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**UNIVERSITY OF CALIFORNIA  
OFFICE OF THE PRESIDENT**



**ANNUAL REPORT ON  
STUDENT FINANCIAL SUPPORT  
2000-2001**

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

**FEBRUARY 2003**

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## **Preface**

This report, submitted to The Regents of the University of California, provides comprehensive data on how the students at the University of California financed their education in the 2000-01 academic year. The Student Financial Support unit in the Student Academic Services Division at the UC Office of the President compiles this annual report, which contains data on the different types and sources of student aid received by both undergraduate and graduate students. Also discussed are various ways students at different family income levels finance their education and how the University assists students in these efforts.

This document is a valuable resource for the University community, providing analyses of the trends and future directions in financial aid for University of California students. It 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.



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## **EXECUTIVE SUMMARY**

In 2000-01, approximately 115,200 students (65 percent of the total enrollment) at the University of California received over \$1.5 billion in financial support. This amount includes aid from all sources -- federal, state, University and private -- and of all types -- scholarships, fellowships, grant, loans, work-study, and assistantships.

Six of every 10 UC undergraduates received some form of student financial support in 2000-01. Nearly three-fourths (73 percent) of undergraduate support at the University is awarded on the basis of need. This is reflective of the strong link between undergraduate education and the University's instructional mission. The University's undergraduate financial aid programs are designed to provide access to a University education to those eligible students who would otherwise be unable to afford to attend.

Over 85 percent of the University's graduate students received some form of student financial support in 2000-01. Nearly three quarters (73 percent) of graduate support took the form of what is termed "competitive aid" – grants, fellowships, or assistantships. This pattern is driven largely by the link between graduate education and both the University's research mission and its role helping the state to meet its workforce needs. This link means that at the graduate level, financial aid needs not only to provide access, but also to serve as a recruitment tool. Thus, the emphasis is on aid that will allow the University to recruit and compete with other universities for top graduate students to support the University's research efforts and to meet workforce needs.

### **Financial Support for Undergraduate Students**

Approximately \$801 million in financial support was received by nearly 82,000 undergraduate students enrolled at the University of California in 2000-01.

#### ***The Education Financing Model***

The University has developed an integrated conceptual framework in order to: 1) guide its work in helping students and parents manage the cost of an undergraduate education, 2) define its role in funding the University's undergraduate student financial support programs, and 3) allocate those funds to the campuses. This framework is known as the Education Financing Model and is based on the following principles:

- total cost of attendance (fees, living and personal expenses, books and supplies, and transportation) represents the context for the Model;
- a partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;
- equity of expectations is needed across the entire undergraduate student body so that all students will be called upon to make some contribution toward their cost of attendance (i.e., regardless of income, students have relatively similar loan and work expectations); and

- flexibility is needed both for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

### ***Undergraduate Financial Aid Highlights***

- In 2000-2001, 59 percent of all UC undergraduates received financial assistance totaling \$801 million. In addition, 48 percent of all undergraduates received some form of gift assistance totaling \$427 million.
- The number of undergraduate need-based aid recipients – aid granted at least in part based on family financial resources -- has been relatively constant since 1995-96 despite a 14 percent increase in undergraduate enrollment. In 2000-01, 46 percent of UC undergraduates received some form of need-based assistance.
- Per capita borrowing in constant dollars among all undergraduates peaked in 1997-98 and has since declined by 14 percent. This welcome trend has been driven largely by a strong California economy, which has contributed to a declining cost of attendance and steady levels of grant funding.
- The average undergraduate cost of attendance at UC as measured in constant dollars declined by 4% between 1995-96 and 2000-01. This is largely attributable to steady or declining student fee levels. Undergraduate systemwide fees did not rise over the period and actually declined twice by 5 percent.
- The average undergraduate cost of attendance at UC represented 36% of California median household income for 1995-96 but only 30 percent in 2000-01. Level or declining student fees and strong growth in the California economy both contributed to this trend.
- While the undergraduate cost of attendance declined between 1995-96 and 2000-01, per capita grant assistance as measured in constant dollars remained steady.

### **Financial Support for Graduate Students**

Over 31,800 (86 percent of total) graduate academic and professional students received \$695 million in financial support during the 2000-01 academic year.

### ***Graduate Student Financial Aid Highlights***

- Beyond making the University accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs serve as a recruitment tool.
- Total per capita graduate student support expressed on constant dollars has generally been increasing over the past 5 years.
- The types of assistance that make a financing package attractive to a prospective graduate student are gift assistance and research and teaching assistantships, which are together termed competitive aid.

- On a per capita basis, academic program graduate students received over three and one half times as much competitive aid as professional degree program graduate students.
- Net stipend levels for graduate academic students, which equal competitive aid less tuition and student fees, also vary by discipline/program. These differences are driven, in part, by differences in student fees.
- After accounting for fee levels, resident students enrolled in graduate academic and graduate professional degree programs tend to have more competitive aid than their non-resident counterparts.
- The results of the Student Financial Support Unit's Graduate Student Support Survey show that overall, UC financial support offers made to students applying to academic doctoral programs were not fully comparable to offers from non-UC competitors.

## **Prospects for the Future**

### ***Federal Initiatives to Assist Families***

The federal and state governments have enacted a number of initiatives to encourage middle-income families to save for college as their children are growing and counter the need for these families to borrow when their children are in school. The federal Taxpayer Relief Act of 1997 provided students and their families with valuable tax credits that were phased in beginning in 1998 as well as tax incentives for families to save for college. With the financial support of the Lumina Foundation, the University conducted a survey of students about their utilization of the education tax credits for 1999. The survey results indicated that most University students eligible for the tax credits took them and that the total value of the tax credits for university students and their families totaled nearly \$80 million.

### ***State Initiatives to Assist Families***

The state's reconfigured Cal Grant program was implemented beginning in 2001-2002. This marks the first year of Cal Grant entitlement awards. As anticipated, provisions of the entitlement appear to have had only a marginal impact on the number of UC students eligible for a Cal Grant. However, the entitlement should help UC in overcoming the misperception that grant assistance is not available to help meet UC costs.

At the same time that the state established the Cal Grant entitlement program, it also established the Governor's Scholars Program, through which merit-based scholarships are awarded to California high school students in grades 9, 10, and 11 with high scores on the STAR exam. The state also established the Governor's Distinguished Mathematics and Science Scholars Program, which provides scholarships to public high school pupils who, in addition to qualifying for a scholarship under the Governor's Scholars Program, obtain a specified score on advanced placement examinations in both calculus and either biology, chemistry, or physics. UC students should receive a high proportion of these new scholarships.

The State of California also sponsors the Scholarshare Trust College Savings Program. This program takes advantage of federally and state-authorized tax incentives intended to encourage families to undertake a system of long-range planning and savings for contributing to their children's college expenses. The recently signed federal Economic Growth and Tax Relief Reconciliation Act of 2001 will make all interest earned through the Scholarshare program federally tax exempt.

### ***Declining State Revenues***

California's period of strong economic growth that began in the late 1990s has ended, and the state is now facing large declines in its revenues while program demands are remaining steady or increasing. This is resulting in reduced levels of support for the University from the state and pressures to increase student fees. As of the time this report was printed, the University had adopted a mid-year fee increase for 2002-2003 – its first fee increase since 1994-95 – and there will likely be pressures to increase fees in 2003-2004 as well.

Through its Education Financing Model, the University will provide needy UC undergraduates with the means to manage increases in student fees. Through this robust model, the University will ensure that almost all students receiving grant assistance will have the fee increases fully offset by increases in grant support. The model will also ensure that in all cases, the demands of work and borrowing remain manageable for UC students.

## 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, through which UC students received over \$1.5 billion in financial assistance in 2000-01, 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 success.

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

The University of California enrolled nearly 176,000 students in 2000-01 in support of its three-pronged mission. 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 are each tied differently to the University's missions. The financial assistance programs, like other University programs, reflect the 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 139,000 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 graduating high school seniors. 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.**

Thus, it follows that the University's undergraduate financial assistance program is 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 the University.

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

The University's graduate enrollment of approximately 37,000 students is tied most directly to the University's research mission. The first point of enrolling graduate students is not to serve a designated pool of Californians – indeed, there is no Master Plan goal for graduate enrollment analogous to that for undergraduate enrollment – but rather to further both the University's research mission, which makes important contributions to the California economy, and its role in helping the state to meet its 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.**

This means that the goal of graduate financial support 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 the those made by other universities competing for the same students. Thus it follows that graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

## **The Expenses that Financial Assistance Helps to Cover**

Many students and their families think first of student fees when considering both the expenses incurred while attending the University and how the University covers its costs of providing an education. However, in both cases, student fees account for only a part of the complete picture. While student fee revenues constitute an important component of the University's revenue, the State of California's investment in the University and its students, which comes in the form of an annual state appropriation, is the foundation of the University's instructional budget. This investment makes it possible for undergraduate and graduate students at the University to obtain a world-renowned education at fee levels that are thousands of dollars less than tuition levels at comparable nonstate-supported universities. The benefits of this state investment (approximately \$8,000 per student) accrue to all UC students who are California residents.

**The state investment...makes it possible for University students to obtain a world-renowned education at fee levels that are thousands of dollars less than tuition levels at comparable nonstate-supported universities.**

For students and their families, student fees are just one component of what is sometimes referred to as the cost of attendance. At both the graduate and undergraduate levels, the University's support programs are tied to the student budget or cost of attendance. The student budget consists of the student's direct educational costs — fees, tuition (for nonresidents), and books and supplies — as well as those categories of expenses that are necessary for maintaining the student while enrolled at the University: living expenses (room and board); health care; transportation; and miscellaneous personal expenses. The sum of these categories represents the typical expenses students and their families must plan to cover through their own resources or financial aid in order to attend a UC campus. Student budgets are developed based on actual reported expenditures by UC students, and to assure a more accurate reflection of actual expenses, separate budgets are developed based on the student's campus, living situation, and status as a graduate or undergraduate student.

NOTE: This 2000-01 version of the **Annual Report on Student Financial Support** is the second to list most enrollment and recipient counts in terms of full year equivalent enrollment. These enrollment or recipient counts are similar in concept to the University's three quarter average enrollments but differ in that they are based on whether a student or recipient was enrolled at any time during a given quarter or semester rather than as of a specific census date.

Versions of this **Annual Report on Student Financial Support** from 1998-99 and earlier reported enrollment and recipient totals in terms of total annual (headcount) enrollment. This amounts to a sum of the students enrolled/receiving aid at any time during the reporting year rather than an average of the enrollment/recipients across academic year terms.

The change in methodology for calculating enrollment and recipient counts should yield results that both reflect all students who receive aid (and not just those receiving aid as of a census date) and depict average award amounts in terms of a student who is enrolled for the full academic year rather than in terms of partial year enrollment. Because average award amounts now represent a full academic year, they are slightly higher than the averages reported based on partial year enrollments.

In those instances where enrollment trend data are presented in this report, the 1999-2000 and 2000-01 enrollment and recipient counts are presented in terms of full year equivalent enrollment, while earlier years are presented in annual enrollment. Footnotes mark each figure where different enrollment types are used.



## SECTION 1

### FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS

#### Key Points

- **In 2000-2001, 59 percent of UC undergraduates received financial assistance totaling \$801 million. In addition, 48 percent of undergraduates received some form of gift assistance totaling \$427 million.**
- **The number of undergraduate recipients of need-based aid – aid granted at least in part based on family financial resources-- has been relatively constant since 1995-96 despite a 14 percent increase in undergraduate enrollment. In 2000-01, 46 percent of UC undergraduates received some form of need-based assistance.**
- **The average undergraduate cost of attendance at UC as measured in constant dollars declined by 4 percent between 1995-96 and 2000-01.**
- **The average undergraduate cost of attendance at UC represented 36 percent of California median household income for 1995-96 but only 30 percent in 2000-01. Level or declining student fees and strong growth in the California economy both contributed to this trend.**
- **While the undergraduate cost of attendance declined between 1995-96 and 2000-01, per capita grant assistance as measured in constant dollars remained steady.**
- **Per capita borrowing in constant dollars among all undergraduates peaked in 1997-98 and has since declined by 14 percent. This welcome trend has been driven largely by a strong California economy, which has contributed to a declining cost of attendance and steady levels of grant funding.**

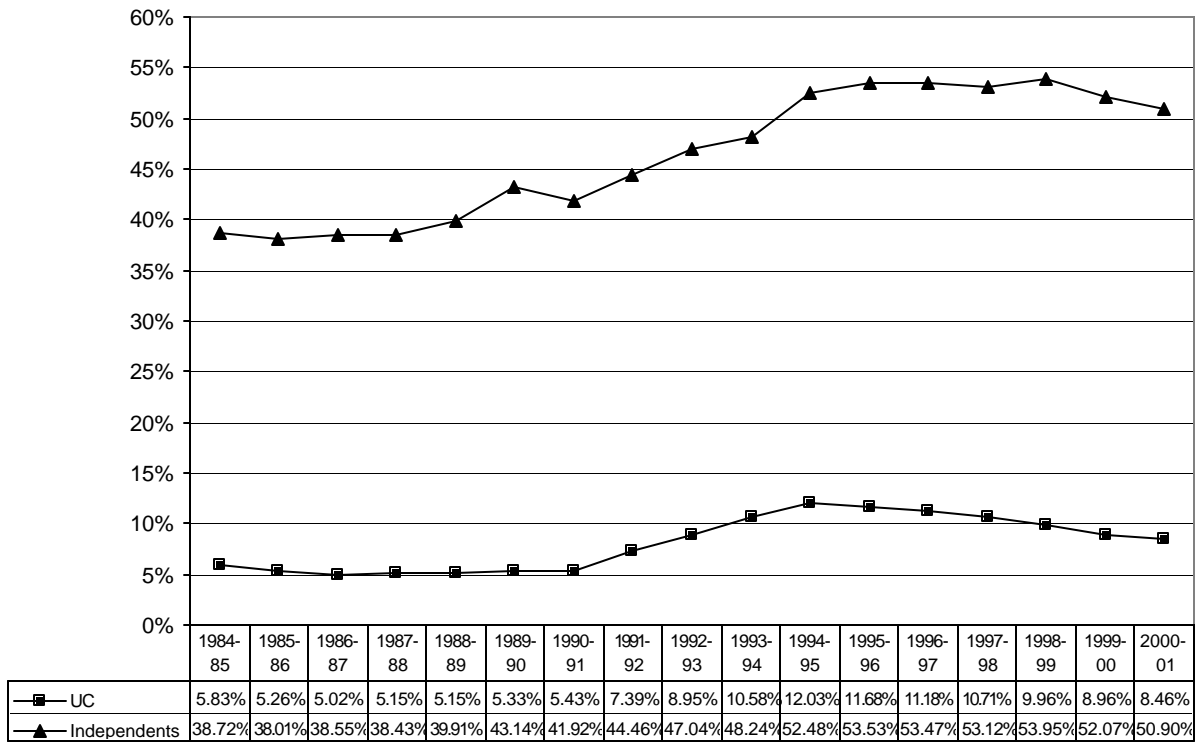
In 2000-01, over 6 of 10 University undergraduate students received financial assistance to help cover the cost of attending the University. While this annual report focuses on the financial assistance received by UC students, all students – whether recipients of financial assistance or not – benefited tremendously from the State of California’s investment in the University. The state’s investment of over \$8,000 per student results in student charges that are significantly lower than comparable costs at independent institutions. A UC undergraduate in 2000-01 faced student fee charges that were over \$19,500 *less* than the tuition and fees faced by an undergraduate enrolled at a comparable independent institution. 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 in have been declining in recent years and in 2000-01 were at their lowest point since 1991-92. The six-year decline in the percent of median household required to cover fees had been driven largely by two factors: 1) steady or declining

systemwide fee levels at UC, and 2) growth in California household income levels at rates double the increases in the California Consumer Price Index.

Fees at independent institutions, expressed as a percentage of median household income, peaked in 1998-99. The subsequent declines have been driven largely by two consecutive years of 7+ percent increases in California median household income.

**...expressed as a percentage of median household income, UC fees...were at their lowest point since 1991-92.**

Figure 1-1  
**Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as a Percent of California Median Household Income, 1984-85 to 2000-01<sup>1</sup>**



<sup>1</sup> The independent institutions in the comparison are Brown University, California Institute of Technology, Claremont McKenna College, Columbia University, Cornell University, Dartmouth College, Duke University, Georgetown University, Harvard University, Massachusetts Institute of Technology, Northwestern University, Notre Dame University, Occidental University, Pepperdine University, Princeton University, Saint Mary's College of Moraga, Santa Clara University, Stanford University, University of Pennsylvania, University of Southern California, and Yale University.

However, making a UC education accessible for all eligible undergraduate students does not stop with fees that are substantially lower than those charged by independent institutions. In addition to facing lower costs than their counterparts at comparable independent institutions, most UC students receive at least one form of financial assistance. In 2000-01, 60 percent of University undergraduate students received some form of financial support. In addition, nearly half of undergraduates – 48 percent – received gift aid, which effectively lowers the “net price” of attending the University. For many recipients from families that cannot afford to cover the full cost of attending at the University, this financial assistance is what makes a University of California education possible.

**For many recipients...financial assistance is what makes a University of California education possible.**

## The Cost of Attendance

The University of California’s undergraduate financial assistance programs are designed to make the University accessible to all eligible students. Put another way, they are designed to make the full cost of attending the university – known as the cost of attendance or the student budget – manageable for eligible students and their families, no matter their family resources. The average UC undergraduate student budget for the 2000-01 academic year for a California resident living on campus broke down as follows:

Student Fees:	\$3,947
Books and Supplies:	\$1,070
Living:	\$7,932
Personal Expenses:	\$1,385
Transportation:	\$535
Healthcare Allowance:	<u>\$210</u>
<b>TOTAL:</b>	<b>\$15,079</b>

However, undergraduate student budgets vary by such factors as residency status, campus, and living arrangement (living with parents, on campus, or off campus).

Since 1998-99, student budgets at the campus level have been determined according to results of the systemwide Cost of Attendance Survey (COAS). The COAS, first conducted in 1997 and then every three years thereafter, provides the most comprehensive data available on the non-fee expenditures of undergraduates attending the University. The survey’s results are significant because they provide a standardized basis for the determination of the student budgets used by each campus. These budgets reflect local economic conditions and student body spending patterns.

In addition to providing data to be used for developing student budgets, the survey results showed that some discretionary expenses may be affected by family income. While expenditures on most

standard items (e.g. mandatory fees and books) do not differ by family income, students with fewer financial resources are more likely to choose to spend less on some items or forego purchasing an item. This can be seen in three specific expense areas: living arrangements, computer ownership, and health insurance. Students with lower family incomes are more likely to have lower-cost living arrangements (e.g. living with parents and commuting to campus) and less likely to own computers or have health insurance coverage. The University recently took measures to help address these last two differences. The University now requires all undergraduates to have health insurance, and a health insurance allowance has been added to student expense budgets. In addition, the University is including the costs associated with computer ownership in student budgets and allowing for budget augmentations for the purchase of a computer.

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

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

1. guide its work in helping students and their parents manage the cost of an undergraduate education,
2. define its role in funding the University's undergraduate student financial support programs, and
3. determine how much undergraduate financial aid to allocate to each campus.

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

- Total cost of attendance (resident student fees, living and personal expenses, books and supplies, and transportation) represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;

**A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model.**

- Equity of expectations is needed across the entire undergraduate student body, so that all students – without regard to family income or resources -- will be called upon to make a similar contribution from loan and work toward their cost of attendance; and
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

### ***What do these principles mean for the parents of UC undergraduates?***

- As they prepare for their role in financing the cost of a UC education, parents need to consider the entire cost of attendance, rather than merely the fees charged by the University.

Under the Model, campuses employ a cost of attendance figure that, in addition to fees, reflects an average of what current students report as the expenses directly associated with attendance at the University, such as room and board, books and supplies, transportation, health care, and other personal expenses.

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

**Parents will be expected to contribute toward this cost of attendance to the extent they are able, as defined by federal standards...**

- The federally defined parent contribution rises rapidly as income increases, and most middle-income parents find that current income is not sufficient to meet their assigned contribution. Therefore, parents with a parent contribution need to be prepared to meet at least a part of their expected contribution by planning and saving beforehand and/or by borrowing once their son or daughter is enrolled. Students whose parents do not fulfill their part of the education financing partnership will face an additional work or debt burden in order to cover their total cost of attendance.

### ***What do 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 funds borrowed and wages earned. This “loan/work expectation” is not identical for all students: it will vary according to campus resources and financial aid policies. However, the Model establishes a range that will serve as a guide for campuses. The goal of this range is to keep the loan/work expectation at a level that will enable students to make steady progress toward completion of the baccalaureate degree (i.e., to work no more than 20 hours per week during the academic year) and to meet their repayment obligations after graduation.

