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January 13, 2010

The Honorable Denise Moreno Ducheny  
Chair, Joint Legislative Budget Committee  
State Capitol, Room 5035  
Sacramento, California 95814

Dear Senator Ducheny:

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](mailto:Debora.Obley@ucop.edu).

With best wishes, I am,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark G. Yudof".

Mark G. Yudof  
President

Enclosure

cc: The Honorable Gloria Romero, Chair  
Senate Budget and Fiscal Review Subcommittee #1  
(Attn: Ms. Seija Virtanen)  
(Attn: Ms. Cheryl Black)  
The Honorable Wilmer Amina Carter, Chair  
Assembly Budget Subcommittee #2  
(Attn: Sara Bachez)  
(Attn: Amy Rutschow)  
Ms. Ana J. Matosantos, Director of Finance  
Mr. E. Dotson Wilson, Chief Clerk of the Assembly  
Mr. Gregory Schmidt, Secretary of the Senate  
Ms. Diane Boyer-Vine, Legislative Counsel  
Ms. Sara Swan, Department of Finance  
Joint Legislative Budget Committee (18)  
Interim Provost and Executive Vice President Lawrence Pitts  
Interim Executive Vice President Nathan Brostrom  
Senior Vice President Daniel 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

Legislative Report

January 2010

**UC** is not just an  
institution of higher learning.  
Here, research aims higher.  
Service reaches higher.

**A higher level of excellence  
calls for a higher commitment.**

UNIVERSITY *of* CALIFORNIA

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OFFICE OF THE PRESIDENT



UNIVERSITY OF CALIFORNIA  
INSTITUTIONAL FINANCIAL AID  
PROGRAMS

*Preliminary Report to the Legislature  
Pursuant to Education Code Section 66021.1*

OFFICE OF THE VICE PRESIDENT, STUDENT AFFAIRS  
STUDENT FINANCIAL SUPPORT

JANUARY 2010

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## OVERVIEW

Language in Section 66021.1 of the California Education Code Section 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, 2010, 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\\_0708.pdf](http://www.ucop.edu/sas/sfs/docs/regents_0708.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](http://budget.ucop.edu/pubs.html).

Lastly, metrics related to student expenses, financial aid, and affordability appear in the draft UC Accountability Framework report, which is available at [universityofcalifornia.edu/accountability](http://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 2008-09, 2009-10, and 2010-11 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 fee 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 fee increase, a fee increase can create an unexpected gap in other families’ household budgets. To help these families transition to the higher fee level, the University has, in recent years, provided a grant equal to one-half of any fee increase to financially needy families with parent incomes up to \$100,000 who would not otherwise be eligible for grant assistance. 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. In 2009-10, the University augmented these funds with an additional \$3.1 million from the University’s Educational Fund, which is derived primarily from indirect cost recovery from private contracts and grants; this augmentation was used to cover most of the incremental cost associated with the Blue and Gold Opportunity Plan. 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](http://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 (per donors' wishes). Selection criteria vary according to local campus objectives and donors' wishes (in the case of privately funded restricted scholarships).

- **Fee and Tuition Exemptions and Waivers.** Certain categories of UC students are exempt from paying fees and/or nonresident tuition under a variety of fee and tuition 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 University 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 can 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

Two systemwide policy changes affecting UC's institutional aid programs occurred in 2009-10.

- **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 fees. The Blue and Gold was introduced in order to provide prospective students from low-income families with a clear, simple message that UC fees should not deter them from aspiring to a UC education.

To be eligible for the Blue and Gold in 2009-10, 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 \$60,000 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.)

Prior to the Blue and Gold, students who met the above criteria already generally received gift aid in excess of their fees – usually through a combination of Cal Grants, UC Grants, and Pell Grants. The University lacked a clear way to communicate this effectively, however, since the eligibility requirements for those programs do not lend themselves to concise, compelling public statements. In contrast, the Blue and Gold allows the University to make a relatively simple statement about covering fees for low-income students while preserving the focus of the University’s aid program, which is to ensure that students from every income level can cover the full cost of attendance.

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.

