

**University of California
Office of the President**



**Annual Report on
Student Financial Support
1998-99**

**Office of the Associate Vice President
Student Academic Services
Student Financial Support**

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While many members of the Student Financial Support Unit contributed to this report, the lead staff members responsible for completing the report were Mark Langberg, who had primary responsibility for producing the data used in this report, and Chris Carter, who coordinated the production of the report. Questions may be directed to Chris Carter of the Office of Student Financial Support at 510 987-9583 or via e-mail at chris.carter@ucop.edu.

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 1998-99 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.

Table of Contents

EXECUTIVE SUMMARY	VII
Financial Support for Undergraduate Students.....	vii
The Cost of Attendance.....	vii
Managing the Cost of Attendance.....	vii
Recent Trends in the Cost of Attendance and Student Financial Support.....	viii
Financial Support for Graduate Students.....	ix
Graduate Academic Students.....	ix
Graduate Professional Students.....	ix
Prospects for the Future.....	x
Federal Initiatives to Assist Families.....	x
State Initiatives to Assist Families.....	x
SECTION 1 FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS	1
The Cost of Attendance.....	1
Managing the Cost of Attendance: the Education Financing Model.....	4
What do these principles mean for the parents of UC undergraduates?.....	4
What do these principles mean for UC students?.....	5
What do these principles mean for the University?.....	6
How UC's Undergraduates Manage the Cost of Attendance.....	7
Need-Based Aid Recipients.....	10
Parental Contribution.....	12
Student Contribution from Loans and Work.....	13
Gift Aid.....	16
Nonneed-Based Aid Recipients.....	18
Nonrecipients.....	19
Recent Trends in Student Financial Support.....	20
Cost of Attendance.....	20
Borrowing.....	22
Grants and Scholarships.....	25
Recent Trends in Family Income of Enrolled Students.....	26

SECTION 2 FINANCIAL SUPPORT FOR GRADUATE STUDENTS.....	29
How Graduate Students Use Financial Assistance to Help Cover Educational Expenses	29
Graduate Academic Students	30
Graduate Professional Students.....	31
SECTION 3 OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR FAMILIES FINANCE A UC EDUCATION	33
University Programs and Initiatives.....	33
The University's Budget	33
State Programs and Initiatives	33
Cal Grants	33
Governor's Merit Scholarships.....	34
Scholarshare Trust College Savings Program.....	34
Federal programs and initiatives	35
Federal Education Tax Credits.....	35
Hope Scholarship Tax Credit.....	35
UC and the Federal Education Tax Credits.....	35
Student Loan Interest Deduction	36
IRA Withdrawals for Higher Education Expenses and the Education IRA	36
U.S. Savings Bonds.....	36
SECTION 4 OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 1997-98.....	37
GLOSSARY	59
INFORMATION ON ATTACHMENTS.....	62
ATTACHMENTS	

List of Figures

Figure 1 Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as Percent of Median Household Income, 1984-85 to 1997-98.....	3
Figure 2 Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1998-99: Percentage Distribution.....	8
Figure 3 Undergraduate Need-based Support Recipients by Parent Income, 1997-98 and 1998-99	10
Figure 4 How Undergraduate Need-Based Aid Recipients Finance Their Educational Expenses: by Parent Income, 1998-99.....	11
Figure 5 How Parents of Undergraduate Dependent Need-Based Aid Recipients Finance Their Expected Parent Contributions: by Parent Income 1998-99.....	12
Figure 6 How Undergraduate Need-Based Aid Recipients Use Loans to Finance their Contributions: by Parent Income, 1998-99.....	14
Figure 7 How Undergraduate Need-Based Aid Recipients Use Work to Finance Their Contributions: By Parent Income, 1998-99.....	15
Figure 8 Composition of Per Capita Average Gift Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1998-99.....	17
Figure 9 Composition of Average Scholarships Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1998-99	18
Figure 10 Number of Undergraduate Nonneed-Based Aid Recipients Receiving Grant Assistance, Loan Assistance, And Both, 1998-99.....	19
Figure 11 Trends in the Undergraduate Cost of Attendance at the University of California, 1989-90 to 1998-99; Constant 1998-99 Dollars	21
Figure 12 Need-Based Aid and Family Resources Per Recipient By Type: Trends in Support, Constant 1998-99 Dollars.....	22
Figure 13 Per Capita Undergraduate Borrowing Through the Federal Loan Programs by Loan Type, 1997-98 and 1998-99.....	24
Figure 14 Percentage of Undergraduates Borrowing Through the Federal Loan Programs By Loan Type, 1997-98 and 1998-99	25
Figure 15 Total Undergraduate Grants and Scholarships by Fund Source: Selected Years, 1993-94 to 1998-99 (In Millions of Dollars)	26
Figure 16 First-Time Freshman Enrollment Systemwide by Parent Income and Cohort Year, Percent Distribution, Constant 1998 Dollars	28
Figure 17 Per Capita Awards for Graduate Students By Award Type and Type of Graduate Program, 1998-99.....	29
Figure 18 Average Annual Loan Amounts: Professional Degree Students, 1993-94 to 1998-99.....	32
Figure 19 Enrollment, Recipients, and Support by Enrollment Level, 1998-99	37

Figure 20 Total Support by Type, 1998-99 \$1,354,415,738	38
Figure 21 Total Support by Source, 1998-99 \$1,354,415,738	39
Figure 22 On-Campus and Work-Study Employment, 1998-99	40
Figure 23 Types of Undergraduate Support, 1998-99 \$728,006,439	41
Figure 24 Sources of Undergraduate Support, 1998-99 \$728,006,439	42
Figure 25 University-Funded Support for Undergraduates, 1998-99 \$152,447,835.....	43
Figure 26 Federally Authorized Support for Undergraduate Students, 1998-99 \$444,301,938.....	43
Figure 27 Support for Undergraduate Need-Based Aid Recipients by Aid Type and Family Income: Percent with Award, 1998-99	45
Figure 28 Average Awards of Undergraduate Need-Based Aid Recipients by Family Income, 1998-99	46
Figure 29 Borrowing by Parent Income of Undergraduate Need-Based Aid Recipients: Number of Borrowers, 1997-98 and 1998-99.....	47
Figure 30 Undergraduate Borrowing Among Need-Based Aid Recipients by Income: Average Loan, 1997-98 and 1998-99	48
Figure 31 Undergraduate Borrowing Among Need-Based Aid Recipients by Income: Per Capita Borrowing, 1997-98 and 1998-99.....	49
Figure 32 Graduate Support by Aid Type, 1999-99, \$622,059,725	50
Figure 33 Graduate Financial Support by Program Type and Aid Type, 1998-99.....	51
Figure 34 Sources of Graduate Financial Support, 1998-99	52
Figure 35 University-Funded Support for Graduate Students by Program Type, 1998-99.....	53
Figure 36 Federally Authorized Support for Graduate Students by Program Type, 1998-99	54
Figure 37 Percentage of Graduate Students Receiving Financial Support, 1998- 99	55
Figure 38 Average Awards of Graduate Students Receiving Financial Support, 1998-99.....	56
Figure 39 Percentage of Graduate Academic Students Receiving Merit Support, 1998-99	57
Figure 40 Average Merit Awards of Graduate Academic Students, 1998-99.....	58

List of Tables

Table 1 Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1998-99: Number of Students.....	9
Table 2 Undergraduate Need-Based Support Recipients by Parent Income, 1998-99.....	44

EXECUTIVE SUMMARY

In 1998-99, approximately 120,300 students (72 percent of the total enrollment) at the University of California received \$1.4 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.

Just over two-thirds (67 percent) of UC's undergraduates received some form of student financial support in 1998-99. Over three-fourths (76 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.

While graduate students continued to receive more financial support per capita than their undergraduate counterparts in 1998-99, their percentage of total financial aid has either declined or remained steady in recent years. Total graduate student support at the University, however, increased by 5 percent between 1997-98 and 1998-99 to \$626 million. This funding provided support to 90 percent of graduate students.

Financial Support for Undergraduate Students

Approximately \$728 million in financial support was received by over 87,000 undergraduate students (67 percent of all undergraduates) enrolled at the University of California in 1998-99.

The Cost of Attendance

The average cost of attending the University for an undergraduate California resident who lived on campus in 1998-99 was \$13,933. This amount continues to be significantly less than the cost of attending an independent institution, and when adjusted for inflation, is actually lower than it was a year earlier. This is attributable to the 5 percent reduction in systemwide student fees for undergraduate students effective for 1998-99.

The 1998-99 academic year was the first in which the results of the University's Cost of Attendance Survey of student expenses was used by the campuses to calculate their respective student budgets. The data not only provide a standardized approach to calculating student budgets, but also reveal that students with lower family incomes are more likely to choose less expensive living arrangements and less likely to own a computer or be covered by health insurance.

Managing the Cost of Attendance

Over the past few years, 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.

