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UNIVERSITY OF CALIFORNIA  
OFFICE OF THE PRESIDENT



UNIVERSITY OF CALIFORNIA  
INSTITUTIONAL FINANCIAL AID  
PROGRAMS

*A Report to the Governor and Legislature  
in Response to Supplemental Report Language  
to the 2002-03 State Budget Act*

OFFICE OF THE ASSOCIATE VICE PRESIDENT  
STUDENT ACADEMIC SERVICES  
STUDENT FINANCIAL SUPPORT

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## I. OVERVIEW

In September 2002, the California Legislature adopted Supplemental Report Language directing the University of California to report to the Legislature each year on its institutional aid programs. This document responds to that legislative request.

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

The financial aid programs available to University of California students do more than provide individual students with financial assistance to help cover their expenses. Considered together, they are critical to the University's success in carrying out its missions of instruction and research. Viewing undergraduate and graduate financial aid programs in terms of the University's missions is fundamental to understanding these programs and their success.

#### *The University's Instructional Mission and Financial Assistance for Undergraduates*

California's Master Plan for Higher Education calls for the University to select its undergraduates from among the top one-eighth of graduating high school seniors. The University's undergraduate financial assistance program is built around the goal of ensuring that financial concerns are not a barrier to eligible students choosing to attend the University. Consequently, most undergraduate financial assistance at UC is distributed on the basis of family financial circumstances. This assistance is intended to make the University accessible to students who could not otherwise afford to attend UC.

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

The University's graduate student enrollment is tied most directly to the University's research mission. The first point of enrolling graduate students is not to serve a designated pool of Californians – indeed, there is no Master Plan goal for graduate enrollment analogous to that for undergraduate enrollment – but rather to further both the University's role in helping the state meet its professional workforce needs and the University's research mission, which makes important contributions to the California economy. These contributions are maximized when the University attracts the top candidates from the pool of prospective graduate level students.

This means that the goal of graduate financial support differs substantially from that of undergraduate support. Graduate financial support is intended not simply to make the University accessible, but also to serve as an important recruitment tool, the success of which is tied closely to whether UC's offers of financial assistance are competitive with those made by other universities competing for the same students. Thus, while most graduate students are needy, graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

## II. INSTITUTIONAL AID FOR UNDERGRADUATE STUDENTS

### 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, irrespective of their family resources.

Undergraduate student budgets include systemwide and campus-based fees, books and supplies, living and personal expenses, transportation, and an allowance for healthcare costs. Student budgets vary by factors such as a student's residency status, campus, and living arrangement (living with parents, on campus, or off campus). The average UC undergraduate student budget for the 2002-03 academic year for a California resident living on campus is shown below.

#### Average Student Budget for a California Resident Living On Campus, 2002-03

Student Fees:	\$4,017
Books and Supplies:	1,226
Living Expenses: <sup>1</sup>	9,150
Personal Expenses:	1,281
Transportation:	864
Healthcare Allowance:	<u>524</u>
<b>TOTAL:</b>	<b>\$17,062</b>

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 and then every three years thereafter, provides the most comprehensive data available on the non-fee expenditures of undergraduates attending the University. The survey's results are significant because they provide a standardized basis for the determination of the student budgets used by each campus. These budgets reflect local economic conditions and student spending patterns.

<sup>1</sup> Includes room, board, phone, and utility expenses.

## Managing the Cost of Attendance: the Education Financing Model

The University's approach to student financing is built around an integrated conceptual framework that is used to:

- Guide its work in helping students and their parents manage the cost of an undergraduate education,
- Define its role in funding the University's undergraduate student financial support programs, and
- Determine how much undergraduate financial aid to allocate to each campus.

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

- Total cost of attendance (resident student fees, books and supplies, living and personal expenses, and transportation) represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;
- All students should expect to make a similar contribution from loan and work toward their cost of attendance, without regard to family income or resources; and
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

The Model is built upon a simple framework. In narrative terms, the framework says that the cost of attendance or student expense budget minus 1) a reasonable parent contribution calculated according to federal standards, 2) anticipated grant aid from state and federal sources, and 3) a manageable student contribution from loan and/or work, equals the amount of University grant aid needed.

Understanding how the University's undergraduate institutional aid program is administered requires a general understanding of each of the elements of the framework. These elements are explained below.

