

**University of California
Office of the President**

**Annual Report on
Student Financial Support**

1999-2000



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

September 2001



While many members of the Student Financial Support Unit contributed to this report, the lead staff members responsible for completing the report were Mark Langberg, who had primary responsibility for producing the data used in this report, and Chris Carter, who coordinated the production of the report. Questions may be directed to Chris Carter of the Office of Student Financial Support at 510 987-9583 or via e-mail at chris.carter@ucop.edu.

Preface

This report, submitted to The Regents of the University of California, provides comprehensive data on how the students at the University of California financed their education in the 1999-2000 academic year. The Student Financial Support unit in the Student Academic Services Division at the UC Office of the President compiles this annual report, which contains data on the different types and sources of student aid received by both undergraduate and graduate students. Also discussed are various ways students at different family income levels finance their education and how the University assists students in these efforts.

This document is a valuable resource for the University community, providing analyses of the trends and future directions in financial aid for University of California students. It reflects the broad range of sources and types of assistance, including scholarships, fellowships, grants, loans, work-study, teaching and research assistantships, and on-campus employment.

Table of Contents

EXECUTIVE SUMMARY	VII
Financial Support for Undergraduate Students	vii
The Education Financing Model	vii
Undergraduate Financial Aid Highlights.....	viii
Financial Support for Graduate Students	viii
Graduate Student Financial Aid Highlights.....	viii
Prospects for the Future	ix
Federal Initiatives to Assist Families.....	ix
State Initiatives to Assist Families.....	ix
INTRODUCTION.....	1
The Goals of the University's Undergraduate and Graduate Financial Aid Programs	1
The University's Instructional Mission and Financial Assistance for Undergraduates	1
The University's Research Mission and Financial Assistance for Graduate Students	2
The Expenses that Financial Assistance Helps to Cover	2
SECTION 1 FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS.....	5
The Cost of Attendance.....	7
Managing the Cost of Attendance: the Education Financing Model	8
What do these principles mean for the parents of UC undergraduates?	8
What do these principles mean for UC students?	9
What do these principles mean for the University?	10
How UC's Undergraduates Manage the Cost of Attendance	11
Need-Based Aid Recipients	14
Parental Contribution	16
Student Contribution from Loans and Work.....	18
Gift Aid	21
Nonneed-Based Aid Recipients.....	24
Nonrecipients.....	25
Recent Trends in Student Financial Support.....	26

Cost of Attendance	26
Borrowing	28
Grants and Scholarships	30
Recent Trends in Family Income of Enrolled Students	32
SECTION 2 FINANCIAL SUPPORT FOR GRADUATE STUDENTS.....	35
Total Levels of Graduate Student Support.....	37
Detailed Breakdowns of Graduate Support.....	40
Graduate Assistance by Academic/Professional Status.....	40
Graduate Academic Students.....	42
Graduate Assistance by Discipline and Program	42
Net Stipend/Measuring the Value of Graduate Level Aid	44
Doctoral/Masters Status	46
Residency Status	46
Is the University's Assistance for Graduate Academic Students Competitive?	48
Graduate Professional Degree Students.....	48
Net Stipend.....	50
Manageability of Professional Degree Program Student Loan Debt	52
Residency Status	53
Is the University's Assistance for Graduate Professional Degree Students Competitive?.....	54
SECTION 3 OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR FAMILIES FINANCE A UC EDUCATION	55
University Programs and Initiatives.....	55
The University's Budget	55
State Programs and Initiatives.....	55
Cal Grants	55
Governor's Merit Scholarships	56
Scholarshare Trust College Savings Program	56
Federal programs and initiatives	57
Federal Education Tax Credits	57
Hope Scholarship Tax Credit	57
Lifetime Learning Tax Credit	57
UC and the Federal Education Tax Credits.....	57

New Above-the-Line Tax Deduction for Higher Education Tuition and Related Expenses	57
Student Loan Interest Deduction	58
IRA Withdrawals for Higher Education Expenses and the Education IRA	58
U.S. Savings Bonds	58
SECTION 4 OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 1997-98	61
GLOSSARY	75
INFORMATION ON ATTACHMENTS.....	79
ATTACHMENTS	

List of Figures

Figure 1-1 Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as Percent of California Median Household Income, 1984-85 to 1999-2000	6
Figure 1-2 Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1999-2000: Percentage Distribution.....	12
Figure 1-3 Undergraduate Need-based Support Recipients by Parent Income, 1999-2000	15
Figure 1-4 How Undergraduate Need-Based Aid Recipients Finance Their Educational Expenses: by Parent Income, 1999-2000	16
Figure 1-5 How Parents of Undergraduate Dependent Need-Based Aid Recipients Finance Their Expected Parent Contributions: by Parent Income 1999-2000	17
Figure 1-6 How Undergraduate Need-Based Aid Recipients Use Loans to Finance their Contributions: by Parent Income, 1999-2000	19
Figure 1-7 How Undergraduate Need-Based Aid Recipients Use Campus Employment and Work-Study to Finance Their Contributions: By Parent Income, 1999-2000	20
Figure 1-8 Composition of Per Capita Average Grant Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1999-2000	23
Figure 1-9 Composition of Average Scholarships Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1999-2000	24
Figure 1-10 Number of Undergraduate Nonneed-Based Aid Recipients Receiving Grant Assistance, Loan Assistance, and Both, 1999-2000	25
Figure 1-11 Trends in the Undergraduate Cost of Attendance at the University of California, Selected Years, 1989-90 to 1999-2000; Constant 1999-2000 Dollars.....	27
Figure 1-12 Trends in Undergraduate Per Capita Aid by Type, 1996-97 to 1999-2000; Constant 1999-2000 Dollars	28
Figure 1-13 Per Capita Undergraduate Borrowing Through the Federal Loan Programs by Loan Type, 1996-97 through 1999-2000	29
Figure 1-14 Per Capita Borrowing Among Undergraduate Need-Based Aid Recipients through the Federal Loan Programs by Loan Type, 1996-97 through 1999-2000	30
Figure 1-15 Total Per Capita Undergraduate Grant and Scholarship Assistance by Fund Source: 1993-94 to 1999-2000.....	32
Figure 1-16 First-Time Freshman Enrollment Systemwide by Parent Income and Cohort Year, Percent Distribution, Constant 1999 Dollars	34
Figure 2-1 Total Graduate Student Support by Type, 1995-96 to 1999-2000	37

Figure 2-2 Graduate Support by Type and Program Administrator, 1999-2000.....	38
Figure 2-3 Per Capita Graduate Student Support by Type, 1995-96 to 1999-2000.....	39
Figure 2-4 Per Capita Student Financial Support by Type for Graduate Academic and Graduate Professional Degree Students, 1999-2000.....	41
Figure 2-5 Total Support by Source, 1998-99 \$1,354,415,738	43
Figure 2-6 Academic Graduate Student Net Stipend and Total Student Fees by Discipline, 1998-99	45
Figure 2-7 Per Capita Net Stipend for Graduate Academic Students by Masters/Doctoral Status, 1999-2000	46
Figure 2-8 Net Stipend by Graduate Academic Discipline by Residency Status, 1999-2000	47
Figure 2-9 Per Capita Student Financial Support for Graduate Professional Students by Type of Aid and Program, 1999-2000.....	49
Figure 2-10 Net Stipend for Graduate Academic Students and for Graduate Professional Degree Students, 1999-2000	50
Figure 2-11 Graduate and Post Baccalaureate Professional Degree Students Net Stipend and Total Student Fees, 1999-2000.....	51
Figure 2-12 Net Stipend by Graduate Professional Program by Residency Status, 1999-2000.....	53
Figure 4-1 Support, Enrollment, and Recipients by Enrollment Level, 1999-2000.....	61
Figure 4-2 Total Support by Type, 1999-2000	62
Figure 4-3 Total Support by Administering Entity, 1999-2000.....	63
Figure 4-4 On-Campus and Work-Study Employment, 1999-2000	64
Figure 4-5 Types of Undergraduate Support, 1999-2000	65
Figure 4-6 Undergraduate Support by Administering Entity, 1999-2000	66
Figure 4-7 University-Funded Support for Undergraduates, 1999-2000.....	67
Figure 4-8 Federally Authorized Support for Undergraduate Students 1999-2000.....	67
Figure 4-9 Support for Undergraduate Need-Based Aid Recipients by Aid Type and Family Income: Percent with Award, 1999-2000	69
Figure 4-10 Average Awards of Undergraduate Need-Based Aid Recipients by Family Income, 1999-2000	70
Figure 4-11 Borrowing Among Undergraduate Need-Based Aid Recipients by Income: Average Loan and Per Capita Borrowing 1999-2000	71
Figure 4-12 Graduate Support by Aid Type, 1999-2000.....	72
Figure 4-13 Graduate Financial Support by Program Type and Aid Type, 1999-2000.....	73

List of Tables

Table 1-1 Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1999-2000: Number of Students	13
Table 4-1 Undergraduate Need-Based Support Recipients by Parent Income, 1999-2000	68

EXECUTIVE SUMMARY

In 1999-2000, approximately 114,900 students (67 percent of the total enrollment) at the University of California received over \$1.4 billion in financial support. This amount includes aid from all sources -- federal, state, University and private -- and of all types -- scholarships, fellowships, grant, loans, work-study, and assistantships.

Over six of every 10 (61 percent) of UC's undergraduates received some form of student financial support in 1999-2000. Nearly three-fourths (73 percent) of undergraduate support at the University is awarded on the basis of need. This is reflective of the strong link between undergraduate education and the University's instructional mission. The University's undergraduate financial aid programs are intended first to provide access to a University education to those students who would otherwise be unable to afford to attend.

Over 85 percent of the University's graduate students received some form of student financial support in 1999-2000. Nearly three quarters (72 percent) of graduate support took the form of what is termed "competitive aid" – grants, fellowships, or assistantships. This pattern is driven largely by the link between graduate education and both the University's research mission and its role helping the state to meet its workforce needs. This link means that at the graduate level, financial aid needs not only to provide access, but also to serve as a recruitment tool. Thus, the emphasis is on aid that will allow the University to recruit and compete with other universities for top graduate students to support the University's research efforts and to meet workforce needs.

Financial Support for Undergraduate Students

Approximately \$750 million in financial support was received by over 81,600 undergraduate students enrolled at the University of California in 1999-2000.

The Education Financing Model

The University has developed 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 is known as the Education Financing Model and is based on the following principles:

- total cost of attendance (fees, living and personal expenses, books and supplies, and transportation) represents the context for the Model;
- a partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;
- equity of expectations is needed across the entire undergraduate student body so that all students will be called upon to make some contribution toward their cost of attendance (i.e., regardless of income, students have relatively similar loan and work expectations); and

- flexibility is needed both for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

Undergraduate Financial Aid Highlights

- In 1999-2000, 61 percent of undergraduates received financial aid totaling \$750 million. In addition, 49 percent of undergraduates received some form of gift assistance totaling \$392 million.
- Per capita borrowing among all undergraduates declined by 7 percent between 1997-98 and 1999-2000. This is likely driven by a number of factors, including increases in undergraduate grant support, steady student budget levels, and a strengthening California economy.
- Undergraduate systemwide student fees declined by 5 percent in 1999-2000. This decline followed another 5 percent decline in 1998-99. Falling systemwide fee levels have been the chief reason that student budgets at the University of California have been so flat over the past two years.
- The number of need-based aid recipients has been relatively constant since 1995-96 despite a 10 percent increase in undergraduate enrollment. Declining student fees and increasing family incomes fueled by a strengthening California economy have contributed to this trend.
- Per capita borrowing among undergraduate need-based aid recipients (many of whom are from low-income families) declined by 8 percent between 1997-98 and 1999-2000. Reductions in systemwide student fee levels, the maintenance of funding for UC's student aid program despite the fee reductions, and increased award levels in the federal Pell Grant program all contributed to this decline.
- Between 1997-98 and 1999-2000, per capita gift assistance among need-based aid recipients increased by 12 percent.
- Shifts in the family income distribution of UC's entering freshmen in have mirrored shifts in California's overall population. This means that California's recovering economy in the latter part of the decade has resulted in increases in the family incomes of the University's entering undergraduates since 1994.

Financial Support for Graduate Students

Over 31,000 (87.5 percent of total) graduate academic and professional students received \$650 million in financial support during the 1999-2000 academic year. Seventy-two percent of this support was in the form of competitive aid – either grants or teaching and research assistantships.

Graduate Student Financial Aid Highlights

- Beyond making the University accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs serve as a recruitment tool.

- The types of assistance that make a financing package attractive to a prospective graduate student are gift assistance and research and teaching assistantships, which are together termed competitive aid.
- Per capita graduate student support of all types except work-study has been increasing steadily over the past 4 years.
- On a per capita basis, academic program graduate students received three and one half as much competitive aid as professional degree program graduate students. This pattern reflects both what is needed to compete for top graduate students and aid patterns at other top universities.
- Net stipend levels, which equal competitive aid less tuition and student fees, vary by discipline/program. These differences are driven, in part, by differences in student fees.
- For both graduate academic and graduate professional degree program students, resident students tend to have higher net stipends because the additional aid directed at international and domestic non-resident students does not fully offset the higher non-resident tuition and fees that they pay.
- The Student Financial Support Unit anticipates publishing the results of a survey of graduate students admitted for fall 2001 just completed as this report went to press. The results of the survey should provide the University with a better sense of how competitive its financial assistance offers for graduate students are.

Prospects for the Future

Federal Initiatives to Assist Families

The federal and state governments have enacted a number of initiatives to encourage middle-income families to save for college as their children are growing and counter the need for these families to borrow when their children are in school. The federal Taxpayer Relief Act of 1997 provided students and their families with valuable tax credits that were phased in beginning in 1998 as well as tax incentives for families to save for college. With the financial support of the Lumina Foundation, the University conducted a survey of students about their utilization of the education tax credits for 1999. The survey results indicated that most University students eligible for the tax credits took them and that the total value of the tax credits for university students and their families totaled nearly \$80 million.

State Initiatives to Assist Families

The state's reconfigured Cal Grant program was implemented beginning in 2001-2002. This marks the first year of Cal Grant entitlement awards. As anticipated, provisions of the entitlement appear to have had only a marginal impact on the number of UC students eligible for a Cal Grant. However, the entitlement should help UC in overcoming the misperception that grant assistance is not available to help meet UC costs.

At the same time that the state established the Cal Grant entitlement program, it also established the Governor's Scholars Program, through which merit-based scholarships are awarded to California high school students in grades 9, 10, and 11 with high scores on the STAR exam. The state also established the Governor's Distinguished Mathematics and Science Scholars Program, which provides scholarships to public high school pupils who, in addition to qualifying for a scholarship under the Governor's Scholars Program, obtain a specified score on advanced placement examinations in both calculus and either biology, chemistry, or physics. UC students should receive a high proportion of these new scholarships.

Finally, the State of California sponsors the Scholarshare Trust College Savings Program. This program takes advantage of federally and state-authorized tax incentives intended to encourage families to undertake a system of long-range planning and savings for contributing to their children's college expenses. The recently signed federal Economic Growth and Tax Relief Reconciliation Act of 2001 will make all interest earned through the Scholarshare program federally tax exempt.

INTRODUCTION

The wide range of 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, these programs provide to the University support that is critical to its success in carrying out its missions. Viewing undergraduate and graduate financial aid programs in terms of the University goals and missions that they serve is fundamental to understanding the University's financial support programs and their success.

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

The University of California enrolled over 171,000 students in 1999-2000 in support of its three-pronged mission. California's Master Plan for Higher Education assigns to the University the three distinct missions of instruction, research, and public service. The University's undergraduate and graduate enrollments are each tied differently to the University's missions. The financial assistance programs, like other University programs, reflect the links between undergraduate enrollment and the University's instructional mission and graduate enrollment and the university's research mission.

The University's Instructional Mission and Financial Assistance for Undergraduates

The University's commitment to serving its 134,000 undergraduates is built first upon its mission to provide instruction. 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. This means that the enrollment of undergraduates centers on inputs – that is, it is about accommodating and serving those undergraduate students deemed to be eligible for admission to the University.

...the University's undergraduate financial assistance program is built around the goal of providing eligible students with access to the University.

Thus, it follows that the University's undergraduate financial assistance program is built around the goal of providing eligible students with access to the University. The programs are intended to ensure that financial concerns are not a barrier to eligible students choosing to attend the University. Consequently, most of the undergraduate financial assistance at UC is distributed on the basis of family financial circumstances in order to make the University accessible to students whose families' resources would mean they could not otherwise afford to attend the University.

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

The University's graduate enrollment of approximately 37,000 students 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 research mission, which makes important contributions to the California economy, and its role in helping the state to meet its professional workforce needs. These contributions are maximized when the University can attract the top candidates from the pool of prospective graduate level students to support faculty and their research.

Support for graduate students is intended not simply to make the university accessible, but also to help entice top students to choose UC over other institutions for graduate study.

This means that the goal of graduate financial support differs substantially from that of undergraduate financial support. Support for graduate students is intended not simply to make the university accessible, but also to help entice top students to choose UC over other institutions for graduate study. This makes graduate student support more than just a means for providing access. It is also one of the University's recruitment tools, the success of which is tied closely to whether the University's offers of financial assistance are competitive with the those made by other universities competing for the same students. Thus it follows that graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

The Expenses that Financial Assistance Helps to Cover

Many students and their families think first of student fees when considering both the expenses incurred while attending the University and how the University covers its costs of providing an education. However, in both cases, student fees account for only a part of the complete picture. While student fee revenues constitute an important component of the University's budget, the state of California's investment in the University and its students, which comes in the form of an annual state appropriation, is the foundation of the University's instructional budget. This investment makes it possible for undergraduate and graduate students at the University to obtain a world-renowned education at fee levels that are thousands of dollars less than tuition levels at comparable nonstate-supported universities. The benefits of this state investment (approximately \$8,000 per student) accrue to all UC students who are California residents.

The state investment...makes it possible for University students to obtain a world-renowned education at fee levels that are thousands of dollars less than tuition levels at comparable nonstate-supported universities.

For students and their families, student fees are just one component of what is sometimes referred to as the cost of attendance. At both the graduate and undergraduate levels, the University's sup-

port programs are tied to the student budget or cost of attendance. The student budget consists of the student's direct educational costs — fees, tuition (for nonresidents), and books and supplies — as well as those categories of expenses that are necessary for maintaining the student while enrolled at the University: living expenses (room and board); health care; transportation; and miscellaneous personal expenses. The sum of these categories represents the typical expenses students and their families must plan to cover through their own resources or financial aid in order to attend a UC campus. Student budgets are developed based on actual reported expenditures by UC students, and to assure a more accurate reflection of actual expenses, separate budgets are developed based on the student's campus, living situation, and status as a graduate or undergraduate student.

NOTE: This 1999-2000 version of the **Annual Report on Student Financial Support** is the first to list enrollment and recipient counts in terms of full year equivalent enrollment. These enrollment or recipient counts are similar in concept to the University's three quarter average enrollments but differ in that they are based on whether a student or recipient was enrolled at any time during a given quarter or semester rather than as of a specific census date.

Prior versions of this **Annual Report on Student Financial Support** have reported enrollment and recipient totals in terms of total annual (headcount) enrollment. This amounts to a sum of the students enrolled/receiving aid at any time during the reporting year rather than an average of the enrollment/recipients for each semester/quarter.

The change in methodology for calculating enrollment and recipient counts should yield results that both reflect all students who receive aid (and not just those receiving aid as of a census date) and more accurately represent the enrollment/recipients at any one time.

In those instances where enrollment trend data are presented in this report, 1999-2000 enrollment and recipient counts are presented in terms of total annual enrollment in order to make all the counts comparable. Footnotes mark each case where annual enrollment is used.

SECTION 1

FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS

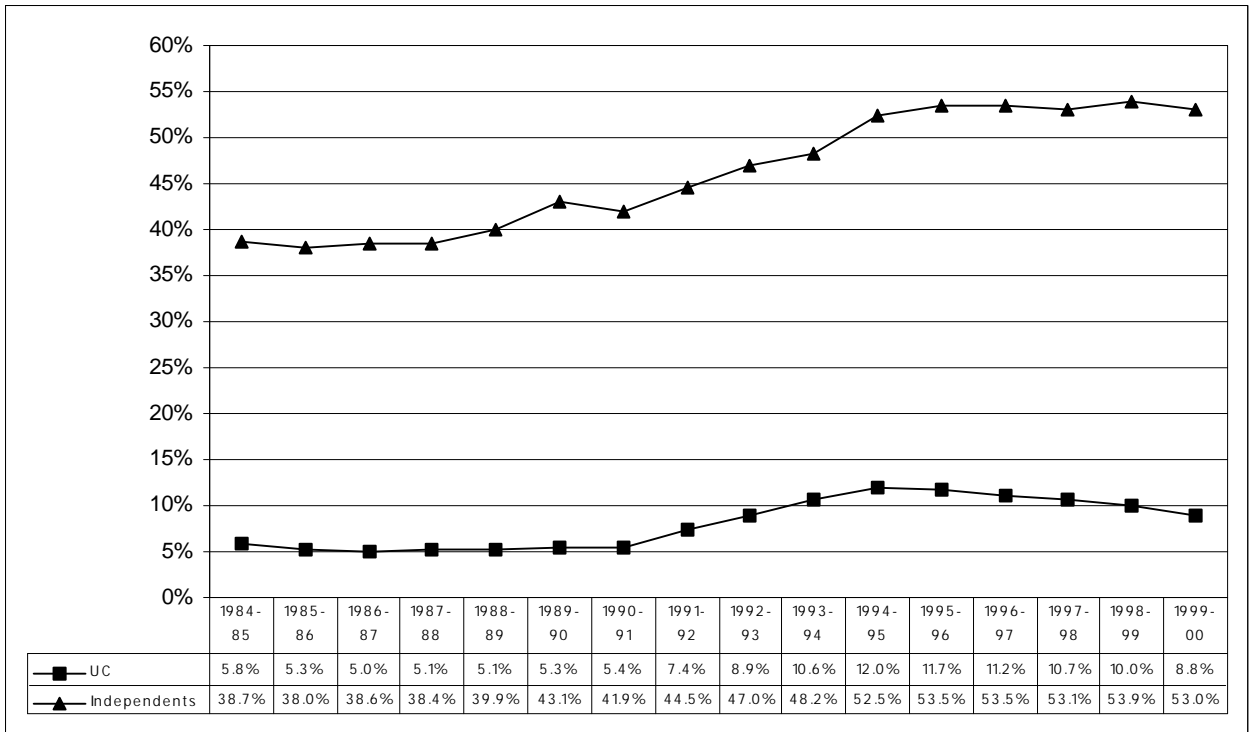
Key Points

- **In 1999-2000, 61 percent of undergraduates received financial aid totaling \$750 million. In addition, 49 percent of undergraduates received some form of gift assistance totaling \$392 million.**
- **Per capita borrowing among all undergraduates declined by 7 percent between 1997-98 and 1999-2000.**
- **Undergraduate systemwide student fees declined by 5 percent in 1999-2000. This decline followed another 5 percent decline in 1998-99.**
- **The number of need-based aid recipients has been relatively constant since 1995-96 despite a 10 percent increase in undergraduate enrollment. Declining student fees and increasing family incomes fueled by a strengthening California economy have contributed to this trend.**
- **Per capita borrowing among undergraduate need-based aid recipients (many of whom are from low-income families) declined by 8 percent between 1997-98 and 1999-2000. Over the same period, per capita gift assistance for these students increased by 12 percent.**

While about 6 of 10 University undergraduate students received financial assistance in 1999-2000 to help cover the cost of attending the University, all students benefited from the State of California's investment in the University. The state's investment of over \$8,000 per student results in student charges that are significantly lower than comparable costs at independent institutions. A UC undergraduate in 1999-2000 faced student fee charges that were an average of almost \$17,900 *less* than the tuition and fees faced by an undergraduate enrolled at a comparable independent institution. Figure 1-1 illustrates this differential in terms of the percentage of California median household income required to cover fees at UC versus the percentage required to cover average tuition and fees at an independent institution. It shows that not only do UC fees demand a far smaller portion of median household income, but the difference has widened steadily over the past five years (when UC systemwide fees have been stable or declined). Expressed as a percentage of median household income, UC fees have been declining since the middle of the decade and in 1999-2000 were at their lowest point since 1991-92. As a percentage of median household income, fees at independent institutions have been virtually unchanged for the past five years, hovering near their highest point over the reporting period.

