



# UNIVERSITY OF CALIFORNIA

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Michael V. Drake, MD  
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#### DIVISION OF AGRICULTURE AND NATURAL RESOURCES

March 7, 2023

The Honorable Nancy Skinner  
Chair, Joint Legislative Budget Committee  
1020 N Street, Room 553  
Sacramento, California 95814

Dear Senator Skinner:

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

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

Sincerely,

Michael V. Drake, MD  
President

Enclosure

cc: Senate Budget and Fiscal Review  
The Honorable John Laird, Chair  
Senate Budget and Fiscal Review Subcommittee #1  
(Attn: Mr. Christopher Francis)  
(Attn: Mr. Kirk Keely)  
The Honorable Kevin McCarty, Chair  
Assembly Budget Subcommittee #2  
(Attn: Mr. Mark Martin)  
(Attn: Ms. Sarah Haynes)  
Mr. Hans Hemann, Joint Legislative Budget Committee  
Ms. Erika Contreras, Secretary of the Senate  
Ms. Amy Leach, Office of the Chief Clerk of the Assembly  
Ms. Sue Parker, Office of the Chief Clerk of the Assembly  
Mr. Chris Ferguson, Department of Finance  
Mr. Jack Zwald, Department of Finance  
Ms. Gabriela Chavez, Department of Finance  
Mr. Gabriel Petek, Legislative Analyst Office

Ms. Jennifer Pacella, Legislative Analyst Office  
Provost and Executive Vice President Katherine S. Newman  
Vice President and Vice Provost Yvette Gullatt  
Associate Vice Provost Elizabeth Halimah  
Senior Vice President Brent Colburn  
Executive Vice President and Chief Financial Officer Nathan Brostrom  
Associate Vice President David Alcocer  
Associate Vice President and Director Kathleen Fullerton

UNIVERSITY OF CALIFORNIA

OFFICE OF THE PRESIDENT



# INSTITUTIONAL FINANCIAL AID PROGRAMS

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

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# OVERVIEW

## **Important Caveats for this Institutional Financial Aid Report**

As a result of the COVID pandemic, year-over-year changes when comparing this report to the 2020-21 and prior year reports should be interpreted carefully. University of California students benefited from federal, state, and university emergency grants during 2021-22. This funding is excluded from the base calculations for need-based financial aid and self-help across years. Further, 2020-21 represented the last year in which nonresident students who were grandfathered into university grant eligibility could remain eligible and in the dataset. Current and future year academic years reflect California residents.

## **Legislative Text**

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. In the 2018 Budget Act (Assembly Bill 1809), these reporting requirements and the timeline for completing the report changed.

Additional information on financial aid expenditures, trends, and outcomes for undergraduate students, as well as information on graduate student financial support, will continue to be reported to the UC Board of Regents in the *Annual Report on Student Financial Support*. The latest can be found here: <https://www.ucop.edu/enrollment-services/data-and-reporting/reports-to-the-regents-on-student-financial-support/index.html>

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](https://ucop.edu/operating-budget/budgets-and-reports/current-operations-budgets/index.html),
- The UC Accountability Report, which is available at [accountability.universityofcalifornia.edu](https://accountability.universityofcalifornia.edu), and
- The UC Information Center, which is available at [universityofcalifornia.edu/infocenter](https://universityofcalifornia.edu/infocenter).

The University presents this report in response to the request for a report on its institutional financial aid programs. That request reads as follows:

Statutory Language AB 1809, Chapter 23, Statutes of 2018 amends Section 66021.1 of the Education Code to read:

(a) For purposes of this section, the following terms shall have the following meanings:

- (1) “Institutional financial aid” means all institutional grant aid, including institutional student need-based and merit-based aid.
- (2) “Students” means California residents who are undergraduate students at the University of California or the California State University.
- (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 reports on or before March 31 of each year.
- (c) The 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, 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) By parental income level or expected family contribution deciles, both of the following information for the prior academic year:
    - (A) Net price, which shall be the balance of the total cost of attendance minus all grant aid.
    - (B) The percentage of students receiving institutional aid and the average dollar amount of that institutional aid.
  - (5) For the prior academic year, the current academic 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. The explanation shall also include an explanation of how year-to-year non-tuition cost increases were calculated.
  - (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).
  - (7) An aggregate summary of financial aid awarded to students, including scholarships, grants, waivers, loans, and work-study awards from federal, State, institutional, and private sources for the prior academic year.

- (8) Indicators of the effectiveness of the university's aid programs in achieving the university's stated goals related to financial aid.
- (9) Information on students who submit a Free Application for Federal Student Aid, or Dream Act Application, but do not receive a Cal Grant or institutional financial aid for the prior academic year. This information shall be disaggregated by race, ethnicity, expected family contribution deciles, and dependency status.
- (10) The California State University shall include information on the number of students who are eligible for a grant pursuant to the State University Grant Program but do not receive it or receive a partial award for the prior academic year. This information shall be disaggregated by race, ethnicity, and campus of attendance.
- (11) The University of California is requested to include information on the average undergraduate student financial self-help level. This information shall be disaggregated by race, ethnicity, and campus of attendance.
- (d) To the extent the university provides the information requested in subdivision (c) in reports to its governing board or in other university publications, those reports or publications may be submitted to the Legislature to satisfy this request.
- (Amended by Stats. 2019, Ch. 497, Sec. 77. (AB 991) Effective January 1, 2020.).

URL:

[https://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=EDC&division=5.&title=3.&part=40.&chapter=2.&article=3](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=5.&title=3.&part=40.&chapter=2.&article=3).

# 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 total 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 (EFM), 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 EFM;
- A partnership among students, parents, federal and State governments, and the University is required for the successful implementation of the EFM;
- All students should expect to make a similar self-help contribution from part-time work and educational loans, if necessary, 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 EFM to serve their particular student bodies.

The EFM 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 part-time work and loan, if necessary, 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 total costs while attending college. This budget accounts for expenses such as student tuition and fees, books and supplies, housing and food, transportation, and personal expenses, and reflects differing expenses associated with different campuses and different living arrangements. The University of California carefully reviews the student expense budgets every year before awarding financial aid and before distributing resources across the system.

- **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 50 percent of the grants received by UC undergraduates.

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

Student Expense budget (total 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

- **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 EFM is to keep the hours worked within a manageable range, minimize student loan debt, 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.