- **Student Expense Budget:** The student expense budget represents an estimate of a student's costs while attending college. This budget accounts for expenses such as student fees, books and supplies, room and board, transportation, and personal expenses, and reflects differing expenses associated with different campuses and different living arrangements.

- **Parent Contribution:** The expected contribution from parents is calculated in accordance with the federal needs analysis methodology.
- **Federal and State Grant Aid:** Federal and state grant aid is extremely important to UC students. Grant aid is what reduces the need for students to work and borrow to cover their educational costs, and together, federal and state grants account for over 60 percent of the grants received by UC undergraduates.

***The Conceptual Framework of the Education Financing Model***

Student Expense budget (cost of attendance):

*Less* Reasonable Contribution from Parents

*Less* Federal and State Grant Aid

*Less* Manageable Student Contribution from Work and Borrowing

*Equals* University Grant Aid Needed

- **Manageable Student Contribution from Work and Borrowing:** While University financial aid recipients are expected to contribute to their expenses, the goal of the Model is to keep the hours worked and student debt levels within a manageable range, and to keep the total student contribution consistent across income levels.
- **University Grant Aid:** University grant assistance is awarded to students whose full cost of attendance is not covered through sources listed above. Without the University grant to cover remaining expenses, some students would be left facing the need to work or borrow at higher levels. This would be inconsistent with the principle calling for equity in expectations.

***What do the principles of the Model 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 particularly limited resources may have no contribution expected of them.
- 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 the principles of the Model 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.
- 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 summer 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, students should plan to borrow and to be employed while they are pursuing their undergraduate degrees.
- 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 the principles of the Model 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 setting guidelines for 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 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 students' ability to find summer jobs that allow them to live with their parents and save the majority of their earnings for use during the academic year. The earnings component of the loan/work range 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.



### III. INSTITUTIONAL AID FOR GRADUATE STUDENTS

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.

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:

1. **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.

2. **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 – can enable students to graduate in a timely manner.

3. **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.

4. **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.

Graduate enrollments and the University's ability to compete successfully for top graduate students are continuing matters of concern at UC. In September 2001, the University-established Commission on Growth and Support of Graduate Education, whose membership comprised Regents, faculty, students, and administrators, issued its report. The Commission outlined a plan to increase graduate enrollments by 50 percent by 2010 that included steps to increase financial support for graduate students. The steps address the need both (1) to fund a larger number of graduate students and (2) to attract top-notch students as competition increases for these students. Although constrained by the current fiscal situation, the University is working with its federal, state, industry, and private/foundation partners on implementing steps to support graduate education at UC.

## IV. INSTITUTIONAL AID AWARDS

Institutional aid awards take various forms, including grants, fellowships, and scholarships (known collectively as “gift aid”); loans; and work-study opportunities. Funding sources for these awards include student fees, State General Funds, endowment income, gifts, and discretionary funds.

Historically, the University has been committed to setting aside a portion of revenue from fee and enrollment increases for financial aid for needy students. In recent years, University practice has required that an amount equivalent to at least one-third of all new student fee revenue be set aside for financial aid. This has been consistent with agreements included in the four-year Compact with the Wilson administration and continued in the Partnership Agreement with the Davis administration.

Between 1994-95 and 2001-02, resident fees paid by UC students did not increase. In addition, resident student fees were reduced in 1998-99 and 1999-2000. In both years in which fees were reduced, the State agreed that the University should retain financial aid at existing levels despite the fact that fees had decreased. This “bonus” totaled \$8 million in 1998-99 and \$17 million annually thereafter through 2001-02.

In 2001-02, the State began to feel the effects of the downturn in the economy; by 2002-03, base budget cuts began to take their toll on the University. As a result, the \$17 million “bonus” for financial aid was eliminated from the University’s 2002-03 budget. In addition, the University instituted increases in mandatory systemwide student fees for the first time in seven years and increases in professional school fees for the first time in four years. The first of these fee increases was instituted mid-year in 2002-03: a \$135 increase for all students effective with the Spring term, as well as additional increases in professional school fees.

The tables below show the aggregate amounts of institutional financial aid awarded in 2001-02 and 2002-03, along with systemwide enrollment figures for those years; detailed statistics regarding award size and characteristics of award recipients appear on page 11.