**The goal...is to keep the loan/work expectation at a level that will enable students to make steady progress toward completion of the baccalaureate degree...and to meet their repayment obligations after graduation.**

- Students will be able to affect the amount of their loan/work expectation in a variety of ways. By reducing expenses, students can lower their total cost of attendance and thereby the amount they will need to earn and borrow. Conversely, students who spend more than the average or who incur expenses that are not directly related to attendance will have to work or borrow more. Students can also reduce their loan/work expectation by taking advantage of the availability of merit-based scholarships (for example, those based on aca-

ademic performance, community service, special talent, or other personal characteristics). In addition, students can also plan ahead by saving for their college expenses before they enroll.

- Students also can decide the balance they want to strike between work and borrowing. This balance will depend on their individual preferences, the other resources available to them, their ability to find academic-year employment, and the ability to save most of their summer earnings by working while living with their parents. However, in order to prevent either one of the two components of the loan/work exception from becoming unmanageable, all students should plan to borrow and to be employed while they are pursuing their undergraduate degrees.

**...all students should plan to borrow and to be employed while they are pursuing their undergraduate degrees.**

- Students will be expected to apply for all federal and state financial aid grant programs available to them.
- Students will be expected to meet application deadlines in applying for financial aid. Late applicants are generally assigned a loan/work expectation that is substantially larger than the contribution expected of on-time applicants.
- Undergraduates who are not financially dependent on their parents (according to federal definitions) may be assigned a loan/work expectation that falls outside the range used to guide the contribution expected of dependent students.

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

- At the systemwide level, the University's activities in determining funding levels for the University Student Aid Program, determining how these funds are allocated across the campuses, and setting guidelines for awarding those funds to students are carried out in accordance with the principles and framework of the Model. According to the Model, these funds, unlike funds such as endowments, are specifically for providing students with access to the University. The Model does not set out policies and procedures for student financial support funds generated and held at the campus level, thus encouraging campuses to develop additional resources in support of their own enrollment management goals.
- Although future funding levels cannot be guaranteed, the University's goal is to provide sufficient systemwide funding to keep students' loan/work expectations within the range established by the Model.

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

- Since the allocation of systemwide funds under the Model differs from prior allocation methods, the University is mitigating the impact on students of fund shifts across campuses by phasing in the new allocation formula over time. This phase-in will be completed as of the 2001-02 academic year.
- The University will develop and update the loan/work expectation range annually. In doing so, the University recognizes that the amount students can contribute from work will depend primarily on the number of hours worked, the wages students can command, and students' ability to find summer jobs that allow them to live with their parents and save the majority of 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 both during the summer and between 6 and 20 hours per week during the academic year. The borrowing component of the loan /work range reflects the portion of post-graduation earnings that students can be reasonably expected, according to credit industry standards, to dedicate to loan repayment.

## How UC's Undergraduates Manage the Cost of Attendance

In matters of financing and student support, the University's undergraduate student population can be divided into three main groups:

- 1) **Need-based aid recipients**, who receive some form of financial support to help cover the cost of attendance that is awarded on the basis of family and student financial resources;
- 2) **Nonneed-based aid recipients**, who receive no need-based aid but do receive some form of support that is awarded without consideration of student and family resources; and
- 3) **Nonrecipients**, who receive no financial support that flows through the University (although some may benefit from on-campus employment).

The family income profiles of these three groups differ significantly. For example, according to the latest completed Student Expenses And Resources Survey (SEARS) for which the University has results, conducted in Spring 1998 by the California Student Aid Commission, almost three-fourths (71 percent) of UC students who receive aid have annual family incomes of \$60,000 or less. In contrast, less than one-fourth (22 percent) of non-recipients reported family incomes in this range.

**...according to the latest Student Expenses And Resources Survey...almost three-fourths (71 percent) of UC students who receive aid have annual family incomes of \$60,000 or less.**

Figure 1-2  
**Undergraduate Enrollment by Financial Aid Status, 1990-91 to  
 2000-01: Percentage Distribution <sup>2</sup>**

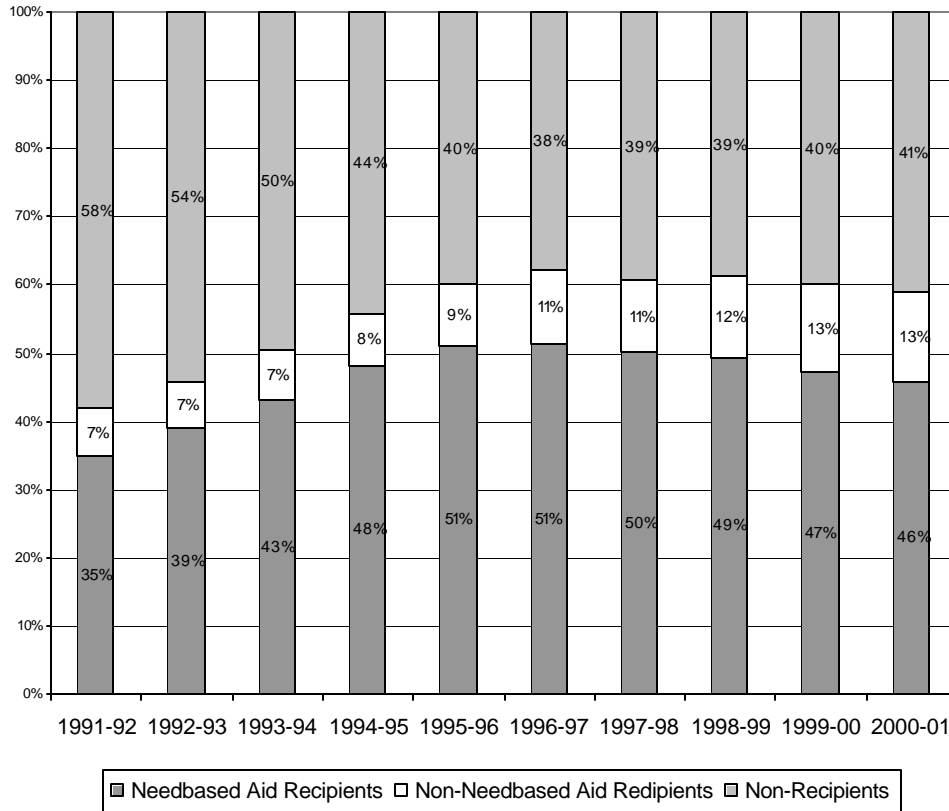


Figure 1-2 and Table 1-1 together illustrate trends in the division of the University's undergraduate student body among students receiving need-based aid (and in some cases, nonneed-based aid in addition), students receiving nonneed-based aid only, and students receiving no aid. The percentage of students receiving some form of financial support grew substantially in the 1990s. At the start of the decade, 42 percent of undergraduates received some form of financial support, while in 2000-01, 59 percent of undergraduates received support.

<sup>2</sup> For years 1991-92 through 1998-99, percentages are calculated based on annual enrollment and recipient counts. For years 1999-00 and 2000-01, percentages are calculated based on full year equivalent enrollment and recipient counts..

Table 1-1

**Undergraduate Enrollment by Financial Aid Status, 1991-92 to 2000-01:  
Number of Students<sup>3</sup>**

	Need-based Aid Recipients		Nonneed-Based Aid Recipients		Non-Aid Recipients		Total Enrollment	
	Full Year Equivalent	Annual	Full Year Equivalent	Annual	Full Year Equivalent	Annual	Full Year Equivalent	Annual
1991-92	--	46,379	--	9,198	--	76,941	--	132,518
1992-93	--	51,352	--	9,030	--	71,705	--	132,087
1993-94	--	56,327	--	9,456	--	64,233	--	130,016
1994-95	--	62,017	--	10,068	--	57,231	--	129,316
1995-96	--	67,050	--	12,130	--	52,385	--	131,565
1996-97	--	68,944	--	14,215	--	50,865	--	134,024
1997-98	--	68,423	--	14,819	--	53,574	--	136,816
1998-99	--	69,391	--	16,758	--	54,390	--	140,539
1999-00	63,506	--	16,681	--	54,200	--	134,387	144,794
2000-01	63,345	--	18,592	--	56,866	--	138,803	149,552

The percentage of undergraduates receiving need-based aid peaked in the mid 1990s. Increases in family income levels driven by the strengthening California economy and stable or declining student fee levels have both contributed to a slow decline in the rate at which undergraduates have qualified for and received need-based financial aid in the latter part of the decade.

This trend followed a period of strong growth in the number of need-based aid recipients. The pool of need-based aid recipients grew by almost 60 percent between the beginning of the decade

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<sup>3</sup> For years 1991-92 through 1998-99, recipients and total enrollment are reported in terms of annual enrollment. For years 1999-00 and 2000-01, recipients are reported in terms of full year equivalent enrollment. While annual enrollments represent a headcount, full year equivalent enrollments account for some students receiving aid or being enrolled for only a part of the year. Comparisons should be made using only years with the same enrollment/recipient count methodologies.

and 1995-96 despite virtually no change in enrollment over the period. A number of factors contributed to this trend, including substantial increases in systemwide fee levels during the early 1990s, decreases in the family income of students attending UC during the first half of this decade, and substantive revisions to the federal formula used to determine eligibility for need-based financial aid.

**Increases in family income levels driven by the strengthening California economy and stable or declining student fee levels have both contributed to a slow decline in the rate at which undergraduates have qualified for and received need-based financial aid in the latter part of the decade.**

The percentage of nonneed-based aid recipients has followed a very different trend. While there was little change in the rate at which undergraduates received nonneed-based aid in the early 1990s, the rate grew steadily from 7 percent in 1993-94 to a high of 13 percent reached in 1999-2000. This has been driven in large measure by increased borrowing through the federal unsubsidized loan programs after changes enacted by the 1992 Reauthorization of the Higher Education Act expanded access to these programs. The growth in nonneed-based aid recipients reflects the availability of these unsubsidized loans and a continuing increased demand for financial assistance among middle-income students who do not qualify for need-based financial aid.

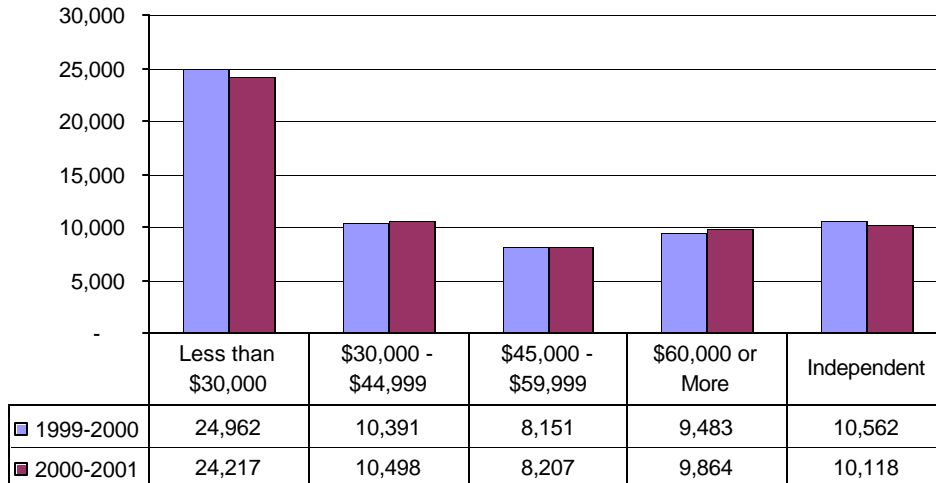
**The growth in nonneed-based aid recipients reflects the availability of these unsubsidized loans and a continuing increased demand for financial assistance among middle income students who do not qualify for need-based financial aid.**

### ***Need-Based Aid Recipients***

A breakout of need-based aid recipients by parent income reflects both the philosophy that undergraduate financial aid is intended to provide eligible students with access to the University and the resulting link between family income and eligibility for need-based financial aid. Figure 1-3 shows that in both 1999-2000 and 2000-01, there were about two and one-half times as many dependent need-based aid recipients with family incomes below \$30,000 as there were dependent need-based aid recipients with family incomes of \$60,000 or more. Since 1997-98, the proportion of need-based aid recipients decreased slightly in the categories of dependent students with family incomes of less than \$30,000 and independent students while it increased for students in other categories. This pattern of change, consistent with patterns observed since the mid 1990s, is likely due to a range of factors, including increased borrowing among students and families in the higher income categories and the growing strength of California's economy, which has resulted in overall increases in California income levels.

Figure 1-3

**Undergraduate Need-Based Support Recipients by Parent Income, 1999-00 and 2000-01**



The principal ways students cover their educational expenses are from 1) parental contributions, 2) student contributions in the form of loans and on- and off-campus employment, and 3) gift aid in the form of scholarships and grants. Figure 1-4 reflects the average amount of the standard expense budget that need-based aid recipients at different income levels covered in each of these ways in 2000-01. Since the net cost of education to a student and his or her family equals the cost of attendance minus any gift aid received, the average net cost to a student and his or her family in each income category is reflected on Figure 1-4 by the lower two shadings of each bar. This means that the net cost of a UC education is lowest for those students and families with the lowest parent incomes. This is consistent with a financial aid model that is centered on providing eligible students with access.

**...the net cost of a UC education is lowest for those students and families with the lowest parent incomes.**

Figure 1-4  
**How Undergraduate Need-Based Aid Recipients Finance Their Educational Expenses: by Parent Income, 2000-01**

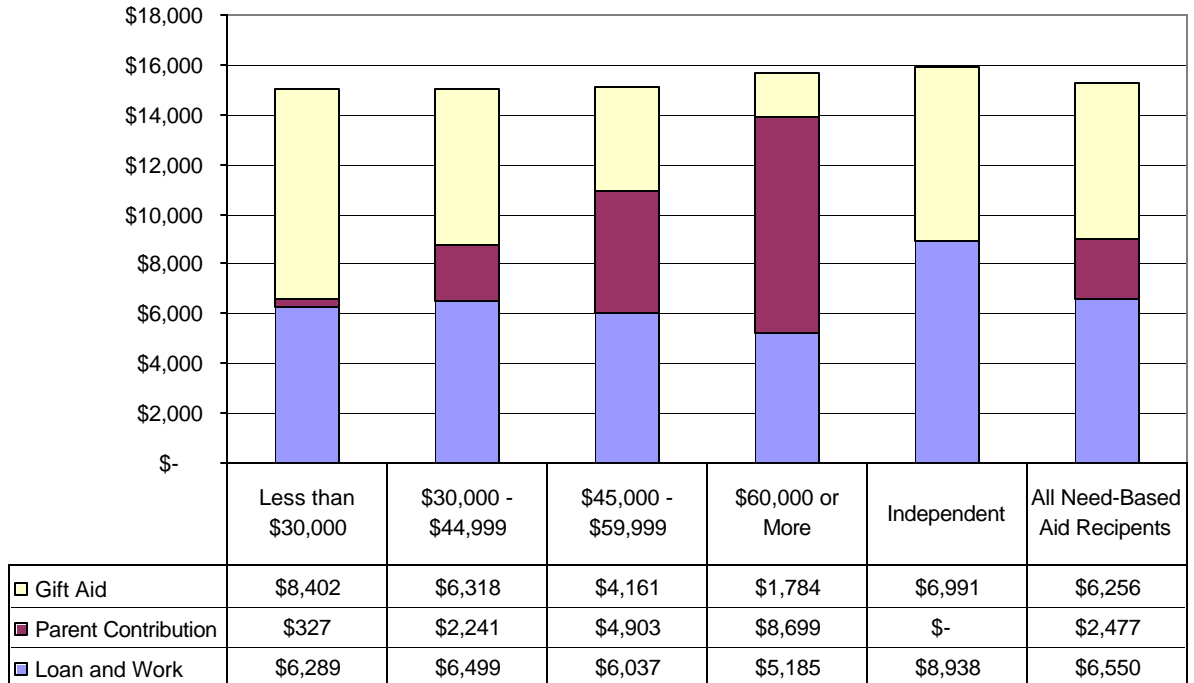


Figure 1-4 also illustrates the different patterns of each financing component as one moves from the dependent recipients with the lowest parent incomes to those with the highest family incomes. The student contributions, in the form of loans and work, are generally similar across the family income categories, while parental contributions increase as family income increases. Since campuses award gift aid to compensate for differences in family resources, gift aid follows a trend opposite that of parent contribution: the lower the family income, the higher the level of gift aid (and the lower the net price).

**Since campuses award gift aid to compensate for differences in family resources, gift aid follows a trend opposite that of parent contribution: the lower the family income, the higher the level of gift aid (and the lower the net price).**

### Parent Contribution

Parent contributions are calculated pursuant to a federally authorized formula. They can be financed from two major sources: 1) current income and savings; and 2) loans. Figure 1-5 illustrates how, as family income increases, parent contributions climb dramatically and the sources used to cover those contributions change. As their incomes rise, parents increasingly rely on borrowing through educational loan programs to meet their expected contributions. Parents with incomes of over \$60,000 used educational loan programs to cover an average of 31 percent

(\$2,730) of their contribution expense while parents with incomes of under \$30,000 used educational loan programs to cover 13 percent of their contribution.

**As their incomes rise, parents increasingly rely on borrowing ... to meet their expected contributions.**

Figure 1-5  
**How Parents of Undergraduate, Dependent, Need-Based Aid Recipients Finance Their Expected Parent Contributions: by Parent Income 2000-01**



However, Figure 1-5 does not account for several ways in which parents are financing their contributions. Anecdotal evidence suggests that in some cases, a portion of the parental contribution from current income and savings is covered through student earnings, although precisely what portion is not known. In addition, individuals meeting income guidelines and paying fees that are not offset by gift aid are eligible to claim a federal tuition tax credit (see Section 3). Finally, parents are, in reality, borrowing even more than what is reflected in Figure 1-5 since home equity loans, credit card debt, and other private loans are not included in the financial aid data available to the University. Both federal and state efforts have been implemented in recent years to lessen the college debt burden among middle-income families. Such efforts have been aimed at educating parents of the need to begin saving early for their children's college expenses and providing programs through which to save. A more extensive discussion of federal and state incentives for increasing private savings for college can be found in Section 3, "Other Programs and Initiatives to Assist Students and Their Families Finance a UC Education."

**Both federal and state efforts ... have been aimed at educating parents of the need to begin saving early for their children's college expenses and providing programs through which to save.**

### **Student Contribution from Loans and Work**

Need-based aid recipients contribute to their educational expenses through both loans and earnings from work. Overall, undergraduate need-based aid recipients borrowed an average of \$3,446 in 2000-01 to cover their share of the cost of attendance. As Figure 1-6 shows, the total student contributions from loans were similar for all dependent student income ranges. This outcome is consistent with the goals of the University's Education Financing Model, which uses grant funding to offset differences in the amount of parent contributions, and not to achieve different levels of working or borrowing. Students did differ, however, in terms of their percentage of loan proceeds from the different loan programs. For students with parent incomes of below \$30,000, 94 percent of loan proceeds were from the subsidized loan program, which provides borrowers with more favorable terms. In contrast, 84 percent of loan proceeds for students from families with parent incomes of over \$60,000 were from the subsidized loan program. In addition, while most borrowing is from student loan programs in which the student assumes a debt, students sometimes meet a portion of their loan and work contributions with supplemental educational loans taken out by their parents.

Independent students, generally those students above age 24, borrowed at far greater rates than their dependent counterparts. Independent students receiving need-based aid borrowed an average of \$5,104, or 63 percent more than their dependent counterparts. In addition, a greater percentage of their debt is from the unsubsidized loan programs. While 90 percent of need-based dependent borrowers' loan proceeds are from the subsidized loan program, 76 percent of need-based independent borrowers' loan proceeds are from this program.

**Independent students receiving need-based aid borrowed an average of \$5,104, or 63 percent more than their dependent counterparts.**

Aid recipients also contribute to their educational expenses from work, savings, and other resources (e.g., gifts from grandparents or other relatives). In 2000-01, the portion of their standard educational expenses covered from these sources amounted to \$3,241 — \$231 less than was contributed, on average, from borrowing.

