

## EXECUTIVE SUMMARY

Regents policy on undergraduate financial aid calls for making the cost of attendance for California undergraduates, which includes tuition, fees, and expenses for housing, food, educational materials, and transportation, affordable. The policy specifies that the cost of attendance be met through a combination of family resources (to the extent that they are able), a manageable contribution from the student, and grant support from federal, state, university, and private sources. The Education Financing Model (EFM) is the University's strategy for implementing this policy.

The Total Cost of Attendance Working Group examined whether the Education Financing Model, as currently designed, is achieving the goal of the Regents policy or whether the EFM needs to be modified (see Appendix 1 for the Workgroup Charge and Appendix 2 for the Regents Policy). The Working Group met six times over the course of seven months, invited outside speakers, reviewed data about UC and its competitors, and drew several conclusions outlined here.

The Working Group recognized that the University of California has a unique and laudable record serving California students from all socioeconomic backgrounds. UC not only enrolls a greater proportion of low-income students than any other top research university, it also graduates them.

Nevertheless, the Working Group was charged with identifying ways to improve the EFM. The Working Group developed eight recommendations to do so, presented below. As a general approach, the Working Group adopted the principle of looking for ways to partner with the State to focus attention on the total cost of attendance at its public universities and to help students in covering those costs. Some recommendations include options with significant trade-offs that the Board will need to consider (see the matrix on pages 22 and 23). The Working Group did not prioritize the recommendations. The recommendations are independent of each other and can be adopted in part or in whole.

- 1. Promote Summer Enrollment as a Way to Reduce Time-to-Degree and Advocate for Additional Cal Grant Eligibility for Summer:** Speeding time to graduation is one of the most effective ways to reduce the cost of an undergraduate degree, and students who attend summer school are more likely to graduate in four years. In order to better help defray the cost of attending summer, the University should advocate for expanded availability of Cal Grants in summer to support summer enrollment.
- 2. Expand Multi-Year Financial Aid Plans:** Direct the Office of the President to work with campuses to expand an innovative UC Santa Barbara pilot program offering four-year financial aid promises to select new freshmen and two-year promises to select new transfers.
- 3. Improve Measurement of the Total Cost of Attendance:** Improve assessment of the total cost of attendance, reducing reliance on survey data exclusively, especially when campuses may have data on actual direct student expenditures (e.g., campus course materials fees), engaging survey experts in reviewing the UC Cost of Attendance Survey (COAS), and reducing the time between administrations of the COAS. Recognizing that some students may face unique circumstances that

lead to housing or food insecurity, the Working Group encourages UC Financial Aid Directors to continue to exercise their flexibility in setting individual student expense budgets when awarding financial aid.

4. **Bring Additional Affordability Information to Regental Conversations & Flag Decisions that Impact Affordability:** The Office of the President will present information on the total cost of attendance and student working and borrowing when presenting tuition increase proposals to the Regents. Furthermore, an in depth discussion of affordability issues outside the context of a tuition increase is recommended. Finally, decisions before the Board which could have an impact on affordability for students, e.g., approving capital projects to build student housing, should be flagged as such by the campuses and the Office of the President.
5. **Further Study Strategies to Limit Increases in University Housing and Healthcare Costs:** Housing and health insurance are significant drivers of the total cost of attendance and the costs of both of these drivers are partially within the control of the University. The University should identify and disseminate best practices to help campuses limit these cost increases without compromising student success (e.g., eliminating academic space within housing known to contribute to student success). NOTE: This recommendation is not intended to suggest that these costs be subsidized.
6. **Create Modest, Progressive Self-Help Models:** Rather than expect the same from all students in terms of part-time work and student loans, UC should ask less of the most financially needy. This could happen systemwide or through greater use of campus flexibility.
7. **Leverage State Support for Middle Class Students to Enhance UC Affordability:** Acknowledging perceived flaws in the federal need analysis formula, the University should leverage the State of California's Middle Class Scholarship Program.
8. **Improve Financial Education:** The Office of the President will work with campuses – and perhaps intersegmentally with the California State University system and the California Community Colleges system – to expand financial literacy training for students.

This report will provide some of the general background and outcome measures reviewed by the Working Group, summarize their deliberations, and expand upon the recommendations described above.

## BACKGROUND

The Education Financing Model (EFM) is the University of California's strategy for implementing the Regents policy on undergraduate financial aid, which reads:

*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.* (from Regents Policy 3201)

Consistent with this focus, the University's undergraduate financial assistance program is built around the goal of ensuring that UC is financially accessible to all California students who are academically eligible to enroll. Undergraduate aid is intended to ensure that financial concerns are not a barrier to students who could not otherwise afford to attend UC. Consequently, most of the undergraduate financial assistance at UC is distributed on the basis of financial need.

The Education Financing Model is guided by three critical principles.

### **Principle 1: Total Cost of Attendance is the Context for Measuring Affordability**

The EFM recognizes that affordability for students and families must recognize all educational costs, including books and supplies, room and board, transportation, personal expenses, health insurance, tuition, and fees. UC develops cost of attendance budgets, based in part on results of our systemwide cost of attendance survey, for three living categories (living on-campus, living off-campus, living with parents) at each UC undergraduate campus for a total of 27 different student budgets. Below are the average on-campus living costs for 2017-18 across all nine campuses:

**Figure 1: Average Cost of Attendance, Living On-campus 2017-18**

Category	Systemwide
Books & supplies	\$1,177
Living (i.e., Room & Board)	\$15,417
Personal	\$1,427
Transportation	\$494
Healthcare	\$2,343
Systemwide fees	\$12,630
Campus fees	\$1,229
<b>TOTAL BUDGET</b>	<b>\$34,717</b>

### **Principle 2: Covering the Total Cost Requires a Partnership**

The University of California treats covering the total cost of attendance as a partnership between students, their parents, and state, federal, and University financial aid programs.

Parents	Students	Grant Support
<ul style="list-style-type: none"> <li>Ability to pay based on federal formula (income, assets, family size) using FAFSA (or CA Dream Act)</li> <li>Expectations range from \$0 to full cost of attendance</li> </ul>	<ul style="list-style-type: none"> <li>Work part-time (&lt;20 hrs) during school year, full-time during the summer</li> <li>Loan debt such that repayments are 5-9% of average income</li> <li>Same for all students</li> </ul>	<ul style="list-style-type: none"> <li>Cal Grants (\$841M in 2015-16) primarily cover tuition</li> <li>Federal Pell Grants for lowest income (\$376M)</li> <li>UC need-based grant fills in gaps for the rest (\$660M)</li> </ul>

### Principle 3: Students Working and Borrowing Must Be Manageable to be Affordable

UC defines a range of manageable working and borrowing for both work and loan as outlined below and aims to be around the midpoint in that range.

