



1111 Franklin Street
Oakland, California 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

January 27, 2012

The Honorable Mark Leno
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Leno:

Pursuant to Section 66021.1 of the Education Code, I am pleased to enclose the University of California's annual preliminary report to the Legislature on *Institutional Financial Aid Programs*.

If you have any questions regarding this report, Associate Vice President Debora Obley would be pleased to speak with you. She can be reached by telephone at (510) 987-9112, or by e-mail at Debora.Obley@ucop.edu.

With best wishes, I am,

Sincerely yours,

Mark G. Yudof
President

Enclosure

cc: Ms. Jody Martin, Joint Legislative Budget Committee
Ms. Tina McGree, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. Gregory Schmidt, Secretary of the Senate
Mr. Dotson Wilson, Chief Clerk of the Assembly
Ms. Ana J. Matosantos, Director of Finance
Ms. Sara Swan, Department of Finance
Provost and Executive Vice President Lawrence Pitts
Executive Vice President Nathan Brostrom
Chief Financial Officer Peter Taylor
Senior Vice President Dan Dooley
Vice President Patrick Lenz
Associate Vice President and Director Steve Juarez
Associate Vice President Debora Obley
Executive Director Jenny Kao

Institutional Financial Aid Programs-Preliminary

January 2012

Legislative Report



UNIVERSITY *of* CALIFORNIA

TABLE OF CONTENTS

OVERVIEW..... 1

I. INSTITUTIONAL AID FOR UNDERGRADUATE STUDENTS..... 4

II. INSTITUTIONAL AID FOR GRADUATE ACADEMIC STUDENTS..... 14

III. INSTITUTIONAL AID FOR GRADUATE PROFESSIONAL STUDENTS..... 17

OVERVIEW

Language in Section 66021.1 of the California Education Code directs the California State University and requests the University of California to report annually to the Legislature on their respective institutional financial aid programs. The University presents this report in response to the request for a preliminary report on its institutional financial aid programs. That request reads as follows:

66021.1(b) The California State University shall, and the University of California is requested to, report annually to the Legislature on their respective institutional financial aid programs. The California State University shall, and the University of California is requested, to provide preliminary reports on or before January 10 of each year, and final reports on or before March 31 of each year.

(c) The preliminary reports shall include all of the following:

(1) A description of the goals, terms, and policies of each of the university's institutional aid programs, including eligibility criteria, allocation of financial aid awards, fee waivers, and other relevant information.

(2) A description and explanation of any changes the university has made to any of these policies since the prior year, and any changes the university intends to make for the next academic year.

(3) The total amount the university expended on institutional aid for students, disaggregated by student level, for the two prior academic years, the current year, and a projection for the next year, and the average and 90th percentile undergraduate institutional aid award amount provided per recipient for the prior two academic years and the current academic year.

(4) The average and 90th percentile parental income level, expected family contribution, and the financial need of undergraduate need-based student institutional gift aid recipients for the prior two academic years.

(5) For the prior year, the current year, and the budget year, an analysis identifying the estimated number of undergraduates with financial need; their aggregate cost of attendance and aggregate expected federal parent contribution; the aggregate amount of financial aid, including federal gift aid, state gift aid, institutional need-based aid, institutional merit-based aid, other institutional gift aid, and private gift aid, received by these students; the aggregate remaining amount to be met by work, borrowing, or other means; and an explanation of the estimated change in aggregate student need in the budget year resulting from changes in the cost of attendance, and other factors, including any fee increases proposed by the university in its fall budget proposal. The explanation shall include an estimate of the extent to which cost increases will be offset by federal, state, and institutional financial aid programs.

(6) The typical financial aid package for a typical dependent

undergraduate student with a parent income of twenty thousand dollars (\$20,000), forty thousand dollars (\$40,000), sixty thousand dollars (\$60,000), eighty thousand dollars (\$80,000), and one hundred thousand dollars (\$100,000).

The University will also provide a final report on its institutional financial aid programs no later than March 31, 2012, in accordance with other provisions of Section 66021.1.

Note that the University provides the Regents of the University of California with an *Annual Report on Student Financial Support* each Spring. That document provides a more comprehensive review of the financial support received by UC students, along with detailed trends and statistics related to support from State, Federal, University, and private sources. The most recent edition of the report may be found at www.ucop.edu/sas/sfs/docs/regents_0910.pdf.

Additional information about the University's financial aid programs may be found in the University's *Budget for Current Operations*. The most recent edition of that publication is available at budget.ucop.edu/pubs.html.

Lastly, metrics related to student expenses, financial aid, and affordability appear in the UC Accountability Framework report, which is available at universityofcalifornia.edu/accountability.

