CALIFORNIA’S BIGGEST RETURN:
Raising college attainment to 60 percent for all by 2030 will generate $133 billion in additional federal and state revenue

A road map for how our state can reap the high rewards of improving college attainment for all racial/ethnic groups

60 percent college attainment for all = $133 billion ROI for California and our Nation + $435 billion ROI for California residents
ROADMAP TO 60 PERCENT COLLEGE ATTAINMENT FOR ALL
A Big Payoff for California and Our Nation

Raise high school graduation rate to 90 percent

Increase college enrollment directly after high school to 75 percent

Raise adult enrollment in college to 4.8 percent

Ensure at least 154,000 CCC students transfer to a four-year university annually

Increase number of degrees or high-value certificates awarded to 29 per 100 FTE at the UC

Increase number of degrees awarded to 29 per 100 FTE at the UC

Increase number of degrees or high-value certificates awarded to 42 per 100 FTE at the CCC

Increase number of degrees awarded to 32 per 100 FTE at the CSU

Increase number of degrees or high-value certificates awarded to 46 per 100 FTE at independent colleges and universities

DESTINATION
60 percent of all racial/ethnic groups hold a college degree or high value credential

$133 BILLION RETURN ON INVESTMENT for California and our Nation

$44 BILLION in additional revenue
+ $62 BILLION in additional revenue
+ $19 BILLION in savings
+ $3 BILLION in savings
+ $5 BILLION in joint savings

California residents will see
$435 BILLION in additional income before taxes
The most significant investment California made in the 1960’s was the creation of, arguably, the best public higher education system in the world. The 1965 Master Plan for Higher Education created a three-tiered system of higher education that provided a place in college for any Californian seeking the opportunity. From research universities to accessible four-year public state universities and community colleges, the Master Plan for Higher Education catapulted California into world leadership in gross domestic product such that today, the state is the 5th largest economy in the world.1

While revolutionary for its time, the design of the Master Plan no longer reflects the economic and workforce demands of the state and has led to uneven degree attainment and income inequality across the state. Today, California needs additional college graduates and a more ambitious Master Plan to help us meet the economic imperatives of the next decade. Our information-based economy requires higher levels of education than ever before. The minimum entry-level job in California, more often than not, requires a bachelor’s degree. The state also has a large, highly educated aging workforce of Baby Boomers who benefited from the Master Plan but are now moving into retirement and whose talent must be replaced. This aging workforce is putting a large demand on health care services that require more professionals with a college education. These factors combined create an acute demand for college-educated adults, but those poised to assume positions in our workforce have not been supported to earn college degrees at a rate sufficient to keep pace with economic and workforce needs.

If California is to remain competitive, maintain its economic standing as the fifth largest economy in the world, and meet workforce needs, the state must ensure that college preparation and opportunity are provided in a more equitable way, and **we must close racial/ethnic gaps in college attainment while ensuring that 60 percent of residents in every racial/ethnic group hold a college credential by 2030.** If we do not take action, by 2030, we estimate only 32.5 percent of the state’s Latinx workforce will have a degree or high-value credential. This is barely half of the 60 percent goal articulated above.

Latinx Californians account for almost 40 percent of the state’s population, making them the state’s largest demographic group. However, Latinx adults have the lowest levels of educational attainment of any demographic group in California, with only one in five holding a college degree of any sort.

Ensuring that at least 60 percent of the state’s workforce holds a college credential, and that at least 60 percent of the state’s Latinx, Black, and American Indian/Alaska Native residents hold a college credential will generate an additional 2.5 million credentials over the coming decade. Moving from a 32.5 percent college attainment rate among Latinx Californians in the workforce to a 60 percent college attainment would result in 1.26 million additional bachelor’s degrees and 1.16 million additional associate degrees and certificates for the state’s Latinx residents alone.
The average income for a Latinx member of California’s workforce population would increase from $32,509/year to $42,130/year by 2030. Raising the percentage of Black Californians with a degree or high-value credential from 50.2 percent to 60 percent would lift the average income for Black Californians in the workforce from $39,114 to $43,310 by 2030.