#### Manageable Work

- Part-time work (6-20 hours per week) during the academic year
- Full-time work during 3 of 4 summers
- Average wage from UC student surveys
- Offsets to income include anticipated taxes and living expenses during the summer

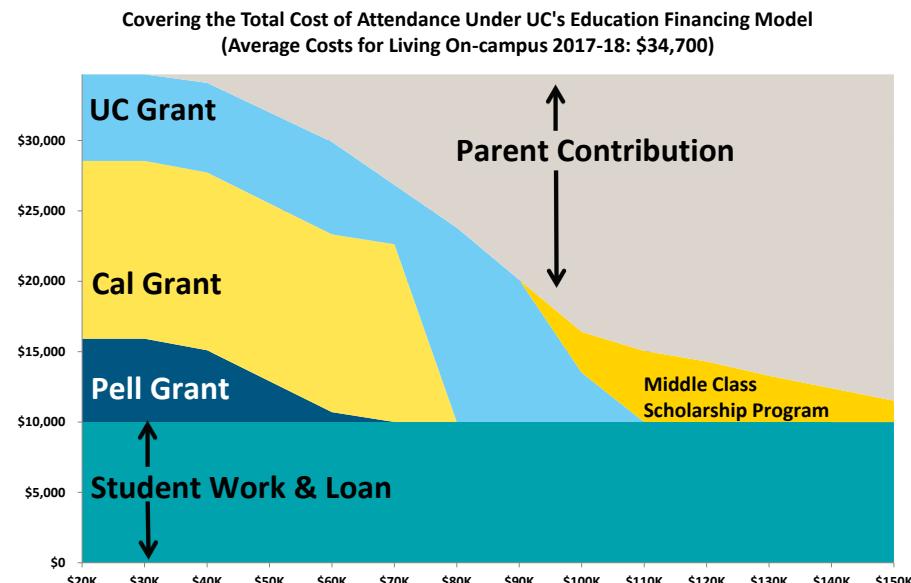
#### Manageable Loan

- Measures range as a percent of annual post-graduation income from 5-9%
- Mean salary for UC students, adjusted by 4% annual salary increases during 10-year repayment
- Assumes standard loan terms
- Assumes a time-to-degree of 4.5 years

### Putting it All Together

Figure 2 below presents a stylized view of how the EFM works across students by income. As you can see, the student contribution, also known as “self-help,” does not vary by income, while the parent contribution does. UC awards its own UC Grant to fill in the gaps between state and federal grant in order to be sure the total cost of attendance is covered.

Figure 2: Visualization of Current EFM



## Affordability Outcome Measures

The University monitors student outcome measures in order to evaluate the effectiveness of its financial aid programs. The UCOP *Annual Report on Student Financial Support, 2015-16* ([http://www.ucop.edu/student-affairs/\\_files/regents\\_1516.pdf](http://www.ucop.edu/student-affairs/_files/regents_1516.pdf)) details a number of critical outcomes. They are designed to answer four basic questions:

- Is the University financially accessible to students at every income level?
- Do UC students' financial circumstances affect their academic success?
- Do students work manageable hours?
- Do students who borrow graduate with manageable debt?

By most measures of these questions, the University has done a good job enrolling and graduating California students from all backgrounds. Findings detailed in Annual Report include,

- UC remains very successful at enrolling low-income Pell Grant recipients.
- Trends in the family income mix of incoming freshmen suggest no direct correlation between year-to-year changes in the University's tuition and freshman enrollment.
- About half of UC students at every income level reported not working. As in past years, however, a small proportion of students reported working more than 20 hours per week.
- Among students who enroll at UC with similar levels of academic preparation, low-, middle-, and higher-income students achieve similar levels of academic success as measured by persistence, unit completion after two years, and 6-year graduation rates.
- The percentage of students graduating with debt declined slightly between 2014-15 and 2015-16, as did the average debt among borrowers in constant dollars. UC's average student debt at graduation remains low compared to national averages.
- Among borrowers in every income category, most graduated with cumulative debt that would require 5% or less of their estimated average salary to repay. About 4% of all UC graduates in 2015-16 had debt that would require more than 9% of their average salary to repay based on a standard 10-year repayment plan.

In addition, UCOP's Info Center includes storyboards on affordability and social mobility:

UCOP Info Center Storyboard UC's Commitment to Social Mobility:

<https://www.universityofcalifornia.edu/infocenter/ucs-commitment-social-mobility>

UCOP Info Center Storyboard UC Remains Affordable for Undergraduates:

<https://www.universityofcalifornia.edu/infocenter/uc-remains-affordable-undergraduates>

## WORKING GROUP DELIBERATIONS

The Total Cost of Attendance Working Group met six times between April and September, 2017. As part of its deliberations, the Working Group invited outside speakers, including Debbie Cochrane, Vice President at The Institute for College Access and Success (TICAS), to provide an outside perspective on the Education Financing Model. The Working Group also reviewed in detail the assumptions and principles underlying the EFM, including alternatives to each of the principles. Outcome data on graduation and persistence rates, debt upon graduation, average work hours, and the income distribution of UC students compared to California as a whole were discussed, as were numerous options and alternatives to the current approach.

During its work, the Working Group considered the following questions:

- Whether the resources available for financial aid should continue to be based on supply (currently, a dedicated proportion of tuition revenue) or on the demand of student needs.
- Whether there are measures other than direct financial aid to students that should be implemented to reduce the total cost of attendance to make UC affordable for California undergraduates.
- Whether the total cost of attendance (before financial aid) at individual campuses and systemwide can be better estimated.
- Whether the current level of student self-help (i.e., the resources students are expected to contribute through part-time work and borrowing) is appropriate.
- Whether UC's current financial aid programs' assumptions about the amount of reasonable contributions that parents make to the cost of their children's education at UC reflect current realities or should be adjusted.

In short, the Working Group undertook a comprehensive review of UC's implementation of the Regents policy on undergraduate financial aid (see Appendix 2 for the Regents Policy) via the Education Financing Model. The recommendations below represent a set of generally agreed-upon conclusions, but the Working Group also proposed that the full Board of Regents consider different options for how to proceed in some areas.

The next section of this report includes the recommendations being made to the Board of Regents. Some of the options reviewed by the Working Group were not included in the final list of recommendations for lack of support from Working Group members, while some were deemed more appropriately addressed at a campus level or by campus representatives. Indeed, some of the issues reviewed by the Working Group could continue to be explored by the Education Financing Model (EFM) Steering Committee, the systemwide committee charged with implementing UC financial aid policy. See Appendix 3 for more detail.

