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December 13, 2016

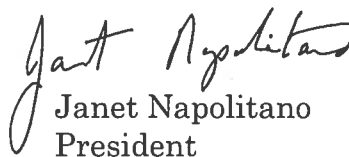
Chair, Joint Legislative Budget Committee  
1020 N Street, Room 553  
Sacramento, California 95814

Dear Chair:

Pursuant to Section 66021.1(b) of the Education Code, enclosed is the University of California's annual preliminary report to the Legislature on *Institutional Financial Aid Programs*.

If you have any questions regarding this report, Interim Associate Vice President David Alcocer would be pleased to speak with you. He can be reached by telephone at (510) 987-9113, or by email at [David.Alcocer@ucop.edu](mailto:David.Alcocer@ucop.edu).

Yours very truly,

  
Janet Napolitano  
President

Enclosure

cc: Senate Budget and Fiscal Review  
The Honorable Marty Block, Chair  
Senate Budget and Fiscal Review Subcommittee #1  
(Attn: Ms. Anita Lee)  
(Attn: Ms. Cheryl Black)  
The Honorable Kevin McCarty, Chair  
Assembly Budget Subcommittee #2  
(Attn: Mr. Mark Martin)  
(Attn: Ms. Katie Koerber)

Chair, Joint Legislative Budget Committee

December 13, 2016

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Ms. Peggy Collins, Joint Legislative Budget Committee  
Mr. Danny Alvarez, Secretary of the Senate  
Ms. Tina McGee, Legislative Analyst's Office  
Ms. Amy Leach, Office of the Chief Clerk of the Assembly  
Mr. Jim Lasky, Legislative Counsel Bureau  
Mr. E. Dotson Wilson, Chief Clerk of the Assembly  
Mr. Jeff Bell, Department of Finance  
Mr. Christian Osmena, Department of Finance  
Ms. Maritza Urquiza, Department of Finance  
Ms. Tina McGee, Legislative Analyst's Office  
Mr. Mac Taylor, Legislative Analyst's Office  
Mr. Jason Constantouros, Legislative Analyst's Office  
Provost and Executive Vice President Aimée Dorr  
Executive Vice President and Chief Financial Officer Nathan Brostrom  
Senior Vice President Nelson Peacock  
Vice President Robin Holmes-Sullivan  
Interim Associate Vice President David Alcocer  
Deputy to the Chief Financial Officer Kieran Flaherty  
Executive Director Jenny Kao  
Director Chris Carter  
Manager Bruce Kennedy

UNIVERSITY OF CALIFORNIA

OFFICE OF THE PRESIDENT



INSTITUTIONAL FINANCIAL AID  
PROGRAMS

*Preliminary Report to the Legislature  
Pursuant to Education Code Section 66021.1*

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## OVERVIEW

Language in Section 66021.1 of the California Education Code directs the California State University and requests the University of California to report annually to the Legislature on their respective institutional financial aid programs. The University presents this report in response to the request for a preliminary report on its institutional financial aid programs. That request reads as follows:

66021.1(b) The California State University shall, and the University of California is requested to, report annually to the Legislature on their respective institutional financial aid programs. The California State University shall, and the University of California is requested, to provide preliminary reports on or before January 10 of each year, and final reports on or before March 31 of each year.

(c) The preliminary reports shall include all of the following:

(1) A description of the goals, terms, and policies of each of the university's institutional aid programs, including eligibility criteria, allocation of financial aid awards, fee waivers, and other relevant information.

(2) A description and explanation of any changes the university has made to any of these policies since the prior year, and any changes the university intends to make for the next academic year.

(3) The total amount the university expended on institutional aid for students, disaggregated by student level, for the two prior academic years, the current year, and a projection for the next year, and the average and 90th percentile undergraduate institutional aid award amount provided per recipient for the prior two academic years and the current academic year.

(4) The average and 90th percentile parental income level, expected family contribution, and the financial need of undergraduate need-based student institutional gift aid recipients for the prior two academic years.

