University of California
Office of the President

Status Report On

the Education Financing Model

Office of the Associate Vice President
Student Academic Services
Student Financial Support

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Executive Summary

Since 1994, the University has developed and implemented an integrated conceptual framework in order to 1) guide its work in helping students and parents manage the cost of an undergraduate education, 2) define its role in funding the University's undergraduate student financial support programs, and 3) allocate those funds to the campuses. This framework, known as the Education Financing Model ("the Model"), amounts to a pledge from the University to its undergraduate students who lack the resources to cover college costs (most of whom have family incomes of no more than $60,000). That pledge is structured as follows: given a reasonable contribution from both the student and parent(s) and available state and federal grant awards, the University will provide grant awards to cover costs not covered from other sources. The Model is based on the following principles:

- Total cost of attendance (fees, living and personal expenses, books and supplies, and transportation) and not simply fees 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 a similar contribution toward their cost of attendance and at the same time expect a reasonable level of financial support; and

- Flexibility is needed for students in deciding how to meet their expected contribution as well as for campuses in implementing the Model to serve their particular student bodies.

What do these principles mean for the parents of undergraduate students at UC?

- 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 at least a part of their expected contribution by planning and saving beforehand and / or by borrowing once their son or daughter is enrolled.

What do these principles mean for UC undergraduate 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 campus financial aid policies. However, the Model establishes a range that serves 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 (i.e., to work no more than 20 hours per week during the academic year) 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 or increasing expenses, students can change their total cost of attendance and, thereby, the amount they will need to earn and borrow. 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 also plan ahead by saving for their college expenses before they enroll.

- Students also can decide the balance they want to strike between work and borrowing. This balance will depend on their individual preferences, the other resources available to them, their ability to find academic year employment, and the ability to save most of their summer earning by working while living with their parents. However, in order to prevent either one of the two parts of the loan / work exception from becoming unmanageable, all students should plan to both borrow some and be employed while they are pursuing their undergraduate degree.

- Students who are eligible will be expected to apply on time for all federal and state financial aid programs available to them.

- 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?

- The principles and framework of the model served as a basis for developing implementing guidelines for the EFM. They are used at the systemwide level to determine funding for the University Student Aid

Program and allocate those funds to campuses. On the campus level, they are used to develop student financial aid awards. The Model does not set out policies and procedures for student financial support funds generated and held at the campus level, thus encouraging campuses to develop additional resources to support their particular priorities and policy goals in the area of student financial aid.

- 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 by the Model.

- Since the allocation of systemwide funds under the Model differs from the previous allocation method, the University will mitigate the impact on students of fund shifts across campuses by phasing in the new model allocation formula over time.

- The University will develop and update the loan / work expectation range annually. The earnings component of the loan / work ranges is based on the expectation that students will work both during the summer and between 6 and 20 hours per week during the academic year. The borrowing component of the loan / work range reflects the portion of post-graduation earnings that students can be reasonably expected, according to credit industry standards, to dedicate to loan repayment.

- Implementing Guidelines for the Model are published annually with the guidance of the University's Education Financing Model Steering Committee. The Committee includes representation from campus and Office of the President administration, faculty, and students.

I Background

The University of California's Education Financing Model (EFM or "The Model") is an integrated, universitywide policy on financing an undergraduate education. The Model was developed pursuant to the financial aid policy adopted by the Regents that calls for UC to maintain the affordability of a University education for all eligible California resident undergraduates. The policy was adopted in January of 1994 in conjunction with a new University student fee policy and came after a series of substantial increases in the University's systemwide fees which highlighted the need to maintain affordability.

From the student or parent perspective, the Education Financing Model represents the University's commitment to making a UC education financially accessible to all eligible California undergraduates. It amounts to a pledge that given a reasonable contribution from parents and available state and federal grant awards, if the student will contribute to the cost of his or her education as specified, the University will provide grant funds to cover the educational costs not otherwise covered.

II Principles Behind the EFM

Although the development of the EFM was driven by the Regent's broad policy on affordability, it was guided by the four principles listed below:

- **The total cost of attendance** represents the context for the Model. While some financing models consider only mandatory student charges (e.g. tuition, systemwide fees, and campus-based fees), the EFM accounts for all of the costs of enrolling at the University (fees, living and personal expenses, books and supplies, and transportation).

- **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 similar contributions toward their cost of attendance and at the same time expect a reasonable level of fiscal support. This means that on a universitywide basis, the contributions that students make from work and borrowing should be generally consistent or within a designated range and should not be a function of the campus they attend or the family resources available to help cover college costs.

- **Flexibility** is needed for both students and campuses. Students need to have the flexibility to make individual decisions on how to meet their expected contributions to cover educational costs, and campuses need flexibility in implementing the Model to serve the needs of their particular student bodies and campus priorities.

III The EFM Framework

The conceptual framework that is at the foundation of the Education Financing Model is outlined in Table 1. In simple 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 contribution from loan and/or work, equals the amount of university grant aid needed.

Table 1
The Conceptual Framework of the Education Financing Model

	Student Expense Budget (Cost of Attendance)
Less	Reasonable Contribution from Parents (as determined by federal guidelines)
Less	Federal and State Grant Aid
Less	Manageable Student Contribution from Work and borrowing
Equals	University Grant Aid Needed

The framework reads like a relatively simple equation, yet it serves a series of purposes as it is applied to the University's aid programs. They are as follows:

1. Guides the University's work in helping students and parents manage the cost of an undergraduate education;

2. Defines the University's role in funding the University's undergraduate student financial support programs; and

3. Serves as a basis for allocating University Student Aid Program funding to the campuses.

Given that the framework is central to each of these three functions which are at the core of making the University affordable for all eligible students, understanding each element of the framework is critical to understanding the EFM.

Student Expense Budget

The model is built upon the assumption that financing a UC education must begin with the full cost of attendance, and not just student fees. The real costs of attending the University include fees, living and personal expenses, books and supplies, and transportation costs. An inability to cover any of those costs can constitute just as much of a barrier to pursuing an undergraduate education as an inability to cover fees.

Because the student expense budget is a building block of the EFM, it is important to validate and refine the undergraduate student budgets used by UC campuses in order to ensure accuracy and common definitions. Thus, the Office of Student Financial Support surveyed over 16,500 UC undergraduates in 1997 in the process of conducting the first systemwide Cost of Attendance Survey. The survey, which gathered detailed information on the expenses incurred by undergraduate students enrolled in the spring of 1997, provided the most comprehensive data available on the non-fee expenditures of undergraduates while attending the University. The survey results were not gathered with the intent of establishing one standard budget for all UC campuses, but rather to provide a consistent/standardized basis and common data set for each campus to use in developing student budgets.

Table 2
Average Resident Undergraduate Student Budgets, 1997-98 and 1998-99

	1997-98: Campus Methodology	1998-99: EFM Methodology	Percentage Change
Fees	$4,185.05	$4,033.78	-3.6%
Books and Supplies	$777.10	$860.82	+10.8%
Living	$5,945.66	$6,073.58	+2.2%
Transportation	$875.21	$699.18	-20.1%
Personal	$1,413.20	$1,385.12	-2.0%
TOTAL	$13,196.22	$13,239.26	+0.3%

Academic Year 1998-99 is the first year for which the Cost of Attendance Survey data was available for use in determining student budgets. Table 2 illustrates how the systemwide average student budget for 1998-99 differed from that of 1997-98. Student budgets typically increase slightly each year, and despite a 5 percent decline in systemwide fees in 1998-99, the average overall budget grew by 0.3 percent between 1997-98 and 1998-99. However, the elements of the budget changed in substantially different ways, reflecting the shift that came with use of a consistent methodology for calculating student budgets. Thus, transportation costs declined over 20 percent, while the budget for books and supplies grew by almost 11 percent.