## RECOMMENDATIONS

Presented here are the Total Cost of Attendance Working Group's eight recommendations. The Working Group adopted the general principle of looking for ways to partner with the State to focus attention on the total cost of attendance at its public universities and to help students in covering those costs. The proposal for a Summer Cal Grant in Recommendation 1 is an example of this principle. The Working Group encourages the Regents and the Office of the President to do the same.

### **Recommendation 1: Promote Summer Enrollment as a Way to Reduce Time-to-Degree and Advocate for Additional Cal Grant Eligibility for Summer**

**Graduating faster is one of the most effective ways for low-income students to lower the cost of a bachelors degree. Enrolling in summer is a strategy for doing so. In support of this, the University should,**

- **Promote summer enrollment as a way to reduce time-to-degree, and therefore the cost of a degree to families;**
- **Leverage the recently renewed year-round Federal Pell Grant;**
- **Advocate for additional summer term Cal Grant eligibility to better defray the cost to students of enrolling in summer.**

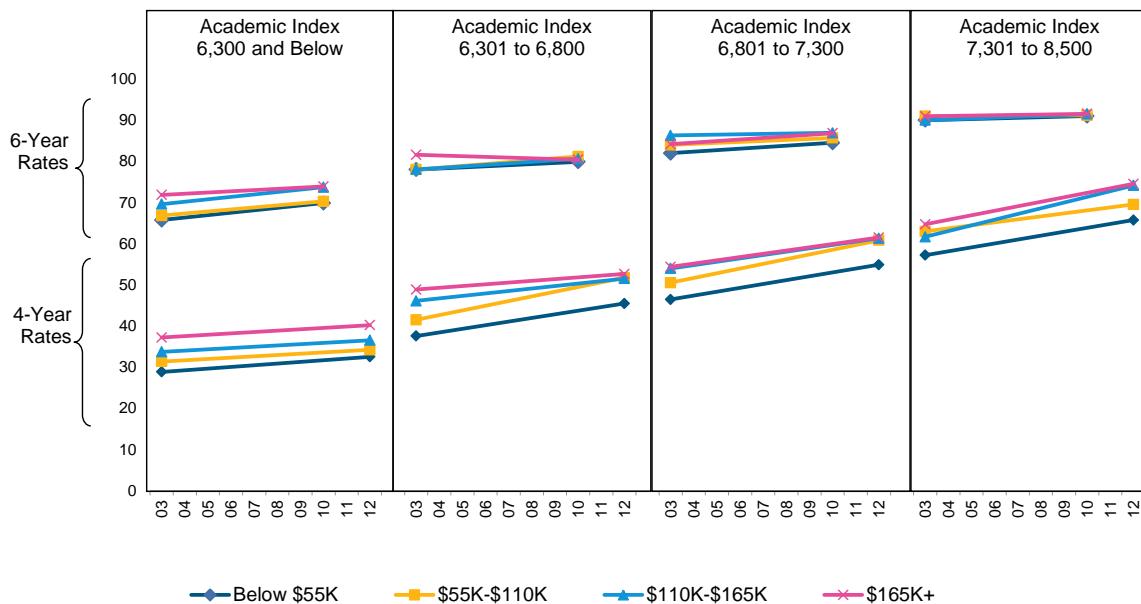
The Working Group reviewed graduation rates by family income and academic preparation. Low-income UC students graduate at comparable rates to their middle- and upper-income peers, but are more likely to take longer than four years to do so.

Figure 3 below shows the four- and six-year graduation rates for UC undergraduates, controlling for academic preparation and income. Each box groups students by an academic index that combines grades and test scores as a measure of academic preparation.<sup>1</sup> Each of the lines within the box represents a different income band. Therefore, the graduation rates of low-, middle-, and upper-income students are being compared to each other only when their academic preparation is similar.

Figure 3 demonstrates that even after controlling for academic preparation, there are persistent differences in the four-year graduation rates by parent income. Low-income students eventually catch up to their peers in the six-year graduation rates, but their average time-to-degree is higher. High-income UC students have an average time-to-degree of 3.9 years while their low-income peers have an average time-to-degree of 4.1 years.

<sup>1</sup> The Academic Index in Figure 3 uses the student's grade point average times 1,000 plus their combined SAT math and verbal scores times 2.5, giving roughly equal weight to grades and test scores.

Figure 3: Four- and Six-Year Graduation Rates by Entering Year, Parent Income, & Academic Preparation



Longer time-to-degree – even when the difference is small – is a cost issue for students and their parents. Figure 4 below estimates this cost for an additional academic year quarter, including additional parental contributions, student loan and work, and the opportunity costs (foregone salary) of not entering the workforce.

Figure 4: Cost to Students and Parents of Additional Term of Enrollment

Parent Income	\$20,000	\$60,000	\$100,000
<b>Total Cost of Attendance (one quarter)</b>	<b>\$10,667</b>	<b>\$10,667</b>	<b>\$10,667</b>
<b>Grant Aid (all sources)</b>	<b>\$7,333</b>	<b>\$5,733</b>	<b>\$1,233</b>
Parent Contribution	\$0	\$1,600	\$6,100
Student Work and Loan	\$3,333	\$3,333	\$3,333
Opportunity Costs (Forgone Salary)	\$9,500	\$9,500	\$9,500
<b>Combined Cost to Family of Additional Term</b>	<b>\$12,833</b>	<b>\$14,433</b>	<b>\$18,933</b>

Data presented by the UCOP Institutional Research and Academic Planning department to the Working Group showed that students can use summer enrollment to make timely graduation more likely. Students who attended one session of summer were ten percent more likely to graduate in under six years than those who never attended summer.

Many factors go into students' decision whether or not to attend summer school, e.g., how the course offerings contribute to degree completion, family obligations. One is clearly also financial. A study of

summer pilot programs at three UC campuses concluded that “By itself, a relatively large financial incentive (such as a fee waiver) appears necessary to significantly increase summer FTE.”<sup>2</sup>

#### Maximize Federal Assistance: Year-Round Pell

The federal government recently announced the return of year-round Pell Grants, which will facilitate the enrollment in summer of low-income students. Students are limited by the Higher Education Act to 150% of normative time-to-degree over the course of their lifetime. In other words, a student in a four-year bachelor’s degree program (8 semesters or 12 quarters) is limited to 12 semesters or 18 quarters of full-time Pell Grants.

Improving time-to-degree may be one of the best ways to reduce the cost of an education for low-income students.

Summer session can play a role.

Before year-round Pell, students were also limited by an annual maximum equivalent to 2 semesters or 3 quarters. Year-round Pell does not change the lifetime maximum, but it allows students speeding their time-to-degree to access their 12 semesters or 18 quarters sooner by allowing students receiving a Pell Grant during the academic year to also receive a Pell Grant for a summer term. The federal adoption of year-round Pell came late enough that summer Pell grants could not really be used to promote enrollment for summer 2017. The Working Group recommends that all UC campuses use the availability of year-round Pell Grants to vigorously promote the use of summer term from 2018 forward to shorten time to degree.