Figure 1-6

**How Undergraduate Need-Based Aid Recipients Use Loans to Finance their Contributions: by Parent Income, 2000-01**

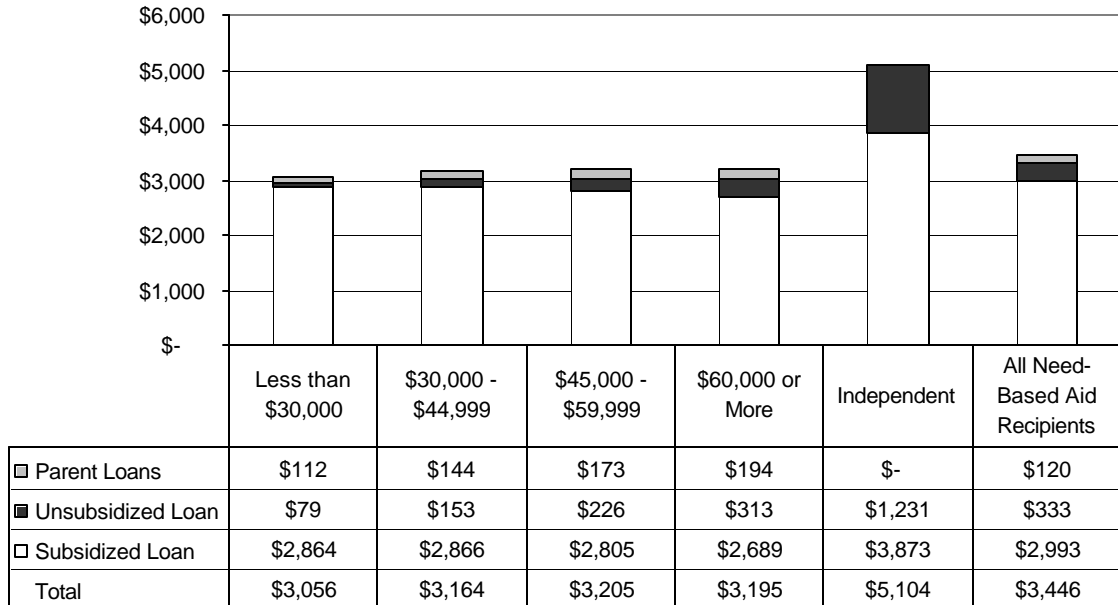
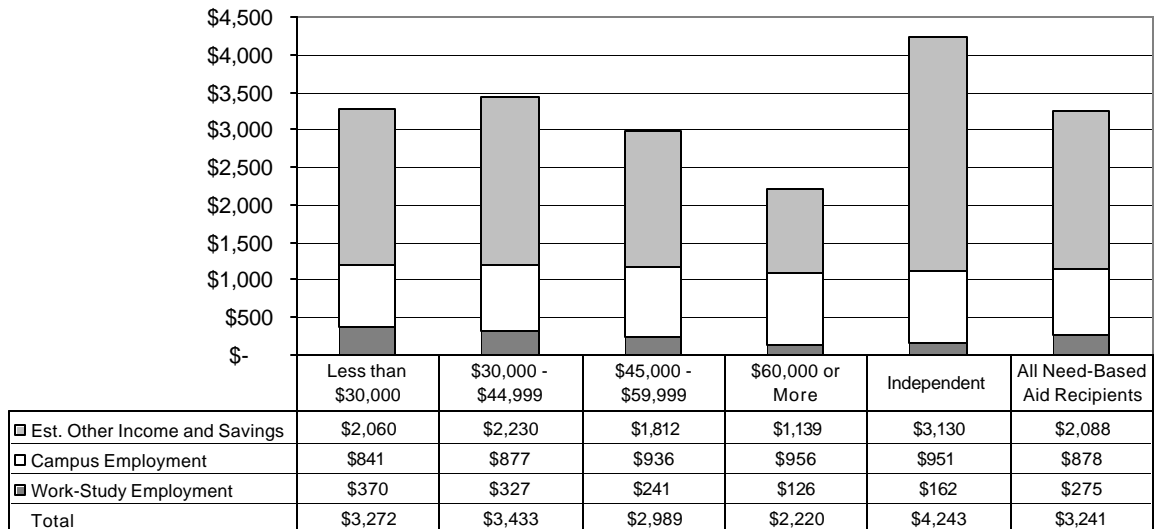


Figure 1-7 shows that, overall, need-based aid recipients in 2000-01 financed 36% (\$1,153) of their non-loan contribution from a combination of campus-employment and work-study earnings. The remaining student contribution totaled \$2,088. This contribution is presumed to have come from some combination of savings, off-campus employment, and other resources. The most recent SEARS results indicate that 36 percent of need-based aid recipients hold off-campus jobs during the academic year while 71 percent work over the summer.

**SEARS results indicate that 36 percent of need-based aid recipients hold off-campus jobs during the academic year while 71 percent work over the summer.**

Figure 1-7

**How Undergraduate Need-Based Aid Recipients Use Campus Employment and Work-Study to Finance Their Contributions: By Parent Income, 2000-01**



Just as independent students contribute more to their educational costs through borrowing, they also contribute more, on average, than dependent students through employment and savings. These patterns result because the grant support they receive does not fully offset the absence of a parental contribution.

**...independent students contribute more to their educational costs through borrowing (and) employment and savings. These patterns result because the grant support they receive does not fully offset the absence of a parent contribution.**

While dependent students' contributions from borrowing were similar across all income levels, contributions from work, savings, and other sources declined as family income rose. This pattern results in total student contributions from loan, work, and other sources that were an average of 47 percent (\$1,052) higher for need-based aid recipients with family incomes of under \$30,000 than they were for need-based aid recipients with family incomes of \$60,000 or more. This disparity is driven, in part, by the Cal Grant A program, which provides the same level of gift assistance to eligible recipients from both middle-income and low-income families, thereby reducing the need for middle-income recipients to borrow and work.

However, the disparities in contributions from work across income ranges may not be as great as they appear. Anecdotal evidence indicates that students from families with incomes of \$60,000 or more are more likely to need to help their parents cover their relatively large expected parent con-

tributions and that they do so by additional work. The magnitude of those contributions is not known. To the extent that these students do make smaller contributions from loan or work, the consistent rates of borrowing across family income levels and decline in work contributions as family income rises indicate that these recipients with lower student contributions generally chose to work less rather than reduce their borrowing.

The most recent SEARS results show that 36 percent of need-based aid recipients work off campus during the academic year. The SEARS results also show that those students working off-campus earn substantially more, on average, than their counterparts working on campus. Reported academic-year income averaged about \$4,700 for need-based aid recipients working off campus.

SEARS results also showed that about 70 percent of nonneed-based aid recipients work during the academic year. However, they are more likely to hold on-campus jobs, which pay less than off-campus jobs. Therefore, they tend to earn less over-all than need-based aid recipients do — an average of \$3,850 for the academic year.

Finally, nonrecipients are less likely to work than students receiving aid, although over half do work. The nonaid recipients, on average, earn more than other students do because they work longer hours and are most likely to hold a higher-wage off-campus job. They reported academic year earnings of about \$7,325.

## **Gift Aid**

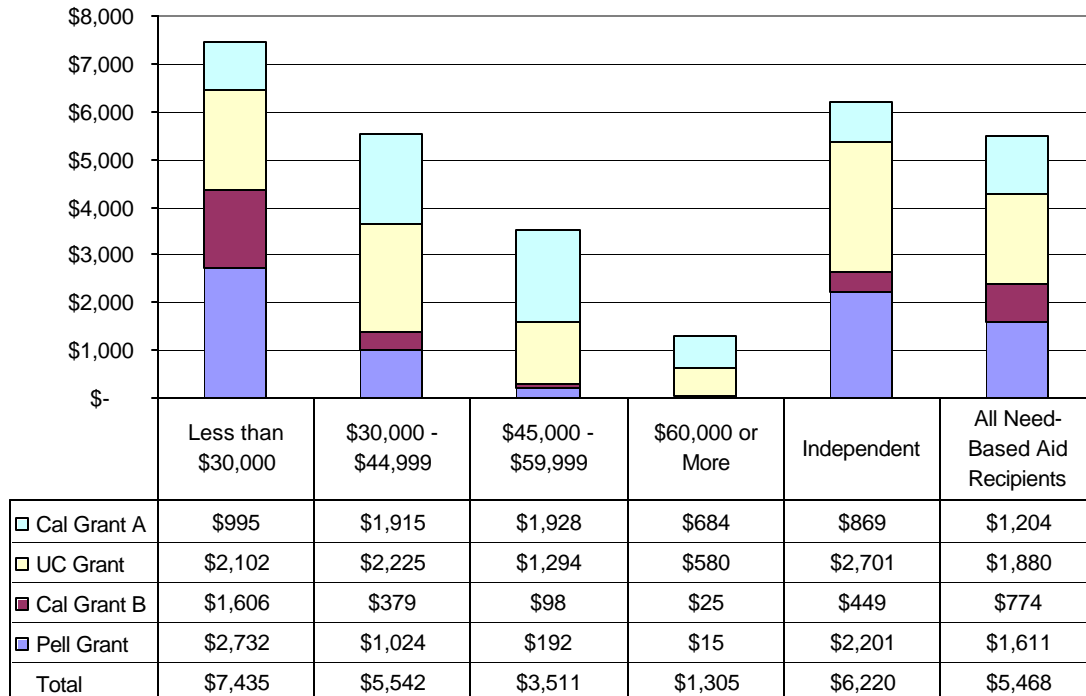
Gift aid is the most important aid type to students since it is the only aid that actually reduces the net cost of attending college. Since gift aid reduces the need for students and their families to contribute through work, savings, or borrowing, it is particularly valuable. Gift aid can be divided into two types: grants and scholarships/fellowships. Grants are need-based awards distributed based primarily on a student's family's financial circumstances. Scholarships and fellowships are awarded based primarily on merit or some special characteristics of a student. In 2000-01, 87 percent of gift aid received by UC undergraduates came in the form of need-based awards. Despite publicity about many institutions using increasing portions of their aid as an enrollment management tool, such a trend has not occurred at UC. Consistent with its vision of undergraduate financial aid as a tool intended primarily to provide eligible students with access to UC, the University, through its Education Financing Model, continues to dedicate most of its undergraduate financial aid resources to need-based financial aid.

Figure 1-8 illustrates how various sources of grant aid are distributed by income level for undergraduate need-based aid recipients. The total grant aid received, as represented by the full columns, shows that, among dependent recipients, students from the lowest-income families received the largest grant awards. This is consistent with the general approach of using grant funding to offset the decline in parent contributions as family income falls (as represented in Figure 1-5).

**...among dependent recipients, students from the lowest-income families received the largest grant awards. This is consistent with the general approach of using grant funding to offset the decline in parent contributions as family income falls.**

However, the grant programs taken individually do not all follow this same pattern. The Pell Grant and Cal Grant B programs specifically target low-income students. For these programs, the per capita award amount declines particularly rapidly as parent income increases. Campuses also tend to direct University grant funds to students from low-income families since they typically need more grant funding in order to offset the lower parent contributions and keep their loan and work expectations manageable. The decline for University grant funds does not begin as quickly as it does for the Pell and Cal Grant B programs. University aid tends to be packaged after other types of aid, and the Pell and Cal Grant B programs are so focused on students in the lowest family income range that similar levels of University grant funding for students with parent incomes in the lowest two ranges keep the loan and work expectations roughly equal.

Figure 1-8  
**Composition of Per Capita Average Grant Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 2000-01**



The Cal Grant A program is the only major grant program for which per capita award size does not decline as family income increases. This is driven by two aspects of the program. First, Cal Grant A awards, like Cal Grant B awards, are generally made in the same amount no matter the financial circumstances of the recipients and their families. Second, Cal Grant A awards, while made to students eligible for need-based aid, are not directed specifically to students with the fewest family resources. As reflected in the per capita Cal Grant A amounts presented in Figure 1-8, students with the lowest per capita family income levels receive relatively little Cal Grant A because Cal Grant eligible students with low family incomes tend to be eligible for the Cal Grant B program, which offers them more money. Students in the middle two income ranges tend to have family incomes above the Cal Grant B income ceilings so have the highest per capita Cal Grant A levels.

Among all recipients, the per capita UC grant is larger than any other type of grant, although Pell Grants are larger for low-income need-based aid recipients and Cal Grant A awards are larger for moderate income recipients.

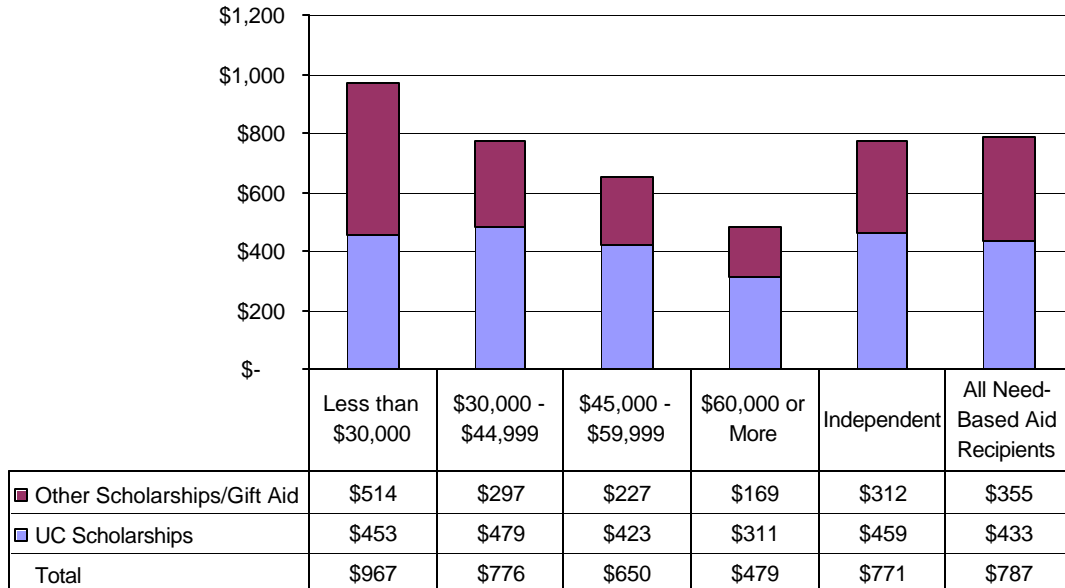
**Among all recipients, the per capita UC grant is larger than any other type of grant...**

Figure 1-9 shows how scholarship support is distributed by income level for need-based aid recipients. UC scholarships, which are awarded on the basis of academic achievement or other talents, are similar for students in all income categories. However, students from lower-income families earn more on average in outside scholarships than their counterparts from higher income families. This may be driven largely by many scholarships' focus on not just merit/special characteristics, but also on need. For need-based aid recipients, scholarships generally reduce the need to work or borrow.

Across all income categories, total per capita scholarship support among need-based aid recipients increased by 16 percent for 2000-01. In recent years, scholarship aid has been increasing at a faster rate than any other type of aid. However, despite the increases, per capita grant assistance for undergraduate students is almost seven times as large.

Figure 1-9

**Composition of Average Scholarship Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 2000-01**



**In recent years, scholarship aid has been increasing at a faster rate than any other type of aid. However, despite the increases, per capita grant assistance is almost seven times as large.**

When considering grant or scholarship aid, it is also important to note the great differences in the size of the recipient populations in each income category. There were only 9,864 students from families with incomes of \$60,000 or more receiving need-based aid assistance in 2000-01, primarily in the form of loans, while 24,217 UC students from families with incomes of less than \$30,000 received need-based assistance, primarily in the form of gift assistance.

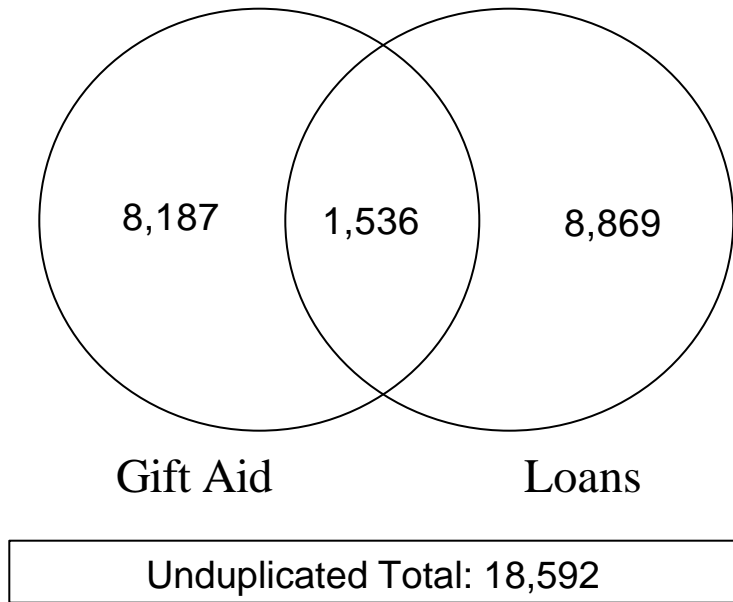
***Nonneed-Based Aid Recipients***

While 46 percent of undergraduates in 2000-01 received need-based financial aid, 13 percent received nonneed-based aid and no need-based assistance. Less is known about students who receive support that is not awarded based on family resources. However, as Figure 1-10 shows, there are data on the numbers of these students who received gift aid, loans, and both types of aid. Nonneed-based aid recipients tend to receive either gift aid or loans, but not both; only 8 percent of recipients had both gift aid and a student loan in 2000-2001.

**While 46 percent of undergraduates in 2000-01 received need-based financial aid, 13 percent received nonneed-based aid and no need-based assistance.**

Figure 1-10

**Number of Undergraduate Nonneed-Based Aid Recipients Receiving Grant Assistance, Loan Assistance, And Both, 2000-01**



About 52 percent of undergraduate nonneed-based aid recipients received a scholarship or grant, and the average award for those receiving such an award was \$3,097. Approximately 56 percent of recipients borrowed through the federal education loan programs, and those who did borrowed an average of \$8,265, nearly 60 percent more than the average of \$5,189 among need-based aid borrowers. Thirty percent worked on campus in addition to receiving gift assistance or a loan, earning an average of \$2,808 from this type of employment as compared to \$2,603 for need-based aid recipients working on campus in nonwork-study jobs. Overall, the average total amount of support that nonneed-based aid recipients obtained from gift awards, loans, and on-campus employment in 2000-01 was \$5,648, leaving the remaining costs to be covered from parental assistance, off-campus employment, or other sources. Need-based aid recipients, in contrast, received an average of about \$11,500 from financial aid plus campus employment.

***Nonrecipients***

Nearly 57,000 of UC's 2000-01 undergraduates received no grant, loan or work-study assistance through the University. These students typically come from middle- and higher-income families, with 78 percent of them reporting in the latest SEARS annual parental incomes of \$60,000 or more. Since they finance their cost of attendance with resources that, except for on-campus employment, do not flow through the University's administrative structure, little is known about how nonrecipients manage the cost of attendance. However, we do know (based on University data-

bases) that in 2000-01, 12,509 nonrecipients (23 percent of all nonrecipients) were employed on campus, and their on-campus earnings averaged \$3,121.

In addition, survey data from the 1997-98 SEARS found that 41 percent of students who reported that they received no financial aid were employed off campus during the academic year. While SEARS results show that nonrecipients are less likely to work than recipients, those who did work had higher earnings. Nonrecipients who work off campus reported earnings of \$8,543 from off-campus employment during the academic year, which is significantly greater than the on-campus earnings (\$3,654) or the off-campus earnings (\$6,002) reported by aid recipients.

## **Recent Trends in Student Financial Support**

While the economic recession of the early 1990s brought many troubling trends for UC students and their families (e.g. rapidly increasing fees, increased borrowing levels), the latter part of the decade saw many of these trends moderate or reverse to some degree. These changes over the past several years are reflected in the trend information that follows.

### ***Cost of Attendance***

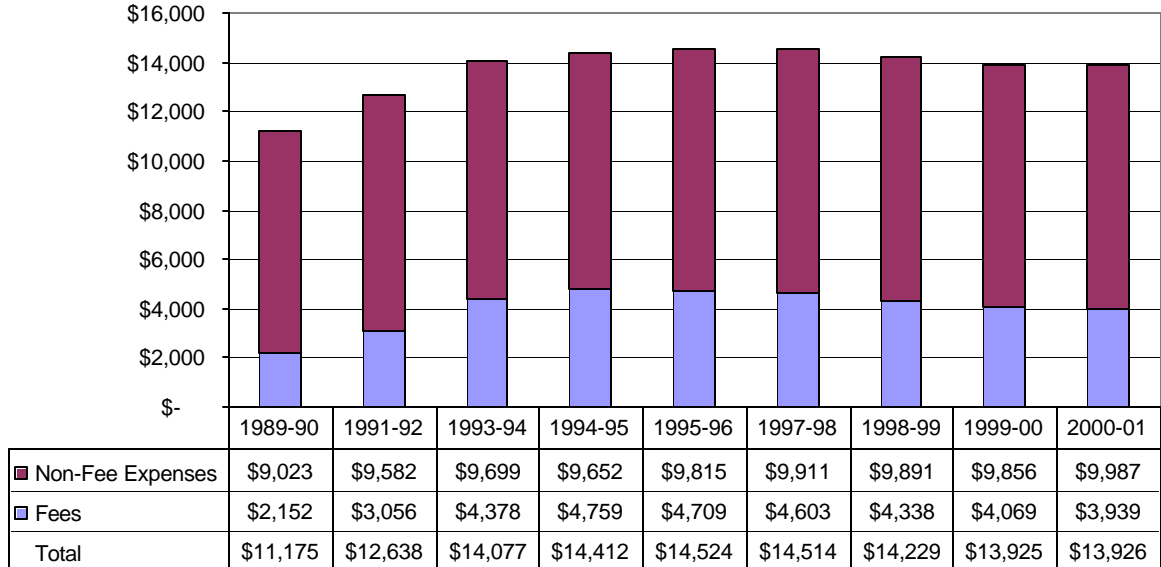
While the undergraduate cost of attendance at UC increased steadily during the early 1990s as student fees increased substantially, the latter part of the decade brought a halt to this trend. Student fees were last increased in 1994-95, and the inflation-adjusted average cost of attendance at UC has declined by 4 percent since peaking in 1995-96. Figure 1-11 shows that in years where systemwide fees were reduced, the average cost of attendance fell. In years where fees were unchanged, the cost of attendance remained virtually flat.