As shown in Table 1, the total amount of UC grant assistance awarded to UC undergraduates declined by approximately \$5.1 million between the 2001-02 and 2002-03 academic years. This net decline reflects the elimination of \$17 million in financial aid from the University’s 2002-03 budget as described above (\$15.8 million of which represented undergraduate aid), which was only partly offset by increased fee revenue from enrollment growth over 2001-02 levels and the 2002-03 mid-year fee increase.

**Table 1: Undergraduate Institutional Aid Awards,  
2001-02 and 2002-03 Academic Years<sup>1</sup>**

Type of Aid	Need-Based Aid Recipients		Other Aid Recipients	
	2001-02	2002-03	2001-02	2002-03
Grant	\$ 131,543,115	\$ 126,487,296	\$ 1,057,661	\$ 996,967
Fellowship/Scholarship	\$ 31,774,717	\$ 33,575,479	\$ 22,173,881	\$ 23,134,629
Total Gift Aid	\$ 163,317,832	\$ 160,062,775	\$ 23,231,542	\$ 24,131,596
Loan	\$ 1,912,354	\$ 951,711	\$ 19,881	\$ 17,600
Work-Study	\$ 47,331	\$ 52,628	\$ -	\$ -
Total	\$ 165,277,517	\$ 161,067,114	\$ 23,251,423	\$ 24,149,196

**Table 2: Graduate Institutional Aid Awards,  
2001-02 and 2002-03 Academic Years<sup>1</sup>**

Type of Aid	2001-02	2002-03
Grant	\$ 28,302,314	\$ 30,143,282
Fellowship/Scholarship	\$ 134,925,930	\$ 150,387,950
Total Gift Aid	\$ 163,228,244	\$ 180,531,232
Loan	\$ 1,294,117	\$ 2,376,263
Work-Study	\$ 17,563	\$ 163,981
Total	\$ 164,539,924	\$ 183,071,476

**Table 3: Enrollment, 2001-02 and 2002-03 Academic Years**

	Headcount <sup>2</sup>		Full-Year Equivalent <sup>3</sup>	
	2001-02	2002-03	2001-02	2002-03
Undergraduate	156,766	163,136	146,037	151,976
Graduate	41,440	44,357	39,079	41,769

<sup>1</sup>Figures reflect awards made during the academic year indicated. Summer awards are not included.<sup>2</sup>Headcount figures reflect the total number of students who enrolled at any point during the academic year indicated. No distinction is made between part-year and full-year enrollment.<sup>3</sup>Full-year equivalent figures count students who attended for less than a full year as fractional amounts, based upon the number of semesters or quarters for which they were enrolled.