#### Advocate for Additional Cal Grant Eligibility for Summer

The State’s Cal Grant has a lifetime maximum of 100% of normative time-to-degree. In other words, awards for students receiving a Cal Grant for the first time as a freshman are limited to 8 semesters or 12 quarters of full-time awards.

The Working Group recommends that UCOP and the Regents engage in advocating for an extension of the Cal Grant eligibility to include two additional full-time summer semesters. A summer Cal Grant, in combination with year-round Pell Grants and UC’s own need-based grant, would go a long way to covering the total cost of attendance in a way comparable to the academic year. The addition of Summer Cal Grants would require that the lifetime maximum be increased to account for two summers. This would require statutory action.

Assuming a four-year time-to-degree target, this would allow for students to spend one summer working, engaged in an internship or study abroad and still use two summers primarily to complete their degree in four years of elapsed time.

Figure 5 below provides a rough estimate of the cost to the State for Summer Cal Grants at UC, CSU, and the community colleges. While the proposal would be to extend eligibility to students for two summers on

<sup>2</sup> UCOP Institutional Research and Academic Planning, 2016 Summer Session Pilot Program Outcomes, [http://ucop.edu/institutional-research-academic-planning/\\_files/2016-Summer-Session-Pilot-Outcomes-final-report.pdf](http://ucop.edu/institutional-research-academic-planning/_files/2016-Summer-Session-Pilot-Outcomes-final-report.pdf)

top of the current lifetime maximum, the cost to the State in any given fiscal year would reflect the enrollment of these students in one summer. Figure 5 assumes that the same proportion of current and expanded summer enrollment would qualify for Cal Grants as students enrolled in the academic year and that these students enroll full-time. Figure 5 assumes that the awards would be equivalent to one quarter of tuition coverage at UC, one semester of tuition coverage at CSU, and one semester of the Cal Grant B access award at community colleges. Since students typically do not enroll full-time in the summer, Figure 5 likely shows an upper bound of the cost of this proposal. Two estimates are provided: One for \$98 million annually if current summer enrollment persists and one for \$146 million annually if Summer Cal Grants changed student behavior and enrollment increased by half. Consultation with the CSU and Community College Chancellor's Office would be needed to refine the estimates.

Figure 5: Estimated Annual Cost of Summer Cal Grant Proposal at UC, CSU, and California Community Colleges<sup>3</sup>

	UC	CSU	CCC
Percent Cal Grant Recipients in Academic Year	36%	31%	10%
Estimated Summer Enrollment <i>Lower bound reflects current enrollment patterns Upper bound reflects 150% of current enrollment patterns</i>	15,000-22,500	19,000-28,500	700,000-1,050,000
Estimated Summer Cal Grant Recipients	5,400-8,100	5,900-8,800	70,000-105,000
Summer Cal Grant	\$4,210	\$2,871	\$828
Estimated Summer Cal Grant Dollars	\$22.7-34.1M	\$16.9-25.3M	\$58.0-86.9M
Grand Total			\$97.6-146.3M

The Working Group recognizes that the State does not want to create incentives for students to take longer to graduate. However, allowing for an additional two summer terms of Cal Grant-supported enrollment will mean that these students are more likely to graduate sooner. Importantly, faster graduation opens up capacity for enrolling more California students, thereby helping to address the State's desire to close the gap between workforce needs and statewide degree production.

To the extent that Cal Grants become available during the summer and the availability of summer financial aid approaches the availability of aid during the regular academic year, the University should review its current expectations about students' ability to apply savings from summer earnings toward their educational expenses during the academic year. The Working Group recommends that the EFM Steering Committee closely monitor changes in summer term enrollment and the availability of summer financial aid and consider whether the assumed contribution to academic year expenses from summer earnings should be adjusted.

<sup>3</sup> The proportion with Cal Grants was estimated using the total number of awards as reported by the California Student Aid Commission and comparing it to publicly available enrollment figures from the segment offices. Summer enrollment was based on data from the segment offices. No estimates are presented here for the cost of Summer Cal Grants at private, non-profit institutions because it is not clear there would be a need given their reported time-to-degree.

## Recommendation 2: Expand Multi-Year Financial Aid Plans

**Direct the Office of the President to work with campuses to expand an innovative UC Santa Barbara pilot offering four-year and two-year financial aid promises to select new freshmen and transfers.**

A pilot program offering four-year financial aid awards for select freshmen (two-year awards for select transfers) at UCSB was explored by the Working Group. An undergraduate education is a four-year commitment, yet the University asks students and their families to make that commitment knowing only how they will finance the first year. In addition to the multi-year financial aid promise, the program provides recipients with “wrap-around” services to ensure their academic success.

Traditionally, financial aid offers are provided one year at a time, taking into account changes in a family’s financial circumstances. However, an examination of historical data on Pell Grant recipients at UCSB showed that needy students generally remain needy throughout their time in college. Data at UCSB showed that 96% of Pell Grant recipients saw little or no change to their financial aid eligibility. Similar outcomes were observed at the systemwide level (93%) for the incoming cohort of 2012 freshmen.

With this understanding, the Financial Aid department at UCSB developed a multi-year funding program called the Promise Scholars Program, using the EFM as the framework. The approach assumes that the Promise Scholar remains needy, attends two summer sessions, has an education abroad experience, and that the cost of attendance increases annually. These assumptions led to a promise of \$120,000 in grants and scholarships over four years. The power of the financial aid message to these students is credited with the much higher yield of admitted students, many from targeted schools that rarely send graduates to UCSB. Therein lies the greatest potential for expanding the program: Improving UC campuses’ ability to recruit and enroll underserved students in service to the University’s admission policies.

The program is currently being pilot-tested with Pell Grant-eligible students attending targeted high schools and community colleges. Average family income for recipients is just over \$30,000, and over 80% are first-generation college students. To date, there are roughly 250 Promise Scholars attending UCSB. Early indications are that these students are performing on par with their middle- and upper-income counterparts and outperforming low-income peers.

While low-income students typically remain low-income, there are exceptions. One challenge facing campuses of issuing a multi-year financial aid award is that students’ financial circumstances might indeed change, rendering them ineligible for the full, four-year commitment of need-based financial aid. UCSB set aside some non-need-based funding that can be used in cases where Promise Scholars lose eligibility for need-based awards. Despite these challenges, at least one campus – UC Merced – has announced that it will be starting its own multi-year financial aid awarding pilot for fall 2018.

