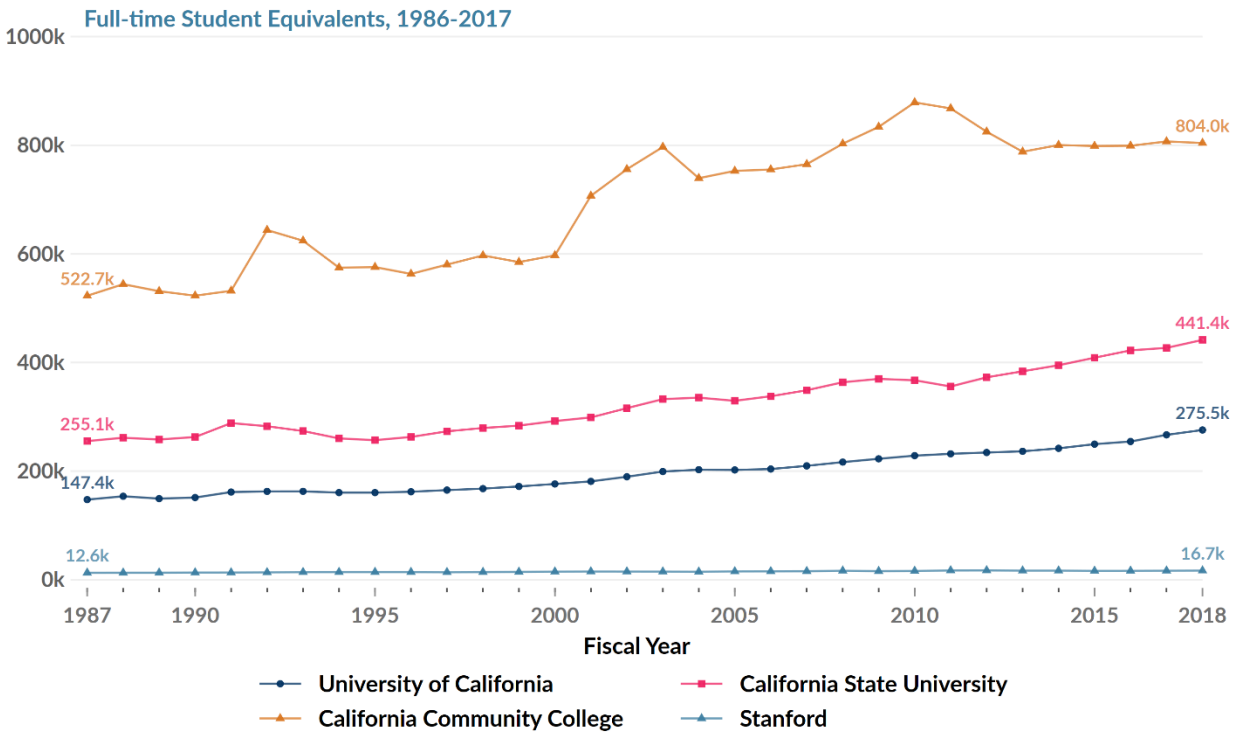
Differences in college access by race/ethnicity and income level may be explained by *structural* factors, meaning that broader social, economic, and political forces are at play. For example, low-income students are more likely to attend high schools with high concentrations of poverty and fewer financial resources that influence education quality (EdBuild, 2019). Many low-income schools employ fewer highly qualified and credentialed teachers than schools located in wealthier districts (Carver-Thomas, Kini, & Burns, 2020; Darling-Hammond, Goldhaber, Strunk, & Sutchter, 2018; Goldhaber, Strunk, Brown, Naito, & Wolff, 2020). Students at low-income schools have access to [fewer college preparatory courses](#) that put students on pathways to higher education attainment, and low-income schools offer limited access to resources to help students navigate transition pathways to higher education, such as access to counselors or academic advisors (Children Now, 2019; Johnson & Cuellar Mejia, 2020b).

There are structural barriers at the higher education level as well. As seen in Figure 1 below, in an attempt to expand college access, California’s higher education segments have been enrolling many more students over time but are running out of capacity. The CSU, in particular, has reached its enrollment limits, and is rejecting thousands of qualified freshman applicants each year, many of whom are disadvantaged students (Cook & Mehlotra, 2020). This has led the CSU to engage in a process referred to as “impaction,” which raises admission requirements when they cannot accommodate the number of applicants; CSUs are also redirecting applicants to campuses where there is enrollment space, rather than to the applicants’ first choice college (Cook & Mehlotra, 2020). UCs have been responding to new enrollment increases by increasing class sizes, increasing faculty to student ratios, and

neglecting investment in facility maintenance and growth, decisions that have potential to influence education quality (Douglass & Bleemer, 2018).