**Student fees were last increased in 1994-95, and the inflation-adjusted average cost of attendance at UC has declined by 4 percent since peaking in 1995-96.**

As Figure 1-11 shows, the fee and non-fee components of the cost of attendance have changed at different rates. In inflation-adjusted dollars, average fee levels fell by 16 percent in the five years ending in 2000-01. This decline was partially offset, however, by a 2 percent increase over the same time period in the inflation-adjusted non-fee portion of the cost of attendance. Given that the non-fee portion of the cost of attendance is substantially higher than the cost of fees, these two changes net to the four percent reduction referenced above.

Figure 1-11

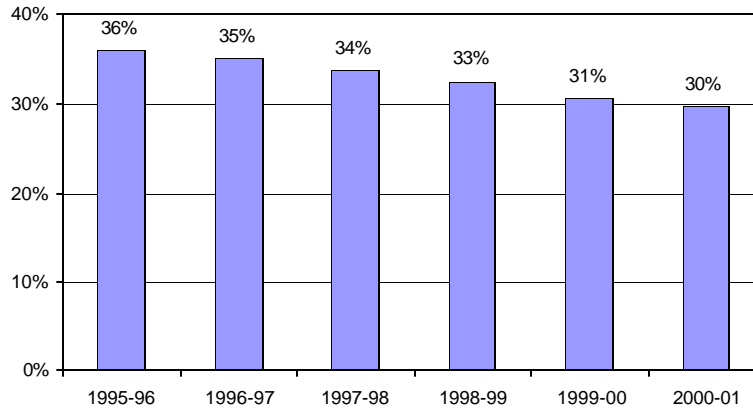
**Trends in the Undergraduate Cost of Attendance at the University of California, Selected Years, 1989-90 to 2000-01; Constant 2000-01 Dollars**



The drop in the total cost of attendance is even more dramatic when viewed relative to California median household income. The surging economy of the latter part of the decade resulted in growth in California median household income that was more than double that of the California Consumer Price Index. As Figure 1-12 illustrates, when one views the total cost of attending UC relative to a measure of Californians' ability to cover these costs, it is clear that through the latter half of the 1990s through 2000-01, the cost of attending the University declined quite significantly – by about 17 percent.

Figure 1-12

**Total Cost of Attendance at the University of California as a percent of California Median Household Income, 1995-96 to 2000-01.**



We do know, however, that the economic decline that California is currently facing will change this pattern. Both slowing growth of California median household income levels and increasing growth in the cost of attendance driven by increases in student fee levels will reverse the trend shown in Figure 1-12.

### ***Aid Type***

While the cost of attendance at UC has declined substantially since 1995-96, Figure 1-13 shows that per capita financial aid levels over the same period did not follow this trend. In inflation-adjusted terms, per capita gift assistance levels at UC were virtually unchanged (increased by 1.1 percent) over the five-year period ending in 2000-01. **Considering that the inflation-adjusted cost of attendance fell over the same period by four percent, this means that the overall net cost of attending the University also declined over the period.**

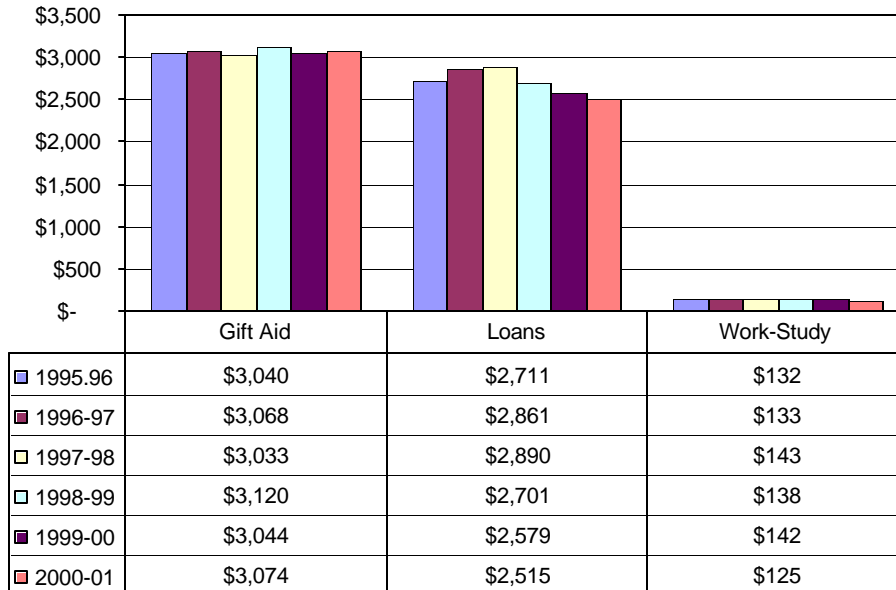
Per capita loan assistance represented in constant dollars peaked in 1997-98, but has declined substantially since. A \$375 decline in per capita borrowing since 1997-98 resulted in a seven percent decline in per capita borrowing levels over the past five years. Like the stable per capita gift assistance levels, the declining per capita borrowing levels are a sign that over the past five years, managing the cost of attending the University has become easier.

Per capita work-study levels, like per capita borrowing levels, also have been declining. The five-year five percent decline has limited meaning, however. Since most UC students work, and most of them work in jobs not covered by work-study, per capita work-study levels are not a good indicator of the rates at which UC students are working.

**Like the increasing per capita gift assistance levels, the declining per capita borrowing levels are a sign that over the past five years, managing the cost of attending the University has become easier.**

Figure 1-13

**Trends in Undergraduate Per Capita Aid by Type, 1995-1996 to 2000-01; Constant 2000-01 Dollars<sup>4</sup>**



**Grants and Scholarships**

Recent trends in grant and scholarship support by fund are portrayed in Figure 1-14. A closer view of the patterns of gift aid received reveals that:

- Per capita federal gift aid assistance, received largely through the Pell Grant Program, increased steadily beginning in the middle of the last decade. This increase was driven largely by a series of substantial increases in the maximum Pell Grant level, which was \$2,340 in 1995-96 but had grown to \$3,300 in 2000-01. The decline in per capita federal support for 1999-2000 and flat support level of 2000-01 are likely reflective of the growing relative wealth of University students' families, fueled by California's economic boom of the latter part of the decade.
- Changes in per capita state grant aid (primarily from the Cal Grant A and B programs) have largely reflected changes in student fees, since the size of state grants is tied directly to student fee levels. Per capita state grant aid was very level during those years when system-wide fees were unchanged prior to their declines in 1998-99 and 1999-2000. The five percent reductions in undergraduate systemwide fees in these two years are the primary drivers

<sup>4</sup> Per capita aid levels were calculated using annual enrollments/recipient counts for all years represented.

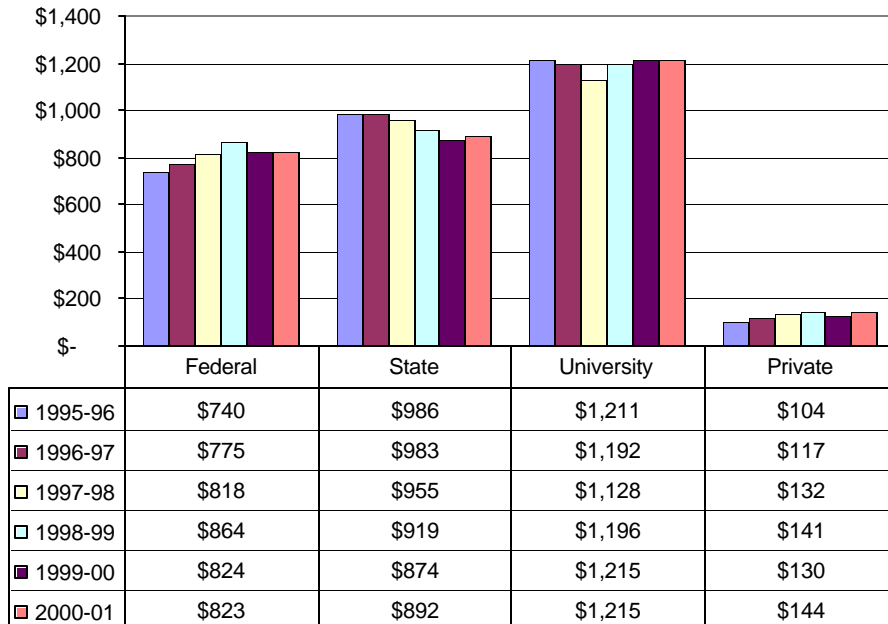
of the declines in per capita state assistance. The substantial increase in the number of new Cal Grants awards made available to California students in recent years is reflected in the rebound in per capita state grant assistance in 2000-01.

**Inflation-adjusted per capita UC gift aid for undergraduates...has been relatively flat since 1994-95.**

- Inflation-adjusted per capita UC gift aid for undergraduates increased dramatically in response to the fee increases of the early 1990s and has been relatively flat since 1994-95, the last year in which systemwide fees increased. The reduction in per capita UC gift aid in 1997-98 was driven primarily by a one-year anomaly in campus level spending patterns.
- Per capita private gift aid grew steadily beginning in 1993-94 but has leveled off in recent years.

Figure 1-14

**Total Per Capita Undergraduate Grant and Scholarship Assistance by Fund Source: 1995-96 to 2000-01; Constant 2000-01 Dollars<sup>5</sup>**



<sup>5</sup> Per capita aid levels were calculated using annual enrollments/recipient counts for all years represented. Fund source represents authorizing agency for the aid program.

## **Borrowing**

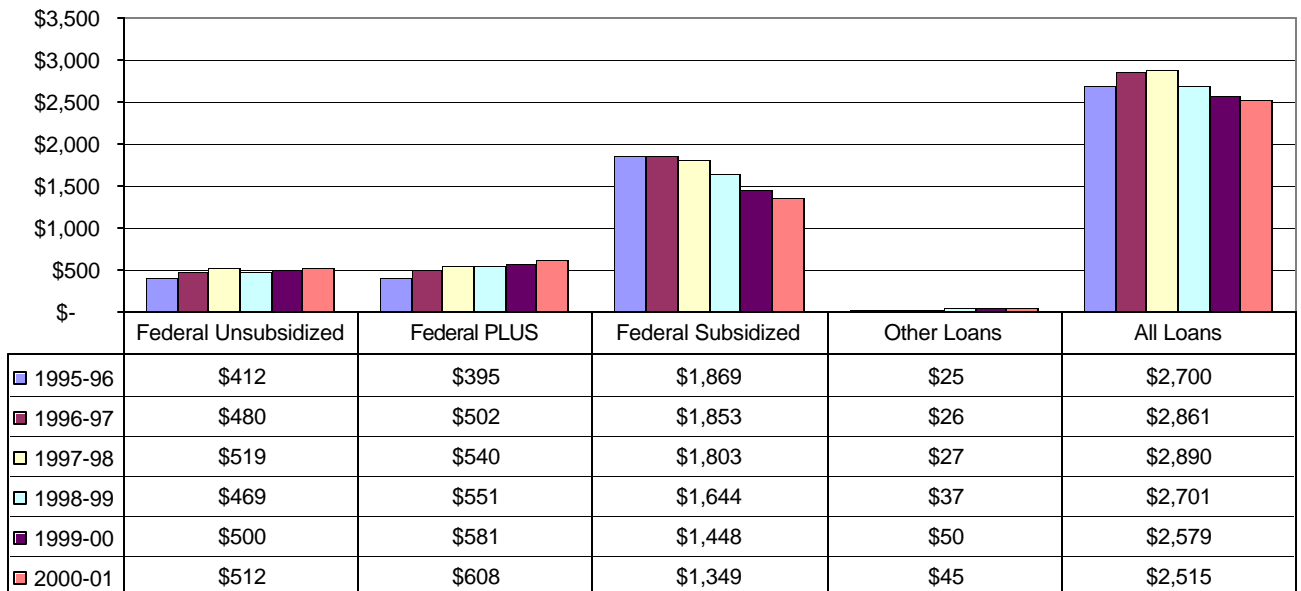
After a period of sharp increases in borrowing among UC undergraduates, the latter half of the 1990s, illustrated in Figure 1-15, saw a decline in per capita borrowing. UC student and parent borrowing patterns show that:

- The early part of the decade saw the convergence of California's economic woes, which led to higher student fees and a reduced capacity to pay them, and the reauthorization of the federal Higher Education Act, which expanded student eligibility to borrow. The resulting increases in both the demand for borrowing and the accessibility of educational loans led to sharp increases in the rates at which UC undergraduates and their families borrowed

**Overall per capita borrowing levels in constant dollars peaked in 1997-98 but have declined in each succeeding year such that per capita borrowing levels for 2000-01 are 14 percent lower than they were 3 years earlier.**

- This trend toward higher borrowing rates halted mid-decade, and has even reversed to some degree. Figure 1-15 illustrates how inflation-adjusted per capita undergraduate borrowing through the federal loan programs has declined in each of the past three years. Overall per capita borrowing levels in constant dollars peaked in 1997-98 but have declined in each succeeding year such that per capita borrowing levels for 2000-01 are 14 percent lower than they were 3 years earlier. This decline in overall borrowing has been driven by falling per capita borrowing rates in the subsidized loan program, which provides loan funding for students who are financially eligible. Between 1997-98 and 2000-01, per capita borrowing in constant dollars through the subsidized loan programs declined by 25 percent.
- Per capita borrowing levels through both the unsubsidized loan program, through which students can borrow without regard to their family financial circumstances, and the PLUS program, through which parents – without regard to their financial circumstances – borrow to help cover their children's educational expenses, have been increasing in recent years. Over the two years ending in 2000-01, per capita unsubsidized borrowing increased by 9 percent in constant dollars, while over the same period, PLUS borrowing increased by 10 percent.

Figure 1-15  
**Per Capita Undergraduate Borrowing by Federal Loan Program Type  
 and Other Loans, 1995-96 to 2000-01; Constant 2000-01 Dollars<sup>6</sup>**



- The over-all declines in borrowing are likely largely attributable to a series of factors. They include the strengthening California economy, which allowed the state to provide the University with the support necessary to halt fee increases and then reduce undergraduate system-wide fees by 5 percent in both 1998-99 and 1999-2000. In addition, the economic recovery increased the ability of California families to pay for educational expenses from resources other than student borrowing. After stagnating relative to the cost of living, California median household income rebounded in the latter half of the 1990s. Another factor contributing to reduced borrowing rates was the increased availability of grant assistance for students eligible for need-based financial aid.

Figure 1-16 shows the borrowing patterns for 1999-2000 and 2000-2001 among undergraduate need-based aid recipients. While a change in the type of enrollment used to calculate the per capita figures starting in 1999-2000 precludes including comparable figures for earlier years in this display, the shift between 1999-2000 and 2000-01 is consistent with the trend observed for the

<sup>6</sup> Other Loans include loans through the state, UC, and outside agencies. Per capita aid levels were calculated using full year equivalent enrollments/recipient counts for all years represented (enrollment and recipient counts for 1997-98 and earlier were estimated).

earlier years. Borrowing in the subsidized and unsubsidized programs among need-based aid recipients has been declining, while per capita PLUS borrowing by parents of need-based aid recipients has been flat. The factors contributing to this over-all reduction in borrowing among need-based aid recipients include 1) increases in per capita grant assistance for these students, including a 4 percent increase in 2000-01, and 2) stable or declining costs of attendance. This means that the University's need-based aid recipients will likely be graduating with less student loan debt, in constant dollars, than their counterparts graduating only a few years earlier.

Figure 1-16

**Per Capita Undergraduate Borrowing Among Need-Based Aid Recipients Through the Federal Loan Programs by Loan Type, 1999-00 to 2000-01; Constant 2000-01 Dollars**



These borrowing levels are, of course, manageable, as defined in the University's Education Financing Model. The borrowing levels reflected in Figure 1-16 result in manageable payments upon graduation given the expected earnings of graduates of the University.

**Recent Trends in Family Income of Enrolled Students**

Interest in and concern about the trends observed in the early 1990s and discussed above (e.g., growth in the percentage of needy students, rapid fee increases in the early 1990s, dramatic in-

creases in borrowing) led the University to begin studying undergraduate enrollment by family income. Information on family income is collected on the undergraduate admissions application.

Figure 1-17 portrays trends in freshman enrollment since 1991 in terms of four income bands. For purposes of this discussion, these income levels can be labeled low-income (annual family income of less than \$40,000); moderate-income (annual family income between \$40,000 and \$80,000); middle-income (annual family income of between \$80,000 and \$120,000); and higher income (annual family income of \$120,000 or more). The enrollment trends by income illustrated in Figure 1-16 can be summarized by the following points:

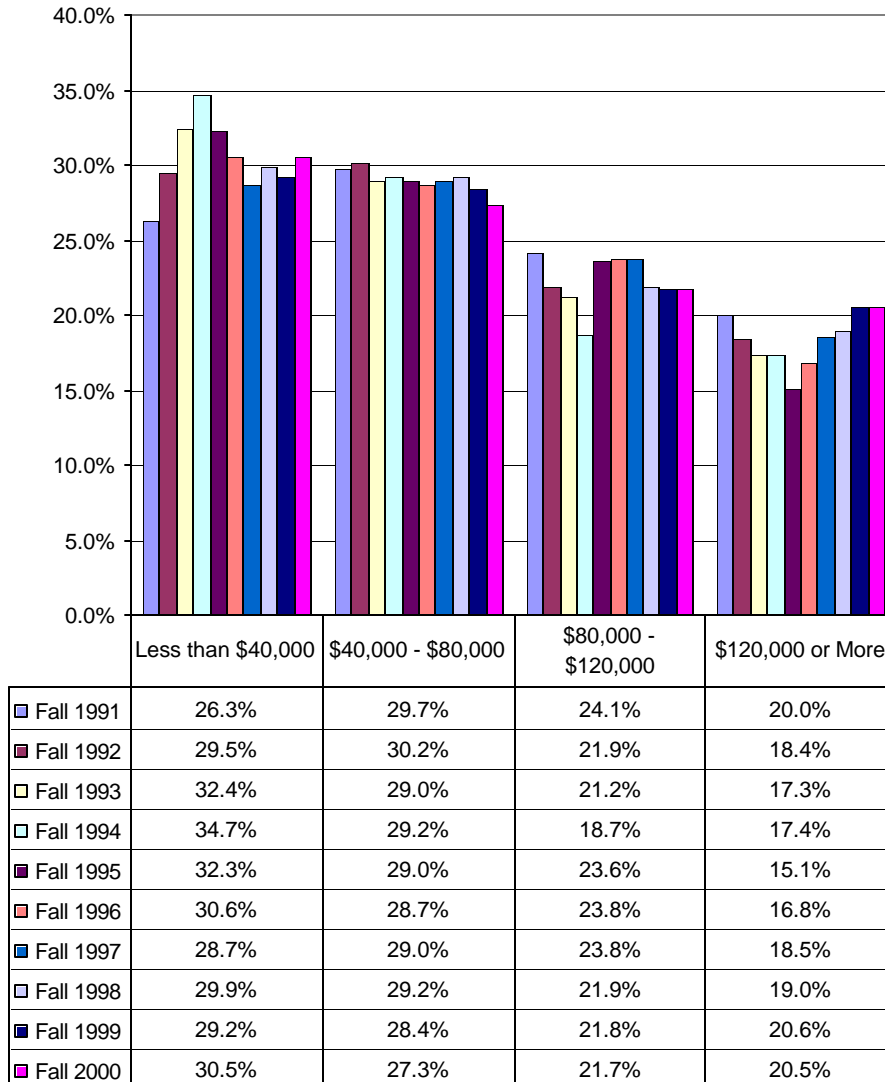
- Between 1994 and 2000, the proportional share of freshmen students from low-income families fell by about 4 percentage points, while the proportion of students from higher income families grew by about 3 percentage points, reversing the pattern of the economic recession years of 1991 to 1994, when the proportion of freshman students from low- and moderate-income families grew and the proportion of students from high-income families decreased;
- The enrollment patterns of first-time freshman students from low-income families do not appear to be driven by fee levels. While many individuals are concerned about the impact of rising fees on low-income students, the period of the sharp fee increases between 1991 and 1994 was associated with an increase in the proportion of low-income undergraduates, while the period of stable and declining fee levels that followed was associated with a decrease in the proportion of these students.

**The enrollment patterns of first-time freshman students from low-income families do not appear to be driven by fee levels...the period of sharp fee increases between 1991 and 1994 was associated with an increase in the proportion of low-income undergraduates...**

- These income trends among UC's freshmen reflect similar trends among California's population as a whole; i.e., during the recession of the early 1990s, the percentage of UC freshmen from low-income families increased as did the percentage of low-income families in all of California. Likewise, during the economic growth of the last few years, the percentage of low-income families decreased among both UC freshmen and the state population.