(5) For the prior year, the current year, and the budget year, an analysis identifying the estimated number of undergraduates with financial need; their aggregate cost of attendance and aggregate expected federal parent contribution; the aggregate amount of financial aid, including federal gift aid, state gift aid, institutional need-based aid, institutional merit-based aid, other institutional gift aid, and private gift aid, received by these students; the aggregate remaining amount to be met by work, borrowing, or other means; and an explanation of the estimated change in aggregate student need in the budget year resulting from changes in the cost of attendance, and other factors, including any fee increases proposed by the university in its fall budget proposal. The explanation shall include an estimate of the extent to which cost increases will be offset by federal, state, and institutional financial aid programs.

(6) The typical financial aid package for a typical dependent undergraduate student with a parent income of twenty thousand dollars (\$20,000), forty thousand dollars (\$40,000), sixty thousand dollars (\$60,000), eighty thousand dollars (\$80,000), and one hundred thousand dollars (\$100,000).

The University will also provide a final report on its institutional financial aid programs no later than March 31, 2017, in accordance with other provisions of Section 66021.1.

The University's *Annual Report on Student Financial Support* provides a more comprehensive review of the financial support received by UC students, along with detailed trends and statistics related to support from State, Federal, University, and private sources. The most recent edition of the report may be found at [ucop.edu/student-affairs/files/regents\\_1415.pdf](http://ucop.edu/student-affairs/files/regents_1415.pdf).

Additional information about the University's financial aid programs, affordability, and social mobility may be found at the following locations:

- The University's *Budget for Current Operations*, which can be found at [ucop.edu/operating-budget/budgets-and-reports/current-operations-budgets/index.html](http://ucop.edu/operating-budget/budgets-and-reports/current-operations-budgets/index.html),
- The UC Accountability Report, which is available at [accountability.universityofcalifornia.edu](http://accountability.universityofcalifornia.edu), and
- The UC Information Center, which is available at [universityofcalifornia.edu/infocenter](http://universityofcalifornia.edu/infocenter).

## **The Role 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 need-based – which is to say that it 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.

**Notes on the Data**

Figures presented in this report for 2016-17 and 2017-18 are preliminary and subject to change. Figures presented in this report reflect good-faith estimates as of the date of publication. All figures are for the academic year only and exclude self-supporting programs (e.g., Executive MBA programs), which receive no support from State funds.

# I. INSTITUTIONAL AID FOR UNDERGRADUATE STUDENTS

The University of California’s undergraduate financial assistance programs are designed to make the University financially accessible to all eligible students. To achieve this goal, the University’s Undergraduate Financial Aid Policy, adopted by the Regents in 1994, calls upon the University 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.

## **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 (“the Model”), is based on the following set of principles:

- The total cost of attendance (resident student tuition and fees, books and supplies, living and personal expenses, and transportation) – also known as the student expense budget – 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 self-help 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, under the framework, the 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 self-help 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 tuition and 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.
- **Manageable Student Self-Help 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.

***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 Self-Help  
Contribution from Work and Borrowing

*Equals* University Grant Aid Needed

## Undergraduate Institutional Aid Programs

The University's undergraduate institutional aid programs can be grouped into four categories:

- **Need-based grants.** Need-based UC grants represent the most significant source of institutional aid for UC undergraduates. The primary goal of UC need-based grants is to provide financial access to students according to the terms of the Education Financing Model as described above. The specific awarding criteria vary slightly across campuses, consistent with the flexibility provided to campuses under the Model. In addition, since 2009-10, the University has awarded need-based grants as needed to ensure that low-income students who qualify for the Blue and Gold Opportunity Plan – currently those students with parent incomes of up to \$80,000 and financial aid eligibility – receive gift aid from UC, Federal, State, and/or outside agency grants and sources that is at least equal to their mandatory systemwide fees, not to exceed the student's financial need. In order to achieve these two goals, funding for UC grants is allocated to campuses in a manner that attempts to provide students with a common baseline level of financial accessibility (i.e., the same student self-help expectation) at every campus and to ensure that each campus has sufficient funds to meet the University's commitment reflected in the Blue and Gold. Allocations take into account campus differences in local costs (on- and off-campus housing, campus-based fees, books and supplies, health insurance, etc.) and student resources (parental resources and grants and scholarships from all sources).

