

Student Debt and the Value of a College Degree

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Student debt has increased, leading to questions about the value of college

- The state has made sharp cuts to higher education funding
- Colleges have responded by increasing tuition
- But California needs more college graduates
 - A looming gap of 1 million college grads by 2025



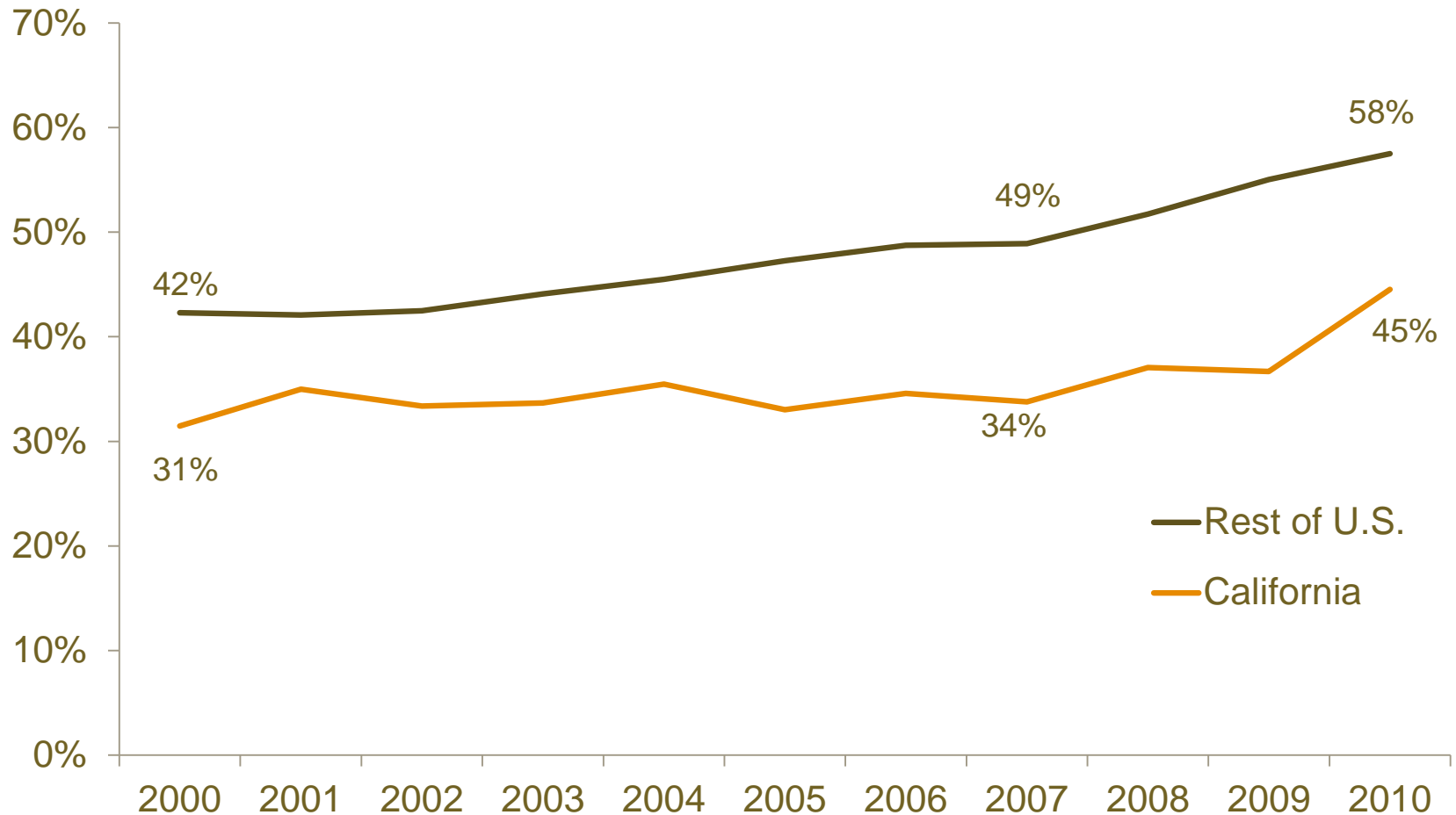
Outline

- How has student debt changed?
- Does it make economic sense to go into debt?
- How should public policy address student debt?