This increase in college graduates will make Californians an additional $329 billion richer over the next 10 years after accounting for taxes—that’s $329 billion for residents to save or spend on goods and services in the state. The combination of additional tax revenues to the state from income, sales, and property taxes, combined with state savings in cash aid, food stamps, disability, and corrections programs will net almost $63 billion in state revenue over the coming decade.

But to yield the billions in return outlined above, California must make an $80 billion investment over the same time period.

That investment must go toward closing the college attainment gap by strengthening and improving outcomes across California’s education system. In this report, we outline ambitious targets for our state’s K-12 system, community colleges, and universities, and we note the tremendous impact that closing the racial/ethnic degree gap will have on our state’s educational attainment and economic health.

This report focuses on the impact of raising degree attainment for California’s Black, Latinx, and American Indian/Alaska Native populations, specifically. We acknowledge that there is tremendous variation within the Asian-American, Native Hawaiian, and Pacific Islander (AANHPI) community with regards to college access and degree completion, with some AANHPI subgroups seeing bachelor’s degree attainment rates of 70 percent and others as low as 10 percent. The Campaign for College Opportunity will release an updated State of Higher Education for Asian American, Native Hawaiian, and Pacific Islander Californians later this year that focuses on California’s support for AANHPI students in our colleges and universities, but the data available for this analysis did not permit the modeling of increased degree attainment for groups within the AANHPI community. We support efforts to ensure a 60 percent attainment goal applies to all such groups. Success in supporting AANHPI groups to degree and high-value certificate completion will further enhance the economic returns discussed in this report.
Raising the attainment of Latinx Californians from 32.5 percent to 60 percent would raise the average income for Latinx members of California’s workforce by $9,621 by 2030.

Figure 1. Change in Personal Income per Black, Latinx, and American Indian/Alaska Native Member of the Workforce
THE STATE RETURN

A more highly educated workforce is also beneficial to the state’s economy. Our 2012 report found that for every $1 invested in higher education, the state receives $4.50 in return. Residents with higher levels of education earn and spend more money in the state, contribute to local tax bases, are incarcerated at lower rates, and require less taxpayer expenditures on social services. **Ensuring that 60 percent of Californians hold a degree or high-value credential across all racial/ethnic subgroups would yield nearly $20 billion in savings to the state** in health and criminal justice state expenditures by 2030. This will also create $80 billion in additional income to California residents per year by 2030, with increased taxes and cost savings netting almost $12 billion to the state’s budget and more than $12 billion to the federal government annually.

While the majority of increases in state and federal revenues come from increased tax revenues, California’s state budget would also see a savings of over $2.7 billion year in Medicaid costs, and almost $900 million in the Corrections budget.

Californians will net an additional $60 billion after taxes annually by 2030 if we ensure that 60 percent of the state’s residents hold a degree or high-value credential across all racial/ethnic subgroups.

Figure 2. Additional Revenues Generated
Ensuring that 60 percent of Californians hold a degree or high-value credential across racial/ethnic subgroups will yield billions to the state in the form of additional tax revenues and cost savings.

Figure 3. Additional State Revenues Generated

The federal government will receive over $11 billion in additional taxes and would save over $500 million in Medicare costs alone annually.

An additional one billion dollars each year would be saved on programs jointly funded by state and federal resources, including cash aid, food stamps, and disability programs.
Raising college attainment to 60 percent for all racial/ethnic groups will require a substantial investment, but this investment will yield an even more substantial return. State investment, including Cal Grant expenditures for example, will rise as the state supports more students in their pursuit of higher education. Though the initial costs are high, by 2028, the revenue benefits to the state alone will outweigh the costs by almost $2 billion annually. By 2030, the cumulative costs will be close to $80 billion, but the additional revenues netted to the state and federal governments combined will be $133 billion over this time frame.