Expressed as a percentage of median household income, UC fees in 1999-2000 were at their lowest point since 1991-92.

Figure 1-1
Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as a Percent of California Median Household Income, 1984-85 to 1999-2000¹



However, making a UC education accessible for all eligible undergraduate students does not stop with fees that are substantially lower than those charged by independent institutions. In addition to facing lower costs than their counterparts at comparable independent institutions, most UC students receive financial assistance. In 1999-2000, 60 percent of University undergraduate students received some form of financial support. In addition, 49 percent of undergraduates received gift aid, which effectively lowers the “net price” of attending the University. For many recipients

¹ The independent institutions in the comparison are Brown University, California Institute of Technology, Claremont McKenna College, Columbia University, Cornell University, Dartmouth College, Duke University, Georgetown University, Harvard University, Massachusetts Institute of Technology, Northwestern University, Notre Dame University, Occidental University, Pepperdine University, Princeton University, Saint Mary's College of Moraga, Santa Clara University, Stanford University, University of Pennsylvania, University of Southern California, and Yale University.

from families that cannot afford to cover the full cost of attending at the University, this financial assistance is what makes attending the University of California possible.

For many recipients...financial assistance is what makes attending the University of California possible.

The Cost of Attendance

The University of California's undergraduate financial assistance programs are designed to make the University accessible to all eligible students. Put another way, they are designed 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, no matter their family resources. The average UC undergraduate student budget for the 1999-2000 academic year for a California resident living on campus broke down as follows:

Student Fees:	\$3,898.38
Books and Supplies:	\$890.56
Living:	\$7,358.39
Personal Expenses:	\$1,330.47
Transportation:	\$529.19
Healthcare Allowance:	<u>\$190.03</u>
TOTAL:	\$14,197.02

However, undergraduate student budgets vary by such factors as residency status, campus, and living arrangement (living with parents, on campus, or off campus).

Since 1998-99, student budgets at the campus level have been determined according to results of the systemwide Cost of Attendance Survey (COAS). The COAS, first conducted in 1997 pursuant to the implementation of the Education Financing Model (see next section), provides the most comprehensive data available on the non-fee expenditures of undergraduates attending the University. The survey's results are significant not because they are used to standardize budgets across UC campuses -- indeed, they don't do that -- but rather because they provide a consistent basis for each campus to use in determining its particular student budgets.

In addition to providing data to be used for developing student budgets, the survey results showed that some discretionary expenses may be affected by family income. While expenditures on most standard items (e.g. mandatory fees and books) do not differ by family income, students with fewer financial resources are more likely to choose to spend less on some items or forego purchasing an item. This can be seen in three specific expense areas: living arrangements, computer ownership, and health insurance. Students with lower family incomes are more likely to have lower-cost living arrangements (e.g. living with parents and commuting to campus) and less likely to own computers or have health insurance coverage. The University recently took meas-

ures to address these last two differences. In order to make health insurance more accessible, a health insurance allowance was added to the student expense budgets. In addition, the University is allowing budget augmentations for the purchase of a computer.

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:

1. guide its work in helping students and their parents manage the cost of an undergraduate education,
2. define its role in funding the University's undergraduate student financial support programs, and
3. determine how much undergraduate financial aid to allocate to each campus.

This framework, known as the Education Financing Model (hereinafter "the Model"), is based on the following single set of principles:

- Total cost of attendance (resident student fees, living and personal expenses, books and supplies, and transportation) represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;

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 – without regard to family income or resources -- will be called upon to make a similar contribution from loan and work toward their cost of attendance; and
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

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

- As they prepare for their role in financing the cost of a UC education, parents need to consider the entire cost of attendance, rather than merely the fees charged by the University. Under the Model, campuses employ a 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, health care, 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 other factors such as family size and the number of family members in college.

...parents with a parent contribution 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.

- 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 with a parent contribution 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. Students whose parents do not fulfill their part of the education financing partnership will face an additional work or debt burden in order to cover their total cost of attendance.

What do these principles mean for UC students?

- All undergraduates can expect to be called upon to cover part of their cost of attendance through a combination of funds borrowed and wages earned. This “loan/work expectation” is not identical for all students: it will vary according to campus resources and financial aid policies. However, the Model establishes a range that will serve as a guide for campuses. The goal of this range is to keep the loan/work expectation at a level that will enable students to make steady progress toward completion of the baccalaureate degree (i.e., to work no more than 20 hours per week during the academic year) and to meet their repayment obligations after graduation.

The goal...is to keep the loan/work expectation at a level that will enable students to make steady progress toward completion of the baccalaureate degree...and to meet their repayment obligations after graduation.

- Students will be able to affect the amount of their loan/work expectation in a variety of ways. By reducing expenses, students can lower their total cost of attendance and thereby the amount they will need to earn and borrow. Conversely, students who spend more than the average or who incur expenses that are not directly related to attendance will have to work or borrow more. Students can also reduce their loan/work expectation by taking advantage of the availability of merit-based scholarships (for example, those based on academic performance, community service, special talent, or other personal characteristics). In addition, students can 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 sum-

mer earnings by working while living with their parents. However, in order to prevent either one of the two components of the loan/work exception from becoming unmanageable, all students should plan to borrow and to be employed while they are pursuing their undergraduate degree.

...all students should plan to borrow and to be employed while they are pursuing their undergraduate degree.

- Students will be expected to apply for all federal and state financial aid grant programs available to them.
- Students will be expected to meet application deadlines in applying for financial aid. Late applicants are generally assigned a loan/work expectation that is substantially larger than the contribution expected of on-time applicants.
- Undergraduates who are not financially dependent on their parents (according to federal definitions) may be assigned a loan/work expectation that falls outside the range used to guide the contribution expected of dependent students.

What do these principles mean for the University?

- At the systemwide level, the University's activities in determining funding levels for the University Student Aid Program, determining how these funds are allocated across the campuses, and awarding those funds to students are carried out in accordance with the principles and framework of the Model. According to the Model, these funds, unlike funds such as endowments, are specifically for providing students with access to the University. 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 in support of their own enrollment management goals.
- 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.

...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 will differ from prior allocation methods, the University will mitigate the impact on students of fund shifts across campuses by phasing in the new allocation formula over time. This phase-in will be completed as of the 2001-02 academic year.
- The University will develop and update the loan/work expectation range annually. In doing so, the University recognizes that the amount students can contribute from work will depend primarily on the number of hours worked, the wages students can command, and stu-

dents' ability to find summer jobs that allow them to live with their parents and save the majority of the earnings for use during the academic year. 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.

How UC's Undergraduates Manage the Cost of Attendance

In matters of financing and student support, the University's undergraduate student population can be divided into three main groups:

- 1) Need-based aid recipients, who receive some form of financial support to help cover the cost of attendance that is awarded on the basis of family and student resources;
- 2) Nonneed-based aid recipients, who receive no need-based aid but do receive some form of support that is awarded without consideration of student and family resources; and
- 3) Nonrecipients, who receive no financial support that flows through the University (although some may benefit from on-campus employment).

The family income profiles of these three groups differ significantly. For example, according to the last completed Student Expenses And Resources Survey (SEARS), conducted in Spring 1997 by the California Student Aid Commission, almost three-fourths (71 percent) of UC students who receive aid have annual family incomes of \$60,000 or less. In contrast, less than one-fourth (22 percent) of non-recipients reported family incomes in this range.

...according to the last Student Expenses And Resources Survey...almost three-fourths (71 percent) of students who receive aid have annual family incomes of \$60,000 or less.

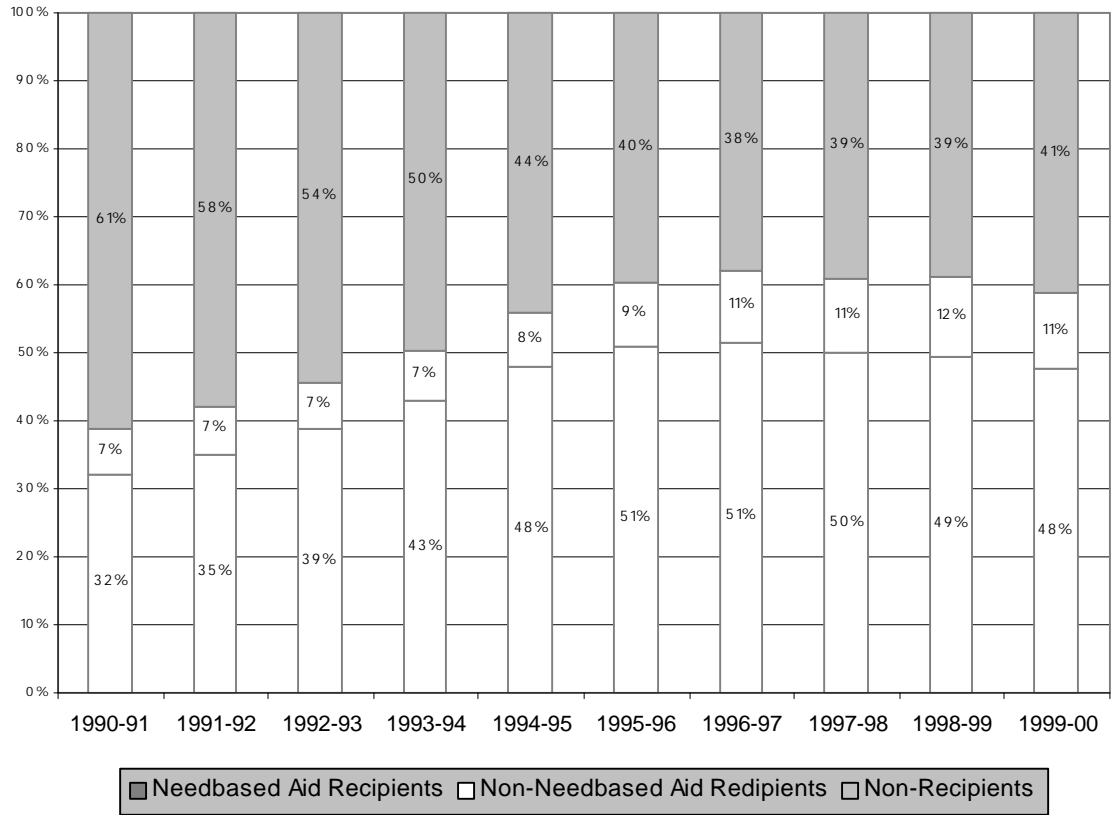


Figure 1-2
Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1999-2000: Percentage Distribution ²

Figure 1-2 and Table 1-1 together illustrate trends in the division of the University's undergraduate student body among students receiving need-based aid (and in some cases, nonneed-based aid in addition), students receiving nonneed-based aid only, and students receiving no aid. The percentage of students receiving some form of financial support grew substantially in the 1990s. At

² Percentages are calculated based on annual enrollment and recipient counts in order to make years comparable; the 1999-2000 figures differ slightly from those cited elsewhere in this report that are calculated based on full year equivalent enrollment and recipient counts.

the start of the decade, 41 percent of undergraduates received some form of financial support, while in 1999-2000, 58 percent of undergraduates received support.

Table 1-1

**Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1999-2000:
Number of Students³**

	Need-based Aid Recipients	Nonneed-Based Aid Recipients	Non-Aid Recipients	Total Annual Enrollment
1990-91	42,216	9,032	80,894	132,142
1991-92	46,379	9,198	76,941	132,518
1992-93	51,352	9,030	71,705	132,087
1993-94	56,327	9,456	64,233	130,016
1994-95	62,017	10,068	57,231	129,316
1995-96	67,050	12,130	52,385	131,565
1996-97	68,944	14,215	50,865	134,024
1997-98	68,423	14,819	53,574	136,816
1998-99	69,391	16,758	54,390	140,539
1999-00	68,421	16,389	59,727	144,595

The number of need-based aid recipients changed only marginally between 1995-96 and 1999-2000 despite a 10 percent increase in undergraduate enrollment. Increases in family income levels driven by the strengthening California economy and stable or declining student fee levels have both contributed to this relative decline in the number of need-based aid recipients.

This trend followed a period of strong growth in the number of need-based aid recipients. The pool of need-based aid recipients grew by almost 60 percent between the beginning of the decade and 1995-96 despite virtually no change in enrollment over the period. A number of factors contributed to this trend, including substantial increases in systemwide fee levels during the early 1990s, decreases in the family income of students attending UC during the first half of this dec-

³ The contents of Table 1-1 reflect annual enrollment and recipient counts in order to make the years comparable. Enrollment and recipient counts for 1999-2000 used elsewhere in this report are based on full year equivalent enrollment.

ade, and substantive revisions to the federal formula used to determine eligibility for need-based financial aid.

At the start of the decade, 41 percent of undergraduates received some form of financial support, while in 1999-2000, 58 percent of undergraduates received support.

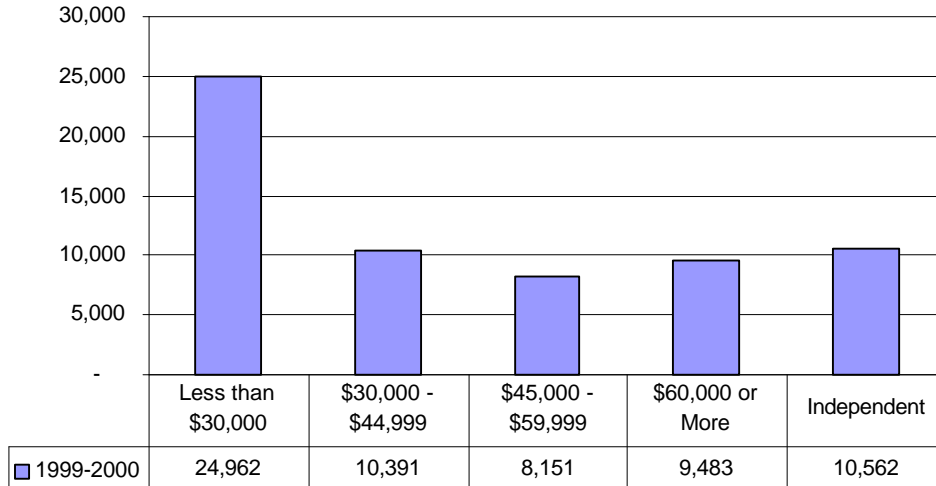
The number of nonneed-based aid recipients has followed a very different trend. While there was little change in the early 1990s, the number of recipients grew by 66 percent between 1994-95 and 1998-1999 before declining slightly in 1999-2000. This has been driven in large measure by increased borrowing through the federal unsubsidized loan programs. The growth in nonneed-based aid recipients reflects the availability of these unsubsidized loans and a continuing increased demand for financial assistance among middle-income students who do not qualify for need-based financial aid.

The growth in nonneed-based aid recipients reflects the availability of these unsubsidized loans and a continuing increased demand for financial assistance in an environment where need, as defined by federal standards, has leveled off due to stable or declining fees and a recovering economy.

Need-Based Aid Recipients

A breakout of need-based aid recipients by parent income reflects the link between family income and eligibility for need-based financial aid. Figure 1-3 shows that in 1999-2000, there were over two and one-half times as many need-based aid recipients with family incomes below \$30,000 as there were need-based aid recipients with family incomes of \$60,000 or more. Since 1997-98, the proportion of need-based aid recipients decreased slightly in the categories of students with family incomes of less than \$30,000 and independent students while it increased for students in other categories. This pattern of change, consistent with patterns observed since the mid 1990s, is likely due to a range of factors, including increased borrowing among students and families in the higher income categories and the growing strength of California's economy, which has resulted in overall increases in California income levels.

Figure 1-3
Undergraduate Need-Based Support Recipients by Parent Income,



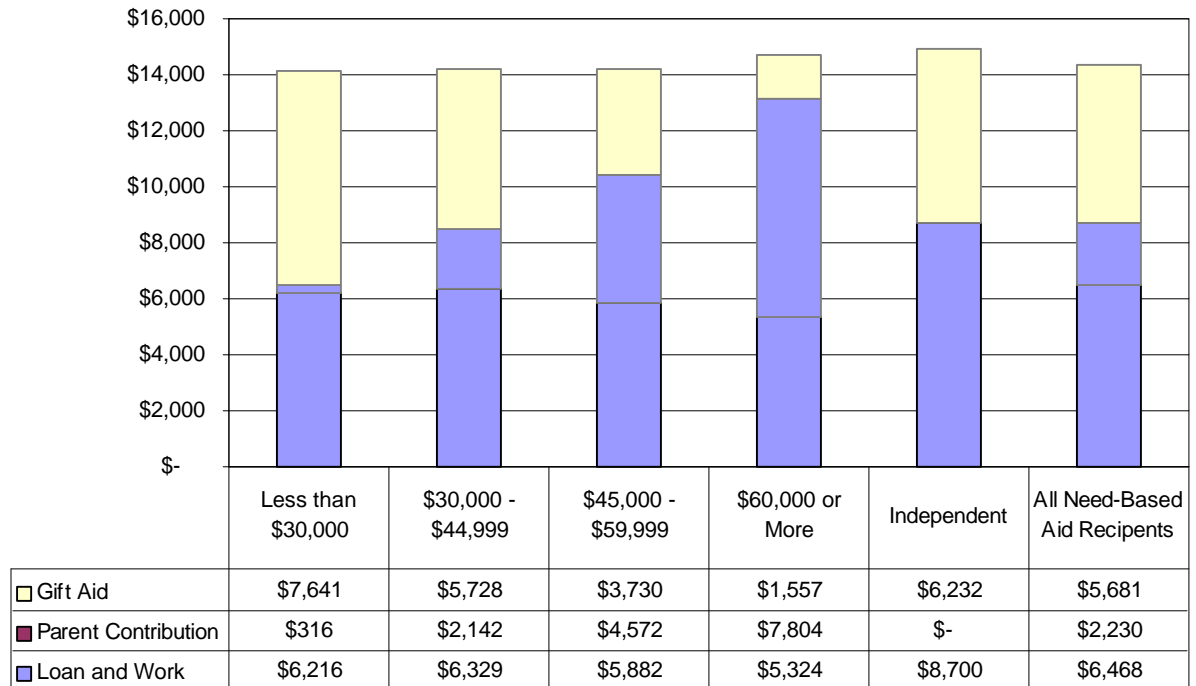
1999-2000

The principal ways students cover their educational expenses are from 1) parental contributions, 2) student contributions in the form of loans and on- and off-campus employment, and 3) gift aid in the form of scholarships and grants. Figure 1-4 reflects the average amount of the standard expense budget that need-based aid recipients at different income levels covered in each of these ways in 1999-2000. Since the net cost of education to a student and his or her family equals the cost of attendance minus any gift aid received, the average net cost to a student and his or her family in each income category is reflected on Figure 1-4 by the lower two shadings of each bar. This means that the net cost of a UC education is lowest for those students and families with the lowest parent incomes.

...the net cost of a UC education is lowest for those students and families with the lowest parent incomes.

Figure 1-4

How Undergraduate Need-Based Aid Recipients Finance Their



Educational Expenses: by Parent Income, 1999-2000

Figure 1-4 also illustrates the different patterns of each financing component as one moves from the dependent recipients with the lowest parent incomes to those with the highest family incomes. The student contributions, in the form of loans and work, are generally similar across the family income categories, while parental contributions increase as family income increases. Since campuses award gift aid to compensate for differences in family resources, gift aid follows a trend opposite that of parental contribution: the lower the family income, the higher the level of gift aid (and the lower the net price).

Since campuses award gift aid to compensate for differences in family resources, gift aid follows a trend opposite that of parental contribution: the lower the family income, the higher the level of gift aid (and the lower the net price).

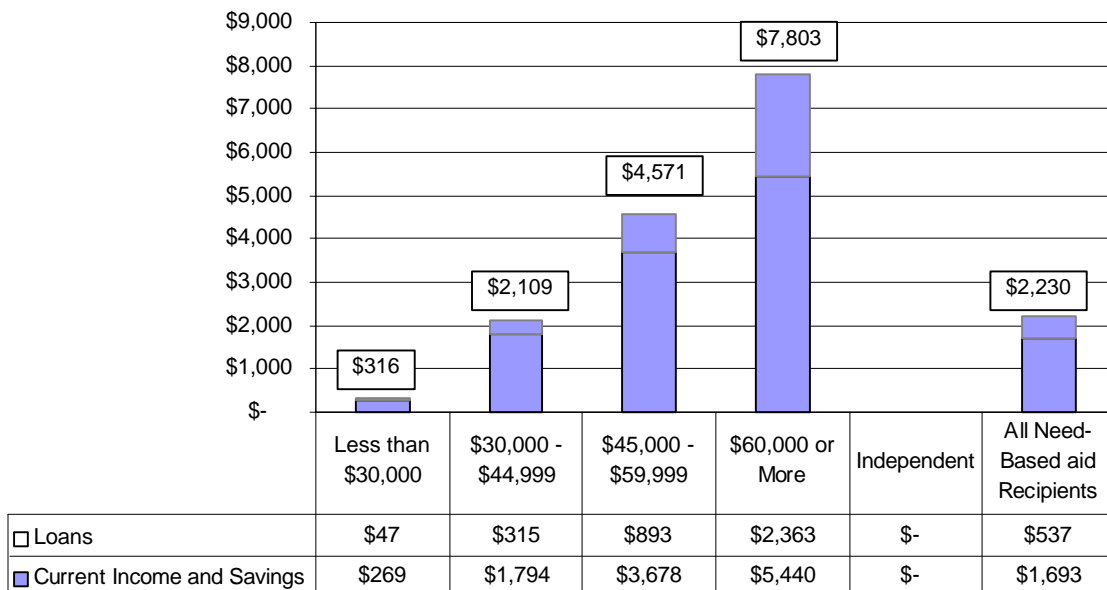
Parental Contribution

Parent contributions are calculated pursuant to a federally authorized formula. They can be financed from two major sources: 1) current income and savings; and 2) loans. Figure 1-5 illustrates how, as family income increases, parent contributions climb dramatically and the sources used to cover those contributions change. As their incomes rise, parents increasingly rely on borrowing through educational loan programs to meet their expected contributions. Families with

parent incomes of over \$60,000 used educational loan programs to cover an average of 30 percent (\$2,363) of their contribution expense while families with parent incomes of under \$30,000 used educational loan programs to cover 15 percent of their contribution.

As their incomes rise, parents increasingly rely on borrowing ... to meet their expected contributions.