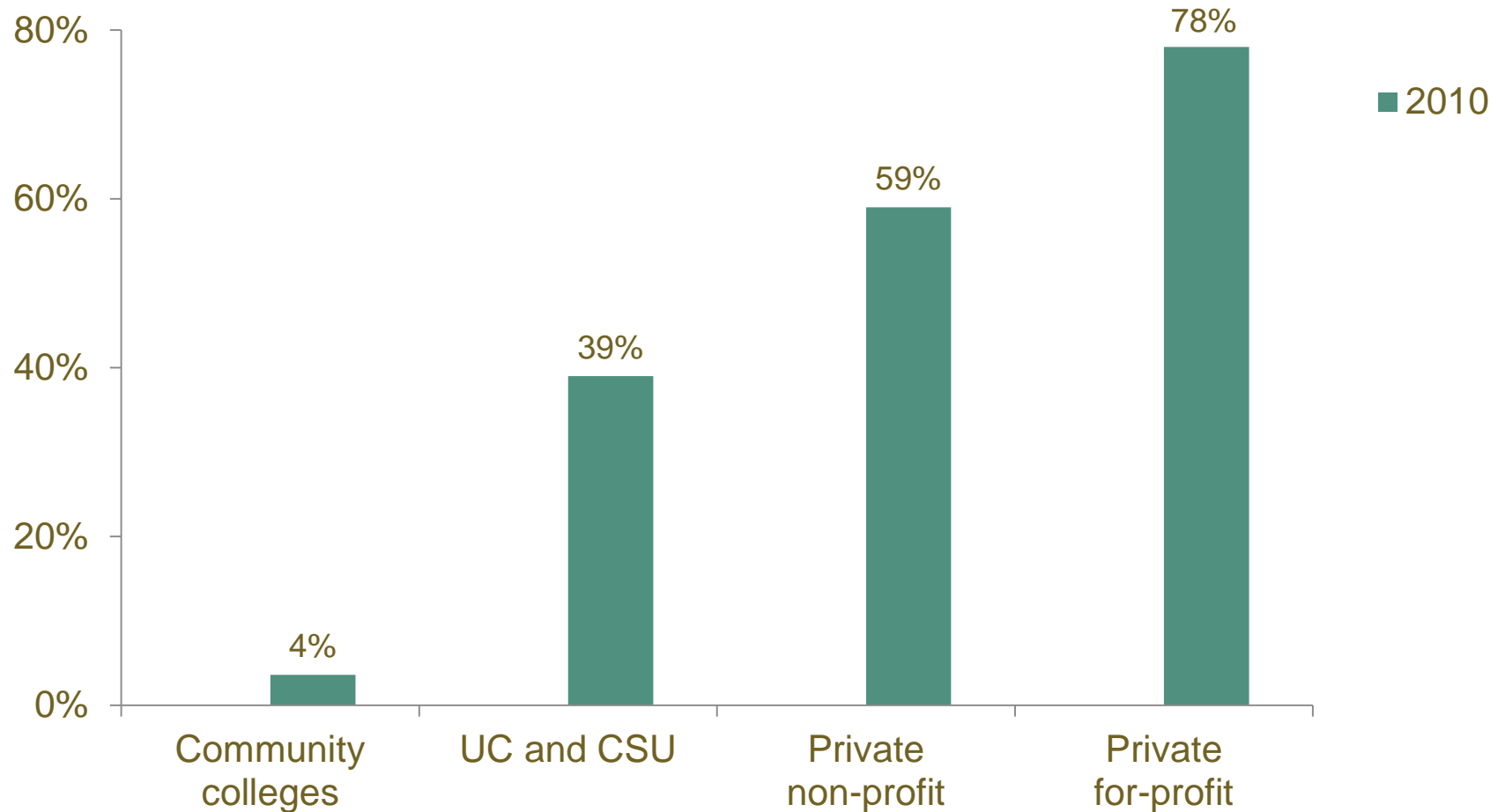
Share of students taking out loans is rising

Percent of freshmen with loans



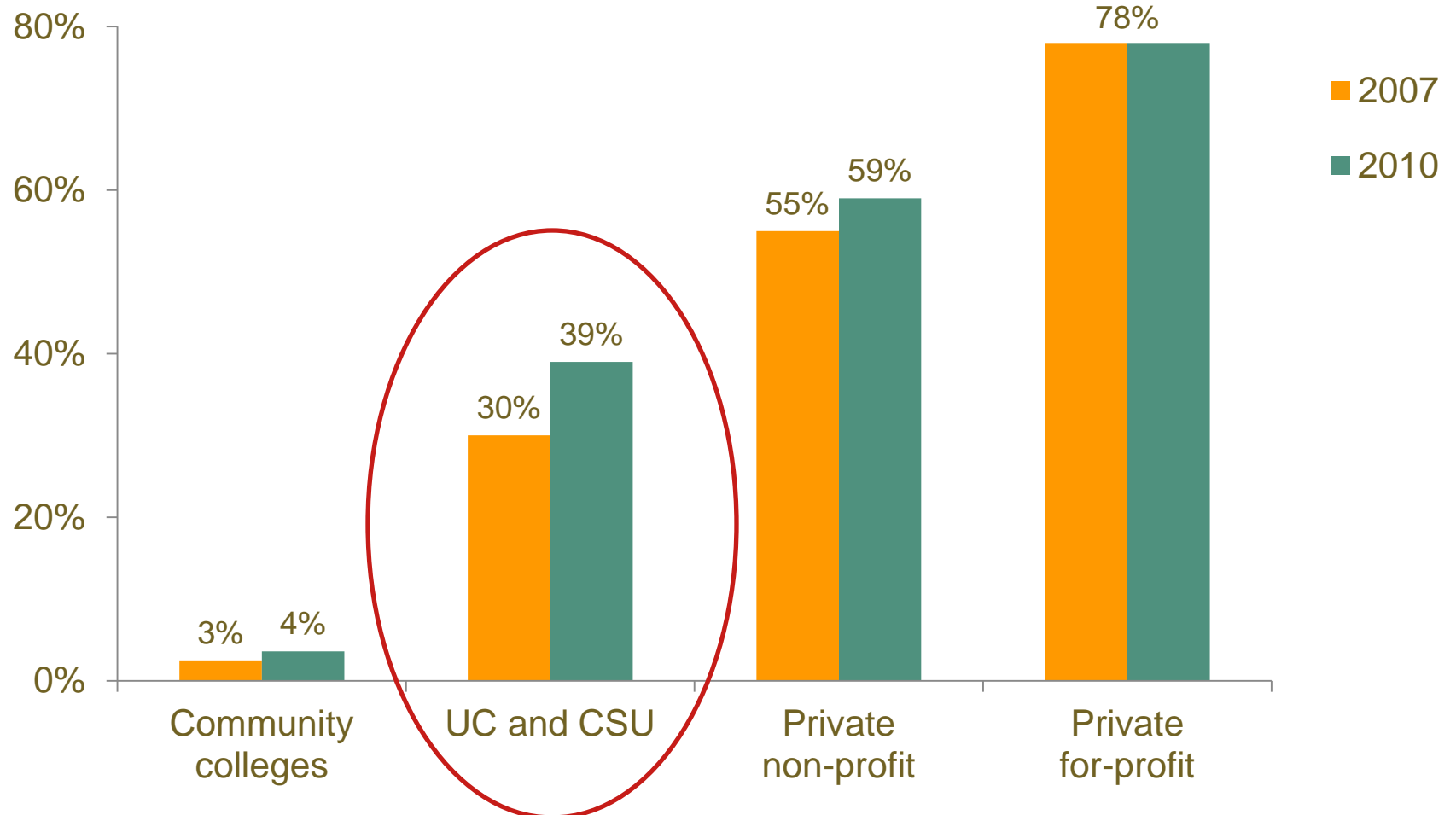
Students who attend public colleges are much less likely to take out loans...