The Working Group recommends that the Regents direct the Office of the President to work with campuses to expand the program. Furthermore, the Working Group recommends that the University allow campuses to use their need-based return-to-aid funds to cover students who lose their financial aid eligibility as long as they had, in good faith, qualified for a four-year promise in the first year.

### Recommendation 3: Improve Measurement of the Total Cost of Attendance

Improve the assessment of the total cost of attendance by using survey data only when direct expense data are unavailable and using expert review of the survey instrument:

- Campus technology and course-materials fees, for example, should be collected from campuses and not through the use of student surveys
- Employ experts to assess, improve, and augment the University's Cost of Attendance Survey
- Reduce the time between administrations of the COAS from 3 years to 2 years
- Recognizing that some students may face unique circumstances that lead to housing or food insecurity, the Working Group encourages UC Financial Aid Directors to continue to exercise their flexibility in setting individual student expense budgets when awarding financial aid.

Although most of the discussions were about how the University helps student cover the total cost of their education, the Working Group discussed at length the ways the University measures its total cost of attendance. Currently, UC uses data collected from campuses for on-campus housing and meal plans, health insurance, and tuition and fees charged to students. It relies on results from the triennial Cost of Attendance Survey (COAS) for other, largely indirect expenses, e.g., books, food not purchased through a meal plan, off-campus housing.

While there were some concerns about the validity of student surveys, alternative non-survey sources of information are not generally available for some of the indirect costs that students incur, e.g., groceries, off-campus rent. All sources for these expenses are ultimately garnered from a survey of some kind. The College Board also develops student expense budgets, which rely on survey results from the Federal Bureau of Labor Statistics.

The University's goal in assessing the total cost of attendance is to provide solid guidance to students and parents and to award financial aid in accordance with Regents policy on undergraduate affordability. Having confidence in the assessment of the total cost of attendance is critical to meeting these goals. Furthermore, not having full faith in the student budgets undermines the University's public message about affordability.

The Working Group recommends three courses of action: First, the University should, where possible, reduce reliance on surveys when better data sources are available. The clearest examples of this are the direct charges that campuses levy on certain courses (course materials fees) or technology fees. Second, the Working Group asked that the UC Office of the President consult with researchers on the COAS survey instrument. The response rates for COAS are high enough to confer statistical validity, but while the survey instrument has not changed dramatically since it was developed, it has not been validated for many years. Finally, the Working Group supports UCOP's plan to begin administering the COAS every other year rather than every three years.

## Recommendation 4: Bring Additional Affordability Information to Regental Conversations & Flag Decisions that Impact Affordability

**The Office of the President will present information on the total cost of attendance and student working and borrowing when presenting tuition increase proposals to the Regents. Furthermore, an in-depth discussion of affordability issues outside the context of a tuition increase is recommended. Discussions and decisions that impact affordability directly or indirectly should be flagged as such.**

The Working Group recommends that the Office of the President pair discussions about tuition and fee increases with deeper discussions of the total cost of attendance and affordability for students. Over the past decade, Regents' discussions of affordability and tuition and fee levels have largely focused on the availability of financial aid to cover fees and fee increases. The Working Group recommends that these discussions be expanded to cover the implications of fee actions on other factors such as the total cost of attendance, the availability of financial aid to cover non-fee costs, and the net cost of attendance for students who receive financial aid. The differential impacts on affordability for students from varying financial backgrounds could then be reviewed as part of the discussion.

The Working Group acknowledged that this would make the conversation richer, but also more complicated. The fact that tuition increases lead to an increase in financial aid because of the one-third return-to-aid, can lead to the counter-intuitive outcome that tuition increases improve affordability for low-income students, depending on the size of the tuition increase being considered.

Furthermore, the Working Group encourages the President to update the Regents on affordability issues outside of the context of tuition and fee increases on a regular basis. This would allow the Regents to monitor how their financial aid policy is being implemented and assess the outcomes with a proper focus on the total cost of attendance rather than just the tuition increase.

Finally, given that some decisions outside tuition and fee discussions could affect the total cost of attendance, the Working Group recommends that the Regents request UCOP and campuses flag such items. For example, new student housing developments may affect the total cost of attendance and affordability, even if indirectly.

## Recommendation 5: Further Study Strategies to Limit Increases in University Student Housing and Healthcare Costs

On-campus student housing charges/meal plans and University of California Student Health Insurance Program (UC SHIP)<sup>4</sup> premiums are two elements of the total cost of attendance partially under the University's control. However, further study by a group of experts would be required to make recommendations on curbing cost increases without compromising student success (e.g., eliminating academic space within housing known to contribute to student success).

The University funds its financial aid programs largely by using a share of tuition and fee revenue, a practice referred to as "return-to-aid." For many years, UC has directed one-third of new tuition revenue to financial aid. Tying financial aid funding to tuition has meant that increases – and, to a lesser extent campus-based fee increases, which also have a return-to-aid – lead to a lower net-cost and a more affordable education for low-income students, all else being equal. This is due to the fact that one-third is more than enough to cover the tuition increases itself for low-income students given that the State will also cover the tuition increase for Cal Grant recipients. However, other cost increases have a more intuitive relationship to affordability since financial aid does not automatically increase to cover them.

The Working Group noted that some elements beyond tuition and fees that are part of the total cost of attendance are partially within the University's control. The two largest such components are on-campus living (housing/meal plans) and student health insurance premiums. The costs of both housing and student health insurance vary substantially across campuses, and standards for waiving out of health insurance vary as well. The Working Group acknowledged that economic forces beyond the University's control may contribute to differences in the campus costs of housing and insurance.

Controlling cost increases in these areas would help maintain affordability for all students, including financial aid recipients. Housing and health insurance are complex issues that merit deeper evaluation, including their impact on student well-being and academic success, and the Working Group recommends that the Regents appoint a separate panel of experts to look at best practices across the system and outside it for controlling future cost increases. The agenda for such a panel of experts would include a) identification of cost drivers, b) best practices across the system, c) unique challenges in different markets, and d) ways that both housing and healthcare contribute to student success.

For example, systemwide housing experts could examine strategies employed by those campuses that report that they have worked to limit on-campus housing cost increases (and indeed, have lower residence hall costs). Innovative approaches that minimize cost increases could be

Tuition increases make UC more affordable for low-income students because financial aid automatically increases with "return-to-aid."

Other cost increases do not, including some partially under UC control, e.g., on-campus living, health insurance.

<sup>4</sup> For simplicity, UC SHIP refers both to systemwide and campus undergraduate healthcare plans in this discussion.

encouraged systemwide. Another example might be reviewing the decisions about UC SHIP benefits, weighing those benefits decisions – which are largely driven by what students want – against the impact on premium increases. A review the impact of how campus policies for granting housing priority affect financially needy students is also recommended.