The Role of the University's Undergraduate and Graduate Financial Aid Programs

The financial aid programs available to University of California students do more than provide individual students with financial assistance to help cover their expenses. Considered together, they are critical to the University's success in carrying out its missions of instruction and research. Viewing undergraduate and graduate financial aid programs in terms of the University's missions is fundamental to understanding these programs and their success.

The University's Instructional Mission and Financial Assistance for Undergraduates

California's Master Plan for Higher Education calls for the University to select its undergraduates from among the top one-eighth of graduating high school seniors. The University's undergraduate financial assistance program is built around the goal of ensuring that financial concerns are not a barrier to eligible students choosing to attend the University. Consequently, most undergraduate financial assistance at UC is distributed on the basis of family financial circumstances. This assistance is intended to make the University accessible to students who could not otherwise afford to attend UC.

The University's Research Mission and Financial Assistance for Graduate Students

The University's graduate student enrollment is tied most directly to the University's research mission. The first point of enrolling graduate students is not to serve a designated pool of Californians – indeed, there is no Master Plan goal for graduate enrollment analogous to that for

undergraduate enrollment – but rather to further both the University’s role in helping the state meet its professional workforce needs and the University’s research mission, which makes important contributions to the California economy. These contributions are maximized when the University attracts the top candidates from the pool of prospective graduate level students. This means that the goal of graduate financial support differs substantially from that of undergraduate support. Graduate financial support is intended not simply to make the University accessible, but also to serve as an important recruitment tool, the success of which is tied closely to whether UC’s offers of financial assistance are competitive with those made by other universities competing for the same students. Thus, while most graduate students are needy, graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

Notes on the Data

Figures presented in this report for 2010-11, 2011-12, and 2012-13 are preliminary and subject to change. Figures presented in this report reflect good-faith estimates as of the date of publication. All figures are for the academic year only and exclude self-supporting programs (e.g., Executive MBA programs), which receive no support from State funds.

I. INSTITUTIONAL AID FOR UNDERGRADUATE STUDENTS

The University of California’s undergraduate financial assistance programs are designed to make the University financially accessible to all eligible students. To achieve this goal, the University’s Undergraduate Financial Aid Policy, adopted by the Regents in 1994, calls upon the University to make the *full cost of attending the university* – known as the cost of attendance or the student budget – manageable for eligible students and their families, irrespective of their family resources.

Managing the Cost of Attendance: The Education Financing Model

The University’s approach to student financing is built around an integrated conceptual framework that is used to:

- Guide its work in helping students and their parents manage the cost of an undergraduate education,
- Define its role in funding the University’s undergraduate student financial support programs, and
- Determine how much undergraduate financial aid to allocate to each campus.

This framework, known as the Education Financing Model (“the Model”), is based on the following set of principles:

- Total cost of attendance (resident student fees, books and supplies, living and personal expenses, and transportation) represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;
- All students should expect to make a similar self-help contribution from loan and work toward their cost of attendance, without regard to family income or resources; and
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

The Model is built upon a simple framework. In narrative terms, the framework says that the cost of attendance or student expense budget minus 1) a reasonable parent contribution calculated according to federal standards, 2) anticipated grant aid from state and federal sources, and 3) a manageable student self-help contribution from loan and/or work, equals the amount of University grant aid needed.

Understanding how the University's undergraduate institutional aid program is administered requires a general understanding of each of the elements of the framework. These elements are explained below.

- **Student Expense Budget:** The student expense budget represents an estimate of a student's costs while attending college. This budget accounts for expenses such as student fees, books and supplies, room and board, transportation, and personal expenses, and reflects differing expenses associated with different campuses and different living arrangements.
- **Parent Contribution:** The expected contribution from parents is calculated in accordance with the federal needs analysis methodology.
- **Federal and State Grant Aid:** Federal and state grant aid is extremely important to UC students. Grant aid is what reduces the need for students to work and borrow to cover their educational costs, and together, federal and state grants account for over 60 percent of the grants received by UC undergraduates.
- **Manageable Student Self-Help Contribution from Work and Borrowing:** While University financial aid recipients are expected to contribute to their expenses, the goal of the Model is to keep the hours worked and student debt levels within a manageable range, and to keep the total student contribution consistent across income levels.
- **University Grant Aid:** University grant assistance is awarded to students whose full cost of attendance is not covered through sources listed above. Without the University grant to cover remaining expenses, some students would be left facing the need to work or borrow at higher levels. This would be inconsistent with the principle calling for equity in expectations.