Percent of California freshmen with loans



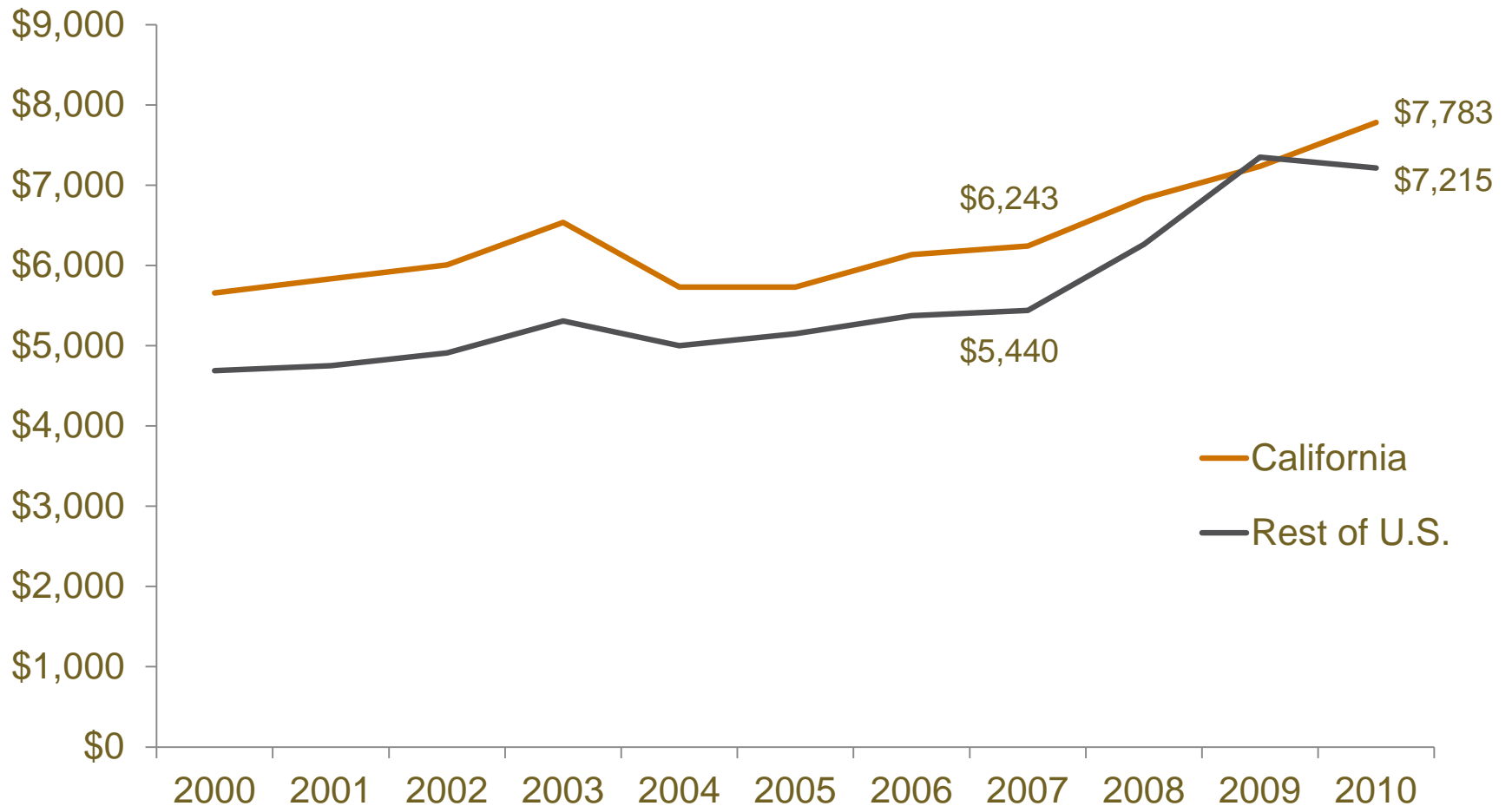
...but that number has grown sharply

Percent of California freshmen with loans



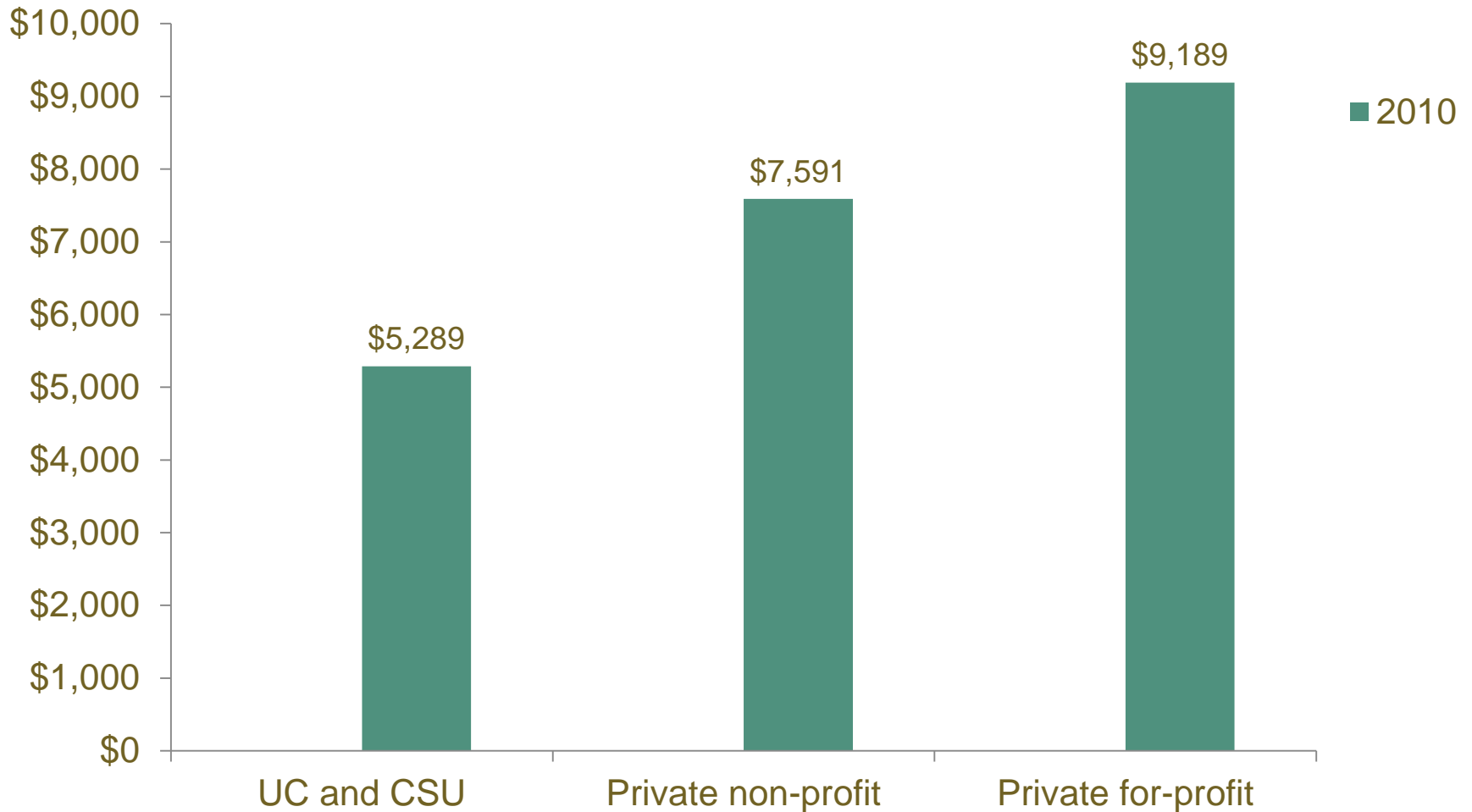