In recent years, the percentage of undergraduate students receiving need-based aid – aid awarded based on family financial circumstances – has been quite stable. However, the percentage receiving nonneed-based aid increased to 13 percent in 1998-99, up from 8 percent only four years earlier. This growth in nonneed-based aid recipients reflects increasing demand for financial assistance in an environment where eligibility for need-based aid, as defined by federal standards, has leveled off due to stable fees at UC and increased earnings fueled by a recovering economy.

The principal ways in which need-based aid recipients cover their education expenses are from parental contribution, gift aid (scholarships and grants), and student contributions in the form of loans and earnings from on- and off-campus employment. A parent's expected contribution is strongly related to income. Among families receiving need-based aid in 1998-99, the parent contribution averaged about \$275 for parents with incomes of less than \$30,000 and about \$7,400 for parents with incomes of \$60,000 or more. Middle- and higher-income parents increasingly rely on borrowing from educational loan programs to meet a portion of their expected contribution.

Campuses award gift aid to students in order to compensate for differences in parent contributions. Thus in 1998-99, low-income students received an average of over \$6,800 in gift support whereas need-based aid recipients with parental incomes of \$60,000 or more received an average of about \$1,300 in gift support.

Recent Trends in the Cost of Attendance and Student Financial Support

Mandatory, systemwide education and registration fees at UC have not increased since 1994, and 1998-99 brought a decrease of 5 percent in systemwide fees for resident undergraduates. In addition, 1999-2000 brought 5 percent reductions in systemwide fees for resident undergraduate students and for resident graduate students not enrolled in programs subject to the Fee for Selected Professional School Students.

Undergraduate borrowing increased dramatically in the years leading up to 1998-99. However, 1998-99 brought with it several factors that contributed to actual *reductions* in the borrowing rates among UC undergraduates. Among undergraduates, per capita borrowing actually *declined* by \$125. A reduction in systemwide student fee levels, the maintenance of funding for UC's student aid program despite the fee reduction, and increased award levels in the federal Pell Grant program all contributed to a five percent decline in per capita borrowing through the federal loan programs by undergraduates and their parents.

Between 1991 and 1998, shifts in the family income distribution of UC's entering freshmen have mirrored shifts in California's overall population. This means that California's recession of the early 1990s, which led to increases in student fees, resulted in growth in the proportion of UC undergraduates from low-income families. California's recovering economy in the latter part of the decade has resulted in increases in the family incomes of the University's entering undergraduates since 1994.

Financial Support for Graduate Students

Over 33,000 (91 percent of total) graduate academic and professional students received \$626 million in financial support during the 1998-99 academic year. Forty-one percent of this support was in the form of teaching and research assistantships.

Graduate Academic Students

Graduate academic students in general receive the majority of their support from institutional sources: 63 percent of support for graduate academic students at UC is from University programs. Fellowship, assistantship, and student loan support funded or authorized by the federal government constitute another crucial piece of the total support structure for many graduate students. Graduate academic students' increased costs over the years have been covered in large part by additional fellowship, grant, and assistantship support. As a result, in 1998-99, 93 percent of graduate academic students received merit-based support, largely in the form of merit-based assistantship support. At the same time, 29 percent received need-based support, largely in the form of student loans.

Graduate Professional Students

Graduate professional students generally rely on their personal resources, or on borrowing, to finance their expenses. Easier access to loans, the program-specific fees that students studying some disciplines must pay, and the paucity of grant, fellowship, and assistantship support for professional degree students have combined to produce an ever-increasing reliance on borrowing as a means of financing the cost of attendance for graduate professional degree students.

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. In early 2000, the University issued about 370,000 IRS 1098-T forms to help UC students take advantage of the tax credits. With the financial support of the USA Group Foundation, the University is currently conducting a survey of students to learn about the extent to which students and their families are making use of the tax credits.

State Initiatives to Assist Families

The 2000-2001 state budget includes dramatic increases in support for the State's Cal Grant programs. This increased support will be used largely to increase the number of new Cal Grant awards, although some will be used to fund a 10 percent increase the Cal Grant B subsistence award – the first increase for this award in over a decade.

In addition, the Governor signed a bill at the close of the 1999-2000 legislative session that will make the Cal Grant program an entitlement program for the first time. The provisions of the entitlement, which will be implemented beginning in 2001-2002, are expected to have 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.

Another bill signed by the Governor at the close of the 1999-2000 session will result in a new program, the Governor's Scholars Program, through which merit-based scholarships will be awarded to California high school students in grades 9, 10, and 11 with high scores on the STAR exam. The same bill also establishes the Governor's Distinguished Mathematics and Science Scholars Program, which will provide 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 an advanced placement examination in calculus and an advanced placement examination in biology, chemistry, or physics. UC students should receive a high proportion of these new scholarships.

Finally, the State of California 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.

SECTION 1 FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS

The Cost of Attendance

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 budget, the state 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 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. 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. This cost (also called 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); transportation; and miscellaneous personal expenses. The sum of these categories represents the typical expenses that students must plan to incur in order to attend a UC campus. For students living in on-campus or off-campus housing, student fees typically make up less than one third of the cost of attendance. While student budgets are determined on the campus level and vary depending upon the student's living situation, the average UC student budget for the 1998-99 academic year for an undergraduate California resident living on-campus broke down as follows:

Student Fees:	\$4,027.55
Books and Supplies:	\$862.55
Living:	\$7,030.57
Personal Expenses:	\$1,239.19
Transportation:	\$510.63
Healthcare Allowance:	<u>\$264.02</u>
TOTAL:	\$13,934.51

However, student budgets vary by such factors as residency status, level (i.e., graduate or undergraduate), and living arrangements (living with parents, on campus, or off campus).

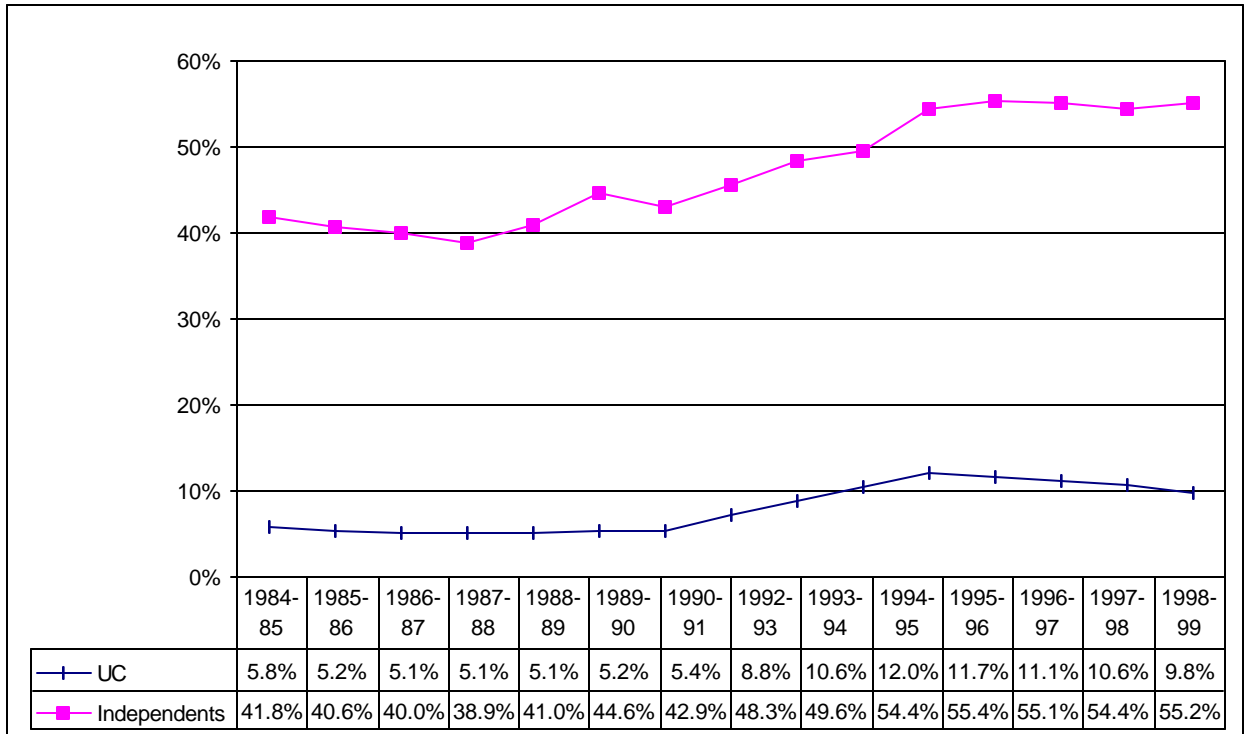
A number of data sources have historically been used by campus financial aid officials in establishing student budgets. These include campus-level surveys of student expenses, the actual costs of residence hall contracts, and the results of the triennial state-wide Student Expenses and Resources Survey (SEARS), conducted by the California Student Aid Commission. However, 1998-99 marked the first year in which student budgets at the campus level were determined pursuant to results of the first systemwide Cost of Attendance Survey (COAS). The COAS, first conducted in 1997 pursuant to the implementation of the Education Financing Model (see next section), provided the most comprehensive data available on the non-fee expenditures of undergraduates attending the University. The survey's results are significant not because they are used to standardize budgets across UC campuses -- indeed, they don't do that -- but rather because they provide a consistent basis for each campus to use in determining its particular student budgets.