<u>Implications for the EFM</u>: The Cost of Attendance Survey has provided the campuses of the University with a common basis for determining student budgets, the starting point of the EFM framework. Student budgets continue to differ by campus just as they always have, but the differences are due to differences in the costs reported by students that are driven by such factors as geography and student spending patterns. The differences are not due to differing definitions of the elements of a student budget. The survey will be repeated every three years.

How Zoe Doe Financed her UC Education under the Education Financing Model
Step 1: Student Expense Budget

This is the first of a series of shaded boxes showing how each component of the EFM Framework applies to a hypothetical student.

Zoe Doe is a dependent UC freshman who lives in on-campus housing. Her student expense budget is made up of the following five components that reflect actual charges or results from the Cost of Attendance Survey:

Books and Supplies	$900
Living	$6,900
Personal	$1,300
Transportation	$500
Required fees	$4,000
TOTAL	$13,600

The remaining elements of the Education Financing Model listed below will be filled in as each is reviewed in the text of this report

Student Expense Budget	$13,600
Reasonable Contribution from her Parents	______
Federal and State Grant Aid	______
Manageable Contribution from Work and Borrowing	______
University Grant Aid	______

Responsibilities of Parents

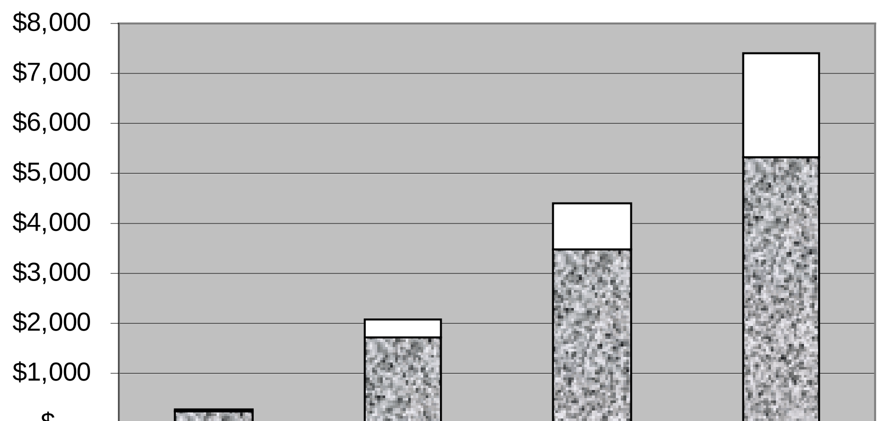
The EFM is built, in part, on the assumption that parents will contribute to their son's or daughter's educational expenses to the extent that they are able. Under the Model, parents consider the full cost of attendance when viewing their roles in financing a UC education. The methodology for determining a so-called "parent contribution" is based on federal guidelines and takes into account such factors as family income, family assets (except home equity), family size, and the number of family members in college. The greater a family's resources, the greater its expected contribution toward educational expenses.

While UC parents cover most of their contributions with current income and savings, they are turning to parent loan programs at increasing rates. As shown in Figure 1 on the following page, among

UC parents with children receiving need-based assistance, those with annual incomes of $60,000 or more are having the greatest difficulty covering their parental contributions with current income and savings and rely, to a greater extent, on loans.

While the number of need-based aid recipients with parent incomes in excess of $60,000 is relatively small, this chart points to the need for parents -- especially those in the $60,000 to $90,000 annual income range -- to save in anticipation of helping to cover college costs. Parents in this income range rely most heavily on loans to contribute to their children's education.

Figure 1
How Undergraduate Dependent Need-Based Aid Recipients Finance Their Expected Parent Contributions by Parent Income[1]



	Less than $30,000	$30,000 - $44,999	$45,000 - $59,999	$60,000 or More
Loans	$39	$339	$890	$2,081
Current Income and Savings	$246	$1,733	$3,491	$5,337

1997-98

[1]Figure 1 accounts only for loans through federal education loan programs; actual borrowing is likely greater to the extent that families are borrowing on home equity or through other mechanisms such as credit cards. In some cases, parents do not actually provide the full amount of their calculated expected contribution. In these cases, students may have to make up for the "phantom" contribution through additional work or borrowing on their part.

How Zoe Doe financed her UC Education under the Education Financing Model
Step 2: Responsibilities of Parents

Zoe's parents have a combined annual income of $37,500. According to federal standards, they are expected to contribute $2,100 toward the cost of Zoe's 1998-99 educational expenses. If they cannot cover that contribution from current income and savings, they can borrow through the federal Parent Loan for Undergraduate Students (PLUS) program.

Student Expense Budget	$13,600
Reasonable Contribution from her Parents	$2,100
Federal and State Grant Aid	______
Manageable Contribution from Work and Borrowing	______
University Grant Aid	______

Implications for the EFM: While at the lowest income levels parents have a minimal contribution, many middle income parents of University students struggle to contribute to the costs of their children's educations. This is true of the need-based aid recipients reflected in Figure 1 as well as many middle-income parents who do not qualify for need-based aid. In order for the EFM to be fully successful, parents need to be made aware of the need to begin saving for college while their children are young and different mechanisms for saving need to be available.

The Scholarshare Trust program, California's state-sponsored college savings program, is set for implementation in the Summer of 1999. As the administrators of the Scholarshare program develop the marketing strategy for the program, the University hopes to work with them in support of communicating the message to California families about the importance of saving for college and their role in helping cover college costs.

Federal and State Grant Aid

Federal and state policies on grant aid are extremely important to the EFM since 62 percent of the grant aid awarded to UC undergraduate need-based aid recipients in 1997-98 came from federal or state sources. One of the principles underlying development of the Model was equity of expectations, i.e. the intent to make student contributions from loan and work similar of all aid recipients regardless of family financial resources. Grant funding is extremely important to implementing this principle since it is what makes up for differences in parent contribution levels. It then follows that implementation of this goal requires that those students with the smallest parent contributions receive the largest amount of grant assistance.

Implications for the EFM: Federal grant assistance, which comes to UC students largely in the form of Pell Grants, is awarded in a manner generally consistent with the EFM. The federal awarding policy directs the largest grants to those students from families with the fewest resources -- those same students who, according to the EFM, need the greatest amount of grant assistance if student contributions from loan and work are to be manageable.

In contrast, the state's Cal Grant A and B programs provide the same amount of funding to recipients regardless of need. However, the two programs do not serve the same populations. Cal Grant B recipients are from low-income families (parent incomes of under $35,000), while Cal Grant A recipients are from low- and middle-income families (with parent incomes of up to $66,700).

Their differences notwithstanding, the Pell Grant and Cal Grant programs are critical to helping meet the grant need of low-income University students. In addition, the Cal Grant A program helps meet the need of needy middle-income recipients. The Cal Grant A award selection criteria targets some middle-income students who then receive more grant aid than called for by EFM. For these students, a Cal Grant A award lowers the amount their families need to contribute to educational costs. However, as illustrated in Figure 1, these often are the families struggling most to meet their parent contributions.

How Zoe Doe financed her UC Education under the Education Financing Model
Step 3: Federal and State Grant Aid

Zoe qualified for both federal and state grant assistance. She qualified for a Pell grant of $500 based on the financial information she and her parents provided. She also qualified for a Cal Grant A of $3,609 based on the financial information reported and her grade point average.

Student Expense Budget	$13,600
Reasonable Contribution from her Parents	$2,100
Federal and State Grant Aid	$4,109
Manageable Contribution from Work and Borrowing	______
University Grant Aid	______

Manageable Contribution from Work and Borrowing

Students are expected to contribute to the cost of their education through some combination of borrowing and work. While the ratio of work to borrowing is the choice of the student, the goal incorporated in the EFM is to keep both in a manageable range. Those ranges and the methodology used to calculate them are reflected in Table 3.