Loan amounts are increasing rapidly

Average loan amount for freshmen with loans



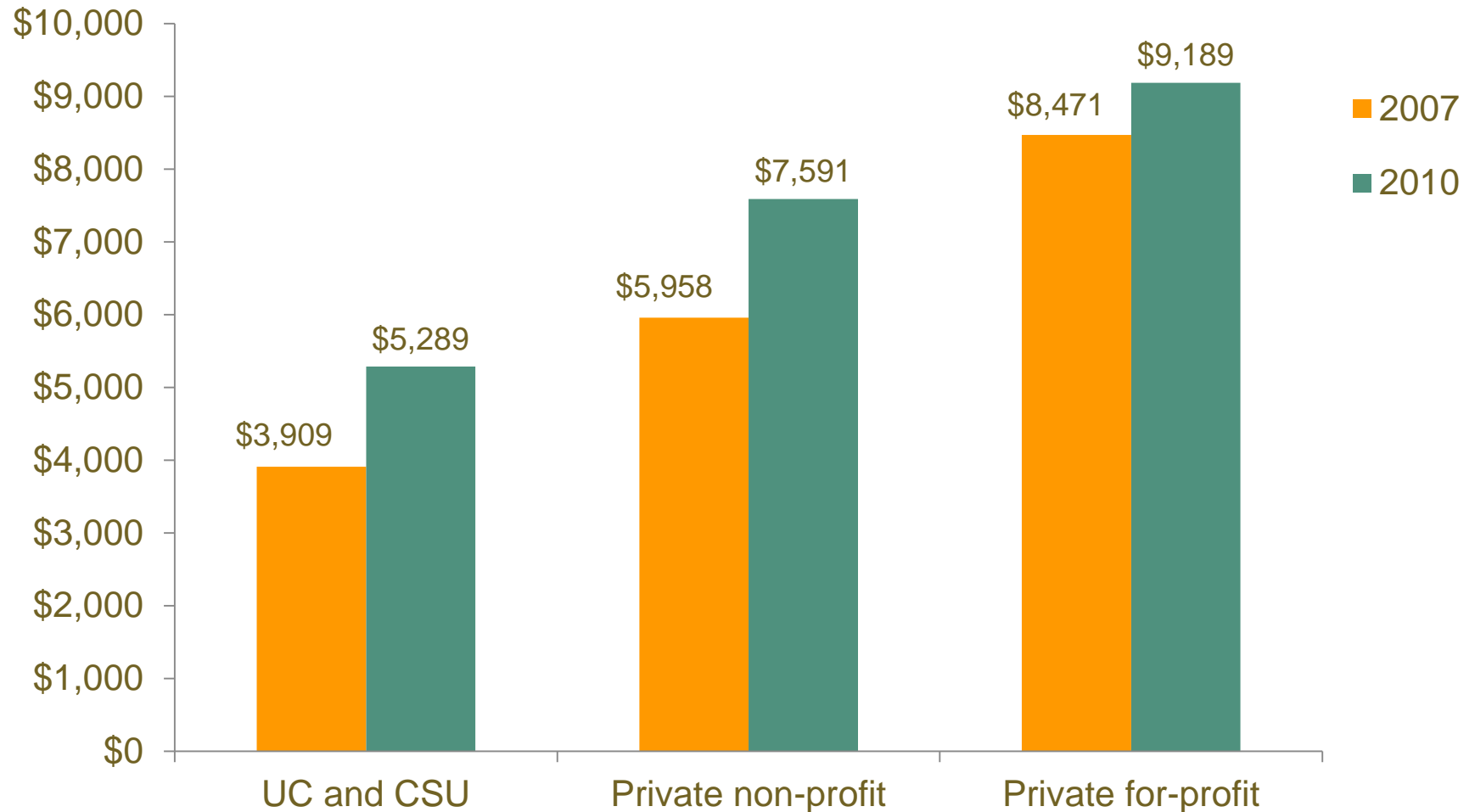
Loan amounts are much lower at public colleges...