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 may 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 address these last two differences. In order to make health insurance more accessible, a health insurance allowance was added to the student expense budget. In addition, the University is allowing budget augmentations for the purchase of a computer.

However, despite the variations in reported costs for different students, the cost of attendance at the University continues to be significantly lower than comparable costs at independent institutions. This difference is driven largely by the disparity between student charges at UC and student charges at independent institutions. A UC undergraduate in 1998-99 faced student fee charges that were an average of almost \$17,900 *less* than the tuition and fees faced by an undergraduate enrolled at a comparable independent institution. Figure 1 illustrates this differential in terms of the percentage of 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 the difference has widened steadily over the past five years (when UC systemwide fees have been stable). Expressed as a percentage of median household income, UC fees in 1998-99 were at their lowest point since 1992-93, while those at independent institutions were almost at their highest over the reporting period.

Expressed as a percentage of median household income, UC fees in 1998-99 were at their lowest point since 1992-93...

Figure 1
Average Undergraduate Tuition and Fees at UC and Selected Independent Institutions as a Percent of Median Household Income, 1984-85 to 1998-99¹



However, making a UC education manageable for all eligible students does not stop with fees that are substantially lower than those charged by independent institutions. In addition to facing a lower cost of attendance than their counterparts at comparable independent institutions, most UC students receive some form of financial assistance. In 1998-99, 67 percent of University undergraduate students received some form of financial assistance. In addition, 54 percent of undergraduates received gift aid, which is particularly valuable to students since it effectively lowers the price of education and yields a “net price” that can be substantially less than the regular cost of attendance. For many recipients from families that cannot afford to cover the full cost of atten-

¹ 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.

dance at the University, this financial assistance is what makes attending the University of California possible.

In addition to facing a lower cost of attendance than their counterparts at comparable independent institutions, most UC students receive some form of financial assistance.

Managing the Cost of Attendance: the Education Financing Model

In recent years, the University has developed an integrated conceptual framework around student financing that is used 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. 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 single 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 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 standard 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 family size and the number of family members in college.

...parents 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.

- 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 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 academic 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 degree.

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

- 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 awarding those funds to students are carried out in accordance with the principles and framework of the Model. 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 to support their particular priorities and policy goals in the area of student financial aid.
- 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 will differ from current allocation methods, the University will mitigate the impact on students of fund shifts across cam-

puses by phasing in the new allocation formula over time. This phase-in should be completed by academic year 2001-02.

- 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 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 last Student Expenses And Resources Survey (SEARS), conducted in Spring 1997, almost three-fourths (71.4%) of students who receive aid have annual family incomes of \$60,000 or less, while less than one-fourth (21.6%) of non-recipients have annual incomes in this range.

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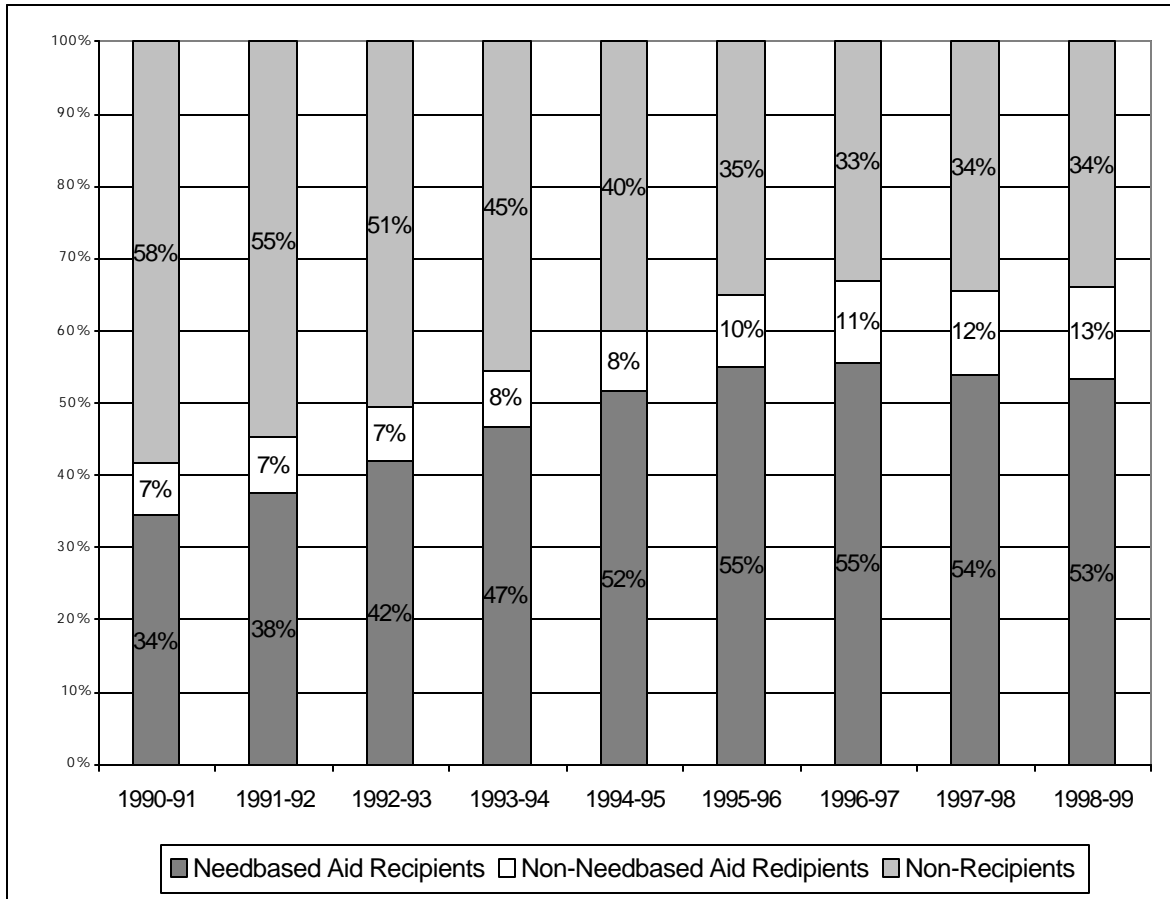


Figure 2
**Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1998-99:
 Percentage Distribution**

Figure 2 and Table 1 together illustrate trends in the division of the University's undergraduate student body among need-based aid recipients, nonneed-based aid recipients, and nonrecipients. The percentage of undergraduates receiving some form of financial support grew substantially in the 1990s. In 1990-91, 41 percent of undergraduates received some form of financial support, while in 1998-99, 67 percent of undergraduates received support.

The percentage of undergraduates receiving some form of financial support grew substantially in the 1990s.

Table 1

**Undergraduate Enrollment by Financial Aid Status, 1990-91 to 1998-99:
Number of Students**

	Need-based Aid Recipients	Nonneed-Based Aid Recipients	Non-Aid Recipients	Total 3 Quarter Enrollment
1990-91	42,216	9,032	71,296	122,544
1991-92	46,379	9,198	67,316	122,893
1992-93	51,352	9,030	62,112	122,494
1993-94	56,327	9,456	54,790	120,573
1994-95	62,017	10,068	47,839	119,924
1995-96	67,050	12,130	42,830	122,010
1996-97	68,944	14,215	41,131	124,290
1997-98	68,423	14,819	43,638	126,880
1998-99	69,391	16,758	44,183	130,332

The number of need-based aid recipients grew by almost 60 percent between the beginning of the decade 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, substantive revisions to the federal formula used to determine eligibility for need-based financial aid, and the increased ease of borrowing, which has caused more students to enter the ranks of aid recipients.

The percentage of undergraduates receiving some form of financial support grew substantially in the 1990s. In 1990-91, 41 percent of undergraduates received some form of financial support, while in 1998-99, 67 percent of undergraduates received support.

However, the number of need-based aid recipients stabilized and changed only marginally between 1995-96 and 1998-99 despite a 7 percent increase in undergraduate enrollment. Increases in family income levels driven by the strengthening California economy and stable or declining student fee levels have all contributed to this trend.