It is important to distinguish between reducing costs by changing how UC structures housing or healthcare – as suggested in this recommendation -- and reducing costs to students by subsidizing these enterprises. If prices were reduced by a cross-subsidy from other areas of the budget, then trade-offs would need to be weighed with other priorities.

## Recommendation 6: Create Modest, Progressive Self-Help Models

**Create progressive self-help models, either systemwide or by encouraging campuses to do so on a targeted basis. See options below.**

The current Education Financing Model (EFM) assumes the same self-help, or student contribution from work and borrowing, for all students, regardless of income. What is expected of parents differs based on family resources, but not the assumption that students will work part-time and take out student loans.

The Working Group consulted with outside experts, reviewed UC-specific data, and concluded that the University should reconsider this principle and, to the extent possible, create progressive self-help expectations, i.e., those that provide a lower self-help expectation to lower-income students by awarding larger grants. A number of rationales for this conclusion were identified, including:

- Average hourly wages reported by lower-income students are lower than those of their peers.
- Low-income students have lower post-graduation salaries, although that also correlates with choice of major and current data that reflects that low-income students are more likely to choose less lucrative majors.
- While UC's low-income students graduate at about the same rate as their peers, they tend to take longer. The longer that students are enrolled, the higher the total cost of their undergraduate degree supporting the notion that the cost of any given term should be reduced for equity purposes.
- Lower-income students may perceive the impact of student debt as daunting.

The Working Group acknowledged that some of these issues have solutions that go beyond changes to financial aid policy and fall outside their charge. For example, the longer time-to-degree for low-income students could also be addressed by greater investment in academic advising. Nevertheless, the Working Group reviewed potential models for creating a more progressive self-help assumption to be built into the EFM and recommend that the Regents consider the following three options.

### ***Recommendation 6, Option 1: Better Define Campus Flexibility for Creating Progressive Targeting***

Because UC enrolls so many financially needy students, the cost of lowering self-help for the lowest-income students cannot be offset by raising the self-help for middle- and upper-income students without significant increases to those groups. For example, student self-help would need to increase by \$2,000-3,000 for middle- and upper-income students in order to pay for a decrease of \$1,000 for the neediest students. Even the neediest categories of students – those who have a \$0 Expected Parent Contribution and students independent of their parents for financial aid purposes – is large (roughly half of all grant recipients, or about 47,000 students) and indistinguishable from each other in a financial aid sense.

Therefore, the Working Group recommends defining campus flexibility under the EFM to focus greater grant awards – and therefore lower self-help – to a smaller subset of students, perhaps to align with other

university goals, e.g., increasing representation from certain high schools. For example, campuses could target additional grant resources in ways to attract students from particular high schools (e.g., Local Control Funding Formula “Plus,” or LCFF+, schools) or community colleges in service of their diversity mission.

Focusing on a smaller subset of students rather than a broad-based progressive self-help model would allow campuses to fund the effort without creating an undue burden on other students. So rather than raising the student self-help level for middle- or upper-income students by \$2,000-\$3,000 to fund a reduction in self-help for nearly 47,000 students, small, broad self-help increases of \$50-100 could be used to target assistance to 5,000-6,000 students.

UC’s Eligible in the Local Context (ELC) policy that guarantees admission to the top 9 percent of students from every high school in the state was an attempt to attract a diverse set of students from high schools that traditionally did not send large numbers of students UC campuses. Narrow targeting of more progressive financial aid for students from underserved high schools could contribute to this goal. In fact, that is a way in which UC Santa Barbara has targeted its four-year financial aid package pilot (see Recommendation 2 above).

Under this option, the Working Group would recommend to the Regents that they formally adopt principles for campuses to exercise flexibility to lower self-help for particular groups of students. The flexibility should continue to be in service of the systemwide affordability and diversity principles and not used to support other, campus-specific goals. Thus, the flexibility exercised by the campuses:

- Should be implemented such that it reduces the burden on the neediest students to work and to borrow by increasing their grant support;
- Should not be targeted in such a way that it creates an undue burden on other needy students in order to finance the initiative;
- Must further the goals of affordability and diversity outlined in Regents policies on admission and financial aid;
- May be targeted to students from certain high schools/colleges in order to attract students traditionally underserved by the University;
- May be targeted to students known to have higher costs, e.g., student parents;
- In order to maintain the systemwide focus on affordability and access, the lower self-help awards may not be granted primarily on the basis of academic merit.

#### ***Recommendation 6, Option 2: Systemwide Progressive Self-Help***

The Working Group also reviewed the option to create a progressive self-help expectation systemwide. The cost of such an approach would vary by how much self-help is reduced and how many students are targeted for the reduction, but are all expensive because of the large number of needy students. Figure 6

below shows, for example, that lowering self-help by \$500 for those roughly in the Pell Grant eligibility range would cost approximately \$40M in annual, recurring costs. Doubling this reduction for the very lowest-income students would raise the cost to \$64M annually.<sup>5</sup>

Figure 6: Lowering Self-Help for All Students, Breakout by Expected Parent Contribution

Expected Parent Contribution:	Independent	0	1-2,000	2,001-4,000	4,001-6,000	6,001-10,000	10,001-20,000	> 20,000	All
Ave Parent Income Grant Recipients	N/A	\$17,482	\$41,625	\$56,414	\$68,362	\$83,148	\$107,977	\$121,191	\$27,934
Self Help	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
CA Residents with UC Grant	12,699	34,772	15,160	8,995	6,019	7,326	10,081	1,620	96,672
- percent of CA Resident UC Grant Recip.	13%	36%	16%	9%	6%	8%	10%	2%	100%
Current Dollars Spent	\$128M	\$204M	\$90M	\$57M	\$42M	\$64M	\$70M	\$5M	\$660M
Sample Reduction in Self-Help	-\$500	-\$500	-\$500	-\$500	-\$500	\$0	\$0	\$0	varies
Modeled Self-Help	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$10,000	\$10,000	\$10,000	
Newly Eligible Recipients	25	250	225	200	100	0	0	0	800
Cost	\$6M	\$18M	\$8M	\$5M	\$3M	\$0	\$0	\$0	\$40M
Sliding Scale	-\$1,000	-\$1,000	-\$500	-\$500	-\$500	\$0	\$0	\$0	varies
Modeled Self-Help	\$9,000	\$9,000	\$9,500	\$9,500	\$9,500	\$10,000	\$10,000	\$10,000	
Newly Eligible Recipients	50	450	225	200	100	0	0	0	1,025
Cost	\$13M	\$35M	\$8M	\$5M	\$3M	\$0	\$0	\$0	\$64M

Some considerations that the Regents would need to keep in mind with Recommendation 6, Option 2 include the following:

- Additional financial aid funding intended to reduce self-help for any targeted group would be directed to campuses on the basis of their need for it. In other words, UCOP would modify the allocation formula used to direct financial aid dollars to campuses to accommodate the newly identified systemwide goal.
- Ascribing a self-help differential for the targeted group is more prescriptive than the current EFM, i.e., campus flexibility within this context should be discussed.
- As mentioned above, the cost for any of these models is scalable by changing the reduction in self-help or by changing the size of the targeted group. However, if additional funding is too small or spread across too many students, the ability to reduce self-help would be insignificant for most individuals.
- Targeting on the basis of non-financial factors that are agreed-upon systemwide priorities, e.g., students from LCFF+ schools, would suggest a change in how need-based funds are allocated across the system as well.