Average loan amounts of California freshmen



...but still much higher than just a few years ago

Average loan amounts of California freshmen

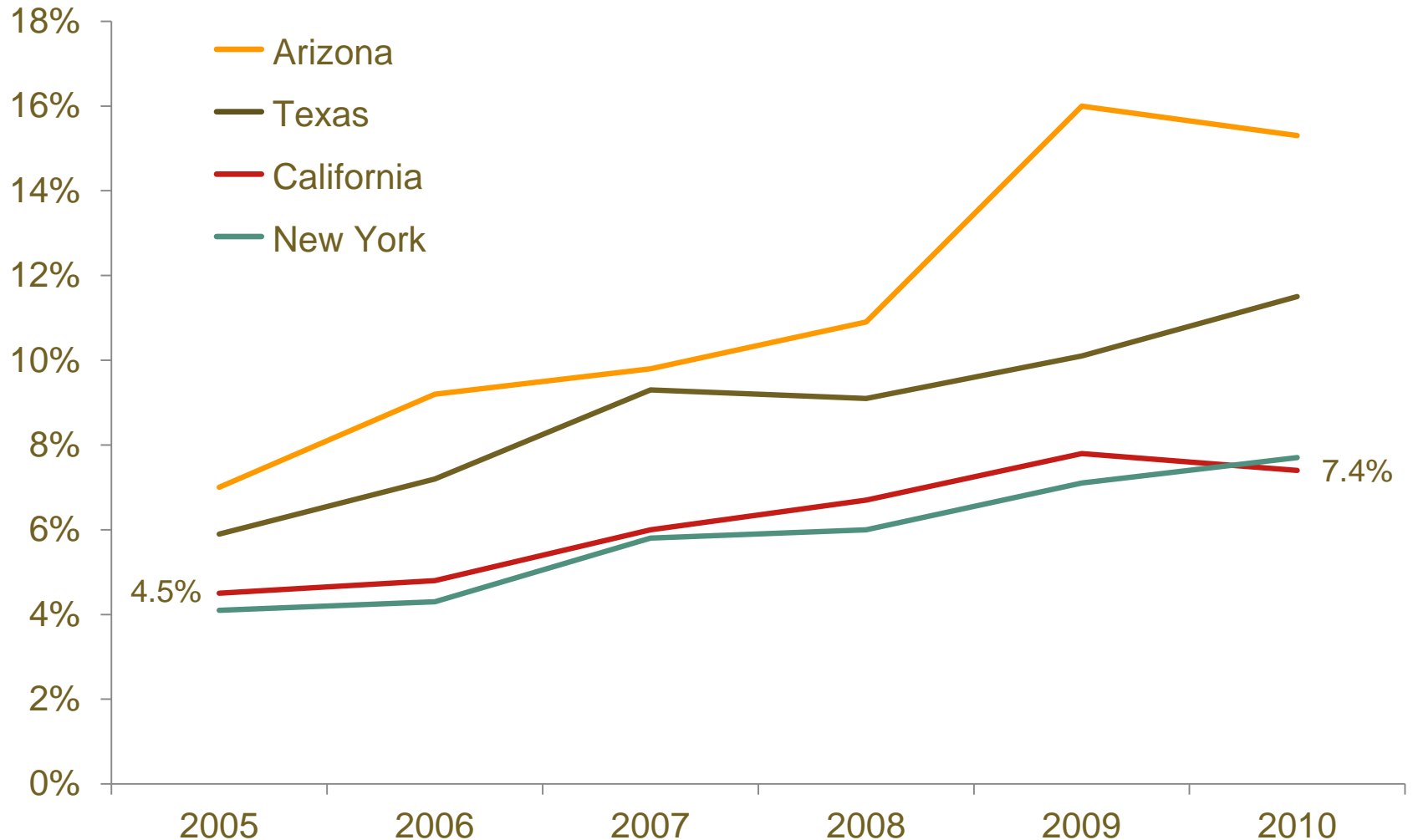


Some students take on excessive amounts of debt

	Distribution of debt in 2009				
	10th	25th	50th	75th	90th
California					
Public 4-year	\$3,000	\$9,700	\$14,600	\$19,800	\$26,000
Private non-profit	\$4,800	\$11,100	\$25,500	\$41,900	\$53,000
Private for-profit	\$3,400	\$5,400	\$12,000	\$29,000	\$45,800
Rest of U.S.					
Public 4-year	\$3,700	\$8,500	\$16,500	\$25,000	\$39,800
Private non-profit	\$6,000	\$12,300	\$20,000	\$34,100	\$49,900
Private for-profit	\$4,200	\$9,900	\$16,800	\$29,500	\$45,000