The borrowing component of the loan/work range is based on a cumulative debt level that, according to industry standards, would be manageable given the average earnings of UC graduates during their first year of employment. This translates to payments on cumulative debt that amount to between 5 percent and 9 percent of average annual gross earnings immediately after graduation. The most current income information available shows 1997 first-year salaries averaging $33,284. Adjusted for inflation, this salary is associated with a cumulative debt after four years of enrollment of between $8,268 and $14,880.

The work component of the loan/work range is based on working a minimum of 6 hours and a maximum of 20 hours per week during academic terms and between 30 and 40 hours per week during breaks

Table 3

1998-99 Loan and Work Ranges

	Minimum	Maximum
Loan		
Payment as a Percent of Annual Earnings Upon Graduation	5%	9%
Associated Annual Loan Limit	$2,067	$3,720
Work		
Hours Per Week -- Academic Term	6	20
Hours Per Week -- Summers/Breaks	30-40	30-40
Expected Annual Earnings	$2,916	$5,236
Combined Annual Loan and Work	$4,982	$8,956

and over the summer. This work expectation is intended to allow students to make steady progress toward completion of their degrees and was established based, in part, upon survey data that shows that work in excess of 20 hours per week is associated with declining GPAs and slowed progress to degree. The maximum contribution from work assumes that the student will work 20 hours per week during the academic year and 30 hours per week during all available weeks during the summer and break periods. The assumed wages equal 90 percent of the average rate of $7.66 per hour that dependent students reported earning on the 1997-98 Student Expenses and Resources Survey.

How Zoe Doe financed her UC Education under the Education Financing Model
Step 4: Manageable Contribution from Work and Borrowing

Zoe's work/loan contribution is $6,400. It is calculated based on her campus' policies, which account for such factors as grade level, parent contribution, and campus resources.

Zoe has managed to save $1,800 from her summer employment, and after earning $2,000 from part-time work during the academic year, she would be left to borrow $2,600 during her freshman year. If Zoe were to receive a University scholarship of $5,000, her total work/loan expectation would be reduced to $1,400.

Student Expense Budget	$13,600
Reasonable Contribution from her Parents	$2,100
Federal and State Grant Aid	$4,109
Manageable Contribution from Work and Borrowing	$6,400
University Grant Aid	

Implications for the EFM: The Model depends on student contributions from work and borrowing to be manageable. The contributions are expressed as a range in recognition that contributions are not necessarily identical for all students. They may vary, for example, according to campus resources and financial aid policies. However, campus policies are consistent with the guidelines set forth in the Model, and the average loan/work expectations are squarely within the Model's specified range.

In addition, actual student contributions may vary based upon choices that students make. Students can choose the ratio of loan to work funding that is appropriate for them and their academic commitments. For example, students who feel that the demands of their academic program leave them with little time for working might choose to borrow more and work less than many other students. Furthermore, students may affect their contributions from loan and work by reducing expenses, taking advantage of merit-based scholarships, or saving for college expenses before they enroll. A $5,000 merit-based scholarship, for example, may reduce a UC student's loan/work expectation from $6,400 to $1,400.

University Grant Aid Needed

The Model ultimately yields the amount of university grant aid needed. While the Model does not constitute a guarantee of University funding, it does establish a goal or responsibility. Given student budgets, parent contributions, and available state and federal aid, the University's responsibility under the Model is to provide adequate grant assistance to keep the loan/work expectation within the range described (above).

Implications for the EFM: As mentioned in the section of this report on contributions from work and borrowing, student contributions from loans and employment are within the manageable range defined by the University. Since getting to that range is a function of adequate

How Zoe Doe financed her UC Education under the Education Financing Model
Step 5: University Grant Aid

After subtracting the parent contribution, federal and state grant aid, and contribution from work and borrowing from Zoe's student expense budget, the University is left with a contribution of a $991 grant to cover the remainder of Zoe's student expense budget.

Student Expense Budget	$13,600
Reasonable Contribution from her Parents	$2,100
Federal and State Grant Aid	$4,109
Manageable Contribution from Work and Borrowing	$6,400
University Grant Aid	$991
TOTAL RESOURCES	$13,600

University grant aid, the University's support of the grant aid program is consistent with the Model's goals.

It is also important to note that for 1997-98, the average undergraduate grant recipient received grant assistance in excess of student fees. This reflects the first principle behind the EFM and the first step in the EFM Framework: the University evaluates eligibility for aid assuming the total cost of attendance and not just mandatory student fees.

See the following section, "How the Model is Used," for a more in-depth description of determining University Grant Aid levels.

IV How the Model is Used

As described earlier, the EFM calculation is central to three processes that make the University affordable to all eligible undergraduates. It yields information that is used to 1) define universitywide funding needs for undergraduate student financial support, 2) allocate student aid funding among the campuses, and 3) guide the University's efforts to assist individual students and their families manage the cost of an undergraduate education.

Using the Model to Define University-wide funding needs for the University Student Aid Program

To determine funding needs for the University aid programs, the Model is applied to all student financial aid applicants at the University. This approach yields the range of funding needed for the University to follow through on its commitment, which is at the heart of the EFM, to cover, with University grant funding, the portion of the student budget not covered through either parent contribution, federal and state grants, or a reasonable amount of student loan and work.

In specific terms, funding needs are determined using available data from the Corporate Student System Financial Aid Database. Each University student's grant need is calculated using the framework presented in Table 1 and described above. Student resources (parent contributions, federal and state grant aid, loan and work expectations) are subtracted from the student expense budget. The grant need is expressed in terms of a range, with the highest need assuming the minimum contribution from loan and work and the lowest need assuming the maximum contribution from loan and work.

The aggregate of students' University Grant Need at the minimum and maximum of the suggested loan and work ranges represents the range of University of California undergraduate financial aid funding need.

Table 4 shows what the calculation yielded for 1998-99 and the actual funding level.

Table 4
University Grant Funding Needed and Funded
1998-99

	Assuming Maximum Loan/Work Expectation	Assuming Minimum Loan/Work Expectation
Loan/Work Expectation (From Table 3)	$8,956	$4,982
UC Grant Funding Needed	$49.7 Million	$226.8 million
Actual UC Grant Funding	$105.7 Million	
Associated Average Loan/Work Expectation	$7,341	

The actual funding level of $105.7 million stems from current University policy on funding the University Student Aid Program. In 1994, the University established the practice of augmenting its base level of support for University aid programs with one-third of all new fee revenue. This means that one-third of revenue from undergraduate student fee increases and one-third of fee revenue from increases in undergraduate student enrollment have been directed to the University's aid program to augment the base level of University support for undergraduate aid programs. As illustrated in Table 4, this policy has yielded funding that puts the average loan/work expectation squarely within the range that the Model calls for.

Using the Model to Allocate Student Aid Program Funding to the Campuses

To determine how University grant funding for undergraduates is allocated across the campuses, the model framework once again is applied. Assuming the midpoint of the loan/work range, the aggregate University grant need is calculated for each campus. Campus allocations are then determined by applying the percentage of the total grant need associated with each campus to the total funding available. This approach accounts for campus differences in:

- The number of students eligible for grants;
- The expense budgets of these students;
- The parental resources of these students; and
- The amount of state and federal grant funds available to meet the needs of these students.

The University currently is in the midst of a multi-year phase-in of this portion of the Model. Implementation results in a redistribution of funding among the campuses, so a phased implementation was chosen in order to minimize disruption on any one campus. Full implementation, scheduled for no later than 2002-03, will help to made the loan/work expectations more equitable across campuses.