## 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 (EFM) as described above. The specific awarding criteria vary slightly across campuses, consistent with the flexibility provided to campuses under the EFM. Funding for UC grants is allocated by the Office of the President, taking 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 <https://www.ucop.edu/enrollment-services/policies/universitywide-program-policies-and-guidelines/revised-administrative-guidelines-for-usap-and-select-aid-programs-final-002.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 persons excluded from the term "immigrants" for purposes of the federal Immigration and Nationality Act (8 U.S.C. Sec. 1101) who graduated from a California high school (or the equivalent) 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.

Effective January 1, 2018, eligibility for an AB 540 tuition exemption expanded to include students who meet both 1) time and coursework requirements and 2) degree or unit requirements below. Additionally, effective January 1, 2023, eligibility also expanded to remove the previous cap on California community college attendance towards the three year requirement as described below.

**Time and Coursework Requirements:**

Either:

- a. Three full-time years attendance or attainment of equivalent credits at any of the following:
  - a. California high school
  - b. California adult school (including non-credit courses offered by a California community college)
  - c. California community college

OR

- b. Three years of high school coursework and three years of total attendance in a California elementary school, California secondary school, or any combination of the two

**Degree or Unit Requirements**

Meet one of the following three requirements

- a. Graduation from a California high school (or attainment of the equivalent)
- b. Attainment of an associate's degree from a California Community College
- c. Fulfillment of minimum transfer requirement from a CCC to UC or CSU

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loans (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**

### *The President's Path to Debt-Free and Regental Discussions of Institutional Aid Reform*

The Board of Regents approved the Tuition Stability Plan in July of 2021, which outlines predictable tuition increases over five years. The tuition increases for undergraduates are only applied to new students, who then can count on the same tuition for up to six years. In addition to the predictability this offers to non-financial aid recipients, the increases will result in new tuition revenue for financial aid. The portion of new revenue set aside for UC's need-based financial aid

program for undergraduates increased from 33 percent to 45 percent as part of the Regents' 2021 vote. Additionally, the Regents approved an amendment to the Regents Policy 3201 in May 2022, reframing the contribution from the student to prefer part-time work over student loans.

This change reflects President Drake's initiative to create debt-free pathways to the University of California starting in 2022-23. A debt-free pathway is made possible through increases to the Federal Pell Grant, expansion of the State's Middle Class Scholarship, and the Tuition Stability Plan. Lowering student debt aligns with goals under the Compact with Governor Newsom and the goals of the Legislature as expressed through the Middle Class Scholarship.

### *COVID and Emergency Aid*

The 2020 COVID pandemic disrupted the University's education delivery, moving all courses online during 2020-21. The pandemic also had several impacts on students, parents, and how they paid for college costs.

- **As mentioned in the Overview, the impact of the pandemic requires careful assessment of 2020-21 and 2021-22 data.**
- In 2019-20, \$130 million in Higher Education Emergency Relief Fund (HEERF I) emergency grants were made available, 86 percent of which was deployed in Spring 2020, providing an average of \$834 to 134,381 recipients. The rest of HEERF I was disbursed in 2020-21 and 2021-22.
- In 2020-21, HEERF II emergency grants of \$125 million were awarded to over 128,000 students at an average of \$980 per recipient. In 2021-22, about \$8.5 million of this grant was awarded to about 12,400 students with an average award of \$867 per recipient.
- HEERF III Grant of \$328 million was awarded in 2022-23 to nearly 152,000 students with an average award of about \$2,160.
- UC supplemented HEERF I emergency grants with \$5 million to provide equivalent support for undocumented students in 2020-21. This provided an average award of \$1,139 to 4,457 students. In 2021-22, it provided \$2 million to 1,914 students with an average award of \$1,257 per recipient. The State also provided \$1 million in Coronavirus Emergency Grant to support undocumented students in 2020-21. In 2021-22, the State provide \$15 million, of which \$11 million was awarded in 2021-22, with the remaining to be awarded in 2022-23.

## II. EXPENDITURES AND PROJECTIONS

Figure 1 below shows information regarding total expenditures and awards for each category of institutional aid award described above. Figures 1 and 2 exclude emergency grants, which were intended to provide support above and beyond the total cost of attendance. Also, as noted in the Overview, 2021-2022 was used as the base year for 2022-23 and 2023-24 estimates.

**Figure 1: Undergraduate Institutional Aid Expenditures, 2020-21 to 2023-24**

	2020-21 (actual)	2021-22 (actual)	2022-23 (estimated)	2023-24 (estimated)
<b>Gift Aid</b>				
Grants				
Total amount	\$763.2 M	\$872.5 M	\$898.6 M	\$944.7 M
Average award	\$8,197	\$8,994	\$9,124	\$9,497
90 <sup>th</sup> %	\$16,517	\$17,851	\$16,647	\$17,020
Scholarships				
Total amount	\$182.3 M	\$189.2 M	\$202.3 M	\$209.1 M
Average award	\$6,215	\$6,078	\$6,402	\$6,552
90 <sup>th</sup> %	\$12,556	\$11,065	\$11,389	\$11,539
Subtotal—all Gift Aid				
Total amount	\$945.5 M	\$1,061.7 M	\$1,100.9 M	\$1,153.8 M
Average award	\$8,833	\$9,550	\$9,754	\$10,121
90 <sup>th</sup> %	\$17,556	\$18,531	\$18,735	\$19,103
<b>Exemptions &amp; Waivers</b>				
Cal Vet (Fees)				
Total amount	\$42.1 M	\$44.7 M	\$45.9 M	\$47.7 M
Average award	\$12,570	\$12,570	\$12,735	\$13,089
90 <sup>th</sup> %	\$12,570	\$12,570	\$12,735	\$13,089
AB 540 (NR Tuition)				
Total amount	\$161.3 M	\$148.9 M	\$153.4 M	\$159.4 M
Average award	\$29,754	\$29,754	\$30,186	\$31,045
90 <sup>th</sup> %	\$29,754	\$29,754	\$30,186	\$31,045
Other				
Total amount	\$10.4 M	\$13.6 M	\$14.6 M	\$15.0 M
Average award	\$5,942	\$8,101	\$8,533	\$8,732
90 <sup>th</sup> %	\$29,754	\$29,754	\$30,186	\$31,045
<b>Loans and Work-Study</b>				
Loans				
DREAM Loan*	\$2.8 M	\$2.8 M	\$2.8 M	\$2.9 M
Total amount	\$8.0 M	\$10.7 M	\$11.5 M	\$11.8 M
Average award	\$1,652	\$1,716	\$1,807	\$1,850
90 <sup>th</sup> %	\$2,499	\$2,501	\$3,000	\$3,000
Work-Study				
Total amount	\$2.4 M	\$4.1 M	\$4.4 M	\$4.5 M
Average award	\$2,583	\$2,286	\$2,407	\$2,464
90 <sup>th</sup> %	\$4,000	\$4,000	\$4,000	\$4,000