**A study recently published by the Irvine Foundation shows that relative to other top universities in the nation, UC is doing an outstanding job of enrolling students from poor and working-class families. The study examined the percentage of students at top public and private universities across the country who are receiving federal Pell Grants, which are awarded to students from particularly low-income families. The three UC campuses in the study ranked one, two, and three, with Pell recipients accounting for roughly three of ten undergraduates at each campus.**

Figure 1-17  
**First-Time California Resident Freshman Enrollment Systemwide by Parent Income and Cohort Year, Percent Distribution, Constant 2001 Dollars<sup>7</sup>**



<sup>7</sup> Data from freshman admission application. Data excludes first-time freshmen for whom parent income is unknown. Percentage unknown ranged from a high of 19.4 percent in Fall 2000 to a low of 9.8 percent in Fall 1997 and Fall 1995.



## SECTION 2

### FINANCIAL SUPPORT FOR GRADUATE STUDENTS

#### Key Points

- **Beyond making the University accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs serve as a recruitment tool.**
- **In 2000-01, \$695.2 million in financial aid was shared by 31,806 UC graduate students—86 percent of all graduate students.**
- **Total per capita graduate student support expressed in constant dollars has generally been increasing over the past 5 years.**
- **The types of assistance that make a financing package attractive to a prospective graduate student are gift assistance and research and teaching assistantships, which are together termed competitive aid.**
- **On a per capita basis, academic program graduate students received over three and one half times as much competitive aid as professional degree program graduate students.**
- **Net stipend levels, which equal competitive aid less tuition and student fees, also vary by discipline/program. These differences are driven, in part, by differences in student fees.**
- **After accounting for fee levels, resident students enrolled in graduate academic and graduate professional degree programs tend to have more competitive aid than their non-resident counterparts.**
- **The results of the Student Financial Support Unit’s Graduate Student Support Survey show that overall, UC financial support offers made to students applying to academic doctoral programs were not fully comparable to offers from non-UC competitors.**

The University of California’s graduate level financial assistance programs are designed to make the University competitive with other universities seeking to recruit the same graduate students. This means that beyond making the university accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs must serve as a recruitment tool. They must support the University’s efforts to compete with other institutions for top-tier graduate students to support its research and workforce development missions.

**...beyond making the university accessible to students who lack the resources to cover the cost of attending UC, graduate student support programs must serve as a recruitment tool.**

The Regents of the University adopted the University's student support policies in 1994, immediately after a series of large systemwide fee increases were adopted in the early 1990s. The Regents' policy on graduate student support references the need both to provide opportunity to students from a range of economic backgrounds and to support the University's research mission and workforce development duties. It states, in part:

“The University's graduate student support policy is guided by the University's responsibility to meet the nation's and State's need for a highly educated workforce of faculty, scholars, researchers, and professionals and by the University's interest in providing educational opportunities to students of all socioeconomic backgrounds. In meeting these needs, it is necessary that the University attract a diverse pool of highly qualified students who are willing and able to pursue graduate academic and professional degrees.”

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

1. **To attract both high quality and diverse graduate students in a competitive environment.** Since top-tier graduate students are fundamental to any high quality graduate program, they are in demand. Attracting the top graduate students to UC takes not only excellent programs, but also competitive financial support packages. To be competitive, the University must ensure that financial support is available in adequate amounts, in appropriate forms, and for a period of years appropriate to each student's program of study.
2. **To enable students to complete their degree programs in a timely manner.** This goal is based on the assumption that inadequate support drives students toward employment outside the University, which tends to interfere with progress toward completing a program. Assistance from the university – particularly fellowships and research assistantships – 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.

Graduate enrollments and the University's ability to compete successfully for top graduate students are continuing matters of concern at UC. In September 2001, the University-established Commission on Growth and Support of Graduate Education, whose membership comprised Regents, faculty, students, and administrators, issued its report. The Commission outlined a plan to increase graduate enrollments by 50 percent by 2010 that included steps to increase financial

support for graduate students. The steps address the need both to fund a larger number of graduate students and to attract top students as competition for top-notch graduate students increases.

The Commission's report states that spending on assistantships will need to increase by 2010 by \$215 million (in 1998-99 dollars) beyond what is currently available. In addition, support for fellowships and internships will need to increase by \$90 million. The specific recommendations centering on student support include the following:

- The creation of a state-supported repayable teaching fellowship program that provides recipients with the incentive to teach in California,
- An increase in both the number of federal fellowships and stipend levels
- The creation of a UC Graduate Fellowships Endowment to generate funding to support first-year and dissertation-year fellowships.
- The exemption of RA and TA salaries from income taxes
- The development of a state-supported need-based grant program for graduate students,
- The creation of state incentive grants for students awarded prestigious national fellowships.

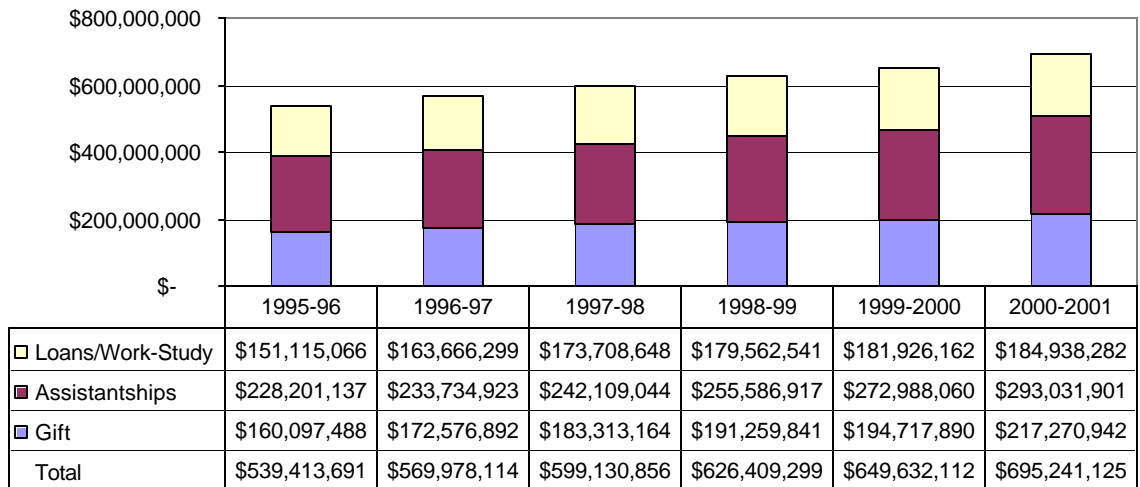
The University is currently working with its federal, state, industry, and private/foundation partners on implementing steps to support the expansion of graduate education at UC.

## **TOTAL GRADUATE STUDENT SUPPORT**

Total support for graduate students has increased by nearly 30 percent over the past five years to a total of \$695.2 million in 2000-2001. As demonstrated in Display 2-1, this funding includes aid of different types. In 2000-2001, gift assistance and loans/work-study accounted for 31 and 27 percent respectively of graduate assistance, while the remaining 42 percent 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 have varied little over the reporting period.

**In 2000-2001, gift assistance and loans/work-study accounted for 31 and 27 percent respectively of graduate assistance, while the remaining 42 percent was in the form of assistantships ...**

Figure 2-1  
**Total Graduate Student Support by Type, 1995-96 to 2000-01<sup>1</sup>**

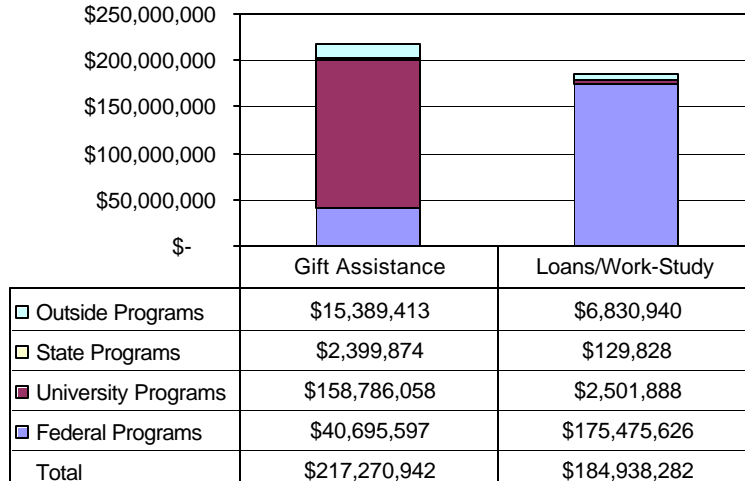


This assistance came from a range of sources that differ by aid type. As shown in Figure 2-2, gift assistance comes largely from University-sponsored programs – 73 percent in 2000-01. At the same time, 95 percent of loan aid came through federal programs. Due to a reporting anomaly for 2000-01, assistantship support by program sponsorship is not available. However, University records show that in 1999-2000, roughly 70 percent of assistantship support came through university-sponsored programs, with the remaining 30 percent coming through federally sponsored programs.

<sup>1</sup> Includes funding for students enrolled in self-supporting graduate programs.

Figure 2-2

**Graduate Gift and Loan/Work-Study Support by Program Administrator, 2000-01 <sup>2</sup>**



The \$695.2 million in graduate level assistance administered through the University in 2000-01 was shared by 31,806 graduate students – 85.7 percent of all graduate students enrolled at the University. These recipients received an average of over \$21,850 in assistance of all types and from all sources, while per capita assistance totaled \$18,728 per graduate student.

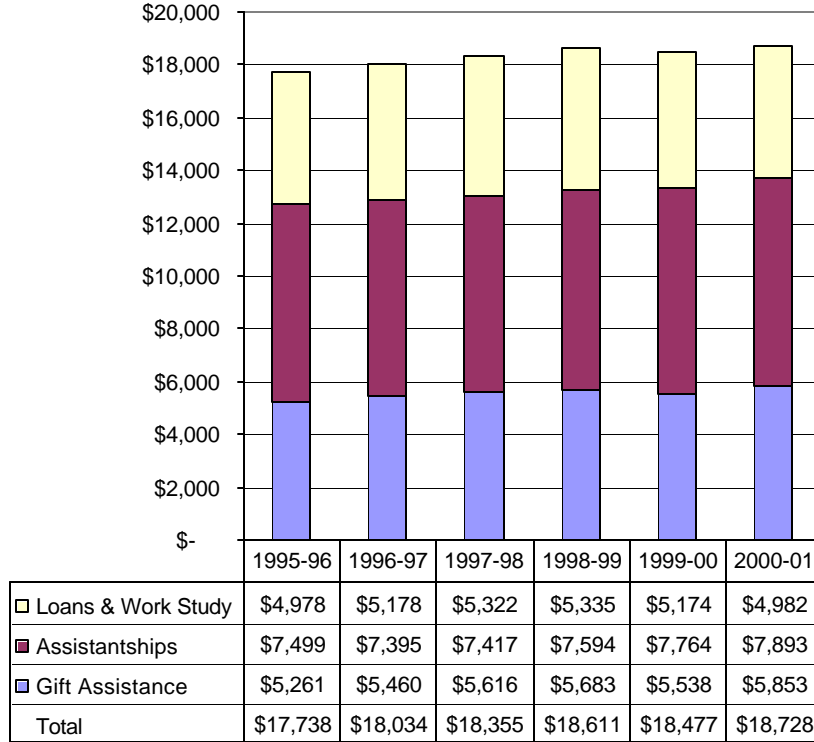
**The \$695.2 million in graduate level assistance administered through the University in 2000-01 was shared by 31,806 graduate student support – 85.7 percent of all graduate students enrolled at the University.**

As Figure 23 illustrates, per capita graduate student support in constant dollars has increased moderately over the past five years. Per capita gift assistance has increased at the fastest rate over the past 5 years– 11 percent after accounting for inflation. Assistantship support increased by 5 percent over the period, while loan and work-study support together are virtually unchanged.

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<sup>2</sup> Includes funding for students enrolled in self-supporting graduate programs. Due to a reporting anomaly in 2000-01, information on assistantship funding by source was not available.

Figure 2-3  
**Per Capita Graduate Student Support by Type, 1995-96 to 2000-01;  
 Constant 2000-01 Dollars<sup>3</sup>**



Total 2000-01 per capita support for graduate students of \$18,728 was substantially more than the total per capita support for undergraduate students of \$5,771 in the same year. This difference is attributable primarily to the different purposes of undergraduate and graduate assistance. As described earlier, undergraduate support centers on access, while graduate support centers 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, 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 wishes to attract, and 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.**

<sup>3</sup> Includes funding for students enrolled in self-supporting graduate programs.

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 that prospective students are receiving from competing institutions. Furthermore, within this competitive context, the following 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, which, unlike most jobs held by undergraduates, are recorded as assistance and included in support figures.
- Graduate students receive greater amounts of merit-based support.
- Graduate students are authorized to borrow more annually through the federal loan programs than are undergraduates.

## **DETAILED BREAKDOWNS OF GRADUATE SUPPORT**

While over-all levels of support or average support levels for graduate students are instructive, they 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 the University of California.

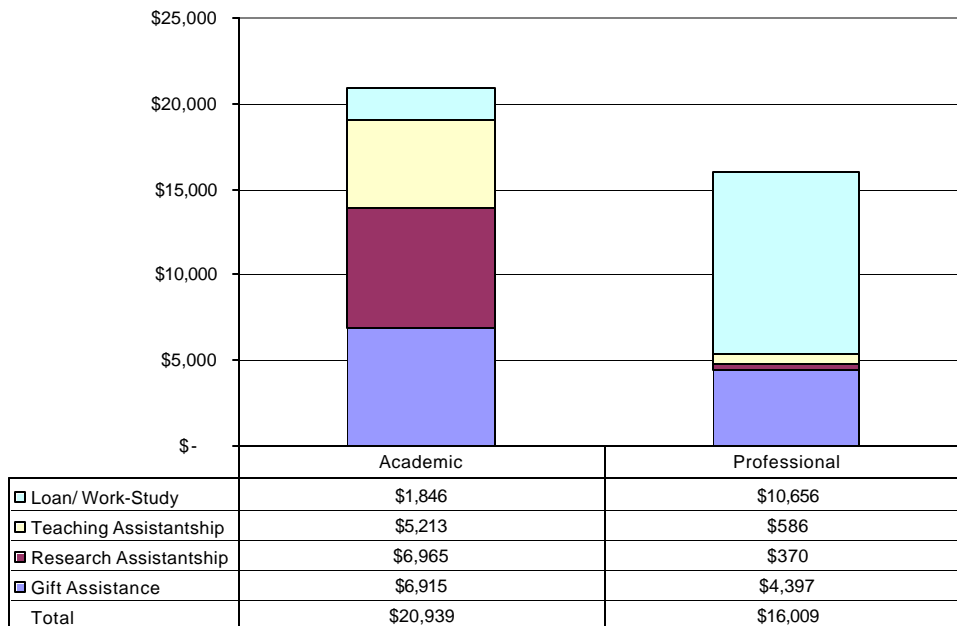
### ***Graduate Assistance by Academic/Professional Status***

Figure 2-4 illustrates the differences in per capita assistance provided to graduate academic and graduate professional degree students. It shows that in 2000-01, graduate academic students received 31 percent – \$4,930 – 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 57 percent – \$2,518 – more gift assistance than professional degree program graduate students. In addition, 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.

**On a per capita basis, academic program graduate students received 57 percent -- \$2,518 -- more gift assistance than professional degree program graduate students.**

Figure 2-4  
**Per Capita Student Financial Support by Type of Graduate Academic and Graduate Professional Degree Students, 2000-01**



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 \$10,556 accounted for 66 percent of their assistance and was nearly six times that of graduate academic students.

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. This means that the financing patterns observed among UC's graduate academic program and graduate professional degree students are similar to the financing patterns at competing academic institutions.

**...financing patterns observed among UC's graduate students are similar to the financing patterns at competing academic institutions.**

There are many additional factors that 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). In addition, academic graduate students are typically enrolled for longer periods of time than their professional degree counterparts, so a single annual debt level will mean less cumulative debt for a student in a 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, 2000-01**



Figure 2-5 illustrates differences in both the total levels of support and the 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. Students in the life and physical sciences received the most aid per capita in 2000-01, while those pursuing an academic doctoral degree in a professional school received substantially less than students in any other discipline.

However, given the competitive forces driving the provision of graduate level financial assistance, perhaps the more interesting conclusions to be drawn from this chart center on the composition of aid. 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 then considers only competitive aid, which is represented by the lower three shades of each column in Figure 2-5, a different pattern emerges. While students in the life and physical sciences received the highest levels of competitive aid, students pursuing academic degrees in the fine arts, from professional schools, and in the “Other” disciplines category had the lowest -- and similar -- levels of competitive aid. Students in the fine arts and the “Other” disciplines had higher levels of total support than academic students enrolled in professional schools because they borrowed more. With their lower levels of gift and assistantship support, these students turned to the loan programs to a greater extent than other graduate academic students to help cover their educational costs.

**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.**

There are additional differences between the 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 and the hard sciences are more likely to receive research assistantships, and between their grant and research assistantship awards, they have the highest levels of the most desirable types of aid.

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

The use of graduate level financial support as a recruitment tool makes aid levels far more meaningful if they are compared to expenses. From the student perspective, the true value of a financing package can be measured by accounting for two factors. First, the aid types we have labeled “competitive aid” make an offer truly desirable. Gift assistance and research and teaching assistantships are the desirable types of aid that help students to progress through their programs and lessen the need to borrow. Second, assistance levels have far more meaning when compared to tuition and fees 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

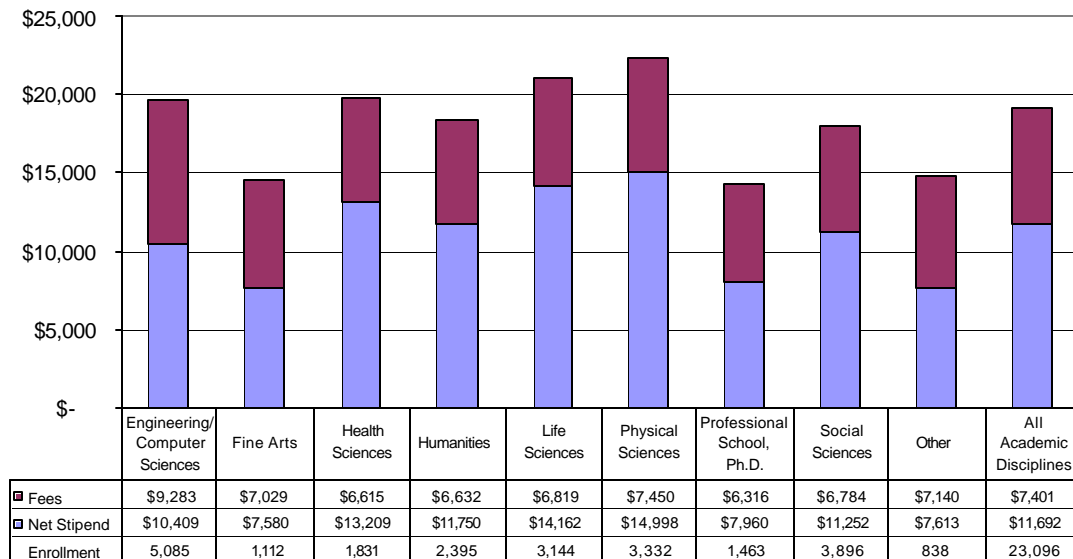
award from a school with low tuition and fees. To address these issues and provide assistance levels with a broader cost context, the next set of displays shows net stipend levels.

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 charged. The average UC graduate academic student in 2000-01 had fellowship, grant, research assistantship, and teaching assistantship assistance that exceeded fees by nearly \$11,700.

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

Figure 2-6 presents per capita net stipend amounts and per capita student fee levels for graduate academic students by program. The full column for each discipline represents the total competitive aid received. While the University's fee schedules do not differ by graduate academic program, there are some substantial differences in actual amounts students pay. These differences are largely attributable to the different proportions of students enrolled in these disciplines paying non-resident fees and tuition. In 2000-01, 50 percent of engineering/computer science students were either domestic nonresident or international students, resulting in students in this discipline having per capita fee levels 25 percent higher than they were for graduate academic students over all.