- **Revised Approach for Allocation USAP to Campuses.** In 2009-10, the University rescinded changes to the USAP allocation methodology that were introduced several years ago. Those changes were designed (1) to limit the extent that USAP allocations were influenced by on-campus housing or health insurance costs that exceeded 110% of the systemwide average, and (2) to encourage campuses to identify additional funds to help cover the cost of preexisting campus-based fees. While the University continues to believe that cost containment and increased funding remain important objectives, the University concluded that financial aid allocations are not the most effective policy vehicle for achieving them. In addition, in 2009-10, the University slightly modified its USAP allocation methodology to recognize the relatively modest incremental obligations associated with the Blue and Gold Opportunity Plan.
- **Revised Treatment of Veterans Educational Benefits.** Prior to 2009-10, the University considered veterans educational benefits to be a financial resource that effectively reduced a student’s UC grant eligibility. Beginning in 2009-10, these benefits are now ignored for purposes of determining a student’s UC grant eligibility. This policy change is part of a broader University-wide effort to assist veterans who enroll at UC and is consistent with how these benefits are treated under federal need analysis (beginning in 2009-10 for Pell Grants and beginning in 2010-11 for all Title IV programs).

For 2010-11, the University will increase the income ceiling for the Blue and Gold Opportunity Plan to \$70,000. The University plans to review the income cap each year to ensure that it remains, at a minimum, no less than the median California household income.

## 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,  
2007-08 to 2010-11**

	2007-08 (actual)	2008-09 (preliminary)	2009-10 (estimated)	2010-11 (estimated)
<b>Gift Aid</b>				
Grants				
Total amount	\$286.1 M	\$330.1 M	\$411.1 M	\$523.1 M
Average award	\$4,596	\$4,938	\$5,945	\$7,490
90 <sup>th</sup> %	\$9,697	\$10,659	\$11,666	\$13,211
Scholarships				
Total amount	\$81.1 M	\$89.1 M	\$89.1 M	\$91.1 M
Average award	\$4,644	\$4,969	\$4,870	\$4,940
90 <sup>th</sup> %	\$9,828	\$10,000	\$9,901	\$9,971
Subtotal—all Gift Aid				
Total amount	\$367.1 M	\$419.1 M	\$500.1 M	\$614.1 M
Average award	\$5,150	\$5,504	\$6,450	\$7,845
90 <sup>th</sup> %	\$10,365	\$11,279	\$12,225	\$13,620
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$14.1 M	\$15.1 M	\$18.1 M	\$23.1 M
Average award	\$6,636	\$7,126	\$8,373	\$10,302
90 <sup>th</sup> %	\$6,636	\$7,126	\$8,373	\$10,302
AB 540 (NR Tuition)				
Total amount	\$27.1 M	\$29.1 M	\$32.1 M	\$33.1 M
Average award	\$19,620	\$20,608	\$22,717	\$22,879
90 <sup>th</sup> %	\$19,620	\$20,608	\$22,717	\$22,879
Other				
Total amount	\$1.1 M	\$1.1 M	\$2.1 M	\$2.1 M
Average award	\$8,643	\$9,636	\$11,043	\$12,644
90 <sup>th</sup> %	\$19,620	\$20,608	\$22,717	\$22,879
<b>Loans and Work-Study</b>				
Loans				
Total amount	\$3.1 M	\$3.1 M	\$3.1 M	\$4.1 M
Average award	\$2,596	\$2,118	\$2,076	\$2,106
90 <sup>th</sup> %	\$3,500	\$3,500	\$3,500	\$3,500
Work-Study				
Total amount	\$3.1 M	\$2.1 M	\$2.1 M	\$2.1 M
Average award	\$2,208	\$1,716	\$1,682	\$1,706
90 <sup>th</sup> %	\$4,000	\$3,451	\$3,417	\$3,441

## 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**

	2007-08 (actual)	2008-09 (estimate)
Parent Income (for dependent aid recipients)		
Average	\$39,416	\$41,117
90 <sup>th</sup> Percentile	\$82,250	\$85,625
Expected Family Contribution*		
Average	\$3,734	\$3,935
90 <sup>th</sup> Percentile	\$11,295	\$11,989
Financial Need*		
Average	\$20,514	\$21,295
90 <sup>th</sup> Percentile	\$24,873	\$26,238

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

## Trends in Student Costs, Resources, and Need

Table 1-3, below, displays information about the aggregate costs, expected parental resources, gift aid, and remaining need for undergraduate need-based aid recipient in academic years 2008-09 through 2010-11.

Overall, the aggregate undergraduate cost of attendance for need-based aid recipients is estimated to increase by \$304.6 million in 2010-11. This figure reflects a projected increase in mandatory systemwide fees of 23% (\$1,929) compared to actual 2009-10 fees of \$8,373, which includes the mid-year fee increase assessed during that year; an average increase in campus fees and health insurance costs of 6.1% (\$115); and an average increase in non-fee costs of 3.8% (\$561).

Of this amount, an estimated \$11.0 million is anticipated to be covered through additional parent resources in the form of a higher federal Expected Parent Contribution. This represents a smaller assumed increase in the parent contribution than UC has used in prior years, reflecting the impact that the recent economic downturn may have on parents' financial resources.