Figure 1

## An Expanding Student Body



Source: IPEDS, via Education Data Portal v. 0.14.0, Urban Institute, under ODC Attribution License.

Given the limited space within California’s public higher education system, it may come as no surprise that more and more high school graduates are leaving the state altogether to attend college. The Public Policy Institute of California (2019) found that this number doubled from 2004 to 2017, with over 36,100 students exiting the state, of which half enrolled at out-of-state public universities. The latest data from the CCC Chancellor’s Office also shows that while CCCs have been successful in transferring more students to the UC and CSU system over the past five years, many more students are also transferring to out-of-state or private in-state colleges and universities (California Community Colleges, 2021).

The domino effect of these enrollment pressures has meant that the three segments—in particular the [CCCs](#) and [CSUs](#)—are pushing far more students online, where quality and outcomes are difficult to monitor and regulate. Success in online courses also have mixed results for higher education students, especially those from disadvantaged backgrounds (Bettinger & Loeb, 2017; Hart, Friedmann, & Hill, 2014; Jaggars, 2011; Johnson & Cuellar Mejia, 2014; Xu & Jaggars, 2014).



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## Organizational barriers to completion – Remediation and transfers

Once students gain access to college, there is no guarantee that they will complete their degree or certificate programs. Some of the major issues preventing students from completing their higher education programs have been identified as *organizational* in nature, meaning that the higher education segments have unique conditions that prevent students from staying enrolled and graduating. Two key examples are requirements for ‘remediation’ (Rodriguez, Jackson, & Cuellar Mejia, 2017) and a ‘transfer maze’ found in the CCC system (The Campaign for College Opportunity, 2017) that has historically been difficult for community college students to navigate.

**Remediation** - For decades, the three higher education segments used proprietary tests to measure students’ preparedness to enroll in credit-bearing courses that would count toward degrees. It was common for students to not pass these tests and instead place into ‘remedial’ courses, which do not count for college credit and intended to teach basic skills and bring students up to speed in college-level coursework (Rodriguez, Jackson, & Cuellar Mejia, 2017). Student placement in remedial courses was common across all three segments, but was much more common at CCCs, with eight in ten students requiring some form of remediation. Across all three segments, remedial placement was frequent for Latino, Black, and low-income students who were placed at higher rates than white and Asian students, and who were also allocated into [lower levels](#) of remediation.<sup>8</sup> Many students who started their college journey in remediation dropped out before they ever had a chance to enroll in credit-bearing courses that would lead to degrees and transfer pathways.<sup>9</sup>

**Transfers** - Historically, about 80 percent of students who start at a community college wish to transfer later to a 4-year institution, but very few actually do; the problem is exacerbated for low-income and minority students who are less likely to transfer than their high-income or white and Asian peers (Johnson & Cuellar Mejilla, 2020b). In fact, only 4 percent of students transfer after two-years of enrollment, 25 percent after four years, and 38 percent after six years (The Campaign for College Opportunity, 2017). Of the students who do transfer, only about a quarter receive their Associate’s degree or a certificate prior to transferring (Campaign for College Opportunity, 2017).

One major barrier to students’ transfer progress is the remedial issue discussed above; however, students also face the difficulty of figuring out which credit-bearing courses are eligible for transfer to either a UC or CSU, while also navigating necessary coursework to

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<sup>8</sup> There were typically three levels of remediation that each required semester-long coursework to advance to the next level, causing concerns that students would either drop out of the developmental sequence or spend several years in remediation before advancing to credit-bearing courses that would count towards degrees and college transfers, which could also become a financially costly endeavor.

<sup>9</sup> The state legislature [recently mandated](#) the higher education system to re-evaluate the ways college readiness is determined by eliminating remedial placement exams and instead use performance from high school coursework to evaluate whether the student requires basic skills training. Researchers at PPIC have found that this policy change has led to far more students starting their CCC journey in transfer-level English and math courses, with strong student success rates. Notably, transfer-level course completion rates improved significantly for Latino and Black students, although progress has not been made evenly across the CCC system, with some campuses improving transfer-course placement at a quicker and more expansive rate than others (Cuellar Mejia, Rodriguez, & Johnson, 2019).

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complete AA degrees and certificates. Often, students navigate this process on their own since community colleges lack [adequate advising services](#) to help students navigate the transfer process. This confusing ‘transfer maze’ can lead to excess course taking, longer time to degrees, and can become a financial burden to students—The Campaign for College Opportunity (2017) found that it can cost students an additional \$36k-38k to earn a bachelor’s degree because of the delays they face in CCC transfers.<sup>10</sup>

### **Structural barriers to completion: College affordability and student debt**

Other barriers to college completion are structural in nature, meaning that broader economic, legal, and political forces are at play. The funding composition of the higher education segments is a key structural barrier, which places much of the cost burden of a higher education on students in the form of higher tuition, especially at 4-year colleges and universities (for a review of why this is the case, see the Finance paper). This has led to problems of college affordability and student debt, especially since the cost of 4-year college tuition has risen dramatically for California students over the past four decades.