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

## Trends in Student Costs, Resources, and Need

Figure 2 below displays information about the aggregate cost of attendance, expected parental resources, gift aid, and remaining need for California resident undergraduate need-based aid recipients in academic years 2021-22 through 2023-24. **Please review the caveats in the Overview section above.**

The total 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); the COAS was last administered in Spring 2021, and the results are available at <https://www.ucop.edu/institutional-research-academic-planning/services/survey-services/UCOAS.html>

The COAS asks students for information about their 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.

Overall, the aggregate cost of attendance for need-based aid recipients is estimated to increase by \$47.1 million between 2022-23 and 2023-24.

**Figure 2: Projected Undergraduate Student Costs and Resources, 2021-22 to 2023-24**

	2021-22 (actual)	2022-23 (estimate)	2023-24 (estimate)	2023-24 incr. (estimate)
Total # recipients of need-based aid/need	115,650	117,415	118,589	1,174
(a) Aggregate Total Cost of Attendance (TCOA)	\$4,332.2 M	\$4,484.0 M	\$4,671.7 M	\$187.7 M
(b) Aggregate Expected Parent Contribution	\$620.5 M	\$629.9 M	\$636.2 M	\$6.3 M
(c) Aggregate Federal gift aid	\$412.9 M	\$449.5 M	\$491.9 M	\$42.4 M
(d) Aggregate State gift aid				
Cal Grants	\$952.4 M	\$979.6 M	\$1,016.9 M	\$37.3 M
Middle Class Scholarships**	\$20.7 M	\$164.0 M	\$165.6 M	\$1.6 M
Other State aid	\$4.2 M	\$4.3 M	\$4.3 M	\$0.0 M
(e) Aggregate UC need-based grants	\$872.5 M	\$898.6 M	\$944.7 M	\$46.1 M
(f) Aggregate UC merit-based awards	\$100.7 M	\$107.7 M	\$111.3 M	\$3.6 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$161.0 M	\$163.5 M	\$165.1 M	\$1.6 M
(h) Aggregate private gift aid	\$33.7 M	\$36.5 M	\$38.2 M	\$1.6 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through h])	\$1,153.6 M	\$1,050.3 M	\$1,097.5 M	\$47.1 M

\* Dollar figures are in millions. See Overview for caveats and discussion of methodology.

\*\* MCS figures for 2022-23 are current estimates as provided by the California Student Aid Commission based on program provisions as approved in the 2021 Budget Act. For 2023-24, the estimated amount grows with enrollment, making no assumptions about additional funding for the program.

Of this amount, an estimated \$6.3 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.

Funding from Cal Grants is expected to grow by \$37.3 million as a result of tuition increases and enrollment growth. Funding from Pell Grants is expected to increase by 9 percent due to both the enrollment increase and an estimated increase in the maximum Pell Grant.

The University's undergraduate need-based grant is funded by a long-standing practice of setting aside 33 percent of new mandatory systemwide tuition and fee revenue. With the Tuition Stability Plan approved by the Board of Regents in 2021, that figure increases to 45 percent for all tuition increases through 2026-27.

As noted, Figure 2 reflects updates included in the 2021 Budget Act to the Middle Class Scholarship Program. The California Student Aid Commission provided the 2022-23 estimate based on current reported enrollment and offers made to UC students. Figure 2 includes no assumptions about additional increases to the program for 2023-24.

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 \$47.1 million in 2023-24. Both the 2022-23 and 2023-24 estimates are based on 2021-22 outcomes, adjusting for inflation and enrollment growth. See the Overview for a discussion of the caveats and changes to methodology reflected in Figure 2.

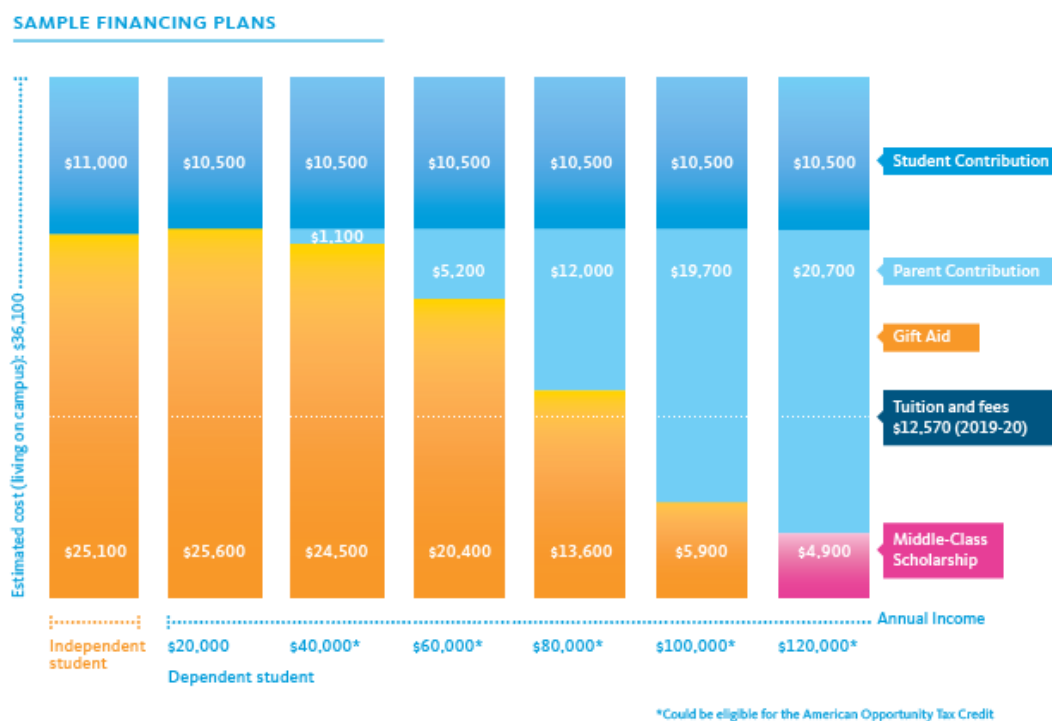
## III. FINANCING A UC EDUCATION

### Typical Financial Aid Packages

Figure 3 below depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category).

