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OFFICE OF THE PRESIDENT

ANNUAL REPORT ON
STUDENT FINANCIAL SUPPORT

2003-2004

OFFICE OF THE VICE PRESIDENT FOR STUDENT AFFAIRS
STUDENT FINANCIAL SUPPORT
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Preface

This report, submitted to The Regents of the University of California, provides comprehensive data on how undergraduate and graduate students at the University of California financed their education in the 2003-04 academic year. The report is compiled by the Student Financial Support unit in the Student Affairs department at the UC Office of the President.

This document is intended to be a resource for the University community. It provides analyses of the trends and future directions in financial aid for University of California students and describes the roles played by the University and other parties in helping students and their families finance a UC education. The report reflects the broad range of sources and types of assistance, including scholarships, fellowships, grants, loans, work-study, teaching and research assistantships, and on-campus employment.

Note that many descriptive statistics regarding the University's financial aid program in 2003-04 were published in March 2005 in the University's annual report to the Governor and the Legislature, University of California Financial Aid Programs. That report, along with many other reports and analyses related to student financial support, may be found on the Student Financial Support website at http://www.ucop.edu/sas/sfs/.
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EXECUTIVE SUMMARY

In 1994, the Regents adopted a financial aid policy that established the guiding principles of the University’s financial aid programs, which are closely linked to the University’s mission:

- The University’s commitment to its undergraduate students is built first upon its mission to provide instruction. The primary goal of the University’s undergraduate financial aid programs is to ensure that the University remains financially accessible so that financial considerations are not a barrier for academically eligible students in seeking and obtaining a UC degree.

- The University’s graduate enrollment is tied most directly to the University’s research mission and to helping the state meet its professional workforce needs. The Regents’ policy calls upon the University to attract a diverse pool of highly qualified students by providing appropriate support relative to the cost of attending the University, informed by a periodic assessment of the competitiveness of University support levels.

Financial Support for Undergraduate Students

In 2003-04, 64% of UC undergraduates received nearly $1.2 billion in student financial aid. Over half (57%) received grants or scholarships totaling $675 million.

- Over 85% of all grants and scholarships received by UC undergraduates were awarded on the basis of need, consistent with the University’s goal of being financially accessible to students at every income level. (See pp. 9-12.)

- The University uses an integrated framework (the “Education Financing Model”) to assess UC’s role in funding its financial support programs, to allocate financial aid across campuses, and to guide the awarding of aid to individual students. The framework expects a partnership between students, parents, state and federal governments, and the University to finance a student’s education. (See pp. 4-7.)

In 2003-04, the University’s average net cost of attendance increased for students at every income level. The increase was driven by both fee increase and increases in non-fee student expenses.

- Increased grant support – primarily from the Cal Grant program and the University’s own grant program – mitigated the impact of cost increases for low- and middle-income students. Although the University’s total cost of attendance increased by over $2,000 between 2002-03 and 2003-04, the inflation-adjusted net cost of attendance increased by about $650 for independent students and students in the lowest income brackets; the average net cost for middle-income families increased by about $1,200. (See pp. 20-22.)
The University’s primary need-based grant program, in conjunction with the Cal Grant program, generally covered the increase in systemwide fees for low-income students and some middle-income students. The University implemented a new, supplemental grant program for 2003-04 to cover one-half of the fee increase for other needy middle-income students. (See p. 12.)

Although systemwide fee increases result in additional Cal Grant support and more funding for UC’s need-based grant program, no fund source automatically increases to cover rising non-fee costs such as room and board, books and supplies, and transportation. Federal Pell Grants and the Cal Grant B stipend help students cover these expenses, yet they have not kept pace with inflation or with recent cost increases. (See pp. 17-20.)

To date, cost increases do not seem to have resulted in increased levels of student borrowing or student employment. Nevertheless, each year, some students borrow and/or work at levels that the University considers to be excessive, while many students at every income level do not work or borrow at all. Several factors may help explain why certain students borrow or work too much, including the amount of support provided by students’ parents and some above-average discretionary expenses. (See pp. 27-30, 33-35.)

Scholarship support – both from outside sources and from UC’s own fundraising efforts – will continue to be an important part of the University’s financial aid programs. These awards benefit students at every income level and can dramatically reduce the amount that individual students need to work and borrow. (See pp. 12-13.)

Despite recent cost increases, several indicators suggest that the University remained financially accessible to undergraduate students at every income level in 2003-04.

The percentage of undergraduates who borrow continued to decline in 2003-04, and their average loan amount changed little from 2002-03. (See pp. 22-23.)

In 2003-04, as a system, the University enrolled a higher percentage of Pell Grant recipients than any other comparably selective institution, public or private. (See p. 24.)

Trends in the income distribution of UC students – both among the Fall 2003 freshman class and among all UC undergraduates – show no change in recent years attributable to cost increases. (See pp. 25-27.)

Students with similar levels of academic preparation from low-, middle-, and high-income families achieve similar levels of academic success at UC as measured by their persistence, the number of units completed after two years, and their six-year graduations rates. (See pp. 30-33.)

Just over half (53%) of students who graduated in 2003-04 had some student loan debt, the same proportion as in 2002-03. Those borrowers had slightly greater debt at
graduation ($13,731), on average, than students who graduated in 2003-04 ($13,608) after adjusting for inflation. *(See p. 33-35.)*

**Financial Support for Graduate Students**

In 2003-04, 87% of UC graduate students received $1.0 billion in student financial support. 60% of students received grants or fellowships totaling $297 million, and 51% received $435 million in support from teaching and research assistantships.

- Graduate academic and professional degree students receive different types of aid, due to differences in the competition for these students, their expected earnings, and the length of their programs. *(See pp. 42-44.)*

- On a per capita basis, graduate academic students received $22,714 in grants, fellowships, and assistantships in 2003-04, compared to $6,555 for graduate students in professional degree programs. *(See p. 43.)*

- Graduate students in professional programs borrowed $14,037 per capita in 2003-04, or about 6 times the amount borrowed by graduate academic students. *(See p. 43.)*

Recent increases in fees, nonresident tuition, and student health insurance costs have increased the strain on the fund sources that cover those costs.

- For graduate academic students, per capita support from fellowships, teaching assistantships, and research assistantships increased by 8% between 2000-01 and 2003-04, adjusted for inflation. Despite this additional funding, graduate academic students’ net stipend – the value of their gift aid and assistantships in excess of fees, tuition, and health insurance – declined by 2% during that period. *(See pp. 44-47.)*

- Competitive aid received by graduate professional degree students typically does fully cover their student fees. On a per capita basis, these students had net fees (i.e., fees not covered by gift aid or assistantships) of $7,611 in 2003-04, although the amount varied greatly by discipline. *(See p. 53.)*

The University continues to be concerned about the competitiveness of its financial support for academic graduate students – particularly students in doctoral programs.

- The most recent information available suggests that the University’s financial support offers to students admitted to its doctoral programs are worth about $2,000 less than the offers that students received from their top-choice, non-UC institution. *(See p. 50.)*

For many students in the University’s professional degree programs, their debt at graduation will remain manageable due to these students’ relatively high earnings upon graduation. For other students, the availability of flexible loan repayment plans and loan repayment assistance will become increasingly important.
Surveys conducted by campus career services offices indicate that the average earning potential of graduates of the University’s professional degree programs varies widely by discipline. In some instances, it is quite high. For example, the median private-sector starting salary for graduates of two of the University’s law schools was $125,000 in 2004. (See p. 55.)

Flexible loan repayment plans (including income-contingent repayment plans) are available to graduates of all programs in order to improve the manageability of their debt at graduation. (See p. 55.)

For students pursuing public interest work, University and extramural loan repayment assistance plans (LRAPs) provide additional relief in some cases. (See pp. 56.)
INTRODUCTION

The wide range of 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, these programs provided over $2.2 billion in financial assistance to UC students in 2003-04 and are critical to the University’s success in carrying out its missions. Viewing undergraduate and graduate financial aid programs in terms of the University goals and missions that they serve is fundamental to understanding the University’s financial support programs and their effectiveness.

The Goals of the University’s Undergraduate and Graduate Financial Aid Programs

California’s Master Plan for Higher Education assigns to the University the three distinct missions of instruction, research, and public service. The University’s undergraduate and graduate enrollments each are tied differently to the University’s missions. The financial assistance programs, like other University programs, reflect the primary links between undergraduate enrollment and the University’s instructional mission and graduate enrollment and the University’s research mission.

The University’s Instructional Mission and Financial Assistance for Undergraduates

The University’s commitment to serving its 169,000 undergraduates is built first upon its mission to provide instruction. California’s Master Plan for Higher Education calls for the University to select its undergraduates from among the top one-eighth of public high school graduates. This means that the enrollment of undergraduates centers on accommodating and serving those undergraduate students deemed to be eligible for admission to the University.

...the University’s undergraduate financial assistance program is built around the goal of providing eligible students with access to the University.

The University’s undergraduate financial assistance program is thus built around the goal of providing eligible students with access to the University. Undergraduate aid is intended to ensure that financial concerns are not a barrier to eligible students choosing to attend the University. Consequently, most of the undergraduate financial assistance at UC is distributed on the basis of family financial circumstances. This assistance is intended to make the University accessible to students who could not otherwise afford to attend UC.
The University’s Research Mission and Financial Assistance for Graduate Students

The University’s graduate enrollment of approximately 44,000 students is tied most directly to the University’s research mission. The underlying goal of graduate education at UC 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 research mission, which makes important contributions to the California economy, and its role in helping the state to meet its academic and professional workforce needs. These contributions are maximized when the University can attract the top candidates from the pool of prospective graduate level students to support faculty and their research.

Support for graduate students is intended not simply to make the university accessible, but also to help entice top students to choose UC over other institutions for graduate study.

The goal of graduate financial support, then, differs substantially from that of undergraduate financial support. Support for graduate students is intended not simply to make the university accessible, but also to help entice top students to choose UC over other institutions for graduate study. This makes graduate student support more than just a means for providing access. It is also one of the University’s recruitment tools, the success of which is tied closely to whether the University’s offers of financial assistance are competitive with those made by other universities competing for the same students. Graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

Organization of the Annual Report

This report provides detailed information regarding the University’s student financial support programs during the 2003-04 academic year. It also describes trends, where possible, to illustrate how the financial support received by UC students has changed over time, along with various outcome measures designed to evaluate the adequacy of student financial support.

Section 1 provides information about undergraduate student support, with an emphasis on the financial accessibility of the University for students and their families. Section 2 covers graduate student support for both graduate academic students and students enrolled in the University’s professional degree programs. Section 3 describes other state and federal programs that provide assistance to both undergraduate and graduate students. Section 4 contains a series of annotated charts that provide an overview of aggregate levels of support received by UC students.

The layout and content of this report will continue to evolve in order to provide relevant, useful, and timely data to The Regents and other University of California stakeholders.
SECTION 1
FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS

Key Points

- In 2003-04, 64% of UC undergraduates received nearly $1.2 billion in student financial aid. Over half (57%) received grants or scholarships totaling $675 million.

- Despite increases in grant and scholarship support, the University’s net cost of attendance increased for students at every income level in 2003-04.

- The University’s primary need-based grant program, in conjunction with the Cal Grant program, generally covered the increase in systemwide fees for low-income students and some middle-income students, but did not fully cover increases in non-fee costs.

- The University implemented a new, supplemental grant program for 2003-04 to cover one-half of the fee increase for other needy middle-income students.

- The percentage of undergraduates with student loans continued to decline slightly in 2003-04. Among borrowers, the average student loan remained essentially unchanged from 2002-03 levels in inflation-adjusted dollars.

- Although recent cost increases do not seem to have resulted in higher levels of student borrowing or student employment, each year, some students borrow and/or work at levels that UC considers to be excessive.

- A variety of outcome measures related to student enrollment, academic progress, graduation, and cumulative indebtedness suggest that the University continues to be financially accessible to students at every income level.

Over 60% of UC undergraduates received financial assistance in 2003-04 to help cover the cost of attending the University. While this annual report focuses on the financial assistance received by UC students, all students – whether recipients of financial assistance or not – benefit tremendously from the State of California’s investment in the University. The state’s investment results in student charges that are much lower than those at independent institutions. UC undergraduate resident fees in 2003-04 were over $22,000 less than the average tuition and fees charged by comparable independent institutions.

Figure 1-1 illustrates this differential in terms of the percentage of California median household income required to cover fees at UC versus the percentage required to cover average tuition and fees at an independent institution. It shows that not only do UC fees demand a far smaller portion of median household income, but also that, expressed as a percentage of median family income, UC fees declined for seven consecutive years between 1994-95 and 2001-02, when they reached their lowest point since 1991-92. The decline in the percentage of median household required to
Cover fees was driven largely by two factors: steady or declining systemwide fee levels at UC, and growth in California household income levels at rates double the increases in the California Consumer Price Index. More recently, UC fee increases have outpaced the growth in California household income. Nevertheless, the gap between undergraduate UC fees and the fees and tuition charged by comparable independent institutions remains substantial.

Figure 1-1
Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as a Percent of California Median Household Income, Academic Years 1984-85 to 2003-04

Student fees are just one component of the total cost associated with full-time college attendance. The total cost of attendance – or student budget – consists of a student’s direct educational costs (e.g., fees, textbooks, and supplies) as well as costs such as living expenses, health care expenditures, and transportation costs that are incurred by the student while enrolled.

In 2003-04, over 60% of University undergraduates received some form of financial assistance from University, state, federal, and/or private financial aid programs to help cover their total cost of attendance. Over half of undergraduates received grants or scholarships – often referred to as “gift aid” – that reduce the “net cost” of attending the University. For many UC undergraduates, this financial assistance is what makes a University of California education possible.