According to the California Budget & Policy Center, real average [annual tuition/fees](#) at the CSUs increased from \$500 in 1979 to \$7,300 in 2018. [Large increases also occurred in the UC system](#), with tuition/fees rising from \$2,200 to \$14,400 between 1979 and 2018. On a bright note, a report from the Public Policy Institute of California (2020) found that higher education is generally more affordable here than other states. The UC system is slightly more expensive than other comparable research institutions in the U.S., while CSU is slightly less expensive, and the CCC system is the most affordable in the nation (Jackson & Warren, 2018).<sup>11</sup>

Despite the relative affordability of California’s public colleges and universities compared to other states, the general upward trend of rising college tuition has been further stressed by other costs of attending college. The cost of books and supplies, housing, transportation, and childcare are especially high in California, making it difficult for many students to afford even [basic needs](#). In fact, researchers from the Public Policy Institute of California estimate that when taking into account these other costs, the total cost of attending one of the UCs is closer to \$32,000, with tuition and fees accounting for just 42 percent of the overall price tag. At CSUs, they estimate the total cost to be just under \$15,000, with tuition and fees representing just a third of the total cost; and while community colleges have very low tuition, tuition is just 12 percent of total costs, which PPIC researchers estimate to be over \$10,000 (Jackson & Warren, 2018).

The true cost of college attendance has put pressure on students to take out loans to finance their education. Nationwide, student loan debt has increased substantially over the

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<sup>10</sup> The transfer rate from CCCs to CSUs improved significantly after the state legislature established the Associates Degree for Transfer (ADT) program in 2010, which sets clear course pathways in certain majors and guarantees that students can transfer to a CSU in their major. Also in 2021, Governor Newsom signed the [Student Transfer Achievement Reform Act](#) that simplified the ADT program and requires course numbering and course requirements for transfer to be streamlined between the higher education segments.

<sup>11</sup> This resonates with findings from the College Board, which collates higher education data from a variety of sources (Ma et al., 2020). Furthermore, CCC tuition/fees have actually dropped by 8% in the last five years according to the College Board.

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past decades. As shown in Governance Appendix Figure A5, the average new student debt in the U.S. grew from about \$1,300 in 1971 to a peak of about \$7,900 in 2010 at the height of the Great Recession, and has since declined to approximately \$6,100 in 2019.<sup>12</sup> Over the course of college enrollment, the annual loans can add up for individual students. [The Institute for College Access and Success](#) reports that the average undergraduate debt load for the class of 2019 is \$28,950. In total, the Federal Reserve reports that outstanding student loan liability in the U.S. increased from [\\$260 billion in 2004 to over \\$1.5 trillion in 2021](#).

### Details about student loan debt

Generally speaking, student debt either originates as a public or private loan, meaning that there is an expectation that the loan principal provided by the lender to the student will be paid back with interest. Today, public loans are offered by the Department of Education (ED) and fall into [three primary categories](#):

- Direct Subsidized Loans - eligible to undergraduate students with financial need
- Direct Unsubsidized Loans - eligible to undergraduate and graduate students and
- Direct PLUS Loans - eligible to graduate students or parents of undergraduate students

An undergraduate's year in school and dependency status determines the [maximum they are allowed to borrow](#) but ranges between \$5,500 and \$12,500. Graduate students are eligible for \$20,500 per year of Direct Unsubsidized Loan and no limit on Direct PLUS Loans. Today, interest rates on ED loans are 3.73% for undergraduate students, 5.28% for Direct Unsubsidized Loans for graduate students, and 6.28% for Direct PLUS Loans for graduate students and parents. These values have been set based on a formula that uses the 10-year Treasury Note plus a fixed amount that is dependent on the loan program, including an 8.25 percent cap (Congressional Budget Office, 2020). Historically, interest rates for public student loans have reached as high as over 8%.

While federally subsidized and unsubsidized loans make up the crux of the student loan system in the U.S., private loans generally backfill student needs where federal loans, public grants/aid, and scholarships are insufficient for the cost of attendance. Nationally, nonfederal loans make up about 14% of student loans distributed (Ma et al., 2020). These loans generally come with fewer consumer protections (e.g., deferment) and can come with higher and more variable interest rates than federal loans (The Institute for College Access & Success, 2019). According to The Institute for College Access & Success, 14% of student loan debt of college graduates in California was from private loans (The Institute for College Access & Success, 2019). During the COVID-19 pandemic, the federal government placed a freeze on federal student loan repayments and interest accumulation until September 2022.