- *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, as necessary.
- *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.

**Figure 3: Typical Financial Aid Packages, 2019-20**



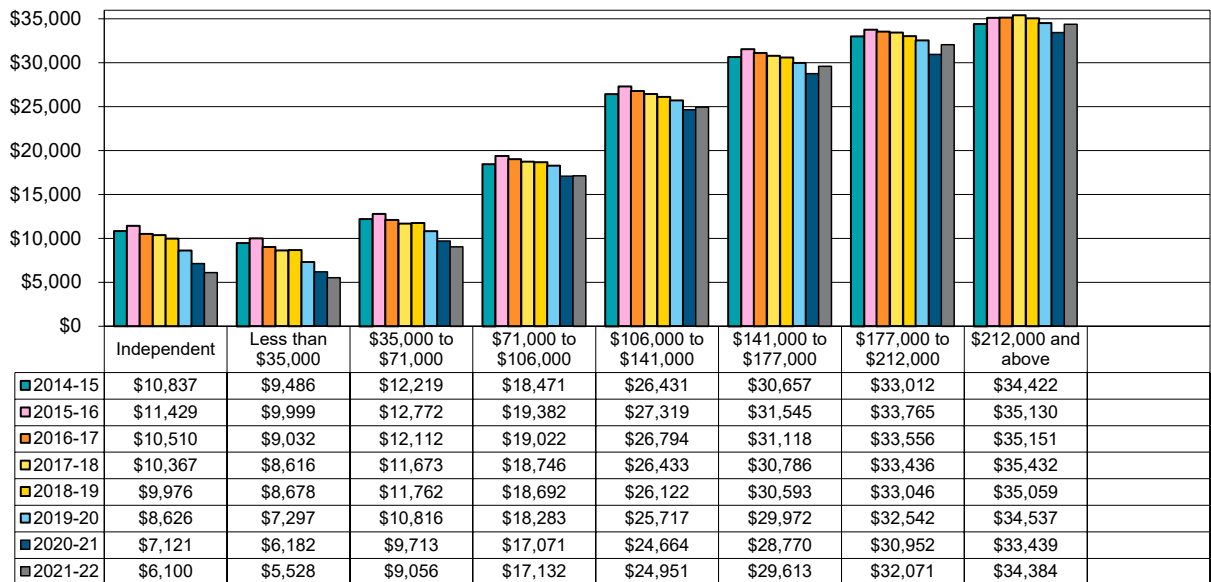


## Net Cost by Parent Income

The net cost of attendance represents the share of the total cost of attendance that a student and their family are responsible for covering, i.e., the Student Self-Help and Parent Contribution in Figure 3 above. Consistent with the EFM, UC's net cost – the cumulative impact of grants, scholarships, and exemptions on the actual cost of attendance – is lowest for those students with the fewest financial resources.

Figure 4 below shows the trend in net cost for UC students by family income over time. Changes in the net cost of attending the University – that is, a student's total cost of attendance less any grants, scholarships, and exemptions – have varied substantially depending on parent income. For families in the highest income bracket, the annual net cost of a UC education declined by approximately \$40 between 2014-15 and 2021-22 in inflation-adjusted dollars. Increases in gift aid further reduced the net cost for low- and middle-income families. Overall, the net cost declined for students ever income group between 2014-15 and 2020-21. (Note that the net cost for students in some income brackets increased between 2020-21 and 2021-22 as students returned to campuses. Living costs in 2020-21 were artificially low while most students studied remotely from home during the academic year.)

**Figure 4: Trends in the Net Cost by Parent Income Among CA Residents, 2021-22 Constant Dollars**



Net cost is a function of a number of elements, including the estimated total cost of attendance, parent contributions, and gift aid. The total cost of attendance does not vary much by income and the parent contribution is a function of the federal needs analysis formula. The primary tool to ensure that a UC education is affordable, then, is the use of need-based financial aid.

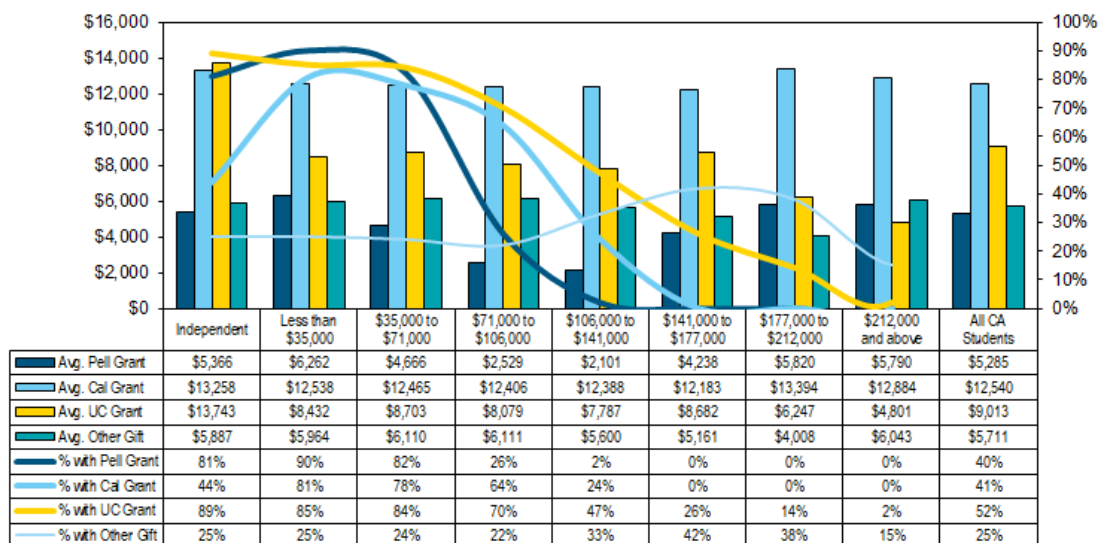
Figure 5 below shows the distribution of the primary federal, State, and University need-based grants by parent income. The federal Pell Grant program provides grants (up to \$6,495 in 2021-

22) to low-income students. Eligibility declines rapidly with income, leading to the steep drop-off shown by the dark blue line in the figure.