Figure 1-5
How Parents of Undergraduate, Dependent Need-Based Aid Recipients Finance Their Expected Parent Contributions: by Parent Income 1999-2000



However, Figure 1-5 does not account for several ways in which parents are financing their contributions. Anecdotal evidence suggests that in some cases, a portion of the parental contribution from current income and savings is covered through student earnings, although precisely what portion is not known. In addition, individuals meeting income guidelines and paying fees that are not offset by gift aid are eligible to claim a federal tuition tax credit (see Section 3). Finally, parents are, in reality, borrowing even more than what is reflected in Figure 1-5 since home equity loans, credit card debt, and other private loans are not included in the financial aid data available to the University. Both federal and state efforts have been implemented in recent years to lessen the college debt burden among middle-income families. Such efforts have been aimed at educating parents of the need to begin saving early for their children's college expenses and providing programs through which to save. A more extensive discussion of federal and state incentives for increasing private savings for college can be found in Section 3, "Other Programs and Initiatives to Assist Students and Their Families Finance a UC Education."

Both federal and state efforts ... have been aimed at educating parents of the need to begin saving early for their children's college expenses and providing programs through which to save.

Student Contribution from Loans and Work

Need-based aid recipients contribute to their educational expenses through both loans and earnings from work. Overall, undergraduate need-based aid recipients borrowed an average of \$3,479 in 1999-2000 to cover their share of the cost of attendance. As Figure 1-6 shows, the total student contributions from loans were similar for all dependent student income ranges. These students did differ, however, in terms of their percentage of loan proceeds from the different loan programs. For students with parent incomes of below \$30,000, 93 percent of loan proceeds were from the subsidized loan program, which provides borrowers with more favorable terms. In contrast, only 82 percent of loan proceeds for students from families with parent incomes of over \$60,000 were from the subsidized loan program. In addition, while most borrowing is from student loan programs in which the student assumes a debt, students sometimes meet a portion of their loan and work contributions with supplemental educational loans taken out by their parents.

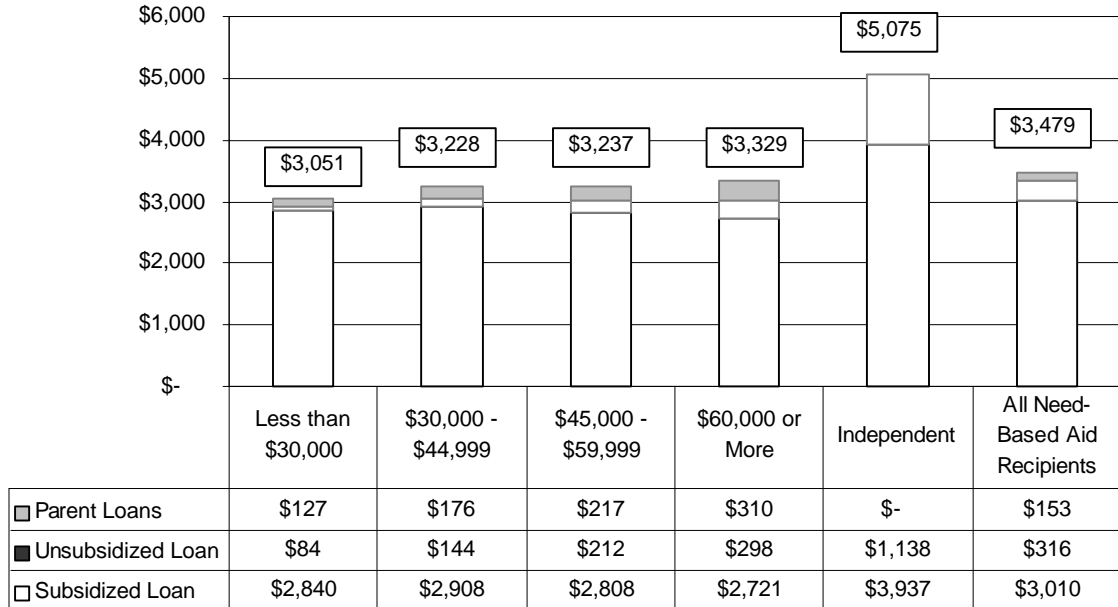
Independent students, generally those students above age 24, borrowed at far greater rates than their dependent counterparts. Independent students receiving need-based aid borrowed an average of \$5,075, or 61 percent more than their dependent counterparts. In addition, a greater percentage of their debt is from the unsubsidized loan programs. While 89 percent of need-based dependent borrowers' loan proceeds are from the subsidized loan program, only 78 percent of need-based independent borrowers' loan proceeds are from this program.

Independent students receiving need-based aid borrowed an average of \$5,075, or 61 percent more than their dependent counterparts.

Aid recipients also contribute to their educational expenses from work, savings, and other resources (e.g., gifts from grandparents or other relatives). In 1999-2000, the portion of their standard educational expenses covered from these sources amounted to \$3,158 — \$321 less than was contributed, on average, from borrowing.

Figure 1-6

How Undergraduate Need-Based Aid Recipients Use Loans to Finance



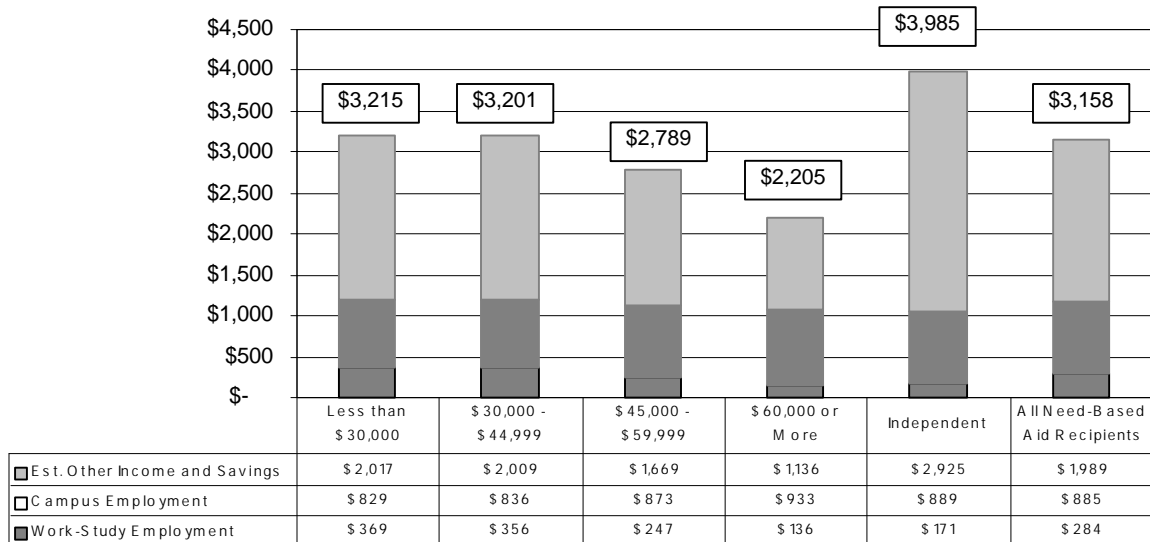
their Contributions: by Parent Income, 1999-2000

Figure 1-7 shows that, overall, need-based aid recipients in 1999-2000 financed 37% (\$1,169) of their non-loan contribution from a combination of campus-employment and work-study earnings. The remaining student contribution totaled \$1,989. This contribution is presumed to have come from some combination of savings, off-campus employment, and other resources. SEARS results indicate that 36% of need-based aid recipients hold off-campus jobs during the academic year while 71% work over the summer.

SEARS results indicate that 36% of need-based aid recipients hold off-campus jobs during the academic year while 71% work over the summer.

Figure 1-7

How Undergraduate Need-Based Aid Recipients Use Campus Employment and Work-Study to Finance Their Contributions: By Parent Income, 1999-2000



Just as independent students contribute more to their educational costs through borrowing, they also contribute more, on average, than dependent students through employment and savings. These patterns result because the grant support they receive does not fully offset the absence of a parental contribution.

While dependent students' contributions from borrowing were similar across all income levels, contributions from work, savings, and other sources declined as family income rose. This pattern results in total student contributions from loan, work, and other sources that were an average of 46 percent (\$1,010) higher for need-based aid recipients with family incomes of under \$30,000 than they were for need-based aid recipients with family incomes of \$60,000 or more. This disparity is driven, in part, by the Cal Grant A program, which provides the same level of gift assistance to eligible recipients from both middle-income and low-income families, thereby reducing the need for middle-income recipients to borrow and work.

While dependent students' contributions from borrowing were similar across all income levels, contributions from work, savings, and other sources declined as family income rose.

However, the disparities in contributions from work across income ranges may not be as great as they appear. Anecdotal evidence indicates that students from families with incomes of \$60,000 or more are more likely to need to help their parents cover their relatively large expected parent

contributions and that they do so by additional work. The magnitude of those contributions is not known. To the extent that these students do make smaller contributions from loan or work, the consistent rates of borrowing across family income levels and decline in work contributions as family income rises indicate that these recipients with lower student contributions generally chose to work less rather than reduce their borrowing.

The most recent SEARS results show that 36 percent of need-based aid recipients work off campus during the academic year — just about the same percentage who work on campus. However, those students working off-campus earn substantially more, on average, than their counterparts working on-campus. Reported academic-year income averaged about \$4,700 for need-based aid recipients working off campus.

SEARS results also showed that about 70 percent of nonneed-based aid recipients work during the academic year. However, they are more likely to hold on-campus jobs, which pay less than off-campus jobs. Therefore, they tend to earn less over-all than need-based aid recipients do — an average of \$3,850 for the academic year.

Finally, nonrecipients are less likely to work than students receiving aid, although over half do work. The nonaid recipients, on average, earn more than other students do because they work longer hours and are most likely to hold a higher-wage off-campus job. They reported academic year earnings of about \$7,325.

Gift Aid

Gift aid is the most important aid type to students since it is the only aid that actually reduces the net cost of attending college. Since gift aid reduces the need for students and their families to contribute through work, savings, or borrowing, it is particularly valuable. Gift aid can be divided into two types: grants and scholarships. Grants are need-based awards distributed based primarily on a student's family's financial circumstances. Scholarships are awarded based primarily on merit or some special characteristics of a student. In 1999-2000, 88 percent of gift aid received by UC undergraduates came in the form of need-based grants while the remainder came in the form of scholarships. Despite publicity about many institutions using increasing portions of their aid as an enrollment management tool, such a trend has not occurred at UC. Under the Education Financing Model, UC continues to use most of its aid resources for need-based aid designed to promote access.

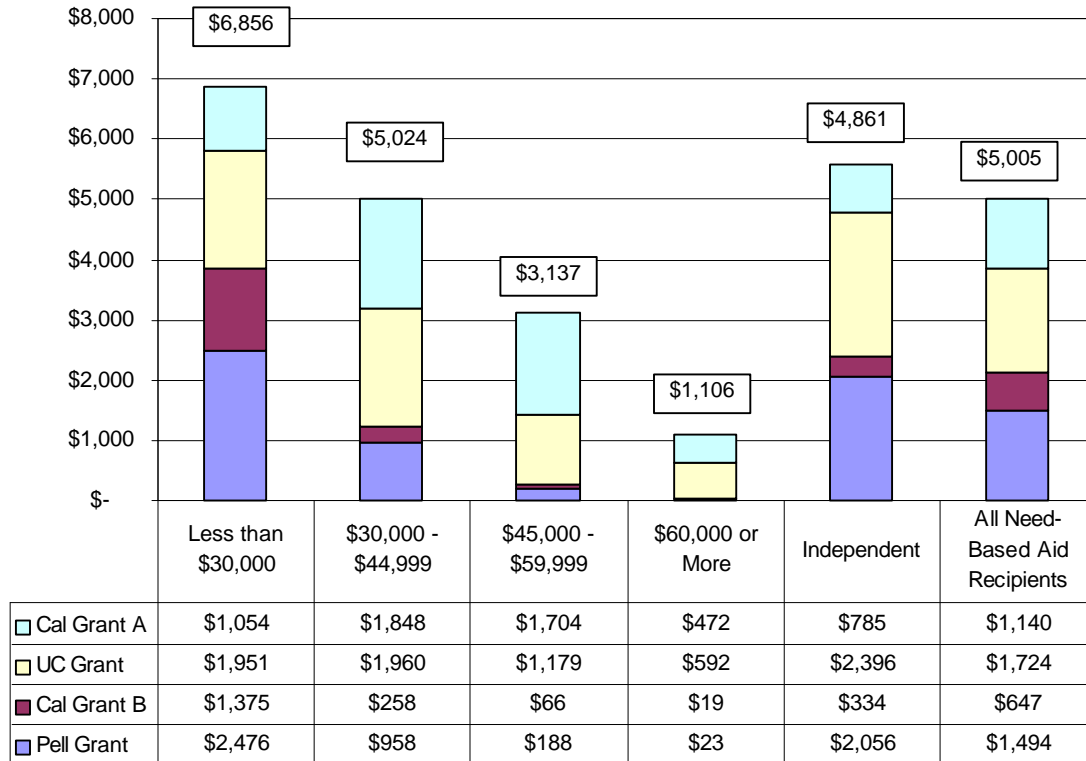
Figure 1-8 illustrates how various sources of grant aid are distributed by income level for undergraduate need-based aid recipients. The total grant aid received, as represented by the full columns, shows that, among dependent recipients, students from the lowest-income families received the largest grant awards. This is consistent with the general approach of using grant funding to offset the decline in parent contributions as family income falls (as represented in Figure 1-5).

...among dependent recipients, students from the lowest-income families received the largest grant awards. This is consistent with the general approach of using grant funding to offset the decline in parent contributions as family income falls.

However, the grant programs taken individually do not all follow this same pattern. The Pell Grant and Cal Grant B programs specifically target low-income students. For these programs, the per capita award amount declines particularly rapidly as parent income increases. Campuses also tend to direct University grant funds to students from low-income families since they typically need more grant funding in order to offset the lower parent contributions and keep their loan and work expectations manageable. The decline does not begin as quickly as it does for the Pell and Cal Grant B programs. University aid tends to be packaged after other types of aid, and the Pell and Cal Grant B programs are so focused on students in the lowest family income range that similar levels of University grant funding for students with parent incomes in the lowest two ranges keep the loan and work expectations roughly equal.

The Cal Grant A program is the only major grant program for which per capita award size does not decline as family income increases. This is driven by two aspects of the program. First, Cal Grant A awards, like Cal Grant B awards, are generally made in the same amount no matter the financial circumstances of the recipients and their families. Second, Cal Grant A awards, while made to students eligible for need-based aid, are not directed specifically to students with the fewest family resources. As reflected in the per capita Cal Grant A amounts presented in Figure 1-8, students with the lowest per capita family income levels receive relatively little Cal Grant A because Cal Grant eligible students with low family incomes tend to be eligible for the Cal Grant B program, which offers them more money. Students in the middle two income ranges tend to have family incomes above the Cal Grant B income ceilings so have the highest per capita Cal Grant A levels.

Figure 1-8
Composition of Per Capita Average Grant Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1999-2000



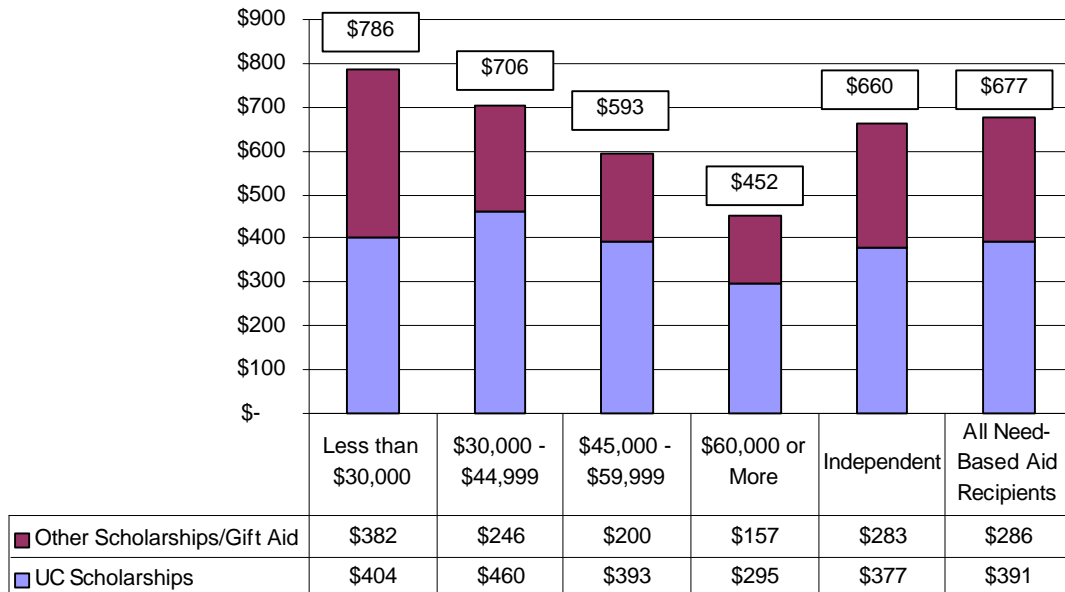
Among all recipients, the per capita UC grant is larger than any other type of grant, although Pell Grants are larger for low-income need-based aid recipients and Cal Grant A awards are larger for moderate income recipients.

Among all recipients, the per capita UC grant is larger than any other type of grant...

Figure 1-9 shows how scholarship support is distributed by income level for need-based aid recipients. UC scholarships, which are awarded on the basis of academic achievement or other talents, are similar for students in all income categories. However, students from lower-income families earn more on average in outside scholarships than their counterparts from higher income families. This may be driven largely by many scholarship's focus on not just merit/special characteristics, but also on merit. For all need-based aid recipients, scholarships reduce the need to work or borrow.

Figure 1-9

Composition of Average Scholarship Aid Awards of Undergraduate



Need-Based Aid Recipients: by Parent Income, 1999-2000

When considering grant or scholarship aid, it is also important to note the great differences in the size of the recipient populations in each income category. There were only 10,169 students from families with incomes of \$60,000 or more receiving need-based aid assistance in 1999-2000, primarily in the form of loans, while 24,171 UC students from families with incomes of less than \$30,000 received need-based assistance, primarily in the form of gift assistance.

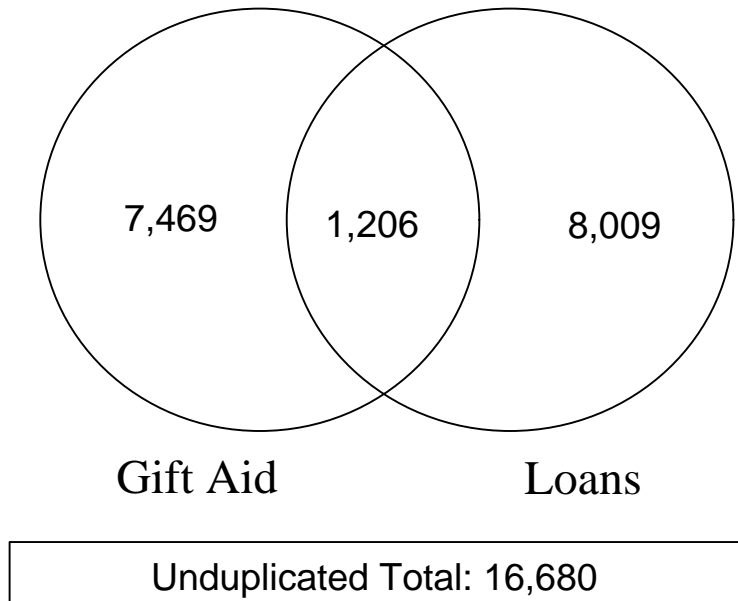
Nonneed-Based Aid Recipients

While 47 percent of undergraduates in 1999-2000 received need-based financial aid, 12 percent received nonneed-based aid and no need-based assistance. Less is known about students who receive support that is not awarded based on family resources. However, as Figure 1-10 shows, there are data on the numbers of these students who received gift aid, loans, and both types of aid. Nonneed-based aid recipients tend to receive either gift aid or loans, but not both; only 7 percent of recipients had both gift aid and a student loan in 1999-2000.

While 47 percent of undergraduates in 1999-2000 received need-based financial aid, 12 percent received nonneed-based aid and no need-based assistance.

Figure 1-10

Number of Undergraduate Nonneed-Based Aid Recipients Receiving Grant Assistance, Loan Assistance, And Both, 1999-2000



About 52 percent of nonneed-based aid recipients received a scholarship or grant, and the average award for those receiving such an award was \$3,075. Approximately 55 percent of recipients borrowed through the federal education loan programs, and those who did borrowed an average of \$8,280, nearly two-thirds more than the average need-based aid recipient borrowed. About 30 percent worked on campus in addition to receiving a grant or loan, earning an average of \$2,555 from this type of employment as compared to \$2,503 for need-based aid recipients working on campus in nonwork-study jobs. Overall, the average total amount of support that nonneed-based aid recipients obtained from gift awards, loans, and on-campus employment in 1999-2000 was \$5,345, leaving the remaining costs to be covered from parental assistance, off-campus employment, or other sources. Need-based aid recipients, in contrast, received an average of about \$11,000 from financial aid plus campus employment.

Nonrecipients

Over 54,000 of UC's 1999-2000 undergraduates received no grant, loan or work-study assistance through the University. These students typically come from middle- and higher-income families, with 78 percent of them reporting in the latest SEARS annual parental incomes of \$60,000 or more. Since they finance their cost of attendance with resources that, except for on-campus employment, do not flow through the University's administrative structure, little is known about how nonrecipients manage the cost of attendance. However, we do know (based on University databases) that in 1999-2000, 12,509 nonrecipients (23 percent of all nonrecipients) were employed on campus, and their on-campus earnings averaged \$3,121.

...survey data from the 1997-98 SEARS found that 41 percent of students who reported that they receive no financial aid were employed off campus during the academic year...

In addition, survey data from the 1997-98 SEARS found that 41 percent of students who reported that they received no financial aid were employed off campus during the academic year. While SEARS results show that nonrecipients are less likely to work than recipients, those who did work had higher earnings. Nonrecipients who work off campus reported earnings of \$8,543 from off-campus employment during the academic year, which is significantly greater than the on-campus earnings (\$3,654) or the off-campus earnings (\$6,002) reported by aid recipients.

Recent Trends in Student Financial Support

NOTE: While many of the figures earlier in the report showed per capita aid figures per need-based aid recipient, those that follow report aid per enrolled student.

Cost of Attendance

After a series of steady increases in the cost of attendance for undergraduate students during the early 1990s, the latter part of the decade brought a period of relative stability and moderate declines. Figure 1-11 shows the trends after adjusting for inflation. Sharp fee increases in the early part of the decade, which drove much of the increasing cost of attendance, gave way to steady or declining fee levels. In 1999-2000, systemwide student fees paid by undergraduates at the University declined by five percent for the second consecutive year. Thus, between 1995-96 and 1997-98, the inflation-adjusted cost of attendance for UC undergraduates was virtually unchanged, and between 1997-98 and 1999-2000, it declined by 4 percent.