### College attainment rates

There is promising news in California's college attainment rates: overall, more Californians than ever before now have at least a Bachelor's degree. In Figure 2, we show that,

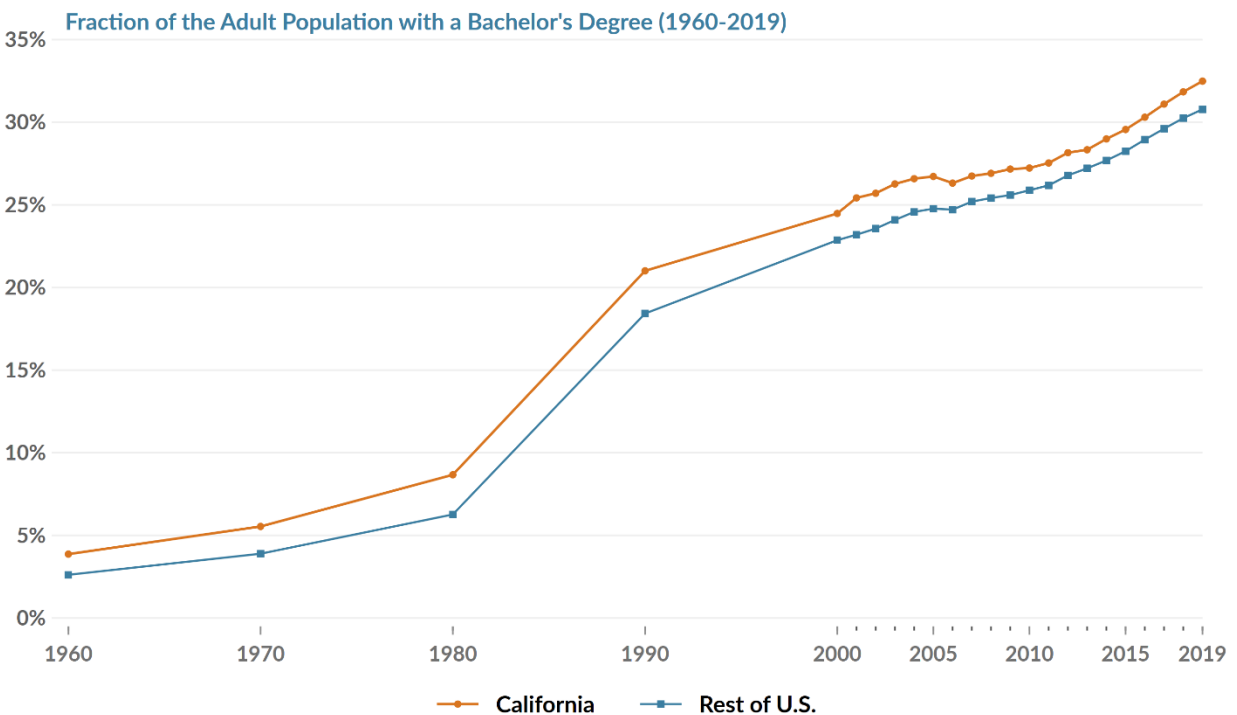
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<sup>12</sup> These figures are calculated by taking total student loans distributed in each academic year and dividing by the total number of student FTE's; therefore, the average student loan liability in each year exclusively among students with any loans is larger.

over the past sixty years, college attainment rates in California have risen dramatically—ranging from just 3.9 percent of the adult population with a college degree in 1960 to about a third of the population in 2019. College attainment rates in California and the rest of the U.S. have closely tracked each other; however, California has consistently outranked the rest of the U.S. by several percentage points. In fact, when ranked against other states, California falls in roughly the top third of states that have improved college attainment rates the most over the last several decades (see Governance Appendix Figure A7). Some of the fastest growth in the fraction of the adult population with college degrees occurred in 1980 to 1990 when the percentage of the population with a college degree in California more than doubled. The past ten years also saw relatively strong growth in college completion, with the rate of population-wide Bachelor’s degrees growing from 27.2 percent in 2010 to about 32.5 percent in 2019.

**Figure 2**

## Trends in Rates of College Attainment



Source: IPUMS-USA.  
Sample: Adult non-institutionalized population.

However, in Governance Appendix Figures A8 & A9, we plot the same college attainment measure, break it down by race/ethnicity and age group, and find that California has a long way to go in boosting college attainment rates for all racial and ethnic groups. As shown in Figure A8, since 1960, college attainment rates by race/ethnicity in California have become more unequal, with the college attainment rates of Asian/Pacific Islander and white adults rising faster than the rates for Latino, Black, or those who fall into “other.” As of 2019, college completion rates for Latino adults lagged significantly behind other groups, with 13 percent of Latino adults in 2019 having completed college. Among Californians 25-34-years-old,

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the picture is slightly better in the latest year of data. Figure A9 shows that college attainment rates for each race/ethnicity in 2019 is about 5-15 percentage points higher among the younger cohort. For a look at how graduation rates vary by higher education institution in California, see Figure A10 in the Governance Appendix.