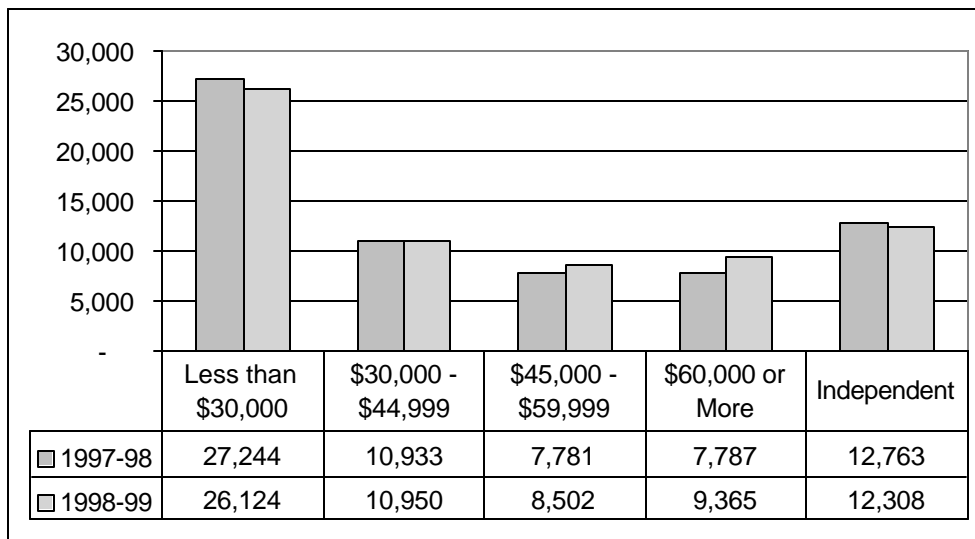
The number of nonneed-based aid recipients has followed a very different trend. While there was little change in the early 1990s, the number of recipients grew by 66 percent between 1994-95

and 1998-99. This has been driven in large measure by increased borrowing through the federal unsubsidized loan programs. The growth in nonneed-based aid recipients reflects the availability of these unsubsidized loans and a continuing increased demand for financial assistance in an environment where need, as defined by federal standards, has leveled off due to stable or declining fees and a recovering economy.

Need-Based Aid Recipients

A breakout of need-based aid recipients by parent income reflects the link between family income and eligibility for need-based financial aid. Figure 3 shows that in 1998-99, there were nearly three times as many need-based aid recipients with family incomes below \$30,000 as there were need-based aid recipients with family incomes of \$60,000 or more. The figure also shows that between 1997-98 and 1998-99, the number of need-based aid recipients decreased in the categories of 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 over the past several years, 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 income among the state's population.

Figure 3
Undergraduate Need-Based Support Recipients by Parent Income, 1997-98 and 1998-99



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 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 1997-98 and 1998-99. 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 4 by the portion of the bar below the top shade. This means that the net cost of a UC education is lowest for those students and families with the lowest parent incomes.

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

Figure 4
How Undergraduate Need-Based Aid Recipients Finance Their Educational Expenses: by Parent Income, 1998-99

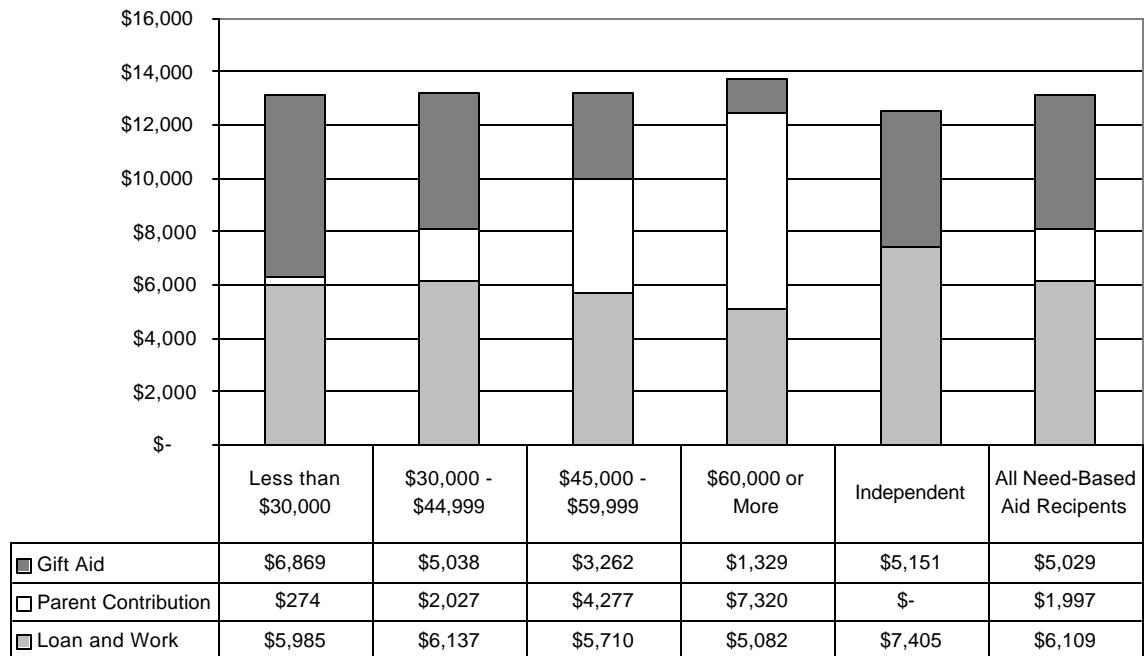


Figure 4 also illustrates how, among dependent students, each financing component changes as one moves from the recipients with the lowest parent incomes to those with the highest family incomes. The student contributions, in the form of loans and work, are, in relative terms, similar across the family 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 parental contribution: the lower the family income, the higher the level of gift aid (and the lower the net price).

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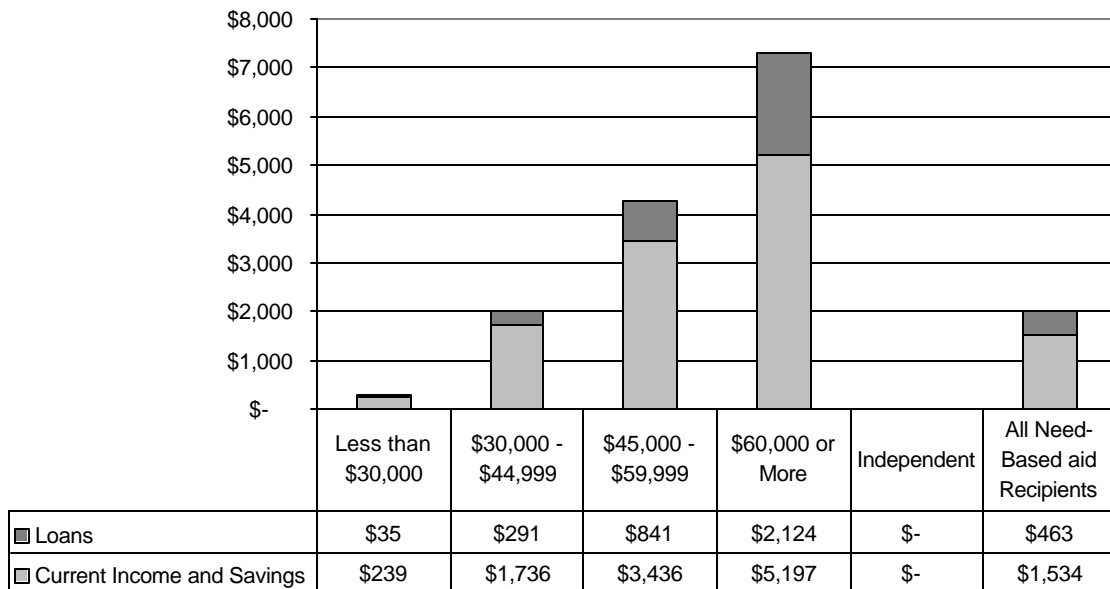
Parental Contribution

A parent's expected contribution can be financed from two major sources: 1) current income and savings; and 2) loans. Figure 5 illustrates how, as family income increases, parent contributions climb dramatically and the sources used to cover those contributions change. Parents increasingly rely on borrowing to meet their expected contributions as their incomes rise. In particular, middle-income families (annual income of \$60,000 or more) with financial need cannot pay all their expected contribution, which averaged over \$7,300 in 1998-99, from current income and savings. The percentage covered with loans climbed as family income rose until those with incomes of over \$60,000 used educational loan programs to cover an average of 29 percent (\$2,124) of their contribution expense. Among families with incomes of under \$30,000, educational loan programs were used to cover 13 percent of their contribution.

Parents increasingly rely on borrowing to meet their expected contributions as their incomes rise.

Figure 5

How Parents of Undergraduate Dependent Need-Based Aid Recipients Finance Their Expected Parent Contributions: by Parent Income 1998-99



However, Figure 5 does not account for several ways in which parents are financing their contributions. Anecdotal evidence indicates that 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 re-

ality, borrowing even more than what is reflected in Figure 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.