Using the Model to Build Student Aid Packages

The model framework is used yet again in determining individual student financial aid packages. Under the Education Financing Model, all financially needy undergraduate students have a loan and work expectation. The range and principles outlined below provide a guide to campuses in determining the amount of the expectation.

- The minimum and maximum loan and work expectation serves as a guide to all campuses

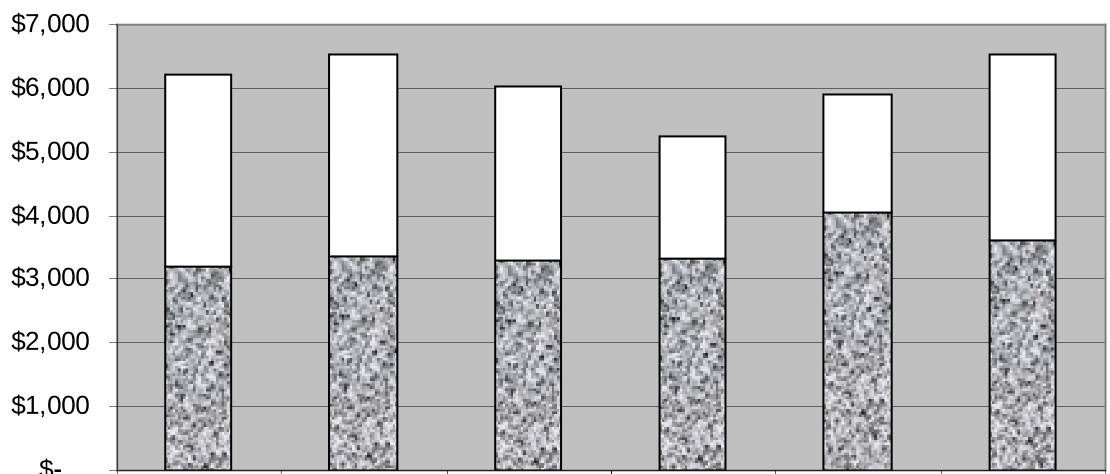
- Students who are independent -- that is, they are not, according to financial aid definitions, dependent upon their parents -- may be assigned a loan and work expectation that is higher than the range used to gauge the contribution expected of on-time applicants.

- Campuses may make other exceptions to the minimum and maximum loan and work expectations at their option, within the framework that all students must have some loan and/or work in their financial aid packages.

- Campuses are encouraged to use their own resources (e.g., endowed scholarships and discretionary funds) to reduce or eliminate the expected loan and work contributions.

One of the principles guiding development of the EFM is equity of expectation across the University's entire undergraduate student body. The goal is for contributions made from work and borrowing generally to be consistent across the University and not to be a function of the campus the student attends or the family resources available to help cover the cost of attendance.

Figure 2
Contributions from Loan and Work for Undergraduate Need-Based Aid Recipients: By Parent Income, 1997-98



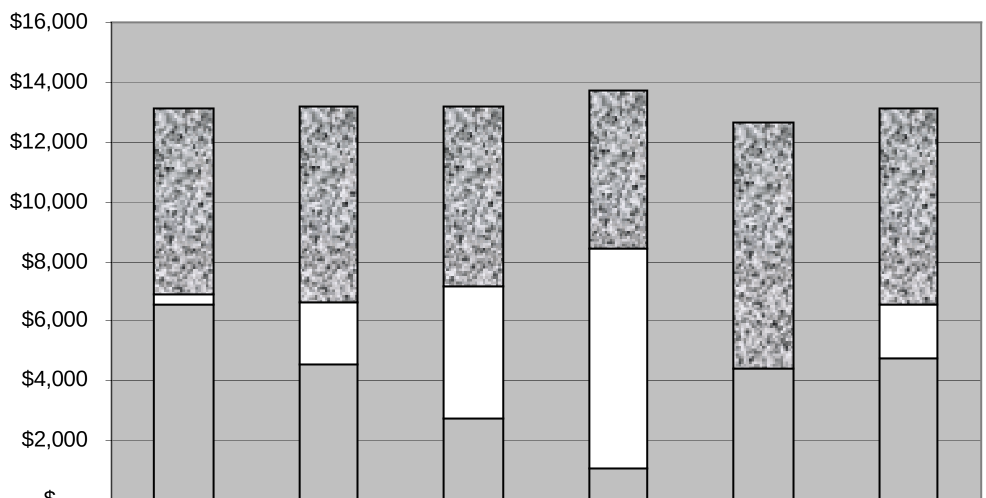
	Less than $30,000	$30,000 - $44,999	$45,000 - $59,999	$60,000 or More	Independent	All Students
Work	$3,018	$3,157	$2,727	$1,936	$1,826	$2,912
Loan	$3,198	$3,370	$3,309	$3,312	$4,062	$3,611

Figure 2 shows that for 1997-98, the loan/work expectation was generally consistent across parent income levels. Among dependent students, the average loan/work expectation was within a $500 range in the lowest three parent income categories. The average loan expectation did drop among need-based aid recipients with family incomes of $60,000 or more. This may be attributable, in part, to 1) the Cal Grant A program, whose awarding policy directs funding to students with higher average family income levels, and 2) the inclusion of students in this category with parent contributions covering enough of the student expense budget to leave smaller contributions from work and loan. However, survey data suggest that in actuality, these students are working as much as lower-income students. It may be that some of their earnings are being used to cover "phantom" parental contributions.

V Conclusion: How Do UC Undergraduates Finance Their Educations?

How is the EFM reflected in data on how UC undergraduates finance their educations? Consistent with the model, sources to cover student budgets can be divided into three categories: 1) parent contributions, 2) student contributions in the form of loans and work, and 3) gift aid in the form of scholarships and grants available from many sources, including University aid resources. Figure 3 reflects the sources used to cover student budgets by students from different family income levels.

Figure 3
How Undergraduate Need-Based Aid Recipients Finance Their Educational Expenses By Parent Income 1997-98



	Less than $30,000	$30,000 - $44,999	$45,000 - $59,999	$60,000 or More	Independent	All Students
Loan and Work	$6,215	$6,528	$6,036	$5,247	$8,243	$6,521
Parent Contribution	$286	$2,071	$4,380	$7,418	$-	$1,839
Gift Aid	$6,587	$4,573	$2,752	$1,040	$4,435	$4,745

As the figure shows, each financing component shows a different trend as family incomes rise. The student contributions, in the form of loans and work, are relatively similar across the family income categories.

The trends for parental contributions and gift aid are what allow for similar student contributions. Parental contributions, of course, increase as family income increases, while gift aid, awarded to compensate for differences in family resources, follows a trend opposite that of parent contribution: This is what allows students from the lowest-income families to have loan/work expectations that are similar to those of students from higher-income families. This reflects one of the basic principles behind the development of the Education Financing Methodology -- equity of expectations.

Student financing patterns also reflect how the other principles behind the Model have been successfully incorporated into the University's approach to financing undergraduate educations. For example, as Figure 3 shows, the financing components used by students target the full cost of attendance, and not any single part of that cost. In addition, the components used to finance educational costs reflect the partnership among students, parents, the federal and state governments, and the University. And finally, students and institutions have flexibility. Students have the flexibility to make decisions that can reduce their cost of attendance and loan/work expectation and about what ratio of loan to work to choose. Campuses have the flexibility to make local decisions about where loan and work expectations will fall within a range and how grant funding will be used to implement that decision.

Appendix

EDUCATION FINANCING MODEL

Implementing Guidelines for the University of California's Undergraduate Financial Aid Policy

1999-00

University of California
Office of the President
Student Academic Services
Student Financial Support

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Appendix

BACKGROUND

In January 1994, The Regents adopted a new University of California fee policy. Associated with it is a new financial aid policy that calls for maintaining the affordability of the University of California (see Appendix A). The focus of the policy is on providing enough financial aid to maintain the accessibility of the University to all students. Under the policy, the need for University support takes into account all the costs of attending the University (not just fees) within the context of resources that can be expected from the student, family, and other sources of financial aid.