Loan default rates are lower in California, but have increased

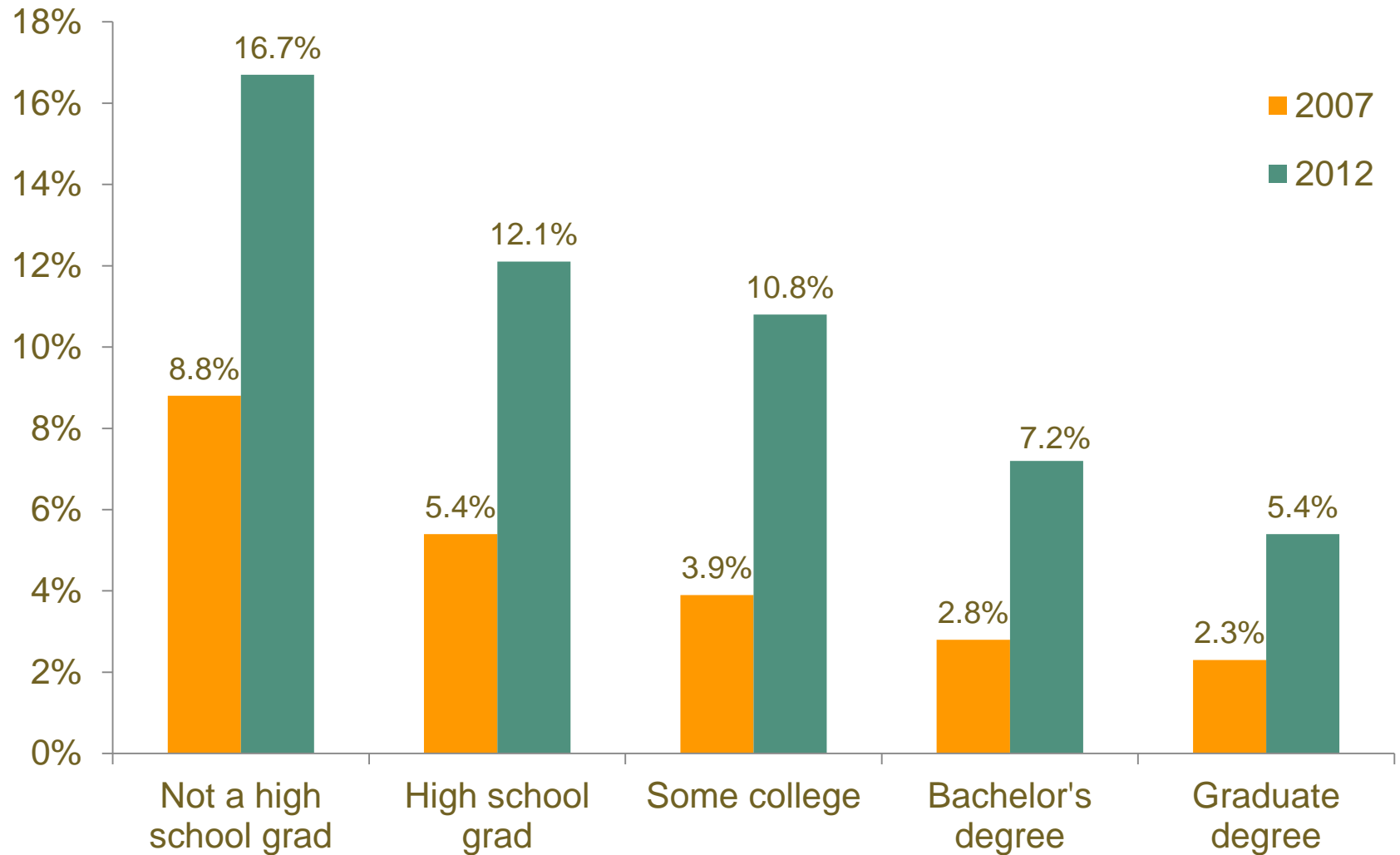


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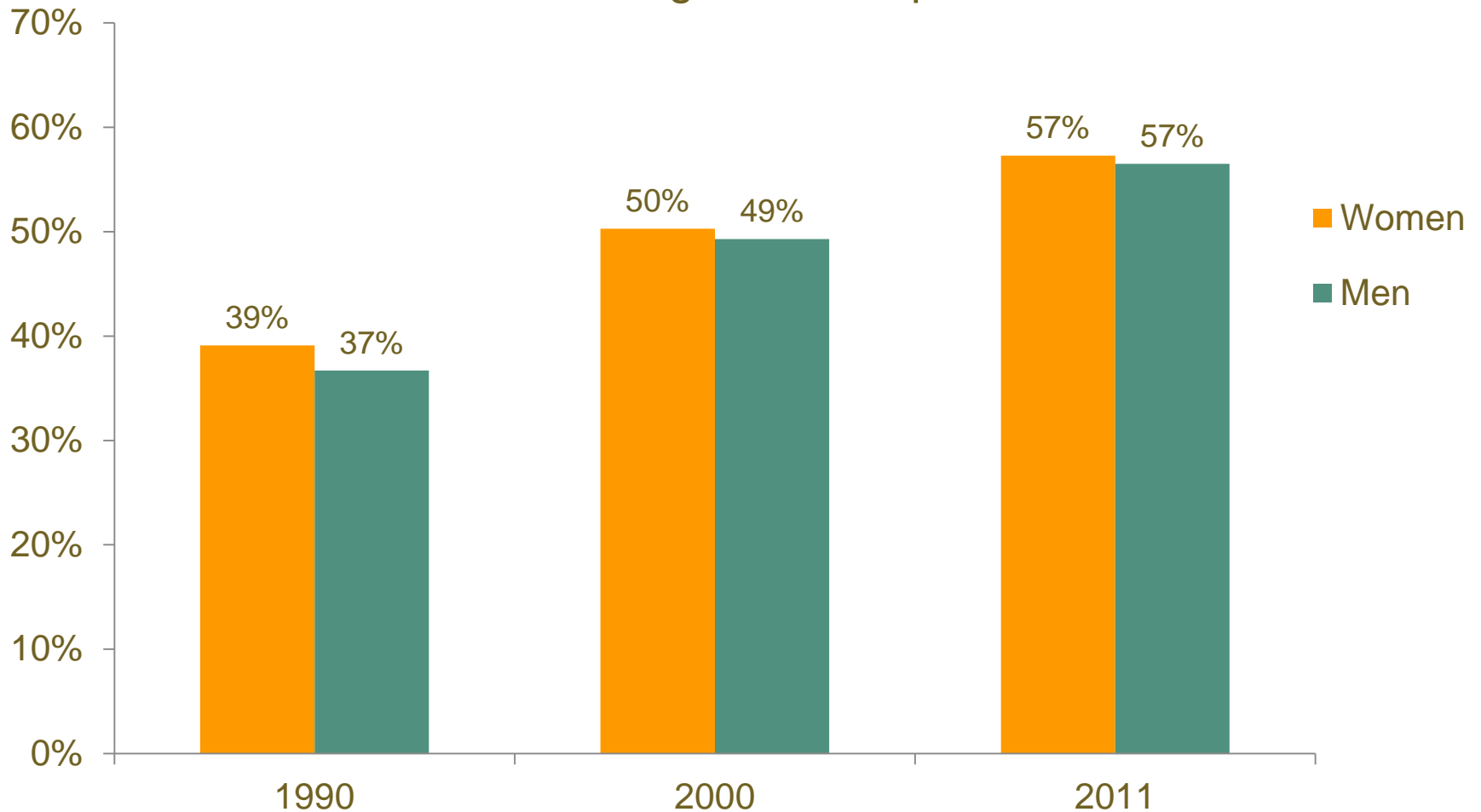