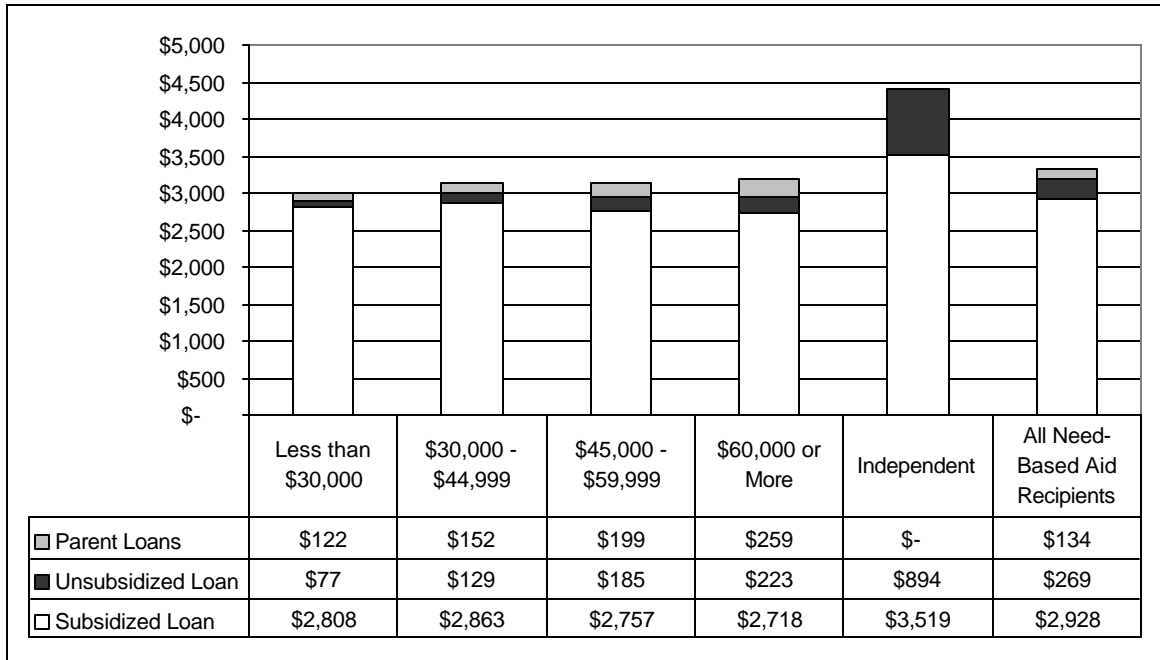
Student Contribution from Loans and Work

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 \$3,331 in 1998-99 to cover their share of the cost of attendance. This is \$280 or 8 percent less than the average need-based aid recipient borrowed in 1997-98. As Figure 6 shows, student contributions from loans were about the same at all family income levels, except for independent students, who borrowed the most and took out more unsubsidized loans than dependent students. 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.

Aid recipients also contribute to their educational expenses from work, savings, and other resources (e.g., gifts from grandparents or other relatives). In 1998-99, the portion of their standard educational expenses covered from these sources amounted to \$2,898 — \$433 less than was contributed, on average, from borrowing.

Figure 6

How Undergraduate Need-Based Aid Recipients Use Loans to Finance



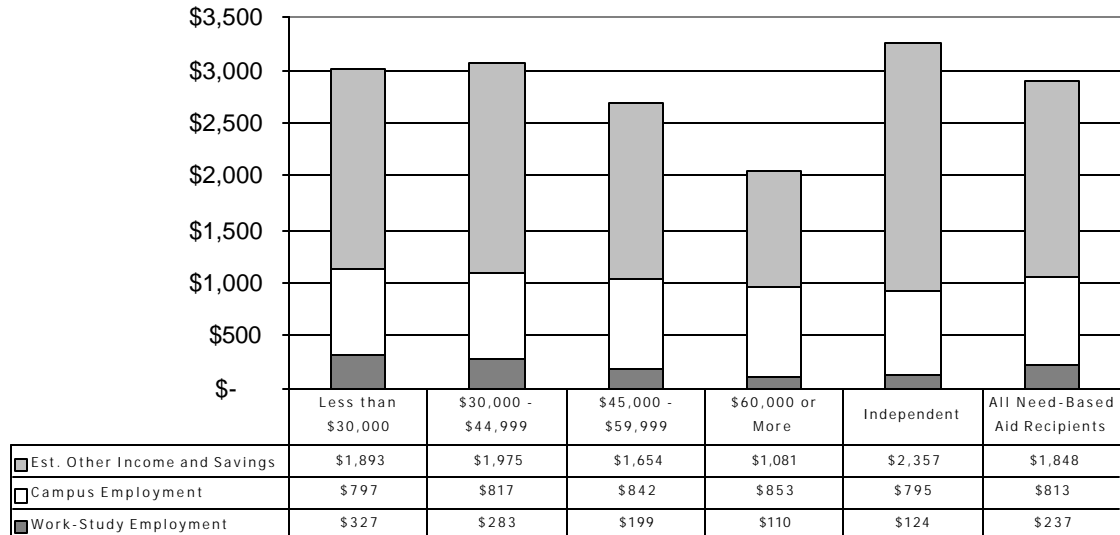
their Contributions: by Parent Income, 1998-99

Figure 7 shows that, overall, need-based aid recipients in 1998-99 financed 36% (\$1,050) of their non-loan contribution from a combination of campus-employment and work-study earnings. The remaining student contribution totaled \$1,848. This contribution is presumed to have come from some combination of savings, off-campus employment, and other resources. SEARS results indicate that 36% of need-based aid recipients hold off-campus jobs during the academic year while 71% work over the summer.

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

Figure 7

How Undergraduate Need-Based Aid Recipients Use Work to Finance



Their Contributions: By Parent Income, 1998-99

Contributions from work are highest for independent students, who have to work and borrow more than other students because their grant support does not fully offset the absence of a parental 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 48 percent (\$973) 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 award amount to students from eligible middle-income and low-income families, thereby reducing the need for middle-income recipients to borrow and work.

While dependent students' contributions from borrowing were similar across all income levels, contributions from work, savings, and other sources declined as family income rose.

However, the disparities in contributions from work 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 contributions 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 — just about the same percentage who work on-campus. However, 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 these students.

SEARS results also showed that about 70 percent of nonneed-based aid recipients working 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 — an average of \$3,850 for the academic year.

Finally, nonaid recipients are less likely to work than students receiving aid, although over half do work. The nonaid recipients, on average, earn more than other students in part 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 their work, savings, or borrowing, it is particularly valuable. Gift aid can be divided into two types: grants and scholarships. Grants are need-based gifts awarded based primarily on a student's family's financial circumstances. Scholarships are awarded based primarily on merit or some special characteristics of a student. In 1998-99, 89 percent of gift aid received by UC undergraduates came in the form of need-based grants while the remainder came in the form of scholarships.

Figure 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. However, the Cal Grant A program shows a different distribution pattern across the income classifications.

Campuses also tend to concentrate University grant funds on low-income students since they typically need more grant funding in order to offset their lower parent contributions and keep their loan and work expectations manageable.

The Pell Grant and Cal Grant B programs specifically target low-income students. For these programs, the average award amount declines particularly rapidly as parent income increases. Campuses also tend to concentrate University grant funds on low-income students since they typically need more grant funding in order to offset the lower parent contributions and keep their loan and

work expectations manageable. For all three of these programs, the average size of the award declines as income increases.

The state Cal Grant A program, unlike the other grant programs, serves high-achieving middle- and low-income students with financial need. Thus, need-based aid recipients with family incomes of up to about \$60,000 can receive a Cal Grant A if their grades are high enough. While the average amount of support received from other need-based grant programs declines as income rises, Figure 8 shows that the average Cal Grant A award does not follow this pattern.