The following are implementing guidelines for this policy at the undergraduate level. They are the outcome of the work of the Affordability Model Review Committee, which was established in September 1994 to define affordability in the context of the new policy. The Committee's final report, which was issued in April 1995, developed an Education Financing Model to be used for the funding, allocation, and awarding of systemwide need-based aid for undergraduates. The Education Financing Model received extensive further review by the broader University community. It is now guided by a Steering Committee, which includes representation from campus and OP administration, faculty, and students.

GOALS, SCOPE, AND PRINCIPLES OF THE UNIVERSITY OF CALIFORNIA'S UNDERGRADUATE FINANCIAL AID POLICY

A. Goals

The goals of the Education Financing Model are to:

- provide a conceptual integrity to the University's practices in undergraduate student aid funded from fee revenue and State general funds;
- simplify the explanation of UC's undergraduate student aid practices to its various publics; and,
- communicate a framework for the financial contributions the University expects of students and their parents.

B. Scope

The Education Financing Model integrates three aspects of UC's financial aid policy that in the past were treated separately under different assumptions and practices:

- the determination of Universitywide undergraduate student aid funding needs;
- the allocation of undergraduate aid funds to the campuses; and,
- the awarding of aid dollars to undergraduate students.

C. Principles

The following principles articulate the University's financial aid policy for undergraduate students:

- The cost of attendance (fees, living expenses, books and supplies, and transportation and miscellaneous expenses) 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 financially needy students will be expected to make some contribution toward their cost of attendance through borrowing and/or work;
- Flexibility is needed both for students in determining how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

CONCEPTUAL FRAMEWORK

The Education Financing Model guides the implementation of the University's undergraduate financial aid policy. The conceptual framework for the Model follows the formula in Table 1.

Table 1	
Education Financing Model	
	Student Expense Budget
Less	Reasonable Contribution from Parents
Less	Federal and State Grant Aid
Less	Reasonable Contribution from Borrowing
Less	Reasonable Contribution from Work
Equals	**University Grant Aid Needed**

Each component of the Education Financing Model framework is discussed below.

A. Student Expense Budget

The total undergraduate educational expenses associated with attending the University will be considered in assessing need. These expenses will include direct educational costs for a California resident plus a modest allowance for living, transportation, and miscellaneous items. Differences in the cost of living and the residence patterns of students at the campuses will be recognized.

A standard methodology will be used by the campuses for determining the undergraduate student expense budgets that are used in the Education Financing Model:

- in providing cost information to students and the public;
- in packaging financial aid to students, and
- in the implementation of the Education Financing Model.

The Standard Methodology has two components.

1. The allowable expenses to be included under each budget category (fees, books, housing, food, transportation and personal).

   The expenses to be included as standard allowances in the undergraduate expense budgets are listed in Appendix B. Campuses may include, at their option, additional types of expenses as adjustments to the budgets on an individual case basis. However, these adjustments will not be reflected in the standard budgets published by the campuses, nor will they be included in the budget figures used under the Education Financing Model for the allocation of undergraduate need-based financial aid to the campuses.

2. The calculation of the amount of the allowable expense under each budget category.

   Actual allowable expenditures for each non-fee budget category will be determined from average student expenditures as measured by the Cost of Attendance Survey (COAS), which was first conducted in 1997. There are two exceptions to the use of actual survey data for determining allowable expenses. First, for students living on-campus, actual on-campus housing costs will be used instead of self-reported on-campus housing costs. Second, a health care component will be included in the student expense budget. The amount of the health care allowance will be the actual health insurance fee charged by the campus for undergraduates if the campus has a mandatory health insurance fee (currently, Berkeley and Santa Cruz are the only campuses with a mandatory undergraduate health insurance fee). Campuses that do not have a mandatory health insurance fee for undergraduates will use the weighted average for the UC campuses that do have the fee.

   The COAS will be conducted every three years in consultation with the Financial Aid Directors and Institutional Research Directors. In interim years between surveys, non-fee student expense budget items will be adjusted by the fiscal year California Price Index for Urban Wage Earners and Clerical Workers.

   Campuses will have the flexibility to adjust the allowance for each individual component of the budget by an amount up to 1% of the total Standard Methodology expense budget, so long as the total Standard Methodology budget for each budget category (off-campus, on-campus, commuter) does not change by more than one percent. Campuses may phase in the Standard Methodology budgets for packaging purposes over a period of up to four years, beginning with the 1998-99 academic year.

   In 1999-00, the budgets used for allocation purposes are the 1997-98 Standard Methodology budgets updated by a CPI inflation adjustment to 1999-00. The Standard Methodology campus budgets by residence type (commuter, on-campus, off-campus) are shown in Appendix C.

B. Contribution from Parents

Parents are expected to contribute to the student expense budget if their children are considered financially dependent according to the Federal definition of independence. A student is dependent unless he or she is 24 years or older, is a veteran, is a ward of the court or an orphan, is married, has dependents, or is a graduate student.

The amount of the parent contribution is based on Federal need analysis methodology, which takes into account parent income and assets (other than home equity), the size of the family, the number of family members in college, and non-discretionary expenses.

If parents do not contribute the amount expected under Federal need analysis standards, the student will need to make up the difference through extra borrowing and/or work, or will need to reduce his or her expenses.

Parent contributions are a variable that can be affected by campus verification and professional judgment procedures. Therefore, the Financial Aid Directors conducted a review of such procedures in 1997 to ensure the integrity of the parent contribution figures used in the Education Financing Model. They have concluded that the overall goals and outcomes of campus verification practices are quite similar even though the particulars of their implementation may vary. Continued discussion and monitoring of campus practices will ensure that future problems do not develop.

C. Contribution from Federal and State Grant Aid

UC's goal is to provide grant support to cover the gap between the student expense budget and the expected contributions from parents, student borrowing, and student work. In doing so, Federal and State need-based grants are applied toward a student's grant eligibility.

D. Contribution from Borrowing and Work

Students are expected to make a manageable contribution to their educational expenses from borrowing and from earnings. The expected contribution should enable students to make steady progress toward completion of the baccalaureate degree and to meet their loan repayment obligations after graduation. A guide to borrowing and work ranges for 1998-99 is presented in Table 2. The loan and work expectation ranges will be adjusted annually for inflation and periodically for market changes in student wages and expected post-graduation earnings.

The borrowing component of the loan/work range is based on a cumulative debt that, according to industry standards, would be manageable given the average earnings UC graduates can expect to earn during the first year of employment after graduation.

The earnings component of the loan/work range is based on an expectation that students will work during the summer and between 6-20 hours per week during the academic year.

For a further discussion of the expected contribution from borrowing and work, see Appendix D.

E. Other Resources

Campus-based scholarship and grant resources from gifts, endowments, campus discretionary funds, the Regents' Scholarship Program, and scholarships and grants from outside agencies are excluded from the framework of the Education Financing Model. Such funds are generally used in support of campus enrollment efforts and should be available to reduce the loan and work expectations of students. Campuses are encouraged to raise and utilize private scholarships and grants to achieve undergraduate enrollment management objectives and reduce loan and work levels.