***The Conceptual Framework of the
Education Financing Model***

Student Expense budget (cost of attendance):

Less Reasonable Contribution from Parents

Less Federal and State Grant Aid

Less Manageable Student Self-Help
Contribution from Work and Borrowing

Equals University Grant Aid Needed

Undergraduate Institutional Aid Programs

At the undergraduate level, the University's institutional aid programs can be grouped into four general categories:

- **Need-based grants.** Need-based UC grants represent the most significant source of institutional aid for UC undergraduates. The primary goal of UC need-based grants is to provide financial access to students according to the terms of the Education Financing Model as described above. The specific awarding criteria vary slightly across campuses, consistent with the flexibility provided to campuses under the Model. In addition, beginning in 2009-10, the University has awarded need-based grants as needed to ensure that low-income students who qualify for the Blue and Gold Opportunity Plan receive gift aid – from UC, Federal, State, and/or outside agency grants and scholarships – that is at least equal to their mandatory systemwide fees, not to exceed the student's financial need. (The Blue and Gold Opportunity Plan is described in greater detail below.) In order to achieve these two goals, funding for UC grants is allocated to campuses in a manner that attempts to provide students with a common baseline level of financial accessibility (i.e., the same student self-help expectation) at every campus and to ensure that each campus has sufficient funds to meet the University's commitment reflected in the Blue and Gold. Allocations take into account campus differences in local costs (on- and off-campus housing, campus-based fees, books and supplies, health insurance, etc.) and student resources (parental resources and grants and scholarships from all sources).

The University also recognizes the financial stress that tuition increases can create for those middle-income students who do not qualify for need-based grants under the Cal Grant program or the Education Financing Model (i.e., students whose cost of attendance is already covered by their expected parent contribution and their student self-help contribution). While Cal Grant recipients and UC grant recipients typically receive additional grant aid to offset the cost of a tuition increase, a tuition increase can create an unexpected gap in other families' household budgets. To help these families transition to the higher tuition level, the University has, in recent years, provided a grant equal to half or all of any tuition increase to financially needy families with parent incomes up to \$120,000 who would not otherwise be eligible for grant assistance. (This income ceiling was \$100,000 in 2009-10 and prior years.) These funds are allocated to campuses based on the estimated funding required to make these awards at each campus.

Undergraduate need-based grants are funded primarily from the University Student Aid Program (USAP) budget, which is augmented each year due to the University's practice of setting aside a portion of new fee revenue for need-based aid. Like all USAP-funded programs, UC grants must be awarded in accordance with USAP Administrative Guidelines (available at www.ucop.edu/sas/sfs/docs/usap.pdf).

- **Scholarships.** UC scholarships are typically based on criteria such as academic achievement, musical talent, or athletic ability. Eligibility for certain scholarships may be

limited to financially needy students, but scholarships are generally available to students at any income level who demonstrate particular merit as defined by the terms of the scholarships.

Most UC scholarships are funded from private gifts and endowments and are restricted to students at a particular campus, consistent with donors' wishes. Selection criteria vary according to local campus objectives and, in the case of privately funded restricted scholarships, donors' wishes.

- **Tuition Exemptions and Waivers.** Certain categories of UC students are exempt from paying in-state tuition and fees and/or nonresident supplemental tuition under a variety of exemption programs, or are eligible for waivers that cover these charges. In most cases, the policy provisions implementing these exemptions and waivers were approved by the Regents in order to align UC policy with statutory exemptions created by the Legislature for students at the California State University and the California Community Colleges. In terms of the number of recipients and the aggregate value of these benefits, the two most significant programs are:
 - *Cal Vet Fee Exemptions.* Eligible dependents of deceased or disabled veterans are exempt from paying in-state tuition and fees.
 - *AB 540 Nonresident Tuition Exemptions.* Students (other than non-immigrant aliens) who attended a California high school for three years and graduated from a California high school are exempt from paying nonresident tuition. Note that this is the only form of institutional financial assistance that is available to undocumented students.
- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. While these programs fill specific niches for certain students (e.g., students who do not meet all of the Federal eligibility requirements for Title IV loan and work-study programs), they represent a tiny fraction of UC undergraduates' overall borrowing and employment earnings. Funding for these programs is campus-based.

Recent and Anticipated Changes to Institutional Aid Policy

Three policy changes affect UC's systemwide institutional aid programs in 2011-12.

- **Increase in the Income Ceiling for the Blue and Gold Opportunity Plan.** In January 2009, the University introduced the Blue and Gold Opportunity Plan, a new policy intended to ensure that eligible students from low-income families receive enough grant and scholarship assistance to fully cover their systemwide tuition and fees. The goal of the Blue and Gold is to provide prospective students from low-income families with a clear, simple message that tuition should not deter them from aspiring to attend UC.

To be eligible for the Blue and Gold in 2010-11, students must:

- Be a California resident
- Submit a Free Application for Federal Student Aid (FAFSA) by March 2
- Apply for a Cal Grant
- Demonstrate income below \$70,000 with financial need
- Be in the first four years as a UC undergraduate (first two for transfer students)
- Meet other campus basic requirements for UC grant aid (enrolled at least half-time, meet campus academic progress standards, etc.)