Cal Grants typically cover students' systemwide fees at UC. The Cal Grant program has an income ceiling that is high enough to include many families who do not qualify for a Pell Grant. However, as the light blue line in Figure 5 shows, the likelihood that a student qualifies for a Cal Grant declines quickly once parental income exceeds about \$100,000. Cal Grant eligibility requirements favor students who enroll in college within a year of graduating from high school or who transfer from a community college before they reach the age of 27, resulting in a lower percentage of Cal Grant recipients among independent students.

A student's UC grant (the gold line and columns) fills in any remaining need after taking into account the student's total cost of attendance, parental resources, self-help expectation from work and borrowing as necessary, and other grants received. Compared to Pell Grants and Cal Grants, UC grants serve a broader range of students and are more sensitive to students' overall resources and costs (not just tuition and fees). The average UC grant is highest for independent students for two reasons: needy independent students have no parental resources to draw upon and they are less likely than other low-income students to meet the Cal Grant eligibility requirements.

**Figure 5: Pell Grant, Cal Grant, & UC Grant Awards Among CA Residents, Academic Year 2021-22**



## Student Self-Help

As described above, the EFM assumes a consistent contribution from students to help cover their own total cost of attendance. The University's goal is to ensure that the self-help, which includes part-time work and borrowing, as necessary, is manageable.

The self-help level in any given year is a function of the estimated total cost of attendance less the expected contribution from parents and all available gift aid. If gift aid from any source increases in a given year, all things equal, the self-help expectation will decrease. If gift aid decreases, the self-help expectation will increase. As noted above, the Board of Regents increased the percentage of new tuition set aside for financial aid from 33 percent to 45 percent. Figure 6 below shows the average self-help level in 2021-22 by campus.

**Figure 6: Self-Help Levels 2021-22<sup>1</sup>**

	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	Santa Barbara	Santa Cruz	System
Average Self-Help	\$11,100	\$9,100	\$9,700	\$9,900	\$9,400	\$10,500	\$8,400	\$9,900	\$10,100	\$9,900

Figure 7 below shows the self-help levels by race and ethnicity. The variation between racial/ethnic groups is due to a number of factors that correlate with race. For example, the distribution of students from different racial/ethnic groups is not uniform across the system and, as Figure 6 shows, there is some variation by campus. The University awards its financial aid without preference to gender, race, ethnicity, or national origin.

**Figure 7: Self Help by Race/Ethnicity, 2021-22**

	African-American	American Indian	Asian	Chicano-Latino	Unknown	White
Average Self-Help	\$10,000	\$10,400	\$10,000	\$9,800	\$10,300	\$10,000

## Applicants

Figures 8-10 below show the number of applicants for financial aid – defined as those filing a Free Application for Federal Student Aid or California Dream Act Application – and the type of aid that they received.

As Figure 8 below shows, UC received 144,436 applications for financial aid from California residents, which is 75 percent of enrolled California residents. Of these applicants, 80 percent, or 115,708, received a Cal Grant or UC gift aid. As Figure 8 shows, the vast majority of those not receiving either a Cal Grant or UC gift aid were from families with an Expected Family Contribution (EFC) above \$20,000. Two percent (877) of the lowest income families were not served by these financial aid programs; they included late applicants, students served by other financial aid programs (e.g., large scholarship awards), or students otherwise ineligible (e.g., failed to register for the Selective Service, failed to complete other required paperwork).

Figure 9 below further examines the 28,728 students identified in Figure 8 who did not receive a Cal Grant or UC gift aid. Nearly 4,340 of these students missed the filing deadline for Cal Grants (see Figure 9).

**Figure 8: Applicants for Financial Aid and Receipt of Aid, by EFC, 2021-22**

<sup>1</sup> The self-help levels reported in Figures 6 and 7 represent averages across all UC need-based grant recipients. For each student, the self-help level represents the total cost of attendance less parent contribution and any gift aid.

<b>EFC Deciles (Not Income)</b>	<b>CA Resident Financial Aid Applicants</b>	<b>CA Residents with Cal Grant or UC Gift Aid</b>	<b>% of Applicants by EFC Decile</b>	<b>CA Residents without Cal Grant or UC Gift Aid</b>	<b>% of Applicants by EFC Decile</b>
\$0	43,748	42,871	98%	877	2%
\$0 to \$5,000	35,214	34,619	98%	595	2%
\$5,000 to \$10,000	15,784	15,344	97%	440	3%
\$10,000 to \$15,000	9,075	8,602	95%	473	5%
\$15,000 to \$20,000	6,712	5,929	88%	783	12%
\$20,000 to \$25,000	5,162	3,724	72%	1,438	28%
\$25,000 to \$30,000	4,217	1353	32%	2,864	68%
\$30,000 to \$35,000	3,512	554	16%	2,958	84%
\$35,000 to \$40,000	2,822	341	12%	2,481	88%
Greater than \$40,000	18,190	2,371	13%	15,819	87%
<b>Total</b>	<b>144,436</b>	<b>115,708</b>	<b>80%</b>	<b>28,728</b>	<b>20%</b>

An additional 6,963 students qualified for the Middle Class Scholarship program (see Figure 9). Accounting for both of these populations – those who did not meet the State’s deadline for applying for financial aid and those served by the State’s Middle Class Scholarship – leaves 17,428 students, or 12 percent of California on-time applicants for aid, who did not qualify for assistance, the majority of whom had high EFCs and were therefore less financially needy.