### **UC, CSU, and CCC efforts to improve degree completion**

In response to growing concerns that the state is at risk of not producing enough college graduates for the state's labor market, the three higher education segments established strategic plans for improvement, and have each made progress to reach their ambitious goals.

UCs established [2030 Goals](#) to produce 200,000 more undergraduate and graduate degrees, add 1,100 ladder-rank non-recall faculty positions to the academic workforce, and achieve a 90 percent overall graduation rate and close graduation gaps for low-income, first-generation, and underrepresented groups—all by the year 2030. UC keeps track of their progress on a [public dashboard](#).

CSUs launched the [Graduation Initiative 2025](#) to increase overall graduation rates, eliminate equity gaps in college completion, and produce graduates that meet California's workforce needs. CSU is [making progress](#) on many of these goals.

CCCs created a [Vision for Success](#) to close achievement gaps, improve degree and certification rates as well as transfer rates, reduce excess course-taking, and help students secure gainful employment. Progress on these goals can be seen in their annual [State of the System](#) reports.

### **Strategies for system improvement**

Two competing policy 'logics' to improve the education system are currently at play California. The two logics—a market-based approach and a continuous improvement approach—use very different policy instruments to address system improvement; below we briefly review the competing logics and tools used for improvement in California's higher education environment.

#### **Market logics**

Education policy rooted in 'market logic' has evolved over the last several decades and leverages a variety of policy instruments. Most notably, market logic has fostered '[educational choice](#),' especially in K-12 education. The theory of action behind the educational choice approach to school improvement is straightforward: Education organizations would improve if they existed in a marketplace setting where the forces of competition would make schools more efficient and effective. In this setting, students and families would be better off if they could access a variety of educational options to find a school provider that meets the unique needs of students (Chubb & Moe, 1990). Over the last few decades, states have engaged in a variety of 'public-private partnerships' that enable a broader set of school choice options funded by public dollars. In higher education, the state has seen the rise of a variety of private nonprofit and for-profit postsecondary entities that operate independently from the state that are subsidized via state student financial aid programs.

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Alternatively, market logics have been applied to policy designs that are implemented directly in traditional education environments. For example, accountability policies, instructor evaluations, and financial incentive programs are rooted in policy design principles that focus on the outputs of public policy rather than the inputs. In other words, such policies try to motivate changes to the behavior of educators by orienting them toward outcomes such as student achievement, often with the coercive forces of sanctions rather than financial or technical support (Mintrop, 2018).<sup>13</sup> Below, we provide a brief review of market-based policies at play in California’s higher education policy strategies.

### *Market logics in higher education*

Much like in the K-12 system, accountability policy has been used in California’s higher education system, and is the primary ‘market logic’ tool lawmakers use to govern the higher education system. One popular accountability reform across many states is to use [‘performance-based budgeting’](#) in higher education, which ties state dollars to measurable outcomes and goals, for example, graduation rates or time to degree (Murphy, Cook, Johnson, & Weston, 2014). There is good reason for lawmakers to consider this model, namely, that public institutions should be able to demonstrate how resources are used effectively to serve students and broader policy goals, and policies like performance-based budgeting provide transparency for how public resources get used. On the other hand, the effectiveness of performance-based budgeting is debated since there are often unintended consequences of the policy’s design and it is unclear whether the policy actually improves student outcomes (Dougherty et al., 2014).

Performance-based budgeting was [adopted at the CCCs](#) in 2017 and ties 60 percent of the institution's funding to enrollment, 20 percent is linked to equity factors, and 20 percent is linked to measurable outcomes for student success, such as graduation rates and the time to degree completion. Typically, the state granted the three higher education segments funding based on student enrollment alone, but there was political momentum to change the funding formula for CCCs to incentivize the segment to align with state goals to produce more college graduates, close equity gaps, and reduce time to degree completion and transfers. [Equity-oriented organizations](#) were strongly in support of the new funding formula since they saw it as a way to motivate CCCs to prioritize student outcomes and reduce inequalities for low-income and minority students.

However, there are ongoing concerns about using this model in a CCC setting, since some worry that the formula can be used as an excuse to [cut additional funding](#) from an institution that already struggles financially. Others have concerns about grade inflation or CCCs using gaming strategies to increase the selectivity of students to improve the amount of funding they receive from the legislature. Reasons such as these are why the funding formula has not been fully implemented at the CCCs, and why the UC and CSU systems widely oppose performance-based budgeting and have so far convinced lawmakers to stop short of implementing the policy at 4-year institutions. The state legislature has, however, mandated

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<sup>13</sup> Much of the advances in such policy designs stem from public choice and principal-agent theories developed in the field of economics (Tolofari, 2005), which is why this set of policies is referred to as ‘market logics’.