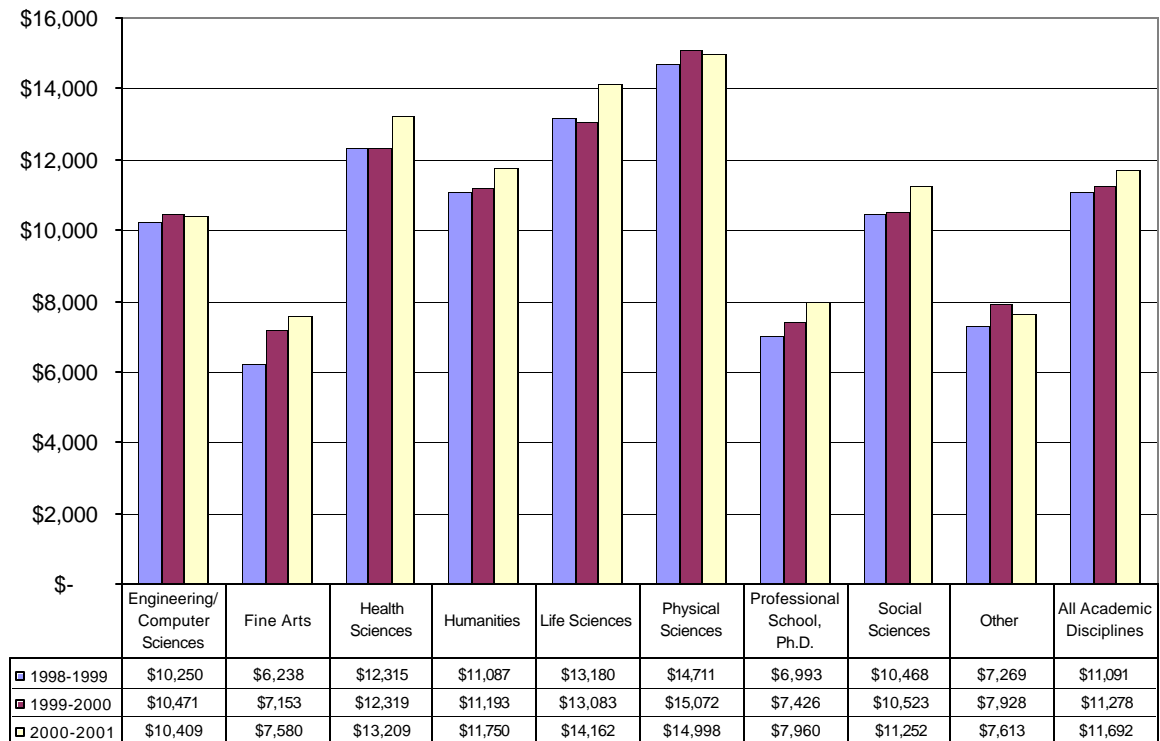
Figure 2-6  
**Academic Graduate Student Per Capita Competitive Aid Awards Applied to Fees and Net Stipend by Discipline, 2000-01; Net Stipend Equals Dollars by Which Competitive Assistance Exceeds Tuition and Fees**



These differing average fee levels drive the differences between net stipend patterns, shown in the lower shade of Figure 2-6, and the total levels of competitive aid, as represented by the full column. Among those disciplines with generally similar average fee levels, the net stipend pattern is generally similar to the competitive assistance pattern. However, the higher per capita fee levels for students studying engineering and computer science means that while students in this discipline had the third highest level of per capita competitive assistance, they had only the seventh highest net stipend level.

Figure 2-7 shows how the per capita net stipend has changed over the past three years. Between 1998-99 and 2000-01, the per capita net stipend for all academic disciplines expressed in constant dollars has climbed by 5 percent. The net stipend climbed in all disciplines, but students studying the fine arts and those pursuing a Ph.D. at a professional school, who had comparatively low per capita net stipends to start, saw their net stipends climb at the greatest rates – 22 and 14 percent respectively. In all three years, students studying the fine arts had the lowest per capita net stipends, although the gap between those students studying the fine arts and those with the highest net stipends – those in the physical sciences – narrowed. In 1998-99, students studying the physical sciences had net stipends 136 percent higher than those studying fine arts, while in 2000-01, they were only 98 percent higher.

Figure 2-7  
**Per Capita Net Stipend for Graduate Academic Students by Discipline, 1998-99 through 2000-01; Constant 2000-01 Dollars**

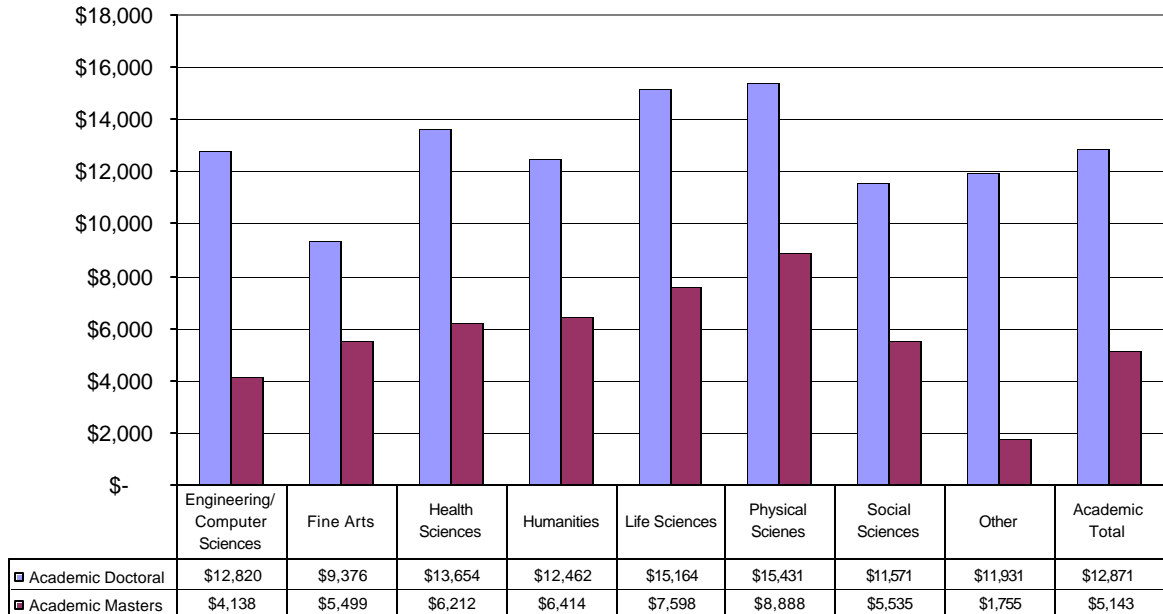


## Doctoral/Masters Status

In the academic disciplines, doctoral students far outnumber masters students. Universitywide, only 15 percent of graduate academic students in 2000-01 were pursuing a master's degree. In addition to being far smaller in number, the academic program masters students receive far smaller net stipends than their counterparts pursuing doctoral degrees. As illustrated in Figure 2-8, across all disciplines, masters degree students in graduate academic disciplines had net stipends that were no more than about half of those of doctoral degree students.

**...masters degree students in graduate academic disciplines had net stipends that were no more than about half of those of doctoral degree students.**

Figure 2-8  
**Per Capita Net Stipend for Graduate Academic Students by Master's/Doctoral Status and Discipline, 2000-01<sup>4</sup>**



<sup>4</sup> Academic Total reflects academic students enrolled in professional schools, who were otherwise excluded from the display since there were only 4 academic master's students enrolled in the professional schools in 2000-01.

## Residency Status

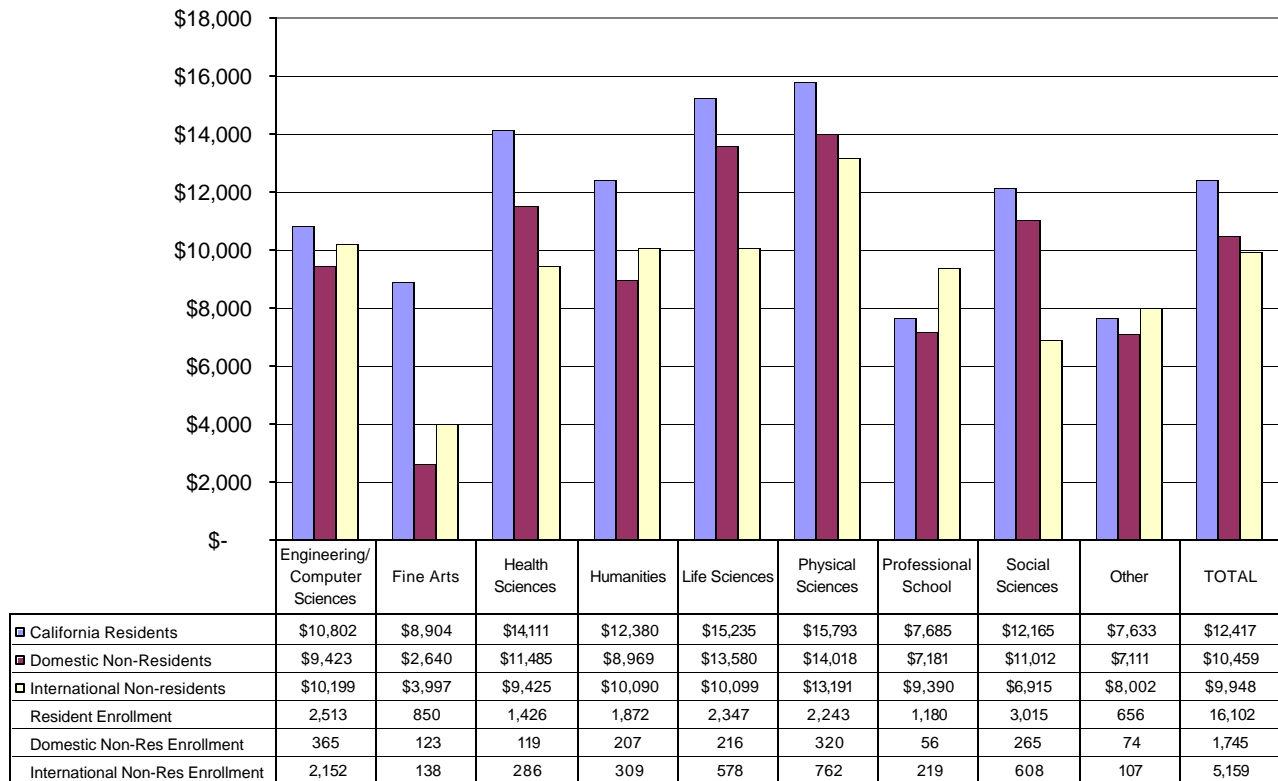
While the University's research and public service missions mean that domestic nonresident and international students are an important part of the pool of students for whom the University competes, nearly three-quarters of graduate academic students are California residents. The percentage of resident students by graduate academic discipline in 2000-01 ranged from a low of 50 percent for engineering and computer science to a high of 81 percent for doctoral students in professional degree programs.

**...resident students in nearly all disciplines received higher levels of net support than their domestic nonresident or international student counterparts.**

Across all graduate academic disciplines in 2000-01, 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. However, a breakdown of net stipend by residency status and discipline shows that once fee levels are accounted for, resident students in nearly all disciplines receive higher levels of net support than their domestic nonresident or international student counterparts. Put another way, the higher levels of support received by non-resident and international students was not enough to offset the additional charges they faced as non-residents.

As shown in Figure 29, the pattern in most disciplines has California residents receiving the highest net stipend, followed next by domestic non-residents and then international students. The disciplines where California resident students do not receive the highest net stipend accounted for only 11 percent of total graduate academic enrollment. The University's Commission on the Growth and Support of Graduate Education expressed concern that the lower net stipend for non-resident students may be an indicator that the University is struggling to compete for these students.

Figure 2-9  
**Net Stipend by Graduate Academic Discipline by Residency Status, 2000-01**



### **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. To this point, the descriptive nature of this section of this report has conveyed the levels of financial support provided to the University's graduate students. However, the question remains whether this assistance is adequate to allow the University to compete for students.

In its report, the University's Commission on the Growth and Support of Graduate Education concluded that the University will need an additional \$215 million annually by 2010 to make graduate financial support offers competitive and support an additional 11,000 graduate students.

The Commission said that the need for increased graduate support is greatest for graduate academic students, and particularly for doctoral students.

In February 2002, the University's Student Financial Support Unit released the results of survey designed to assess the competitiveness of financial support offers made to prospective UC doctoral students. The survey was distributed to students admitted to the University's academic doctoral programs in fall 2001, and responses were gathered from both students who chose to attend UC and those who chose to attend non-UC institutions. The report, entitled *Determining the Comparability of Graduate Student support: Evidence from the 2001 Graduate Student Support Survey*, 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 \$1,363 lower than the per capita non-UC net stipend. Furthermore, this difference was driven by both lower net stipends for those admitted students who received offers of financial support from UC and the fact that UC offered fewer of these admitted students financial support in the first place.

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

Accounting for California's cost of living and the composition of UC's awards makes UC offers less competitive still. When adjusted for buying power, the gap between per capita UC and non-UC net stipends grew to over \$2,700. In addition, UC offers were less likely to include fellowship assistance and research assistantships—the most desirable of the competitive aid types.

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 Berkeley campus had the third highest net stipends over-all of the eight general campuses at UC, it was also further behind its competing institutions than any of the other campuses since its competing institutions provide a higher per capita net stipend than any other general campus's competing institutions.

In addition, there was variation across disciplines. At one extreme, applicants in the life sciences had the highest per capita net stipends at UC – per capita net stipends that were slightly higher than those of competing institutions. At the other extreme, applicants in the social sciences at UC had per capita net stipends that were less than half those of applicants in the life sciences at UC and were nearly one third less than the per capita net stipends at non-UC institutions.

The full report on the results of the graduate student support survey can be found on line at [ucop.edu/sas/sfs/reports/gradsurvey2001.pdf](http://ucop.edu/sas/sfs/reports/gradsurvey2001.pdf).

## **GRADUATE PROFESSIONAL DEGREE STUDENTS**

As described in the opening of Section 2 of this report, financing patterns among graduate professional degree program students differ substantially from the financing patterns among graduate

academic degree program students. Figure 2-4 shows how 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 \$10,556, per capita borrowing among graduate academic degree students averaged only 16 percent as much -- \$1,774. However, the financing patterns differ substantially by professional degree program, and 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 2-10, students in each of the graduate professional degree programs borrowed more per capita in 2000-01 than students in any of the graduate academic disciplines.

Figure 2-10  
**Per Capita Student Financial Support for Graduate Professional Degree Students by Aid Type and Program, 2000-01**

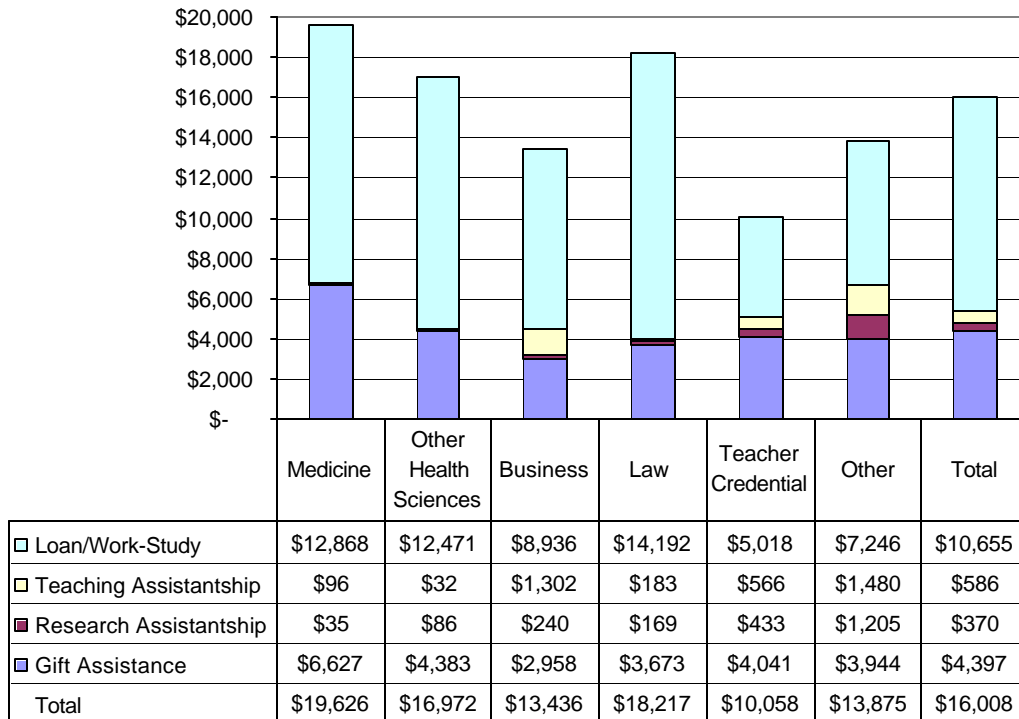


Figure 2-10 also shows the variability in the per capita financing patterns among students in the professional degree programs. This variability is larger than that observed among students in the different academic disciplines and follows some different patterns. Among graduate academic students, those 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 2000-01, medical students had both the highest per capita competitive award levels and the high-

est rates of borrowing. In addition, their total per capita aid received was nearly double that of 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 in 2000-01 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 highest – three times as high – among Business program students. These differences, illustrated in Figure 2-11, 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 59 percent in business degree programs to a high of 98 percent in medical degree programs.

Another factor driving differences in student fees charged are the University's Student Fees for Selected Professional Degree Students. These fees, paid in addition to regular systemwide and campus-based fees paid by other graduate students, are assessed on business, law, and medical students as well as most students in other health science fields (i.e. dentistry, pharmacy, veterinary medicine, nursing, and optometry). These charges are intended to reflect the charges of comparable, high-quality institutions across the country and range from \$1,800 for nursing students to \$6,376 for law students. The absence of a Student Fee for Selected Professional Degree Students for those enrolled in the teacher credential program is reflected in the low per capita aid levels for credential students.

## Net Fee Levels

As shown in figure 2-11, the competitive aid received by graduate professional degree students typically does not fully cover student fees. Since graduate professional degree students, unlike their graduate academic counterparts, typically have no stipend remaining after covering fees, total aid for graduate professional degree students is framed here in terms of *net fee levels* rather than in terms of a negative net stipend. Like the net stipend figure, net fees are derived from comparing fees with total amount of competitive aid. However, in the case of net fees, the outcome is the total fees not covered by some form of gift assistance, research assistantship, or teaching assistantship.

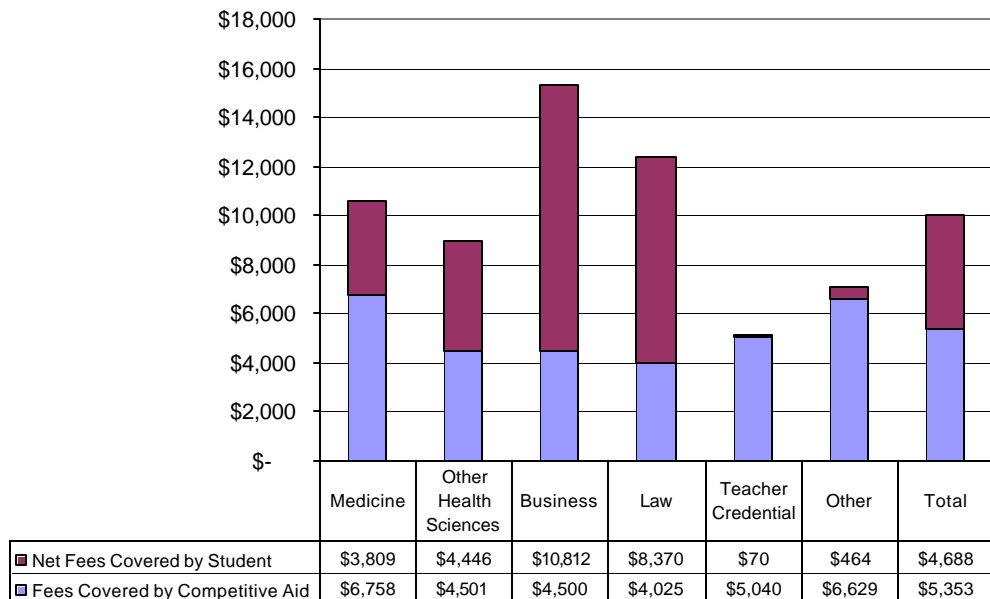
Per capita fees covered by competitive aid and per capita net fee levels by graduate professional degree program are presented in Figure 2-11. In addition, the full column for each degree program represents the per capita fee levels. This figure illustrates that many graduate professional degree program 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 Fees for Selected Professional School Students as well as the highest portion of students paying nonresident fees, easily have the highest per capita net fee levels, with law programs following behind.

Students in teacher credential programs have the lowest net fee levels. This is largely attributable to the implementation of the Governor’s Teacher Scholars program at UC beginning in summer of 2000. Students enrolled through the Governor’s Teacher Scholars program have their fees fully covered with gift assistance

Figure 2-11

**Per Capita Fees Covered by Competitive Aid and Per Capita Net Fees Covered by the Student by Graduate Professional Degree Program, 2000-01**



**...professional degree program students in all programs have negative net stipends since their competitive aid... is inadequate to cover their student fees.**

**Residency Status**

While the University’s graduate professional degree programs recruit both resident and non-resident students in order to meet the state’s workforce needs, fully 86 percent of professional degree program students in 2000-01 were California residents. The percentage of students who were California residents ranged from 98 percent for students in medical programs to 59 percent 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 of international students enrolled in 2000-01 – 28 percent. The percentage of international students was generally limited to single digits in the other programs.