In 2011-12, the University raised the income ceiling for the Blue and Gold from \$70,000 to \$80,000. All other terms of the program remained in effect.

The University's ability to implement the Blue and Gold Opportunity Plan depends heavily on the State's continued support of the Cal Grant program. If the State were to substantially alter that program, the UC would need to reconsider its ability to continue the Blue and Gold.

- **Increase in the Income Ceiling for Grants Covering One-Half the Annual Fee Increase.** As noted earlier, the University has, in recent years, provided one-time grants equal to one-half of any systemwide tuition and fee increase to financially needy middle-income families. In 2010-11, eligibility for these grants was extended to families earning up to \$120,000. In 2011-12, the program was further expanded to cover the full amount of the 2011-12 tuition and fee increase.
- **Implementation of the California Dream Act (AB 130).** AB 130, enacted in July 2011, extends eligibility for certain forms of institutional aid to undocumented students who are exempt from paying nonresident tuition under AB 540 – generally, students who attended and graduated from a California high school. (The provisions of AB 130 apply to both documented and undocumented students. Its impact is on undocumented students, however, since these students were formerly prohibited from receiving such aid under federal law.) AB 130 applies only to awards derived from nonstate funds, such as gifts and endowments, received for the purpose of scholarships. The effective date of AB 130 is January 1, 2012.

AB 130 will benefit eligible undocumented students throughout the UC system. Its impact will vary by campus, however – particularly in 2011-12 – since campuses have different levels of funding from gifts and endowments and some campuses will have already awarded nearly all of their scholarship funds in Fall 2011.

The **California Dream Act II (AB 131)** will further expand financial aid eligibility for AB 540-eligible students, beginning January 1, 2013. Under AB 131, documented and undocumented AB 540-eligible students may receive Cal Grants and institutional grants and scholarships from any non-federal fund source. While undocumented AB 540-eligible students represent a very small percentage of UC's overall enrollment, the impact of AB 131 on individual undocumented students will be substantial.

Institutional Aid Expenditures

Table 1-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 1-1: Undergraduate Institutional Aid Expenditures,
2009-10 to 2012-13**

	2009-10 (actual)	2010-11 (preliminary)	2011-12 (estimated)	2012-13 (estimated)*
Gift Aid				
Grants				
Total amount	\$397.1 M	\$540.9 M	\$649.6 M	\$713.2 M
Average award	\$5,283	\$6,202	\$7,353	\$7,992
90 th %	\$11,112	\$13,158	\$14,309	\$14,949
Scholarships				
Total amount	\$85.9 M	\$86.1 M	\$87.5 M	\$89.0 M
Average award	\$4,689	\$4,801	\$4,876	\$4,909
90 th %	\$10,000	\$11,029	\$11,103	\$11,137
Subtotal—all Gift Aid				
Total amount	\$483.0 M	\$627.1 M	\$737.1 M	\$802.2 M
Average award	\$5,721	\$6,580	\$7,732	\$8,331
90 th %	\$11,414	\$13,463	\$14,615	\$15,214
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$16.8 M	\$22.7 M	\$26.9 M	\$29.3 M
Average award	\$8,373	\$10,302	\$12,192	\$13,167
90 th %	\$8,373	\$10,302	\$12,192	\$13,167
AB 540 (NR Tuition)				
Total amount	\$36.4 M	\$38.8 M	\$38.8 M	\$39.2 M
Average award	\$22,717	\$22,879	\$22,878	\$22,878
90 th %	\$22,717	\$22,879	\$22,878	\$22,878
Other				
Total amount	\$5.1 M	\$4.1 M	\$6.9 M	\$8.5 M
Average award	\$4,855	\$4,037	\$6,869	\$8,330
90 th %	\$22,717	\$22,879	\$22,878	\$22,878
Loans and Work-Study				
Loans				
Total amount	\$2.7 M	\$2.2 M	\$2.3 M	\$2.3 M
Average award	\$1,928	\$1,396	\$1,417	\$1,427
90 th %	\$2,000	\$2,000	\$2,000	\$2,000
Work-Study				
Total amount	\$3.5 M	\$4.4 M	\$4.5 M	\$4.6 M
Average award	\$2,173	\$2,127	\$2,160	\$2,175
90 th %	\$4,000	\$4,000	\$4,000	\$4,000

*Actual 2012-13 systemwide tuition and fees are not yet known; estimates reflect an 8% increase over 2011-12 levels.

Undergraduate Need-Based Institutional Gift Aid Recipients

Table 1-2, below, displays information about the parent income, expected family contribution, and financial need of students who received need-based institutional gift aid in the past two academic years.

