EDUCATION FINANCING MODEL

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

1998-99

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

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BACKGROUND

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

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

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

A. Goals

The goals of the Education Financing Model are to:

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

B. Scope

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

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

C. Principles

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

- The cost of attendance (fees, living expenses, books and supplies, and transportation and miscellaneous expenses) represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the model;
- Equity of expectations is needed across the entire undergraduate student body, so that all financially needy students will be expected to make some contribution toward their cost of attendance through borrowing and/or work;
- Flexibility is needed both for students in determining how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

CONCEPTUAL FRAMEWORK

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

Table 1

Education Financing Model

	Student Expense Budget
Less	Reasonable Contribution from Parents
Less	Manageable Contribution from Borrowing
Less	Manageable Contribution from Work
Less	Federal and State Grant Aid
Equals	**University Grant Aid Needed**

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

A. Student Expense Budget

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

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

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

The Standard Methodology has two components.

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

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

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

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

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

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

   In 1998-99, the budgets used for allocation purposes are the 1997-98 Standard Methodology budgets updated by a CPI inflation adjustment of 3% to 1998-99. The Standard Methodology campus budgets by residence type (commuter, on-campus, off-campus) are shown in Appendix C.

B. Contribution from Parents

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

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

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

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

C. Contribution from Borrowing and Work

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

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

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

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

D. Contribution from Federal and State Grant Aid

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

E. Other Resources

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

Table 2

1998-99 Loan and Work Range

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

DETERMINATION OF UNIVERSITY OF CALIFORNIA FUNDING NEEDS

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

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

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

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

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

Appendix E compares the 1998-99 range of University of California undergraduate financial aid funding need to the amount budgeted in 1998-99 for undergraduate need-based grants.

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

CAMPUS ALLOCATIONS

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

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

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

FINANCIAL AID PACKAGING

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

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

IMPLEMENTATION SCHEDULE

- Beginning with the 1997-98 academic year, Universitywide student aid funding needs will be evaluated according to the range of need described in these implementing guidelines. However, actual funding amounts will continue to be decided within the context of the entire University budget.

- The allocation of funds to the campuses under the Education Financing Model will be implemented as expeditiously as possible; the exact timetable for implementation will be determined by the Office of the President, with campus consultation occurring during the annual budget process. At the outside, the Education Financing Model will be fully implemented by 2002-03, although it is the President's intention to fully implement the Model more quickly. In 1998-99, 40% of the undergraduate USAP allocation will be based on the Education Financing Model and 60% will be based on 1996-97 allocation shares. The 1998-99 undergraduate USAP allocations are shown on Appendix F.

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

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

EDUCATION FINANCING MODEL STEERING COMMITTEE

The Education Financing Model is guided by the Education Financing Model Steering Committee, which includes representation from campus and OP administration, faculty, and students. The Education Financing Model Steering Committee monitors and modifies, as needed, the assumptions and data used in the Education Financing Model, and provides consultation to the President on the implementation of the Model. The 1997-98 and 1998-99 membership of the Education Financing Model Steering Committee is listed on Appendix G. Among the topics that the committee will undertake in 1998 are:

- hourly wages for student employment and post-graduation earnings of UC undergraduates as they pertain to manageable debt levels;
- cumulative debt levels;
- trends in the parent income distribution of incoming freshmen to determine how the percentage of students who are eligible for UC grants under the Education Financing Model should be estimated;
- whether the University should factor the new tax credits under the Tax Relief Act into the Education Financing Model;
- whether the University should recognize that the new student loan interest deduction will give borrowers in repayment more available income to apply to debt payments and adjust the manageable loan range accordingly.

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THE UNIVERSITY OF CALIFORNIA FINANCIAL AID POLICY

Approved January 21, 1994

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

Undergraduate Financial Aid Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Graduate Student Support Policy

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

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

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

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APPENDIX B

UNIVERSITY OF CALIFORNIA
UNDERGRADUATE STUDENT EXPENSE BUDGET METHODOLOGY

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

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

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

Standard Methodology: Estimated student expense budgets (1998-99)

Berkeley	Commuters	On- campus	Off-campus	Weighted average
books	$ 814	$ 814	$ 814	$ 814
living	$ 2,349	$ 8,390	$ 6,750	$ 7,027
transportation	$ 828	$ 428	$ 600	$ 554
personal	$ 1,129	$ 1,184	$ 1,329	$ 1,264
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,771	$ 3,771	$ 3,771	$ 3,771
total	*$ 9,301*	*$ 14,998*	*$ 13,674*	*$ 13,841*

San Diego	Commuters	On- campus	Off-campus	Weighted average
books	$ 861	$ 861	$ 861	$ 861
living	$ 1,994	$ 6,921	$ 6,122	$ 5,798
transportation	$ 823	$ 491	$ 937	$ 762
personal	$ 1,254	$ 1,153	$ 1,315	$ 1,249
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 4,020	$ 4,020	$ 4,020	$ 4,020
total	*$ 9,362*	*$ 13,857*	*$ 13,665*	*$ 13,099*