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that the UCs and CSUs report performance measures annually that are then used in budget decisions. For further information, see the following legislation:

- [SB 195](#) (2013) called for the adoption of performance measures that reflect the distinct missions of each higher education segment.
- [AB 94](#) (2013) required the UC and CSU to report eight specific performance measures to “inform budget and policy decisions and promote the effective and efficient use of available resources.”
- [SB 85](#) (2017) required the UC and CSU to establish annual performance targets as an ongoing requirement.

Other market-based policy ideas leveraged in California higher education policymaking are education savings accounts and tax credits. California lawmakers established [college savings accounts](#) in the 2020-21 budget. The accounts provide seed funding for students from low-income families, ELL students, and foster youth to attend a college of their choice after graduating high school. California also offers a [College Access Tax Credit Program](#) to taxpayers and businesses who contribute to Cal Grants, the state’s largest source of financial aid for students in higher education. For those who participate, they receive a tax credit of 50 percent of their contribution.

### ‘Continuous improvement’ logics

Continuous improvement logic was first developed with a focus on California’s K-12 system, but the logic has arguably been applied to higher education as well. In a nutshell, the theory of action guiding continuous improvement is that student learning outcomes improve when education organizations have a foundation of adequate resources and when educators and administrators are supported with professional capacity building. Public policy has an important role to play, but the state role is one that helps education organizations improve performance instead of taking on a top-down compliance or disciplinary role (Plank, O’Day & Cottingham, 2018). State departments and governing organizations can help illuminate problems in education organizations (often in the form of data systems and accountability), but allow relevant local actors space to reflect on the inner-workings of education environments and collaborate on problem solving.

In recent years, major policy reforms have come out of the state legislature to meet the state’s goals of improving college access, retention, and completion rates. The legislature has focused on three main strategies: 1) tightening up the education pipeline by improving college and career readiness, 2) broadening student financial aid, and 3) improving transfer pathways and reducing barriers to degree completion.

### ***Strategy #1: Addressing college access by improving the transition from K-12 to higher education via dual enrollment, A-G courses, and career and technical education***

***Dual enrollment*** - Dual enrollment programs are one way for high school students to access and earn college credits while still in high school. Students who enroll in such programs are more likely to graduate from high school (Berger et al., 2013), are more likely to enroll, persist, and earn a college degree in a shorter amount of time (An, 2013), and are more likely to

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outperform other students academically in a higher education setting (Struhl & Vargas, 2012). The latest data available show that about 13 percent of California high school students were enrolled in some form of dual enrollment courses (Friedmann, Kurlander, Li & Rumberger, 2020). However, the vast majority of California high schools do not have a formal dual enrollment program, and there are wide disparities in who enrolls in dual enrollment, with far more white, Asian, and high-income students taking advantage of the program than low-income and students of color.

To address these inequalities, in 2016, the legislature passed [AB 288](#), the *College and Career Access Pathways Partnership Act*, which expands access to dual enrollment for students from historically underrepresented groups by enabling high school students to take college courses, taught by college professors, at their high school campus. The program systematized enrollment through formal partnerships between high schools and colleges and encouraged the expansion of dual enrollment across the state. (For a recent evaluation of the program's effectiveness, see California Community Colleges Chancellor's Office, 2021.)

**Improve access to A-G courses** - Another route to college access is for students to complete A-G courses while in high school. In the most recent budget, the legislature made significant investments in A-G courses by appropriating over a [half billion dollars](#) to local education agencies to expand A-G courses to low-income and disadvantaged youth. A new report issued by a task force assembled by Governor Newsom's postsecondary advisory council has several other ideas to strengthen the K-12 to higher education pathway that lawmakers may consider implementing in the upcoming years (California Governor's Council for Postsecondary Education, 2021), including the idea to [create one common application](#) for students to apply to all of the three higher education segments.

**Career and Technical Education** - The legislature has also strengthened pathways to career and technical education (CTE) for high school students. In California, about one-third of new jobs will require some training beyond high school but less than a four-year degree, and both high schools and the state's CCC's offer CTE pathways that can prepare students for these types of industry positions (Bohn, Gao & McConville, 2018). In 2015, lawmakers passed several one-time funding for programs to improve CTE across the state, including the CTE Incentive Grants program, apprenticeship opportunities, and other adult education programs. California policymakers also established the [California Career Pathways Trust](#) in 2013, which provided one-time grants to award regional and local grants to foster career pathway programs for high school and community college students. (For a final evaluation of the program after its implementation period, see McLaughlin, Groves, & Lundy-Wagner, 2018). In 2016, lawmakers established the [Strong Workforce Program](#), which provides over \$200 million annually to expand and improve CTE programs at CCCs at to build regional collaboratives; the legislature later expanded the program with annual funding to the [K-12 system](#) in 2018 (CCC's track progress of the Strong Workforce Program on their [website](#)). In the most recent budget, the legislature increased funding for the state's [Career Technical Education Incentive Grant](#) to