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1 The independent institutions in the comparison are Brown, Caltech, Claremont McKenna, Columbia, Cornell, Dartmouth, Duke, Georgetown, Harvard, M.I.T., Northwestern, Notre Dame, Occidental, Pepperdine, Princeton, Saint Mary’s College of Moraga, Santa Clara University, Stanford, the University of Pennsylvania, U.S.C., and Yale.
Financing a UC Education: the Education Financing Model

The University’s approach to student financing is built around an integrated conceptual framework that is used to assess the University’s role in funding its financial support programs, to determine how undergraduate financial aid is allocated across campuses, and to guide the University’s work in awarding aid to individual students and their families.

This framework, known as the Education Financing Model, is based on four principles:

- The University must acknowledge the student’s total cost of attendance: resident student fees, living and personal expenses, and costs related to books and supplies, transportation, and health care.

- Financing a UC education requires a partnership between students, parents, federal and state governments, and the University.

Financing a UC education requires a partnership between students, parents, federal and state governments, and the University.

- To maintain equity among undergraduate students, all students are expected to make a similar contribution from student loans and employment to help finance their education.

- 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.

These principles are reflected in a relatively simple framework for determining the components of a student’s financial aid package. This framework is illustrated below.

\[
\begin{align*}
\text{The Total Cost of Attendance} & \quad Less \quad \text{A reasonable contribution from parents} \\
& \quad Less \quad \text{Grants from federal and state programs} \\
& \quad Less \quad \text{A manageable student contribution from work and borrowing} \\
\hline
\text{Equals} & \quad \text{University grant aid needed}
\end{align*}
\]
What do these principles mean for the parents of UC undergraduates?

- As they prepare to help finance the cost of a UC education, parents need to consider the entire cost of attendance, not just University fees.

- Parents are expected to contribute to the extent they are able, as defined by federal standards, which take into account parental income and assets (excluding home equity), family size, the number of family members in college, and other factors. Parents with very limited resources may have no contribution expected of them.

  Parents are expected to contribute to the extent they are able, as defined by federal standards...

- The federally defined parent contribution rises rapidly as income increases. Since many parents find that they cannot meet their assigned contribution from current income alone, parents should be prepared to meet part of their expected contribution by planning and saving beforehand and/or by borrowing once their son or daughter is enrolled. Under the Model, students whose parents do not fulfill their part of the partnership may have to work or borrow more in order to cover their costs.

- Parents who contribute beyond their expected share in order to assume some or all of the student’s expected contribution from work and borrowing may be unduly burdened.

What do these principles mean for UC students?

- All undergraduates can expect to be called upon to cover part of their cost of attendance through a combination of loans and wages from employment. This “loan/work expectation” is not identical for all students: it varies according to campus resources and financial aid policies. However, the Model establishes a range that serves as a guide for campuses. The University’s goal is to keep the loan/work expectation at a level that allows students to make steady progress toward completion of the baccalaureate degree (i.e., to work no more than 20 hours per week during the academic year) and to meet their loan repayment obligations after graduation.

  All undergraduates can expect to be called upon to cover part of their cost of attendance through a combination of loans and wages from employment.

- Students can influence their loan/work expectation in several ways. By reducing expenses, students lower their individual cost of attendance and hence the amount they will need to earn or borrow. Conversely, students who spend more than the average or who incur additional expenses that are unrelated to attendance will have to work or borrow more. Students can also reduce their loan/work expectation by taking advantage of the availability of merit-based scholarships (for example, those based on academic perform-
ance, community service, special talent, or other personal characteristics). Students can also plan ahead by saving for their college expenses before they enroll.

- Individual students decide the balance between work and borrowing that is right for them. This balance will depend on their own preferences, other resources available to them, their ability to find academic-year employment, and their ability to save their summer earnings. All students, however, should plan to borrow and to be employed as they work towards their degree in order to keep both their loans and their work obligations from becoming unmanageable.

- Students are expected to apply for all federal and state financial aid grant programs available to them, and to meet application deadlines. Late applicants are generally assigned a loan/work expectation that is larger than the contribution expected of on-time applicants.

- Undergraduates who are not financially dependent on their parents (according to federal definitions) may be assigned a loan/work expectation that falls outside the range used to guide the contribution expected of dependent students.

**What do these principles mean for the University?**

- At the systemwide level, the University's activities in determining funding levels for its need-based grant program, determining how these funds are allocated across the campuses, and setting guidelines for awarding those funds to students are carried out in accordance with the principles and framework of the Model. These funds, unlike funds such as endowments, are specifically for providing students with access to the University. The Model does not apply to student financial support funds generated and held at the campus level. Campuses are encouraged to develop additional resources in support of their own enrollment management goals.

- Although future funding levels cannot be guaranteed, the University's goal is to provide sufficient systemwide funding to keep students' loan/work expectations within the range established by the Model.

> The University’s goal is to provide sufficient systemwide funding to keep students' loan/work expectations within the range established by the Model.

- The University develops and updates the loan/work expectation range annually. In doing so, the University recognizes that the amount students can contribute from work will depend primarily on the number of hours worked, students’ wages, and students' ability to find summer jobs that allow them to live at home and save the majority of the earnings for use during the academic year. The earnings component of the loan/work ranges is based on the expectation that students will work during the summer and between 6 and 20 hours per week during the academic year. The borrowing component of the loan/work range reflects the portion of post-graduation earnings that students can be reasonably expected to dedicate to loan repayment according to credit industry standards.
The University of California’s undergraduate financial assistance programs are designed to make the University financially accessible to all academically eligible students. Put another way, they are designed to make the full cost of attending the University – known as the cost of attendance or the student budget – manageable for all eligible students and their families.

Undergraduate student budgets vary by such factors as residency status, campus, and living arrangement (living with parents, on campus, or off campus). The average UC undergraduate student budget for 2003-04 for a California resident living on campus is shown below.

<table>
<thead>
<tr>
<th>Average On-Campus Undergraduate Student Budget, Academic Year 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Fees: $5,520</td>
</tr>
<tr>
<td>Books and Supplies: $1,282</td>
</tr>
<tr>
<td>Living: $9,689</td>
</tr>
<tr>
<td>Personal Expenses: $1,346</td>
</tr>
<tr>
<td>Transportation: $911</td>
</tr>
<tr>
<td>Healthcare Allowance: $550</td>
</tr>
<tr>
<td>TOTAL: $19,299</td>
</tr>
</tbody>
</table>

Since 1998-99, campus student budgets have been determined using a combination of known institutional charges (e.g., fees and on-campus room-and-board charges) and results from the systemwide Cost of Attendance Survey (COAS). The COAS, conducted every three years since 1997, provides the most comprehensive data available on UC undergraduates’ non-fee expenses. The survey provides a standardized basis for calculating student budgets at each campus that reflect local economic conditions and student spending patterns.

UC’s cost of attendance figures are generally more inclusive than those used by other institutions in two ways. First, the University uses survey results to estimate students’ actual expenditures for most non-fee components of the student budget. This differs from the practice of many other institutions, which often assign student budgets according to what they believe students should spend rather than what they do spend. Second, UC appears to include more costs as legitimate educational expenses than do other institutions. These include certain transportation costs, cell phone costs (for survey respondents whose cell phones are their only phone), computer supplies, food and snacks beyond a student’s meal plan, and health insurance costs for students who waive out of the University’s undergraduate health insurance plan because they have other coverage (since families generally incur some expense to obtain that coverage, and health insurance is a condition of enrollment).
How UC Undergraduates Finance Their Education

Students and their families rely on a variety of resources to finance their education. These include state, federal, and University-funded grant programs; UC and extramural scholarship programs; fee and tuition waivers and exemptions; student and parent loans; student and parent current income; and savings. Most students rely on a combination of fund sources to cover their entire cost of attendance. This section of the report describes the role played by each of these sources for UC students and their families.

**Gift Aid: Grants and Scholarships**

In 2003-04, 57% of UC undergraduates received support worth $675 million from grants and scholarships, which are collectively known as “gift aid.” Gift aid is the most important type of aid for students and their families because it reduces the net cost of attending college and lessens the need for students and their families to contribute from savings, current income, or loans.

The line in Figure 1-2, below, depicts the percentage of undergraduate students in various income bands who received gift aid in the 2003-04 academic year. The bars show the average value of the gift aid that they received.

**Figure 1-2**
**Gift Aid Recipients and Average Award by Parent Income, Academic Year 2003-04**

The pattern depicted in Figure 1-2 reflects the University’s primary goal of using financial aid to ensure that financial considerations are not a barrier to access for financially needy students: independent students and students from low-income families are more likely to receive gift aid than higher-income students, and generally receive larger awards. Consistent with this goal, over 85% of all gift aid received by UC undergraduates was awarded on the basis of need in 2003-04. Figure 1-2 also shows, however, that a significant portion of students at every income level received some form of gift aid.
As noted above, gift aid includes both grants and scholarships.

- **Grants** are need-based awards distributed primarily on the basis of a student’s financial circumstances. The University, through the Education Financing Model, dedicates most of its undergraduate financial aid resources to grants, consistent with its vision of undergraduate financial aid as a tool intended primarily to provide access to UC.

- **Scholarships** are based on criteria such as academic achievement, musical talent, 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 scholarship.

Figure 1-3, below, depicts the percentage of undergraduate students in each income band who received assistance from grants and from scholarships, along with the average value of the awards that they received.

**Figure 1-3**

**Grant and Scholarship Recipients and Average Awards by Parent Income, Academic Year 2003-04**

<table>
<thead>
<tr>
<th>Income Band</th>
<th>Avg. Grant (2003-04)</th>
<th>Avg. Scholarship (2003-04)</th>
<th>% with Grant</th>
<th>% with Scholarship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>$4,094</td>
<td>$3,440</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>$20,000 to $41,000</td>
<td>$5,917</td>
<td>$3,343</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>$41,000 to $61,000</td>
<td>$3,220</td>
<td>$3,253</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>$61,000 to $82,000</td>
<td>$2,187</td>
<td>$2,114</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>$82,000 to $102,000</td>
<td>$2,578</td>
<td>$2,273</td>
<td>3%</td>
<td>22%</td>
</tr>
<tr>
<td>$102,000 to $123,000</td>
<td>$3,007</td>
<td>$3,437</td>
<td>1%</td>
<td>20%</td>
</tr>
<tr>
<td>$123,000 and above</td>
<td>$7,542</td>
<td>$7,462</td>
<td>46%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Figure 1-3 illustrates the difference between how grants and scholarships are awarded. Students from low-income families and financially independent students (who are generally low-income) are much more likely to receive grant assistance than students with higher parental incomes, as shown by the downward-sloping black line in the figure. Average grant assistance declines as parent income increases, as shown by the declining height of the black bars. In contrast, students at all income levels are similarly likely to receive a scholarship, and the average scholarship award does not appreciably vary by income, as shown by the gray line and bars, respectively.

Grants and scholarships are discussed separately below because they play distinct roles from a policy perspective. From a student’s perspective, however, they both reduce the cost of attending
the University – although the term “scholarship” may be more highly valued because it implies the recognition of factors other than financial need.

Grant Programs

UC undergraduates received $560 million in grant assistance in 2003-04, largely from three grant programs: the federal Pell Grant program ($150 million), the state Cal Grant program ($195 million), and the University’s primary need-based grant program ($200 million).

The lines in Figure 1-4, below, show the percentage of undergraduate students in each income band who received grant assistance from each of the three major programs during the 2003-04 academic year; the height of the bars depict the average award received by each recipient.

The patterns in grant distribution and average award size reflect the terms of each grant program and, in turn, the role that it plays in helping students to finance their education.

- The federal Pell Grant program provides grants of up to $4,050 to low-income students. Eligibility for Pell Grants declines rapidly with income, leading to the steep drop-off shown in the graph. Participation in the Pell Grant program is high among independent and low-income students because it is an entitlement program: an unlimited number of awards are available, provided that students meet the program’s eligibility requirements and have sufficiently low family resources.

Figure 1-4
Pell Grant, Cal Grant, and UC Grant Awards, Academic Year 2003-04
Cal Grant awards typically cover students’ systemwide fees, which are the same for all students, regardless of their parental income. Independent and low-income students who receive a Cal Grant B award also receive an “access grant” of up to $1,551 to help defray the cost of non-fee expenses, which contributes to the slightly higher average Cal Grant awards for these students. The Cal Grant program has an income cap, based on a student’s family size, that is high enough to include many families whose incomes are too high for a Pell Grant. However, as shown in Figure 1-4, the likelihood that a student qualifies for a Cal Grant declines quickly once a student’s parent income exceeds $60,000 or so. Students are also much more likely to receive a Cal Grant if they enroll in college within a year of graduating from high school or if they transfer from a community college before they reach the age of 24. Many independent students are older and did not follow a traditional college-going path, resulting in a relatively low percentage of independent students with a Cal Grant.

A student’s UC grant fills in the remaining gap, if any, after taking into account the student’s total cost of attendance (not just fees), the student’s parental resources, the student’s self-help expectation from work and borrowing, and the other grants received by the student. Because UC grant eligibility is based upon these multiple factors, the distribution of UC grants shows neither the rapid decline in eligibility exhibited by the Pell Grant program nor the “all-or-nothing” characteristic of Cal Grant awards. The average UC grant is highest for independent students, partly because needy independent students have no parental resources to draw upon, and partly because they are less likely than other low-income students to meet the Cal Grant eligibility requirements. UC grants are more sensitive to the actual need of a student given the other resources at the student’s disposal – including an expected contribution from loan and work.

The University’s systemwide fees increased by $1,555 in 2003-04 over Fall 2002 levels – an increase of over 43%. The University’s primary need-based grant program (depicted in Figure 1-4), in conjunction with the Cal Grant program, generally covered the fee increase for low-income students and for many students from middle-income families. The University’s primary need-based grant program [and the Cal Grant program] generally covered the fee increase for low-income students...