Table 1-2: Parent Income, Expected Family Contribution, and Financial Need of Students Receiving Need-Based Institutional Gift Aid

	2009-10 (actual)	2010-11 (preliminary)
Parent Income (for dependent aid recipients)		
Average	\$41,514	\$44,987
90 th Percentile	\$90,061	\$98,440
Expected Family Contribution*		
Average	\$3,893	\$4,278
90 th Percentile	\$12,357	\$13,797
Financial Need*		
Average	\$23,063	\$25,169
90 th Percentile	\$27,842	\$30,402

*Annualized for students who were enrolled less than the entire academic year.

Trends in Student Costs, Resources, and Need

Table 1-3 on the following page displays information about the aggregate cost of attendance, expected parental resources, gift aid, and remaining need for undergraduate need-based aid recipient in academic years 2010-11 through 2012-13.

The cost of attendance represents a combination of known direct charges (such as systemwide and campus-based fees and on-campus student housing) and estimated other costs (off-campus housing, textbooks, transportation, etc.) incurred by the student over the course of the academic year. To estimate these other costs, the University conducts a periodic Cost of Attendance Survey (COAS). The COAS asks students for information about their actual expenditures on costs such as off-campus rent, meals (other than those covered by their meal plans), books and supplies, transportation expenses, personal expenses, and other costs. During the intervening years between surveys, budget items derived from the COAS are adjusted annually based on changes in the California Consumer Price Index (CPI-W). When results from a new COAS are available, budgets are adjusted upward or downward to reflect the newly available survey data.

UC last conducted the COAS in Spring 2010, four years after the previous COAS. The results indicated that students' self-reported expenditures in several expense categories were, in fact, lower than the amounts predicted based on changes in CPI-W. The findings appear to reflect a combination of changes due to the broader economy (e.g., stagnant off-campus rents and recently

lower fuel prices) and changes in students' spending patterns, some of which may be technology-driven. For example,

- Students reported spending less on books and supplies than UC had expected based on changes in the CPI-W alone. This may reflect the evolving marketplace for textbooks and other study materials, which can often be obtained over the Internet at less than list price.
- Students reported spending less than expected on traditional forms of entertainment. This may reflect the increased availability of music, movies, on-line gaming, and other entertainment media over the Internet at a relatively lower cost.

These findings are reflected in the 2011-12 and later cost of attendance estimates shown below.

Overall, the aggregate undergraduate cost of attendance for need-based aid recipients is estimated to increase by \$199.9 million between 2011-12 and 2012-13. This figure reflects a projected increase in mandatory systemwide fees of 8%; an average increase in campus fees and health insurance costs of 10% and 8%, respectively; an average increase in non-fee costs of 3.1%; and a projected 1% increase in the number of UC families receiving need-based aid.

Of this amount, an estimated \$4.6 million is anticipated to be covered from the parent resources of new aid recipients. The expected parent contribution of current aid recipients is expected to remain unchanged in 2012-13, reflecting the impact of the sluggish economy on parents' financial resources.

Table 1-3: Projected Undergraduate Student Costs and Resources, 2010-11 to 2012-13

	2010-11 (preliminary)	2011-12 (estimate)	2012-13 (estimate)	2012-13 incr. (estimate)
Total # recipients of need-based aid	103,256	103,292	104,325	1,033
(a) Aggregate Cost of Attendance (COA)	\$2,965.4 M	\$3,106.2 M	\$3,306.1 M	\$199.9 M
(b) Aggregate Expected Parent Contribution	\$461.7 M	\$461.8 M	\$466.5 M	\$4.6 M
(c) Aggregate Federal gift aid	\$372.9 M	\$329.4 M	\$332.7 M	\$3.3 M
(d) Aggregate State gift aid				
Cal Grants	\$557.7 M	\$616.1 M	\$676.7 M	\$60.6 M
Other State aid	\$0.9 M	\$0.9 M	\$0.9 M	\$0.0 M
(e) Aggregate UC need-based grants	\$535.0 M	\$649.6 M	\$713.2 M	\$63.6 M
(f) Aggregate UC merit-based awards	\$51.2 M	\$52.0 M	\$52.9 M	\$0.9 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$26.8 M	\$28.1 M	\$30.4 M	\$2.4 M
(h) Aggregate private gift aid	\$25.9 M	\$26.3 M	\$27.0 M	\$0.7 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through i])	\$933.3 M	\$941.9 M	\$1,005.8 M	\$63.9 M

*All dollar figures are in millions. Figures include estimated COA and/or EFC for a small number of students whose actual values are not known.