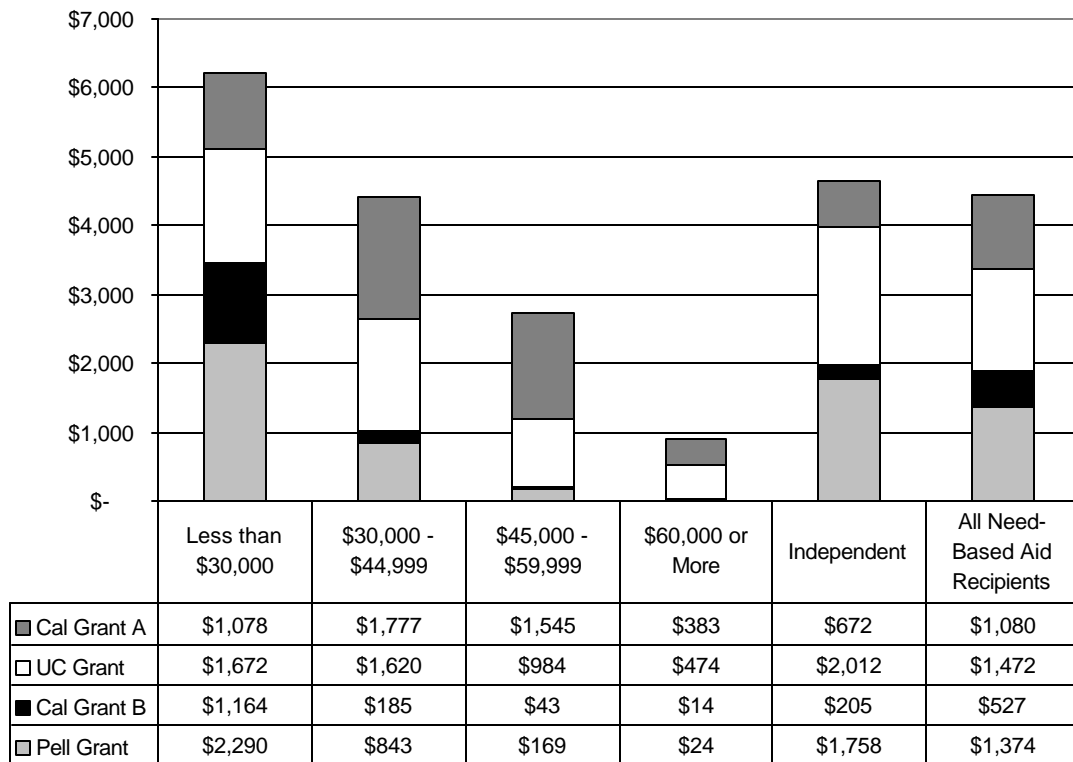


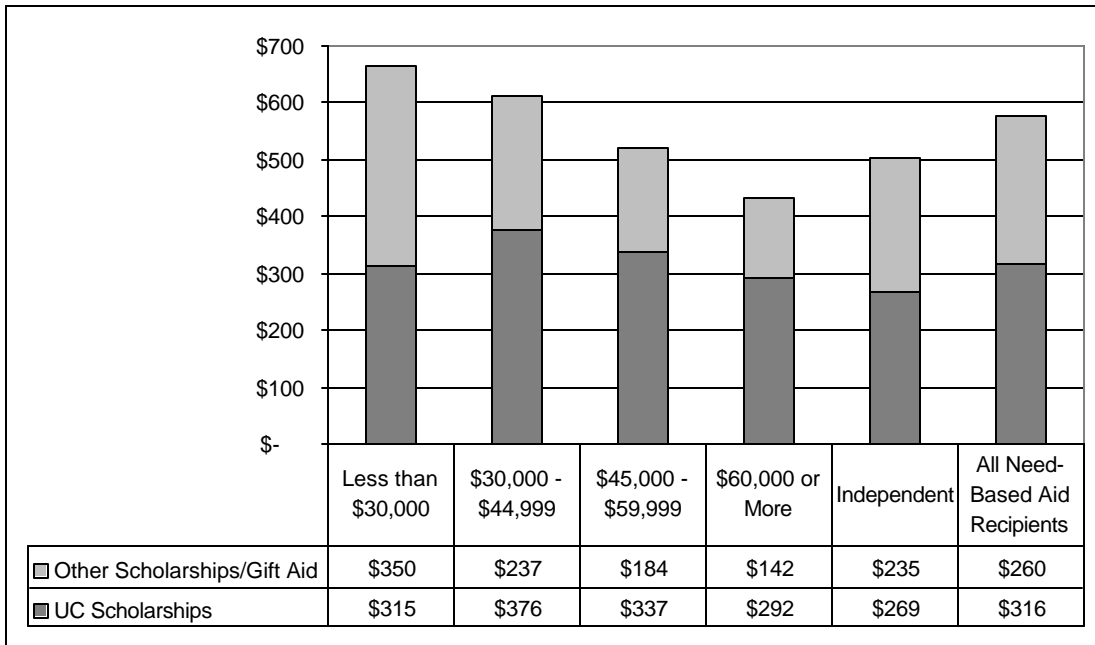
Figure 8
Composition of Per Capita Average Grant Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1998-99

Since awarding policies target grant assistance at students with the fewest family resources, low-income students receive, on average, substantially more grant support than other students.

While the average UC grant across all grant recipients is larger than any other type of grant, Pell Grants are larger for low-income need-based aid recipients and Cal Grant A is larger for moderate income recipients.

Figure 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 essentially the same 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 by the existence of income ceilings on some scholarships. In addition these students may be pursuing such aid more diligently given that they have fewer resources.

Figure 9
Composition of Average Scholarship Aid Awards of Undergraduate Need-Based Aid Recipients: by Parent Income, 1998-99



When considering grant or scholarship aid, it also is important to note the great differences in the size of the recipient populations in each income category. There were only 9,365 students from families with income of \$60,000 or more who received gift aid in 1998-99, primarily in the form of scholarships, while 26,124 UC students from families with incomes of less than \$30,000 received gift assistance, primarily in the form of grants.

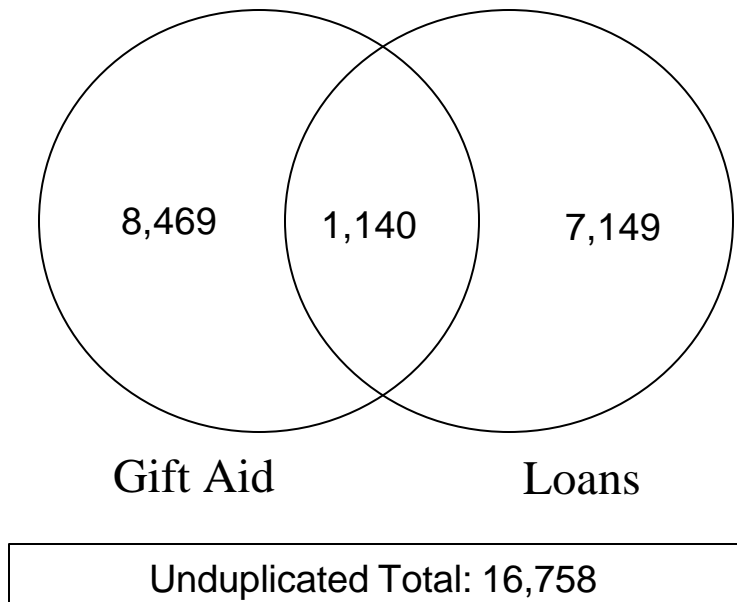
Nonneed-Based Aid Recipients

While 53 percent of undergraduates in 1998-99 received need-based financial aid, 13 percent received nonneed-based aid only (and no need-based assistance). Less is known about students who receive support that is not awarded based on family resources. However, as Figure 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 7 percent of recipients had both gift aid and a student loan in 1998-99.

While 53 percent of undergraduates in 1998-99 received need-based financial aid, 13 percent received nonneed-based aid only (and no need-based assistance).

Figure 10

Number of Undergraduate Nonneed-Based Aid Recipients Receiving Grant Assistance, Loan Assistance, And Both, 1998-99



About 57 percent of nonneed-based aid recipients received a scholarship or grant, and the average award for those receiving such an award was \$2,646. Approximately 49 percent of recipients borrowed through the federal education loan programs, and those who did borrowed an average of \$7,686, nearly two-thirds more than the average need-based aid recipient borrowed. About 26 percent worked on campus in addition to receiving a grant or loan, earning an average of \$2,430 from this type of employment as compared to \$2,407 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 1998-99 was \$5,592, leaving \$7,647 of the average student budget to be covered from parental assistance, off-campus employment, or other sources.

Nonrecipients

Over 44,100 of UC's undergraduates receive no loan or grant 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 databases) that in 1998-99, 12,495 nonrecipients (28 percent of all nonrecipients) were employed on campus, and their on-campus earnings averaged \$2,738. Relative to 1997-98, a greater percentage of nonrecipients were employed on campus (up from 26%), while their average earnings were virtually unchanged.

...survey data from the 1997-98 SEARS found that 41% of students who reported that they receive no financial aid were employed off campus during the academic year, and 21% were employed on campus...

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, and 21% were employed on campus (this includes about 8 percent of students who reported both on- and off-campus employment). While SEARS results show that nonrecipients are less likely to work than recipients, those who did work had higher earnings. Nonrecipients who were employed off campus reported earnings of \$8,543 during the academic year, which is significantly greater than the earnings reported by aid recipients working on campus (\$3,654) or off (\$6,002). In addition, 11 percent of nonrecipients report on SEARS that their parents are using home equity loans as a means of financing the cost of a UC education.

Recent Trends in Student Financial Support

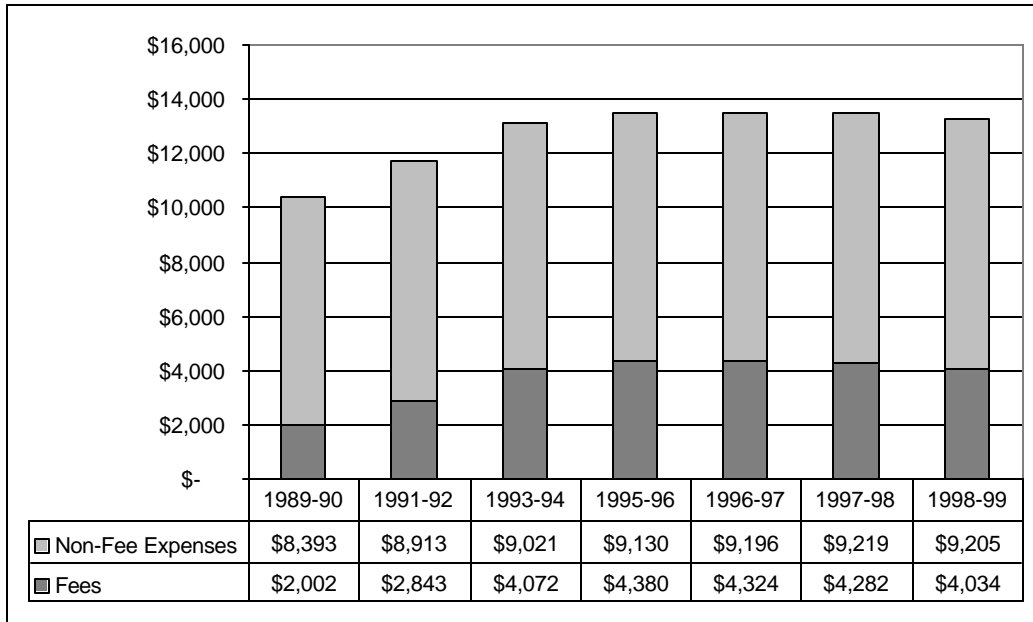
Cost of Attendance

Between the years 1989-90 and 1993-94, the cost of attendance for undergraduate students at the University of California grew steadily. Figure 11 shows the trends after adjusting for inflation. Sharp fee increases in the early part of the decade, which drove much of the increasing cost of attendance, gave way to steady fee levels in recent years. University systemwide fees have not increased since 1994-95, and in 1998-99, they actually decreased by 5 percent. Thus, between 1995-96 and 1997-98, the inflation-adjusted cost of attendance was virtually unchanged, and in 1998-99, it declined by 4 percent.