**Figure 9: Applicants for Financial Aid and Receipt of Aid, by EFC, 2021-22**

EFC Deciles	CA Residents without Cal Grant or UC Gift Aid	Late Applicants (post March 2)	MCS Recipients	On-time Applicants not served by Cal Grant, UC Gift Aid or MCS	% of all Applicants
\$0	877	486	14	377	1%
\$0 to \$5,000	595	319	13	263	1%
\$5,000 to \$10,000	440	192	52	196	1%
\$10,000 to \$15,000	473	155	90	228	3%
\$15,000 to \$20,000	783	185	267	331	5%
\$20,000 to \$25,000	1,438	191	772	475	9%
\$25,000 to \$30,000	2,864	283	1,502	1,079	26%
\$30,000 to \$35,000	2,958	307	1,535	1,116	32%
\$35,000 to \$40,000	2,481	277	1,242	962	34%
Greater than \$40,000	15,819	1,942	1,476	12,401	68%
Total	28,728	4,337	6,963	17,428	12%

Figures 10 and 11 below show applicants by financial aid dependency status and race/ethnicity.

**Figure 10: Applicants for Financial Aid and Receipt of Aid, by Dependency Status, 2021-22**

Dependency Status	CA Resident Financial Aid Applicants	CA Residents with Cal Grant or UC Gift Aid	% of Applicants by Dependency	CA Residents without Cal Grant or UC Gift Aid	% of Applicants by Dependency
Independent	14,967	14,127	94%	840	6%
Dependent	129,441	101,573	78%	27,868	22%
Total	144,408	115,700	80%	28,708	20%

**Figure 11: Applicants for Financial Aid and Receipt of Aid, by Race/Ethnicity, 2021-22**

Ethnicity/Race	CA Resident Financial Aid Applicants	CA Residents with Cal Grant or UC Gift Aid	% of Applicants by Race/Ethnicity	CA Residents without Cal Grant or UC Gift Aid	% of Applicants by Race/Ethnicity
African American	8,413	7,174	85%	1,239	15%
American Indian	727	571	79%	156	21%
Chicano/Latino	53,332	47,683	89%	5,649	11%
Asian	51,600	39,118	76%	12,482	24%
White	27,447	19,112	70%	8,335	30%
Unknown	2,917	2,050	70%	867	30%
Total	144,436	115,708	80%	28,728	20%

## California Dream Loans

The California Dream Loan program provides student loans to undocumented AB540 students at CSU and UC. The Legislature provided \$2.5 million in UC's annual budget for the program, which has been matched by UC's own funding of \$2.5 million each year. Figure 12 shows the Dream loan allocations and awards for years 2019-20 to 2021-22. One UC campus augmented its funding in 2019-20. Up to 4,000 undocumented students have access to student loans as a tool to finance their education. Their documentation status currently prohibits these students from qualifying for federal student loans. In 2020-21, graduate academic and professional students who are undocumented also became eligible to borrow through the program.

Demand for the program has not yet matched the funding available and there are proposals to expand borrowing limits at the graduate level, as well as considering how unused funds may be rolled over into a scholarship for these students in proceeding years. As is mentioned throughout this report, 2020-21 showed decreases in loan borrowing across all programs and students due to COVID relief.

**Figure 12: California Dream Loan Allocations, Awards**

	2019-20	2020-21	2021-22
State Match	\$2,500,000	\$2,500,000	\$2,500,000
UC Match	\$2,500,000	\$2,500,000	\$2,500,000
<b>Combined Funding</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>
Supplemental Funding	\$109,000		
<b>Total Dream Loan Funding</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>
<b>Loans Borrowed</b>	<b>\$4,571,319</b>	<b>\$2,959,982</b>	<b>\$3,127,520</b>
<b>Recipients (Full Year Equivalent)</b>	<b>1,557</b>	<b>935</b>	<b>946</b>
<b>Average Loan</b>	<b>\$2,935</b>	<b>\$3,165</b>	<b>\$3,307</b>

## IV. OUTCOME MEASURES

The University monitors multiple student outcome measures in order to evaluate the effectiveness of its undergraduate financial aid programs. They are designed to answer four basic questions:

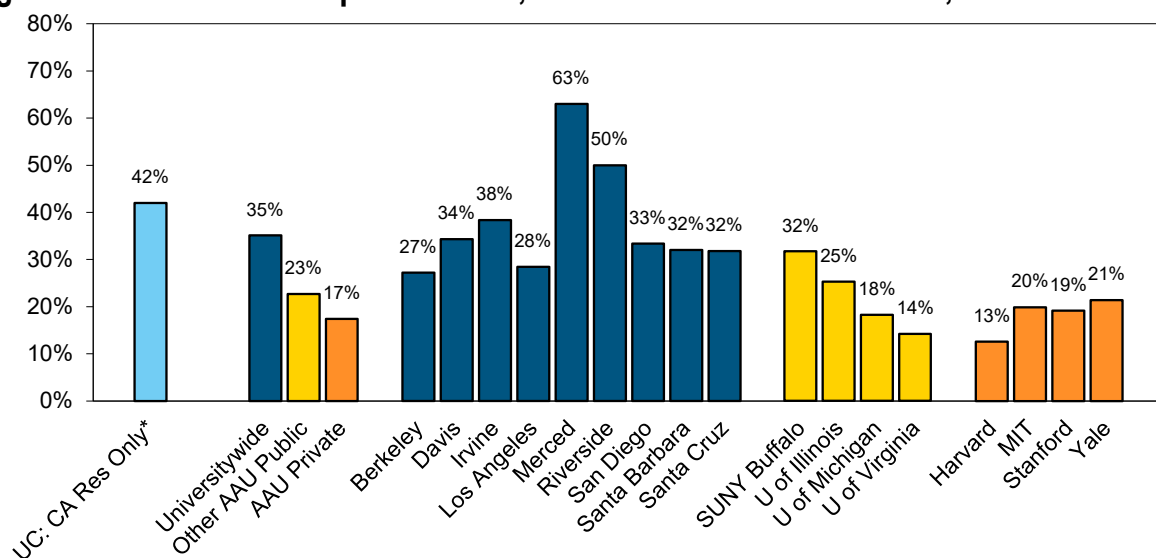
- Is the University financially accessible to students at every income level?
- Do UC students work manageable hours?
- Do students' financial circumstances affect their academic success?
- Do students graduate with manageable debt?

Additional outcome measures are available in the University's Accountability Report, online Information Center, and Annual Report on Student Financial Support.

### Enrollment of Low-Income Students

The percentage of undergraduate students with Pell Grants provides a useful means to compare different institutions in terms of their financial accessibility for low-income students. See Figure 13 below.