Under these assumptions, Cal Grants would be expected to provide an additional \$60.6 million in funding to fully cover the projected increase in mandatory systemwide fees for Cal Grant recipients. The University's practice of setting aside 33% of new mandatory systemwide fee revenue, combined with campuses' practice of setting aside a portion of new campus-based fee revenue, would be expected to provide an additional \$63.6 million in funding to help cover both fee and non-fee expenses. Funding from the Pell Grant program is expected to remain flat in 2012-13. Two short-lived federal scholarship programs – the American Competitive Grant (ACG) program and the Science and Mathematics Access to Retain Talent (SMART) Grant program – expire in 2011-12, resulting in a loss of \$38 million for UC needbased aid recipients. Other sources of gift aid are expected to remain relatively flat.

Overall, the University expects undergraduate need not met by the sources described above to increase by \$63.9 million in 2012-13, a per capita increase of approximately \$522 per need-based aid recipient. The increase is attributable to projected increases in tuition, fees, and other costs described above, which will collectively exceed the projected increase in financial aid funds from state, federal, and institutional sources.

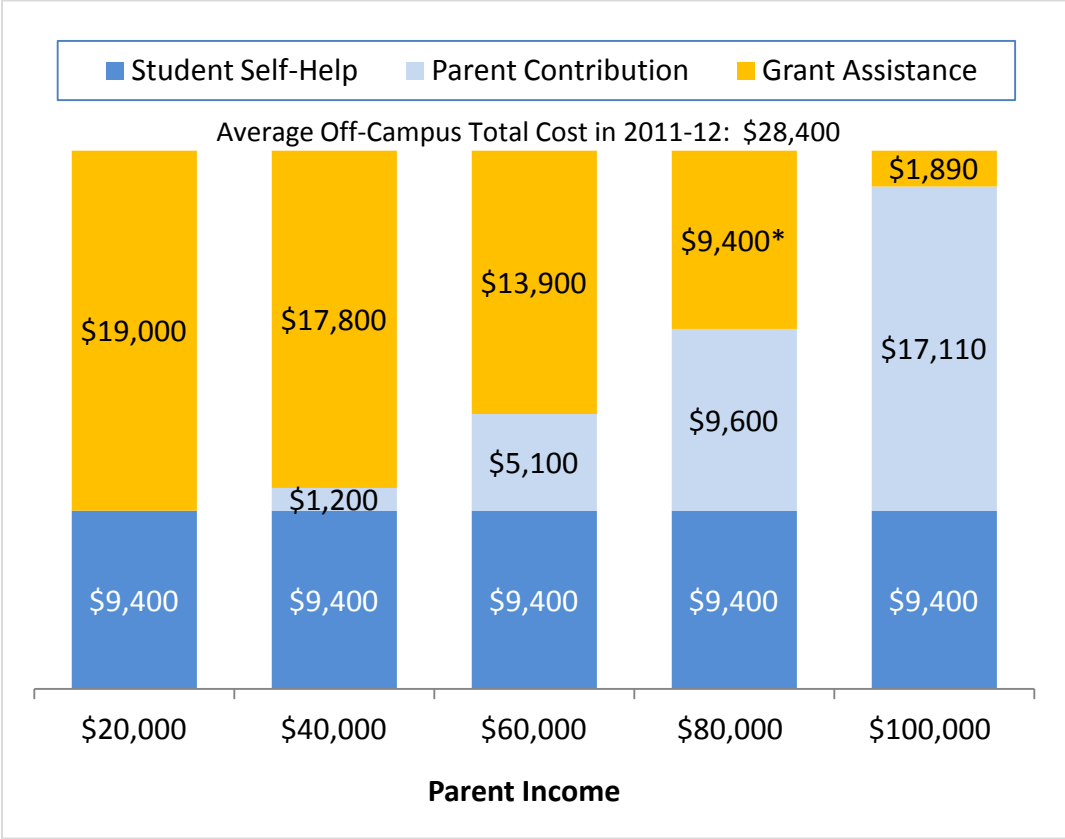
Typical Financial Aid Packages

Display 1-1, below, depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category) for 2011-12. Display 1 shows components of typical packages grouped into three broad categories:

- *Self-help:* Self-help components of a student's package include both student loans and an expected contribution from employment. UC expects all students to be capable of making the same self-help contribution from a manageable level of work and borrowing.
- *Parent contribution:* As shown below, the expected parent contribution rises quickly with income. Parents are not, however, expected to pay this amount out of current income alone. A student's package may include a parent loan to help families cover this amount, and many families contribute from savings as well.
- *Grant assistance:* Grant assistance consists of need-based gift aid provided primarily through a combination of three sources: federal Pell Grants, Cal Grants, and UC Grants. The specific mix of grants depends on the student. UC Grants are awarded so that, in combination with all other grants, self-help is equalized across students. *

* Note that the \$100,000 family in Display 1-1 receives a small amount of grant aid due to UC's practice of covering one-half of any fee increase for middle-income families, as described on page 6.