Appendix

Table 2

1999-00 Loan and Work Range

	Minimum	Maximum
Loan		
Percent of Earnings upon Graduation	5%	9%
Expected Annual Loan	$2,913	$5,244
Work		
Hours Per Week -- Academic Term	6	20
Hours Per Week -- Summer/ Breaks	30	30
Expected Net Annual Earnings	$2,473	$4,825
Combined Annual Loan and Work	**$5,387**	**$10,069**

Appendix

DETERMINATION OF UNIVERSITY OF CALIFORNIA FUNDING NEEDS

University of California undergraduate financial aid funding needs will be expressed in terms of a range determined according to the principles described above. The calculation of undergraduate financial aid funding needs will take the following form:

1. Using available data from the Corporate Student System Financial Aid Database, each student's University of California Grant Need will be calculated by subtracting student resources (parental contributions, Federal and State grant aid, and loan and work expectations) from the student expense budget. The difference between the student expense budget and student resources will represent a student's University Grant Need.

2. The student's University Grant Need will be expressed in terms of a range. The range of University Grant Need will vary by the amount of the loan and work expectation at the minimum and maximum of the suggested borrowing and work range.

3. The aggregate of students' University Grant Need at the minimum and maximum of the suggested loan and work range represents the range of University of California undergraduate financial aid funding need.

4. The amount budgeted for University of California grant aid will be evaluated against the range of funding need under the Education Financing Model.

Appendix E compares the 1999-00 range of University of California undergraduate financial aid funding need to the amount budgeted in 1999-00 for undergraduate need-based grants.

The budgeting and allocation of funds for graduate and professional degree students will not be disadvantaged as a result of the implementation of the Education Financing Model.

Appendix

CAMPUS ALLOCATIONS

Under the Education Financing Model, the undergraduate component of the University Student Aid Program will be allocated to the campuses according to a single formula that reflects the principles of the Education Financing Model.

The University Student Aid Program will be allocated according to each campus's percentage of the total undergraduate UC grant dollars needed at the midpoint of the suggested loan and work range. The allocation formula will recognize campus differences in:

- the number of students eligible for grants;
- the expense budgets of these students;
- the parental resources of these students, and;
- the amount of state and federal grant funds available to meet the grant needs of these students.

FINANCIAL AID PACKAGING

Under the Education Financing Model, all financially needy undergraduate students will have a loan and work expectation. The amount of the expectation will be set by the campuses according to their campus financial aid packaging policies. The range and principles outlined below provide a guide to campuses in determining their packaging policies. However, campuses have the flexibility to apply a loan/work expectation that falls outside of the range to individual students or groups of students.

- The minimum and maximum loan and work expectation serves as a guide at all campuses.
- Students who are not financially dependent on their parents may be assigned a loan and work expectation that is higher than the range used to gauge the contribution expected of dependent students.
- Students who do not meet financial aid application deadlines may be assigned a loan and work expectation that is higher than the range used to gauge the contribution expected of on-time applicants.
- Campuses may make other exceptions to the minimum and maximum loan and work expectations at their option, within the framework that all students must have some loan and/or work in their financial aid packages.
- Campuses are encouraged to use their own resources (e.g., endowed scholarships and discretionary funds) to reduce or eliminate the expected loan and work contributions.

IMPLEMENTATION SCHEDULE

- Beginning with the 1997-98 academic year, Universitywide student aid funding needs will be evaluated according to the range of need described in these implementing guidelines. However, actual funding amounts will continue to be decided within the context of the entire University budget.
- The allocation of funds to the campuses under the Education Financing Model will be implemented as expeditiously as possible; the exact timetable for implementation will be determined by the Office of the President, with campus consultation occurring during the annual budget process. At the outside, the Education Financing Model will be fully implemented by 2002-03, although it is the President's intention to fully implement the Model more quickly. In 1999-00, 60% of the undergraduate USAP allocation will be based on

the Education Financing Model and 40% will be based on 1996-97 allocation shares. The 1999-00 preliminary undergraduate USAP allocations are shown on Appendix F.

- Campus allocation documents will show the undergraduate and graduate/professional degree components of USAP separately. Beginning with 1998-99, a firewall will exist between the undergraduate and graduate/professional degree components of USAP. USAP funds allocated for undergraduate students must be used for undergraduate student support. USAP funds allocated for need-based graduate and professional degree student support may not be used for undergraduate student aid.

- The packaging component of the Education Financing Model will be implemented beginning with the 1998-99 academic year. At campus option, the packaging component of the Model may be implemented by student cohort, with old packaging policies applying to continuing students. In this way, current students would not necessarily face a change in the composition of their aid packages. Campuses also may choose to convert all of their students to the new packaging policy at once.

Appendix

EDUCATION FINANCING MODEL STEERING COMMITTEE

The Education Financing Model is guided by the Education Financing Model Steering Committee, which includes representation from campus and OP administration, faculty, and students. The Education Financing Model Steering Committee monitors and modifies, as needed, the assumptions and data used in the Education Financing Model, and provides consultation to the President on the implementation of the Model. The 1998-99 membership of the Education Financing Model Steering Committee is listed on Appendix G. Among the topics that the committee will undertake in 1999 are:

- Whether computer costs should be included in the student expense budget;

- Whether capitalization of student loan interest should be factored into the calculation of the loan expectation;

- Whether the University should factor the new tax credits under the Tax Relief Act into the Education Financing Model;

- Whether the University should recognize that the new student loan interest deduction will give borrowers in repayment more available income to apply to debt payments and adjust the manageable loan range accordingly.

Appendix

Appendix A

THE UNIVERSITY OF CALIFORNIA FINANCIAL AID POLICY

Approved January 21, 1994

A basic value of the University of California is that the University should serve a diverse student body. Inherent in such a value is a concern that financial considerations not be an insurmountable obstacle to student decisions to seek and complete a University degree. This basic value is at the heart of the University's Financial Aid policy for all of its student body, but varies in its expression for undergraduate and graduate students.

Undergraduate Financial Aid Policy

The University's undergraduate student support policy is guided by the goal of maintaining the affordability of the University for all the students admitted within the framework of the Master Plan. As such, the student aid policy complements the goals of the University's undergraduate admissions policy, which was adopted by the Board of Regents in May of 1988, to enroll "a student body that...demonstrates high academic achievement or exceptional personal talent, and that encompasses the broad diversity of cultural, racial, geographic, and socio-economic backgrounds characteristic of California."

Specifically, the University's Financial Aid policy for undergraduates calls for the University, in partnership with the State, to seek to maintain the affordability of a University education for eligible California resident undergraduates who are regularly enrolled. The policy has the following provisions:

1. The University's goal is that the cost of attending the University will be met through a combination of the following:

-- a manageable contribution from family resources, based on the family's financial strength;

-- a manageable contribution from the student in the form of loan and/or work; and

-- grant support from a combination of Federal, State, University, and private sources.

2. The University will employ standard criteria set by the Federal government and other funding agencies in the determination of financial aid eligibility but will maintain a commitment to be sensitive to extraordinary individual circumstances through the availability of appeals processes and other opportunities for individual case reviews.

3. The University will provide a financial aid delivery process that is as efficient as possible. Opportunities to simplify and improve delivery will be pursued both within the University and at the State and Federal levels.

The funding of the University's need-based grant aid programs in support of this policy will take into consideration a combination of the following factors:

-- the manageability of projected parent contributions, student debt levels, and student employment expectations;

Basic to the funding policy is the principle that the parents of undergraduates have the responsibility to pay for the educational costs (i.e., fees plus living expenses) associated with attending the University to the extent of their capacity to pay. In addition, funding levels for grants will assume manageable debt levels based on expected earnings after graduation relative to loan repayment obligations and manageable work expectations that reflect the number of hours per week that students can work while enrolled during the academic year or over the summer without any significant adverse impact on academic performance.

-- analysis of support levels and the composition of aid awards (i.e., the balance between grant and loan/work) at various income levels over time;

-- changes in the diversity of the undergraduate student population along economic lines; and

-- the undergraduate aid packages and support levels at comparable institutions.

