The Campaign for College Opportunity

"RETURN ON INVESTMENT" FAST FACTS

"Return on Investment: Education Choices and Demographic Change in California's Future" is a new landmark study conducted by UC Berkeley researchers Henry Brady, Michael Hout and Jon Stiles. The study is unique for two reasons: 1) it provides the most advanced projections yet of future California populations, and 2) it provides a detailed analysis of the actual costs and benefits to California taxpayers for increasing the number of students attending college and completing a bachelor's degree.

Methodology

The study analyzes the return on investment for higher education using four different scenarios:

- **Fixed capacity:** In this bleak scenario, the number of available seats at community colleges and universities stays the same over time, even as the college-age population continues to grow.
- **Current conditions:** In this "baseline" scenario, current rates of high school graduation, college-going and college completions for students in public colleges are held fixed at rates currently typical for students of their ethnic group.
- **Increased college going:** In this "expanded enrollment" scenario, the study estimates achievable increases in high school graduation rates, largest among Latinos, with moderate gains for non-Hispanic Blacks and Whites, and small gains among Asians, gradually phased in between now and 2020. These gains in high school completion are complemented with fixed increases in college-going among high school graduates.
- **Improved completion:** In this "optimal" scenario, the gains in high school completion and college entry from the prior scenario are achieved, but in addition, more students who begin their college education complete a degree.

Key Findings

- For every dollar California invests to get more students in and through college, it will receive a net return of three dollars. This is due to increased tax contributions and reductions in expenditures for social services and incarceration.
- Achievable gains in college-going for each group of 18-year-olds in California will yield $3 billion in additional net tax revenue over their lifetimes.
- The state's investment in higher education will pay off surprisingly quickly: By age 35, California college graduates will have repaid California taxpayers' initial investment in full. For the next 30 years these individuals spend working until they retire at age 65, they effectively produce a "bonus" to the state in terms of increased tax contributions.
- If enrollment stalls at current capacity, the state will actually lose – not save – money. Due to reduced tax revenues and increased costs for social welfare and incarceration, the state faces a net loss of two dollars in the long run for every dollar it failed to spend in the short run.
- In addition to the benefits to the state, the study quantifies the "quality of life" benefits for expanded college opportunity, such as having a more secure career and owning a home.
- The study notes important policy implications such as improving the high school to college transition, making the best use of all higher education assets, and enhancing college access and outcomes for students from all ethnic groups.