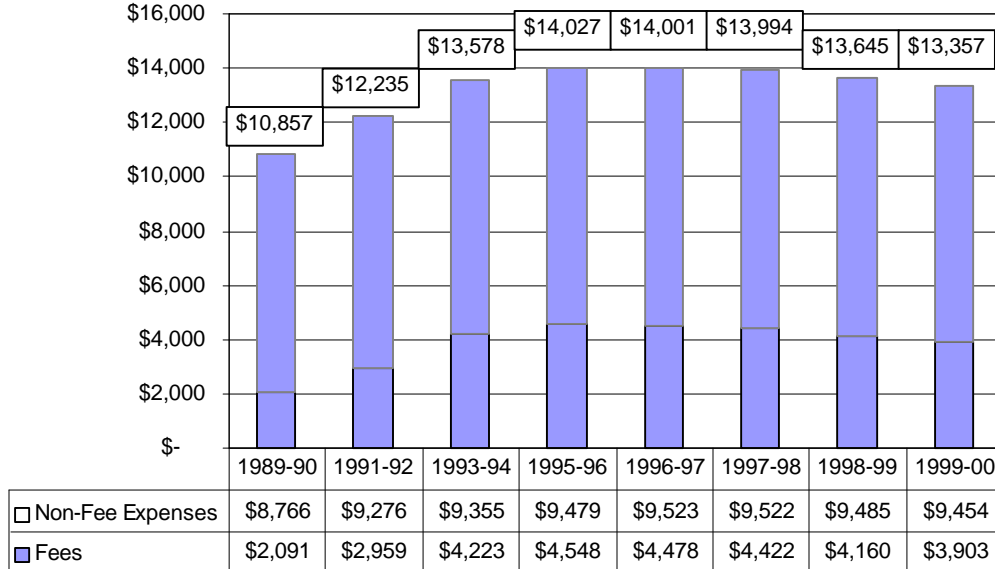
The sharp fee increases that contributed to the steady rise in the cost of attendance in the early part of the decade, during which a strengthening California economy fueled reductions in student fees and a decline in the cost of attendance, brought a substantial decline in inflation-adjusted per capita borrowing while grant levels remained relatively flat.⁴

...between 1995-96 and 1997-98, the inflation-adjusted cost of attendance was virtually unchanged, and between 1997-98 and 1999-2000, it declined by 4 percent.

⁴ The small decline in gift assistance per enrolled student is largely attributable to a reduction in the number of Pell Grant recipients at UC and a decline in the Cal Grant levels pursuant to the decline in student fee levels.

Figure 1-11

Trends in the Undergraduate Cost of Attendance at the University of California, Selected Years, 1989-90 to 1999-2000; Constant 1999-2000



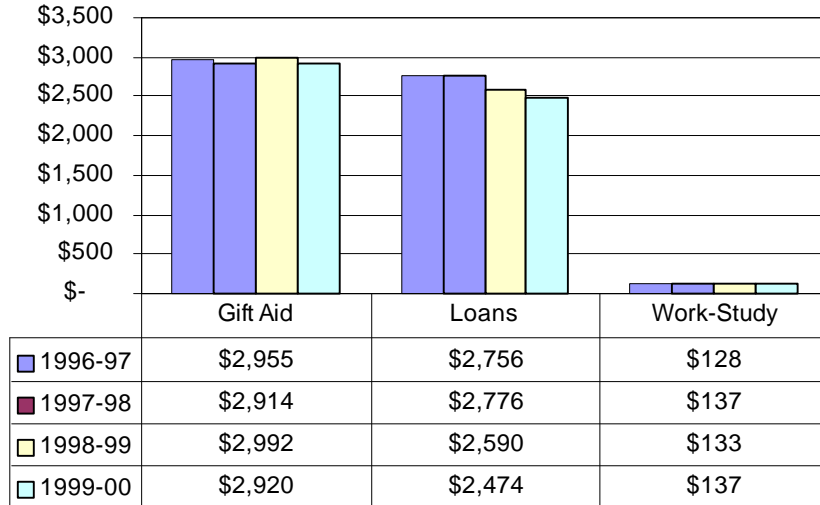
Dollars

Undergraduate students were better off in 1999-2000 since the decline in the cost of attendance between 1996-97 and 1999-2000 – 5 percent -- is larger than the decline in gift aid – 2 percent. Undergraduate students’ relatively stronger position is further reflected in the substantial decline in loan assistance. The ten percent decline in per capita borrowing between 1996-97 and 1999-2000 is reflective, in part, of the increasing strength of the grant program relative to the cost of attendance.

...undergraduate students were better off in 1999-2000 since the decline in the cost of attendance ... is larger than the decline in gift aid. Undergraduate students’ relatively stronger position is further reflected in the substantial decline in loan assistance.

Figure 1-12

Trends in Undergraduate Per Capita Aid by Type, 1996-1997 to 1999-2000; Constant 1999-2000 Dollars⁵



Borrowing

After a period of sharp increases in borrowing among UC undergraduates, the latter half of the 1990s saw a decline in per capita borrowing. The early part of the decade saw the convergence of California’s economic woes, which led to higher student fees and a reduced capacity to pay them, and the reauthorization of the federal Higher Education Act, which expanded student eligibility to borrow. The resulting increases in both the demand for borrowing and the accessibility of educational loans led to sharp increases in the rates at which UC undergraduates and their families borrowed. Despite these increases, however, borrowing rates remained in the manageable range as defined in the University’s Education Financing Model.

Between 1996-97 and 1999-2000, per capita borrowing in the subsidized loan programs declined by 12 percent.

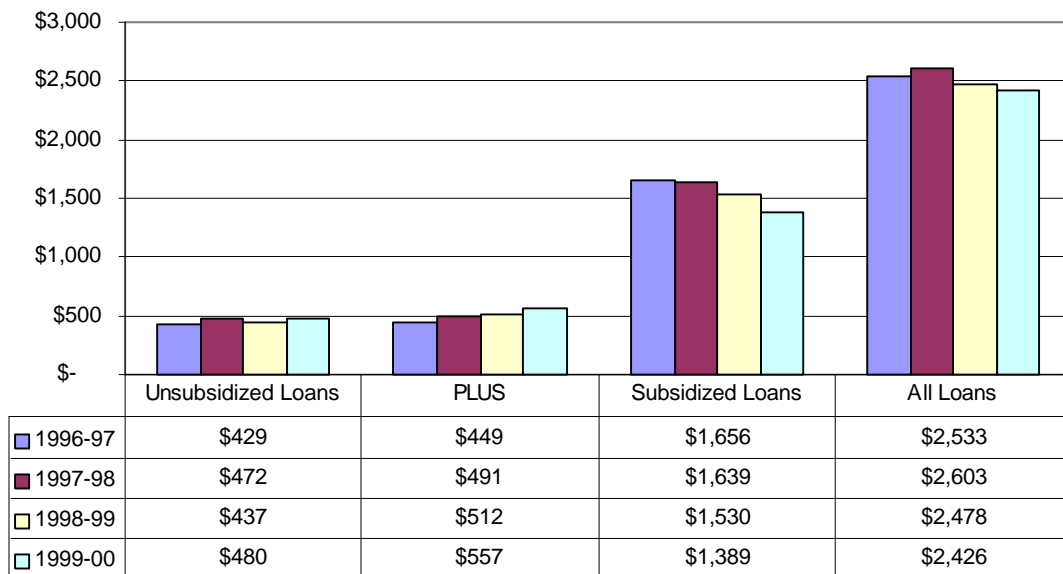
This trend toward higher borrowing rates halted mid-decade, and has even reversed to some degree. Figure 1-13 illustrates how per capita undergraduate borrowing rates through the federal loan programs leveled and then declined in the latter part of the decade. Overall per capita borrowing levels peaked in 1997-98 and have decreased in each of the two succeeding years. Over the period, total per capita borrowing decreased by 4 percent. This decline in over-all borrowing has been driven by falling per capita borrowing rates in the subsidized loan programs. Borrowing

⁵ Per capita aid levels were calculated using annual enrollments/recipient counts for all years represented.

through these programs has declined in each of the last three years. Between 1996-97 and 1999-2000, per capita borrowing in the subsidized loan programs declined by 12 percent.

Per capita borrowing through the unsubsidized loan programs has been variable between 1996-97 and 1999-2000. Per capita borrowing through the PLUS program, through which parents, without regard to their financial circumstances, borrow to help cover their children’s educational expenses, has been marching steadily upward over this period. Over the three years ending in 1999-2000, per capita PLUS borrowing increased by 24 percent.

Figure 1-13
Per Capita Undergraduate Borrowing Through the Federal Loan Programs by Loan Type, 1996-97 through 1999-2000⁶



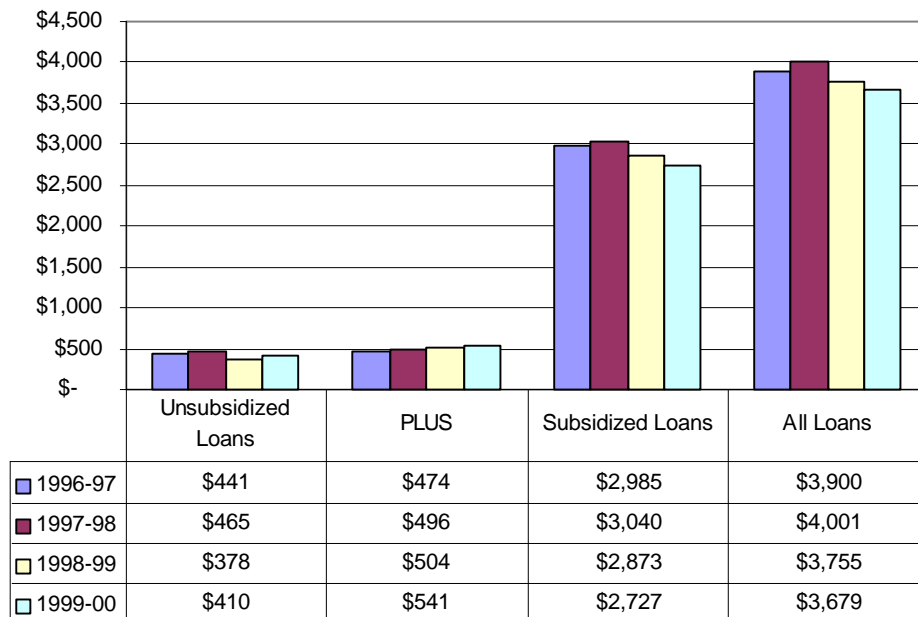
The over-all declines in borrowing are likely largely attributable to a series of factors. They include the strengthening California economy, which allowed the state to provide the University with the support necessary to halt fee increases and then reduce undergraduate student fees by 5 percent in both 1998-99 and 1999-2000. In addition, the economic recovery increased the ability of California families to pay for educational expenses from resources other than student borrowing. After stagnating relative to the cost of living, California median household income rebounded in the latter half of the 1990s. Another factor contributing to reduced borrowing rates was the increased availability of grant assistance for students eligible for need-based financial aid.

⁶ Per capita aid levels were calculated using annual enrollments/recipient counts for all years represented.

Figure 1-14 shows the changes in borrowing patterns between 1996-97 and 1999-2000 among undergraduate need-based aid recipients. Over-all per capita borrowing for these students peaked in 1997-98 and has since declined by 8 percent. This decline was driven largely by a 10 percent reduction in borrowing through the subsidized loan programs. The factors contributing to this reduction in borrowing among need-based aid recipients over this period include 1) a 12 percent increase in per capita grant assistance for these students and 2) stable or declining costs of attendance over the period. These patterns mean that the University's need-based aid recipients will likely be graduating with less student loan debt than their counterparts graduating only a few years earlier.

These patterns mean that the University's need-based aid recipients will likely be graduating with less student loan debt than their counterparts only a few years earlier.

Figure 1-14
Per Capita Borrowing Among Undergraduate Need-Base Aid Recipients Through the Federal Loan Programs by Loan Type, 1996-97 Through 1999-2000



Grants and Scholarships

Recent trends in grant and scholarship support are portrayed in Figure 1-15. A closer view of the patterns of gift aid received reveals that:

- The steady increases in federal gift aid since 1993-94 have resulted largely from increases in federal appropriations for the Pell Grant program. Federal gift aid grew at a slower rate than other sources of aid in the early 1990s, when UC fees were increasing rapidly. The de-

cline in federal support per capita for 1999-2000 is likely reflective of the growing relative wealth of University students' families, fueled by California's economic boom of the latter part of the decade.

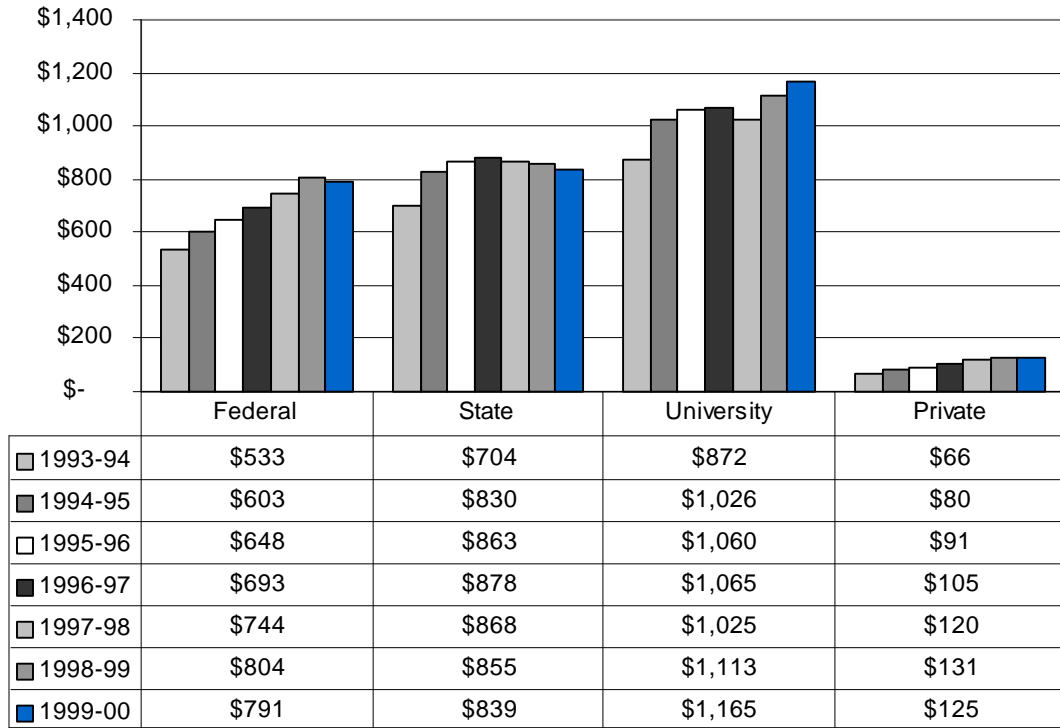
- Changes in per capita state grant aid (primarily from the Cal Grant A and B programs) have largely reflected changes in student fees. Per capita state grant aid was very level during those years when systemwide fees were unchanged. The declines in 1998-99 and 1999-2000 are due, in large measure, to five percent reductions in undergraduate systemwide student fees for both years.

UC gift aid for undergraduates increased dramatically in response to the fee increases of the early 1990s and has grown at a much slower rate since 1994-95, the last year in which systemwide fees increased.

- Per capita UC gift aid for undergraduates increased dramatically in response to the fee increases of the early 1990s and has grown at a much slower rate since 1994-95, the last year in which systemwide fees increased. The reduction in per capita UC gift aid in 1997-98 was driven primarily by an anomaly in campus level spending patterns which shifted 1997-98 funding such that it was reflected as having been expended in another fiscal year.
- Per capita private gift aid grew steadily beginning in 1993-94 but has leveled off in recent years.

Figure 1-15

Total Per Capita Undergraduate Grant and Scholarship Assistance by Fund Source: 1993-94 to 1999-00⁷



Recent Trends in Family Income of Enrolled Students

Interest in and concern about the trends observed in the early 1990s and discussed above (e.g., growth in the percentage of needy students, rapid fee increases in the early 1990s, dramatic increases in borrowing) led the University to begin studying undergraduate enrollment by family income. Information on family income is now collected on the undergraduate admissions application.

Figure 1-16 portrays trends in freshman enrollment since 1991 in terms of four income bands. For purposes of this discussion, these income levels can be labeled low-income (annual family income of less than \$30,000); moderate-income (annual family income between \$30,000 and \$60,000); middle-income (annual family income of between \$60,000 and \$90,000); and high-

⁷ Per capita aid levels were calculated using annual enrollments/recipient counts for all years represented.

income (annual family income of \$90,000 or more). Enrollment trends by income are illustrated by Figure 1-16 and can be summarized by the following points:

- Between 1994 and 1999, the proportional share of freshmen students from low-income families decreased by 5 percentage points, while the proportion of students from high-income families grew by 7 percentage points, reversing the pattern of the economic recession years of 1991 to 1994, when the proportion of freshman students from low- and moderate-income families grew and the proportion of students from high-income families decreased;
- The enrollment patterns of first-time freshman students from low-income families do not appear to be driven by fee levels. While many individuals are concerned about the impact of rising fees on low-income students, the period of the sharp fee increases between 1991 and 1994 was associated with an increase in the proportion of low-income undergraduates, while the period of stable and declining fee levels that followed was associated with a decrease in the proportion of these students.

The enrollment patterns of first-time freshman students from low-income families do not appear to be driven by fee levels...the period of sharp fee increases between 1991 and 1994 was associated with an increase in the proportion of low-income undergraduates...

- These income trends among UC's freshmen reflect similar trends among California's population as a whole; i.e., during the recession of the early 1990s, the percentage of UC freshmen from low-income families increased as did the percentage of low-income families in all of California. Likewise, during the economic growth of the last few years, the percentage of low-income families decreased among both UC freshmen and the state population.

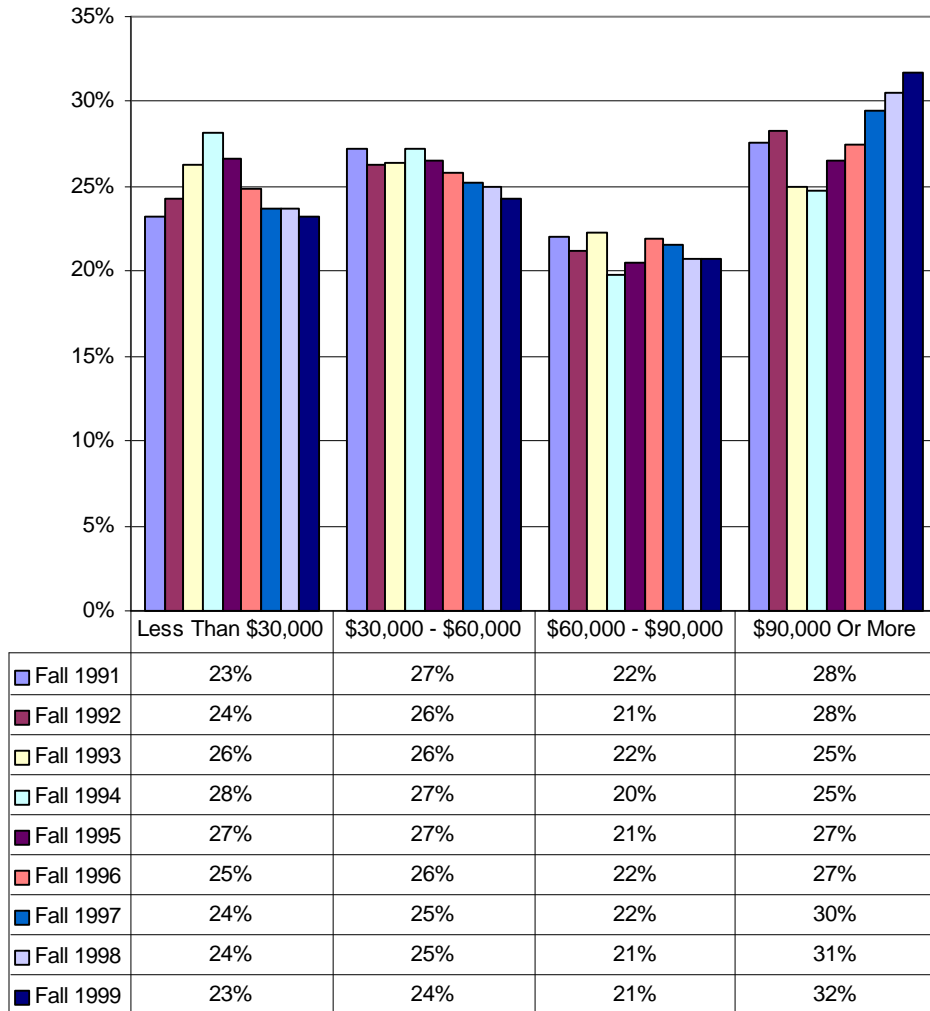


Figure 1-16
First-Time Freshman Enrollment Systemwide by Parent Income and Cohort Year, Percent Distribution, Constant 1999 Dollars⁸

⁸ Data from freshman admission application. Data excludes first-time freshmen for whom parent income is unknown. Percentage unknown ranged from a high of 19.4 percent in Fall 1999 to a low of 9.8 percent in Fall 1997 and Fall 1995.

SECTION 2

FINANCIAL SUPPORT FOR GRADUATE STUDENTS

Key Points

- **Beyond making the University accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs serve as a recruitment tool.**
- **The types of assistance that make a financing package attractive to a prospective graduate student are gift assistance and research and teaching assistantships, which are together termed competitive aid.**
- **Per capita graduate student support of all types except work-study has been increasing steadily over the past 4 years.**
- **In 1999-2000, \$649.6 million in financial aid was shared by 31,314 UC graduate students – 85.7 percent of all graduate students.**
- **On a per capita basis, academic program graduate students received 52 percent more gift assistance than professional degree program graduate students.**
- **Net stipend levels, which equal competitive aid less tuition and student fees, also vary by discipline/program. These differences are driven, in part, by differences in student fees.**
- **For both graduate academic and graduate professional degree program students, resident students tend to have higher net stipends because the additional aid directed at international and domestic non-resident students does not fully offset the higher non-resident tuition and fees.**
- **The Student Financial Support Unit anticipates publishing the results of a survey of graduate students admitted for fall 2001 just completed as this report went to press. The results of the survey should provide the University with a better sense of how competitive its financial assistance offers for graduate students are.**

The University of California's graduate level financial assistance programs are designed to make the University competitive with other universities seeking to recruit the same graduate students. This means that beyond making the university accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs must serve as a recruitment tool. They must support the University's efforts to compete with other institutions for top-tier graduate students to support its research and workforce development missions.

**...beyond making the university accessible to students
who lack the resources to cover the cost of attending UC,**

graduate student support programs must serve as a recruitment tool.

The Regents of the University adopted the University's student support policies in 1994, immediately after a series of large systemwide fee increases were adopted in the early 1990s. The Regents' policy on graduate student support references the need both to provide opportunity to students from a range of economic backgrounds and to support the University's research mission and workforce development duties. It states, in part:

“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.”

From the Regents' policy, the Council of Graduate Deans derived the four following goals for the University's graduate student support program:

To attract both high quality and diverse graduate students in a competitive environment. Since top-tier graduate students are fundamental to any high quality graduate program, they are in demand. Attracting the top graduate students to UC takes not only excellent programs, but also competitive financial support packages. To be competitive, the University must ensure that financial support is available in adequate amounts, in appropriate forms, and for a period of years appropriate to each student's program of study.

To enable students to complete their degree programs in a timely manner. This goal is based on the assumption that inadequate support drives students toward employment outside the University, which tends to interfere with progress toward completing a program. Assistance from the university – particularly fellowships and research assistantships – is associated with reduced time-to-degree.

To enable graduate students to meet the cost of attending the University. Unlike most of the University's undergraduate students, most of the University's graduate students are self-supporting. Because so many of them lack family resources, they generally need assistance in meeting the costs associated with their graduate education.

To promote the educational objectives of the programs in which the students are enrolled. Most graduate programs are structured to provide students with a range of experiences, including opportunities for teaching and research. Student financial support can be structured to facilitate these opportunities.