In order to mitigate the impact of the fee increase on all needy middle-income families, the University implemented a new, supplemental grant program for the 2003-04 academic year that covered one-half of the fee increase for students from middle-income families who lacked a Cal Grant or a UC grant that would have otherwise covered the fee increase. To qualify for a middle-income grant, students were required to have financial need (under federal guidelines) and a parental income of $90,000 or below. The grant – worth up to $778 for the academic year – provided relief to students and families who would have otherwise been required to cover the entire fee increase themselves. The program provided over $5 million in aid to over 7,000 UC students in 2003-04.
Scholarship Programs

In addition to need-based grants, UC undergraduates received $115 million in scholarships in 2003-04. Scholarships are funded from both University and extramural sources. Figure 1-5, below, shows the average size of UC and extramural scholarships awarded during the 2003-04 academic year, along with percentage of students receiving a scholarship, by income level. Neither the size of the average scholarship nor the percentage of students who receive a scholarship varies significantly by income level.

Figure 1-5
Scholarship Awards by Parent Income, Academic Year 2003-04

Fee and Tuition Exemptions and Waivers

The University’s fee and tuition policies include a limited number of waivers and exemptions for students who meet specific eligibility criteria. Examples include fee exemptions for eligible dependents of deceased or disabled veterans (“Cal Vet” exemptions); nonresident tuition exemptions for students who attended a California high school for three years and graduated from a California high school (so-called “AB 540” exemptions); and non-resident tuition exemptions for the dependents of out-of-state employees affiliated with the University.

The Office of the President is improving its ability to collect information about these waivers in order to better understand their cumulative value and the types of students who benefit from them. Beginning in 2002-03, detailed information about the two largest exemption programs – Cal Vet fee exemptions and AB 540 tuition exemptions – has been collected from the campuses. These two exemptions were worth a total of $21 million to UC undergraduates in 2003-04.

For a complete description of AB 540 tuition exemptions and their recipients, see the University’s most recent report on the topic, available here: http://www.ucop.edu/sas/sfs/reports_data.htm
equivalent to about 3% of all undergraduate gift aid. Information about other, smaller programs should be available beginning with the 2006-07 academic year.

**Net Cost: What Students and Families Actually Pay**

The cumulative impact of the grants, scholarships, and exemptions received by UC students on the actual cost of attendance is depicted in Figure 1-6, below. Figure 1-6 shows both the per capita value of these awards for students in each income bracket along with the net cost of attendance – the total cost of attendance less these awards – that students and their families must finance through other means.

![Figure 1-6](image)

**Per Capita Net Cost by Parent Income, Academic Year 2003-04**

<table>
<thead>
<tr>
<th>Parent Income</th>
<th>Cost of Attendance</th>
<th>Exemptions</th>
<th>Scholarships</th>
<th>Grants</th>
<th>Net Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>$18,103</td>
<td>$81</td>
<td>$644</td>
<td>$7,533</td>
<td>$9,845</td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>$18,562</td>
<td>$167</td>
<td>$793</td>
<td>$8,785</td>
<td>$8,818</td>
</tr>
<tr>
<td>$20,000 to $41,000</td>
<td>$18,619</td>
<td>$144</td>
<td>$854</td>
<td>$7,836</td>
<td>$9,786</td>
</tr>
<tr>
<td>$41,000 to $61,000</td>
<td>$18,717</td>
<td>$133</td>
<td>$816</td>
<td>$4,350</td>
<td>$13,418</td>
</tr>
<tr>
<td>$61,000 to $82,000</td>
<td>$18,714</td>
<td>$181</td>
<td>$738</td>
<td>$1,611</td>
<td>$16,184</td>
</tr>
<tr>
<td>$82,000 to $102,000</td>
<td>$18,792</td>
<td>$177</td>
<td>$719</td>
<td>$380</td>
<td>$17,517</td>
</tr>
<tr>
<td>$102,000 to $123,000</td>
<td>$18,815</td>
<td>$138</td>
<td>$695</td>
<td>$88</td>
<td>$17,895</td>
</tr>
<tr>
<td>$123,000 and above</td>
<td>$19,246</td>
<td>$84</td>
<td>$630</td>
<td>$35</td>
<td>$18,497</td>
</tr>
<tr>
<td>All Students</td>
<td>$18,799</td>
<td>$135</td>
<td>$728</td>
<td>$3,497</td>
<td>$14,439</td>
</tr>
</tbody>
</table>

Consistent with the Education Financing Model, UC’s net cost is lowest for those students with the least financial resources. However, scholarships and various tuition and fee exemptions help to reduce the net cost for students at every income level.

**How Students and Families Finance the Net Cost of Education**

The Education Financing Model recognizes that parents and students make their own decisions about how to share the burden of covering the net cost of education. Some parents choose to cover their expected contribution and all or a portion of their student’s contribution, while other parents may cover neither their student’s contribution nor their own expected share.

How parents and students each finance their share of the net cost also varies. Parents can use current income, dip into savings, or borrow from a number of sources, including federal PLUS

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3 Includes tuition for UC’s relatively small population of out-of-state undergraduate students.
loans. Students also vary in their use of loans or employment, both during the academic year and in summer.

**[P]arents and students make their own decisions about how to share the burden of covering the net cost of education.**

The University has relatively complete information, on an annual basis, about how students and their families utilize student loans, federal parent loans, and earnings from work-study jobs and campus employment to help cover the net cost of attendance. Information about how these sources of support were utilized in 2003-04 is presented below. UC also conducts and participates in occasional student surveys to obtain information about students’ work patterns in all types of employment; information from these surveys is presented later in the section. Much less is known about the extent to which students and their families supplement these sources with other funds, such as current parental income, tax-advantaged educational savings plans, home equity loans, or credit cards.

**Figure 1-7**

**Utilization of Loans by Parent Income, Academic Year 2003-04**

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**Student and Parent Borrowing**

UC students and their families borrowed $452 million from student and parent loan programs in academic year 2003-04, almost all of which (96%) was borrowed through federal programs.

Figure 1-7, above, shows the percentage of UC students within each income category who used either a student loan or a parent loan to finance their education during the 2003-04 academic year, along with the average amount they borrowed. As shown in the figure, the likelihood that a family borrows (using either a student loan or a parent loan) declines with parent income.
However, among those higher-income families that do borrow, the average amount that they borrow is much higher than the amount borrowed by lower-income families.

The overall pattern in family borrowing results from two different patterns associated with student borrowing and parent borrowing. These are depicted in Figure 1-8, below.

- Figure 1-8 shows that among all students, student loans are much more common than parent loans. The percentage of students with student loans declines steadily with income, although the average student loan is similar across income levels. Independent students borrow at greater rates than their dependent counterparts and borrow at higher levels.

- Figure 1-8 also shows that among the smaller percentage of students who use parent loans, usage is most common among middle-income families. The average PLUS loan for parents who borrow increases steadily with parental income and is highest for high-income families, who should be in a better position than others to repay larger loans.

Figure 1-8
Utilization of Student and Parent Loans by Parent Income, Academic Year 2003-04

<table>
<thead>
<tr>
<th>Parent Income Range</th>
<th>Avg. Student Loan</th>
<th>Avg. PLUS Loan</th>
<th>% with Student Loan</th>
<th>% with PLUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>$6,983</td>
<td>$0</td>
<td>79%</td>
<td>0%</td>
</tr>
<tr>
<td>$20,000 to $41,000</td>
<td>$4,434</td>
<td>$5,967</td>
<td>61%</td>
<td>4%</td>
</tr>
<tr>
<td>$41,000 to $61,000</td>
<td>$4,149</td>
<td>$5,112</td>
<td>62%</td>
<td>7%</td>
</tr>
<tr>
<td>$61,000 to $82,000</td>
<td>$4,643</td>
<td>$6,728</td>
<td>56%</td>
<td>12%</td>
</tr>
<tr>
<td>$82,000 to $102,000</td>
<td>$4,625</td>
<td>$8,999</td>
<td>43%</td>
<td>15%</td>
</tr>
<tr>
<td>$102,000 to $123,000</td>
<td>$4,684</td>
<td>$10,905</td>
<td>34%</td>
<td>17%</td>
</tr>
<tr>
<td>$123,000 and above</td>
<td>$4,763</td>
<td>$11,283</td>
<td>21%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Student Employment

Most students use wages from on- and off-campus employment to cover a portion of their educational expenses. Job opportunities funded through the federal work-study program are reserved for financially needy students who receive a work-study award as part of their financial aid package. The University employs many needy and non-needy students in other positions, too. Students also work in a variety of off-campus positions. Under the Education Financing Model, the University tries to provide sufficient financial aid so that no student is required to work unmanageable hours in order to finance their education.
Students’ work-study and campus employment for 2003-04 is depicted in Figure 1-9, below. As expected, the percentage of students with work-study jobs declines as parent income increases. In contrast, the percentage of students with other forms of campus employment is relatively similar across all income levels. Furthermore, the average combined earnings from work-study and other campus employment is relatively flat across income levels, suggesting that among students who do work in these positions, average earnings – which are a function of both the number of hours worked and the hourly wage – do not vary significantly with students’ income. Student employment (including off-campus employment) is discussed more fully later in this section under the heading “Do UC Students Work Manageable Hours?”

Figure 1-9
Work-Study and Campus Employment by Parent Income, Academic Year 2003-2004

Recent Trends in Student Financial Support

Trends in the Cost of Attendance

UC’s average total cost of attendance has risen substantially over the past few years, as shown in Figure 1-10, below. Total expenses grew by 33% ($4,457) between 1999-00 and 2003-04. Contributing to the increase were increases to the University’s systemwide fees, which occurred in both 2002-03 (as a mid-year increase) and 2003-04. Systemwide fee increases, however, accounted for only 35% of the growth in the total cost of attendance during this period. Campus-based fees and non-fee costs, taken together, grew by $2,902 – more than the increase in systemwide fees ($1,555).

For many financially needy students, the Cal Grant program and the University’s own need-based grant program ensure that systemwide fee increases do not reduce UC’s affordability. Cal Grant awards typically cover recipients’ systemwide fees and thus cover fee increases for eligible students. The University’s need-based grant program is funded in part through a practice of returning a share of new fee revenue back to financial aid. The additional aid generated from a
fee increase, administered according to the principles of the Education Financing Model, is typically sufficient to cover fee increases for UC grant recipients without a Cal Grant. In contrast, increases in campus fees and in non-fee costs pose a particular challenge to the University’s undergraduate financial aid program because they, unlike systemwide fee increases, generally do not result in additional grant funding.  

Changes in the cost of attendance can occur as a result of genuine changes in students’ actual costs, policy changes regarding the types of costs that the University recognizes in the student budget, or both. During the period shown in Figure 1-10, no major policy changes affected how the University set its student expense budgets. The increases thus represent observed changes in the actual expenses faced by UC undergraduates.

Figure 1-10
Trends in the Average UC Total Cost of Attendance, Nominal Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Fee Costs</th>
<th>Campus-Based Fees</th>
<th>Systemwide Fees</th>
<th>Total Cost of Attendance</th>
<th>4-Year Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>$9,552</td>
<td>$376</td>
<td>$3,429</td>
<td>$13,357</td>
<td>$2,743</td>
</tr>
<tr>
<td>2000-01</td>
<td>$9,987</td>
<td>$412</td>
<td>$3,429</td>
<td>$13,926</td>
<td>$159</td>
</tr>
<tr>
<td>2001-02</td>
<td>$11,167</td>
<td>$428</td>
<td>$3,429</td>
<td>$15,024</td>
<td>$1,555</td>
</tr>
<tr>
<td>2002-03</td>
<td>$11,630</td>
<td>$454</td>
<td>$3,564</td>
<td>$15,648</td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td>$12,295</td>
<td>$535</td>
<td>$4,984</td>
<td>$17,814</td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
<td>$4,457</td>
<td></td>
</tr>
</tbody>
</table>

Trends in Gift Aid: Grants and Scholarships

The amount of support received by UC students from grants and scholarships has increased sharply in recent years. As Figure 1-11 shows, the largest increase has been among low-income students. Trends in support from grant and scholarship programs are discussed separately below.

4 In 2006, the University adopted a system-wide policy that requires a portion of the revenue from newly approved campus fees to be set aside for financial aid. Prior to the adoption of this policy, most campuses did not set aside a portion of their campus fee revenue for financial aid.
Figure 1-11
Trends in Per Capita Undergraduate Gift Aid by Parent Income, Constant 2003-04 Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent</th>
<th>Less than $20,000</th>
<th>$20,000 to $41,000</th>
<th>$41,000 to $61,000</th>
<th>$61,000 to $82,000</th>
<th>$82,000 to $102,000</th>
<th>$102,000 to $123,000</th>
<th>$123,000 and above</th>
<th>All Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>$6,812</td>
<td>$7,862</td>
<td>$7,222</td>
<td>$4,048</td>
<td>$1,712</td>
<td>$755</td>
<td>$456</td>
<td>$414</td>
<td>$3,318</td>
</tr>
<tr>
<td>2000-01</td>
<td>$7,230</td>
<td>$8,179</td>
<td>$7,492</td>
<td>$4,139</td>
<td>$1,716</td>
<td>$715</td>
<td>$479</td>
<td>$421</td>
<td>$3,392</td>
</tr>
<tr>
<td>2001-02</td>
<td>$7,395</td>
<td>$8,365</td>
<td>$7,683</td>
<td>$4,231</td>
<td>$1,800</td>
<td>$792</td>
<td>$552</td>
<td>$476</td>
<td>$3,476</td>
</tr>
<tr>
<td>2002-03</td>
<td>$6,914</td>
<td>$8,166</td>
<td>$7,421</td>
<td>$4,116</td>
<td>$1,700</td>
<td>$795</td>
<td>$616</td>
<td>$528</td>
<td>$3,431</td>
</tr>
<tr>
<td>2003-04</td>
<td>$8,177</td>
<td>$9,577</td>
<td>$8,690</td>
<td>$5,167</td>
<td>$2,349</td>
<td>$1,099</td>
<td>$782</td>
<td>$665</td>
<td>$4,225</td>
</tr>
</tbody>
</table>

Trends in Grant Support

The combined funding from all grant programs has increased in recent years and has generally outpaced both inflation and the University’s enrollment growth. Figure 1-12 shows the increase in per capita grant support in inflation-adjusted dollars since 1999-00.

