

## **Managing the Undergraduate Cost of Attendance**

Over the past few years, the University has developed an integrated conceptual framework that will be used to guide its work in helping students and parents manage the cost of an undergraduate education, in defining its role in funding the University's undergraduate student financial support programs, and in allocating those funds to the campuses. This framework, known as the Education Financing Model (hereinafter "the Model"), is based on the following single set of principles:

- total cost of attendance (fees, living and personal expenses, books and supplies, 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;
- equity of expectations is needed across the entire undergraduate student body, so that all students will be called upon to make some contribution toward their cost of attendance; 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.

*What do these principles mean for the parents of UC undergraduates?*

- As they prepare for their role in financing the cost of a UC education, parents need to consider the entire cost of attendance, rather than merely the fees charged by the University. Under the Model, campuses employ a standard cost of attendance figure that, in addition to fees, reflects an average of what current students report as the expenses directly associated with attendance at the University, such as room and board, books and supplies, transportation, and other personal expenses.
- Parents will be expected to contribute toward this cost of attendance to the extent they are able, as defined by federal standards, which take into account parental income and assets (excluding home equity), as well as family size and the number of family members in college.
- The federally defined parent contribution rises rapidly as income increases, and most middle-income parents find that current income is not sufficient to meet their assigned contribution. Therefore, parents need to be prepared to meet their expected contribution by planning and saving beforehand and by borrowing once their son or daughter is enrolled. Students whose parents do not fulfill their part of the education financing partnership will face an additional work or debt burden in order to cover their total cost of attendance.

*What do these principles mean for UC students?*

- All undergraduates can expect to be called upon to cover part of their cost of attendance through a combination of wages earned and funds borrowed. This “loan/work expectation” is not identical for all students: it will vary according to campus resources and financial aid policies. However, the Model establishes a range that will serve as a guide for campuses. The goal of this range is to keep the loan/work expectation at a level that will enable students to make steady progress toward completion of the baccalaureate degree and to meet their repayment obligations after graduation.
- Students will be able to affect the amount of their loan/work expectation in a variety of ways. By reducing expenses, students can lower their total cost of attendance and thereby the amount they will need to earn and borrow. Conversely, students who spend more than the average or who incur expenses that are not directly related to attendance will have to work or borrow more. Students can also reduce their loan/work expectation by taking advantage of the availability of merit-based scholarships (for example, those based on academic performance, community service, special talent, or other personal characteristics). In addition, students can plan ahead by saving for their college expenses before they enroll.
- Students can also decide what balance they want to strike between work and borrowing. This balance will depend on their individual preference, the other resources available to them, their ability to find term-time employment, and the possibilities they may have to save most of their summer earnings by working while living with their parents. However, in order to prevent either one of the two parts of the loan/work expectation from becoming overwhelming, all students should plan to borrow and to be employed while they are pursuing their undergraduate degree.
- Students who are eligible will be expected to apply for all federal and state financial aid programs available to them.
- Students will be expected to meet application deadlines in applying for financial aid. Late applicants may be assigned a loan/work expectation that falls outside the range used to gauge the contribution expected of on-time applicants.
- Undergraduates who are not financially dependent on their parents (according to federal definitions) may be assigned a loan/work expectation that falls outside the range used to guide the contribution expected of dependent students.

*What do these principles mean for the University?*

- At the systemwide level, the University’s activities in determining levels of funding, allocating those funds, and awarding those funds to students will now be carried out in accordance with the principles and framework of the Model. The Model does not set out policies and procedures for student financial support funds generated and held at the campus level; however, it does encourage campuses to develop additional resources to support their particular priorities and policy goals in the area of student financial aid and to reduce the loan/work expectation for their students.

- Although future funding levels cannot be guaranteed, the University's goal is to provide sufficient systemwide funding to keep students' loan/work expectations within the range established in the Model.
- Since the allocation of systemwide funds under the Model will differ from current allocation methods, the University will mitigate the impact on students of fund shifts across campuses by phasing in the new allocation formula.
- The University will develop and update the loan/work expectation range. In doing so, the University recognizes that the amount students can contribute from work will depend primarily on the number of hours worked, the wages students can command, and students' ability to find summer jobs that allow them to live with their parents and save the majority of their earnings for use during the academic year. The earnings component of the loan/work range is based on an expectation that students will work both during the summer and between 6-20 hours per week during the academic year. The borrowing component of the loan/work range reflects the portion of post-graduation earnings, according to credit industry standards, that students can be expected to dedicate to loan repayment