<sup>5</sup> This includes undocumented AB 540 students whose incomes are in the Pell Grant-eligible range but who are not eligible for federal financial aid.

## **Recommendation 7: Leverage State Support for Middle Class Students to Enhance UC Affordability**

### **Strategically use State support for middle class students and consider the option of enhancing it.**

As the University's costs have grown, so have concerns about the University's ability to attract and enroll middle-income students, many of whom will not qualify for need-based grant assistance. The expected parent contributions calculated according to the federal formula to assess financial aid eligibility are often perceived as particularly burdensome for California's middle-income parents. In part, this is because the federal need analysis formula does not account for differences in the cost of living where parents reside. Incomes for middle class students whose parents reside in San Francisco are treated the same by the formula as those who reside in Redding or as those who live in Arkansas.

The State recognized this shortfall for middle class families by starting the Middle Class Scholarship Program (MCSP) in 2014-15. The program has been phased in over the past three years and will reach 100% implementation in 2017-18. Maximum awards, which go to eligible students with no need-based aid and family income of up to \$110,000, cover 40% of tuition at CSU and UC (i.e., \$5,052 at UC in 2017-18). Families making up to \$165,000 can qualify, but all recipients must have family assets (other than retirement accounts and primary residence equity) of no more than \$165,000. UC students are projected to receive an estimated \$20-25 million this coming year.

The California Student Aid Commission (CSAC) has been clear that the amount of a student's MCSP award is reduced by any Pell Grant, Cal Grant, or UC need-based grant. This raises a challenge for the University to do more for middle-income families through its financial aid programs. Existing return-to-aid dollars are need-based so a new fund source for non-need-based financial aid awards would need to be identified to avoid reducing dollar-for-dollar the recipients' MCSP eligibility.

Estimating the cost of potential middle-income programs is complicated for a number of reasons, including the potential for changes in student behavior, i.e., more students might apply for financial aid than do currently if they become eligible. Nevertheless, the Working Group reviewed preliminary estimates that are presented here as options.

### ***Recommendation 7, Option 1: Leverage Full Implementation of Middle Class Scholarship Program to Improve UC Affordability***

The Middle Class Scholarship Program has gone a long way in addressing the concerns raised about the affordability of middle-income students. The program is popular among students and parents. However, the Office of the President should work with campuses to ensure that local packaging practices for UC financial aid are aligned to leverage the MCSP to the fullest extent possible and, as a result, improve UC affordability.

### ***Recommendation 7, Option 2: Cap Parent Contributions at 15% of Income***

UC Berkeley initiated a program for middle class students several years ago, called the Middle Class Access Program (MCAP). The MCAP caps contributions from parents at 15% of income for those making between

\$80,000 and \$150,000. Berkeley makes non-need-based scholarships funded locally to achieve this, which means that awards do not reduce students' eligibility for the state MSCP awards.

Scaling the Berkeley program to the entire UC system is estimated to cost approximately \$62 million in ongoing annual investment. As mentioned above, a new fund source that permits non-need-based financial aid awards would be required since all current return-to-aid is designated for need-based awards.

## Recommendation 8: Improve Financial Education

**The Office of the President will work with campuses to expand financial literacy training for students and improve messages to prospective students.**

The campus personnel on the Working Group underscored the challenges that some students face in managing their finances, particularly in making the transition from on-campus to off-campus housing. Whereas students living on campus have their financial aid pay for a term's housing and meal plans at the start of the term, students living off campus will often receive a full term of funding in a single transfer just before the term begins, and are expected to budget those resources accordingly. In this scenario, a student must budget resources for groceries, food and other expenses for the full term. Making sure that the funding lasts to cover what will be needed until the end of the term requires budgeting – a new skill for many students. The Working Group also noted that important work is being done by the UC Basic Needs Security group, as part of the President's Global Food Initiative, to spread student awareness of other social programs, e.g., CalFresh, meant to help those in financial need.

In addition to money management, financial literacy training could underscore for students the impact of taking out student loans. Such training would explain both the cost of amortized interest as well as payment options that can be used to manage repayment. Furthermore, students face trade-offs when deciding whether or not to accept student loans, i.e., not taking a loan could mean that a student works unmanageable hours. While each student needs to make these choices for themselves, the University could provide the training for them to make informed decisions.

Some UC campuses have developed financial literacy training or hired outside companies specializing in providing student-centered training. The Working Group recommends that the Regents encourage this systemwide. The Office of the President will work with campuses to identify resources and vendors who can provide services and training to students via a systemwide RFP (request for proposal) or RFI (request for information), as appropriate.

In addition, opportunities for intersegmental collaboration with the California State University or California Community College system should be explored. The Working Group discussed some general financial literacy work being done by banks or credit unions, but agreed that the kind of training that students need is specific to how to manage money while in college. How to incentivize participation is best handled locally by campuses (e.g., offering prizes, requiring as a part of orientation), but the needs across the public segments of higher education are likely similar.

RECOMMENDATIONS MATRIX

	Impact on Students	Financial Implications	Challenges
<b>Recommendation 1: Summer Enrollment and Summer Cal Grant</b>	Potential to reduce time-to-degree, saving the student and parent the cost of academic year terms and freeing up capacity for additional students.	Estimated cost to the State: between \$97.6-\$146M annually.  Potential campus costs to provide services to expanded summer enrollment.	State investment could be sizeable and is hard to predict.
<b>Recommendation 2: Multi-Year Financial Aid Plans</b>	Clearer and more predictable financial aid awarding for limited number of students. Not scalable to all financial aid recipients, but could be used to improve yield of underserved students.	Minimal additional cost in financial aid.	Risk of having awardees lose need-based financial aid eligibility.  Number of beneficiaries could be limited.
<b>Recommendation 3: Improve Cost of Attendance Measurement</b>	Improved transparency and predictability.	Minimal.	Minimal.
<b>Recommendation 4: Regental Conversations</b>	Potential to improve decision-making by the Board relative to the impact on the total cost of attendance.	Minimal.	Potential to complicate conversations and delay important decision-making.
<b>Recommendation 5: Study Strategies to Reduce Increases in Housing and Healthcare Costs</b>	Potential to spread best practices across campuses and contain future increases in the total cost of attendance.	Staff time in convening a panel of experts. Note that this recommendation does not suggest subsidizing or offsetting these costs, which would carry a fiscal liability.	Unclear what the benefits will be and could duplicate efforts already underway. Tension between students' desire for quality of healthcare/housing could conflict with desire to contain costs.
<b>Recommendation 6: Create Modest, Progressive Self-Help</b>	Reduces self-help for the most vulnerable students, but could increase that for middle- or upper-income students. Potential to improve recruitment of students from underserved backgrounds.	Costs are scalable. Could range from zero cost to the University if funded by increased self-help of other students (Option 1) up to as much as the Regents want in order to reduce self-help (Option 2, see Figure 6).	Progressive self-help makes the University's message more complicated.