Unemployment rates are far lower for college graduates



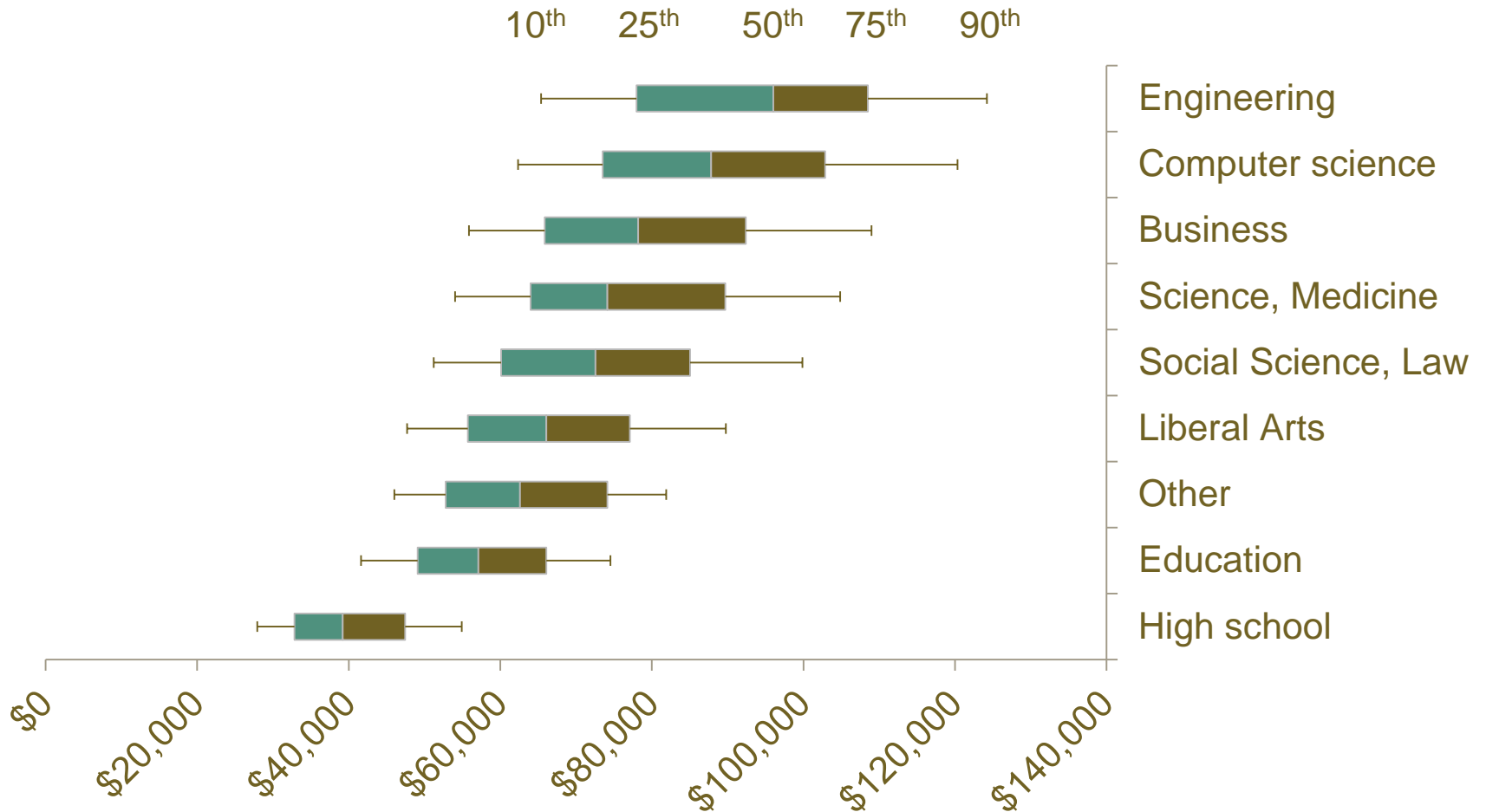
And wages are far higher...