- Cal Grant awards increased the fastest during this period, for two reasons. First, Cal Grant awards generally cover students’ systemwide fees, which have increased substantially since 2001-02. In addition, the introduction of the Cal Grant Entitlement Program in 2001-02 caused many students who would have received a Cal Grant A in the pre-Entitlement program to receive a Cal Grant B award instead. Unlike Cal Grant A awards, Cal Grant B awards include an annual access grant of $1,551 but generally do not provide fee coverage to first-year students. (Over the course of four years, the annual access grant is worth more than the missing year of fee coverage given UC’s systemwide fee level during this period.) As the Entitlement program is phased in, the additional value of these Cal Grant B awards contributes to the overall increase in Cal Grant support for UC students.

- The per capita value of UC grants also increased substantially during this period – particularly in 2003-04. This is attributable to the University’s policy of setting a side a portion of new fee revenue generated from fee increases and enrollment growth to augment
its grant program. Because of this policy, UC grants increased on a per capita basis by 30% in constant dollars during this period.\(^5\) (Note that for 2003-04, this figure includes both the University’s primary need-based grant program and the supplemental middle-income fee grant program.)

- Pell Grants showed a much more modest increase during this period. The maximum value of a Pell Grant increased by $875 (in nominal dollars) between 1999-00 and 2002-03, but increased by only $50 in 2003-04.

**Figure 1-12**

**Trends in Per Capita Grant Support for UC Students, Constant 2003-04 Dollars**

<table>
<thead>
<tr>
<th></th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Grant</td>
<td>$84</td>
<td>$93</td>
<td>$101</td>
<td>$77</td>
<td>$77</td>
</tr>
<tr>
<td>UC Grant</td>
<td>$948</td>
<td>$948</td>
<td>$967</td>
<td>$859</td>
<td>$1,228</td>
</tr>
<tr>
<td>Cal Grant</td>
<td>$952</td>
<td>$983</td>
<td>$930</td>
<td>$926</td>
<td>$1,257</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>$802</td>
<td>$803</td>
<td>$879</td>
<td>$926</td>
<td>$936</td>
</tr>
<tr>
<td>Total Grants</td>
<td>$2,786</td>
<td>$2,827</td>
<td>$2,877</td>
<td>$2,788</td>
<td>$3,497</td>
</tr>
</tbody>
</table>

**Trends in Scholarship Support**

Figure 1-13, below, shows a steady increase in per capita scholarship funding from 1999-00 through 2003-04.

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\(^5\) The decline in per capita support from UC grants that occurred in 2002-03 was primarily due to a decision by the State to eliminate $17 million from the University’s budget for financial aid. In 1998-99 and 1999-2000, the State provided funds to reduce systemwide fees for UC students while allowing the University to retain financial aid at existing levels despite the lower fees. This "bonus" totaled $8 million in 1998-99 and $17 million annually thereafter. The State eliminated these funds from the University’s 2002-03 budget in response to a worsening State fiscal crisis. Although the University followed its traditional practice of returning one-third of the revenue from the $135 mid-year fee increase to financial aid, this was not sufficient to completely offset the decrease in the base financial aid budget.
Funding from extramural scholarship programs increased through 2003-04, largely due to the Governor’s Scholarship Programs, which were established by the state in 2000-01. Those programs provided high-achieving California high school students with scholarships that were then invested in a state-managed trust until the student enrolled in college. State funding for new awards was eliminated in 2003. As a result, funding that UC students received from this program grew quickly in 2002-03 and 2003-04, tapered off in 2004-05, and will decline to zero over time.

Per capita support from UC scholarships generally kept pace with inflation and enrollment growth during this period.

Figure 1-13
Trends in Per Capita Scholarship Support, Constant 2003-04 Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Scholarship</th>
<th>UC Scholarship</th>
<th>Total Scholarships</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>$154</td>
<td>$376</td>
<td>$530</td>
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<tr>
<td>2000-01</td>
<td>$172</td>
<td>$393</td>
<td>$565</td>
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<td>2001-02</td>
<td>$205</td>
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<tr>
<td>2002-03</td>
<td>$260</td>
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<td>$643</td>
</tr>
<tr>
<td>2003-04</td>
<td>$331</td>
<td>$397</td>
<td>$728</td>
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</table>

Trends the Net Cost of Attendance

Large increases in gift aid have not fully offset increases in the University’s total cost of attendance. Consequently, over the past few years, the University’s net cost has increased for students at every income level, as shown in Figure 1-14, below. The extent of the increase varies by parent income. For families in the highest income bracket, the net annual cost of a UC education grew by about $2,400 between 1999-00 and 2003-04 in inflation-adjusted dollars. Increases in gift aid lessened the increase in net cost for low-income families: for families in the lowest income bracket, the net cost increased by about $1,100. (The small apparent decline in net cost for some income groups in 2002-03 reflects the introduction of AB 540 tuition exemptions in 2002-03, but also reflects data limitations from prior years, since 2002-03 was the first year in which the value of Cal Vet fee exemptions could be identified in the Corporate Student System.)
Trends in Student and Parent Borrowing

Despite cost increases, the percentage of students who borrow in a given academic year continues to decline for students in most income categories. As shown in Figure 1-15, the decline (show by the black lines) occurred among students in every income category in 2000-01 and 2001-02. The decline slowed in 2002-03 and 2003-04, when the borrowing rate increased slightly for students in the $82,000-$102,000 income bracket. Among all students, though, the percentage with student loans declined from 44% in 1999-00 to 42% in 2003-04. The average amount borrowed (shown by the gray bars) has remained relatively flat in constant dollars during this period.
Given the increases in the University’s net cost, the continued decline in the percentage of student borrowers in every income category is somewhat puzzling. Possible explanations include the availability of other financing vehicles – e.g., parents’ home equity loans, which became increasingly common during this period – or a greater willingness of parents to shoulder the costs of their student’s education. The University is continuing to study this trend to better understand its cause and its implications for affordability.

Despite increases in the University’s net cost, the percentage of students who borrow … continues to decline for students in every income category.

In contrast, parental borrowing under the federal PLUS program has increased during this period, as shown in Figure 1-16, below. Overall utilization of PLUS loans remains under 10%.

Figure 1-16
Trends in Parent Borrowing by Parent Income, 2003-04 Constant Dollars

Trends in Student Work-Study and On-Campus Employment

Per capita student support from work-study earnings has fluctuated little since 1999-00, as shown in Figure 1-17. In contrast, support from other on-campus employment declined each year between 2000-01 and 2003-04, with the largest declines occurring in 2002-03 and 2003-04. The decline in non-work-study campus employment may be related to the cuts to the University’s budget that occurred during this period: the number of on-campus job opportunities may not have kept pace with undergraduate enrollment growth during this period.
Outcome Measures Related to Student Financial Support

To evaluate the effectiveness of its undergraduate financial aid programs, the University monitors a variety of outcome measures related to student support. They are designed to answer the following basic questions:

- Does the University enroll students from all income levels?
- Do UC students work manageable hours?
- Do students’ financial circumstances affect their academic success?
- Do students graduate with manageable debt?

**Does the University Enroll Students from All Income Levels?**

Enrollment of Low-Income Pell Grant Recipients

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. In recent years, studies published by the James Irvine Foundation, *The Washington Monthly*, *Postsecondary Education Opportunity*, and *U.S. News & World Report* have all ranked University of California campuses at the top of their lists of selective national universities for their ability to enroll low-income undergraduate students.

Among institutions on the U.S. News & World Report list of the nation’s top 40 national universities, UCLA enrolled the highest percentage of Pell Grant recipients in 2003-04 (39%), followed
by UC Berkeley (35%) and UC San Diego (32%). As shown in Figure 1-18, these UC campuses ranked significantly above other public institutions included in the list, such as the University of Virginia (9%), the University of Wisconsin (13%), the University of Michigan (14%), and the University of North Carolina (15%). In 2003-04, as a system, the University enrolled a higher percentage of Pell Grant recipients (33%) than any other comparably selective institution, public or private.6

Figure 1-18
Pell Grant Enrollment at Selected Top-Ranked, Comparably Selective Institutions and UC, 2003-04

Trends in Freshman Enrollment by Income

Another measure of the University’s affordability is the extent to which UC is able to enroll students from all income levels, despite increases in student fees and other costs. Figure 1-19 depicts trends in freshman enrollment since 1992 in terms of four income categories. The percentage of UC freshman within each category is plotted on one line, along with the

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6 Percentages are based upon publicly available data and represent Pell Grant recipients as a percentage of Fall undergraduate enrollment, excluding nonresident aliens (e.g., international students). This method is used in most national studies when comparing different institutions. It results in a slightly higher percentage of UC students with Pell Grants (33%) than the percentage shown in Figure 1-4 (30%), which is based on total full-year-equivalent enrollment, including nonresident aliens.
The enrollment patterns of first-time freshman students do not appear to be driven by fee levels or changes in the University’s net cost. Rather, trends in the income of UC freshmen generally reflect similar trends among California’s population as a whole. During the recession of the early 1990s and again during the past few years, the percentage of UC freshmen from low-income families increased as did the percentage of low-income families in the state. Likewise, during the economic growth of the late 1990s and early 2000s, the percentage of low-income families decreased among both UC freshmen and the state population.

Figure 1-19
Trends in the Income of UC Freshman and California Families

Consistent with the relatively modest changes in freshman enrollment by income, the income distribution of all UC undergraduates has changed little in recent years. Figure 1-20, below, shows the remarkable stability in the economic profile of UC students and their families – particularly during the past two years – despite changes in the University’s cost of attendance. The stability of academic preparedness among low-income students is a key factor in this stability.

7 Families in the two lowest income categories appear to be underrepresented at UC because of the well established link between income and academic preparedness. Since fewer students from these families are academically eligible to attend UC, they represent a smaller share of the University’s freshman enrollment.
suggests that the University’s financial aid programs have kept the University’s net cost of attend-
dance within reach of low- and middle-income families, and that the University’s total cost of 
attendance remains affordable for others.

The largest change appears among the group labeled “Parent Income Unknown,” which declines 
over time. This apparent trend is actually the result of data limitations: data are not readily avail-
able to allow income estimates for students with missing income data in earlier years. In more 
recent years, the University is able to estimate income for these parents, and those incomes tend 
to place these families in higher-income categories.

**Figure 1-20**
Trends in the Parent Income of UC Undergraduates, 2003-04 Constant 
Dollars

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**Do UC Students Work Manageable Hours?**

Under the Education Financing Model, the University expects each student to make a manageable 
contribution from employment towards financing the cost of the student’s education. Specifi-
cally, the University funds and administers its financial aid programs such that no student is ex-
pected to work more than 20 hours per week in order to finance their education. The “cap” of 20 
hours per week was based on research that suggests that work in excess of 20 hours per week 
tends to negatively affect a student’s academic progress and performance.
The University conducts periodic student surveys in order to monitor students’ employment patterns. Results from the Spring 2004 University of California Undergraduate Engagement Survey (UCUES 2004) are shown above in Figure 1-21. Several points are worth noting:

- Among dependent students, work patterns show relatively slight variations across parent income levels.

- A large percentage of students at every income level do not work. This is consistent with the flexibility inherent in the Education Financing Model about how students actually cover their expected contribution. It also supports findings from a recent survey of parents of UC students, many of whom – at every income level – felt that it was their responsibility to cover their student’s expenses so that their son or daughter 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 shared under the Education Financing Model but also the student’s expected contribution from work and borrowing.

- 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. This is especially true for independent students. Some students may work more than expected because their parents are either unable or unwilling to contribute the amount expected of them to help cover the student’s educational expenses. As noted earlier, students whose parents do not do their part will face higher levels of work and/or borrowing.

The relationship between students’ work patterns and the affordability of the University is complicated by several factors:
The percentage of students who work and their average work hours is strongly related to the student’s year in school, with seniors working more often and for longer hours than freshmen. The difference in work patterns between seniors and freshmen, for example, is much greater than the difference between students from low- and high-income families.

UC survey data indicate that students who work more than 20 hours per week also spend more, on average, on discretionary expense items than do other students. The causal relationship between these students’ expenses and their work habits is unclear: do they work more because they have higher expenses, or do they spend more because they have more discretionary income?

Students work for reasons other than to finance their education. However, UC survey data indicate that among those students who more than 20 hours per week, the most frequently cited reason for working was to finance their education and to cover living expenses for themselves and, in some cases, other family members as well.

These factors limit the conclusions that can be drawn from a single survey about the impact of the University’s cost or its financial aid programs on student work patterns. Nevertheless, if the University were steadily becoming less affordable for students, then one might expect to see a regular increase in the number of UC students who work and in the amount they work. Figure 1-22, below, shows the results of multiple surveys during the past few years.

Figure 1-22
Manageability of Student Employment, Recent Surveys of UC Students

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</thead>
<tbody>
<tr>
<td>&gt; 20 hours per week</td>
<td>12%</td>
<td>16%</td>
<td>10%</td>
<td>22%</td>
</tr>
<tr>
<td>1 to 20 hours/week</td>
<td>43%</td>
<td>42%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Did not work</td>
<td>45%</td>
<td>42%</td>
<td>50%</td>
<td>38%</td>
</tr>
</tbody>
</table>

The results shown in Figure 1-22 are drawn from four different surveys: UCUES, administered in 2003 and 2004; the Student Expenses and Resources Survey (SEARS); and the National Postsecondary Student Aid Study (NPSAS). The surveys, which used a variety of survey instruments, depict a similar pattern of work that shows no obvious relationship to the increase in UC’s costs that occurred during this period.
Figure 1-23, below, shows the trend in student employment patterns based on SEARS results from 1998 through 2004, the most recent year available. The figure shows no consistent trend in students’ work hours during this period, although it does appear that the percentage of students working more than 20 hours per week in 2003-04 was higher than in prior years. SEARS results since 1979-80, though fluctuating from survey to survey, also show no particular trend related to the hours that UC students work. SEARS will be conducted again in Spring 2007, which will provide more recent data regarding students’ work habits.