Display 1-1: Typical Financial Aid Packages, 2011-12



* Grant assistance would increase to \$12,192 if this persons meets all eligibility requirements for the Blue and Gold OpportunityPlan – e.g., CA residence and enrolled 4 years or less.

II. INSTITUTIONAL AID FOR GRADUATE ACADEMIC STUDENTS

Adequate support for graduate students has been identified by the Regents as one of the major issues facing the University. In order to support its research mission and fulfill its responsibility to meet California's professional workforce needs, the University needs to attract top graduate students. To do this, it must offer financial assistance packages that can compete with those offered by other institutions recruiting the same prospective graduate students. Providing a competitive level of student support – after taking into account the tuition and fees that students must cover – is the primary goal of the University's institutional aid program for graduate academic students.

Assessing the Competitiveness of Graduate Academic Student Support

Concerns about the competitiveness of the University's awards were substantiated by surveys conducted in 2001, 2004, 2007, and 2010 of students admitted to UC's academic doctoral programs. These surveys showed variation in the competitiveness of UC's offers across academic disciplines and campuses but indicated that, on average, the net stipend (fellowship and assistantship awards in excess of tuition and fees) associated with the offer from the student's top choice UC doctoral program was substantially less than the student's top choice non-UC offer. Taking into account differences in the cost of living in different university communities increased the average shortfall in the value of UC's offers. Complete survey results may be found at http://www.ucop.edu/sas/sfs/reports_data.html.

As in past years, the University's proposals for 2011-12 are designed to address directly the most pressing concerns regarding graduate student support, namely, (1) mitigating the impact of any further fee increases on graduate student support, (2) allowing the University to compete successfully for the top students, and (3) providing additional funding so that the University can achieve its goals for graduate enrollment growth.

Graduate Academic Institutional Aid Programs

The University's institutional aid programs for graduate academic students can be grouped into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid is generally the most desirable and flexible form of student financial support for graduate academic students. Unlike research assistantships or teaching assistantships, these awards impose no employment obligation on the part of the recipient to “earn” the support; unlike loans, they do not need to be repaid. USAP provides most of the institutional funding available for UC-awarded gift aid. (For more details on the terms associated with USAP awards, see the USAP Administrative Guidelines at <http://www.ucop.edu/sas/sfs/docs/usap.pdf>.) Campus allocations of USAP fellowship funds take into account the number of graduate academic students at each campus and each campus’s need to cover fee increases for UC fellowship recipients.
- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate academic students are exempt from paying fees and/or nonresident tuition under various fee and tuition exemption programs, or are eligible for waivers that cover these charges.
- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University’s overall support for graduate academic students.

In addition to the financial aid programs described above, graduate academic students also utilize research and teaching assistantships to finance their UC education. These appointments are important for other reasons as well: assistantships help students to develop important teaching and research skills, to form close working relationships with faculty members, and to deepen their expertise in specific subject matter areas. University-sponsored assistantships have been funded from either the instructional (for teaching assistantships) or research (for research assistantships) portion of the University’s budget, or from extramural sources (e.g., sponsored research grants). In recent years, the University has also allocated a portion of its student support funds to campuses in recognition of the increased cost of providing fee remissions[†] to these students.

Recent and Anticipated Changes to Institutional Aid Policy

As noted earlier in this report, the recent enactment of AB 130 and AB 131 will expand eligibility for institutional aid to students who are exempt from nonresident tuition under AB 540. No other changes to the University’s institutional aid policy for graduate academic students are anticipated for 2011-12 or 2012-13.

Institutional Aid Expenditures

Table 2-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

[†] Teaching assistants and research assistants with appointments above a minimum percentage are entitled to remissions that cover their systemwide fees.

**Table 2-1: Graduate Academic Institutional Aid Expenditures,
2009-10 to 2012-13**

	2009-10 (actual)	2010-11 (preliminary)	2011-12 (estimated)	2012-13 (estimated)
UC Gift Aid				
Total amount	\$216.5 M	\$228.3 M	\$241.1 M	\$256.3 M
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$0.3 M	\$0.4 M	\$0.5 M	\$0.5 M
AB 540 (NR Tuition)				
Total amount	\$3.2 M	\$3.6 M	\$3.5 M	\$3.5 M
Other				
Total amount	\$6.2 M	\$7.1 M	\$8.3 M	\$8.9 M
Loans and Work-Study				
Loans				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
Work-Study				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M

Projected increases in UC gift aid in 2011-12 and 2012-13 reflect funding derived from the University's practice of setting aside 50% of new fee revenue from enrollment growth and fee increases for financial aid ("return-to-aid").

Projected increases in exemptions and waivers, loans, and work-study reflect a combination of anticipated enrollment growth and fee increases.