Undergraduate need-based grants are funded primarily from the University Student Aid Program (USAP) budget, which is augmented each year due to the University's practice of setting aside a portion of new tuition and fee revenue for need-based aid. Like all USAP-funded programs, UC grants must be awarded in accordance with USAP Administrative Guidelines (available at [ucop.edu/student-affairs/files/usap.pdf](http://ucop.edu/student-affairs/files/usap.pdf)).

- **Scholarships.** UC scholarships are typically based on criteria such as academic achievement or athletic ability. Eligibility for certain scholarships may be limited to financially needy students, but scholarships are generally available to students at any income level who demonstrate particular merit as defined by the terms of the scholarships.

Most UC scholarships are funded from private gifts and endowments and are restricted to students at a particular campus, consistent with donors' wishes. Selection criteria vary according to local campus objectives and donors' wishes.

- **Tuition Exemptions and Waivers.** Certain UC students are exempt from paying in-state tuition and fees and/or nonresident supplemental tuition under a variety of exemption programs, or are eligible for waivers that cover these charges. In most cases, the policies implementing these exemptions and waivers were approved by the Regents in order to align UC policy with statutory exemptions created by the Legislature for students at the California State University and the California Community Colleges. The two largest programs are:

*Cal Vet Fee Exemptions.* Eligible dependents of deceased or disabled veterans are exempt from paying in-state tuition and fees.

*AB 540 Nonresident Tuition Exemptions.* Students (other than non-immigrant aliens) who graduated from a California high school and either 1) attended a California high school for three years or 2) earned the equivalent of three years of high school credit at a California high school and attended three years at some combination of California elementary or secondary schools are exempt from paying nonresident tuition.

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan (including the DREAM Loan Program, described below) and work-study programs. While these programs fill specific niches for certain students (e.g., students who do not meet all of the Federal eligibility requirements for Title IV loan and work-study programs), they represent a tiny fraction of UC undergraduates' overall borrowing and employment earnings.

## **Recent and Anticipated Changes to Institutional Aid Policy**

### *California DREAM Loan Program*

The Legislature passed and the Governor signed UC-sponsored legislation in 2014 to establish the California DREAM Loan Program. This program serves undocumented AB 540 students at UC and CSU who, under the terms of the California Dream Act, became eligible for state and institutional grant programs but have lacked access to federal student loan programs. By establishing loan program eligibility, the California DREAM Loan Program allows the financial aid packages of these undocumented AB 540 students to more closely match those of other financial aid recipients at UC.

The University's 2015-16 budget approved by the Legislature and signed by the Governor included language designating an unspecified level of state support for the program. UC designated \$2.5 million of its state funds for this program and matched this funding to provide DREAM loans beginning in 2015-16 totaling \$5 million. The University awarded and disbursed its first DREAM Loans in the latter half of the year, so 2016-17 will be the first year of full availability of the DREAM Loan Program.

### *Food Security, Housing Security, and the UC Cost of Attendance Survey*

The University's triennial survey of student spending was administered in spring 2016. The latest Cost of Attendance Survey included revised questions to help respondents more accurately report their food costs and allow students to report not just what they are spending on rent, but also information on their housing situation (e.g., number of roommates, distance lived from campus). The results of the survey were being analyzed when this report was published and will inform the development of student expense budgets starting in 2017-18.

*Elimination of University Student Aid Program Eligibility for Nonresident Undergraduates*

In November 2015, the UC Regents approved a budget that eliminates eligibility for the University's systemwide tuition and fee-funded need-based grant program – the University Student Aid Program (USAP) – for nonresident undergraduate students. Before this action was taken, domestic nonresident undergraduates with financial need could receive USAP to cover in-state costs. (They never received grant aid to cover Nonresident Supplemental Tuition.)

This change will be phased in over time, allowing students who first enrolled at UC before Fall 2016 to be “grandfathered” in for the rest of their tenure as a student at UC. The \$15.7 million associated with the first cohort of ineligible nonresident students was used to help fund enrollment of 5,000 additional California resident undergraduates in 2016-17.