**Figure 1-23**

**Trends in Student Work Hours, SEARS 1998-2004**

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**Do Students’ Financial Circumstances Affect Their Academic Success?**

The University is concerned about students’ work hours because of a broader concern about the potential impact of financial considerations on their ability to succeed academically at the University. To assess students’ academic success in this context, the University monitors trends in student persistence, units completed, and graduation rates.

Not all UC students arrive at the University with the same level of academic preparation. When measuring differences in academic outcomes attributable to the student’s financial circumstances – rather than their level of academic preparation – it is important to compare students who enroll at UC with similar levels of academic preparation. In the figures that follow, students are
grouped into four different categories of academic preparation based upon an academic index that reflects their high school grade point average (GPA) and their standardized test scores.\(^8\)

Trends in Two-Year Student Persistence Rates

Figure 1-24, below, depicts the rate at which students persisted from their sophomore year into their junior year for each entering class of UC freshmen from Fall 1994 through Fall 2001. Students are grouped according to their level of academic preparation (as measured by their academic index) with separate lines representing different levels of parent income.

As expected, students who are better prepared academically when they enroll at UC are more likely to persist to their junior year. Among students with similar levels of academic preparation, though, students at every income level persist at similar rates. No pattern suggests that financial considerations are causing students to leave the University at this stage in their education.

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\(^8\) Students are grouped using an academic index calculated by multiplying the student’s high school GPA by 1,000, multiplying their combined math and verbal SAT test scores by 2.5, and adding the results.
Trends in Units Completed After Two Years

In addition to persistence rates, the University also monitors whether the number of units that students complete after two years varies according to students’ financial resources. Figure 1-25, below, shows that among students with similar levels of academic preparation, students in different income categories have generally completed a similar number of units after their second year. This suggests that financial considerations are not influencing students’ ability to make progress towards their baccalaureate degree requirements.

Figure 1-25
Trends in Units Completed After 2 Years, by Income and Academic Preparation

Trends in Student Graduation Rates

Figure 1-26, below, shows trends in the four- and six-year graduation rates for each entering class of UC freshmen from Fall 1994 through Fall 1999.

Four-year graduation rates among the best prepared students (i.e., those with the highest academic index) are very similar across all income levels and are more tightly clustered now than at any time in the past. Among students who were less well prepared when they enrolled at UC, slight differences emerge between income groups, with students from lower-income backgrounds graduating at slightly lower rates. These differences may be attributable to other differences in these students’ background that, while related to parent income, are distinct from financial considerations – for example, parents’ education level or the extent to which these students initially enrolled with significant amounts of Advanced Placement credit.
Six-year graduation rates show even less difference by parental income level. Small differences do persist—particularly among students who are less well prepared academically, which may also be attributable to the non-financial factors described above. Overall, however, the patterns suggest that the University’s financial aid programs allow low-income students to remain enrolled long enough to overcome other socioeconomic barriers to academic success that are not fully reflected in the measure of academic preparation used in this report.

**Figure 1-26**

**Trends in Four- and Six-Year Graduation Rates by Income and Academic Preparation**

Do Students Graduate With Manageable Debt?

The University attempts to fund and award financial aid at levels that allow students to graduate with a manageable amount of debt. The benchmark used to evaluate the manageability of student debt is the percentage of UC students’ average earnings upon graduation that is required to repay the student’s debt at graduation based upon a standard repayment plan. Under the Education Financing Model, debt that requires between 5% and 9% of a student’s postgraduate earnings is considered to be manageable.

Figure 1-27, below, depicts recent trends in the average cumulative debt of UC graduates by parental income. The figure also depicts the percentage of students within each income band who graduate with some amount of student debt (excluding parent loans). As one might expect, the likelihood that a student graduates with 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. Overall, 53% of the UC graduating class of 2003-04 had some stu-
dent loan debt, the same proportion as in 2002-03. The average cumulative student loan debt at graduation for these borrowers was $13,731, slightly higher than the comparable figure for 2002-03 graduates ($13,608) after adjusting for inflation.

The percentage of students who graduate with debt has declined among every income group in most years during the period depicted in Figure 1-27. This is consistent with the declining trend in the number of students who borrow each year, discussed earlier. Among those who do borrow, average cumulative debt has remained generally flat, with slight variations between different income groups.

Figure 1-27
Trends in Cumulative Debt at Graduation by Parent Income, Constant 2003-04 Dollars

Figure 1-28, below, depicts the manageability of graduates’ debt by grouping students into different categories (represented by different sections of each bar) based upon the percentage of their average estimated wages that would be required to repay their debt.

The dark area at the top of the graph represents graduates whose debt would require more than 9% of their average starting salary to repay. (The estimated average starting salary for UC students graduating in 2003-04 was $40,007.9) The percentage of all UC graduates who fall into this last category is small – less than 4% in 2003-04 – and relatively stable over time. Small changes are apparent among independent students and students from low-income families. Among independent students, the percentage of graduates in this category increased by two percentage points, from 10% to 12%, between 2000-01 and 2003-04; for graduates in the lowest income category, the percentage increased from 3% to 5%.

9 The estimate represents actual first-year earnings of UC students who graduated in 2000-01 (based on data provided by the California Employment Development Department), adjusted for subsequent changes in the California Consumer Price Index.
Figure 1-28
Trends in the Manageability of Debt at Graduation by Parent Income:
Percentage of Students’ Average Salary Required to Repay Student Loans
SECTION 2
FINANCIAL SUPPORT FOR GRADUATE STUDENTS

Key Points

- In 2003-04, 87% of UC graduate students received $1.0 billion in student financial support. 60% of students received grants or fellowships totaling $297 million, and 51% received $435 million in support from teaching and research assistantships.

- Graduate academic students and professional degree students are supported differently. Graduate academic students receive more competitive aid: grants, fellowships, and assistantships. Graduate students in professional programs rely more on student loans.

- For graduate academic students, the per capita net stipend (competitive aid in excess of fees and charges) declined for the second consecutive year in 2003-04 and remained below 2000-01 levels after adjusting for inflation.

- Survey results indicate that the financial support offered by the University to students admitted to its doctoral programs is not fully competitive with offers from other institutions.

- Recent fee increases have contributed to increased borrowing by professional degree students. Their earnings potential, the availability of flexible payment plans, and loan repayment assistance programs mitigate the impact of higher debt for these students.

The University of California’s graduate financial assistance programs are designed to make the University competitive with other universities seeking to recruit the same graduate students. Consequently, beyond making the University accessible to students who would otherwise lack the financial resources to attend UC, graduate student support programs must serve as a recruitment tool. These programs support the University’s efforts to compete with other institutions for top-tier graduate students to fulfill its research and workforce development missions.

...beyond making the university accessible to students who would otherwise lack the financial resources to attend UC, graduate student support programs must serve as a recruitment tool.

The Regents adopted the University’s student support policies in 1994, immediately after a series of large systemwide fee increases were adopted in the early 1990s. The Regents’ policy on graduate student support references the need both to provide opportunity to students from a range of economic backgrounds and to support the University’s research mission and workforce development duties. It states, in part:
“The University’s graduate student support policy is guided by the University’s responsibility to meet the nation’s and State’s need for a highly educated workforce of faculty, scholars, researchers, and professionals and by the University’s interest in providing educational opportunities to students of all socioeconomic backgrounds. In meeting these needs, it is necessary that the University attract a diverse pool of highly qualified students who are willing and able to pursue graduate academic and professional degrees.”

From the Regents’ policy, the Council of Graduate Deans derived the following four goals for the University’s graduate student support program:

1. **To attract both high quality and diverse graduate students in a competitive environment.** Since top-tier graduate students are fundamental to any high-quality graduate program, they are in demand. Attracting the top graduate students to UC takes not only excellent programs, but also competitive financial support packages. To be competitive, the University must ensure that financial support is available in adequate amounts, in appropriate forms, and for a period of years appropriate to each student’s program of study.

2. **To enable students to complete their degree programs in a timely manner.** This goal is based on the assumption that inadequate support drives students toward employment outside the University, which tends to interfere with progress toward completing a program. Assistance from the university – particularly fellowships and research assistantships – is associated with reduced time-to-degree.

3. **To enable graduate students to meet the cost of attending the University.** Unlike most of the University’s undergraduate students, most of the University’s graduate students are self-supporting. Because so many of them lack family resources, they generally need assistance in meeting the costs associated with their graduate education.

4. **To promote the educational objectives of the programs in which the students are enrolled.** Most graduate programs are structured to provide students with a range of experiences, including opportunities for teaching and research. Student financial support can be structured to facilitate these opportunities.

The competitiveness of graduate student support for UC graduate students and its impact on the University’s ability to enroll top students from around the world have been longstanding concerns at the University. Several administrative and faculty groups, including the 2001 Commission on the Growth and Support of Graduate Education, have examined the issue and concluded that both the size and composition of UC’s awards for graduate academic degree students are not fully comparable to the best offers UC students receive from competitor institutions.

These concerns were substantiated by surveys conducted in 2001 and 2004 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 assistance awards in excess of tuition and fees) associated with the offer from the student’s top-choice UC doctoral program was $1,500 less than the student’s top-choice
non-UC offer. (Academic masters students and students in professional degree programs were not included in either survey.) The average shortfall increases to approximately $2,000 after taking into account the generally higher cost of living in the communities where UC campuses are located.

Recently, the longstanding concern about the competitiveness of UC’s awards has been joined by concerns about the impact of increases in nonresident tuition and systemwide fees. These increases, which were instituted in response to declining state support for the University’s budget, have increased the burden on graduate student support fund sources, including UC fellowships, support from faculty research and training grants, and student borrowing (particularly for students in professional degree programs).

Student financial support for graduate students in 2003-04 is described below within the context of the University’s graduate academic and professional degree programs.

**Total Graduate Student Support**

Total support for graduate students increased from $570 million in 1996-9 to over $1.0 billion in 2003-2004 – an increase of nearly 80%. As shown in Figure 2-1, this funding includes aid of different types. In 2003-2004, gift aid and loans/work-study accounted for 29% and 28% respectively of graduate assistance; the remaining 43% was in the form of assistantships, which provide students with the opportunity to participate in teaching or research related to their field of study. These percentages varied little over the period shown in Figure 2-1.

**Figure 2-1**

Total Graduate Student Support by Type, 1996-97 to 2003-04

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<tr>
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</thead>
<tbody>
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<td>Loans/Work-Study</td>
<td>$163,668,299</td>
<td>$173,708,648</td>
<td>$179,562,541</td>
<td>$181,928,162</td>
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<tr>
<td>Assistantships</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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<td>$626,409,299</td>
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<td>$695,241,125</td>
<td>$774,145,715</td>
<td>$875,184,528</td>
<td>$1,016,255,76</td>
</tr>
</tbody>
</table>

1 Includes funding for students enrolled in self-supporting graduate programs.
This assistance came from a range of sources that differ by aid type. As shown in Figure 2-2, gift assistance comes largely from University-sponsored programs – 74% in 2004-05. In contrast, 90% of loan aid came through federal programs.

The $1.0 billion in graduate level assistance administered through the University in 2003-04 was shared by 38,315 graduate students – 87% of all graduate students enrolled at UC. Support recipients received an average of $26,524 in assistance of all types and from all sources; per capita assistance for all graduate students (including non-recipients) totaled $22,988 per student.

As Figure 2-3 illustrates, per capita graduate student support in constant dollars grew moderately overall between 1996-97 and 2002-03 and increased more rapidly in 2003-04. The recent growth is primarily attributable to the additional support from gift aid and assistantships resulting from the systemwide fee increase in 2003-04.

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2 Includes funding for students enrolled in self-supporting graduate programs. Assistantships are categorized by source of funds; funds with an unknown fund source are included in the total.
Total 2003-04 per capita support for graduate students of $22,989 was substantially more than the total per capita support for undergraduate students of $7,344 in the same year. This difference is attributable primarily to the different purposes of undergraduate and graduate assistance. As described earlier, undergraduate support is focused on providing access, while graduate support is focused on recruitment. This difference manifests itself in terms of both the percentage of students receiving awards and the sizes of these awards. Since the emphasis at the undergraduate level is on need-based support, awards are directed at those students with financial eligibility. At the graduate level, greater emphasis placed on merit-based support that is directed more broadly at all students the University wishes to attract, not just those who are financially unable to attend the University without help.

At the graduate level, support focuses on recruitment, which means that there is more emphasis on merit-based support that is directed more broadly at all students the University wants to attract...

In addition, while undergraduate awards are sized to make the university accessible, graduate awards must be sized to make the University accessible and to be competitive with the awards

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3 Includes funding for students enrolled in self-supporting graduate programs.
that prospective students are receiving from competing institutions. Within this competitive context, other factors also add pressure to increase the sizes of awards made to graduate students.

- Graduate students generally have a higher cost of attendance than undergraduates, and so need higher levels of assistance to cover costs.
- Since graduate students are more likely than undergraduates to be from outside of California, they are more likely to be charged the added fees and tuition associated with being a nonresident student.
- Unlike undergraduate students, graduate students are generally considered financially independent and do not rely on parental support.
- Graduate students are more likely to be married and have dependents.
- While most undergraduates and graduate students work, graduate students are far more likely to have assistantships. Unlike most jobs held by undergraduates, teaching and research assistantships are viewed as highly desirable forms of support.
- Graduate students receive greater amounts of merit-based support.
- Graduate students are authorized to borrow more through the federal loan programs than are undergraduates.