The ability of UC to compete successfully for graduate students is a current concern for UC. In December 2000, the University established a commission to study and report on steps the University should take to expand its graduate and professional enrollments and increase financial sup-

port for students at the graduate level. Membership of the Commission on Growth and Support of Graduate Education comprises Regents, faculty, students, and administrators. The Commission is scheduled to make its report by Summer 2002.

TOTAL LEVELS OF GRADUATE STUDENT SUPPORT

Total support for graduate students has increased by 20 percent over the past three years to a total of \$649.6 million in 1999-2000. As demonstrated in Display 2-1, this funding includes aid of different types. In 1999-2000, gift assistance and loans/work-study accounted for approximately 30 and 28 percent respectively of graduate assistance, while most of the remaining 40 percent was in the form of assistantships, which provide students with the opportunity to participate in teaching or research related to their field of study. These percentages have varied little over the reporting period.

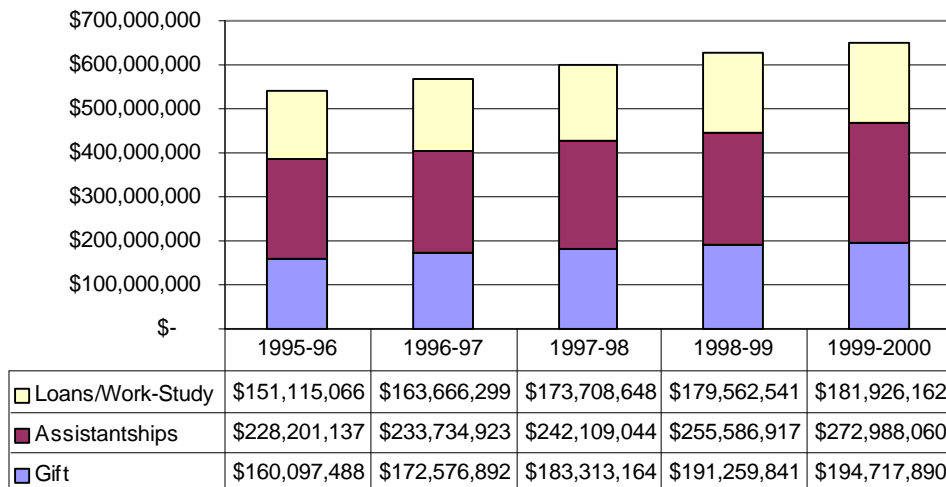
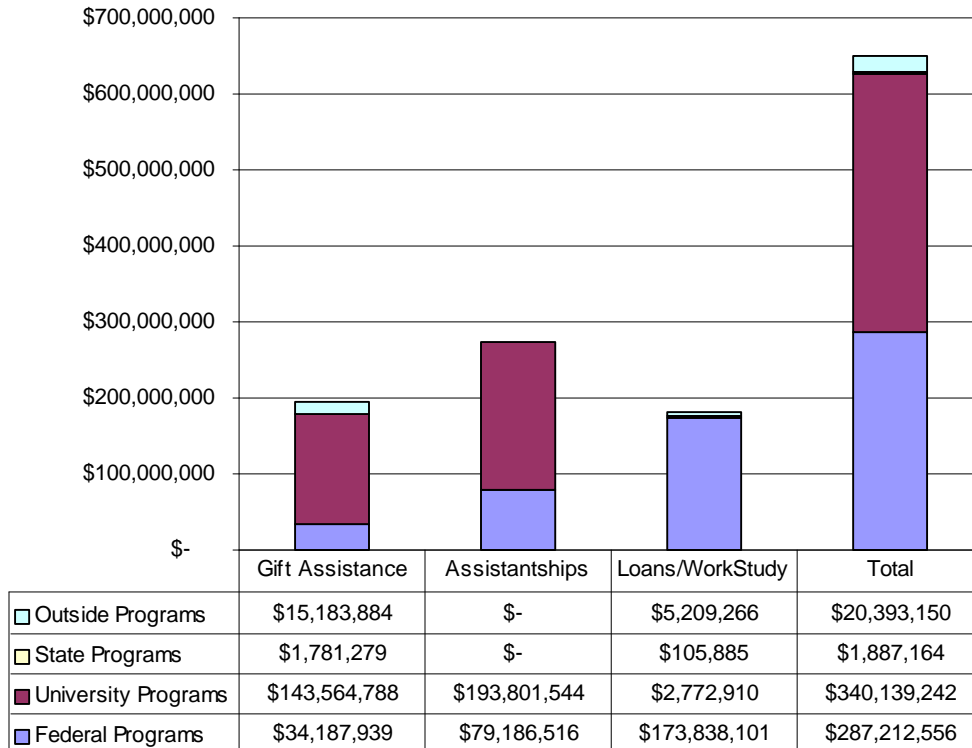


Figure 2-1
Total Graduate Student Support by Type, 1995-96 to 1999-2000¹

This assistance came from a range of sources that differ by aid type as shown in Figure 2-2. Gift assistance comes largely from University sources – 73.7 percent in 1999-2000. Over 95 percent of loan aid came through federal programs. Finally, university and private sources accounted for 71 percent of support for assistantships and federal funding accounted for the remaining 29 percent.

¹ Includes funding for self-supporting graduate students.

Figure 2-2
Graduate Support by Type and Program Administrator, 1999-2000 ²



The \$649.6 million in graduate level assistance administered through the University in 1999-2000 was shared by 31,414 graduate students – 85.7 percent of all graduate students enrolled at the University. These recipients received an average of over \$20,600 in assistance of all types and from all sources.

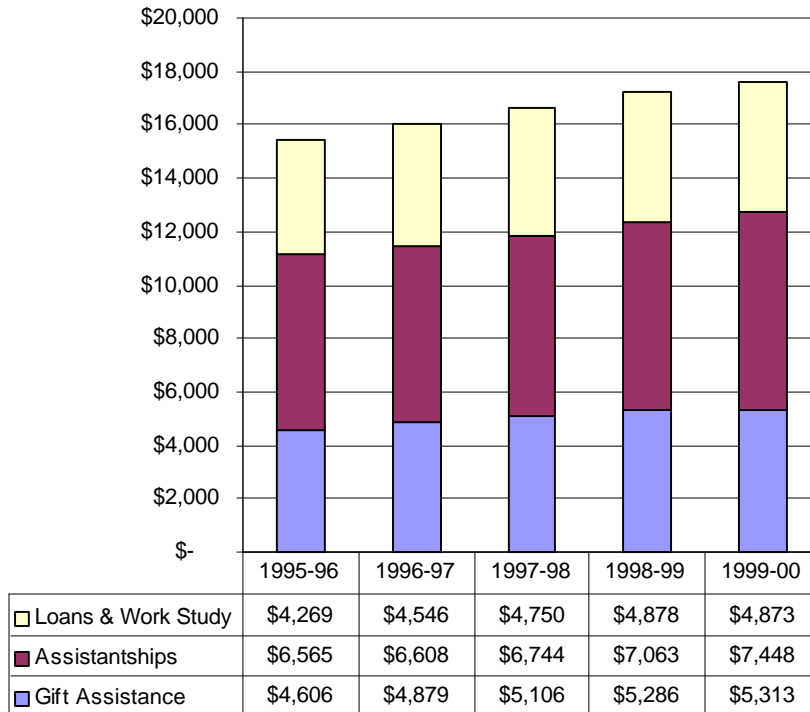
The \$649.6 million in graduate level assistance administered through the University in 1999-2000 was shared by 31,414 graduate student support – 85.7 percent of all graduate students enrolled at the University.

As Figure 2-3 illustrates, per capita graduate student support has been increasing moderately and steadily over the course of the past several years. Grant, loan, and fellowship assistance increased

² Includes funding for self-supporting graduate students.

by similar percentages – 15, 14, and 14 percent respectively between 1995-96 and 1999-2000. Per capita work-study funding, small to begin with, increased by only 2 percent.

Figure 2-3
Per Capita Graduate Student Support by Type, 1995-96 to 1999-2000³



Total per capita support for graduate students was \$17,724 in 1999-2000, substantially more than the total per capita support for undergraduate need-based aid recipients of \$10,088 in the same year. This difference is attributable primarily to the different purposes of undergraduate and graduate assistance. As described earlier, undergraduate support centers on access, while graduate support centers on recruitment. This difference manifests itself in terms of both the percentage of students receiving awards and the sizes of these awards. Since the emphasis at the undergraduate level is on need-based support, awards are directed at those students with financial eligibility. At the graduate level, support focuses on recruitment, which means that there is more emphasis on merit-based support that is directed more broadly at all students the University wishes to attract, and not just those who are financially unable to afford to attend the University.

At the graduate level, support focuses on recruitment, which means that there is more emphasis on merit-based support that is directed more broadly at all student the

³ Includes funding for self-supporting graduate students.

University wants to attract, and not just those who are financially unable to afford to attend the University.

In addition, while undergraduate awards are sized to just make the university accessible, graduate awards must be sized to make the University accessible *and* to be competitive with the awards that prospective students are receiving from competing institutions. Furthermore, within this competitive context, the following factors also add pressure to increase the sizes of awards made to graduate students.

- Graduate students generally have a higher cost of attendance than undergraduates, and so need higher levels of assistance to cover costs.
- Since graduate students are more likely than undergraduates to be from outside of California, they are more likely to have the added cost of nonresident tuition.
- Unlike undergraduate students, graduate students are generally considered financially independent and do not rely on parental support.
- Graduate students are more likely to be married and have dependents.
- While most undergraduates and graduate students work, graduate students are far more likely to have assistantships, which, unlike most jobs held by undergraduates, are recorded as assistance.
- Graduate students receive greater amounts of merit-based support.
- Graduate students are authorized to borrow more annually through the federal loan programs than are undergraduates.

DETAILED BREAKDOWNS OF GRADUATE SUPPORT

While over-all levels of support or average support levels for graduate students are instructive, they don't tell the full story. There is great variation in the levels and types of financial support among different groups of graduate students – variation that is neatly masked by many summary statistics. Breakdowns of graduate student support by such factors as discipline, academic/professional status, and residency status yield real contrasts in levels and types of support and allow for a more complete understanding of graduate student support at the University of California.

Graduate Assistance by Academic/Professional Status

Figure 2-4 illustrates the differences in per capita assistance provided to graduate academic and graduate professional degree students. It shows that in 1999-2000, graduate academic students received 30 percent more aid per capita than their professional degree program counterparts. In addition, a far greater portion of the aid that they received came in the form of gifts and assistantships – the most desirable types of assistance. On a per capita basis, academic program graduate

students received 52 percent more gift assistance than professional degree program graduate students. In addition, the low per capita assistantship support for professional degree students reflects the very small number of assistantships provided to students enrolled in these types of programs.

On a per capita basis, academic program graduate students received 52 percent more gift assistance than professional degree program graduate students.

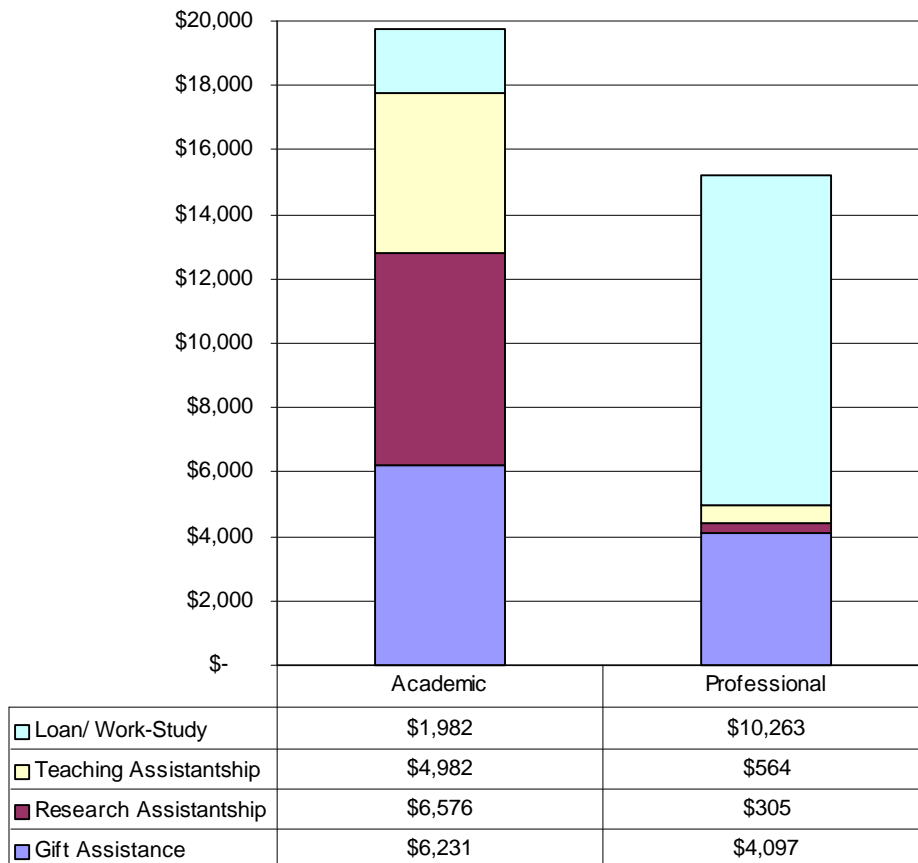


Figure 2-4
Per Capita Student Financial Support by Type of Graduate Academic and Graduate professional Degree Students, 1999-2000

While graduate academic degree students rely heavily on gift assistance and assistantships to finance their educations, graduate professional degree students rely far more heavily on loans. Their per-capita loan amount of \$10,132 accounted for over 65 percent of their assistance and was over five times that of graduate academic students.

These differences in the financing patterns of graduate academic program and graduate professional degree program students reflect fundamental differences in approaches to financing for these two groups of graduate students.

Competition is the most significant of the range of factors driving these differences. As referenced earlier in the description of graduate assistance generally, financial assistance at the graduate level is a recruitment tool. Thus, the financing patterns shown above are generally reflective of what is required for the University to be competitive with institutions seeking to attract the same students. This means that the financing patterns observed among UC's graduate academic program and graduate professional degree students are similar to the financing patterns at competing academic institutions.

...financing patterns observed among UC's graduate academic program and graduate professional degree students are similar to the financing patterns at competing academic institutions...

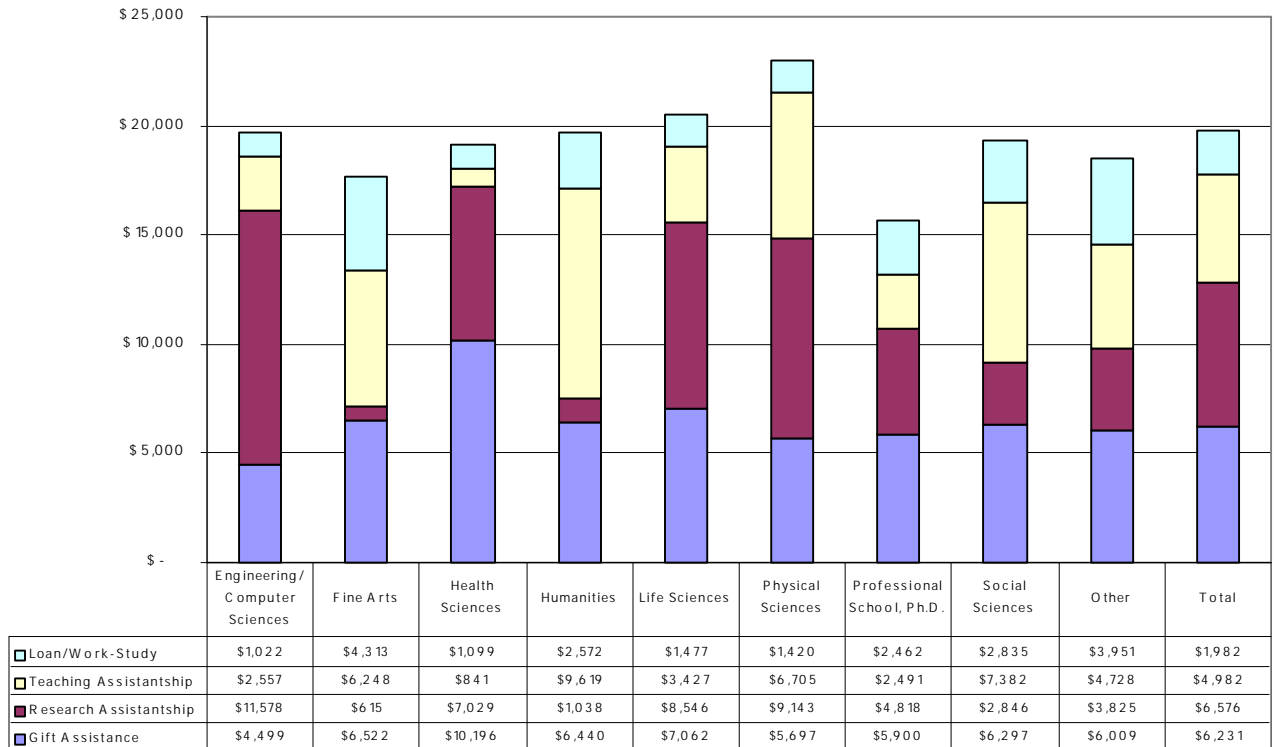
There are many additional factors that contribute to the differences in financing patterns among academic program and professional degree graduate students. For example, professional degree program students can typically anticipate higher earnings. These higher earnings can make payments on large levels of student debt manageable (see below for additional discussion on this issue). In addition, academic graduate students are typically enrolled for longer periods of time than their professional degree counterparts, so a single annual debt level will mean less cumulative debt for a student in a professional degree program.

Graduate Academic Students

Graduate Assistance by Discipline and Program

While there are clear differences in the types of aid received by graduate academic and graduate professional students, there are also substantial differences among graduate academic students enrolled in different disciplines or programs.

Figure 2-5
Per Capita Student Financial Support for Academic Students by Type



of Aid and Discipline, 1999-2000

Figure 2-5 illustrates differences in both the total levels of support and the types of support received by academic discipline. Students in the physical sciences received the most aid per capita in 1999-2000 – 47 percent more than students in the discipline with the least aid per capita, those students pursuing an academic doctoral degree in a professional school.

However, given the competitive forces driving the provision of graduate level financial assistance, perhaps the more interesting conclusions to be drawn from this chart center on the composition of aid. The types of assistance that make a financing offer attractive to a prospective student – so-called “competitive aid” -- are gift assistance and teaching and research assistantships. If one then considers only competitive aid, which is represented by the lower three shades of each column in Figure 2-5, the difference between the highest and lowest-funded disciplines grows. While the per capita total support level for students in the highest-funded discipline was 47 percent higher than the per capita support level for students in the lowest-funded discipline, that gap grows to 63 percent when considering per capita competitive aid levels.

The types of assistance that make a financing offer attractive to a prospective student – so-called competitive aid – are gift assistance and teaching and research assistantships.

The larger gap among the disciplines when considering competitive aid rather than total aid reflects the greater likelihood of students with less competitive aid to borrow. With lower levels of gift assistance and assistantships available to help cover educational expenses, these students are more likely to turn to the loan programs.

There are additional differences in the composition of competitive aid by discipline. Gift assistance levels vary the least relative to other types of competitive aid, but there are significant differences in the patterns of assistantship awards. Students in the hard sciences tend to receive the highest levels of assistantship support, while those in the arts and social sciences receive the lowest. Students in the discipline with the highest assistantship levels –physical sciences—received 130 percent more assistantship per capita than students in the discipline with the lowest assistantship levels – fine arts.

There are additional differences between the disciplines in terms of the types of assistantships. Students in the humanities, fine arts, and social sciences are more likely to have teaching assistantship awards, while those in engineering/computer science, physical sciences, and life sciences are more likely to receive research assistantships. Because research assistantships are frequently tied to graduate students' studies, they are typically considered more desirable. Excessive reliance on teaching assistantships tends to increase time-to-degree.

Net Stipend/Measuring the Value of Graduate Level Financial Aid

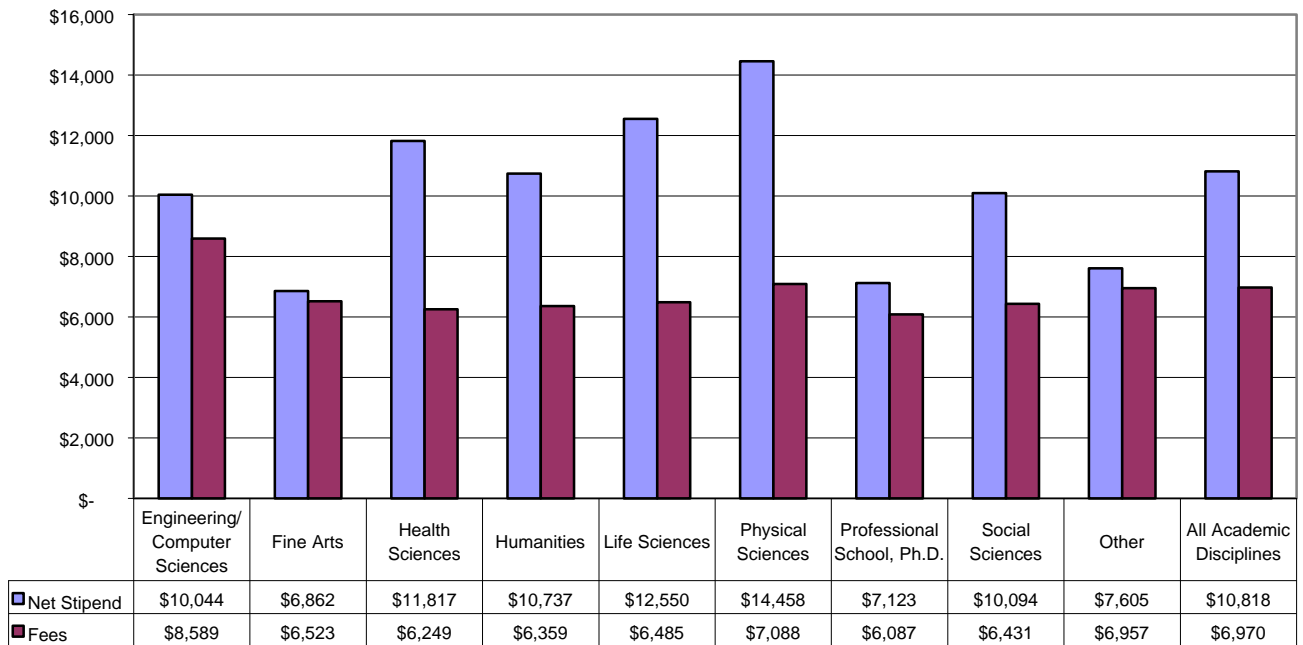
The use of graduate level financial support as a recruitment tool makes aid levels far more meaningful if we give them a context. From the student perspective, the true value of a financing package can be measured by accounting for two factors. First, the aid types we have labeled “competitive aid” make an offer truly desirable. Gift assistance and research and teaching assistantships are the desirable types of aid that help students to progress through their programs and lessen the need to borrow. Second, assistance levels have far more meaning when compared to tuition and fees students are charged. In order to provide the same amount for student living expenses, an award from a high cost institution must be correspondingly larger than an award from a school with low tuition and fees. To address these issues and provide assistance levels with a broader cost context, the next set of displays show net stipend levels.