## Institutional Aid Expenditures

Table 1-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 1-1: Undergraduate Institutional Aid Expenditures, 2014-15 to 2017-18**

	2014-15 (actual)	2015-16 (actual)	2016-17 (estimated)	2017-18* (estimated)
<b>Gift Aid</b>				
Grants				
Total amount	\$710.4 M	\$706.8 M	\$729.0 M	\$750.6 M
Average award	\$7,189	\$7,235	\$7,300	\$7,530
90 <sup>th</sup> %	\$14,969	\$15,118	\$15,180	\$15,400
Scholarships				
Total amount	\$112.8 M	\$116.8 M	\$120.1 M	\$123.3 M
Average award	\$5,173	\$5,610	\$5,500	\$5,570
90 <sup>th</sup> %	\$11,500	\$12,500	\$12,400	\$12,460
Subtotal—all Gift Aid				
Total amount	\$823.3 M	\$823.6 M	\$849.1 M	\$873.9 M
Average award	\$7,686	\$7,750	\$7,740	\$7,900
90 <sup>th</sup> %	\$15,605	\$15,550	\$15,530	\$15,700
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$31.1 M	\$31.9 M	\$33.5 M	\$35.0 M
Average award	\$12,192	\$12,240	\$12,294	\$12,630
90 <sup>th</sup> %	\$12,192	\$12,240	\$12,294	\$12,630
AB 540 (NR Tuition)				
Total amount	\$88.8 M	\$111.8 M	\$128.0 M	\$130.3 M
Average award	\$22,878	\$24,708	\$26,682	\$26,682
90 <sup>th</sup> %	\$22,878	\$24,708	\$26,682	\$26,682
Other				
Total amount	\$5.4 M	\$8.3 M	\$8.6 M	\$9.6 M
Average award	\$4,170	\$5,546	\$5,550	\$6,040
90 <sup>th</sup> %	\$22,878	\$24,708	\$26,682	\$26,682
<b>Loans and Work-Study</b>				
Loans				
DREAM Loan**	NA	\$0.9 M	\$5.0M	\$5.0M
Total amount	\$4.3 M	\$5.8 M	\$10.0 M	\$10.2 M
Average award	\$1,789	\$1,696	\$1,700	\$1,700
90 <sup>th</sup> %	\$3,000	\$2,565	\$3,000	\$3,000
Work-Study				
Total amount	\$4.9 M	\$6.6 M	\$6.8 M	\$7.0 M
Average award	\$1,855	\$1,876	\$1,850	\$1,860
90 <sup>th</sup> %	\$3,500	\$3,380	\$4,000	\$4,000

\*As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2017-18. For purposes of this report, figures for 2017-18 reflect a \$282 (2.5%) adjustment to 2016-17 Tuition levels and a \$54 adjustment to the Student Services Fee.

\*\*DREAM Loan is funded through a 1:1 match of State and institutional funding.

## Undergraduate Need-Based Institutional Gift Aid Recipients

Table 1-2, below, displays information about the parent income, expected family contribution, and financial need of students who received need-based institutional gift aid in the past two academic years.

**Table 1-2: Parent Income, Expected Family Contribution, and Financial Need of Students Receiving Need-Based Institutional Gift Aid**

	2014-15 (actual)	2015-16 (actual)
Parent Income (for dependent aid recipients)		
Average	\$46,594	\$46,654
90 <sup>th</sup> Percentile	\$99,649	\$100,104
Expected Family Contribution*		
Average	\$3,860	\$3,928
90 <sup>th</sup> Percentile	\$13,034	\$13,306
Financial Need*		
Average	\$29,448	\$30,414
90 <sup>th</sup> Percentile	\$35,164	\$37,957

\* Annualized for students who were enrolled less than the entire academic year.

## Trends in Student Costs, Resources, and Need

Table 1-3 on the following page displays information about the aggregate cost of attendance, expected parental resources, gift aid, and remaining need for undergraduate need-based aid recipients in academic years 2015-16 through 2017-18.