**UC Institutional Aid Awards,  
Academic Years 2001-02 and 2002-03**

Award Type <sup>1,2</sup>		Undergraduate Needbased Aid Recipients		Other Undergraduate Aid Recipients		Graduate Aid Recipients	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
UC Grant Awards	Recipients:	42,979	43,393	Combined in "Any UC Gift Aid" figures below.		Combined in "Any UC Gift Aid" figures below.	
	Average:	\$ 3,061	\$ 2,915				
	25th Percentile:	\$ 1,321	\$ 1,006				
	50th:	\$ 2,550	\$ 2,470				
	75th:	\$ 4,736	\$ 4,661				
UC Scholarships	Recipients:	9,610	10,211	Combined in "Any UC Gift Aid" figures below.		Combined in "Any UC Gift Aid" figures below.	
	Average:	\$ 3,306	\$ 3,288				
	25th Percentile:	\$ 1,000	\$ 1,000				
	50th:	\$ 2,145	\$ 2,000				
	75th:	\$ 4,920	\$ 4,986				
Any UC Gift Aid (Grant, Scholarship, or Both)	Recipients:	47,883	47,210	6,873	7,267	21,857	22,649
	Average:	\$ 3,411	\$ 3,390	\$ 3,380	\$ 3,321	\$ 7,468	\$ 7,971
	25th Percentile:	\$ 1,493	\$ 1,290	\$ 1,000	\$ 900	\$ 1,931	\$ 2,035
	50th:	\$ 2,878	\$ 3,000	\$ 1,500	\$ 1,500	\$ 5,000	\$ 5,332
	75th:	\$ 5,140	\$ 5,070	\$ 4,300	\$ 4,201	\$ 10,704	\$ 11,132
UC Loan	Recipients:	826	481	6	5	564	648
	Average:	\$ 2,315	\$ 1,979	\$ 3,313	\$ 3,520	\$ 2,422	\$ 3,667
	25th Percentile:	\$ 1,870	\$ 1,370	\$ 1,367	\$ 800	\$ 1,529	\$ 2,000
	50th:	\$ 2,370	\$ 1,660	\$ 2,507	\$ 1,000	\$ 2,272	\$ 3,000
	75th:	\$ 3,000	\$ 2,721	\$ 5,000	\$ 7,200	\$ 3,000	\$ 4,318
UC Work-Study	Recipients:	19	29	0	0	7	45
	Average:	\$ 2,491	\$ 1,815	\$ -	\$ -	\$ 2,509	\$ 3,644
	25th Percentile:	\$ 676	\$ 1,016	\$ -	\$ -	\$ 930	\$ 1,279
	50th:	\$ 1,999	\$ 1,600	\$ -	\$ -	\$ 1,614	\$ 2,755
	75th:	\$ 4,111	\$ 2,442	\$ -	\$ -	\$ 3,488	\$ 5,337
Income	Recipients: <sup>3</sup>	47,486	46,952	Not applicable. These students may not have submitted a Free Application for Federal Student Aid. Their aid was based upon factors unrelated to need (e.g., scholastic achievement).		Not applicable. The University's graduate aid program is based upon a competitive model. (Need-based awards are monitored to ensure that, in combination with any other awards, they do not exceed a student's need.)	
	Average:	\$ 29,615	\$ 30,092				
	25th Percentile:	\$ 12,273	\$ 12,727				
	50th:	\$ 25,663	\$ 26,421				
	75th:	\$ 42,612	\$ 43,470				
Expected Family Contribution (EFC)	Recipients: <sup>3</sup>	47,765	47,185	Not applicable. These students may not have submitted a Free Application for Federal Student Aid. Their aid was based upon factors unrelated to need (e.g., scholastic achievement).		Not applicable. The University's graduate aid program is based upon a competitive model. (Need-based awards are monitored to ensure that, in combination with any other awards, they do not exceed a student's need.)	
	Average:	\$ 2,384	\$ 2,324				
	25th Percentile:	\$ -	\$ -				
	50th:	\$ 1,069	\$ 1,121				
	75th:	\$ 3,685	\$ 3,622				
Need	Recipients: <sup>3</sup>	47,563	47,113	Not applicable. These students may not have submitted a Free Application for Federal Student Aid. Their aid was based upon factors unrelated to need (e.g., scholastic achievement).		Not applicable. The University's graduate aid program is based upon a competitive model. (Need-based awards are monitored to ensure that, in combination with any other awards, they do not exceed a student's need.)	
	Average:	\$ 13,424	\$ 14,067				
	25th Percentile:	\$ 11,106	\$ 11,691				
	50th:	\$ 14,270	\$ 14,837				
	75th:	\$ 15,770	\$ 16,378				
Grade Point Average <sup>4</sup> (GPA)	Recipients: <sup>3</sup>	47,480	47,036	6,822	7,243	Systemwide information not available.	
	Average:	3.0	3.0	3.3	3.3		
	25th Percentile:	2.6	2.6	3.1	3.0		
	50th:	3.0	3.0	3.5	3.5		
	75th:	3.4	3.4	3.7	3.8		

<sup>1</sup> Recipient counts reflect headcount, not full-year-equivalent students. Recipients are counted if they were enrolled at any time during the academic year indicated; no distinction is made between part-year and full-year enrollment.

<sup>2</sup> Percentiles indicate the 25th, 50th, and 75th percentile cutoff points for each value (e.g., 25% of all UC Grant awards to undergraduate needbased aid recipients in 2001-02 were \$1,132 or less, 50% were \$2,550 or less, 75% were \$4,736 or less, and 25% exceeded \$4,736).

<sup>3</sup> Includes students who received UC gift aid, loan, or work-study support. Numbers vary due to missing data for some students.

<sup>4</sup> Reflects cumulative UC GPA at the end of the academic year indicated.