**Figure 13: Pell Grant Recipients at UC, Other Research Universities,<sup>2</sup> 2020-21**



<sup>2</sup> Association of American University (AAU) member institutions.

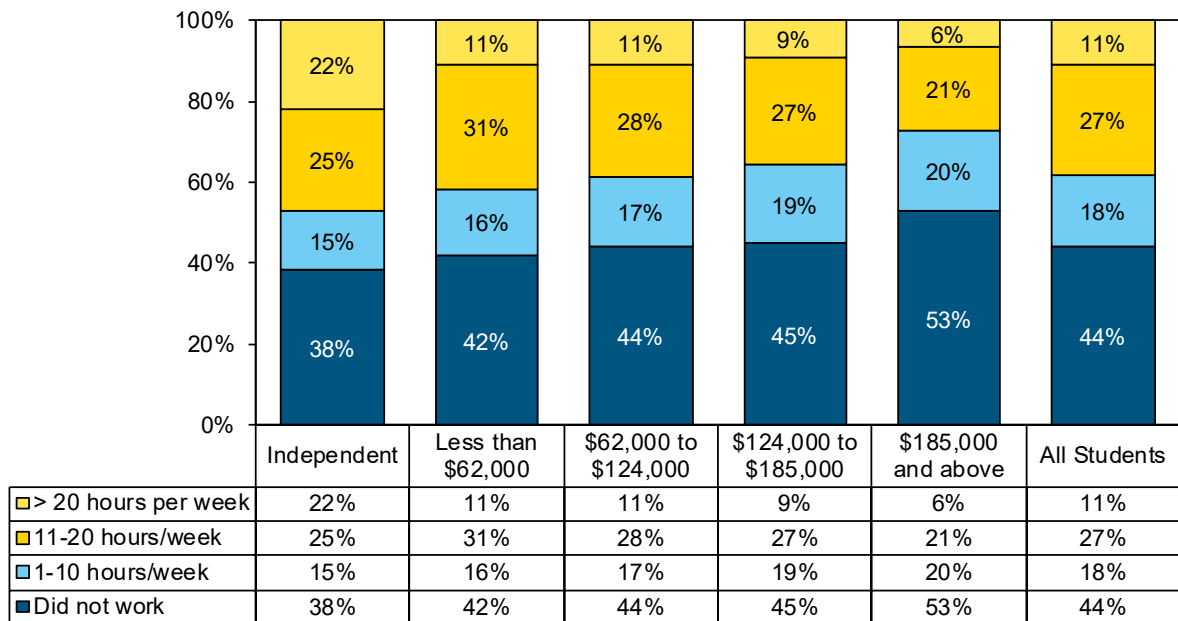
Systemwide, UC enrolled a higher percentage of Pell Grant recipients among all students – 35 percent – than any other top research university in the country in 2020-21.<sup>3</sup> To keep the Pell percentages comparable with other institutions, all undergraduates are included when calculating the 35 percent. The percentage of Pell Grant recipients increases to 42 percent when limiting the analysis to California residents.

UC’s exceptional success at enrolling low-income students is due, in part, to a combination of two strong need-based aid programs: the University’s own institutional aid program and the State’s Cal Grant program. While students at other institutions often benefit from either a strong institutional aid program or a strong state aid program, UC students benefit from both.

## Student Work Hours

Under the EFM, the University expects each student to make a manageable contribution from employment towards financing the cost of the student’s education, not to exceed 20 hours per week. The “cap” of 20 hours per week was based on research that suggests working more than that tends to negatively affect a student’s academic progress and performance. The University conducts periodic student surveys to monitor students’ employment patterns. Findings from the Spring 2019 survey are shown in Figure 14 below. Findings from the Spring 2021 survey were not usable due to the impacts of the pandemic, but updates will be available later in 2023.

**Figure 14: Hours of Student Employment by Income, All Undergraduates, 2019 University of California Cost of Attendance Survey (COAS)**



Among dependent students, work patterns show relatively slight variations by parent income. Many students at every income level do not work. This is consistent with the flexibility inherent in the EFM about how students actually cover their expected contributions. It also supports

<sup>3</sup> Figures shown are for 2020-21, the most recent year for which data are available through the Federal Integrated Postsecondary Education Data System (IPEDS). IPEDS figures include only students enrolled in the Fall term and hence may differ slightly from figures published elsewhere.



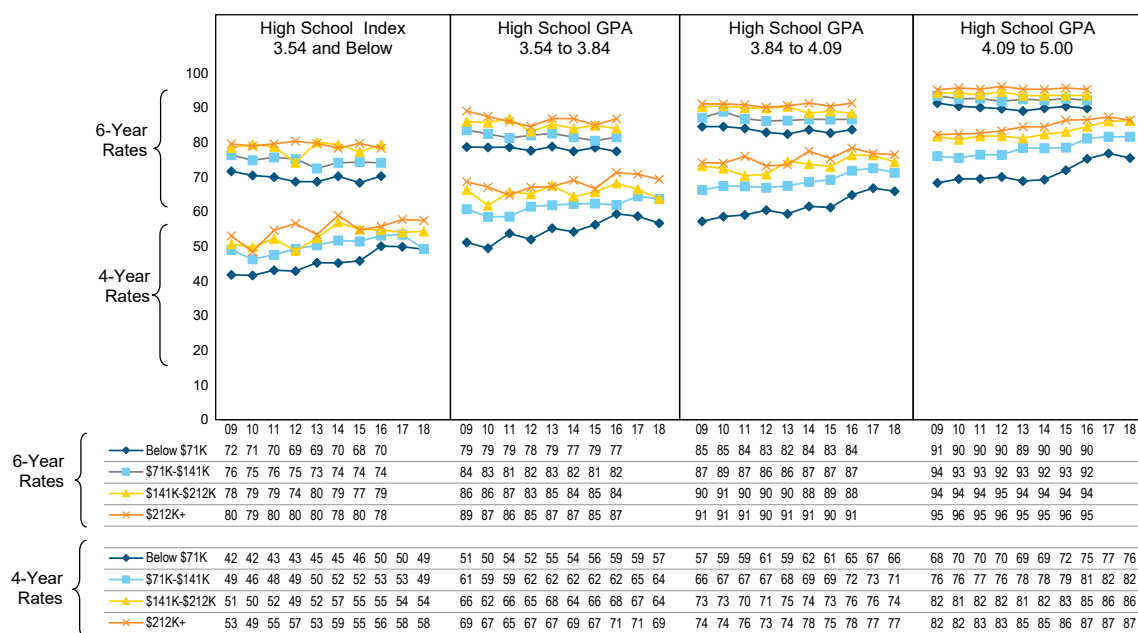
findings from a survey of parents of UC students, many of whom felt that it was their responsibility to cover their student's expenses so that their student did not have to work. One reason why some parents perceive UC's costs as burdensome may be that they are covering not only their expected share but also the student's expected contribution from work.