The cost of attendance represents a combination of known direct charges (such as systemwide and campus-based tuition and fees and on-campus student housing) and estimated other costs (off-campus housing, textbooks, transportation, etc.) incurred by the student over the course of the academic year. To estimate these other costs, the University conducts a periodic Cost of Attendance Survey (COAS); as mentioned above, the last COAS was administered in Spring 2016, and the results are currently being analyzed. The COAS asks students for information about their actual expenditures on costs such as off-campus rent, meals (other than those covered by their meal plans), books and supplies, transportation expenses, personal expenses, and other costs. During the intervening years between surveys, budget items derived from the COAS are adjusted annually to account for inflation. The results from the 2016 COAS will be used to adjust budgets upward or downward to reflect the newly available survey data.

Overall, the aggregate undergraduate cost of attendance for need-based aid recipients is estimated to increase by \$233 million between 2016-17 and 2017-18. As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2017-18. For purposes of this report, figures for 2017-18 reflect a \$282 (2.5%) adjustment to 2016-17 Tuition levels and a \$54 (5.0%)

adjustment to 2016-17 Student Services Fee. An average increase in health insurance costs of 15% and modest changes in other costs are also assumed.

**Table 1-3: Projected Undergraduate Student Costs and Resources,  
2015-16 to 2017-18**

	2015-16 (actual)	2016-17 (estimate)	2017-18 (estimate)	2017-18 incr. (estimate)
Total # recipients of need-based aid	114,076	118,008	120,068	2,060
(a) Aggregate Cost of Attendance (COA)	\$3,695.2 M	\$3,920.6 M	\$4,153.2 M	\$232.6 M
(b) Aggregate Expected Parent Contribution	\$480.1 M	\$496.6 M	\$505.3 M	\$8.7 M
(c) Aggregate Federal gift aid	\$380.6 M	\$400.4 M	\$415.1 M	\$14.7 M
(d) Aggregate State gift aid				
Cal Grants	\$838.7 M	\$897.3 M	\$938.0 M	\$40.6 M
Middle Class Scholarships <sup>1</sup>	\$5.9 M	\$9.3 M	\$13.0 M	\$3.7 M
Other State aid	\$0.9M	\$0.0 M	\$0.0 M	\$0.0 M
(e) Aggregate UC need-based grants	\$706.8 M	\$729.0 M	\$750.6 M	\$21.6 M
(f) Aggregate UC merit-based awards	\$73.0 M	\$75.0 M	\$77.0 M	\$2.0 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$94.1 M	\$97.4 M	\$99.1 M	\$1.7 M
(h) Aggregate private gift aid	\$33.5 M	\$35.9 M	\$37.5 M	\$1.6 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through h])	\$1,082.5 M	\$1,179.6 M	\$1,317.6 M	\$138.0 M

\* Dollar figures are in millions.

<sup>1</sup> The Middle Class Scholarship (MCS) dollars in this table are limited to those received by students who also received need-based aid. The total MCS amount for all UC undergraduates was \$10.2 million in 2015-16.

Of this amount, an estimated \$8.7 million is anticipated to be covered from the parent resources of new aid recipients as part of UC's planned expansion of California resident enrollment. The expected parent contribution of current aid recipients is expected to remain unchanged.

Funding from Cal Grants is expected to increase by about 4.5% due to projected increase in resident enrollment as well as the assumption built into this report about changes to Tuition and the Student Services Fee mentioned above. Funding from Pell Grants is expected to increase by 3.7% due to both the enrollment increase and an estimated 2% increase in the maximum Pell Grant.

The Middle Class Scholarship Program is a relatively new source of gift aid from the State. The program began in 2014-15 and will be fully phased in as of 2017-18. At that point, the program will provide awards of up to 40 percent of systemwide tuition and fees to students who typically do not receive gift aid from other sources. The program provided \$9.3 million to UC need-based aid recipients and \$10.2 million to UC students overall in 2015-16. Preliminary information available for 2016-17 indicates that rates of participation in the Middle Class Scholarship Program have grown more than originally projected.

The University's practice of setting aside 33% of new mandatory systemwide tuition and fee revenue, combined with campuses' practice of setting aside a portion of new campus-based fee revenue, would be expected to provide an additional \$21.6 million in funding to help cover expenses after accounting for the reduction in funding that would have otherwise gone to nonresident undergraduates.

Other sources of gift aid are expected to remain relatively flat.