Figure 2-12  
**Per Capita Net Fees by Graduate Professional Degree Program by Residency Status, 2000-01<sup>5</sup>**

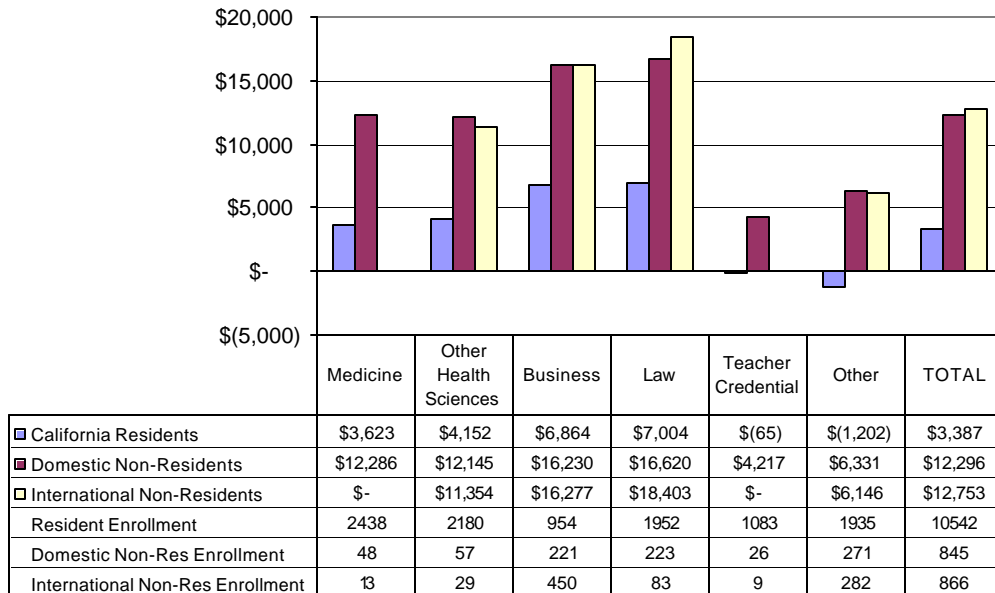


Figure 2-12 shows that for all professional degree programs, non-resident and international students are particularly lacking in support. Resident students' net fee levels are substantially lower than they are for students who are not California residents. Resident students in teacher credential and "Other" programs actually had competitive aid that more than covered their fees (thus the negative net fee levels). Not surprisingly, business and law students, who pay the highest average fees and had the highest net fee levels over-all for 2000-01, have the highest 2000-01 net fee levels for each residency status represented in Figure 2-12.

<sup>5</sup> There was insufficient data to report results for international medicine or teacher credential students.

**...for all professional degree programs, resident students were far better off than domestic non-resident or international students.**

### **Manageability of Professional Degree Program Student Loan Debt**

The heavy reliance by graduate professional degree program students on borrowing may appear ominous. The large per capita loan figures look to be particularly high when one considers the potential cumulative debt upon completing a graduate professional degree program over two, three, or four years. However, the limited data available on cumulative debt levels and expected salaries of professional school graduates suggest that the borrowing rates, while high, are manageable.

Business, law, and medical students all borrowed in 2000-01 at similar per capita levels. Among borrowers, the average loan levels ranged from about \$15,300 for medical students to \$16,200 for law students. After assuming similar borrowing rates for the duration of their programs and adding estimated undergraduate debt levels, the projected total debt levels for these students are substantial. However, the projected first-year income upon graduation is substantial as well.

For each of the three disciplines, the resulting debt-to-income ratios – the ratio of annual loan payments to first-year annual salary – are below 10 percent. This places the payments for the first year within the range considered manageable according to credit industry standards. These standards typically earmark the percentage of annual income that can be dedicated to loan repayments at between five and 15 percent. The higher end of this range is likely appropriate for professional degree program graduates since it is typically used for borrowers in the higher income ranges. The prospect of salary increases after the first year working suggests that these borrowers' debt-to-income ratios will likely improve.

**...students who borrow to finance a graduate professional degree program at UC can achieve earnings that make their debt levels manageable.**

While this information indicates that in the aggregate, graduate professional degree program students' loan debts are manageable, it is recognized that individual borrowers may accumulate aggregate debt that exceeds these standards. For such students there are options, such as graduated or income contingent repayment plans, to reduce monthly payments. We have no direct evidence on the extent to which the prospect of payments on student loan debt may have had some impact on job or career choice upon completion of a professional degree program.

## **Is the University's Assistance for Graduate Professional Degree Students Competitive?**

Despite the lower net stipends for professional degree program students, competition for students guides financing patterns for these students just as it does for those graduate students enrolled in academic programs. We know that students in graduate professional degree programs at competing institutions rely more heavily on borrowing than their graduate academic counterparts just as they do at UC. However, we do not yet know just how UC's financing offers compare to those at competing institutions.

The University's recently completed survey of graduate students accepted for admission for the fall of 2001 was limited to students studying in academic disciplines. The expansion of any future surveys of applicants for graduate admissions to include students applying to professional degree programs would yield a more complete picture of the competitiveness of graduate financial assistance at UC.

## **SECTION 3 OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR FAMILIES FINANCE A UC EDUCATION**

### **University Programs and Initiatives**

#### ***The University's Budget***

As discussed in Section 1 of this report, the University did not raise its mandatory systemwide student fees since 1994-95. In addition, resident undergraduate systemwide fees declined by five percent in 1998-99, and resident systemwide fees for undergraduate and graduate students declined by five percent in 1999-2000. At the same time, the state has provided support to the University allowing funding levels for the University's financial aid programs to be maintained despite the fee reductions, thereby creating an additional benefit to University of California students and their families.

While the impact of California's current economic downturn is not reflected in the financial aid information presented in this report, we know that many of the positive patterns that we saw during the economic boom of the late 1990s won't continue. Fees will increase, for example, and the decline in student borrowing rates may end. However, the University's Education Financing Model will provide UC students with a way to manage these costs while keeping the need to borrow and work at manageable levels.

### **State Programs and Initiatives**

#### ***Cal Grants***

State increases in support for the Cal Grant program have resulted in substantial growth in the number of awards for new Cal Grant recipients in recent years. The number of UC students receiving Cal Grants grew by ten percent between 1999-2000 and 2000-2001 while enrollment increased by about three percent over the same period.

In addition, 2001-2002 will mark the first year of implementation of the reconfigured Cal Grant programs. Created during the 1999-2000 legislative session, the new Cal Grant Entitlement Program will provide recent high school graduates and dependent students transferring from a community college with the guarantee of a Cal Grant if they have a minimum GPA and meet other eligibility criteria. Under the terms of the entitlement program, program funding is adjusted to match the number of students meeting eligibility criteria rather than having the eligibility criteria adjusted to match the funding. This means that applicants will have a better idea of what it takes to qualify for a Cal Grant entitlement award before they ever apply.

In addition to the entitlement component, the reconfigured Cal Grant program includes a limited competitive component for students who are not eligible for entitlement awards. These changes ultimately mean an increase in the number of awards for students qualifying for an entitlement award -- those just out of high school and dependent students transferring to a community college -- but

likely a decrease in the number of awards for students who do not qualify for an entitlement award – generally those who are not of a traditional college-going age.

The entitlement is expected to have only a marginal impact on the number of UC students eligible for a Cal Grant since many UC students were Cal Grant eligible under the former program. The reconfiguration of the Cal Grant programs will be felt most directly at the California State University and the California Community Colleges. The University may, however, derive some indirect benefits from the entitlement. As information about the entitlement is disseminated among prospective freshman and transfer students, it may help the University's efforts to overcome the misperception that grant assistance is not available to help meet UC costs. This may be particularly helpful to the University's efforts to increase transfer rates. To the extent that finances are perceived as a barrier to transfer, the knowledge on community college students' parts that they either have a Cal Grant award already or will have the opportunity to get a transfer entitlement award when they come to UC may help increase rates of transfer.

### ***Governor's Merit Scholarships***

In 1999-2000, two new merit scholarship programs for California high school students were implemented. The Governor's Scholars Program provides \$1,000 scholarships to California 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> graders based on their scores on certain standardized tests (i.e. the STAR exams). Scholarships are awarded to students who score in the top 5 percent of their grade level statewide or in the top 10 percent at their schools. The Governor's Distinguished Mathematics and Science Scholars Program provides a \$2,500 scholarship to public high school pupils who, in addition to qualifying for a scholarship under the Governor's Scholars Program, obtain a specified score on an advanced placement examination in both calculus and either biology, chemistry, or physics.

### ***Scholarshare Trust College Savings Program***

The state of California's Scholarshare Trust College Savings Program (hereinafter referred to as the "Scholarshare Trust") was established to encourage all families, and especially those in the middle income ranges, 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.

The Scholarshare Trust, like other states' so-called Section 529 savings plans, provides parents (and others such as grandparents) with a tax-advantaged college savings option. 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, which are made with after-tax income, are accepted until the account's value reaches the beneficiary's projected education expenses at an independent (private) college or university. Pursuant to provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, the earnings from these investments are not federally taxable as long as they are used for qualified higher education expenses (tuition and required fees, books, supplies, equipment, and eligible room and board ex-

penses). In addition, California has conformed the state tax code to the federal one on this matter, thereby making earnings from Scholarshare or other state-sponsored 529 programs exempt 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 \$82,000 and \$102,000 in modified adjusted gross income, and for single filers who earn between \$41,000 and \$51,000 in modified adjusted gross income.

### **Hope Scholarship Tax Credit**

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.

### **Lifetime Learning Tax Credit**

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 \$5,000 of tuition and required fees paid each year through 2002, and for the first \$10,000 thereafter. The maximum credit is determined on a per-taxpayer (filer) basis, regardless of the number of postsecondary students in the family.

## **UC and the Federal Education Tax Credits**

The University surveyed a cross-section of its students who received an IRS 1098T form from the University in January 2000. The survey was conducted in order to learn about the rates at which UC students and their families are 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 the University estimates that approximately 37 percent of all students are eligible for the tax credits, this means that most eligible students and their families

actually claimed them. Furthermore, based on these responses, we have been able to extrapolate that UC students and their families claimed approximately \$79.6 million in education tax credits for the 1999 tax year.

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

The Economic Growth and Tax Relief Reconciliation Act of 2001 includes provisions establishing a new higher education expense deduction which 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 will qualify for a \$3,000 deduction in 2002 and 2003. The deduction will increase to \$4,000 in 2004 and 2005 for filers under these income ceilings. In addition, single filers with incomes of more than \$65,000 but less than \$85,000 and joint filers with incomes of more than \$130,000 but less than \$170,000 will qualify for a \$2,000 deduction.

### ***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 for 2000 was \$2,000, and that amount will increase to \$2,500 for 2001 and later years. The Economic Growth and Tax Relief Reconciliation Act of 2001 eliminated a 60-month time limit on student loan interest deductions and increased the income ceilings for eligibility for the interest deduction to \$65,000 for single filers and \$130,000 for joint filers. 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.

### ***IRA Withdrawals for Higher Education Expenses and the Education IRA***

Taxpayers may withdraw principal contributions penalty-free from either a traditional Individual Retirement Account (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.

If the holder of a Roth IRA meets age requirements and the account has been established for more than 5 years, then contributions may be withdrawn penalty-free if they are used to cover qualified education expenses. Eligibility to contribute to a Roth IRA is phased out for joint filers with adjusted gross incomes of between \$150,000 and \$160,000 and for single filers with adjusted gross incomes of between \$95,000 and \$110,000.

In addition, for each child under the age of 18, families may deposit \$2,000 per year into an Education IRA (now called a Coverdell Education Savings Account, or CESA) in a child's name. Al-

though contributions are not tax deductible, earnings on the Education IRA accumulate tax-free and no taxes are due upon withdrawal if the money is used to pay for postsecondary tuition and required fees (less grants, scholarships, and other tax-free educational assistance), books, supplies equipment, and eligible room and board expenses. Income eligibility to contribute to an Education IRA is the same as that for the Roth IRA.

### ***U.S. Savings Bonds***

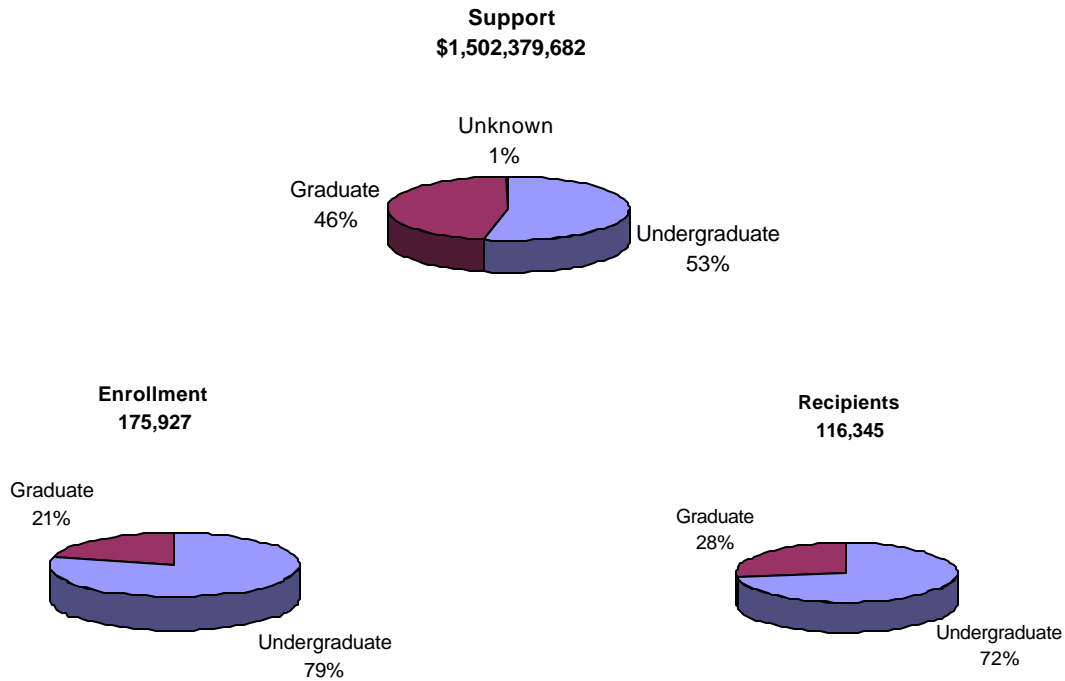
The interest on U.S. Savings bonds is, in certain circumstances, tax-free when bond proceeds are used to cover eligible education expenses. Individuals who are at least 24 years of age and purchase Series EE or Series I bonds may withdraw bond proceeds tax-free if they are used to cover tuition or fees 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 \$81,100 and \$111,100 and for individuals filing singly with annual incomes of between \$54,100 and \$69,100.



## SECTION 4 OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 2000-01

Using a series of figures and tables, this section presents an overview of student financial support during the 2000-2001 academic year. Each figure or table is accompanied by text that provides additional detail.

Figure 4-1  
**Support<sup>1</sup>, Enrollment<sup>2</sup>, and Recipients<sup>3</sup> by Enrollment Level, 2000-2001**



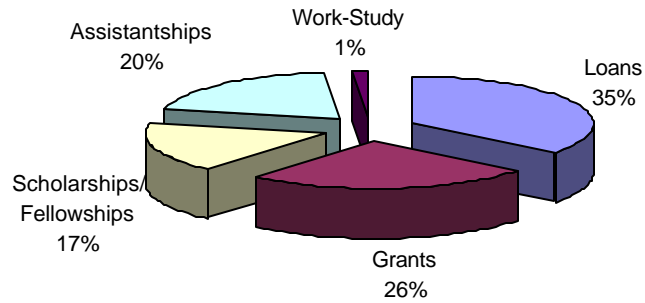
- Nearly seven of ten students enrolled at the University of California in 2000-2001 received some form of student financial support.
- Graduate students represented a greater portion of support recipients and received a greater percentage of financial support dollars than their percent of total enrollment. 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.

<sup>1</sup> Includes \$6,345,974 in support for students of an unknown level; this amounts to 0.4 percent of total support.

<sup>2</sup> Enrollment as well as recipient counts are calculated on a full-year equivalent basis.

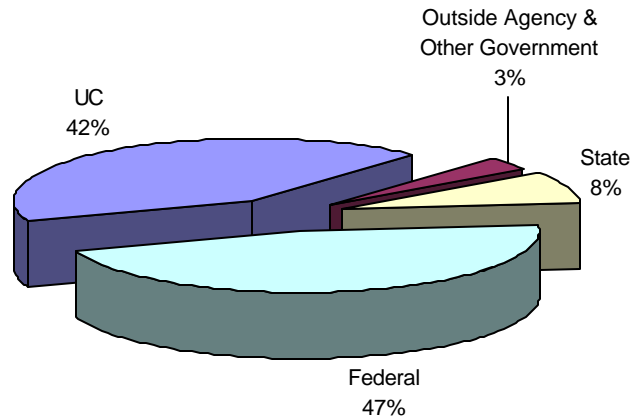
<sup>3</sup> Includes 1,880 recipients of unknown level; recipients of unknown level can only be counted on a head-count basis, while graduate and undergraduate students are counted on a full year equivalent basis.

Figure 4-2  
**Total Support by Type, 2000-2001**  
**\$1,502,379,682**



- Student Financial Support at the University of California increased by 6.9 percent, or \$97.2 million, between 1999-2000 and 2000-2001 and has reached a total level of *\$1.5 billion* (see Attachment A).
- About 43 percent of total support for 2000-2001 was in the form of gift assistance – grants and scholarships/fellowships.
- Excepting work-study, assistance of all aid types grew between 1999-2000 and 2000-2001. Loan assistance grew at the slowest rate – 3.9 percent. Consequently, the percentage of total assistance represented by loans, which was 39 percent in 1998-99, is down to 36 percent in 1999-2000.

Figure 4-3  
**Total Support by Administering Entity<sup>4</sup>, 2000-2001**  
**\$1,502,379,682**

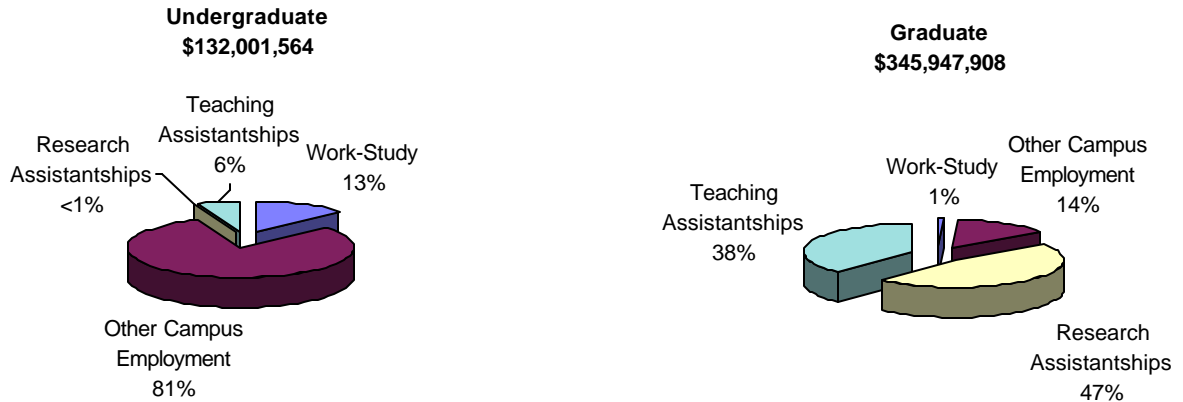


- Federal and University sources together provide 89 percent of the support received by UC students (see Attachments B through E)
- The percentage of aid through state or outside agency and other government entities was unchanged between 1999-2000.

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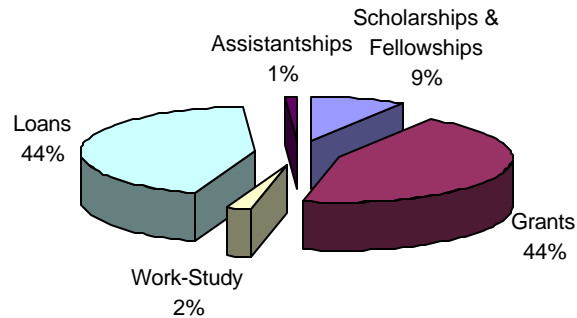
<sup>4</sup> Due to the configuration of available data, all assistantship funding is in the UC category for 2000-2001. The 2000-2001 version of this figure is not directly comparable to versions from prior years.

Figure 4-4  
**On-Campus and Work-Study Employment, 2000-01**  
**\$477,949,472**



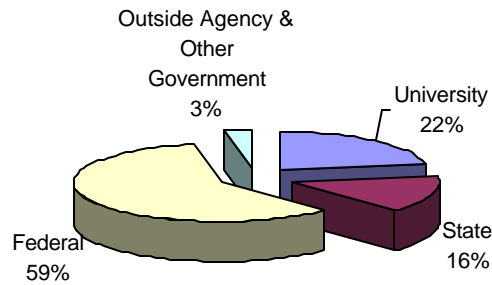
- UC students earned \$478 million in work-study and other on-campus employment during 2000, which is a 7 percent (\$32 million) increase over 1999-2000.
- A significant proportion of UC's student body was employed on campus during 2000-2001 – 31 percent of undergraduate and 59 percent of graduate students.
- Although the three work-study programs administered by the University (the Federal Work-Study program and two very small state and University programs) have a role to play in creating job opportunities for low-income students, particularly at the undergraduate level, earnings in this category represent only 13 percent of the total amount that UC undergraduates and 1 percent of the amount that UC graduate students earn in on-campus and work-study employment.
- Although most earnings (except for work-study and assistantships) are not reflected in student financial aid figures, student employment continues to be an important means by which students finance the cost of a UC education. The earnings from on-campus student employment, beyond that of work-study and assistantships, totaled \$157 million in 2000-2001.
- Students also are employed off campus during the academic year and the summer. Data from the latest Student Expenses and Resources Survey (SEARS) indicate that 37 percent of UC's undergraduates work off-campus during the academic year, and 55 percent of them hold off-campus jobs during the summer. Although a majority of UC's graduate students work on campus, 23 percent of them hold an off-campus job during the academic year.

