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## **California Tax Dollars Invested In Higher Education Pay Off In Billions of Additional Revenue**

### ***UC Berkeley study finds Public Colleges and Universities pay for themselves***

A study released today by researchers at UC Berkeley finds that state funding of public higher education pays off with a net return on investment of 450 per cent.

For every dollar invested in public higher education in California, the state will reap \$4.50 from taxes on the increased earnings of college graduates and lower costs for providing other state safety net services and incarceration, according to the report.

The report found that University of California (UC) and California State University (CSU) graduates provide ongoing returns to the state averaging \$12 billion annually, well above the current general fund expenditures for the UC, CSU and California Community College systems combined, researchers found.

“This report provides robust evidence about the economic benefits of investing in public higher education. Past investments in public higher education are buffering the effects of today’s economic downturn and future investments will do the same,” concluded Jon Stiles, report researcher.

The study, “California’s Economic Payoff: Investing in College Access and Completion,” was conducted by the Institute for the Study of Societal Issues at UC Berkeley, commissioned by the Campaign for College Opportunity, an organization that works to ensure the next generation of students has the chance to attend and graduate college to keep our workforce and economy strong. The report is being co-released with the California Chamber of Commerce and the California Civil Rights Coalition.

The personal payoff for Californians who earn a college degree is substantial -- more than \$1.3 million above their peers who only receive a high school diploma. Importantly, those who complete college yield the highest return for the state at \$4.80 for every dollar invested, twice the return for those who attend college but do not complete (\$2.40).

“College completion represents far and away the best investment return for both individuals and the state,” said Michele Siqueiros, Executive Director of the Campaign for College Opportunity. “California’s elected officials would be remiss not to factor in these significant returns while making tough budget decisions.”

“This report demonstrates the strong investment value of the state’s expenditures on higher education. California’s leaders must ensure adequate funding of our colleges and universities to help secure our economic future,” concluded Allan Zaremberg, President of the California Chamber of Commerce and report co-releaser.

Entering and completing college makes a dramatic difference in economic well-being, decreasing the expected number of years an average California will spend in poverty by nearly four years, and decreasing the expected number of years they receive cash aid by more than two years. “This new report further documents the need to look at public higher education completion and investments in the systems as civil rights issues. Completing higher education gives individuals from all ethnic backgrounds and socio-economic status significant equal opportunity. Investing in access and completion is critical especially now that California’s population is much younger and more diverse,” said Claudia Pena, Statewide Director for the California Civil Rights Coalition and report co-releaser.

The next generation of college graduates will contribute significantly to the future of the state and its residents. By the time today’s graduates reach age 50 they will have repaid the nearly \$4.5 billion dollars the state originally invested in them, plus an additional \$10 billion.

The return to the state’s initial investment is surprisingly quick, by the time a graduate reaches 38, the state’s initial investment is repaid in full. The costs of investing in higher education would have to more than triple before it would fail to return the state’s original investment.

“As the state seeks to balance the budget, it must consider the rate of return that is inherent in certain expenditures; in this case, the funding of higher education,” the report concluded. “The investment in education is critical to the ultimate success of California. Tough decisions today will reap significant rewards in the future, helping to ensure the long-term prosperity of the state and its citizens.”

**Methodology:** *Researchers used a synthetic work-life model to estimate summaries and trajectories for economic characteristics associated with education. Based on these age specific characteristics, differentiated by ethnicity and nativity, they attributed revenues and costs to the state for the population reflecting expected contributions to the state through taxes and expected expenses and support required from the state based on poverty status and incarceration rates. Results in this report are based on a model which attributes tax revenues from three sources: personal income taxes, sales taxes, and corporate taxes, each weighted to represent the fraction that revenue stream contributes to the state General Fund.*

**About the Authors:**

*This study was conducted by researchers at the Institute for the Study of Societal Issues at the University of California, Berkeley: Jon Stiles, Executive Director of the California Census Research Data Center; Michael Hout, Professor of Sociology, elected in 2003 to the National Academy of Sciences; Henry Brady, Class of 1941 Monroe Deutsch Professor of Political Science and Dean of the Goldman School of Public Policy.*

**About the Campaign for College Opportunity:**

The Campaign for College Opportunity is focused on a single mission: to ensure that the next generation of California students has the chance to attend college and succeed in order to keep our workforce and economy strong. CCO is a California non-profit organization co-founded in 2003 by the unique alliance of prominent organizations including the Mexican American Legal Defense and Educational Fund

(MALDEF), the California Business Roundtable, and the Community College League of California. This alliance believes strongly in the power of Californians to preserve the historic promise of the 1960 California Master Plan for Higher Education to provide an opportunity to go to college for every eligible student in the state.

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### **Co-Releaser Contact Information**

*Co-releasers can be interviewed about the report's findings and their opinions regarding its importance.*

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