Overall, the University expects undergraduate need not met by the sources described above to increase by \$138.0 million in 2017-18, an increase of approximately \$1,150 per need-based aid recipient. The increase is attributable to projected cost increases described above, which will collectively exceed the projected increase in financial aid funds from state, federal, and institutional sources.

## Typical Financial Aid Packages

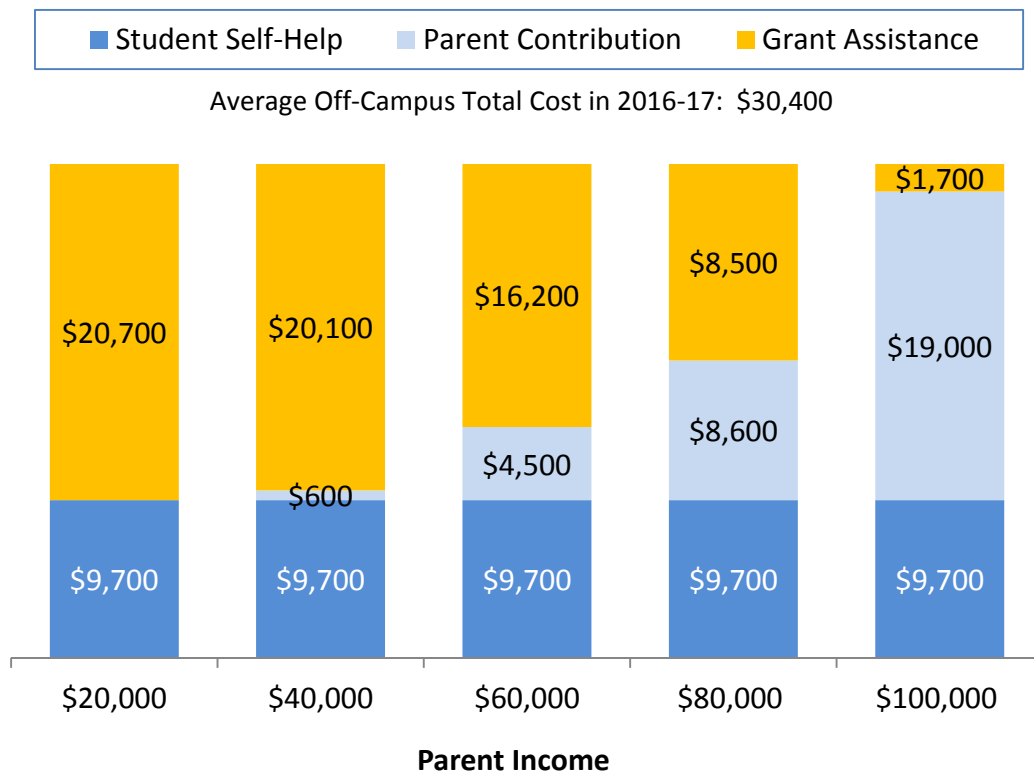
Display 1-1, on the following page, depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category) for 2016-17.

Display 1 shows components of typical packages grouped into three broad categories:

- *Self-help:* Self-help components of a student's package include both student loans and an expected contribution from employment. UC expects all students to be capable of making the same self-help contribution from a manageable level of work and borrowing.
- *Parent contribution:* As shown below, the expected parent contribution rises quickly with income. Parents are not, however, expected to pay this amount out of current income alone. A student's package may include a parent loan to help families cover this amount, and many families contribute from savings as well.
- *Grant assistance:* Grant assistance consists of need-based gift aid provided primarily through a combination of three sources: federal Pell Grants, Cal Grants, and UC Grants. The specific mix of grants depends on the student. UC Grants are awarded so that, in combination with all other grants, self-help is equalized across students.



### Display 1-1: Typical Financial Aid Packages, 2016-17\*



\* Gift assistance will increase to \$12,630 for the student with parental income of \$80,000 if the student meets all eligibility requirements for the Blue and Gold Opportunity Plan – e.g., CA residence, financial aid eligibility, and enrolled four years or less – assuming the 2.5% adjustment to Tuition and 5.0% adjustment to the Student Services Fee used for modeling purposes in this report.