...between 1995-96 and 1997-98, the inflation-adjusted cost of attendance was virtually unchanged, and in 1998-99, it declined by 4 percent.

Figure 11

Trends in the Undergraduate Cost of Attendance at the University of



California, 1989-90 to 1998-99; Constant 1997-98 Dollars

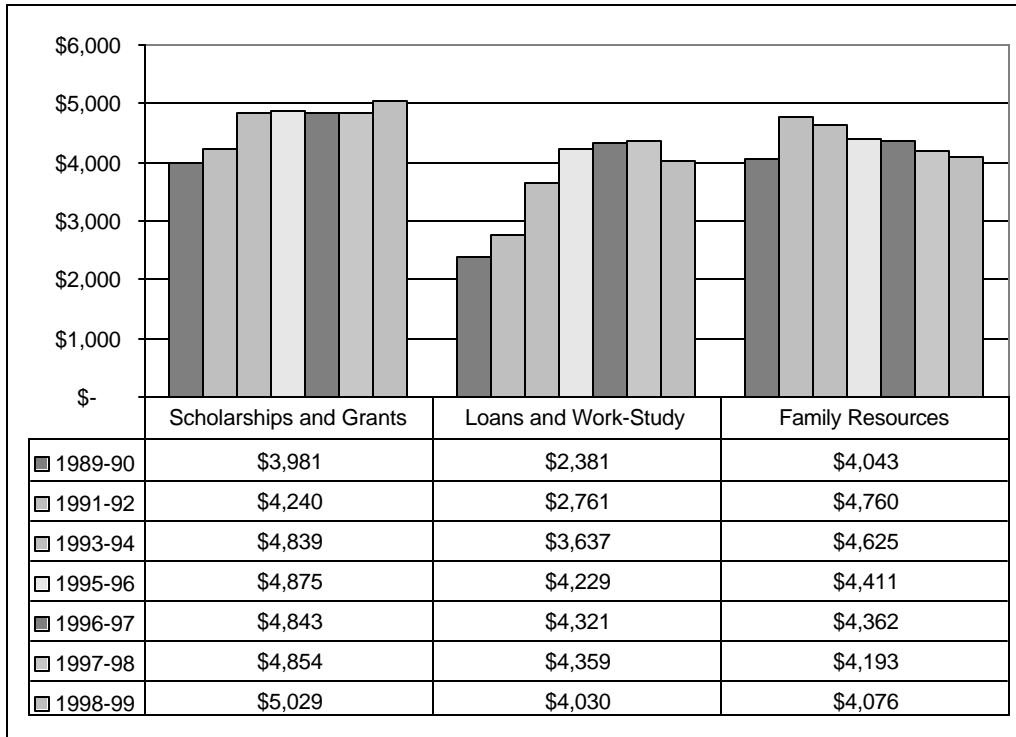
During the past several years, the University has maintained the total amount of financial aid available to students. Figure 12 reflects that, during the years 1995-96 to 1997-98, the combined effect of level systemwide fees and continued financial aid funding stemmed the growth in the financial burden on need-based aid recipients and their families. In inflation-adjusted dollars, the University maintained its scholarship and grant funding per need-based aid recipient, while during the period there were only marginal changes in the use of loan and work-study among need-based aid recipients, leaving less for other family resources to provide.

For 1998-99, the reduction in systemwide fees, an increase in the federal Pell Grant award, and on-going support for University scholarship and grant funding all contributed to a substantive reduction in the financial burden on both recipients and their families. The loan and work-study levels per recipient in 1998-99 declined by 8 percent in inflation-adjusted dollars while the contribution from family resources declined by 3 percent.

The loan and work-study levels per recipient in 1998-99 declined by 8 percent in inflation-adjusted dollars while the contribution from family resources declined by 3 percent...

Figure 12

Need-Based Aid and Family Resources Per Recipient By Type: Trends



in Support, Constant 1998-99 Dollars

Borrowing

Over the course of the last decade, University students and their families have made increased use of loans to help finance their educational expenses. In the early 1990s, two events -- California's economic downturn and the last reauthorization of the federal financial aid programs -- coincided to help make this happen. The economic downturn led to both substantial increases in student fees and families having fewer resources to help cover college expenses. Between 1989-90 and 1994-95, systemwide fees increased by over 150 percent before leveling off and then declining in 1998-99. Between 1991-92 and 1998-99, the average contribution in constant dollars among need-based aid recipients from family resources towards the cost of attendance declined by 14 percent.

While these increases in student fees and declines in family resources helped to drive up the demand for borrowing, changes to the federal loan programs made loans more accessible. The 1992 Reauthorization of the Higher Education Act raised loan limits, made parent loans more accessible, and increased eligibility for need-based aid for some students (by exclusion of home equity from need analysis and the elimination of the minimum student contribution). The increased demand for loans and their increased availability resulted in the average contribution from borrowing in constant dollars increasing by 71 percent, from \$2,404 to \$4,122, between 1991-92 and

1997-98. The decline in borrowing in 1998-99 offset some of that increase and brought that average contribution from borrowing down to \$3,794, or 58 percent more than it was in 1991-92.

The increased demand for loans and their increased availability resulted in the average contribution from borrowing in constant dollars increasing by 71 percent...between 1991-92 and 1997-98. The decline in borrowing in 1998-99 offset some of that increase...

This trend toward greatly increased use of student loans to finance the cost of attendance is not unique to University of California students and parents. Student loans represent over 60 percent of “generally available aid” nationwide, and the total dollar volume borrowed in the federal loan programs has grown by over 100 percent since 1992-93². Much of this growth has come among students and families that do not qualify for need-based financial aid yet need assistance to pay for college costs. Legislators and policy makers at the state and federal levels have responded, in part, by developing initiatives and establishing various programs designed to encourage parents to save for their children's college education (see discussion in Section 3, “Prospects for the Future”).

Figure 13 illustrates how this long trend toward increased student borrowing among undergraduate students at the University of California stopped in 1998-99. From 1997-98 to 1998-99, per capita borrowing through the federal loan programs by undergraduate students and their parents declined overall by five percent. In the subsidized and unsubsidized loan programs, through which students are the borrowers, the decline was even greater, as per capita borrowing through both the subsidized and unsubsidized loan programs declined by seven percent. Per capita borrowing increased only among parents, who borrow through the PLUS program. The four percent increase in per capita borrowing through the PLUS program is an indicator that parents are continuing to look to loans as they find it increasingly difficult to cover their expected parent contributions to educational costs with savings and current earnings.

From 1997-98 to 1998-99, per capita borrowing through the federal loan programs by undergraduate students and their parents declined overall by five percent.

² The College Board, Trends in Student Aid 1988 (Washington, D.C.): The College Board, 1999.