BY 2030
the cumulative costs will be close to $80 billion but the additional revenues to the state and federal governments combined will exceed $133 billion.
A Roadmap for Raising College Attainment to 60 Percent for All Racial/Ethnic Subgroups in California

Generating 2.5 million additional credentials by 2030 will not be easy, but if any state can do it, California can. It will require increases in state and federal funding for California's high schools and community colleges, as well as additional financial aid for students. It will require improved high school graduation and college preparation, improvements in transfer, certificate and associate degree completion at our community colleges, and increased enrollments and completions at our four-year colleges and universities with intentional strategies to close racial/ethnic gaps and measurable success in awarding degrees and high-value credentials to Black, Latinx, and Native American/Alaska Native students.

Current educational attainment rates for California’s racial/ethnic demographic groups show that a majority of the state’s Black, Latinx, and American Indian/Alaska Native adults are nowhere near a 60 percent attainment rate (See Figure 5).

Forty-six percent of Black Californians, 27 percent of Latinx Californians, and 34 percent of American Indian/Alaska Native Californians currently hold a degree or high-value credential. Figure 5. Educational Attainment, California Population 25-64 years old

Note: Educational attainment data from the US Census does not include certificates. We rely on estimates from the Georgetown Center for Education and the Workforce indicating seven percent of California's labor force holds a high-value certificate. We then assume the distribution of these certificates mirrors the distribution of the set of residents with some college/no degree to estimate certificate-holders by race/ethnicity.
However, there continues to be positive growth in degree attainment such that we are on track to see 32.5 percent of the state’s Latinx residents with a degree or high-value credential by 2030 compared to 27 percent in 2018 (See Figure 5). While this is an improvement, it is barely half way toward a 60 percent attainment goal for all racial/ethnic groups which is needed to yield the additional 2.5 million college credentials.

Table 1. Additional Degrees and Certificates from Closing Racial Attainment Gap for Latinx, Black, and AIAN Californians

<table>
<thead>
<tr>
<th></th>
<th>Current Projected Population with a College Certificate or Higher, 2030</th>
<th>Explicit and Intentional Action Toward a 60% Goal by 2030</th>
<th>Additional Certificate and Degree Holders if Goal 2030 is Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Bachelor’s</td>
</tr>
<tr>
<td>Black</td>
<td>50.2%</td>
<td>119,198</td>
<td>73,047</td>
</tr>
<tr>
<td>Latinx</td>
<td>32.5%</td>
<td>2,365,212</td>
<td>1,258,053</td>
</tr>
<tr>
<td>AIAN</td>
<td>35.2%</td>
<td>19,402</td>
<td>9,642</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,503,812</td>
<td>1,340,742</td>
</tr>
</tbody>
</table>

Figure 6. Additional Degrees and Certificates from Closing Racial Attainment Gap for Latinx, Black, and AIAN Californians
It is clear that ambitious targets are needed to close racial/ethnic gaps in college attainment and achieve 60 percent attainment for all racial/ethnic groups. Table 2 outlines ambitious targets for our K-12 sector and institutions of higher education to close the gaps and raise attainment. The targets include the following:

1. **CALIFORNIA MUST LEAD THE NATION IN HIGH SCHOOL GRADUATION.**
   
   The state’s high schools must increase the percentage of each entering cohort that successfully graduates. In our 2016 baseline year, just over 80 percent of high school students were successfully completing their high school education. This must increase to at least 90 percent, with an emphasis on growing the share of graduates who have satisfied the A-G requirements for University of California and California State University eligibility.

2. **CALIFORNIA MUST LEAD THE NATION IN COLLEGE-ENROLLMENT DIRECTLY FOLLOWING HIGH SCHOOL.**
   
   High schools and colleges must work to ensure that more students enroll in college within 12 months of earning their high school diploma. Currently, fewer than two-thirds of California’s high school graduates are enrolling in college directly after high school. The state must ensure this improves to 75 percent.

