



What Student Loan Debt Burdens Reveal about the Challenges Faced by California's Low-Income College Graduates

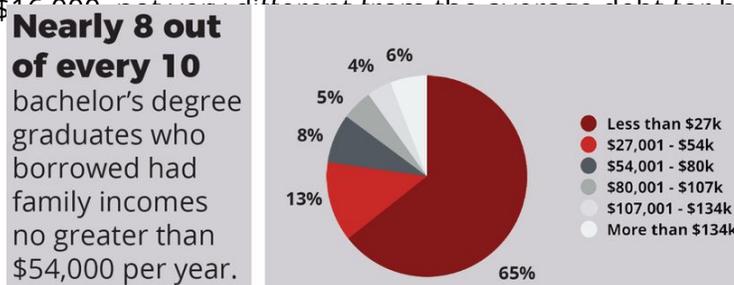
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C. Rob Shorette II, California State University

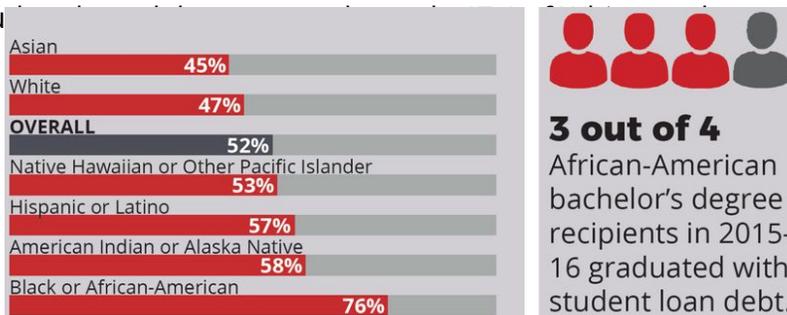
How far does financial aid get a poor student living in California? Unfortunately, the answer is not as far as people might think. The State of California spends over \$2 billion per year to provide financial aid for hundreds of thousands of college students with the most financial need. In the 23-campus California State University system – “Cal State” for short – the majority of the over 400,000 undergraduate students are from low-income families and 80% of all students receive some combination of state, federal, or institutional financial aid. As a result, nearly two out of three Cal State students pays no tuition at all.

This description of the financial aid system could leave the impression that the needs of low-income students are taken care of because they don't have to worry about tuition. But, in fact, tuition for Cal State students comprises only about a quarter of the total costs they must meet to attend. Most students struggle to cover all of the *other* expenses like housing, food, textbooks, and transportation. Even after taking financial aid into account, students often have to work an unreasonable number of hours to cover the entire cost – so most of them have little choice but to take out student loans.

A recent report my colleagues at Cal State Student Association and I created with the Institute for College Access & Success found that despite the seemingly significant amount of financial aid available to Cal State students with the most financial need, student loan debt is concentrated among the lowest-income college grads. In 2015-16, over half of the approximately 90,000 students who graduated with a bachelor's degree from the Cal State system faced the need to repay student loan debts. Of those students who graduated with student loan debt, nearly eight out of 10 were from families with incomes less than \$54,000 – and their average amount of student loan debt was greater than \$16,000, not even different from the average debt for higher-income graduates.



Digging deeper revealed more inequities, this time for students of color. When looking at all 90,000 of the California State University graduates in 2015-16, the data showed that students of color were more likely to graduate with student loan debt. Three-quarters (76%) of all African-American grads left with student loan debt.



Broader Implications

This study confirms broader findings about low-income students in California's public universities. In the University of California system, the patterns are almost identical: 75% percent of University of California graduates from families earning less than \$53,000 leave college with an average of almost \$20,000 in student loan debt.

For low-income students in the California systems, tuition doesn't seem to be the culprit, yet current state financial aid is primarily covers only tuition costs. Furthermore, the Pell grant – the flagship federal need-based grant that once covered more than three-quarters of the total cost to attend a public college has lost significant purchasing power. Pell grants now cover less than one-third of the total cost.

Racial and economic inequities in college finances are troubling. Jacob Hacker, Director of the Yale Institution for Social and Policy Studies, suggests there has been a downward shift of economic risk and responsibility to the millennial generation, so that college attendance and participating in the economy now come with greater costs and risks for young people. If we extend that line of thinking, it seems that even California, a state with relatively generous social supports, is asking low-income students and students of color to bear a disproportionate share of such burdens.

Ultimately, we think our findings send some troubling signals about who can really afford a college education, and highlight the ways state and federal financial aid programs are coming up short in supporting students with the most financial need. If these trends are to be reversed, state policymakers will need to better understand who is left behind by current policies and practices, as a prelude to developing targeted solutions to enable 21st century college students from all backgrounds to earn degrees and graduate without overly onerous debt burdens likely to make it harder for them to get ahead in their post-college years.

Read more in ["Where Debt Comes Due at CSU: Unequal Debt Burdens Among California State University Graduates,"](#) (online report, December 2017).

This brief was co-authored by Maggie White, Cal State Student Association.