## II. INSTITUTIONAL AID FOR GRADUATE ACADEMIC STUDENTS

Adequate support for graduate students has been identified by the Regents as one of the major issues facing the University. In order to support its research mission and fulfill its responsibility to meet California's professional workforce needs, the University needs to attract top graduate students. To do this, it must offer financial assistance packages that can compete with those offered by other institutions recruiting the same prospective graduate students. Providing a competitive level of student support – after taking into account the tuition and fees that students must cover – is the primary goal of the University's institutional aid program for graduate academic students.

### **Assessing the Competitiveness of Graduate Academic Student Support**

Concerns about the competitiveness of the University's awards were substantiated by surveys conducted every three years since 2001 of students admitted to UC's academic doctoral programs. These surveys showed variation in the competitiveness of UC's offers across academic disciplines and campuses but indicated that, on average, the net stipend (fellowship and assistantship awards in excess of tuition and fees) associated with the offer from the student's top choice UC doctoral program was less than the student's top choice non-UC offer. Taking into account differences in the cost of living in different university communities increased the average shortfall in the value of UC's offers. Complete survey results may be found at [ucop.edu/student-affairs/files/2013\\_GSS\\_final.pdf](http://ucop.edu/student-affairs/files/2013_GSS_final.pdf).

### **Graduate Academic Institutional Aid Programs**

The University's institutional aid programs for graduate academic students can be grouped into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid is generally the most desirable and flexible form of student financial support for graduate academic students. Unlike research assistantships or teaching assistantships, these awards impose no employment obligation on the part of the recipient to “earn” the support; unlike loans, they do not need to be repaid. USAP represents most of the institutional funding available for UC-awarded gift aid. (For more details on the terms associated with USAP awards, see the USAP Administrative Guidelines at [ucop.edu/student-affairs/files/usap.pdf](http://ucop.edu/student-affairs/files/usap.pdf).)

- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate academic students are exempt from paying fees and/or nonresident tuition under various fee and tuition exemption programs, or are eligible for waivers that cover these charges.
- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University's overall support for graduate academic students.

In addition to the financial aid programs described above, graduate academic students also utilize research and teaching assistantships to finance their UC education. These appointments are important for other reasons as well: assistantships help students to develop important teaching and research skills, to form close working relationships with faculty members, and to deepen their expertise in specific subject matter areas. University-sponsored assistantships have been funded from either the instructional (for teaching assistantships) or research (for research assistantships) portion of the University's budget, or from extramural sources (e.g., sponsored research grants). In recent years, the University has also allocated a portion of its student support funds to campuses in recognition of the increased cost of providing fee remissions\* to these students.

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\* Teaching assistants and research assistants with appointments above a minimum percentage are entitled to remissions that cover their systemwide tuition and fees.

## Institutional Aid Expenditures

Table 2-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 2-1: Graduate Academic Institutional Aid Expenditures,  
2014-15 to 2017-18**

	2014-15 (actual)	2015-16 (actual)	2016-17 (estimated)	2017-18* (estimated)
<b>UC Gift Aid</b>				
Total amount	\$301.2 M	\$309.2 M	\$311.0 M	\$317.3 M
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$0.6 M	\$0.6 M	\$0.6 M	\$0.7 M
AB 540 (NR Tuition)				
Total amount	\$4.4 M	\$4.7 M	\$4.7 M	\$4.7 M
Other				
Total amount	\$8.3M	\$7.5 M	\$7.6 M	\$7.9 M
<b>Loans and Work-Study</b>				
Loans				
Total amount	\$0.1 M	\$0.0 M	\$0.0 M	\$0.0 M
Work-Study				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M

\* As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2017-18. For purposes of this report, figures for 2017-18 reflect a \$282 (2.5%) adjustment to 2016-17 Tuition levels and a \$54 (5.0%) adjustment to the 2016-17 Student Services Fee.

Projected increases in UC gift aid, exemptions and waivers, loans, and work-study in 2016-17 and 2017-18 are driven by modest anticipated changes in enrollment, as well as a return-to-aid on the adjustment to the 2016-17 Student Services Fee (\$54) and the modeled assumptions for 2017-18 described above.