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encourage K-12 schools to prepare students with the knowledge and skills necessary to transition to employment and postsecondary education.<sup>14</sup>

### ***Strategy #2: Strengthen financial aid to improve retention and completion***

Tuition at California’s three higher education segments is at an all-time high, but the good news is that about half of students across the segments—especially low-income students—pay no tuition, thanks to the state’s generous student aid programs (Public Policy Institute of California, 2019). The majority of grant aid comes from federal Pell grants as well as the state’s Cal Grants and the California Community College Promise fee waivers. While federal Pell grants are significant, a 2019 study found that state aid in California outpaces federal Pell grant aid; the state spends more than \$4,000 per low-income student on financial aid, making California one of the country’s most generous states for student financial aid (Eaton et al., 2019). In recent years, state lawmakers have expanded existing aid programs or in some cases created new aid programs to support students in their higher education journey.<sup>15</sup> According to The Institute for College Access and Success, in 2018, about half of all California college graduates held student debt, with an average of \$21,500, placing California as the [fourth lowest](#) state for overall student debt.

***Expanding existing aid programs*** - Legislators determine the [Cal Grant](#) amount each year in the state budget act, and in recent years, have committed large increases to each of the three available grants (The Campaign for College Opportunity, 2020). The 2021-22 budget also intended to expand Cal Grant eligibility to at least [133,000 more community college students](#) while also expanding the total award amounts. However, the [governor vetoed](#) this legislation, but advocates and some lawmakers hope to reintroduce the bill. Another example of financial aid expansion took place earlier in 2010 when lawmakers passed the [California Dream Act](#), which extended in-state tuition to undocumented students who traditionally had paid out-of-state tuition, and also made them eligible to receive state financial aid. Previous budgets have also expanded access to financial aid for students with dependent children, for example by providing supplemental grant funding to [student parents](#) enrolled in higher education institutions.

***Creating new programs*** - In 2013, the legislature created the [Middle Class Scholarship program](#) to help offset the cost of college to students from families with less than \$177k in income and assets; the program covers up to 40 percent of student tuition and fees at CSUs and UCs. Several new grants have been established to encourage students to reduce students’ time to degrees at community colleges, including the [Full-Time Student Success Grant](#) (established in 2015) to encourage students to pursue two-year degrees full-time and to encourage students to obtain short-term career technical degrees, and the [Community College Completion Grant Program](#), which encourages students to complete their degrees. The 2021-22 budget included historic new funding for higher education, and notably established the [Golden State Education](#)

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<sup>14</sup> The state has also been funding [California Partnership Academies](#) in the state’s high schools for several decades, which are themed courses that connect students to employer internships and other opportunities to learn outside the classroom.

<sup>15</sup> For a full list of state-funded financial aid programs, see the [California Student Aid Commission](#).

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[and Training Program](#), a half billion dollar program to award grants to displaced workers in the pandemic seeking to attend one of the three higher education segments (for a more complete list of the state’s financial aid programs, see Governance Appendix Table 2).

The 2021-22 budget also funded programs to help offset the high costs of living while attending college, and put more funding toward [food, housing, and other basic need programs](#) across college campuses. Lastly, state legislators have made policy changes to encourage more students to access financial aid, such as requiring students to [complete](#) a Federal Application for Student Aid (FAFSA) before graduating high school.

To illustrate California’s commitment to student aid, in Figure 3, we show how various indicators of college affordability have changed over more than a decade at California’s three systems of public colleges among first time, full-time students who received grant/scholarship aid (see graph notes for details on how these measures were calculated).<sup>16</sup> These indicators of affordability are important because they move beyond the simple *sticker price* of colleges’ posted tuition/fees and more directly measure what students are paying on average (their net price).

As shown, the average cost of attendance at the UCs is highest of the three segments and has generally risen over time, but the average grant students receive is also the highest of any of the segments, bringing the average net price for attending a UC down to \$15,600 in 2020. The same pattern follows for the CSUs and CCCs: while the average cost of attendance is high across both segments, the average grant available to first-time, full-time students cuts down the cost by nearly half for students enrolled at the CSUs and by more than a third for students at the CCCs. Notably, on an inflation-adjusted basis, average student loan debt (inclusive of federal and other loans) is remarkably consistent across the three segments with slight declines between 2008 and 2020. It is possible that students taking out loans to address the high costs of living while enrolled in college (see Governance Appendix Figure A6 for illustration) are driving the similarities in average debt load.