**Detailed Breakdowns of Graduate Student Support**

Summary statistics about overall levels of support do not capture the great variation in the levels and types of financial support among different groups of graduate students. Breakdowns of graduate student support by such factors as discipline, academic/professional status, and residency status yield real contrasts in levels and types of support and allow for a more complete understanding of graduate student support at UC.

**Graduate Assistance by Academic/Professional Status**

Figure 2-3 illustrates the differences in per capita assistance provided to graduate academic and graduate professional degree students. It shows that in 2003-04, graduate academic students received 21% ($4,404) more aid per capita than their professional degree program counterparts. In addition, a far greater portion of the aid that they received came in the form of gifts and assistantships – the most desirable types of assistance. On a per capita basis, academic program graduate students received 39% ($2,186) more gift assistance than professional degree program graduate students. The low per capita assistantship support for professional degree students reflects the very small number of assistantships provided to students enrolled in these types of programs.
While graduate academic degree students rely heavily on gift assistance and assistantships to finance their educations, graduate professional degree students rely far more heavily on loans. Their per-capita loan amount of $14,037 accounted for 68% of their assistance and was six times that of graduate academic students ($2,324).

These differences in the financing patterns of graduate academic program and graduate professional degree program students reflect fundamental differences in approaches to financing for these two groups of graduate students.

Competition is the most significant of the range of factors driving these differences. As referenced earlier in the description of graduate assistance generally, financial assistance at the graduate level is a recruitment tool. Thus, the financing patterns shown above are generally reflective of what is required for the University to be competitive with institutions seeking to attract the same students. The financing patterns observed among UC’s graduate students are similar to the financing patterns at competing institutions.

**The financing patterns observed among UC’s graduate students are similar to the financing patterns at competing institutions.**
Other factors contribute to the differences in financing patterns among academic program and professional degree graduate students. For example, professional degree program students can typically anticipate higher earnings. These higher earnings can make payments on large levels of student debt manageable (see below for additional discussion on this issue). Academic graduate students are also typically enrolled for longer periods of time than their professional degree counterparts; a given level of annual borrowing results in less cumulative debt for a student in a shorter professional degree program.

Graduate Academic Students

Graduate Assistance by Discipline and Program

While there are clear differences in the types of aid received by graduate academic and graduate professional students, there are also substantial differences among graduate academic students enrolled in different disciplines or programs.

Figure 2-5
Per Capita Student Financial Support for Academic Graduate Students by Type of Aid and Discipline, 2003-04

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Loan/Work-Study</th>
<th>Teaching Assistantship</th>
<th>Research Assistantship</th>
<th>Gift Assistance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering/Computer Sciences</td>
<td>$1,433</td>
<td>$3,084</td>
<td>$14,250</td>
<td>$5,234</td>
<td>$24,001</td>
</tr>
<tr>
<td>Fine Arts</td>
<td>$5,100</td>
<td>$8,976</td>
<td>$765</td>
<td>$6,342</td>
<td>$23,183</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>$1,463</td>
<td>$1,169</td>
<td>$10,130</td>
<td>$12,827</td>
<td>$25,589</td>
</tr>
<tr>
<td>Humanities</td>
<td>$3,400</td>
<td>$12,321</td>
<td>$1,103</td>
<td>$8,039</td>
<td>$24,863</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>$1,437</td>
<td>$4,220</td>
<td>$12,234</td>
<td>$9,466</td>
<td>$27,357</td>
</tr>
<tr>
<td>Other</td>
<td>$5,164</td>
<td>$8,615</td>
<td>$4,532</td>
<td>$7,905</td>
<td>$22,750</td>
</tr>
<tr>
<td>Professional Ph.D.</td>
<td>$1,787</td>
<td>$3,419</td>
<td>$11,867</td>
<td>$6,383</td>
<td>$22,652</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>$3,417</td>
<td>$3,460</td>
<td>$5,669</td>
<td>$7,394</td>
<td>$19,890</td>
</tr>
<tr>
<td>Total</td>
<td>$2,403</td>
<td>$9,888</td>
<td>$2,934</td>
<td>$8,781</td>
<td>$25,117</td>
</tr>
</tbody>
</table>

Figure 2-5 illustrates differences in both the total level and types of support received by academic discipline. Variation in total support among the disciplines is generally moderate, with students pursuing an academic doctoral degree at a professional school being the exception. As in prior years, students in the life and physical sciences received the most aid per capita in 2003-04, while those pursuing an academic doctoral degree in a professional discipline received substantially less than students in any other discipline.

Differences in the composition of aid between different disciplines reflect, in part, the competitive forces driving the provision of graduate level financial assistance. The types of assistance that make a financing offer attractive to a prospective student – so-called “competitive aid” – are
gift assistance and teaching and research assistantships. If one considers only competitive aid (represented by the lower three segments of each column in Figure 2-5), more pronounced differences between disciplines emerge. For example, students pursuing academic degrees in the fine arts, from professional schools, and in the “Other” discipline category had the lowest levels of competitive aid and, hence, borrowed to a greater extent than other graduate academic students to help cover their educational costs.

The types of assistance that [are] attractive to a prospective student – so-called competitive aid – are gift assistance and teaching and research assistantships.

There are additional differences between disciplines in terms of the types of assistantships. Because research assistantships are frequently tied to graduate students’ studies, they are typically considered more desirable than teaching assistantships. Excessive reliance on teaching assistantships tends to increase time-to-degree. Students in the humanities, fine arts, and social sciences are more likely to have teaching assistantship awards. Those in engineering/computer science, life sciences, and physical sciences are more likely to receive research assistantships.

Figure 2-6
Per Capita Competitive Aid for Graduate Academic Students, 2000-01 to 2003-04, 2003-04 Constant Dollars

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching Assistantship</td>
<td>$5,753</td>
<td>$5,708</td>
<td>$5,722</td>
<td>$6,200</td>
</tr>
<tr>
<td>Research Assistantship</td>
<td>$7,686</td>
<td>$8,158</td>
<td>$8,275</td>
<td>$8,781</td>
</tr>
<tr>
<td>Gift Assistance</td>
<td>$7,631</td>
<td>$7,602</td>
<td>$7,428</td>
<td>$7,733</td>
</tr>
<tr>
<td>All Competitive Aid</td>
<td>$21,071</td>
<td>$21,467</td>
<td>$21,426</td>
<td>$22,714</td>
</tr>
</tbody>
</table>

Figure 2-6, above, depicts the change in competitive aid for graduate academic students during the past four years. Overall, per capita total competitive aid increased by 8% in inflation-adjusted dollars during this period. Recent fee and tuition increases contributed to increased support from assistantships due to the University’s policy of covering fees for teaching and research assistants with appointments of at least 25% time. (Research assistantships also typically provide remissions to cover nonresident tuition.) Fee increases also contributed to the increase in gift aid, since
a portion of the revenue from each fee increase was set aside for UC’s own fellowship and grant programs, and some extramural fellowship programs cover students’ fees as a matter of policy.

**Net Stipend: Measuring the Value of Graduate Financial Aid**

From the student perspective, two factors influence the true value of a financial support package. First, competitive aid (gift aid, research assistantships, and teaching assistantships) is much more desirable than loans or a work-study job. Gift aid reduces students’ need to work or borrow, and assistantships compensate students while providing teaching and research experience that help students to progress through their programs. Second, the value of competitive aid is highly dependent upon the tuition and fees that students are charged. For example, in order to provide the same amount for student living expenses, an award from a high-cost institution must be correspondingly larger than an award from a school with low tuition and fees.

To provide greater context about the true value of graduate student support, the next set of figures depict students’ net stipend levels. Net stipend is the amount of competitive aid that a student has remaining after covering total tuition and fees charged. Net stipend is calculated by taking the total gift and assistantship support and subtracting from it the total fees and tuition charged.

Net stipend is the amount of competitive aid that a student has remaining after covering total tuition and fees charged.

**Figure 2-7**

**Academic Graduate Student Per Capita Competitive Aid Awards Applied to Fees and Net Stipend by Discipline, 2003-04**

![Bar chart showing net stipend and fees by discipline.](chart)

Figure 2-7 presents per capita net stipend amounts (the lower segment of each column) and per capita student fee levels (the upper segment of each column) for graduate academic students by program. The full column for each discipline represents the total competitive aid received. The
average UC graduate academic student in 2004-05 had fellowship, grant, research assistantship, and teaching assistantship assistance that exceeded fees by over $12,000.

While the University’s fee schedules do not differ by graduate academic program, there are some substantial differences in actual amounts students pay due to different proportions of students enrolled in these disciplines who pay non-resident fees and tuition. In 2003-04, 49% of engineering/computer science students were either domestic nonresident or international students, resulting in students in this discipline having per capita fee and tuition charges that were 19% higher than the average for graduate academic students overall.

Figure 2-8
Per Capita Net Stipend for Graduate Academic Students by Discipline, 2000-01 through 2003-04; Constant 2003-04 Dollars

Figure 2-8 shows the trend in per capita net stipends over the past four years. Between 2000-01 and 2003-04, the per capita net stipend for all academic disciplines declined by 2% in constant dollars despite the 8% increase in competitive aid noted in Figure 2-6. The difference is attributable to increases in fees, tuition, and health insurance costs that occurred during this period. The relative ranking of academic disciplines in terms of the average net stipend received by students remained stable: students in the physical and life sciences regularly received the highest average net stipends, and students in the fine arts and in professional school disciplines regularly received the lowest average net stipends.

**Doctoral/Masters Status**

In the academic disciplines, doctoral students far outnumber masters students. University-wide, only 16% of graduate academic students in 2003-04 were pursuing a master’s degree. In addition to being far fewer in number, masters students in academic disciplines receive much smaller net stipends than their counterparts pursuing doctoral degrees. As illustrated in Figure 2-9, across all
Masters degree students in graduate academic disciplines had net stipends that were much lower than those of doctoral degree students.

Figure 2-9
Per Capita Net Stipend for Graduate Academic Students by Master’s/Doctoral Status and Discipline, 2003-04

Residency Status

Although the University’s research and public service missions mean that domestic nonresident and international students are an important part of the pool of students for whom the University competes, three-quarters of graduate academic students are California residents.

Nonresident students require considerably more funding than California residents because they are assessed not only fees but also nonresident tuition ($12,245 for graduate academic students in 2003-04). The funding required to support international students is particularly high because, unlike domestic nonresident students, international students cannot establish California residency and thus remain subject to nonresident tuition for the duration of their enrollment (although stu-

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4 Academic Total includes academic students enrolled in professional schools, who were otherwise excluded from the display due to the very few enrolled academic master’s students.
Students are exempt from paying 75% of nonresident tuition for up to three years once they advance to candidacy. Often these international students are among the most talented applicants to UC’s graduate academic programs.

Across all graduate academic disciplines in 2003-04, per capita levels of both competitive support and total support were higher for both domestic non-resident and international students than they were for California residents, consistent with the need to cover higher costs for these students. However, a breakdown of net stipend by residency status and discipline shows that once fee and tuition levels are accounted for, resident students in nearly every discipline receive higher levels of net support than their domestic nonresident or international student counterparts. (See Figure 2-10, below.) Put another way, the higher levels of support received by nonresident and international students was generally not enough to offset their additional charges as nonresidents.

Figure 2-10
Net Stipend by Graduate Academic Discipline by Residency, 2003-04

<table>
<thead>
<tr>
<th>Discipline</th>
<th>California Residents</th>
<th>Domestic Non-Residents</th>
<th>International Non-residents</th>
<th>Resident Enrollment</th>
<th>Domestic Non-Res Enrollment</th>
<th>International Non-Res Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering/Computer Sciences</td>
<td>$10,501</td>
<td>$7,873</td>
<td>$11,277</td>
<td>3,564</td>
<td>533</td>
<td>2,935</td>
</tr>
<tr>
<td>Fine Arts</td>
<td>$9,836</td>
<td>$4,248</td>
<td>$6,010</td>
<td>936</td>
<td>143</td>
<td>147</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>$15,758</td>
<td>$14,634</td>
<td>$11,815</td>
<td>1,740</td>
<td>127</td>
<td>317</td>
</tr>
<tr>
<td>Humanities</td>
<td>$11,111</td>
<td>$10,539</td>
<td>$9,614</td>
<td>2,137</td>
<td>228</td>
<td>335</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>$17,633</td>
<td>$14,481</td>
<td>$13,005</td>
<td>2,660</td>
<td>227</td>
<td>684</td>
</tr>
<tr>
<td>Other</td>
<td>$9,300</td>
<td>$2,130</td>
<td>$6,057</td>
<td>898</td>
<td>124</td>
<td>140</td>
</tr>
<tr>
<td>Physical Sciences</td>
<td>$17,565</td>
<td>$15,445</td>
<td>$15,228</td>
<td>2,699</td>
<td>406</td>
<td>964</td>
</tr>
<tr>
<td>Professional School</td>
<td>$7,019</td>
<td>$8,491</td>
<td>$11,220</td>
<td>1,309</td>
<td>81</td>
<td>140</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>$13,067</td>
<td>$10,992</td>
<td>$8,245</td>
<td>3,298</td>
<td>381</td>
<td>254</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$13,357</td>
<td>$10,671</td>
<td>$11,420</td>
<td>19,242</td>
<td>2,300</td>
<td>6,589</td>
</tr>
</tbody>
</table>

Is the University’s Assistance for Graduate Academic Students Competitive?

As described in the opening section of this report, the basic purpose of graduate financial assistance is to permit the University to compete for and attract the highest-caliber students to support its research and public service missions and to meet the state’s manpower needs.