### III. INSTITUTIONAL AID FOR GRADUATE PROFESSIONAL STUDENTS

The University's professional school programs graduate a cadre of trained professionals in medicine, business, law, and other disciplines, many of whom remain in California and make valuable contributions to their professions and to the state. The University recognizes the importance of enrolling talented students from diverse socioeconomic backgrounds into these programs, for the betterment of the communities, institutions, and individuals that these professionals will ultimately serve. The University's institutional aid programs for graduate professional degree students are thus oriented around this goal.

About two-thirds of aid awarded to graduate professional students is in the form of loans, rather than fellowships or grants. The differences in support patterns for graduate academic and graduate professional students reflect the contrasting approaches to graduate student support in higher education. Fellowship, grant, and assistantship support are viewed as more successful and loans less successful for recruiting and retaining doctoral students whose academic programs are lengthy and whose future income prospects are relatively low. In contrast, student loans are viewed as more appropriate for students pursuing professional degrees. These programs are relatively shorter and students' incomes have the potential to be substantially higher.

#### **Graduate Professional Institutional Aid Programs**

The University's institutional aid programs for graduate students in professional degree programs fall into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid can significantly reduce the cost of a graduate professional degree program. Programs that charge Professional Degree Supplemental Tuition (PDST) are expected to set aside a portion of PDST revenue for fellowship support. At the systemwide level, USAP also provides fellowship funding for students in professional degree programs. (For more details on USAP awards, see the USAP Administrative Guidelines at [ucop.edu/student-affairs/files/usap.pdf](http://ucop.edu/student-affairs/files/usap.pdf).) Campus allocations of USAP fellowship funds take into account the number of graduate professional degree students at each campus.
- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate professional degree students are exempt from paying fees and/or nonresident tuition under various fee and tuition exemption programs, or are eligible for waivers that cover these charges.

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University's overall support for graduate professional degree students.

In addition to these programs – which provide institutional support to currently enrolled students – loan repayment assistance programs (LRAPs) are available to graduates of certain professional degree programs. Four UC programs (three in law, one in business) offer loan repayment assistance to assist program graduates who chose to enter low-paying careers in the public interest. Outside agencies also provide LRAPs to students in the health sciences who pursue public interest careers as defined by each agency.

## **Recent and Anticipated Changes to Institutional Aid Policy**

### *New Assessments of Professional Degree Supplemental Tuition*

Consistent with University policy, professional degree programs proposing a PDST fee charge must set aside an amount equivalent to at least one-third of their professional degree fee revenue for institutional aid. Two programs were approved to charge Professional Degree Supplemental Tuition for the first time beginning in the 2016-17 academic year.

## Institutional Aid Expenditures

Table 3-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 3-1: Graduate Professional Institutional Aid Expenditures,  
2014-15 to 2017-18**

	2014-15 (actual)	2015-16 (actual)	2016-17 (estimated)	2017-18* (estimated)
<b>UC Gift Aid</b>				
Total amount	\$170.6 M	\$186.7 M	\$187.8 M	\$190.1 M
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$3.1 M	\$3.5 M	\$3.6 M	\$3.7 M
AB 540 (NR Tuition)				
Total amount	\$3.7 M	\$4.0 M	\$4.0 M	\$4.0 M
Other				
Total amount	\$3.0M	\$3.4 M	\$3.4 M	\$3.5 M
<b>Loans and Work-Study</b>				
Loans				
Total amount	\$2.2 M	\$2.3 M	\$2.3 M	\$2.3 M
Work-Study				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M

\* As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2017-18. For purposes of this report, figures for 2017-18 reflect a \$282 (2.5%) adjustment to 2016-17 Tuition levels and a \$54 (5.0%) adjustment to 2016-17 Student Services Fee. 2017-18 PDST charges are still unknown.

The projected increases in UC gift aid for 2016-17 and 2017-18 reflect a return-to-aid of 33% on all new PDST revenue as well as a return-to-aid on the modeled Tuition and Student Services Fee revenue for both years. Projected increases in exemptions and waivers, and loans also reflect anticipated enrollment growth and Tuition and Student Services Fee adjustments.

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