Net stipend is the amount of competitive aid that a student has remaining after covering total tuition and fees charged. Put another way, this is the funding available to cover the non-fee portion of the cost of attendance after fees are covered. Net stipend is calculated by taking the total gift and assistantship aid and subtracting from it the total fees charged. The average UC graduate academic student in 1999-2000 had fellowship, grant, research assistantship, and teaching assistantship assistance that exceeded fees by over \$10,800.

Net stipend is the amount of competitive aid that a student has remaining after covering total tuition and fees charged.

Figure 2-6 presents per capita net stipend amounts and per capita student fee levels for graduate academic students by program. While the University’s fee schedules do not differ by graduate academic program, there are some substantial differences in student tuition and fees. These differences are largely attributable to the different proportions of students enrolled in these disciplines paying non-resident fees/tuition. In 1999-2000, 46 percent of engineering/computer science students were either domestic nonresident or international students, resulting in students in this discipline having average fee levels 23 percent higher than they were for graduate academic students over all.

Figure 2-6
Academic Graduate Student Net Stipend and Total Student Fees by Discipline, 1999-2000; Net Stipend Equals Degree to Which Competitive Assistance Exceeds Tuition and Fees



These differing average fee levels drive the differences between net stipend pattern, shown in Figure 2-6, and the total levels of competitive aid pattern, as represented by the lower 3 shades of the columns in Display 2-5. Among those disciplines with generally similar average fee levels, the net stipend pattern is generally similar to the competitive assistance pattern. However, the higher average fee levels for students studying engineering and computer science means that

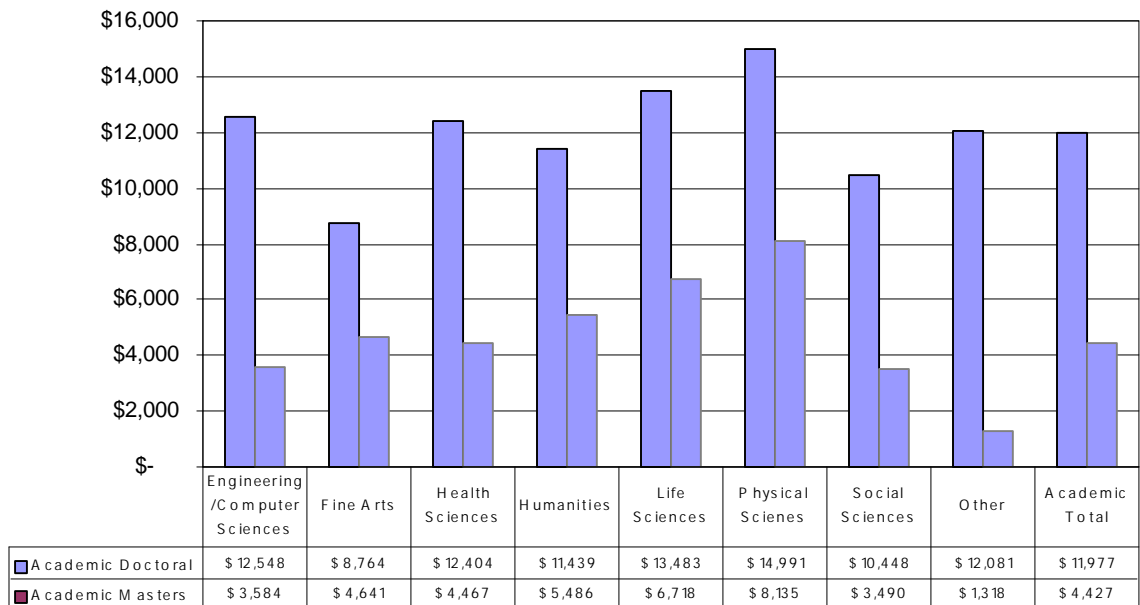
while students in this discipline had the third highest level of per capita competitive assistance, they had only the seventh highest net stipend level.

Doctoral/Masters Status

In the academic disciplines, doctoral students far outnumber masters students. Universitywide, only 15 percent of graduate academic students in 1999-2000 were pursuing a master's degree. In addition to being far smaller in number, the academic program masters students receive far smaller net stipends than their counterparts pursuing doctoral degrees. As illustrated in Figure 2-7, across all disciplines, masters degree students in graduate academic disciplines had net stipends that were no more than about half of those of doctoral degree students.

...masters degree students in graduate academic disciplines had net stipends that were no more than about half of those of doctoral degree students.

Figure 2-7
Per Capita Net Stipend for Graduate Academic Students by Masters/Doctoral Status, 1999-2000



Residency Status

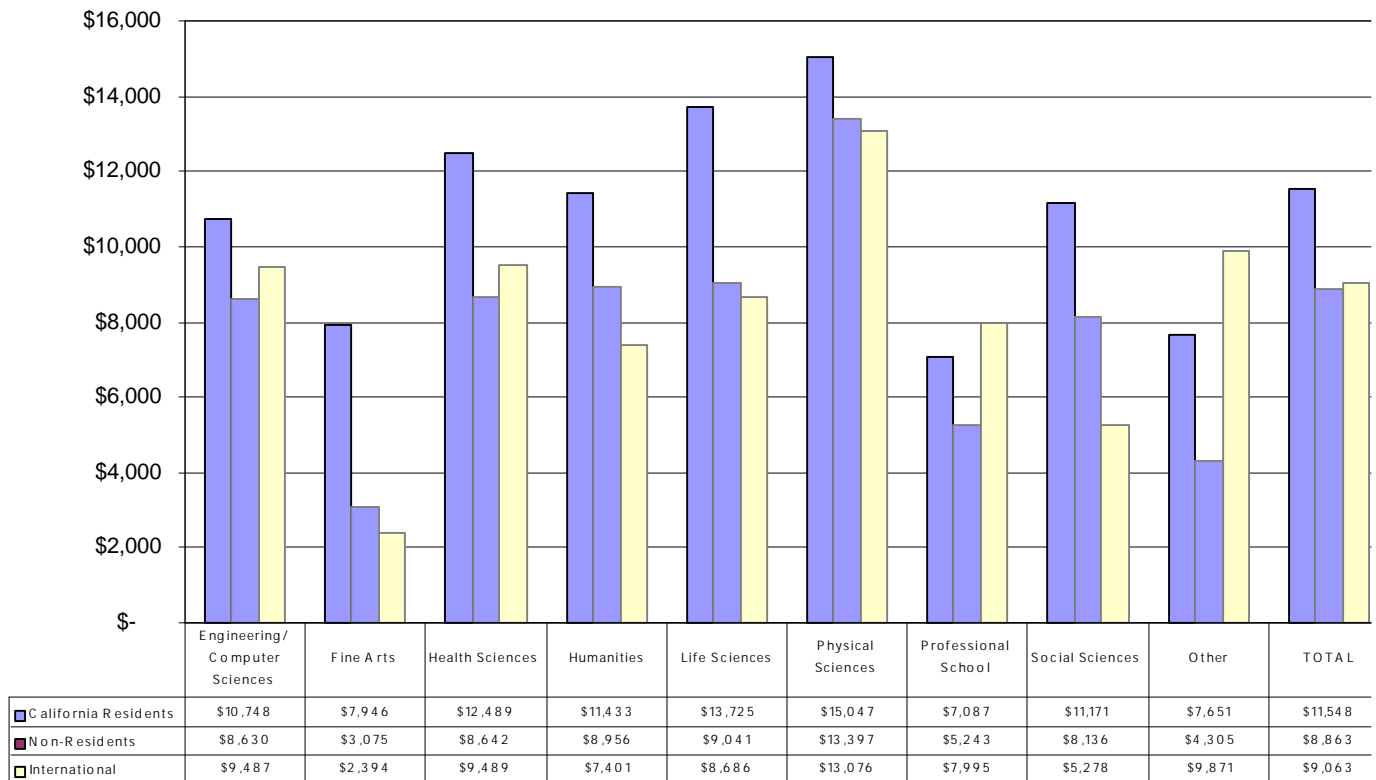
While the University's research and public service missions mean that domestic nonresident and international students are an important part of the pool of students for whom the University competes, nearly three-quarters of graduate academic students are California residents. The percent-

age of resident students by graduate academic discipline in 1999-2000 ranged from a low of 54 percent for engineering and computer science to a high of 82 percent for doctoral students in professional degree programs.

...resident students in nearly all disciplines received higher levels of net support than their domestic nonresident or international student counterparts.

Across all graduate academic disciplines in 1999-2000, per capita levels of both competitive support and total support were higher for both domestic non-resident and international students than they were for California residents. However, a breakdown of net stipend by residency status and discipline shows that once fee levels are accounted for, resident students in nearly all disciplines receive higher levels of net support than their domestic nonresident or international student counterparts. As shown in Figure 2-8, the pattern in most disciplines has California residents receiving the highest net stipend, followed next by domestic non-residents and then international students. The disciplines where California resident students do not receive the highest net stipend accounted for only 10 percent of total graduate academic enrollment. The University's Commission on the Growth and Support of Graduate Education is concerned that the lower net stipend for non-resident students may be an indicator that the University is struggling to compete for these students.

Figure 2-8
**Net Stipend by Graduate Academic Discipline by Residency Status,
1999-2000**



Is the University's Assistance for Graduate Academic Students Competitive?

As described in the opening section of this report, the basic purpose of graduate financial assistance is to permit the University to compete for and attract the highest-caliber students to support its research and public service missions and to meet the state's manpower needs. To this point, the descriptive nature of this section of this report has conveyed the levels of financial support provided to the University's graduate students. However, the question remains whether this assistance is adequate to allow the University to compete for students.

The answer to this question rests with a comparison between the assistance offered by the University to prospective students and that offered by other campuses competing for the same students. That comparison is necessary to fully answer the question of whether the University's graduate level assistance is serving its basic purpose of being competitive enough to help recruit top graduate students to UC.

In recognition of the value and importance of such information, the University recently conducted a survey of graduate students offered admission to the University for fall 2001. Students who chose to attend UC as well as those who chose to attend elsewhere were asked about the types and levels of assistance offered by the University and other institutions making them offers of admission.

As this report went to press, the University was just beginning to analyze the results of the survey. The 2000-2001 Annual Report on Student Financial Support will include data from the survey results and will provide the University with a good idea of how competitive its financial assistance offers are with those of competing institutions.

GRADUATE PROFESSIONAL DEGREE STUDENTS

As described in the opening of this section, graduate professional degree program students finance their educations with a far heavier reliance on student loans than their graduate academic program counterparts. Indeed, as illustrated in Figure 2-9, students in each of the graduate professional degree programs borrowed substantially more per capita in 1999-2000 than students in any of the graduate academic disciplines.

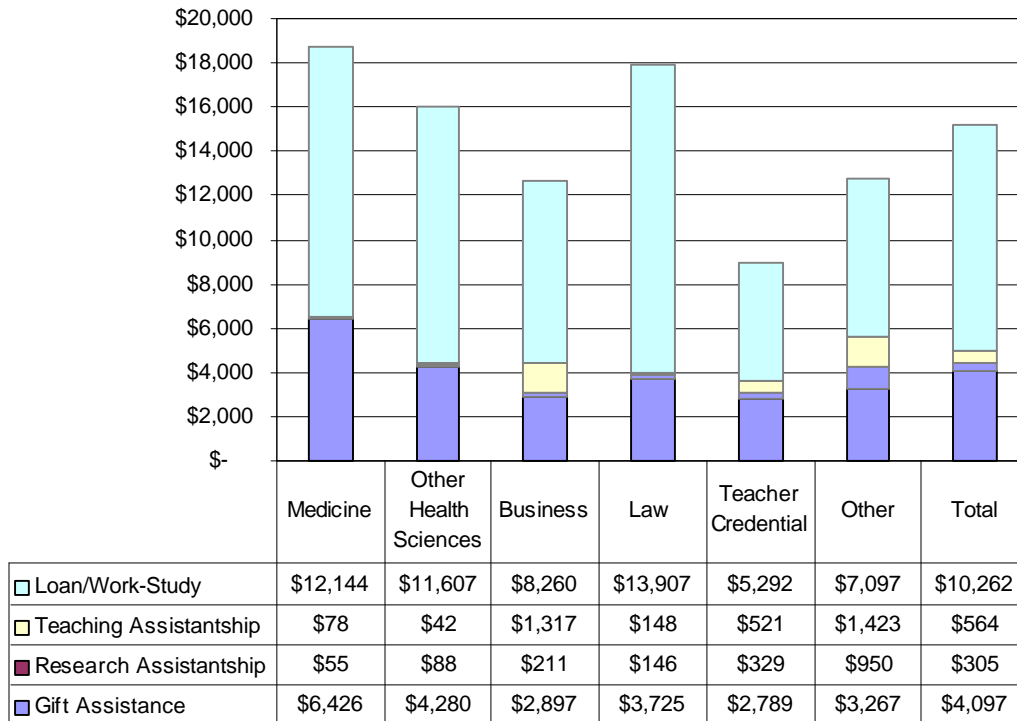


Figure 2-9
Per Capita Student Financial Support for Graduate Professional Students by Type of Aid and Program, 1999-2000

Figure 2-9 also shows the variability in the per capita financing patterns among students in the professional degree programs. This variability is larger than that observed among students in the different academic disciplines and follows some different patterns. Among graduate academic students, students in disciplines with lower competitive aid levels tended to borrow more, presumably to offset their lower competitive aid levels. This resulted in less variability in total aid received per capita than in either competitive or loan aid received per capita. Students in professional degree programs follow an opposite trend. In 1999-2000, teacher credential program students had both the lowest per capita competitive and loan aid totals, while medical students had the highest competitive aid level and one of the highest per capita borrowing rates. Thus, among students in professional degree programs, those in the degree program with the highest per capita competitive aid levels – medicine – received 80 percent more competitive aid per capita than student in the degree program with the lowest competitive aid per capita. However, since medical students borrowed so heavily, they received 163 percent more total aid per capita than teacher credential students.

...students in each of the graduate professional degree programs borrowed substantially more per capita in 1999-2000 than students in any of the graduate academic disciplines.

This pattern, which contrasts sharply with that observed among students enrolled in academic disciplines, starts to make far more sense when one considers the variability in student fee levels among students in graduate professional degree programs.

Net Stipend

As explained earlier, the net stipend figure is more meaningful than total aid levels since it provides a context. By accounting for the aid types that make a financial aid offer desirable – competitive aid, consisting of fellowships and grants and teaching and research assistantships – and student fee levels, net stipend figures more accurately convey the value of a financial aid package.

As Figure 2-10 shows, the average net stipends for graduate academic and graduate professional degree students are very different. As described earlier, graduate professional degree program students receive less assistance per capita and rely more heavily on borrowing, a type of assistance that is not accounted for in the calculation of a net stipend. This results in a negative net stipend.

Figure 2-10

Net Stipend for Graduate Academic Students and for Graduate Professional Degree Students, 1999-2000

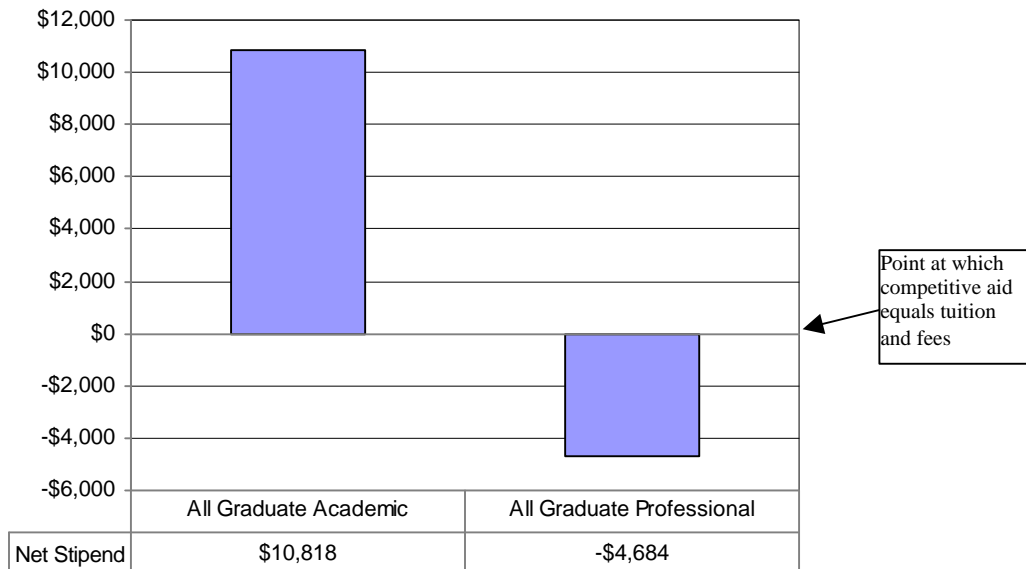


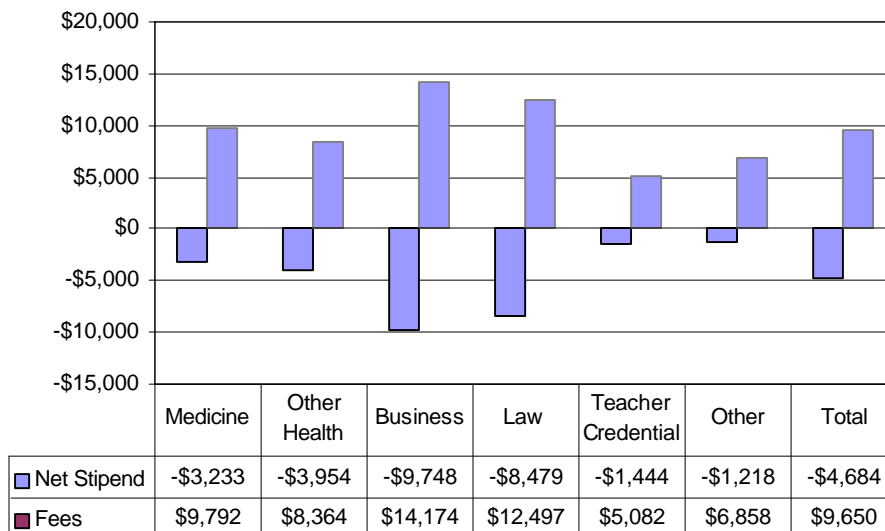
Figure 2-11 shows net stipend and student fee levels by professional degree program. This figure is identical in concept to Figure 2-6, which shows the same information for students enrolled in graduate academic programs. However, Display 2-11 looks substantially different for at least two reasons. First, professional degree program students in all programs have negative net stipends since their competitive aid, represented by the line in the display, is inadequate to cover their student fees.

...professional degree program students in all programs have negative net stipends since their competitive aid... is inadequate to cover their student fees.

Second, there is more variability in student fee levels among the professional degree programs than there is among academic disciplines. This is driven in large measure by the University's Student Fees for Selected Professional School Students. These fees, paid in addition to the regular fees paid by other graduate students, are assessed on business, law, and medical students as well as most students in other health sciences (i.e. dentistry, pharmacy, veterinary medicine, nursing, and optometry). In addition, business students are more likely to be paying non-resident fees and tuition than students enrolled in the other professional degree programs. Thus, while students in these programs have aid levels that are similar to those of students in other disciplines, their fees drive substantial differences in net stipend. Business and law students have substantially lower net stipends than other professional degree students while teacher credential students had the highest net stipend.

Figure 2-11

Net Stipend and Total Student Fees for Graduate and Post Baccalaureate



Professional Degree Students, 1999-2000

Manageability of Professional Degree Program Student Loan Debt

The heavy reliance by graduate professional degree program students on borrowing may appear ominous. The large per capita loan figures look to be particularly high when one considers the potential cumulative debt upon completing a graduate professional degree program over two, three, or four years. However, the limited data available on cumulative debt levels and expected salaries of professional school graduates suggest that the borrowing rates, while high, are manageable.

Business, law, and medical students all borrowed in 1999-2000 at similar average levels. Among borrowers, the average loan levels ranged from about \$15,300 for medical students to \$16,200 for law students. After assuming similar borrowing rates for the duration of their programs and adding estimated undergraduate debt levels, the projected total debt levels for these students are substantial. However, the projected first-year income upon graduation is substantial as well.

For each of the three disciplines, the resulting debt-to-income ratios – the ratio of annual loan payments to first-year annual salary – are below 10 percent. This places the payments for the first year within the range considered manageable according to credit industry standards. These standards typically earmark the percentage of annual income that can be dedicated to loan repayments at between five and 15 percent. The higher end of this range is likely appropriate for professional degree program graduates since it is typically used for borrowers in the higher income ranges. The prospect of salary increases after the first year working suggests that these borrowers' debt-to-income ratios will likely improve.

...students who borrow to finance a graduate professional degree program at UC can achieve earnings that make their debt levels manageable.

While this information indicates that in the aggregate, graduate professional degree program students' loan debts are manageable, it cannot, by its very nature, account for individual students' student loan debt levels or decisions that may have been affected by those debts. For example, the data cannot measure whether each and every professional degree program graduate has a manageable student loan payment after graduating. In addition, the data cannot measure the extent to which the prospect of payments on student loan debt may have had some impact on job or career choice upon completion of a professional degree program.⁴ The information is, however, an indicator that those students who borrow to finance a graduate professional degree program at UC can achieve earnings that make their debt levels manageable.

⁴ Note, however, that a recent study of borrower life decisions after graduation did not find evidence that job and career choices were influenced by debt levels.

Residency Status

While the University's graduate professional degree programs recruit both resident and non-resident students in order to meet the state's workforce needs, fully 86 percent of professional degree program students in 1999-2000 were California residents. The percentage of students who were California residents ranged from 97 percent for students in medical and teacher credential programs to 61 percent for students in business programs. However, comparisons between programs are problematic since they are of different lengths and domestic non-residents can establish residency in a year. This means that a domestic non-resident business student, typically enrolled for two years, can establish residency for only half his or her time enrolled. Medical students, in contrast, are enrolled for four years, so a domestic non-resident can establish residency for three-quarters of his or her time enrolled. Business programs did, however, have the highest percentage of international students enrolled in 1999-2000 – 25 percent. The percentage of international students was generally limited to single digits in the other programs.

Figure 2-12

Net Stipend by Graduate Professional Degree Program and Residency Status, 1999-2000⁵

⁵ There was insufficient data to report results for international medicine or teacher credential students.