	Impact on Students	Financial Implications	Challenges
<b>Recommendation 7: Leverage State Support for Middle Class Students to Enhance UC Affordability</b>	Addresses perceived unfairness in federal financial need analysis and helps middle-income families who are often asked to contribute significantly to college education.	Option 1 has no financial implication for UC since it centers on evaluating the impact of full implementation of the State's Middle Class Scholarship program.  Option 2 has significant implications, costing an estimated \$62M in additional grant funding each year plus likely administrative costs to implement.	Minimal for Option 1.  Cost is a big factor for Option 2 and a new source of non-need-based financial aid funding would be required.
<b>Recommendation 8: Improve Financial Education</b>	Could provide students with tools to manage both college and post-college finances. Does not materially reduce the total cost of attendance.	Hiring a vendor to provide training would carry an unknown cost.  Possible cost to incentivizing participation.	Ensuring meaningful student participation is difficult.

### Charge for Total Cost of Attendance Working Group

Regents policy on undergraduate financial aid calls for making the cost of attendance for California undergraduates, which includes tuition, fees, and expenses for housing, food, educational materials, and transportation, affordable. The Education Financing Model (EFM) is that University's current strategy for implementing this policy.

The Total Cost of Attendance Working Group will examine whether the Education Financing Model, as currently designed, is achieving the goal of Regents policy or whether the EFM needs to be reformed. In particular, the Working Group will address:

- Whether the resources available for financial aid should continue to be based on supply (currently, a dedicated proportion of tuition revenue) or on the demand of student needs. If the latter, what other sources of revenue to support financial aid can be identified.
- Whether there are measures other than direct financial aid to students that should be implemented to reduce the total cost of attendance to make UC affordable for California undergraduates.
- Whether the EFM Steering Committee's current approach to measuring total cost of attendance at individual campuses and systemwide should be maintained or revised.
- Whether the current level of student self-help (i.e., the resources students are expected to contribute through part-time work and borrowing) is realistic or whether the self-help metric used by the EFM Steering Committee needs to be revised.
- Whether UC's current financial aid programs' assumptions about the amount of reasonable contributions that parents can make to the cost of their children's education at UC reflect current realities or should be adjusted.

The Working Group will provide a report addressing these issues and providing recommendations for the Regents at their November 2017 meeting.

The Working Group will include representatives from the Regents, Student Affairs at UCOP and the campuses, the Offices of the Chief Financial Officer at UCOP and the campuses, the Education Financing Model (EFM) Steering Committee, and UCSA.

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## **Regents Policy 3201: The University of California Financial Aid Policy**

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Approved January 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;
- 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.

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.

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.

## Options Reviewed by the Working Group but Not in Final Recommendations

Presented here is a list of the options that did not make it into the list of Working Group Recommendations along with a brief description of the deliberations.

**Decentralization of University of California Financial Aid.** The Working Group reaffirmed the importance of ensuring that costs are not a barrier to undergraduates across all UC campuses and that costs are not a deciding factor when a student is choosing between campuses. This means that more UC need-based grant may be needed at some campuses than others, taking into account the aggregate financial need of each campus's student body. So, in order to ensure affordability at all campuses, including those with the greatest levels of collective need, the Working Group rejected a decentralized model where campus financial aid would be funded only by funds generated locally.

**Alternate Calculation of Expected Parent Contribution.** The current Regents policy on financial aid specifies that the Free Application for Federal Student Aid (FAFSA) and federal need analysis should be used in its implementation. The Working Group discussed the strengths and drawbacks of this.

- The Working Group discussed, but did not pursue the option of the University of California developing its own need analysis formula. This could be accomplished by using data collected on the FAFSA differently or by collecting additional family income and asset information separately. The questionable benefit and potential administrative burdens for students and campuses led to the Working Group rejecting this option.
- The Working Group discussed and rejected the use of the College Board's PROFILE, which is used by many private colleges and universities. While the PROFILE provides more nuanced information, the administrative barrier it represents to low-income students outweighed the value of greater precision.

**Adjusting the Return-to-Aid Percentage Annually.** The Working Group discussed the potential for adjusting the return-to-aid percentage each year to meet the assessed financial need. Instead, the Working Group agreed to recommend that a full discussion of financial aid and the total cost of attendance be included whenever a proposal to increase tuition and fees is presented to the Regents.

**Return-to-aid on Charges Beyond Tuition and Fees.** The Working Group also looked at the option of building a return-to-aid in other direct charges from the University that could provide funding that would rise as those costs do. In other words, a surcharge to fund financial aid would be added to on-campus housing, health insurance, and course materials fees. This option was rejected as unworkable for a number of reasons. For example, some of the services funded by these charges, e.g., health insurance, must compete within markets where competitors are not adding surcharges to fund aid. Thus, including a return-to-aid while still facing the need to remain competitive in the marketplace would lead to a corresponding decrease in benefits.

**Redefining “Manageable” Self Help.** The Working Group discussed in detail the assumptions behind the University’s range of manageable working and borrowing for students. With one exception (see Recommendation 1), maintenance of this definition was delegated to the EFM Steering Committee.

**Best Practices.** The Working Group was pleased to review several best practices undertaken by campuses in a number of areas, such as the development of cross-department teams to assist students in acute financial crisis. However, the Working Group did not want to ask the Board of Regents to review “best practices,” but encourages UCOP to continue to facilitate the dialogue across the system.

**Expanding Blue and Gold Opportunity Plan.** The Working Group also discussed the option of expanding the University’s Blue and Gold Opportunity Plan, which currently promises to cover tuition and fees for students from financially needy students with incomes under \$80,000. However, expanding this program to cover additional students would displace Middle Class Scholarship awards currently received by these students. Instead, the Working Group recommends alternate action on middle class students (see Recommendation 7).