In addition, the University will work to provide adequate employment opportunities, both on- and off-campus, for students to fulfill their work expectations. Emphasis will be placed on providing jobs that have higher pay and that are related to students' academic and career interests.

It is recognized that the actual awards students receive will vary across campuses and across categories of students in response to local conditions and priorities. As a result, some students (e.g., late applicants) will have more than the calculated manageable expectation for loan and work, while others (e.g., scholarship recipients) will have less.

Graduate Student Support Policy

The University's graduate student support policy is guided by the University's responsibility to meet the nation's and State's need for a highly educated workforce of faculty, scholars, researchers, and professionals and by the University's interest in providing educational opportunities to students of all socioeconomic backgrounds. In meeting these needs, it is necessary that the University attract a diverse pool of highly qualified students who are willing and able to pursue graduate academic and professional degrees.

In this context, affordability at the graduate academic and professional degree program level is heavily influenced by the net cost of attending the University (i.e., total educational expenses less fellowships, grants, and teaching and research assistantships) relative to that at comparable institutions. Since costs and support levels at other research institutions vary widely according to field of study, a single measure of affordability that is applicable across disciplines and programs is inappropriate. A variety of factors, including length of degree program, typical level of remuneration for program graduates, market demands, and the need for diversity all need to be considered. The configuration of support also varies across programs. In some cases (e.g., Ph.D. programs) fellowship and assistantships are most critical. In others (e.g., professional degree programs), need-based grants and/or some form of loan assistance repayment program are needed.

The University's graduate support policy thus needs to be tailored at the local level to individual program needs to maintain appropriate support levels and awards. Systemwide funding levels in support of this policy need to recognize changes in enrollment, changes in the total cost of attending the University (i.e., both fee and non-fee expenses), and changes in the availability of extramural support. Assessment of the competitiveness of University support levels with those at comparable universities should be undertaken periodically.

Appendix B

UNIVERSITY OF CALIFORNIA
UNDERGRADUATE STUDENT EXPENSE BUDGET METHODOLOGY

	ALLOWABLE EXPENSES	METHODOLOGY
BASIC EDUCATIONAL EXPENSES		
-fees	* mandatory fees charged to all students or to broad categories of students (includes student heath insurance and/or new student orientation fees if mandatory)	
-books and supplies	* required books * necessary supplies and equipment	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS) *(note: data will be updated by a textbook-specific inflation rate)*
LIVING EXPENSES		
Room		
- commuter	* rent paid to or shared with parents	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- on-campus	* contract cost of housing * local telephone service	Use weighted average of housing contracts for campus dormitories and student apartments (including telephone service)
- off-campus	* rent * utilities, local telephone service	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)

Appendix

Food		
- commuter	* food costs both at and away from home	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- on-campus	* contract cost of meal plan * food not covered by meal plan (so total equals 21 meals/week)	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- off-campus	* food costs both at and away from home * household supplies	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
Transportation		
- commuter	* expenses incurred in local travel from home to school or work (bus, train or other public transit fares, parking, gasoline, tolls, car registration and insurance)	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- on-campus	* expenses incurred in local travel from home to work (bus, train or other public transit fares, parking, gasoline, tolls) * expenses incurred in the travel from school to the student's permanent home (limited to costs of travel within California)	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)

- off-campus	* expenses incurred in local travel from home to school or work (bus, train or other public transit fares, parking, gasoline, tolls, car registration and insurance) * expenses incurred in the travel from school to the student's permanent home (limited to costs of travel within California)	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
Personal		
- commuter	* clothing, personal hygiene, recreation, entertainment, laundry and dry cleaning, medical and dental expenses not covered by insurance	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- on-campus	* clothing, personal hygiene, recreation, entertainment, laundry and dry cleaning, medical and dental expenses not covered by insurance	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)
- off-campus	* clothing, personal hygiene, recreation, entertainment, laundry and dry cleaning, medical and dental expenses not covered by insurance	Use data on actual student expenditures based on most recent UC Cost of Attendance Survey (COAS)

Appendix C

Standard Methodology: Estimated student expense budgets (1999-2000)

Berkeley

	Commuters	On- campus	Off-campus	Weighted average
books	$ 838	$ 838	$ 838	$ 838
living	$ 2,416	$ 8,742	$ 6,942	$ 7,267
transportation	$ 851	$ 440	$ 617	$ 570
personal	$ 1,161	$ 1,218	$ 1,367	$ 1,300
health insur. (est)	$ 424	$ 424	$ 424	$ 424
fees (est)	$ 3,772	$ 3,772	$ 3,772	$ 3,772
total	*$ 9,462*	*$ 15,433*	*$ 13,959*	*$ 14,171*

Davis

	Commuters	On- campus	Off-campus	Weighted average
books	$ 844	$ 844	$ 844	$ 844
living	$ 2,462	$ 7,163	$ 5,308	$ 5,743
transportation	$ 894	$ 644	$ 693	$ 687
personal	$ 1,158	$ 1,103	$ 1,205	$ 1,171
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 4,172	$ 4,172	$ 4,172	$ 4,172
total	*$ 9,937*	*$ 14,332*	*$ 12,628*	*$ 13,024*

Irvine

	Commuters	On- campus	Off-campus	Weighted average
books	$ 948	$ 948	$ 948	$ 948
living	$ 2,333	$ 6,407	$ 6,192	$ 5,470
transportation	$ 920	$ 629	$ 955	$ 824
personal	$ 1,285	$ 1,377	$ 1,505	$ 1,411
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 3,884	$ 3,884	$ 3,884	$ 3,884
total	*$ 9,777*	*$ 13,653*	*$ 13,892*	*$ 12,945*
	$ 74	*$ (7)*		
			% change from 1998-99:	1.3%

Los Angeles

	Commuters	On- campus	Off-campus	Weighted average
books	$ 902	$ 902	$ 902	$ 902
living	$ 2,854	$ 7,693	$ 6,839	$ 6,547
transportation	$ 1,028	$ 473	$ 701	$ 676
personal	$ 1,524	$ 1,317	$ 1,453	$ 1,421
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 3,872	$ 3,872	$ 3,872	$ 3,872
total	*$ 10,588*	*$ 14,665*	*$ 14,174*	*$ 13,826*

Riverside

	Commuters	On- campus	Off-campus	Weighted average
books	$ 1,001	$ 1,001	$ 1,001	$ 1,001
living	$ 1,971	$ 7,225	$ 5,790	$ 5,369
transportation	$ 913	$ 728	$ 880	$ 836
personal	$ 1,322	$ 1,342	$ 1,398	$ 1,360
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 3,942	$ 3,942	$ 3,942	$ 3,942
total	*$ 9,556*	*$ 14,646*	*$ 13,419*	*$ 12,915*

San Diego

	Commuters	On- campus	Off-campus	Weighted average
books	$ 886	$ 886	$ 886	$ 886
living	$ 2,050	$ 7,227	$ 6,296	$ 6,001
transportation	$ 847	$ 505	$ 964	$ 783
personal	$ 1,290	$ 1,186	$ 1,353	$ 1,284
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 4,022	$ 4,022	$ 4,022	$ 4,022
total	*$ 9,502*	*$ 14,233*	*$ 13,928*	*$ 13,384*

Santa Barbara

	Commuters	On- campus	Off-campus	Weighted average
books	$ 889	$ 889	$ 889	$ 889
living	$ 1,732	$ 7,081	$ 6,450	$ 6,539
transportation	$ 952	$ 473	$ 660	$ 597
personal	$ 1,294	$ 1,238	$ 1,375	$ 1,319
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 4,001	$ 4,001	$ 4,001	$ 4,001
total	*$ 9,276*	*$ 14,089*	*$ 13,782*	*$ 13,752*

