UC Undergraduate Fees:

Maintaining quality and access during a time of new state budget realities

Issue Overview
February 2003

UC Department of Strategic Communications - Office of the President
The cost of instruction has risen, but UC fees have remained flat

- The full cost of instructing a UC student increased over time from about $12,000 in 1991 to about $16,400 in 2001.

- Student fees increased in the early 1990s to cover a portion of these costs, but for the past eight years, students and parents have not had to pay for any of these increases.

- Instead, through a state “buy-out,” California has made up the difference to keep a high-quality UC education among the most affordable in the nation.

*UC student fees currently pay about 20% of the cost of instruction. The remainder – 80% -- is paid by the state and UC.*
What fees would have been today without state buyouts and reductions

Fees today would total $6,202 without buyouts or reductions.

That’s 54% higher than what students today are paying ($4,017*)

* Actual fees * What fees would have been without buyouts or reductions

* 2002-03 includes UC miscellaneous fees of $453

*2002-03 total undergraduate resident fees including Spring 2003 fee increase
California’s budget problems pose new challenges for keeping fees stable

- Sacramento is grappling with its worst budget crisis in a decade, with a deficit estimated as high as $35 billion.

- Governor Gray Davis proposed $373 million in new state funding cuts at UC over a two-year period (2002-03, 2003-04).

- UC now has a shortfall of $1 billion compared to what was expected at this point under the “Partnership Agreement.”

- This brings UC’s budget down to $3 billion when it was expected to be $4 billion.
Governor’s budget assumes a fee increase to help close the deficit

- The Governor’s budget assumes that mandatory systemwide fees will increase next year by $795. That’s on top of the $135-per-quarter fee increase already implemented in Spring 2003, bringing the total fee increase to 35% over a two-year period.

- The fee increase is included in the budget in order to help close the state’s deficit while maintaining access and quality in the UC student instructional program.

- One-third of any fee hike will go toward increasing financial aid. The result: Students with family incomes of less than $60,000 are unlikely to feel any impact from this or future fee increases.
Fee increases are only one part of the budget solution at UC

Most of the budget shortfall will be covered through lower-than-expected employee salaries and program cuts in non-instructional areas. For example, the governor’s proposal includes these cuts:

> Administration ($36 million)
> Outreach ($33 million)
> Student services ($25 million)
> Teacher professional development ($15 million)
> Research programs ($28 million) ...

*UC must look to a balanced package of solutions to address the budget crisis. UC’s budget priorities are:*

1) To maintain student access for the top 12.5% of California high school graduates
2) To maintain educational quality by fully preserving the core instructional budget
Even with increases, UC fees would still be lower than comparison universities.

Estimated Resident Undergrad Fees and Tuition at UC and Comparison Institutions, 2003-04

UC annual cost, with total two year increase of 35%

- Virginia
- SUNY Buffalo
- Illinois
- Michigan
While non-fee expenses increase total cost of UC attendance …

75% of total costs are driven by non-fee expenses

Estimated total cost of attendance at UC and Comparison Institutions, 2003-04

Fees

Other expenses

Non-fee expenses include housing, mandatory health insurance, and other expenses
… grants bring down total UC net costs for needy students

Estimated total cost of attendance after need-based grants at UC and Comparison Institutions, 2003-04

- UC annual cost, with total two year increase of 35%
- Virginia
- SUNY Buffalo
- Illinois
- Michigan
UC competes favorably with other schools students tend to consider

Top colleges considered by UC admits:
- Cal Poly San Luis Obispo (#1)
- USC (#2)
- San Diego State (#3)

Overall ... 48% also consider private colleges
43% consider a CSU campus
8% consider out-of-state public universities
Grants narrow the cost gap, particularly for students with less than $60,000 family income

Average total cost at UC and other institutions considered by those with parent incomes under $60,000 (2001-02)

<table>
<thead>
<tr>
<th>Cost Level</th>
<th>UC Average</th>
<th>Private University Average</th>
<th>CSU Average</th>
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</thead>
<tbody>
<tr>
<td>$35,000</td>
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<td>$30,000</td>
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Average annual aid reduces UC costs to roughly $11,700 ...

... compared to about $20,150 at privates ...

... and $9,750 for CSU students

Net cost
Low-income student access to UC will continue with increases in financial aid

A fee increase won’t change UC’s distinction as the nation’s leader in admitting low-income students …

That’s because we expect that financial aid will also increase:

- One-third of any new fee revenue will be returned to aid
- Cal Grants will increase with fees
- Pell Grants are likely to increase slightly
Many middle-income students can get help to cover the fee increases

- Some middle income students qualify for need-based grants
- Loans are available to students from all income groups
- Those who already have tax benefits (which currently range in value from $800-$3000) may see them increase slightly to cover a portion of the fee increase
Quality – *not* cost – tends to drive a student’s choice of college

What are the key reasons that UC admits give for their choice of colleges?

Quality is the top factor, cited more than twice as often as cost.

<table>
<thead>
<tr>
<th>Percent of students citing decision factor</th>
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<tbody>
<tr>
<td><strong>Academic quality</strong></td>
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<tr>
<td>Location</td>
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<tr>
<td>Courses of study offered</td>
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<tr>
<td>Overall social atmosphere</td>
</tr>
<tr>
<td>Prestige</td>
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<tr>
<td><strong>Cost of attendance</strong></td>
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<tr>
<td>Personal attention</td>
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<tr>
<td>Not accepted to first choice</td>
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<tr>
<td>Ethnic composition</td>
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<tr>
<td>Financial aid</td>
</tr>
<tr>
<td>Affordable housing</td>
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<tr>
<td>Other</td>
</tr>
</tbody>
</table>

*SOURCE: 2001 UC Undergraduate Support Survey*
Even with higher fees, a UC education is an investment worth making.

Fees and the overall cost of attending UC should also be considered within the context of the long-term value of a UC education.

For students expected to graduate by 2005-06, the average first-year starting salary is estimated to be around $40,000.

UC is also a great place to continue an education: In addition to thousands of UC graduates who go on to earn masters degrees, 6.1% of graduates obtain Ph.D.s, 4.4% earn M.D.s, and 13.8% apply to law school.
Next steps: Assess after budget situation becomes clear

The Board of Regents will have a thorough discussion of student fees, and all of the governor’s proposals for budget cuts, over the coming months.

The Regents will not set fees for 2003-04 until later this spring.