3. **CALIFORNIA MUST INCREASE ENROLLMENT OF ADULTS IN COLLEGE.**
   
   Even as we strengthen the pathway from California’s high schools to its colleges and universities, we must reach out to those who are already in the workforce, but who stand to benefit by earning a degree or high-value credential. In our 2016 baseline year, 3.9 percent of California residents between the ages of 20 and 44 enrolled in college for the first time. Here too, California must lead the nation, ensuring the number of first-time enrollees, aged 20-44, equals at least 4.77 percent of the state’s 20-44 year-old population. Efforts to engage adult learners should include those with some college, but no degree. Engaging this population will help California reach a 60 percent goal. About one in five of the state’s Black and American Indian/Alaska Native residents has attended college, but received no degree or certificate.

4. **CALIFORNIA MUST INCREASE THE NUMBER OF TRANSFER STUDENTS FROM COMMUNITY COLLEGES TO FOUR-YEAR INSTITUTIONS.**
   
   By 2030, the number of transfer students enrolling in our four-year institutions each year must grow to exceed 150,000 students annually, up from 88,080 in 2018.

5. **CALIFORNIA COMMUNITY COLLEGES MUST IMPROVE DEGREE PRODUCTION.**
   
   In 2018, California’s community colleges awarded 29.8 credentials for every 100 full-time equivalent (FTE) student on their campuses. This compares to the national average of 32.8 degrees/100FTEs. By 2030, community colleges in the state of California must be awarding at least 42 degrees for every 100 FTE students on their campuses. Efforts to improve degree completion must also target adult learners who have some college but no degree.
CALIFORNIA’S PUBLIC UNIVERSITIES MUST IMPROVE DEGREE PRODUCTION.

The University of California and the California State University systems both exceed the national averages for degrees awarded per 100 FTEs. However, if 60 percent of California’s residents, including 60 percent of residents in every racial/ethnic subgroup, hold high-value credentials, then California’s public universities must lead the nation in graduating their students and move from 25.6 awards per 100 FTEs to 28.6 awards at the University of California system and 27 awards per 100 FTEs to 31.6 degrees at the California State University system. Efforts to improve degree completion must also target adult learners who have some college but no degree.

CALIFORNIA’S INDEPENDENT COLLEGES AND UNIVERSITIES MUST IMPROVE DEGREE PRODUCTION.

California’s independent colleges and universities award 35.7 degrees per 100 FTEs. This must improve to best in nation, or 46 degrees awarded per 100 FTEs. Efforts to improve degree completion must also target adult learners who have some college but no degree.

Table 2. Closing the Attainment Gap

<table>
<thead>
<tr>
<th></th>
<th>2016 Baseline</th>
<th>2030 Goals</th>
<th>Net Impact on Credential Attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Graduation Rate</td>
<td>82.7%</td>
<td>90.4%</td>
<td></td>
</tr>
<tr>
<td>Percent Enrolling Directly out of High School</td>
<td>63.2%</td>
<td>74.8%</td>
<td></td>
</tr>
<tr>
<td>1st time enrollment, 20-44 YO</td>
<td>3.9%</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>Transfer Students per Year</td>
<td>88,080</td>
<td>154,140</td>
<td></td>
</tr>
<tr>
<td>Credentials Awarded per 100 full-time equivalent (FTE) students at Public Two-Year Colleges</td>
<td>29.8</td>
<td>41.8</td>
<td>Additional credentials: 2,510,560</td>
</tr>
<tr>
<td>Credentials Awarded per 100 FTE Students at the University of California</td>
<td>25.6</td>
<td>28.6</td>
<td>Additional state revenues: $63.0 billion</td>
</tr>
<tr>
<td>Credentials Awarded per 100 FTE Students at the California State University</td>
<td>27.0</td>
<td>31.6</td>
<td>Additional federal revenues: $64.5 billion</td>
</tr>
<tr>
<td>Credentials Awarded per 100 FTE Students at Independent Colleges and Universities</td>
<td>35.7</td>
<td>46.4</td>
<td>Additional cost to state: $79.1 billion</td>
</tr>
</tbody>
</table>