Figure 4-5  
**Types of Undergraduate Support, 2000-01**  
**\$ 801,075,329**



- Financial aid that does not have to be earned or repaid (i.e. grants and scholarships) constitutes 53 percent of undergraduate support at the University, with student loans and work-study comprising 46 percent and assistantships the remaining 1 percent.
- Six of every ten (60 percent) of the University's undergraduate students received some form of student financial support in 1999-00 (see Attachment A-2).
- Nearly half (46 percent) of UC's undergraduates received some form of need-based aid in 2000-2001.
- Nearly half (48 percent) of UC's undergraduates received some form of gift assistance (includes both need-based and nonneed-based gift aid) in 2000-2001.
- Nearly three-fourths (73 percent) of undergraduate support at the University is awarded on the basis of need, a reflection of the 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.
- The remaining 27 percent of undergraduate support is awarded principally in the form of loans (72 percent of nonneed-based support) with scholarships and assistantships comprising the rest.

Figure 4-6  
**Undergraduate Support by Administering Entity, 2000-01**  
**\$801,075,329<sup>5</sup>**



- UC undergraduates receive nearly 60 percent of their support from programs funded or authorized by the federal government. It is important to keep in mind that over three quarters (76 percent) of these federal awards are 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 over two-thirds (68 percent) of undergraduate grant and scholarship aid. While 27 percent of total gift assistance awarded in 2000-2001 came from federal programs, 29 percent of total gift assistance awarded in 2000-2001 came from state programs and 40 percent came from University programs.

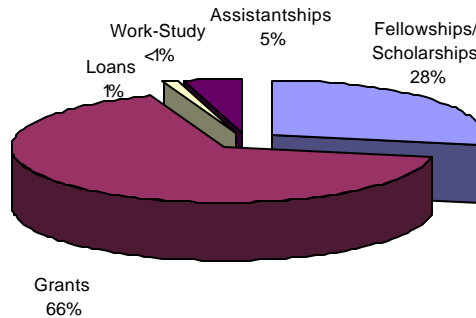
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<sup>5</sup> Due to the configuration of available data, all assistantship funding is in the UC category for 2000-2001. The 2000-2001 version of this figure is not directly comparable to versions from prior years.

Figure 4-7

**University-Funded Support for Undergraduates, 2000-01**  
**\$ 178,602,207<sup>6</sup>**

- Most university support comes in the form of gift assistance. Grants and scholarships together represent 94 percent of University support for undergraduate students.

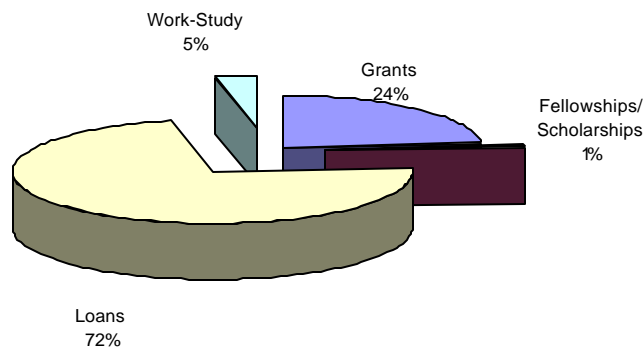


gether represent 94 percent of University support for undergraduate students.

- University support represents 22 percent of total assistance received by undergraduates in 2000-2001 but accounts for 40 percent of support for undergraduate gift assistance

Figure 4-8

**Federally Authorized Support for Undergraduate Students, 2000-01**  
**\$ 473,293,455<sup>7</sup>**



- While federal support represents 60 percent of undergraduate support overall, nearly three-quarters 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 27 percent of all gift assistance received by undergraduates.

<sup>6</sup> Due to the configuration of available data, all assistantship funding is in the UC category for 2000-2001. The 2000-2001 version of this figure is not directly comparable to versions from prior years.

<sup>7</sup> Due to the configuration of available data, all assistantship funding is in the UC category for 2000-2001. The 2000-2001 version of this figure is not directly comparable to versions from prior years.

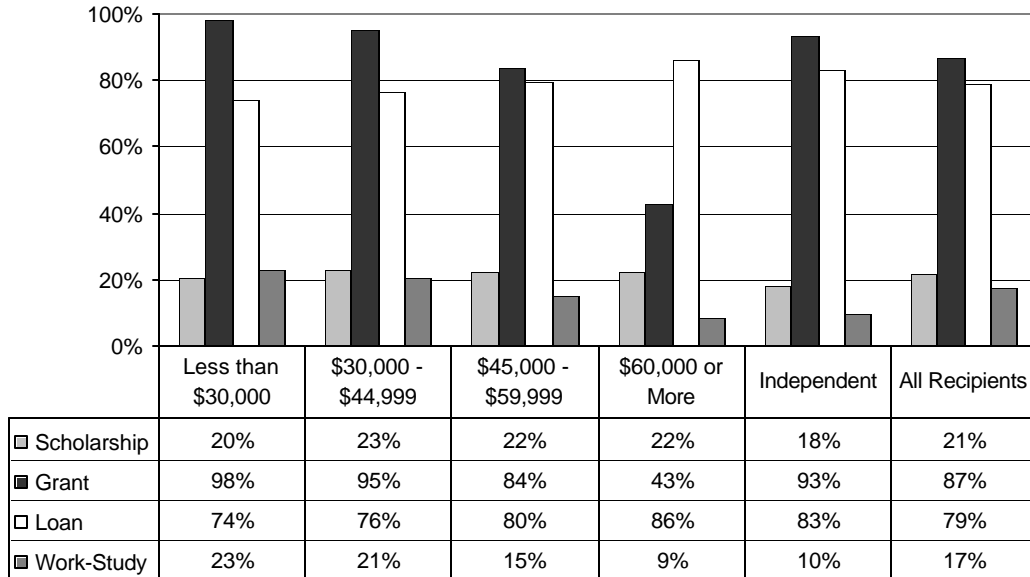
Table 4-1  
**Undergraduate Need-Based Support Recipients by Parent Income, 2000-01**

<b>Dependent</b>	<b>Number of Recipients</b>	<b>Percent of Total</b>	<b>Percent of Dependent</b>
<b>Less than \$30,000</b>	24,086	39%	46%
<b>\$30,000 - \$44,999</b>	10,442	17%	20%
<b>\$45,000 - \$59,999</b>	8,167	13%	16%
<b>\$60,000 or More</b>	9,536	15%	18%
<b>Subtotal</b>	52,231	84%	100%
<b>Independent</b>	10,057	16%	
<b>Total</b>	62,288	<b>100%</b>	

- 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, and 39% of them come from families with an annual parent income of less than \$30,000.
- Undergraduate students who are considered to be financially independent of their parents (generally students age 24 or older) constitute approximately one-sixth of total undergraduate need-based aid recipients.

Figure 4-9

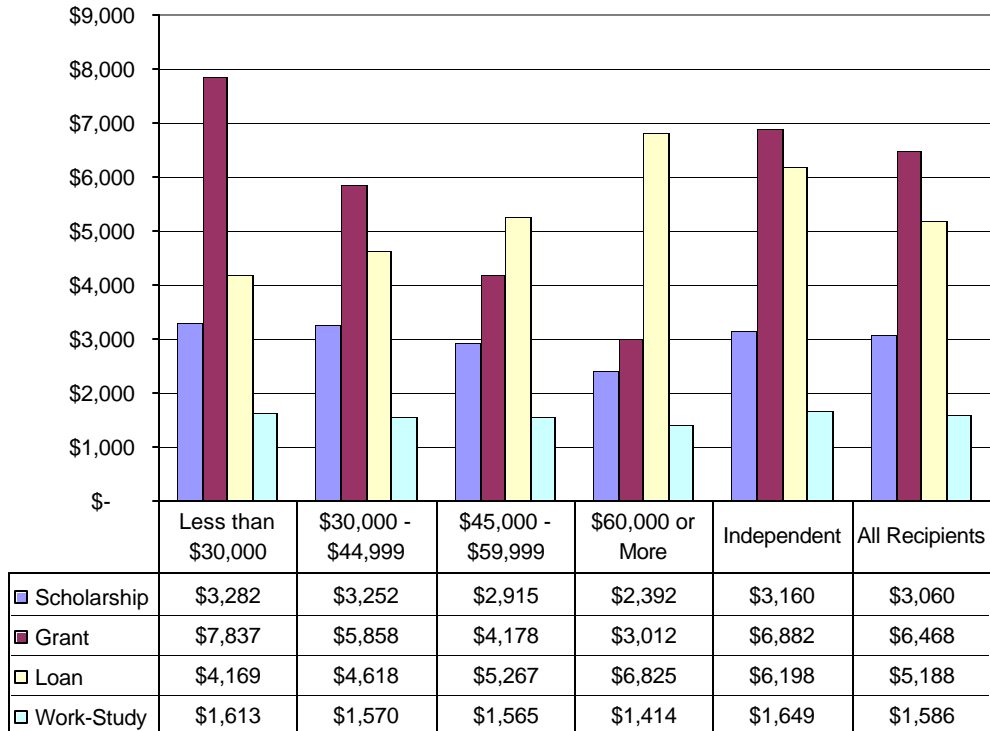
**Support for Undergraduate Need-Based Aid Recipients by Aid Type and Family Income: Percent with Award, 2000-01**



- Grants and loans comprise the most common forms of support for UC’s undergraduate financial aid recipients at all income levels.
- UC campuses continue to target their grant awards to lower-income and independent undergraduate need-based aid recipients, almost all of whom received grant awards in 2000-2001. As a result, dependent aid recipients from higher-income families (\$60,000 and above) are much less likely to receive a grant award.
- The lowest-income dependent need-based aid recipients continue to be somewhat less likely to borrow than their moderate- and middle-income peers, who sometimes borrow in order to help meet their parents’ expected contribution as well as to meet their own expected contribution from loan and work.
- This 2000-2001 version of Figure 49 is similar to the 1999-2000 version except that in each income category, the percentage of recipients with scholarship assistance is up by 2 percentage points.

Figure 4-10

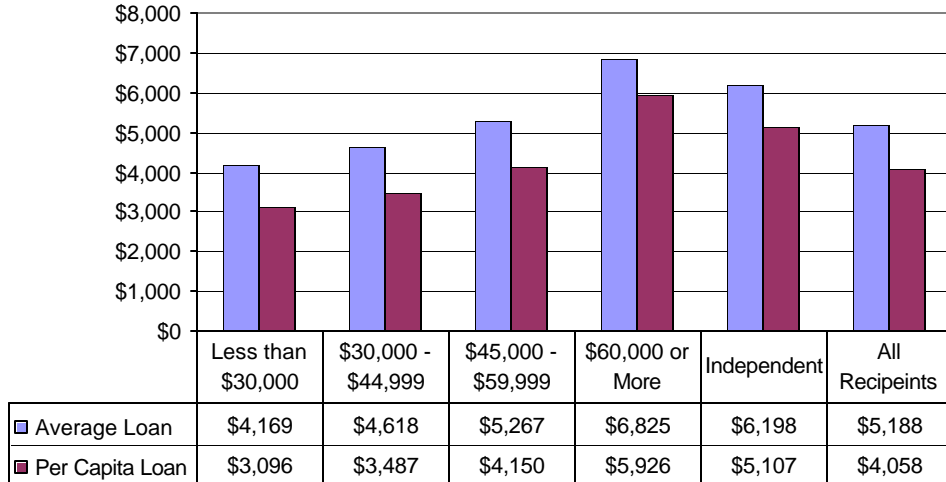
**Average Awards of Undergraduate Need-Based Aid Recipients by Family Income, 2000-01**



- Undergraduates from families with annual incomes of less than \$30,000 continue to receive the largest grant awards of any income group. The size of these awards compensates for the absence of family resources and, therefore, for the absence of any sizable expected parental contribution.
- Independent students, who generally do not have family resources available to them, have, on average, smaller grants than dependent students from the lowest income category. At the same time, they have larger loans that, in many cases, offset the lower grant levels.
- The pattern of average loan awards has changed during the past several years. Previously, there was little difference in the size of the average loan among the various income groups (excepting independent students). This figure illustrates the trend of the past few years whereby the average loan rises as parent income increases.
- In part, this pattern reflects the fact that middle-income students and their parents are increasingly likely to borrow to meet their expected parent contribution, which is much higher than the contribution expected from low-income students.
- While the number of need-based aid recipients with scholarships in 2000-2001 was only one-fourth the number with grants, those recipients who earned scholarships received substantial awards once again averaging over \$3,000 across all income and dependency categories. These awards help to reduce the need for these students to work or borrow.

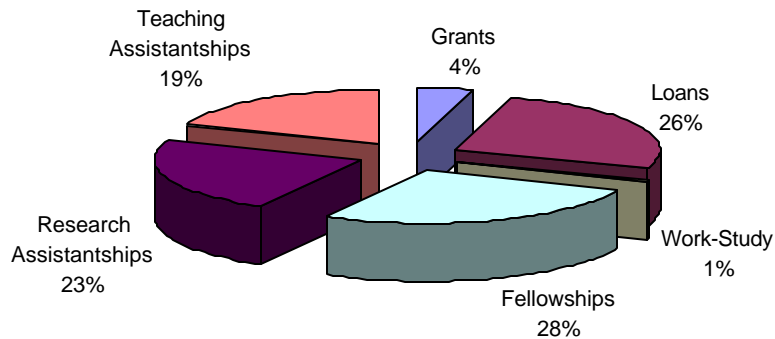
Figure 4-11

**Borrowing Among Undergraduate Need-Based Aid Recipients  
by Parent Income: Average Loan and Per Capita Borrowing 2000-01**



- Among need-based aid recipients, the average and per capita loan amounts increased with family income. Thus, low-income dependent students, on average, take out smaller loans than their peers from higher income families who borrow.
- Independent students, who do not have parental resources to help them cover their cost of attendance, had larger average loans in 2000-2001 than dependent students in all income categories except students from families with incomes of \$60,000 or more.
- The increasing reliance on borrowing by middle-class undergraduates receiving need-based aid is reflected in the fact that 2000-2001 is the fourth consecutive year in which an income category of dependent students had a larger average loan than independent students.
- The small difference between the average and per capita loan amounts for students with parent incomes of \$60,000 or more reflects the stronger likelihood of need-based aid recipients with parents in this income range to borrow.

Figure 4-12  
**Graduate Support by Aid Type, 2000-01**  
**\$691,163,830**



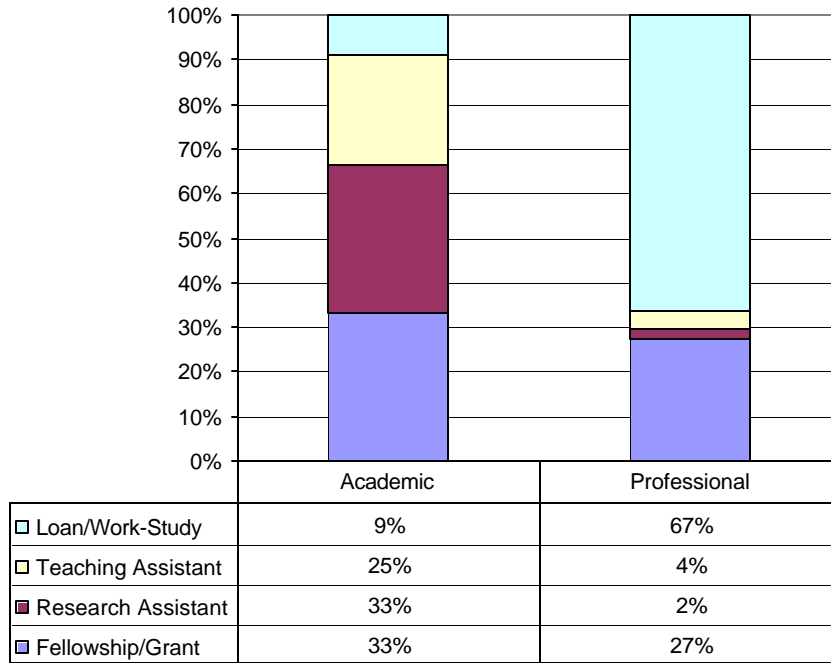
- Between 1999-2000, and 2000-2001, total graduate student support at the University increased by 6% to \$691 million.
- The balance between competitive<sup>8</sup> and need-based support at the graduate level was steady for the fourth consecutive year. The need-based aid, consisting of grants, loans, and work-study, constituted 30 percent of graduate support. The competitive aid, consisting of teaching assistantships, research assistantships, and fellowships, constituted 70 percent of graduate support.
- In 2000-2001, loans continued to constitute a declining percentage of graduate support. While in 1998-99, the loans constituted 29 percent of graduate assistance, they constituted 26 percent in 2000-2001.

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<sup>8</sup> 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.

Figure 4-13

**Graduate Financial Support by Program Type and Aid Type, 2000-201**



- Graduate academic students receive almost all their financial support – about 90 percent -- in the form of merit-based awards, i.e., fellowships and assistantships. This percent is unchanged from 1999-2000.
- Support for graduate academic students is up by 8 percent over 1999-2000.
- Graduate professional students, on the other hand, receive 67 percent of their support in the form of student loans and work-study and only 33 percent of their support in the form of merit-based awards.
- Support for graduate professional students is up by 6 percent over 1999-2000.



## GLOSSARY

### **Bureau of Indian Affairs Grants<sup>F</sup>**

Some of UC's Native American students receive additional support from this Federal Program.

### **Cal Grant A Program<sup>S</sup>**

This is the largest of the State's aid programs and provides fee-coverage grants to needy, meritorious undergraduates.

### **Cal Grant B Program<sup>S</sup>**

This program provides undergraduates from particularly low-income or disadvantaged backgrounds with a fee-coverage grant and a stipend for living expenses. First-year recipients generally receive the stipend only.

### **Cal Grant C Program<sup>S</sup>**

The smallest of the Cal Grant Programs, Cal Grant C provides vocational students with fee-coverage grants and an allowance for training-related costs, such as equipment, books, supplies, and transportation.

### **Education Abroad Program (EAP)<sup>U</sup>**

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<sup>F</sup>**

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 subsidized 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)<sup>F</sup>**

This umbrella program encompasses three federal student loan programs guaranteed by the federal 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 undergraduate students (PLUS). This program is an alternative to the Federal Direct Loan Program.

### **Federal Fellowships<sup>F</sup>**

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 Program, the Fulbright-Hayes Program, and the programs authorized by Title IX of the Higher Education Act.

### **Federal Work-Study (FWS) Program<sup>F</sup>**

Federal funds, institutional funds, and employer contributions combine to pay the salaries of needy undergraduate and graduate students employed through this program.

### **Graduate Fellowship Program<sup>S</sup>**

This small State program provided fee coverage awards for needy meritorious graduate academic and professional students who declared their intent to teach at the postsecondary level. The program is being phased out and new awards in this program were last made in 1998-99. The program is being replaced by the Graduate Assumption Program of Loans for Education, through which payments will be made on participants' student loans once they teach at the postsecondary level in California.

### **Health Education Assistance Loans (HEAL)<sup>F</sup>**

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)<sup>F</sup>**

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

### **Pell Grant Program<sup>F</sup>**

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)<sup>F</sup>**

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<sup>U</sup>**

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

### **Research Assistantships<sup>U</sup>**

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<sup>S/F</sup>**

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<sup>S</sup>**

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<sup>F</sup>**

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)<sup>U</sup>**

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.
5. Health insurance fee remissions are awarded only to teaching and research assistants.

### **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 (see Glossary for definitions).
- This attachment does not include federally funded teaching and research assistantships, Social Security benefits, and veterans’ benefits.

### **Additional Notes for Attachment E**

- Starting in 1984-85, funds formerly counted as Private and Outside Agency Scholarships are counted as Private and Outside Agency Grants.
- Starting in 1986-87, Nonresident Tuition Fellowship funds, formerly counted as Grants, are counted as Scholarships (for undergraduates) and Fellowships (for graduates).
- It is not possible to disaggregate postbaccalaureate students from other students for the years prior to 1988; therefore, they are included in some years as undergraduates and in other years as graduate students.
- Starting in 1990-91, Cal Grant A funds, formerly counted as Scholarships, are counted as Grants.

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OFFICE OF THE PRESIDENT  
STUDENT ACADEMIC SERVICES  
DENNIS J. GALLIGANI, ASSOCIATE VICE PRESIDENT**

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