Santa Cruz

	Commuters	On- campus	Off-campus	Weighted average
books	$ 837	$ 837	$ 837	$ 837
living	$ 1,943	$ 7,337	$ 6,483	$ 6,526
transportation	$ 684	$ 503	$ 642	$ 608
personal	$ 931	$ 1,043	$ 1,153	$ 1,115
health insur. (est)	$ 369	$ 369	$ 369	$ 369
fees (est)	$ 4,012	$ 4,012	$ 4,012	$ 4,012
total	*$ 8,777*	*$ 14,102*	*$ 13,496*	*$ 13,467*
			% change from 1998-99:	2.1%

San Francisco

	Commuters	On- campus	Off-campus	Weighted average
books	$ 910	$ 910	$ 910	$ 910
living	$ 2,342	$ 7,319	$ 6,347	$ 5,873
transportation	$ 918	$ 556	$ 810	$ 772
personal	$ 1,317	$ 1,277	$ 1,403	$ 1,360
health insur. (est)	$ 561	$ 561	$ 561	$ 561
fees (est)	$ 3,756	$ 3,756	$ 3,756	$ 3,756
total	*$ 9,804*	*$ 14,379*	*$ 13,786*	*$ 13,232*

Systemwide

	Commuters	On- campus	Off-campus	Weighted average
books	$ 911	$ 887	$ 880	$ 886
living	$ 2,343	$ 7,449	$ 6,343	$ 6,287
transportation	$ 919	$ 532	$ 731	$ 684
personal	$ 1,318	$ 1,236	$ 1,347	$ 1,306
health insur. (est)	$ 408	$ 408	$ 408	$ 408
fees (est)	$ 3,926	$ 3,946	$ 3,957	$ 3,950
total	*$ 9,824*	*$ 14,459*	*$ 13,666*	*$ 13,521*

NOTES:

On-campus living expenses: based on Fall 1998 costs and usage rates.

Health insurance: Based on the weighted average of Berkeley and Santa Cruz undergraduate health insurance.

Fees: Assumes systemwide fees remain constant and campus fees increase by California CPI (3.4%).

Appendix D

Expected Contribution from Borrowing and Work

Expected Contribution from Borrowing

The loan expectation is based on the amount of monthly repayments for a cumulative debt that would be manageable given the average earnings UC undergraduates can expect during the first year of employment after graduation. The annual expectation assumes that the average time to graduation for UC freshmen is approximately 4.5 years. The range for the loan expectations is set so that repayment obligations do not exceed a range from 5 to 9 percent of gross starting salary. Since earnings are likely to grow as students acquire work experience, these obligations will become more manageable over time.

The definition of manageable loan repayments is based on credit industry standards for the percentage of annual income that can be earmarked for loan repayments. These standards typically range from 5 percent to 15 percent, with the lower end of the range most frequently used with lower gross incomes and the higher end of the range used with discretionary income at higher earnings levels. Given that the starting salaries for UC undergraduates are at the lower end of the income range, the lower end of the range is used.

The definition of manageability also assumes a standard ten-year repayment period with equal monthly repayments. Borrowers who experience difficulty in meeting this repayment schedule now have a variety of options available to them (e.g., graduated repayment, income contingent payments, extended repayment) that lower monthly repayment obligations to levels they might consider more manageable in the near term, even though these options increase the total amount they will eventually repay.

Expected Contribution from Work

Students are expected to contribute between $2,473 and $4,825 in earnings toward their educational expenses. The expectation is that students will work 30 weeks during the academic year and 15 weeks during summer and break periods. Although individual students will determine the appropriate balance between term-time and summer work, the top of the range is set so that a dependent student could meet the expected contribution by working 20 hours per week during the academic year and 30 hours per week during the summer and other break periods. This amount of work assumes that students will live at home over the summer to minimize their living expenses. It also assumes that students will earn a wage rate equal to 90 percent of the estimated average rate of $7.66 per hour that dependent students reported earning on the 1997-98 Student Expenses and Resources Survey. Survey data indicate that up to 20 hours per week of term-time work is correlated with only a minor decline in units attempted and GPA.

Dependent students could meet the contribution expected at the bottom of the loan/work range by the same amount of work during summers and breaks (i.e., 30 hours per week) in combination with 6 hours of work per week during the academic year.

Since independent students are not in a position to minimize their expenses during the summer by living at home, they will need to earn more in order to both cover their summer living expenses and meet the expected work contribution. Although individual students will determine the appropriate balance between term-time and summer work, the additional income could be earned by working full time (40 hours per week) during the summer and breaks while maintaining the same level of work during the academic term as dependent students (i.e., 6 to 20 hours per week). Independent students may also be able to meet their higher earnings requirement by finding jobs that pay more than $7.66 per hour; survey data have consistently found that independent students not only work more than dependent students but also appear to have higher paying jobs.

Appendix E

1999-00 Position in the Loan/Work Range

Percentile in Loan/Work Range	Minimum 0%	Actual Funded 38.6%	Maximum 100%
Loan/Work Expectation	$5,387	$7,196	$10,069
Total UC Grant Funding Needed	$202.2M	$114.2M	$23.1M

Appendix F

Education Financing Model
Preliminary 1999-00 Undergraduate USAP Allocation

	60% Allocation based on EFM shares:		40% Allocation based on 1996-97 shares:					
	1999-00 EFM Shares of Grant Need	Total Allocation on EFM Shares	1996-97 Allocation Shares	Allocation based on 1996-97 Share	Total Preliminary Allocation	1998-99 Final Allocation	Difference	Percentage Difference
Berkeley	17.1%	$11,754,669	18.0%	$8,232,682	$19,987,351	$19,781,871	$205,481	1.0%
Davis	11.7%	$8,016,625	14.4%	$6,599,310	$14,615,934	$14,239,652	$376,282	2.6%
Irvine	9.7%	$6,620,386	12.1%	$5,526,143	$12,146,529	$12,197,735	($51,206)	-0.4%
Los Angeles	19.1%	$13,084,968	20.8%	$9,483,188	$22,568,156	$23,450,496	($882,340)	-3.8%
Riverside	9.2%	$6,298,344	6.4%	$2,927,260	$9,225,604	$8,107,944	$1,117,659	13.8%
San Diego	11.2%	$7,650,644	9.5%	$4,323,596	$11,974,240	$10,847,553	$1,126,687	10.4%
San Francisco	0.1%	$99,251	0.1%	$28,015	$127,266	$108,850	$18,416	16.9%
Santa Barbara	12.9%	$8,839,568	10.8%	$4,941,010	$13,780,579	$12,790,497	$990,082	7.7%
Santa Cruz	9.0%	$6,176,938	8.0%	$3,633,058	$9,809,997	$9,023,863	$786,134	8.7%
Total	100.0%	$68,541,393	100.0%	$45,694,263	$114,235,656	$110,548,461	$3,687,195	3.3%

Appendix G

1999 Education Financing Model Steering Committee

Richard Black	Financial Aid Director, Berkeley
Gretchen Bolar	Associate Chancellor, Riverside
George Brown	Professor, Santa Cruz
Carol Christ	Executive Vice Chancellor, Berkeley
Dennis Galligani	Associate Vice President, UCOP
Larry Hershman	Vice President, UCOP
Patti Kao	Student Representative, UCSA
Tom Lifka	Assistant Vice Chancellor, Los Angeles
Ilene Nagel	Executive Vice Chancellor, Santa Barbara
Jim Sandoval	Assistant Vice Chancellor, Riverside
Michael Thompson	Associate Vice Chancellor, Santa Cruz
Carol Wall	Vice Chancellor, Davis
Mark Warner	Financial Aid Director, Irvine
Joe Watson, Chair	Vice Chancellor, San Diego