Davis	Commuters	On- campus	Off-campus	Weighted average
books	$ 820	$ 820	$ 820	$ 820
living	$ 2,394	$ 6,831	$ 5,161	$ 5,544
transportation	$ 870	$ 626	$ 673	$ 668
personal	$ 1,126	$ 1,072	$ 1,171	$ 1,139
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 4,157	$ 4,157	$ 4,157	$ 4,157
total	*$ 9,777*	*$ 13,917*	*$ 12,393*	*$ 12,738*

Santa Barbara	Commuters	On- campus	Off-campus	Weighted average
books	$ 865	$ 865	$ 865	$ 865
living	$ 1,685	$ 6,626	$ 6,272	$ 6,257
transportation	$ 926	$ 460	$ 641	$ 580
personal	$ 1,258	$ 1,204	$ 1,337	$ 1,283
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,937	$ 3,937	$ 3,937	$ 3,937
total	*$ 9,080*	*$ 13,501*	*$ 13,461*	*$ 13,331*

Irvine	Commuters	On- campus	Off-campus	Weighted average
books	$ 922	$ 922	$ 922	$ 922
living	$ 2,268	$ 6,414	$ 6,021	$ 5,389
transportation	$ 894	$ 612	$ 928	$ 801
personal	$ 1,250	$ 1,339	$ 1,464	$ 1,372
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,882	$ 3,882	$ 3,882	$ 3,882
total	*$ 9,627*	*$ 13,580*	*$ 13,627*	*$ 12,777*

Santa Cruz	Commuters	On- campus	Off-campus	Weighted average
books	$ 814	$ 814	$ 814	$ 814
living	$ 1,889	$ 6,921	$ 6,303	$ 6,290
transportation	$ 666	$ 490	$ 625	$ 591
personal	$ 905	$ 1,014	$ 1,121	$ 1,084
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 4,003	$ 4,003	$ 4,003	$ 4,003
total	*$ 8,686*	*$ 13,651*	*$ 13,275*	*$ 13,191*

Los Angeles	Commuters	On- campus	Off-campus	Weighted average
books	$ 877	$ 877	$ 877	$ 877
living	$ 2,775	$ 7,285	$ 6,650	$ 6,306
transportation	$ 1,000	$ 460	$ 682	$ 658
personal	$ 1,482	$ 1,281	$ 1,412	$ 1,382
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,868	$ 3,868	$ 3,868	$ 3,868
total	*$ 10,412*	*$ 14,181*	*$ 13,899*	*$ 13,500*

San Francisco	Commuters	On- campus	Off-campus	Weighted average
books	$ 885	$ 885	$ 885	$ 885
living	$ 2,284	$ 7,045	$ 6,178	$ 5,700
transportation	$ 894	$ 540	$ 787	$ 750
personal	$ 1,282	$ 1,242	$ 1,365	$ 1,323
health insur. (est)	$ 558	$ 558	$ 558	$ 558
fees (est)	$ 3,946	$ 3,946	$ 3,946	$ 3,946
total	*$ 9,848*	*$ 14,215*	*$ 13,718*	*$ 13,162*

Riverside	Commuters	On- campus	Off-campus	Weighted average
books	$ 974	$ 974	$ 974	$ 974
living	$ 1,917	$ 6,962	$ 5,630	$ 5,198
transportation	$ 887	$ 708	$ 856	$ 812
personal	$ 1,285	$ 1,305	$ 1,359	$ 1,323
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,940	$ 3,940	$ 3,940	$ 3,940
total	*$ 9,413*	*$ 14,299*	*$ 13,169*	*$ 12,658*

Systemwide	Commuters	On- campus	Off-campus	Weighted average
books	$ 885	$ 863	$ 855	$ 861
living	$ 2,285	$ 7,127	$ 6,170	$ 6,077
transportation	$ 894	$ 517	$ 710	$ 665
personal	$ 1,282	$ 1,202	$ 1,311	$ 1,271
health insur. (est)	$ 410	$ 410	$ 410	$ 410
fees (est)	$ 3,919	$ 3,932	$ 3,943	$ 3,937
total	*$ 9,676*	*$ 14,052*	*$ 13,399*	*$ 13,220*

NOTES:

Health insurance: Based on Berkeley undergraduate health insurance.

Fees: Assumes systemwide fees decrease by 5% ($190) and campus fees increase by California CPI.

APPENDIX D

Expected Contribution from Borrowing and Work

Expected Contribution from Borrowing

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

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

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

Expected Contribution from Work

Students are expected to contribute between $2,916 and $5,236 in earnings toward their educational expenses. The expectation is that students will work throughout the year, both during the academic year and over the summer and break periods. Although individual students will determine the appropriate balance between term-time and summer work, the top of the range is set so that a dependent student could meet the expected contribution by working 20 hours per week during the academic year and 30 hours per week during the summer and other break periods. This amount of work assumes that students will live at home over the summer to minimize their living expenses. It also assumes that students will earn a wage rate equal to 90 percent of the average rate that campuses report for typical part-time jobs available to students, which is $6.49 per hour for 1996-97 and below estimates derived from student survey data. Survey data indicate that up to 20 hours per week of term-time work is correlated with only a minor decline in units attempted and GPA.