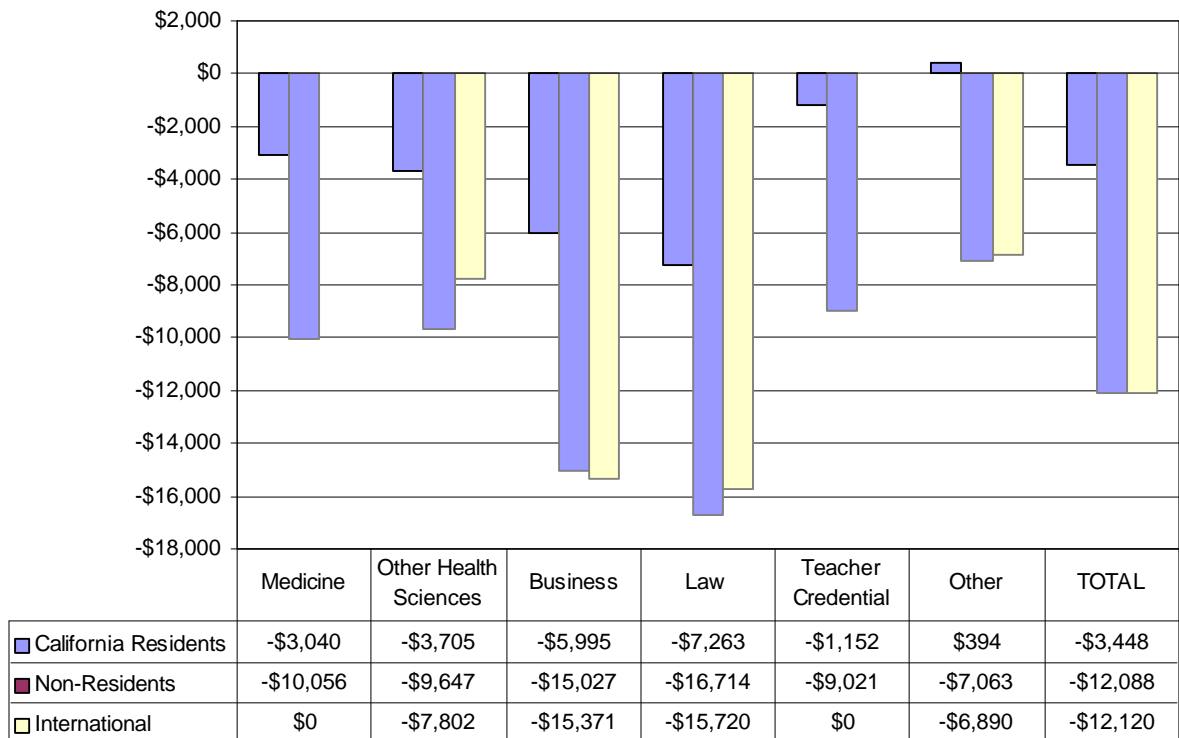


Figure 2-12 shows that for all professional degree programs, non-resident and international students are particularly lacking in support. While resident students' net stipends are negative, the gap between their competitive aid and their fees is far smaller than it is for those students who are not California residents. Not surprisingly, business and law students, who pay the highest average fees and had the lowest net stipends over-all for 1999-2000, have the lowest 1999-2000 net stipends for each residency status represented in Figure 2-12.

...for all professional degree programs, resident students were far better off than domestic non-resident or international students.

Is the University's Assistance for Graduate Professional Degree Students Competitive?

Despite the lower net stipends for professional degree program students, competition for students guides financing patterns for these students just as it does for those graduate students enrolled in academic programs. We know that students in graduate professional degree programs at competing institutions rely more heavily on borrowing than their graduate academic counterparts just as they do at UC. However, we do not yet know just how UC's financing offers compare to those at competing institutions.

The University's recently completed survey of graduate students accepted for admission for the fall of 2001 was limited to students studying in academic disciplines. The expansion of any fu-

ture surveys of applicants for graduate admissions to include students applying to professional degree programs would yield a more complete picture of the competitiveness of graduate financial assistance at UC.

SECTION 3

OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR FAMILIES FINANCE A UC EDUCATION

University Programs and Initiatives

The University's Budget

As discussed in Section 1 of this report, the University has not raised its mandatory systemwide student fees since 1994-95. In addition, resident undergraduate systemwide fees declined by five percent in 1998-99, and resident systemwide fees for undergraduate and graduate students declined by five percent in 1999-2000. At the same time, the state has provided support to the University allowing funding levels for the University's financial aid programs to be maintained despite the fee reductions, thereby creating an additional benefit to University of California students and their families.

State Programs and Initiatives

Cal Grants

State increases in support for the Cal Grant program have resulted in substantial growth in the number of awards for new Cal Grant recipients in recent years. The number of UC undergraduates receiving Cal Grant awards grew by 10.9 percent between 1997-98 and 1999-2000 while enrollment increased by 5.9 percent over the same period.

In addition, 2000-2001 will mark the first year of implementation of the reconfigured Cal Grant programs. Created during the 1999-2000 legislative session, the new Cal Grant Entitlement Program will provide recent high school graduates and dependent students transferring from a community college with the guarantee of a Cal Grant if they have a minimum GPA and meet other eligibility criteria. Under the former Cal Grant program, the criteria for receiving a Cal Grant award varied each year with changes in program funding levels and the applicant pool. Under the terms of the entitlement program, program funding is adjusted to match the number of students meeting eligibility criteria rather than having the eligibility criteria adjusted to match the funding. This means that applicants will know what it takes to qualify for a Cal Grant entitlement award before they ever apply.

In addition to the entitlement component, the reconfigured Cal Grant program includes a limited competitive component for students who are not eligible for entitlement awards. These changes ultimately mean an increase in the number of awards for students qualifying for an entitlement award – those just out of high school and dependent students transferring to a community college -- but likely a decrease in the number of awards for students who do not qualify for an entitlement award – generally those who are not of a traditional college-going age.

The entitlement is expected to have only a marginal impact on the number of UC students eligible for a Cal Grant since many UC students were Cal Grant eligible under the former program. The

reconfiguration of the Cal Grant programs will be felt most directly at the California State University and the California Community Colleges. The University may, however, derive substantial indirect benefits from the entitlement. As information about the entitlement is disseminated among prospective California college students, it may help the University's efforts to overcome the misperception that grant assistance is not available to help meet UC costs. In addition, the University's Dual Admissions Program may benefit from the Cal Grant Entitlement Program since it will provide students entering a community college with the knowledge that they have a grant award that will follow them when they transfer to the University.

Governor's Merit Scholarships

In 1999-2000, two new merit scholarship programs for California high school students were implemented. The Governor's Scholars Program provides \$1,000 scholarships to California 9th, 10th and 11th graders based on their scores on certain standardized tests (i.e. the STAR exams). Scholarships are awarded to students who score in the top 5 percent of their grade level statewide or in the top 10 percent at their schools. The Governor's Distinguished Mathematics and Science Scholars Program provides a \$2,500 scholarship to public high school pupils who, in addition to qualifying for a scholarship under the Governor's Scholars Program, obtain a specified score on an advanced placement examination in both calculus and either biology, chemistry, or physics.

Scholarshare Trust College Savings Program

The state of California's Scholarshare Trust College Savings Program (hereinafter referred to as the "Scholarshare Trust") was established to encourage all families, and especially those in the middle income ranges, to embark upon a program of systematic saving to help cover their children's college expenses. In recent years, an increasing portion of middle-income families have found that they lack the savings or current income to cover their contributions to their children's educational expenses. These families have been turning at increasing rates to the federal unsubsidized loan programs in order to meet these costs. In response to this growing trend and changes to the federal tax code, the state created the Scholarshare Trust.

The Scholarshare Trust provides parents (and others such as grandparents) with a tax-advantaged college savings option. The program manages individual accounts, which are pooled into large funds and invested in a number of different instruments (i.e., stocks, bonds, money markets, or a combination of these). Contributions, which are made with after-tax income, are accepted until the account's value reaches the beneficiary's projected education expenses at an independent (private) college or university. Pursuant to provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, the earnings from these investments are not federally taxable as long as they are used for qualified higher education expenses (tuition and required fees, books, supplies, equipment, and eligible room and board expenses). Savings withdrawn for non-qualified expenses are subject to a financial penalty.

Among the advantages of the Scholarshare Trust are the following: no income limits for investors, low minimum contribution amounts, and convenient payment arrangements. Investors benefit mostly from the tax-exempt status of their earnings but also from the professional management of funds that the program provides and the convenience of a structured savings plan.

Federal programs and initiatives

Federal Education Tax Credits

The two federal education tax credits, the Hope Scholarship Tax Credit and the Lifetime Learning Tax Credit, are available to taxpayers for tuition and required fees paid less grants, scholarships, and other tax-free educational assistance. Eligibility for both is phased out for joint filers who earn between \$80,000 and \$100,000 in modified adjusted gross income, and for single filers who earn between \$40,000 and \$50,000 in modified adjusted gross income.

Hope Scholarship Tax Credit

The Hope Scholarship Tax Credit was designed to make the first two years higher education universally available. Students or their parents (if claiming the student as a dependent) may receive a 100 percent tax credit for the first \$1,000 of tuition and required fees paid and a 50 percent credit on the second \$1,000. The credit can be claimed for a maximum of two tax years for students who are enrolled in any portion of their first two years of higher education and on at least a half-time basis in a degree or certificate program.

Lifetime Learning Tax Credit

The Lifetime Learning Tax Credit is targeted at adults reentering college, changing careers, or taking courses to upgrade their job skills. It is also available to juniors, seniors, and graduate level students or other students ineligible for Hope credits. A family may receive a 20 percent tax credit for the first \$5,000 of tuition and required fees paid each year through 2002, and for the first \$10,000 thereafter. The maximum credit is determined on a per-taxpayer (filer) basis, regardless of the number of postsecondary students in the family.

UC and the Federal Education Tax Credits

The University has recently surveyed a cross-section of its students who received an IRS 1098T form from the University in January 2000. The survey was conducted in order to learn about the rates at which UC students and their families are making use of the tax credits. Approximately 29 percent of the UC students or families responding to the survey indicated that they had claimed either the Hope or Lifetime Learning Tax Credit. Since the University estimates that approximately 37 percent of all students are eligible for the tax credits, this means that most eligible students and their families actually claimed them. Furthermore, based on these responses, we have been able to extrapolate that UC students and their families claimed approximately \$79.6 million in education tax credits for the 1999 tax year.

New Above-the-Line Tax Deduction for Higher Education Tuition and Related Expenses

The Economic Growth and Tax Relief Reconciliation Act of 2001 includes provisions establishing a new higher education expense deduction which provides relief to families whose incomes disqualify them from participation in the Hope and Lifetime Learning tax credits. Single filers

with incomes of up to \$65,000 and joint filers with incomes of up to \$130,000 will qualify for a \$3,000 deduction in 2002 and 2003 and \$4,000 in 2004 and 2005.

Student Loan Interest Deduction

The student loan interest deduction reduces the burden of loan repayment by allowing taxpaying borrowers to take a tax deduction for interest paid during repayment on student loans. The deduction is available even if the taxpayer does not itemize other deductions. The maximum deduction for 2000 was \$2,000, and that amount will increase to \$2,500 for 2001 and later years. The Economic Growth and Tax Relief Reconciliation Act of 2001 eliminated a 60-month time limit on student loan interest deductions and increased the income ceilings for eligibility for the interest deduction to \$65,000 for single filers and \$130,000 for joint filers. The deduction is available for all educational loans, including loans made to students or parents, guaranteed student loans, loans from private lenders, and loans made before the student loan interest deduction was passed into law.

IRA Withdrawals for Higher Education Expenses and the Education IRA

Taxpayers may withdraw principal contributions penalty-free from either a traditional Individual Retirement Account (IRA) or a Roth IRA for their own higher education expenses or those of a spouse, child, or grandchild. Earnings on a traditional IRA are taxed when they are withdrawn, and contributions may be taxed when withdrawn depending upon whether they were originally tax deductible. Individuals may contribute to a traditional IRA without regard to income, although income does have a bearing on whether the contributions are tax deductible.

If the holder of a Roth IRA meets age requirements and the account has been established for more than 5 years, then contributions may be withdrawn penalty-free if they are used to cover qualified education expenses. Eligibility to contribute to a Roth IRA is phased out for joint filers with adjusted gross incomes of between \$150,000 and \$160,000 and for single filers with adjusted gross incomes of between \$95,000 and \$110,000.

In addition, for each child under the age of 18, families may deposit \$2,000 per year into an Education IRA in a child's name. Although contributions are not tax deductible, earnings on the Education IRA will accumulate tax-free and no taxes are due upon withdrawal if the money is used to pay for postsecondary tuition and required fees (less grants, scholarships, and other tax-free educational assistance), books, supplies equipment, and eligible room and board expenses. Income eligibility to contribute to an Education IRA is the same as that for the Roth IRA.

U.S. Savings Bonds

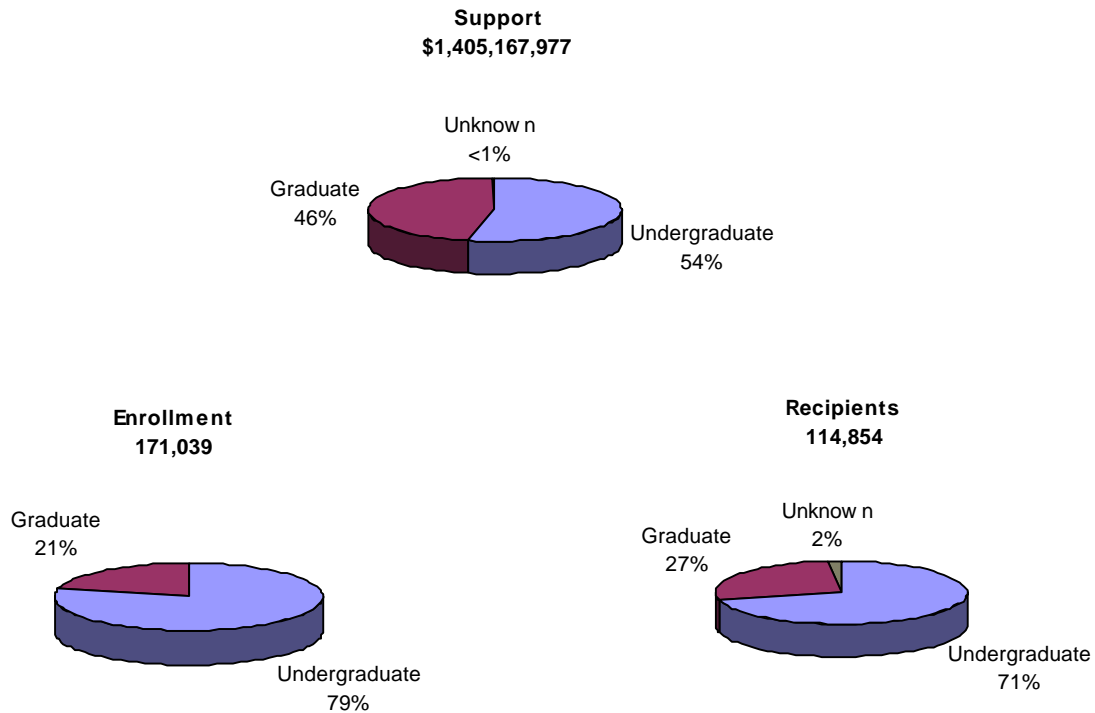
The interest on U.S. Savings bonds is, in certain circumstances, tax-free when bond proceeds are used to cover eligible education expenses. Individuals who are at least 24 years of age and purchase Series EE or Series I bonds may withdraw bond proceeds tax-free if they are used to cover tuition or fees or contributions to a Qualified State Tuition Program such as Scholarshare or an education IRA. Eligibility for tax-free withdrawals is a function of income level when the bond is

redeemed, and is phased out for individuals filing jointly with incomes of between \$81,100 and \$111,100 and for individuals filing singly with annual incomes of between \$54,100 and \$69,100.

SECTION 4 OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 1999-2000

Using a series of figures and tables, this section presents an overview of student financial support during the 1999-2000 academic year. Each figure or table is accompanied by text that provides additional detail.

Figure 4-1
Support¹, Enrollment, and Recipients² by Enrollment Level, 1999-2000

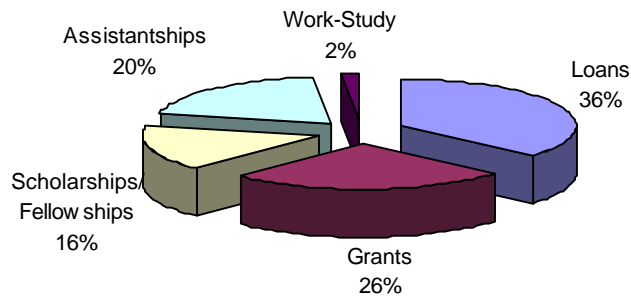


- Seven of ten students enrolled at the University of California in 1999-2000 received some form of student financial support.
- Graduate students represented a greater portion of support recipients and received a greater percentage of financial support dollars than their percent of total enrollment. This is driven largely by differing purposes of financial aid for undergraduate and graduate students.
- At the undergraduate level, financial aid is a tool for providing access to students who would not otherwise be able to afford to attend the University.
 - At the graduate level, financial aid is a tool to recruit top-tier students for the University.

¹ Includes \$5,277,520 in support for students of an unknown level; this amounts to 0.3 percent of total support.

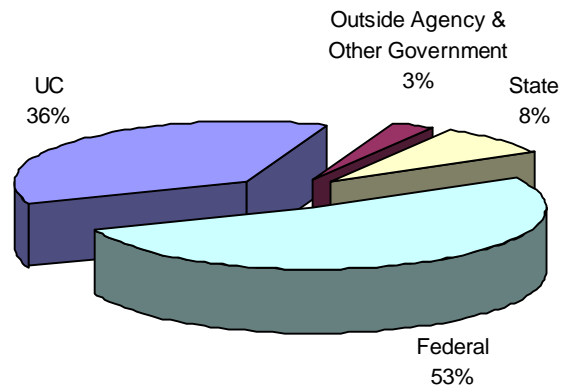
² Includes 1,823 recipients of unknown level; recipients of unknown level can only be counted on a head-count basis, while graduate and undergraduate students are counted on a full year equivalent basis.

Figure 4-2
Total Support by Type, 1999-2000
\$1,405,167,977



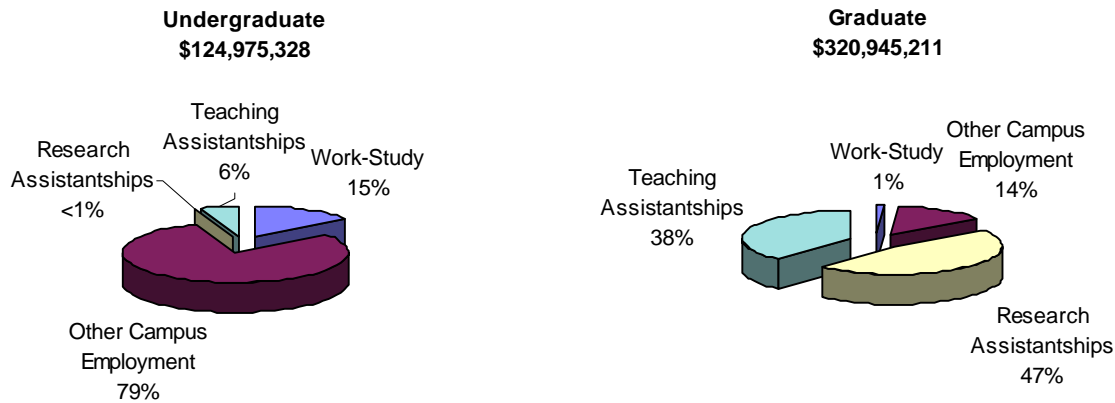
- Student Financial Support at the University of California increased by 3.7 percent, or \$50.8 million, between 1998-99 and 1999-2000 and has reached a total level of *\$1.4 billion* (see Attachment A).
- About 42 percent of total support for 1999-2000 was in the form of gift assistance – grants and scholarships/fellowships.
- While assistance of all types grew between 1998-99 and 1999-2000, loan assistance grew at the slowest rate -- 1.7 percent. Consequently, the percentage of total assistance represented by loans declined from 39 percent in 1998-99 to 36 percent in 1999-2000.

Figure 4-3
Total Support by Administering Entity, 1999-2000
\$1,405,167,977



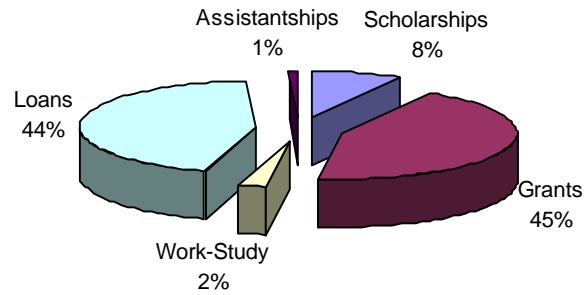
- Federal and University sources together provide 89 percent of the support received by UC students (see Attachments B through E)
- Between 1997-98 and 1999-2000, the portion of total support from the University increased from 34 to 36 percent.
- UC support was up by 6 percent in 1999-2000, while federal support was up by 1 percent.

Figure 4-4
On-Campus and Work-Study Employment, 1999-2000
\$445,920,539



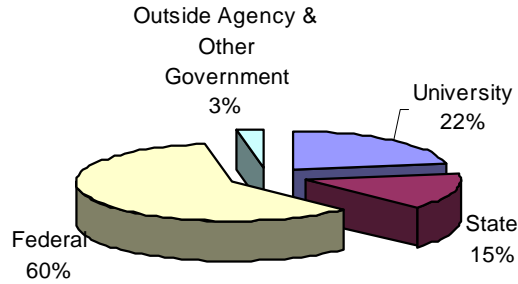
- UC students earned \$446 million in work-study and other on-campus employment during 1999-2000, which is a 7 percent (\$28 million) increase over 1998-99.
- A significant proportion of UC's student body was employed on campus during 1999-2000 – 32 percent of undergraduate and 59 percent of graduate students.
- Although the three work-study programs administered by the University (the Federal Work-Study program and two very small state and University programs) have a role to play in creating job opportunities for low-income students, particularly at the undergraduate level, earnings in this category represent only 15 percent of the total amount that UC undergraduates and 1 percent of the amount that UC graduate students earn in on-campus and work-study employment.
- Although most earnings (except for work-study and assistantships) are not reflected in student financial aid figures, student employment continues to be an important means by which students finance the cost of a UC education. The earnings from on-campus student employment, beyond that of work-study and assistantships, totaled \$144 million in 1999-2000.
- Students also are employed off campus during the academic year and the summer. Data from the latest Student Expenses and Resources Survey (SEARS) indicate that 37 percent of UC's undergraduates work off-campus during the academic year, and 55 percent of them hold off-campus jobs during the summer. Although a majority of UC's graduate students work on campus, 23 percent of them hold an off-campus job during the academic year.

Figure 4-5
Types of Undergraduate Support, 1999-2000
\$ 750,259,345



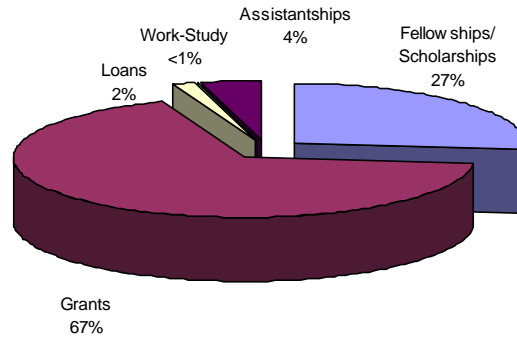
- Financial aid that does not have to be earned or repaid (i.e. grants and scholarships) constitutes 53 percent of undergraduate support at the University, with student loans and work-study comprising 46 percent and assistantships the remaining 1 percent.
- Over six of every ten (61 percent) of the University's undergraduate students received some form of student financial support in 1999-00 (see Attachment A-2).
- Nearly half (47 percent) of UC's undergraduates received some form of need-based aid in 1999-2000.
- Nearly half (49 percent) of UC's undergraduates received some form of gift assistance (includes both need-based and nonneed-based gift aid) in 1999-2000.
- Nearly three-fourths (73 percent) of undergraduate support at the University is awarded on the basis of need, a reflection of the conviction that the principal goal of undergraduate financial support is to provide access to a University education to those students who otherwise would be unable to afford to attend.
- The remaining 27 percent of undergraduate support is awarded principally in the form of loans (70 percent of nonneed-based support) with scholarships and assistantships comprising the rest.