A Word on Full-Time Equivalent Students

The measure used here, **Credentials per 100 FTE Students**, allows us to consider that the state’s public colleges and universities enroll both full-time and part-time students. FTE is a way to aggregate part-time students into full-time students. State funding and college budgets are based on FTE.
An Infrastructure to Reach 60 Percent College Attainment for All Racial/Ethnic Groups

Achieving the goal of 60 percent college attainment for all racial/ethnic groups requires California to have an infrastructure in place that sets expectations and builds in accountability for success.

The necessary infrastructure that must be built to ensure California can reach 60 percent college attainment for all racial/ethnic groups includes:

1. The formal establishment of a degree attainment goal codified in law that contains specific, separate, and trackable annual attainment targets for Latinx, Blacks, American Indian/Alaska Natives, and marginalized groups within the Asian American, Native Hawaiian and Pacific Islander communities.

2. A gubernatorial directive to California’s colleges and universities to develop plans to increase the racial/ethnic diversity of students, faculty and staff; promote cultural competence; increase enrollment, retention, and graduation; and foster a culture of racial/ethnic equity and inclusion. Include performance targets on select goals, and annual progress towards ensuring admissions and hiring practices do not discriminate against people of color and women.

3. The robust use of data, disaggregated by race/ethnicity, centralized and prioritized across California’s institutions of higher education that captures roadblocks to student success, where intervention is most needed, where investment will pay off, and the progress toward closing racial equity gaps. This data should inform budget allocations and policy decisions by our governor and state leaders. California should continue its work toward the establishment of a robust, statewide longitudinal data system.

4. The creation of public and transparent tools and processes on the progress of closing racial equity gaps such that students, families, community members and advocates have readily available data and information to know how well campuses and higher education systems in the state are serving students and whether they are making progress on closing racial/ethnic equity gaps. This could come in the form of public data portals or annual progress reports to the legislature and governor.

5. Prioritization of state funding to incentivize colleges and universities to serve and improve outcomes for underrepresented students of color. Audit implementation of existing California policies designed to close racial/ethnic equity gaps to ensure implementation is occurring equitably across the state and that gaps are closing.
Conclusion

A college degree or credential is the best investment an individual can make in themselves and the best investment the state can make for its economic health and future. A college degree or credential is a safeguard for the state and individuals during economic downturns, not unlike the global pandemic crisis we find ourselves in today. It is the safeguard too few Latinx, Black, Native American and many within the Asian American community have that has led to tremendous inequality.

As we enter 2021, careful policy and budget decisions will need to be made that stabilize our economy while setting the stage for recovery. Greater investment in higher education, with its unparalleled returns, must be a key economic and racial equity strategy for California. This brief outlines specific targets for college preparation, access and completion for all racial/ethnic groups, that if invested in and met, can yield returns in the hundreds of billions while closing racial/ethnic equity gaps. The targets are ambitious but California is an ambitious state. We lead the country in innovation and have a track record of transformative policies that set the tone and direction for the nation on multiple fronts. California can and must be the model for the nation in expanding college opportunity, especially during this COVID-19 crisis, as an economic and racial equity imperative and as a tremendous good for the state and all whom call it home.
Acknowledgements

The data and analysis on which this report was based were produced by the National Center for Higher Education Management Systems (NCHEMS). The primary analysts of the background paper are Brian Prescott, Vice President of NCHEMS and Rachel Christeson, NCHEMS Research Assistant. John Clark, NCHEMS Research Associate, provided expert guidance and feedback on the data as well as drafts of this report.


Vikash Reddy, PhD and Audrey Dow co-authored this report, with contributions from Michele Siqueiros.

Endnotes


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