In both 2001 and 2004, the University conducted surveys designed to assess the competitiveness of financial support offers made to prospective UC doctoral students. The University surveyed students admitted to the University’s academic doctoral programs in each of those years, and responses were gathered from both students who chose to attend UC and those who chose to attend non-UC institutions. The results showed that, overall, UC financial support offers made to students applying to academic doctoral programs were not fully comparable to offers from non-UC
competitors. Systemwide, the per capita UC net stipend was about $1,500 lower than the per capita non-UC net stipend in both 2001 and 2004. After taking into account the generally higher cost of living in the communities where UC campuses are located, the gap between the purchasing power of UC’s net stipends and those from students’ top-choice non-UC institutions grows to about $2,000. In addition, UC offers were less likely to include fellowship assistance and research assistantships—the most desirable types of competitive aid.

... overall, UC financial support offers made to students applying to academic doctoral programs were not fully comparable to offers from non-UC competitors.

These university-wide patterns did not apply to each campus and discipline. The competitiveness of financial assistance offers to graduate doctoral students differed widely by campus. This variation was a function of both differences in UC campus net stipend levels and differences in the institutions each campus competes with to attract students. Thus, while the San Diego campus had among the highest net stipends of the eight general campuses at UC, it was also among the farthest behind its competing institutions because its competing institutions provided relatively high net stipends.

In addition, there was variation across disciplines. At one extreme, applicants in the life sciences had the highest per capita net stipend at UC; their net stipend was equal to the per capita net stipend offered by students’ top-choice non-UC institutions in 2004. At the other extreme, applicants in the social sciences at UC had a per capita net stipend that was less than half of the stipend for applicants in the life sciences at UC, and was less than 60% of the net stipend from students’ top-choice non-UC institutions. (For a complete review of the survey results, see the report “Findings from the Graduate Student Support Survey” on the Student Financial Support website at http://www.ucop.edu/sas/sfs/.)

**Graduate Professional Degree Students**

As described earlier, financing patterns among graduate professional degree program students differ substantially from the financing patterns among graduate academic degree program students. Figure 2-4 indicated that graduate professional degree students receive less aid per capita than their graduate academic counterparts and rely more heavily on loan assistance. While per capita borrowing among graduate professional degree program students was $14,037, per capita borrowing among graduate academic degree students averaged only $2,324 in 2003-04. However, the financing patterns differ substantially by professional degree program. In keeping with the framework underlying the net stipend concept, it is important to consider both the amount and types of aid received as well as fees charged to more fully understand financing patterns.

As illustrated in Figure 2-11, students in each of the graduate professional degree programs borrowed more per capita in 2003-04 than students in any of the graduate academic disciplines.
Figure 2-11 also shows the variability in the per capita financing patterns among students in the professional degree programs. This variability is larger than that observed among students in the different academic disciplines and follows some different patterns. Among graduate academic students, those in disciplines with lower competitive aid levels tended to borrow more, presumably to offset their lower competitive aid levels. This resulted in less variability in total aid received per capita than in either competitive or loan aid received per capita. Students in professional degree programs tend not to follow such a trend. Among professional degree students in 2003-04, medical students had the highest level of competitive awards and the second highest rate of borrowing. They received three times the competitive aid, on a per capita basis, than students in teacher credential programs – the group of students who borrowed the least per capita.

...students in each of the graduate professional degree programs borrowed substantially more per capita than students in any of the graduate academic disciplines.

These differences in per capita financial support among students in the various graduate professional degree programs can be explained in part by striking differences in the amount of student fees paid. Per capita fee levels are lowest among teacher credential program students and are

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5 Figures in the "Other" category include masters students in other professional disciplines (education, architecture, education, journalism, etc.), most of whom do not pay a professional degree fee.
highest – three times as high – among Business program students. These differences are driven largely by two factors. The first is the different rates at which the professional degree programs enroll students who are charged non-resident tuition and fees. The percentage of students who are California residents ranges from a low of 62% in business degree programs to a high of 97% in medicine and teacher credential degree programs.

Another factor driving differences in student fees charged are the University’s Fees for Selected Professional School Students. These fees are paid in addition to regular systemwide and campus-based fees paid by other graduate students. They ranged from $2,925 for nursing students to $9,473 for law students in 2003-04. The absence of a Fee for Selected Professional School Students for those enrolled in the teacher credential program is reflected in the low per capita aid levels for credential students.

Figure 2-12
Per Capita Competitive Aid for Graduate Professional Students, 2000-01 to 2003-04, 2003-04 Constant Dollars

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching Assistantship</td>
<td>$647</td>
<td>$702</td>
<td>$665</td>
<td>$673</td>
</tr>
<tr>
<td>Research Assistantship</td>
<td>$408</td>
<td>$449</td>
<td>$368</td>
<td>$335</td>
</tr>
<tr>
<td>Gift Assistance</td>
<td>$4,852</td>
<td>$4,972</td>
<td>$4,618</td>
<td>$5,547</td>
</tr>
<tr>
<td>All Competitive Aid</td>
<td>$5,907</td>
<td>$6,123</td>
<td>$5,651</td>
<td>$6,555</td>
</tr>
</tbody>
</table>

Figure 2-12, above, depicts the change in competitive aid for graduate professional students during the past four years. On a per capita basis, total competitive aid increased by 11% in inflation-adjusted dollars during this period. Virtually all of the increase occurred in gift aid for these students, consistent with the University’s policy of setting aside a portion of new fee revenue to augment its financial aid programs.

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6 In 2005-06, this fee was assessed to students seeking specified degrees in business, law, medicine, dentistry, veterinary medicine, pharmacy, optometry, nursing, public health, public policy, the UCLA theater/film/television program and the UCSD international relations and Pacific studies program.
Net Fee Levels

As shown in figure 2-13, the competitive aid received by graduate professional degree students typically does not fully cover student fees. Since graduate professional degree students typically have no stipend remaining after covering fees, total aid for graduate professional degree students is framed here in terms of net fee levels. Like the net stipend figure, net fees are derived by comparing fees with total amount of competitive aid. However, in the case of net fees, the outcome is the total fees not covered by gift aid, a research assistantship, or a teaching assistantship.

Per capita fees covered by competitive aid and per capita net fee levels by graduate professional degree program are presented in Figure 2-13. The full column for each degree program represents the per capita fee levels. This figure illustrates that many graduate professional degree program students pay a large portion of their fees through their own resources, including working and borrowing. Further, it also shows that competitive aid levels do not generally offset the differences in fee levels among the professional degree programs. Business programs, with some of the highest professional degree fees and the highest proportion of students paying nonresident fees, easily have the highest per capita net fee levels.

Figure 2-13
Per Capita Fees Covered by Competitive Aid and Per Capita Net Fees Covered by the Student by Graduate Professional Degree Program, 2003-04

![Figure 2-13](image)

<table>
<thead>
<tr>
<th></th>
<th>Net Fees Covered by Student</th>
<th>Fees Covered by Aid</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$15,680</td>
<td>$5,544</td>
<td>1,573</td>
</tr>
<tr>
<td>Law</td>
<td>$12,693</td>
<td>$5,717</td>
<td>2,451</td>
</tr>
<tr>
<td>Medicine</td>
<td>$6,194</td>
<td>$9,874</td>
<td>2,571</td>
</tr>
<tr>
<td>Other Health</td>
<td>$2,360</td>
<td>$6,895</td>
<td>3,025</td>
</tr>
<tr>
<td>Other</td>
<td>$7,633</td>
<td>$6,086</td>
<td>2,510</td>
</tr>
<tr>
<td>Teacher Credential</td>
<td>$3,750</td>
<td>$3,329</td>
<td>1,471</td>
</tr>
<tr>
<td>Total</td>
<td>$7,611</td>
<td>$6,555</td>
<td>13,600</td>
</tr>
</tbody>
</table>

Residency Status

While the University’s graduate professional degree programs recruit both resident and nonresident students in order to meet the state’s workforce needs, 87% of professional degree pro-
gram students in 2003-04 were California residents. The percentage of students who were California residents ranged from 97% for students in medicine and teacher credential programs to 62% for students in business programs. However, the impact of recruiting non-resident students on per capita fee and net fee levels varies by program length since domestic non-resident students can establish residency in a year. This means that a domestic non-resident business student who is enrolled for two years can establish residency for only half his or her time enrolled. Medical students, in contrast, are enrolled for four years, so a domestic non-resident medical student who enters a UC medical school can establish residency for three-quarters of his or her time enrolled. International non-resident students cannot establish residency. Business programs had the highest percentage by far of international students enrolled in 2003-04 – 25%. The percentage of international students was generally less than 10% in the other programs.

Figure 2-14
Per Capita Net Fees by Graduate Professional Degree Program by Residency Status, 2003-04

<table>
<thead>
<tr>
<th>Program</th>
<th>California Residents</th>
<th>Domestic Non-Residents</th>
<th>International Non-Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$11,805</td>
<td>$23,526</td>
<td>$21,115</td>
</tr>
<tr>
<td>Law</td>
<td>$10,073</td>
<td>$23,059</td>
<td>$23,735</td>
</tr>
<tr>
<td>Medicine</td>
<td>$6,226</td>
<td>$4,309</td>
<td>$9,767</td>
</tr>
<tr>
<td>Other Health Sciences</td>
<td>$523</td>
<td>$9,643</td>
<td>$2,415</td>
</tr>
<tr>
<td>Others</td>
<td>$7,211</td>
<td>$15,822</td>
<td>$1,805</td>
</tr>
<tr>
<td>Teacher Credential</td>
<td>$2,877</td>
<td>$14,959</td>
<td>$2,402</td>
</tr>
<tr>
<td>Total</td>
<td>$6,323</td>
<td>$16,482</td>
<td>$11,374</td>
</tr>
</tbody>
</table>

Figure 2-14 shows that in virtually every professional degree program, non-resident and international students are particularly lacking in support. California resident students’ net fees are generally much lower than they are for students who are not California residents. Not surprisingly, business and law students, who pay the highest average fees and had the highest net fee levels overall for 2003-04, have the highest 2003-04 net fee levels for each residency status represented in Figure 2-14.

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7 Insufficient data are available to report results for international medicine or teacher credential students.
California resident students’ net fees are generally much lower than they are for students who are not California residents.

Manageability of Professional Degree Program Student Loan Debt

As noted earlier, students in graduate professional degree programs rely heavily on loans to finance their education. The large per capita loan figures are especially significant when one considers the potential cumulative debt required to complete a graduate professional degree program lasting two, three, or four years.

Three mitigating factors help graduates of the University’s professional degree programs to manage their debt repayment obligations.

- **Short- and long-term potential earnings upon graduation.** Among students in graduate professional degree programs who borrowed in 2003-04, average borrowing was highest among students in business ($24,433), law ($21,971), and medicine ($21,560). (Note, however, that fewer business students borrow compared to students in the other disciplines mentioned above, and their program lasts only two years.) While the projected total debt levels for these students upon graduation are substantial, graduates from these programs can anticipate substantial earnings, too. For example, surveys conducted by two UC law school career services offices indicated that the median private-sector starting salary for graduates was $125,000 in 2004. For graduates who pursue less lucrative careers in the public interest, loan assistance repayment programs are available for many professions (see below).

- **Flexible loan repayment plans.** Federal student loans offer a variety of repayment plans that can improve the manageability of graduates’ monthly loan payments. Under an income-contingent repayment plan, for example, the size of the monthly payment is based both upon the size of the loan and the borrower’s monthly income. These plans generally allow borrowers to reduce their federal student loan payments to a level that is well within the range of debt-to-income ratios that is considered manageable according to credit industry standards (typically between 5% and 15%).

  [Flexible repayment plans] generally allow borrowers to reduce their federal student loan payments to a level that is … considered manageable according to credit industry standards.

8 The range for professional degree graduates extends higher than the range used to evaluate undergraduate debt (between 5% and 9% of income) because credit industry standards assume that individuals with higher earnings are able to dedicate a higher percentage of income to debt repayment.
Loan repayment assistance programs (LRAPs). LRAPs enable students to pursue careers in the public interest by assisting them in repaying their student loans. They are available in one form or another to graduates of many of UC’s professional schools. For example, graduates of UC’s medical and health science professional schools may apply to LRAP programs funded by federal, state, and local agencies that support health professionals who choose to work in rural or medically underserved communities. Each UC law school offers its own LRAP for graduates who enter public interest careers, and a similar program exists at the Haas School of Business at Berkeley.

The Regents have expressed particular concern about the potential impact of professional degree fee increases on students’ debt and, hence, students’ ability to pursue low-paying public interest careers. In response to that concern, the University issued a report in January 2007 that described how the University’s professional degree programs are responding to this challenge. The report, “Approaches to Fostering Public Interest Employment in UC Graduate Professional Schools,” is available as an attachment to the agenda for the January 17, 2007 meeting of The Regents Committee on Educational Policy at http://www.universityofcalifornia.edu/regents.
SECTION 3
OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR
FAMILIES FINANCE A UC EDUCATION

ScholarShare Trust College Savings Program

The state of California’s ScholarShare Trust College Savings Program was established to encourage families to embark upon a program of systematic saving to help cover their children’s college expenses. In recent years, an increasing portion of middle-income families have found that they lack the savings or current income to cover their contributions to their children's educational expenses. These families have been turning at increasing rates to the federal unsubsidized loan programs in order to meet these costs. In response to this growing trend and changes to the federal tax code, the state created the ScholarShare Trust.

ScholarShare provides students’ parents and other family members with a tax-advantaged college savings option, pursuant to Section 529 of the Internal Revenue Code. (Many states have similar “529” college savings plan.) The program manages individual accounts, which are pooled into large funds and invested in a number of different instruments (i.e., stocks, bonds, money markets, or a combination of these). Contributions are made with after-tax income and are accepted until the account’s value reaches the beneficiary’s projected education expenses at an independent (private) college or university. The earnings from these investments are not federally taxable if used for qualified higher education expenses (tuition and required fees, books, supplies, equipment, and eligible room and board expenses). California has also modified the state tax code to exempt earnings from ScholarShare or other state-sponsored 529 programs from state income tax. Savings withdrawn for non-qualified expenses are subject to a financial penalty.