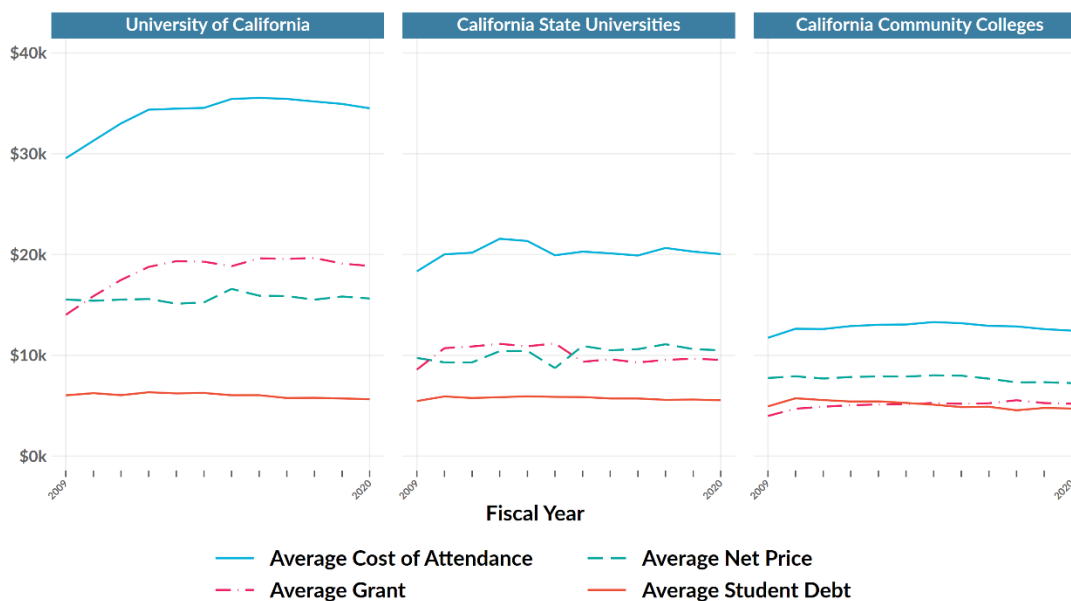
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<sup>16</sup> The continuous series for IPEDS net price data is only available starting in 2009 and later.

### Figure 3

## Affordability of Public Colleges in California

Average Size of Affordability Category for Full-time First-time Students (2020 Dollars)



Source: IPEDS.  
 Sample: Net price, average grant, and average cost of attendance are based on first-time full-time students paying in-state tuition/fees who received grant/scholarship aid. Due to data limitations, average student debt includes all first-time full-time students with debt.  
 Notes: Values for each affordability indicator show the weighted average across all schools in each system.

### Strategy #3: Improving transfer pathways and reducing barriers to degree completion

To reduce barriers to degree completion, the California Assembly and Senate have narrowed in on the problem of [college remediation](#). Lawmakers addressed this problem by passing [AB 705](#), which was fully implemented in 2018 and eliminated the use of college placement exams to determine entry into college-level math and English. The legislation required all community colleges to use high school transcripts instead of placement exams to determine whether students need to be placed in remedial courses (Cuellar Mejilla, Rodriguez, and Johnson, 2019), which has increased the number of students taking credit-bearing courses during their freshman year. Colleges were given a two-year window to innovate with their remedial courses, but this inadvertently created a gray area where many students are still [taking unnecessary coursework](#) that can set them back years in meeting their long-term degree goals.

On a bright note, a [2018 report](#) found that more students were enrolling directly into transfer-level math and English courses as AB 705 began to take effect, with a significant increase in the number of Black and Latino students enrolling in and passing these courses (RP Group, 2019). Some [advocates posit](#) that the state should go further by completely eliminating remedial coursework altogether and replacing them with ‘gateway’ courses that provide more holistic support to students while still earning credit-bearing courses. Legislators also funded the [Basic Skills and Student Outcomes Transformation Program](#), which redesigned the way some CCCs deliver remedial education for students who need it by providing students with

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more support while taking the courses and to more quickly get them on track to credit-bearing courses.

Lawmakers began to address the problem with community college transfers by passing [SB 1440](#) in 2010, which made it possible for students to more easily transfer to a CSU with an Associate Degree for Transfer (ATD), which aligned transfer requirements of the CSU with those from an Associate's degree from a CCC. In other words, all the courses taken in the CCC to earn an AA degree were directly applied to the first two-years of coursework required by the CSU in the same 4-year degree program. [AB 2302](#) also passed in 2010, which required a similar pathway to the UC system; however, the UC rejected the ATD and instead [created their own transfer pathways](#) in 2015. The UC pathways do not guarantee admission like the ATD, nor do they incentivize the completion of an AA degree (The Campaign for College Opportunity, 2017).