III. INSTITUTIONAL AID FOR GRADUATE PROFESSIONAL STUDENTS

The University's professional school programs graduate a cadre of trained professionals in medicine, business, law, and other disciplines, many of whom remain in California and make valuable contributions to their professions and to the state. The University recognizes the importance of enrolling talented students from diverse socioeconomic backgrounds into these programs, for the betterment of the communities, institutions, and individuals that these professionals will ultimately serve. The University's institutional aid programs for graduate professional degree students are thus oriented around this goal.

About two-thirds of aid awarded to graduate professional students is in the form of loans, rather than fellowships or grants. The differences in support patterns for graduate academic and graduate professional students reflect the contrasting approaches to graduate student support in higher education. Fellowship, grant, and assistantship support are viewed as more successful and loans less successful for recruiting and retaining doctoral students whose academic programs are lengthy and whose future income prospects are relatively low. In contrast, student loans are viewed as more appropriate for students pursuing professional degrees. These programs are relatively shorter and students' incomes have the potential to be substantially higher.

Graduate Professional Institutional Aid Programs

The University's institutional aid programs for graduate students in professional degree programs fall into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid can significantly reduce the cost of a graduate professional degree program. Programs that charge a professional degree fee are expected to set aside a portion of the professional degree fee revenue for fellowship support. At the systemwide level, USAP also provides fellowship funding for students in professional degree programs. (For more details on USAP awards, see the USAP Administrative Guidelines at www.ucop.edu/sas/sfs/docs/usap.pdf.) Campus allocations of USAP fellowship funds take into account the number of graduate professional degree students at each campus.
- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate professional degree students are exempt from paying fees and/or nonresident tuition under various fee

and tuition exemption programs, or are eligible for waivers that cover these charges.

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University's overall support for graduate professional degree students.

In addition to these programs – which provide institutional support to currently enrolled students – loan repayment assistance programs (LRAPs) are available to graduates of certain professional degree programs. Four UC graduate professional degree programs (three in law, one in business) provide loan repayment assistance programs to provide assistance to program graduates who chose to enter low-paying careers in the public interest. Outside agencies also provide LRAPs to students in the health sciences who pursue public interest careers as defined by each agency.

Recent and Anticipated Changes to Institutional Aid Policy

As noted earlier in this report, the recent enactment of AB 130 and AB 131 will expand eligibility for institutional aid to students who are exempt from nonresident tuition under AB 540. No other changes to the University's institutional aid policy for students in graduate professional degree programs are anticipated for 2011-12 or 2012-13.

Several programs began to assess a professional degree fee for the first time in 2011-12. Consistent with University policy, those programs each set aside an amount equivalent to at least one-third of their professional degree fee revenue for institutional aid. The programs are:

- Art (Los Angeles)
- Educational Leadership (Davis)
- Engineering (Berkeley)
- Health Informatics (Davis)

Several other programs have submitted proposals to assess a professional degree fee for the first time in 2012-13, with a similar set-aside for financial aid. Those programs are:

- Applied Economics (Santa Cruz)
- Biotechnology Management (Irvine)
- Chemical Engineering (Berkeley)
- Development Practice (Berkeley)
- Engineering Management (Irvine)
- Genetic Counseling (Irvine)
- Statistics (Berkeley)

Institutional Aid Expenditures

Table 3-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 3-1: Graduate Professional Institutional Aid Expenditures,
2009-10 to 2012-13**

	2009-10 (actual)	2010-11 (preliminary)	2011-12 (estimated)	2012-13 (estimated)
UC Gift Aid				
Total amount	\$103.1 M	\$114.7 M	\$132.9 M	\$149.4 M
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$1.7 M	\$2.3 M	\$2.7 M	\$2.9 M
AB 540 (NR Tuition)				
Total amount	\$2.7 M	\$2.8 M	\$2.8 M	\$2.8 M
Other				
Total amount	\$2.9 M	\$3.4 M	\$4.0 M	\$4.4 M
Loans and Work-Study				
Loans				
Total amount	\$1.4 M	\$1.9 M	\$2.0 M	\$2.0 M
Work-Study				
Total amount	\$0.1 M	\$0.1 M	\$0.1 M	\$0.1 M

The projected increases in UC gift aid for 2011-12 and 2012-13 reflect a return-to-aid of 33% on all new professional degree fee revenue as well as a return-to-aid on new Educational Fee and Student Services Fee (formerly Registration Fee) revenue.

Projected increases in exemptions and waivers, loans, and work-study reflect a combination of anticipated enrollment growth and tuition and fee increases.

Contact information:

UCOP Budget and Capital Resources

1111 Franklin Street, 6th Flr.

Oakland, CA 94607-5220

Office website: <http://budget.ucop.edu>

Report website: <http://budget.ucop.edu/legreports/>