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

Since independent students are not in a position to minimize their expenses during the summer by living at home, they will need to earn more in order to both cover their summer living expenses and meet the expected work contribution. Although individual students will determine the appropriate balance between term-time and summer work, the additional income could be earned by working full time (40 hours per week) during the summer and breaks while maintaining the same level of work during the academic term as dependent students (i.e., 6 to 20 hours per week). Independent students may also be able to meet their higher earnings requirement by finding jobs that pay more than $6.49 per hour; survey data have consistently found that independent students not only work more than dependent students but also appear to have higher paying jobs.

APPENDIX E

1998-99 Position in the Loan/Work Range

Percentile in Loan/Work Range	Minimum 0%	Actual Funded 59.4%	Maximum 100%
Loan/Work Expectation	$4,982	$7,341	$8,956
Total UC Grant Funding Needed	$226.8M	$105.7M	$49.7M

APPENDIX F

Education Financing Model
Proposed 1998-99 Undergraduate USAP Allocation
Allocation based 40% on EFM Shares of Grant Need and 60% on 1996-97 Allocation Shares

	40% Allocation based on EFM shares:		60% Allocation based on 1996-97 shares:							
	1998-99 EFM Shares of Grant Need	Total Allocation on EFM Shares	1996-97 Allocation Shares	Allocation based on 1996-97 Share	Subtotal:98-99 Allocation	Adjustments for Davis and Irvine[1]	**Total 1998-99 Allocation**	Actual 97-98 Allocation	Dollar Difference	Percentage Difference
Berkeley	18.0%	$7,631,952	18.0%	$11,431,546	$19,063,498	$59,032	**$19,122,530**	$18,483,497	$639,033	3.5%
Davis	11.1%	$4,711,396	14.4%	$9,163,516	$13,874,912	($406,962)	**$13,467,950**	$14,621,739	($1,153,789)	-7.9%
Irvine	9.6%	$4,041,492	12.1%	$7,673,364	$11,714,856	$158,744	**$11,873,600**	$12,330,768	($457,168)	-3.7%
Los Angeles	23.4%	$9,915,868	20.8%	$13,167,944	$23,083,812	$71,481	**$23,155,293**	$21,783,166	$1,372,127	6.3%
Riverside	7.8%	$3,297,852	6.4%	$4,064,667	$7,362,519	$22,799	**$7,385,318**	$6,535,666	$849,652	13.0%
San Diego	9.8%	$4,154,033	9.5%	$6,003,558	$10,157,591	$31,454	**$10,189,045**	$10,028,572	$160,473	1.6%
San Francisco	0.2%	$66,769	0.1%	$38,901	$105,669	$327	**$105,997**	$74,087	$31,910	43.1%
Santa Barbara	12.2%	$5,180,200	10.8%	$6,860,873	$12,041,074	$37,286	**$12,078,360**	$11,131,217	$947,143	8.5%
Santa Cruz	7.8%	$3,299,822	8.0%	$5,044,708	$8,344,530	$25,840	**$8,370,369**	$8,359,748	$10,621	0.1%
Total	100.0%	$42,299,384	100.0%	$63,449,076	$105,748,460	$0	**$105,748,460**	$103,348,460	$2,400,000	2.3%

[1] The adjustment for Davis is intended to bring the campus one percentage point closer to the systemwide average position in the loan/work range.
The adjustment for Irvine is intended to prevent its position in the loan/work range from moving above the 1997-98 position.
The Davis and Irvine adjustments release $248,219, which are allocated to the campuses on a pro-rata basis.

Workbook: Kate Jeffery Proposal Worksheet: UG USAP Allocation, 40% on EFM
Kimberly Hart 5/20/98

APPENDIX G

Education Financing Model Steering Committee

Peter Berck	Professor, Berkeley
Richard Black	Financial Aid Director, Berkeley
Catherine Blue	Student Representative, UCSA
Gretchen Bolar	Associate Chancellor, Riverside
Anand Dyal-Chand	Assistant Vice Chancellor, Santa Barbara
Carol Christ	Vice Chancellor, Berkeley
Dennis Galligani	Associate Vice President, UCOP
Larry Hershman	Vice President, UCOP
Juan Lara	Associate Vice Chancellor, Irvine
Tom Lifka	Assistant Vice Chancellor, Los Angeles
Jim Sandoval	Assistant Vice Chancellor, Riverside
Michael Tanner	Executive Vice Chancellor, Santa Cruz
Carol Wall	Vice Chancellor, Davis
Joe Watson, Chair	Vice Chancellor, San Diego