Among the advantages of the ScholarShare Trust are the following: no income limits for investors, low minimum contribution amounts, and convenient payment arrangements. Investors benefit mostly from the tax-exempt status of their earnings but also from the professional management of funds that the program provides and the convenience of a structured savings plan.

Federal programs and initiatives

Federal Education Tax Credits

The two federal education tax credits, the Hope Scholarship Tax Credit and the Lifetime Learning Tax Credit, are available to taxpayers for tuition and required fees paid less grants, scholarships, and other tax-free educational assistance. Eligibility for both is phased out for joint filers who earn between $85,000 and $110,000 in modified adjusted gross income, and for single filers who earn between $42,000 and $52,000 in modified adjusted gross income (tax year 2004 figures).

- The Hope Scholarship Tax Credit is targeted to make the first two years of college more available. Students or their parents (if claiming the student as a dependent) may receive a 100 percent tax credit for the first $1,000 of tuition and required fees paid and a 50 percent credit on the second $1,000. The credit can be claimed for a maximum of two
tax years for students who are enrolled in any portion of their first two years of higher education and on at least a half-time basis in a degree or certificate program.

- **The Lifetime Learning Tax Credit** is targeted at adults reentering college, changing careers, or taking courses to upgrade their job skills. It is also available to juniors, seniors, and graduate level students or other students ineligible for Hope credits. A family may receive a 20 percent tax credit for the first $10,000 of qualified educational expenses paid each year. The maximum credit is $2,000 per return.

The University surveyed a cross-section of students in January 2000 in order to learn about the extent to which UC students and their families were making use of the tax credits. Approximately 29 percent of the UC students or families responding to the survey indicated that they had claimed either the Hope or Lifetime Learning Tax Credit. Since an estimated 37 percent of all students were eligible for the tax credits, the survey suggests that most eligible students and their families actually claimed them. UC estimates that students and their families claim over $80 million in education tax credits annually.

**Above-the-Line Tax Deduction for Higher Education Tuition and Related Expenses**

The Economic Growth and Tax Relief Reconciliation Act of 2001 established a new higher education expense deduction that provides relief to families whose incomes disqualify them from participation in the Hope and Lifetime Learning tax credits. Single filers with incomes of up to $65,000 and joint filers with incomes of up to $130,000 can qualify for a deduction of up to $4,000; single filers with incomes between $65,000 and $80,000 and joint filers with incomes between $130,000 and $160,000 can qualify for a deduction of up to $2,000.

**Student Loan Interest Deduction**

The student loan interest deduction reduces the burden of loan repayment by allowing taxpaying borrowers to take a tax deduction for interest paid during repayment on student loans. The deduction is available even if the taxpayer does not itemize other deductions. The maximum deduction is $2,500. The income ceiling for eligibility for the interest deduction is $65,000 for single filers and $130,000 for joint filers for the 2004 tax year. The deduction is available for all educational loans, including loans made to students or parents, guaranteed student loans, loans from private lenders, and loans made before the student loan interest deduction was passed into law.

**Coverdell Education Savings Accounts (ESAs)**

Coverdell Education Savings Accounts (ESAs) are similar to state 529 plans in that they permit eligible taxpayers to make after-tax contributions to an investment account; amounts deposited in the account then grow tax-free until distributed. Distributions are tax-free provided that they are used to pay for tuition and required fees (less grants, scholarships, and other tax-free educational assistance) for the enrollment of the designated beneficiary at an eligible elementary, secondary, or postsecondary educational institution. Generally, any individual (including the beneficiary) whose modified adjusted gross income for the year is less than $110,000 ($220,000 in the case of
a joint return) may contribute to a Coverdell ESA. Total annual contributions for any beneficiary cannot exceed $2,000, no matter how many accounts have been established for the beneficiary. The maximum amount that an individual can contribute to a single beneficiary is capped at $2,000 per year for contributors whose income is less than $95,000 ($190,000 if filing a joint return) and declines to zero as the contributor’s income approaches $110,000 ($220,000 for a joint return).

**IRA Withdrawals for Higher Education Expenses**

Taxpayers may withdraw principal contributions penalty-free from a traditional Individual Retirement Account (IRA), a SIMPLE IRA, or a Roth IRA for their own higher education expenses or those of a spouse, child, or grandchild. Earnings on a traditional IRA are taxed when they are withdrawn, and contributions may be taxed when withdrawn depending upon whether they were originally tax deductible. Individuals may contribute to a traditional IRA without regard to income, although income does have a bearing on whether the contributions are tax deductible.

**U.S. Savings Bonds**

The interest on U.S. Savings bonds is, in certain circumstances, tax-free when bond proceeds are used to cover eligible education expenses. Individuals who are at least 24 years of age and purchase Series EE or Series I bonds may withdraw bond proceeds tax-free if they are used to cover tuition or fees or contributions to a Qualified State Tuition Program such as ScholarShare or an education IRA. Eligibility for tax-free withdrawals is a function of income level when the bond is redeemed, and is phased out for individuals filing jointly with incomes of between $89,750 and $119,750 and for individuals filing singly with annual incomes of between $59,850 and $74,850 (tax year 2004 figures).
SECTION 4
OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 2003-04

Using a series of figures and tables, this section presents an overview of student financial support during 2003-2004. Unless otherwise noted, all figures include Summer 2003 and the 2003-04 academic year.

Figure 4-1
Support¹, Enrollment², and Recipients³ by Enrollment Level, 2003-2004

- 70% of the students enrolled at the University of California in 2003-2004 received some form of student financial support.
- Graduate students represented a greater portion of support recipients and received a greater percentage of financial support dollars than their percent of total enrollment. This is driven largely by differing purposes of financial aid for undergraduate and graduate students.
- At the undergraduate level, financial aid is a tool for providing access to students who would not otherwise be able to afford to attend the University.
- At the graduate level, financial aid is a tool to recruit top-tier students for the University.

¹ Includes $7.0 million in support for students of an unknown level.
² Enrollment as well as recipient counts are calculated on a full-year equivalent basis.
³ Includes 1,616 recipients of unknown level. Recipients of unknown level can only be counted on a head-count basis, while graduate and undergraduate students are counted on a full year equivalent basis.
Student Financial Support at the University of California increased by 18%, or $332 million, over the prior year and reached a total level of $2.2 billion in 2003-04.

44% of total support for 2003-2004 was in the form of gift assistance – grants and scholarships/fellowships.
Federal sources provided nearly half of all support received by UC students in 2003-04.

University sources provided over one-third of support received by UC students.
Financial aid that does not have to be earned or repaid (i.e. grants and scholarships) constitutes 57% of undergraduate support at the University, with student loans and work-study comprising 42%; assistantships represent less than 1% of undergraduate support.

64% of the University's undergraduate students received some form of student financial support in 2003-04.

49% of UC's undergraduates received some form of need-based aid in 2003-2004.

Over half (57%) of UC’s undergraduates received some form of gift assistance (need-based or non-need-based gift aid) in 2003-2004.

Over 85% of all grant and scholarship support received by UC undergraduates – and 72% of all student financial support received by undergraduates – was awarded on the basis of need. This reflects the University’s conviction that the principal goal of undergraduate financial support is to provide access to a University education to those students who otherwise would be unable to afford to attend.
UC undergraduates receive 55% of their support from programs funded or authorized by the federal government. In 2003-04, 75% of these federal awards were made in the form of loans and work-study.

State and University programs, while not equaling federal programs in total dollars, play a vital role in the provision of grant and scholarship support to UC undergraduates: together they accounted for 72% of undergraduate grant and scholarship aid. While 24% of total gift assistance awarded in 2003-04 came from federal programs, 32% of total gift assistance came from state programs and 40% came from University programs.
Most university support comes in the form of gift assistance. Grants and scholarships together represent 97% of University support for undergraduate students.

University support represents 23% of total assistance received by undergraduates in 2003-2004 but accounts for 41% of support for undergraduate gift assistance.
While federal support represents 55% of undergraduate support overall, 71% of that support is in the form of student loans.

While most federal support comes in the form of loans, the federal government is nonetheless a significant source of undergraduate gift assistance. Federal grant programs account for 22% of all gift assistance received by undergraduates.
The family resources available to the student determine whether he or she qualifies for need-based financial aid. As parental income increases, the number of students who qualify for aid declines. Most undergraduates who receive need-based aid have relatively few financial resources.

Undergraduate students who are considered to be financially independent of their parents (generally students age 24 or older) constitute 14% of all undergraduate need-based aid recipients.
Graduate students received over $1.0 billion in support in 2003-04, an increase of $141 million (16%) over 2002-03 levels.

The balance between competitive^5 and need-based support at the graduate level changes little from year to year. Need-based aid, consisting of grants, loans, and work-study, constituted 32% of graduate support. Competitive aid, consisting of teaching assistantships, research assistantships, and fellowships, constituted 68% of graduate support.

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^4 Includes graduate students in self-supporting programs.
^5 Grants are the one type of competitive aid awarded based on need. Thus, for purposes of this display, grants are considered need-based aid rather than competitive aid.
Graduate academic students received support totaling $615 million in 2003-04. Over 90% of their support was in the form of merit-based awards, i.e., fellowships and assistantships.

Graduate professional students received support totaling $236 million in 2003-04. Of this amount, 68% was in the form of student loans and work-study and only 32% was in the form of merit-based awards.

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6 Excludes graduate students in self-supporting programs.
GLOSSARY OF SELECTED STUDENT AID PROGRAMS

Key to Notations:  F=Federal, S=State, U=University

Cal Grant A Program S
This is the largest of the State’s aid programs and provides fee-coverage grants to needy, merito-
rious undergraduates.

Cal Grant B Program S
This program provides undergraduates from particularly low-income or disadvantaged back-
grounds with a fee-coverage grant and a stipend for living expenses. First-year recipients generally receive the stipend only.

Education Abroad Program (EAP) U
This program provides UC students with the opportunity to study abroad through University-
sponsored programs. EAP students are eligible for financial assistance.

Federal Direct Loan Program F
This umbrella program encompasses three federal student loan programs funded with loan capital
provided by the federal government; postsecondary institutions act as the lending agent for sub-
dized and unsubsidized student loans and unsubsidized parent loans for undergraduate students
(PLUS). This program is an alternative to the Federal Family Education Loan Program (FFELP).

Federal Family Education Loan Program (FFELP) F
This umbrella program encompasses three federal student loan programs guaranteed by the fed-
eral government and funded with loan capital provided by banks and other lending institutions:
subsidized and unsubsidized Stafford loans for students and unsubsidized parent loans for under-
graduate students (PLUS). This program is an alternative to the Federal Direct Loan Program.

Federal Fellowships F
UC’s graduate students receive Federally funded fellowships from many Federal agencies, among
them the National Science Foundation, the Public Health Service, and the National Institutes of
Health, and from a variety of Federal programs, such as the Foreign Language Area Studies Pro-
gram, the Fulbright-Hayes Program, and the programs authorized by Title IX of the Higher Edu-
cation Act.

Federal Work-Study (FWS) Program F
Federal funds, institutional funds, and employer contributions combine to pay the salaries of
needy undergraduate and graduate students employed through this program.

Health Education Assistance Loans (HEAL) F
This program’s unsubsidized, nonneed-based loans are relatively expensive and are used by UC
health professions students as a fund source of last resort.
Health Professions Student Loans (HPSL) and Nursing Student Loans (NSL)

Needy UC students in health profession fields receive additional funding from these two small, institutionally managed loan programs.

Pell Grant Program

This, the largest aid program directly funded and administered by the Federal government, provides grants to undergraduates who meet its stringent need criteria.

Perkins Loan Program (formerly National Direct Student Loan [NDSL] Program)

Federal capital contributions, institutional matching funds, and, above all, collections from former UC students combine in this program, which is administered by the University under stringent Federal regulations. Both undergraduate and graduate students receive need-based, low-interest loans from this program.

President’s Washington Scholarship Program

This program provides scholarships to financially needy students who are participating in an internship in Washington, D.C.

Research Assistantships

The University maintains three research assistantship programs in areas of critical need: the arts and humanities, in order to provide more research support; engineering and computer science, in order to attract more domestic students to graduate work in these fields; and doctoral education in community college administration, to support community college administrators preparing for leadership roles in administration. Funds are awarded as merit-based graduate research appointments. These programs fall under the research budget.

Robert C. Byrd Honors Scholarship Program

This State-administered Federal program provides non-renewable merit-based awards of $1,500 to outstanding high school seniors for their first year of postsecondary study.

State Work-Study

This program provides needy undergraduates and graduate students at participating campuses with funding for employment related to their academic majors or their career goals.

Supplemental Educational Opportunity Grant (SEOG) Program

The UC Campuses manage these Federal grant funds and use them to provide additional grant awards to low-income undergraduates.

University Student Aid Program (USAP)

The largest of the University’s need-based student support programs, the University Student Aid Program is used to provide need-based grant, loan, and work-study awards to undergraduate and graduate students. Budget augmentations to the USAP are made from the State General Fund and are indexed to budgeted enrollment growth and to annual fee increases.
INFORMATION ON ATTACHMENTS

1. Sources for Data: UCOP Corporate Student System.

2. All recipient counts are unduplicated.

3. Postbaccalaureate teacher credential candidates are included in graduate enrollment figures.

4. Health sciences residents are excluded from graduate enrollment figures.

Additional Notes for Attachment C

- The appearance of Pell Grant awards at the graduate level is caused by students who moved from undergraduate to graduate status within a financial aid award year.

- “Other Federal Support” includes Bureau of Indian Affairs Grants, Nursing Grants and Loans, Health Education Assistance Loans (HEAL) and Health Professions Student Loans.

- This attachment does not include federally funded teaching and research assistantships, Social Security benefits, and veterans’ benefits.