Wage premium for a bachelor's degree versus a high school diploma



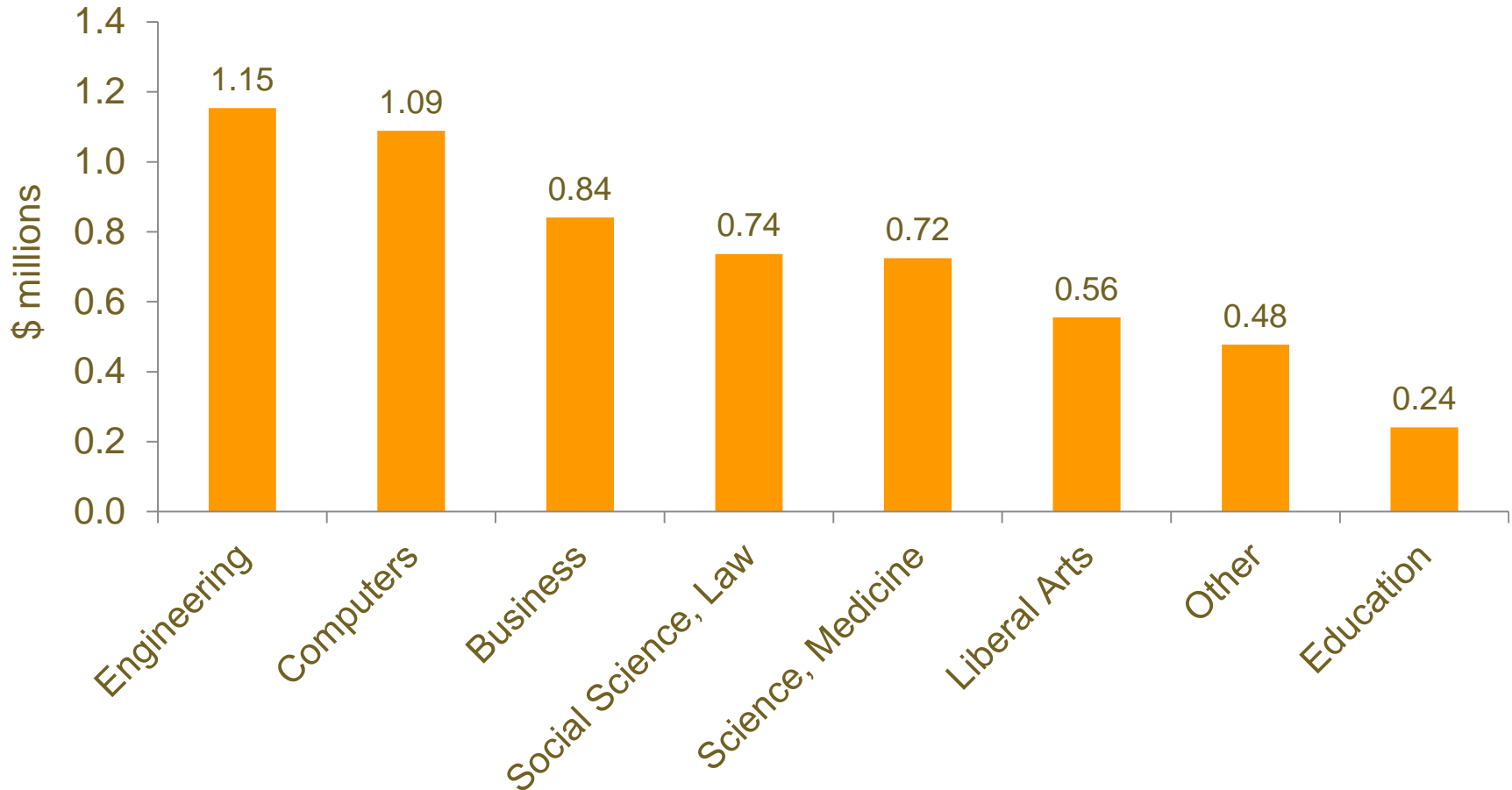
...even for the least remunerated majors

Percentile distribution of wages by major



Net lifetime payoff of college is enormous

Lifetime wage difference between college graduates and high school graduates



Is college worth it?

- For most students, YES
- But some students are at risk, including those:
 - with excessive debt
 - who do not complete college
 - who enroll in private for-profit colleges



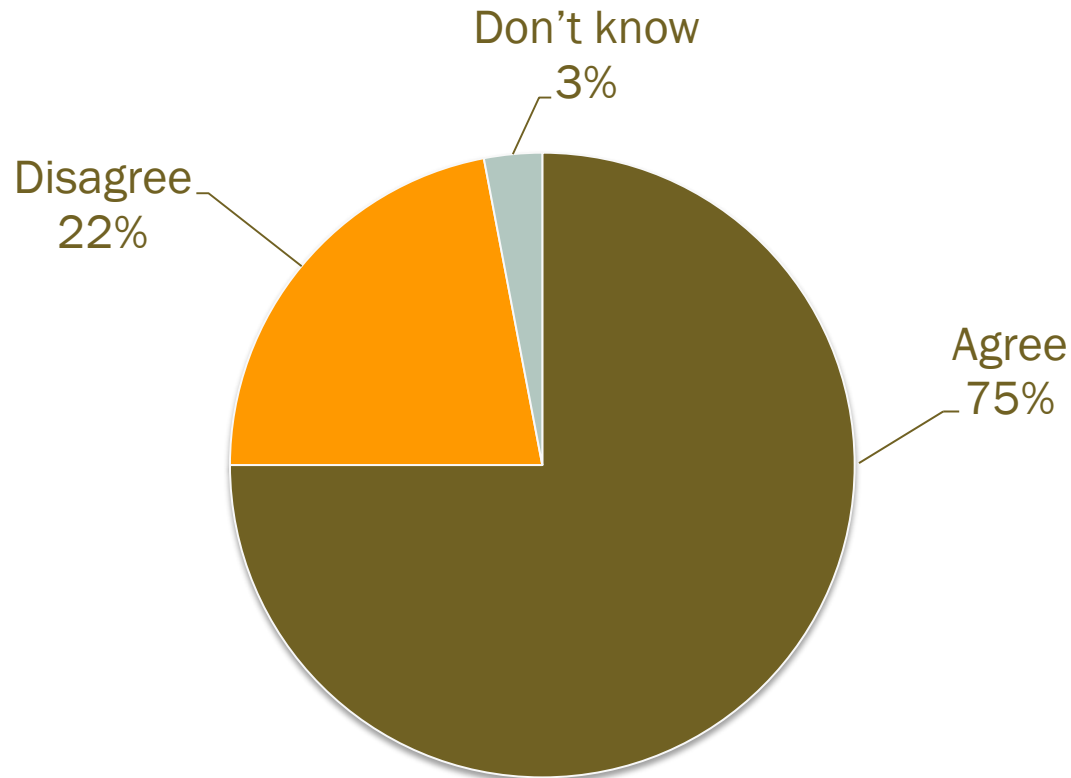
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Affordability is a primary concern for Californians

PPIC Statewide Survey:
Students have to borrow too much money
to pay for their college education



Policy recommendations

- Provide funding to keep tuition at public colleges affordable
- Improve the pathway from community colleges to four-year colleges
- Ensure grants are available for lower income students
- For students who need loans, encourage use of federal subsidized loans
- Consider creating a pre-paid tuition savings program



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Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.