**Table 1-3: Projected Undergraduate Student Costs and Resources,  
2008-09 to 2010-11**

	2008-09 (preliminary)	2009-10 (estimate)	2010-11 (estimate)	2010-11 incr. (estimate)
Total # recipients of need-based aid	84,441	87,667	90,280	2,613
(a) Aggregate Cost of Attendance (COA)	\$2,067.2 M	\$2,317.1 M	\$2,621.8 M	\$304.6 M
(b) Aggregate Expected Parent Contribution	\$356.8 M	\$370.4 M	\$381.5 M	\$11.0 M
(c) Aggregate Federal gift aid	\$230.5 M	\$265.4 M	\$271.7 M	\$6.3 M
(d) Aggregate State gift aid				
Cal Grants	\$334.5 M	\$435.1 M	\$521.9 M	\$86.8 M
Other State aid	\$1.7 M	\$1.7 M	\$1.7 M	\$0.0 M
(e) Aggregate UC need-based grants	\$325.8 M	\$411.3 M	\$523.4 M	\$112.1 M
(f) Aggregate UC merit-based awards	\$47.2 M	\$47.1 M	\$48.2 M	\$1.2 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$15.8 M	\$18.1 M	\$19.9 M	\$1.8 M
(h) Aggregate private gift aid	\$24.4 M	\$24.8 M	\$25.6 M	\$0.9 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through i])	\$730.7 M	\$743.3 M	\$827.8 M	\$84.6 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 \$86.8 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 \$112.1 million in funding to help cover both fee and non-fee expenses. Funding from the Pell Grant program is expected to grow by \$6.3 million in 2010-11 due to enrollment growth and a projected \$200 increase in the maximum Pell Grant award. Other sources of gift aid are expected to increase slightly.

Overall, the University would expect undergraduate need not met by the sources described above to increase by \$84.6 million in 2010-11, a per capita increase of approximately \$691 per need-based aid recipient. Students could cover this increase through a combination of work and borrowing, by reducing their discretionary spending, or from other student and/or family resources.

## Typical Financial Aid Packages

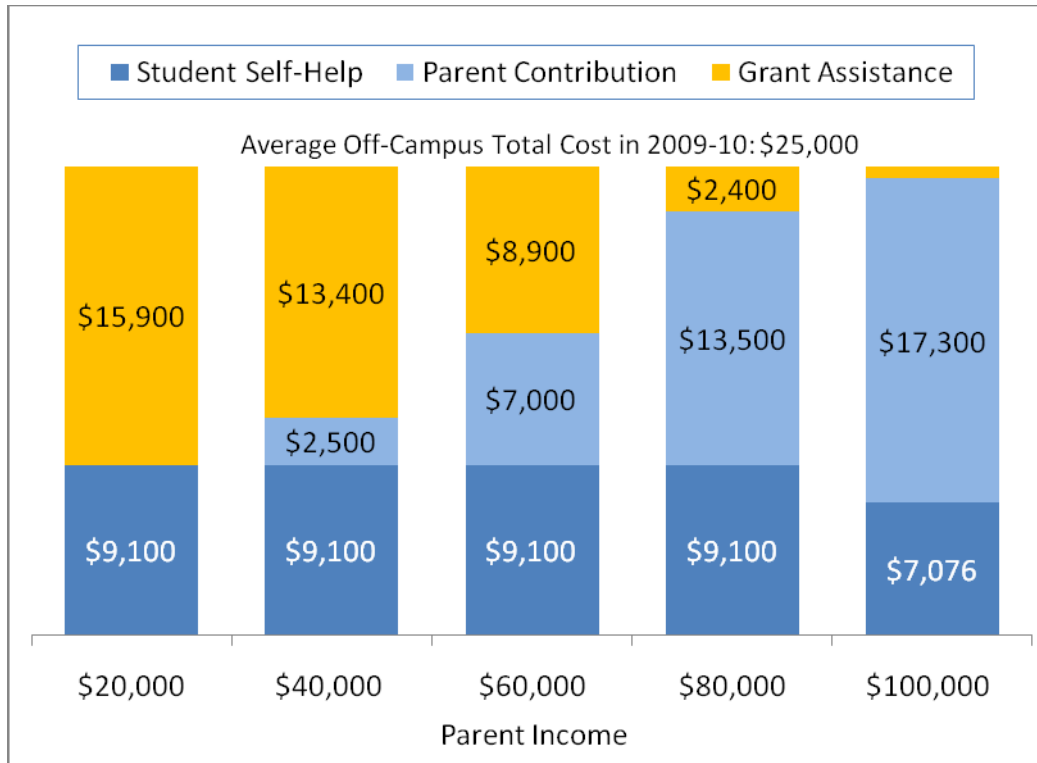
Display 1-1, below, depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category) for 2009-10. Display 1 shows components of typical packages grouped into three broad categories:

- *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.\*

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\* For many middle- and upper-income parents, the expected parent contribution plus UC's standard self-help exceeds the total cost of attendance. While the financial aid *packages* for these students may include a lower self-help (i.e., less work or loans) due to the higher parent contribution (as shown in Display 1-1 for the \$100,000 family), UC considers these students to be equally capable of contributing the standard self-help. 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, 2009-10



## 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 and 2007 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. The complete findings from the most recent survey may be found at [http://www.ucop.edu/sas/sfs/docs/gradsurvey\\_2007.pdf](http://www.ucop.edu/sas/sfs/docs/gradsurvey_2007.pdf).

The University's proposals for 2010-11 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>.) USAP-funded gift aid to graduate academic students – like USAP-funded need-based grants – may only be awarded to students with financial need according to Federal standards. However, merit-based criteria can and do influence which financially needy students receive USAP-funded gift aid. 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<sup>†</sup> to these students.

## Recent and Anticipated Changes to Institutional Aid Policy

No changes were made to the University's institutional aid policy for graduate academic students in 2009-10, and none are anticipated for 2010-11.

## Institutional Aid Expenditures

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

**Table 2-1: Graduate Academic Institutional Aid Expenditures,  
2007-08 to 2010-11**

	2007-08 (actual)	2008-09 (preliminary)	2009-10 (estimated)	2010-11 (estimated)
<b>UC Gift Aid</b>				
Total amount	\$215.7 M	\$203.8 M	\$214.3 M	\$231.9 M
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$0.2 M	\$0.3 M	\$0.3 M	\$0.3 M
AB 540 (NR Tuition)				
Total amount	\$3.1 M	\$2.9 M	\$2.8 M	\$2.8 M
Other				
Total amount	\$0.9 M	\$0.9 M	\$0.9 M	\$1.1 M
<b>Loans and Work-Study</b>				
Loans				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
Work-Study				
Total amount	\$0.1 M	\$0.0 M	\$0.0 M	\$0.0 M

<sup>†</sup> Teaching assistants and research assistants with appointments above a minimum percentage are entitled to remissions that cover their systemwide fees.

The observed decline in UC gift aid for graduate academic students between 2007-08 and 2008-09 may reflect unusually high expenditures in 2007-08, which in turn may have been motivated by an additional \$10 million provided by the University to campuses on a matching basis as an incentive to make graduate student support a high campus priority. Projected increases in UC gift aid in 2009-10 and 2010-11 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. (The Regents have proposed no increase in nonresident tuition for graduate academic students in 2010-11.)

### 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](http://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**

No changes were made to the University's institutional aid policy for graduate professional degree students in 2009-10. However, several programs began to assess a professional degree fee for the first time in 2009-10. 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:

- Dental Hygiene (San Francisco)
- Law (Irvine)
- Nursing (Irvine)
- Preventive Veterinary Medicine (Davis)

Several other programs will assess a professional degree fee for the first time in 2010-11, with a similar set-aside for financial aid. Those programs are:

- Architecture (Los Angeles)
- Environmental Design (Berkeley)
- Information Management (Berkeley)
- Nursing (Davis)
- Physical Therapy (San Francisco)
- Public Policy (Irvine)
- Social Welfare (Berkeley, Los Angeles)
- Urban Planning (Los Angeles)

## **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,  
2007-08 to 2010-11**

	2007-08 (actual)	2008-09 (preliminary)	2009-10 (estimated)	2010-11 (estimated)
<b>UC Gift Aid</b>				
Total amount	\$85.7 M	\$86.6 M	\$97.3 M	\$110.9 M
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$1.5 M	\$1.6 M	\$1.7 M	\$2.0 M
AB 540 (NR Tuition)				
Total amount	\$2.6 M	\$2.6 M	\$2.5 M	\$2.5 M
Other				
Total amount	\$1.1 M	\$1.8 M	\$2.0 M	\$2.3 M
<b>Loans and Work-Study</b>				
Loans				
Total amount	\$1.8 M	\$1.9 M	\$1.9 M	\$2.0 M
Work-Study				
Total amount	\$0.3 M	\$0.1 M	\$0.1 M	\$0.1 M

The projected increases in UC gift aid for 2009-10 and 2010-11 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 Registration Fee revenue.

Projected increases in exemptions and waivers, loans, and work-study reflect a combination of anticipated enrollment growth and fee increases. (The Regents have proposed no increase in nonresident tuition for graduate students in professional degree programs in 2010-11.)

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