Figure 4-6
Undergraduate Support by Administering Entity, 1999-2000
\$750,259,345



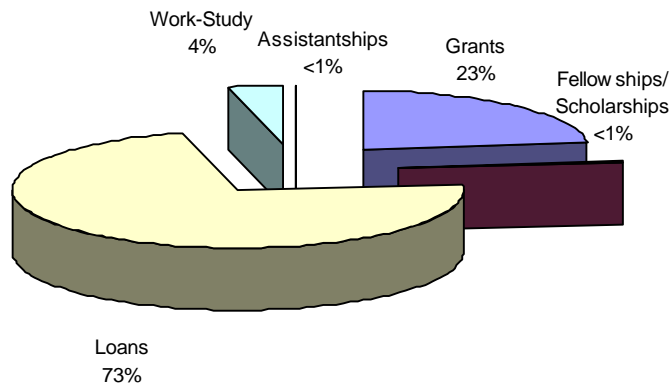
- UC undergraduates receive 60 percent of their support from programs funded or authorized by the federal government. It is important to keep in mind that nearly three quarters (73 percent) of these federal awards are made in the form of loans and work-study.
- State and University programs, while not equaling federal programs in total dollars, play a vital role in the provision of grant and scholarship support to UC undergraduates: together they accounted for over two-thirds of undergraduate grant and scholarship aid. While 27 percent of total gift assistance awarded in 1999-2000 came from federal programs, 29 percent of total gift assistance awarded in 1999-2000 came from state programs and 40 percent came from University programs.

Figure 4-7
University-Funded Support for Undergraduates, 1999-2000
\$ 166,257,993



- Most university support comes in the form of gift assistance. Grants and scholarships together represent 94 percent of University support for undergraduate students.
- University support represents 22 percent of total assistance received by undergraduates in 1999-2000 but accounts for 40 percent of support for undergraduate gift assistance

Figure 4-8
Federally Authorized Support for Undergraduate Students, 1999-2000
\$ 450,054,667



- While federal support represents 60 percent of undergraduate support overall, nearly three-quarters of that support is in the form of student loans.
- While most federal support comes in the form of loans, the federal government is nonetheless a significant source of undergraduate gift assistance. Federal grant programs account for 27 percent of all gift assistance received by undergraduates.

Table 4-1

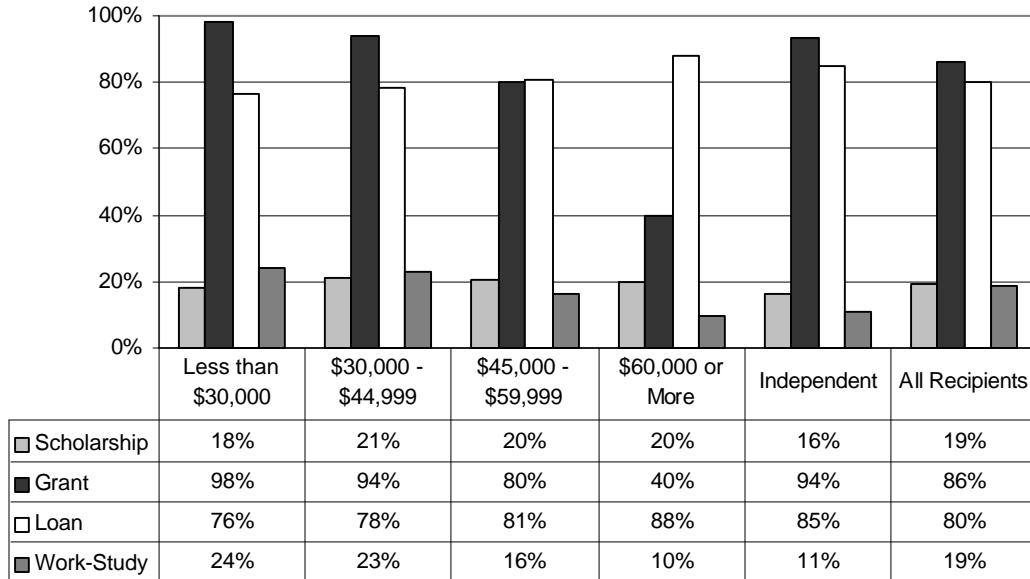
Undergraduate Need-Based Support Recipients by Parent Income, 1999-2000

Dependent	Number of Recipients	Percent of Total	Percent of Dependent
Less than \$30,000	24,171	39%	47%
\$30,000 - \$44,999	10,245	17%	20%
\$45,000 - \$59,999	8,056	13%	16%
\$60,000 or More	9,150	15%	18%
Subtotal	51,622	84%	100%
Independent	10,169	16%	
Total	61,791	100%	

- The family resources available to the student determine whether he or she qualifies for need-based financial aid. As parental income increases, the number of students who qualify for aid declines. Most undergraduates who receive need-based aid have relatively few financial resources, and 39% of them come from families with an annual parent income of less than \$30,000.
- Undergraduate students who are considered to be financially independent of their parents constitute approximately one-sixth of total undergraduate aid recipients.

Figure 4-9

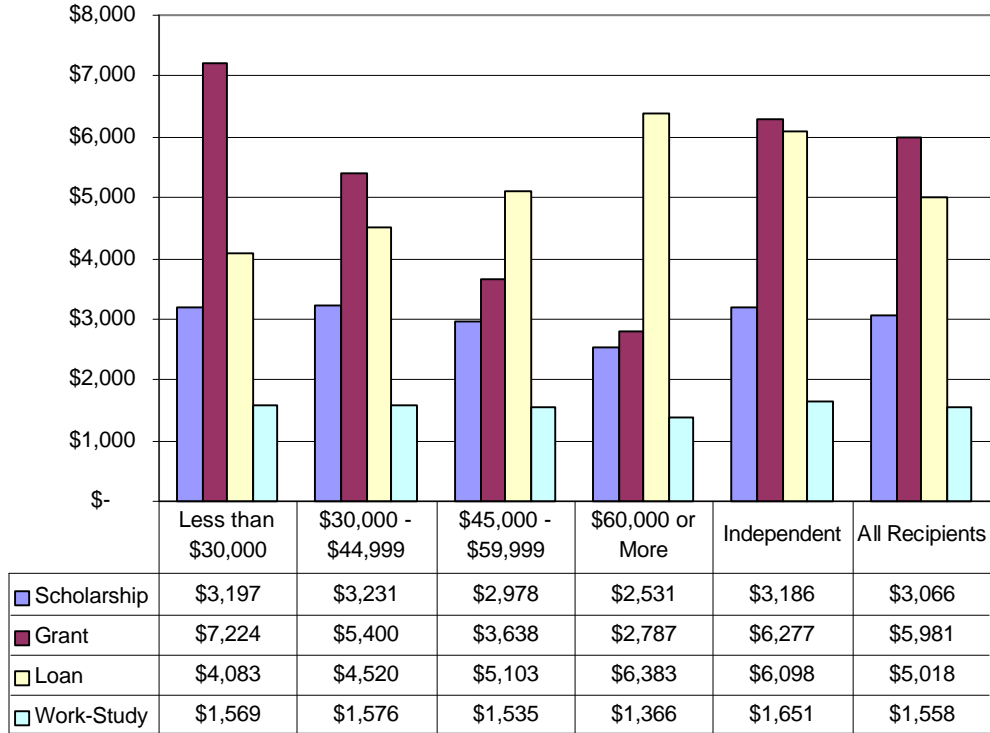
Support for Undergraduate Need-Based Aid Recipients by Aid Type and Family Income: Percent with Award, 1999-2000



- Grants and loans comprise the most common forms of support for UC’s undergraduate financial aid recipients at all income levels.
- UC campuses continue to target their grant awards to lower-income and independent undergraduate aid recipients, almost all of whom received grant awards during 1999-2000. As a result, dependent aid recipients from higher-income families (\$60,000 and above) are much less likely to receive a grant award.
- The lowest-income dependent aid recipients continue to be somewhat less likely to borrow than their moderate- and middle-income peers, who sometimes borrow in order to help meet their parents’ expected contribution as well as to meet their own expected contribution from loan and work.

Figure 4-10

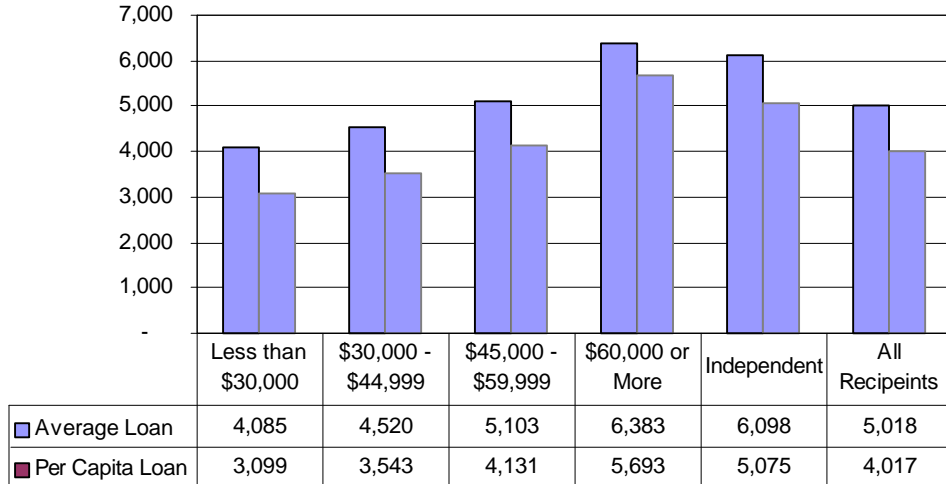
Average Awards of Undergraduate Need-Based Aid Recipients by Family Income, 1999-2000



- Undergraduates from families with annual incomes of less than \$30,000 continue to receive the largest grant awards of any income group. The size of these awards compensates for the absence of family resources and, therefore, for the absence of any sizable expected parental contribution.
- Independent students, who generally do not have family resources available to them, have, on average, smaller grants than dependent students from the lowest income category. At the same time, they have larger loans that, in many cases, offset the lower grant levels.
- The pattern of average loan awards has changed during the past several years. Previously, there was little difference in the size of the average loan among the various income groups (excepting independent students). This figure illustrates the trend of the past few years whereby the average loan rises as parent income increases.
- In part, this pattern reflects the fact that middle-income students and their parents are increasingly likely to borrow to meet their expected parent contribution, which is much higher than the contribution expected from low-income students.
- While the number of need-based aid recipients with scholarships in 1999-2000 was only one-fifth the number with grants, those recipients who earned scholarships received substantial awards averaging over \$3,000 across all income and dependency categories. These awards help to reduce the need for these students to work or borrow.

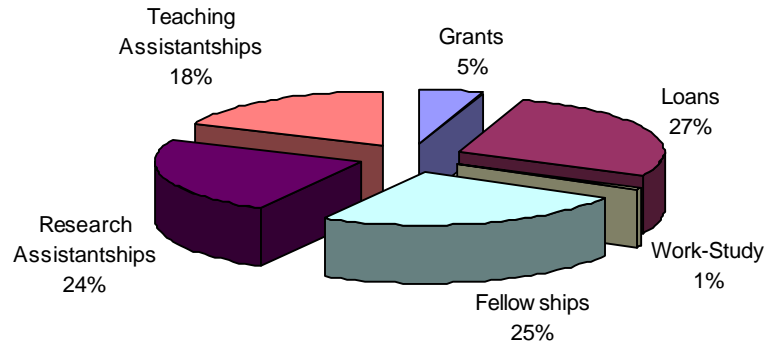
Figure 4-11

Borrowing Among Undergraduate Need-Based Aid Recipients by Income: Average Loan and Per Capita Borrowing 1999-2000



- Among need-based aid recipients, the average and per capita loan amounts increased with family income. Thus, low-income dependent students, on average, take out smaller loans than their peers from higher income families who borrow.
- Independent students, who do not have parental resources to help them cover their cost of attendance, had larger average loans in 1999-2000 than dependent students in all income categories except students from families with incomes of \$60,000 or more.
- The increasing reliance on borrowing by middle- and upper-class undergraduates is reflected in the fact that 1999-2000 is the third consecutive year in which an income category of dependent students had a larger average loan than independent students.
- The small difference between the average and per capita loan amounts for students with parent incomes of \$60,000 or more reflects the stronger likelihood of need-based aid recipients with parents in this income range to borrow.

Figure 4-12
Graduate Support by Aid Type, 1999-2000
\$649,632,112

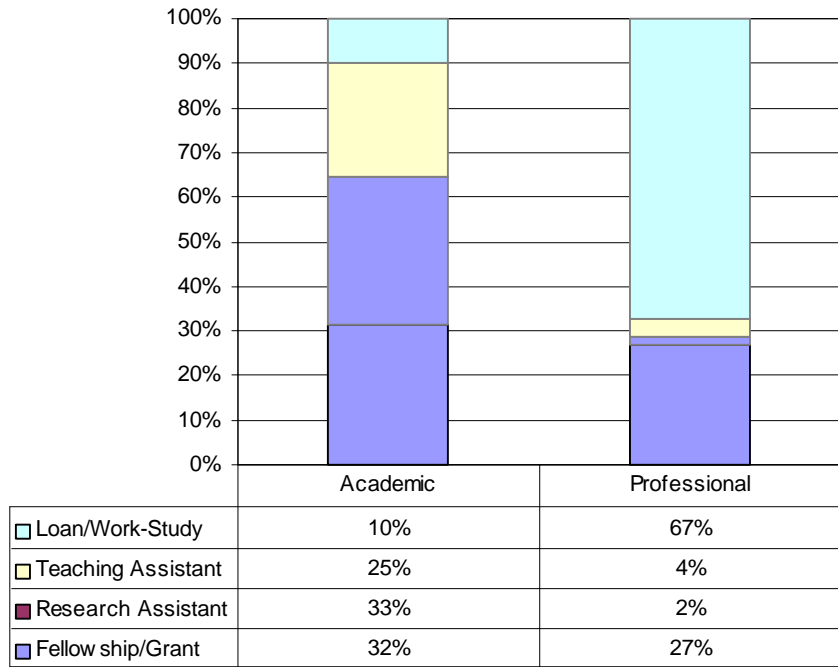


- Between 1998-99 and 1999-2000, total graduate student support at the University increased by 4% to \$650 million.
- The balance between competitive³ and need-based support at the graduate level was steady for the fourth consecutive year. The need-based aid, consisting of grants, loans, and work-study, constituted 33 percent of graduate support. The competitive aid, consisting of teaching assistantships, research assistantships, and fellowships constituted 67 percent of graduate support.
- The largest change relative to 1999-2000 came for loans, which declined from being 29 percent of assistance to 27 percent.

³ Grants are the one type of competitive aid awarded based on need. Thus, for purposes of this display, grants are considered need-based aid rather than competitive aid.

Figure 4-13

Graduate Financial Support by Program Type and Aid Type, 1999-2000



- Graduate academic students receive almost all their financial support -- 90 percent -- in the form of merit-based awards, i.e., fellowships and assistantships. This percent is unchanged from 1998-99.
- Support for graduate academic students is up by 5 percent over 1998-99.
- Graduate professional students, on the other hand, receive 67 percent of their support in the form of student loans and work-study and only 33 percent of their support in the form of merit-based awards.
- Support for graduate professional students is up by 2 percent over 1998-99.

GLOSSARY

Bureau of Indian Affairs Grants^F

Some of UC's Native American students receive additional support from this Federal Program.

Cal Grant A Program^S

This is the largest of the State's aid programs and provides fee-coverage grants to needy, meritorious undergraduates.

Cal Grant B Program^S

This program provides undergraduates from particularly low-income or disadvantaged backgrounds with a fee-coverage grant and a stipend for living expenses.

Cal Grant C Program^S

The smallest of the Cal Grant Programs, Cal Grant C provides vocational students with fee-coverage grants and an allowance for training-related costs, such as equipment, books, supplies, and transportation.

Education Abroad Program (EAP)^U

This program provides scholarships to students who are studying abroad at one of 199 institutions in 35 other countries.

Exceptional Financial Need Scholarship Program^F

This program, authorized by the Public Health Service Act, provides grants to institutions that are used to support medical and nursing students who have great financial need.

Federal Direct Loan Program^F

This umbrella program encompasses three federal student loan programs funded with loan capital provided by the federal government; postsecondary institutions act as the lending agent for subsidized and unsubsidized student loans and unsubsidized parent loans for undergraduate students (PLUS). This program is an alternative to the Federal Family Education Loan Program (FFELP).

Federal Family Education Loan Program (FFELP)^F

This umbrella program encompasses three federal student loan programs guaranteed by the federal government and funded with loan capital provided by banks and other lending institutions: subsidized and unsubsidized Stafford loans for students and unsubsidized parent loans for undergraduate students (PLUS). This program is an alternative to the Federal Direct Loan Program.

Federal Fellowships^F

UC's graduate students receive Federally funded fellowships from many Federal agencies, among them the National Science Foundation, the Public Health Service, and the National Institutes of Health, and from a variety of Federal programs, such as the Foreign Language Area Studies Pro-

gram, the Fulbright-Hayes Program, and the programs authorized by Title IX of the Higher Education Act.

Federal Work-Study (FWS) Program^F

Federal funds, institutional funds, and employer contributions combine to pay the salaries of needy undergraduate and graduate students employed through this program.

Graduate Fellowship Program^S

This small State program provided fee coverage awards for needy meritorious graduate academic and professional students who declared their intent to teach at the postsecondary level. The program is being phased out and new awards in this program were last made in 1998-99. The program is being replaced by the Graduate Assumption Program of Loans for Education, through which payments will be made on participants' student loans once they teach at the postsecondary level in California.

Health Education Assistance Loans (HEAL)^F

This program's unsubsidized, nonneed-based loans are relatively expensive and are used by UC health professions students as a fund source of last resort.

Health Professions Student Loans (HPSL) and Nursing Student Loans (NSL)^F

Needy UC students in health profession fields receive additional funding from these two small, institutionally managed loan programs.

Pell Grant Program^F

This, the largest aid program directly funded and administered by the Federal government, provides grants to undergraduates who meet its stringent need criteria.

Perkins Loan Program (formerly National Direct Student Loan [NDSL] Program)^F

Federal capital contributions, institutional matching funds, and, above all, collections from former UC students combine in this program, which is administered by the University under stringent Federal regulations. Both undergraduate and graduate students receive need-based, low-interest loans from this program.

President's Washington Scholarship Program^U

This program provides scholarships to financially needy students who are participating in an internship in Washington, D.C.

Research Assistantships^U

The University maintains three research assistantship programs in areas of critical need: the arts and humanities, in order to provide more research support; engineering and computer science, in order to attract more domestic students to graduate work in these fields; and doctoral education in community college administration, to support community college administrators preparing for leadership roles in administration. Funds are awarded as merit-based graduate research appointments. These programs fall under the research budget.

Robert C. Byrd Honors Scholarship Program^{S/F}

This State-administered Federal program provides non-renewable merit-based awards of \$1,500 to outstanding high school seniors for their first year of postsecondary study.

State Work-Study^S

This program provides needy undergraduates and graduate students at participating campuses with funding for employment related to their academic majors or their career goals.

Supplemental Educational Opportunity Grant (SEOG) Program^F

The UC Campuses manage these Federal grant funds and use them to provide additional grant awards to low-income undergraduates.

University Student Aid Program (USAP)^U

The largest of the University's need-based student support programs, the University Student Aid Program is used to provide need-based grant, loan, and work-study awards to undergraduate and graduate students. Budget augmentations to the USAP are made from the State General Fund and are indexed to budgeted enrollment growth and to annual fee increases.

INFORMATION ON ATTACHMENTS

1. Sources for Data: UCOP Corporate Student System.
2. All recipient counts are unduplicated.
3. Postbaccalaureate teacher credential candidates are included in graduate enrollment figures.
4. Health sciences residents are excluded from graduate enrollment figures.
5. Health insurance fee remissions are awarded only to teaching and research assistants.

Additional Notes for Attachment C

- The appearance of Pell Grant awards at the graduate level is caused by students who moved from undergraduate to graduate status within a financial aid award year.
- “Other Federal Support” includes Bureau of Indian Affairs Grants, Nursing Grants and Loans, Health Education Assistance Loans (HEAL) and Health Professions Student Loans (see Glossary for definitions).
- This attachment does not include federally funded teaching and research assistantships, Social Security benefits, and veterans’ benefits.

Additional Notes for Attachment E

- Starting in 1984-85, funds formerly counted as Private and Outside Agency Scholarships are counted as Private and Outside Agency Grants.
- Starting in 1986-87, Nonresident Tuition Fellowship funds, formerly counted as Grants, are counted as Scholarships (for undergraduates) and Fellowships (for graduates).
- It is not possible to disaggregate postbaccalaureate students from other students for the years prior to 1988; therefore, they are included in some years as undergraduates and in other years as graduate students.
- Starting in 1990-91, Cal Grant A funds, formerly counted as Scholarships, are counted as Grants.

Additional Note for Attachment G

- Student Budget figures are based on weighted average systemwide budgets for undergraduates.
- The Family Contribution includes non-need scholarships.
- The figures for need-based loans exclude nonneed-based Stafford loans.

Additional Note for Attachment H

- Student budget figures are based on weighted average systemwide resident and non-resident budgets for graduate students.

- Beginning in 1989-90, research and teaching assistantships are derived from the Corporate Student System; for preceding years, they are estimated based on; other sources.
- The category “Family Contribution and Other Support” represents the result of subtracting total support from the student budget.

**UNIVERSITY OF CALIFORNIA
OFFICE OF THE PRESIDENT
STUDENT ACADEMIC SERVICES
DENNIS J. GALLIGANI, ASSOCIATE VICE PRESIDENT**

***Student Financial Support
1111 Franklin Street, 9th Floor
Oakland, CA 94607-5200
(510) 987-9531***

Director	Kate Jeffery
Coordinator, Contract Administration	Jacquelyn Ito-Woo
Coordinator, Federal Governmental Relations	Nancy Coolidge
Coordinator, University Programs	Jessica Cross
Coordinator, Policy Analysis & Communications	Christopher Carter
Manager, Data Administration and IT Resources	Patti Mizuri
Principal Administrative Analyst	Saul Bercovitch
Principal Administrative Analyst	Corrine Ferguson
Principal Administrative Analyst	Gema Fonseca
Principal Administrative Analyst	Barbara Hoblitzell
Principal Administrative Analyst	Mark Langberg
Principal Administrative Analyst	Cynthia Peete
Senior Administrative Analyst	Shawn Brick
Senior IT Specialist	Justin Illumin
IT Specialist	Seth Suong
Administrative Analyst	Javier Jimenez
Administrative Specialist	Heather Andrews
Administrative Assistant	Felicia Gonzales
Administrative Assistant	Katy Lindsey

The University of California, in compliance with Titles VI and VII of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967, and the Age Discrimination Act of 1975, does not discriminate on the basis of race, color, national origin, religion, sex, handicap, or age in any of its policies, procedures, or practices; nor does the University, in compliance with Section 402 of the Vietnam Era Veterans Readjustment Act of 1974, and Section 12940 of the State of California Government Code, discriminate against any employees or applicants for employment because they are special disabled veterans or veterans of the Vietnam era, or because of their medical condition (cancer-related, as defined in Section 12926 of the California Government Code), their ancestry, or their marital status; nor does the University discriminate on the basis of citizenship, within the limits imposed by law or University policy; nor does the University discriminate on the basis of sexual orientation. This nondiscrimination policy covers admission, access, and treatment in University programs and activities, and application for and treatment in University employment. Any individual may file a complaint of discrimination with the University. Civil law remedies, including injunctions and restraining or other court orders, may also be available. Inquiries regarding the University's equal opportunity policies for students may be directed to Margaret Heisel (510) 987-9572 voice or TTY.