Some students at every income level report working more than 20 hours per week, which is beyond the upper bound of the University's manageable range. Many factors may account for this, such as parents who are unable or unwilling to contribute the amount expected of them, or extraordinary expenses (higher than average discretionary expenses, family obligations, etc.).

## Academic Success

Four-year graduation rates for higher-income students have generally exceeded those of lower-income students with similar levels of academic preparation. These rates, which have diverged and converged somewhat at different points in time, show no apparent relationship to changes in students' costs or financial aid. See Figure 14 below.

**Figure 15: Four- and Six-Year Graduation Rates by Entering Year, Parent Income and High School GPA**



Six-year graduation rates show less difference by parental income level. Overall, the patterns suggest that the University's financial aid programs allow low-income students to remain enrolled long enough to overcome socioeconomic disadvantages, although additional work is necessary to close these gaps.

## Cumulative Debt Upon Graduation

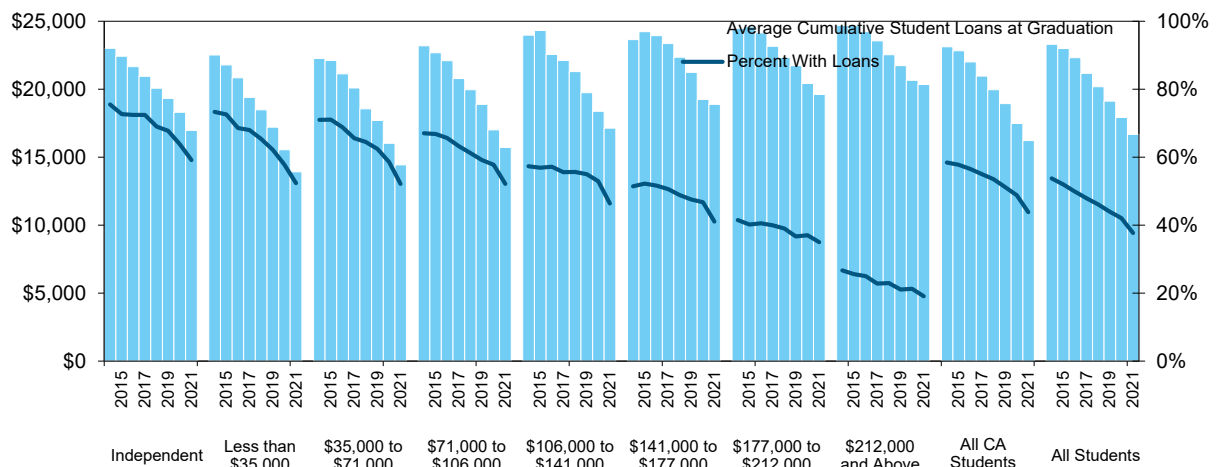
The incidence of postgraduate debt declines with parent income. Students from high-income families are much less likely to graduate with debt than students from low-income families or independent students (see the dark blue lines in the figure below).

Overall, 38 percent of the UC graduating class of 2021-22 had some student loan debt, slightly less than the 2020-21 graduating class (42 percent). The average cumulative student loan debt at graduation for these borrowers (\$16,685) was lower than the comparable figure for 2020-21 graduates (\$17,920) after adjusting for inflation.

Borrowing among California resident students is higher (44 percent) than borrowing among all undergraduates, but still represents a decline from 2020-21 where 49 percent borrowed. Resident undergraduates saw a similar decline in the average debt, from \$17,487 in 2020-21 to \$16,236 in 2021-22 after adjusting for inflation.

UC's average student debt at graduation for all students and for California residents remains low compared to national averages. Nationally, 62 percent of the graduating class of 2019 had student loan debt, with an average of \$28,950 per borrower, according to the Project on Student Debt.<sup>4</sup>

**Figure 16: Trends in Cumulative Debt at Graduation Among California Residents by Parent Income and Among All Students, 2021 Constant Dollars**



<sup>4</sup> Website reference (accessed January 15, 2021): <https://ticas.org/our-work/student-debt/>.

## Appendix: Detailed Expenditures

Pursuant to **Section 66028.6** of the Education Code, the University of California is required to provide annually to the Legislature information on the expenditures of student fee revenues. The use of student fee revenue is reported, in the Detailed Expenditures by Program section of the Governor's Budget's, for past, current, and budget years. The table below lists the information presented in the Governor's Budget, by the representative expenditure categories. The report is to be submitted on or before February 1 each year, beginning with the 2012-13 academic year.

UC combines General Fund and fee revenue for efficient fiscal operations. It does not budget nor expend resources by individual fund source.

6440 UNIVERSITY OF CALIFORNIA DETAILED EXPENDITURES BY PROGRAM STUDENT MANDATORY FEES (Rounded to thousands)		
	2021-22 (actual)	% of Total
<b>INSTRUCTION</b>		
GENERAL CAMPUSES INSTRUCTION	1,361,979	35.30%
HEALTH SCIENCES INSTRUCTION	91,959	2.38%
Subtotal	1,453,938	37.68%
<b>ACADEMIC SUPPORT</b>		
LIBRARIES ACADEMIC SUPPORT	79,327	2.06%
OTHER ACADEMIC SUPPORT	287,318	7.45%
Subtotal	366,645	9.50%
<b>STUDENT SERVICES</b>		
Subtotal	415,842	10.78%
<b>INSTITUTIONAL SUPPORT</b>		
Subtotal	264,966	6.87%
<b>OPERATION AND MAINTENANCE OF PLANT</b>		
Subtotal	97,253	2.52%
<b>STUDENT FINANCIAL AID</b>		
Subtotal	1,260,022	32.65%
<b>TOTAL</b>	<b>3,858,666</b>	<b>100.00%</b>

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