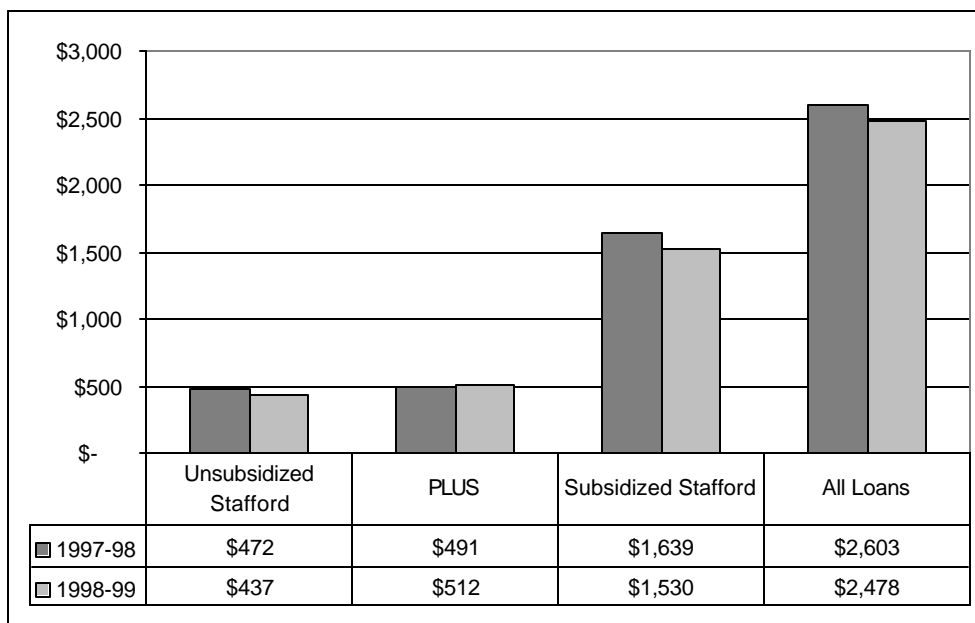


Figure 13
Per Capita Undergraduate Borrowing Through the Federal Loan Programs by Loan Type, 1997-98 and 1998-99

Figure 14 shows that the percentage of undergraduates borrowing through the federal loan programs changed very little between 1997-98 and 1998-99. The modest changes indicate that the declines in per capita borrowing shown in Figure 13 are driven not simply by declines in the number of borrowers, but also by size of the loans. The average subsidized loan, for example, declined from \$3,766 to \$3,592 – a decline of almost 5 percent in 1998-99. If this trend continues, it means that need-based aid recipients will be graduating from the University with less debt than their counterparts graduating only a few years earlier.

If this trend continues, it means that need-based aid recipients will be graduating from the University with less debt than their counterparts graduating only a few years earlier.

Borrowers who receive no need-based aid, however, are borrowing more. While the average loan amount borrowed for need-based aid recipients is declining, the average loan amount for non-need-based aid recipients is climbing. In 1998-99, the average amount borrowed through the fed-

eral loan programs by nonneed-based aid recipients and their families increased by over 7 percent or \$550. At the same time, the average amount borrowed by need-based aid recipients and their families decreased by \$300, or 6 percent. Thus, it appears that the decline in student fees that benefits all students is not driving reductions in borrowing among nonneed-based aid recipients and their parents the way that the reduced student fees combined with continued University support for grant assistance and increased support for the Pell Grant program, is driving down borrowing among need-based aid recipients.

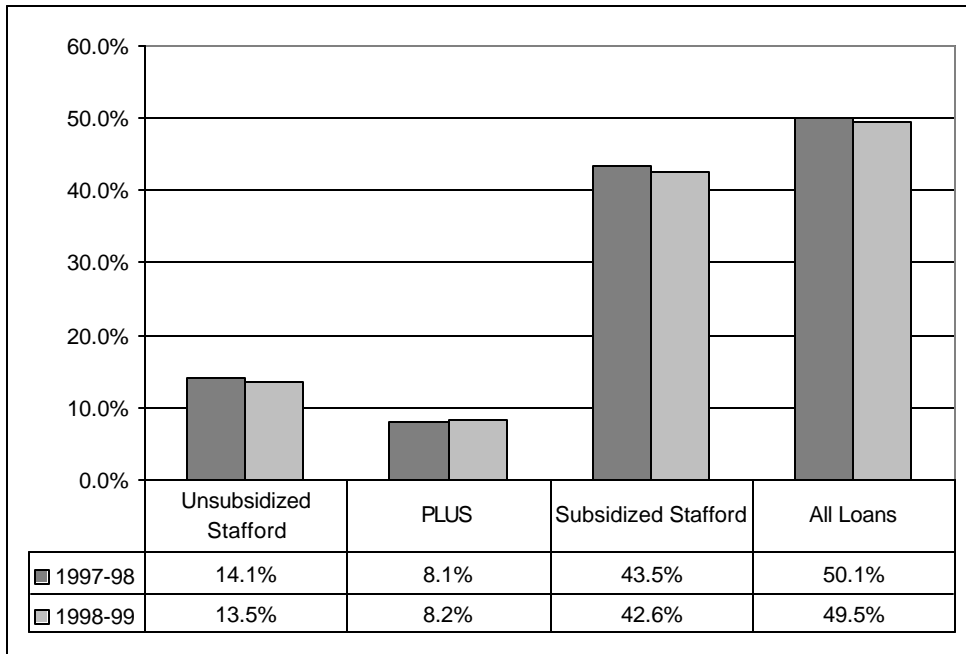


Figure 14
Percentage of Undergraduates Borrowing Through the Federal Loan Programs by Loan Type, 1997-98 and 1998-99

Grants and Scholarships

Recent trends in grant and scholarship support are portrayed in Figure 15. A closer view of the patterns of gift aid received reveals that:

- The steady increases in federal gift aid since 1993-94 have resulted largely from increases in federal appropriations for the Pell Grant program. Federal gift aid grew at a slower rate than other sources of aid in the early 1990s, when UC fees were increasing rapidly.

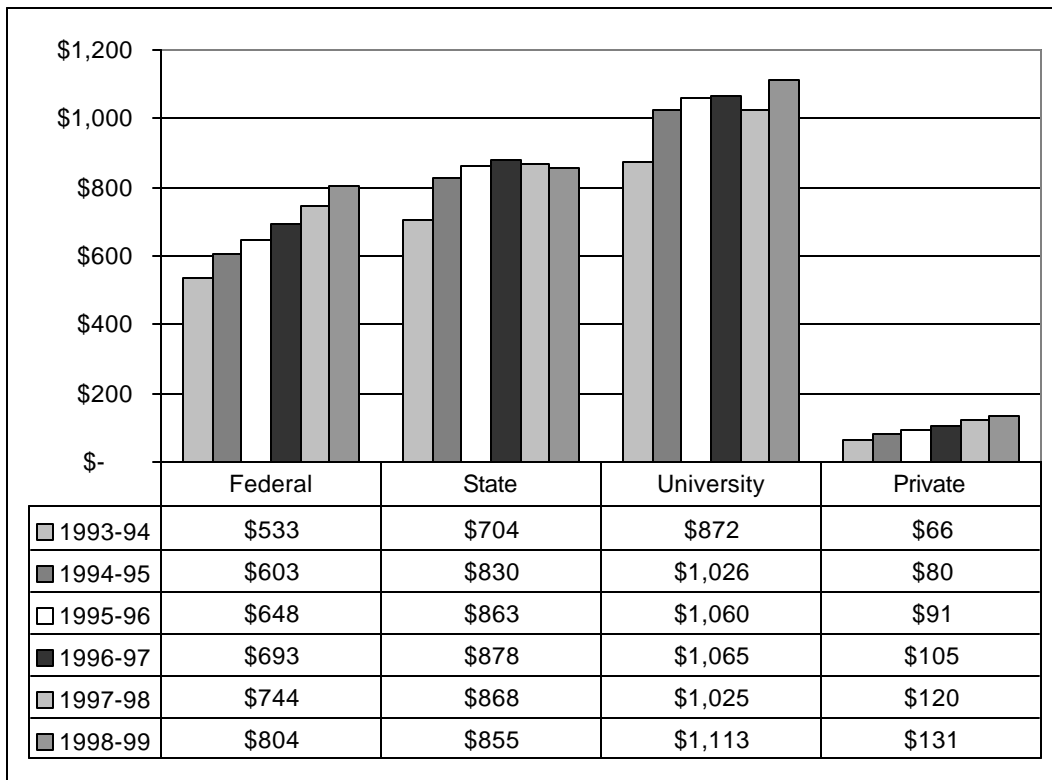
- Changes in per capita state grant aid (primarily from the Cal Grant A and B programs) have largely reflected changes in student fees. Per capita state grant aid was very level during those years when systemwide fees were unchanged, and declined in 1998-99 due, in large measure, to the reduction in systemwide student fees.

UC gift aid for undergraduates increased dramatically in response to the fee increases of the early 1990s and has grown at a much slower rate since 1994-95, the last year in which systemwide fees increased.

- Per capita UC gift aid for undergraduates increased dramatically in response to the fee increases of the early 1990s and has grown at a much slower rate 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 an anomaly in campus level spending patterns which shifted 1997-98 funding such that it was reflected as having been expended in another fiscal year.
- Per capita private gift aid declined during the recession of the early 1990s but has now shown steady growth since 1993-94.

Figure 15

Total Undergraduate Grants and Scholarships Per Capita by Fund
Source: Selected Years, 1993-94 to 1998-99 (In Millions of Dollars)



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

Figure 16 portrays trends in freshman enrollment since 1991 at four income levels. For purposes of this discussion, these income levels can be labeled low-income (annual family income of less than \$30,000); moderate-income (annual family income between \$30,000 and \$60,000); middle-income (annual family income of between \$60,00 and \$90,000); and high-income (annual family income of \$90,000 or more). Enrollment trends by income are illustrated by Figure 16 and can be summarized by the following points:

- Between 1994 and 1999, the proportional share of freshmen enrollment held by students from low-income families decreased by 5 percentage points, while the proportion of students from high-income families grew by 7 percentage points, reversing the pattern of the economic recession years of 1991 to 1994, when the proportion of enrollment held by 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 fees 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.

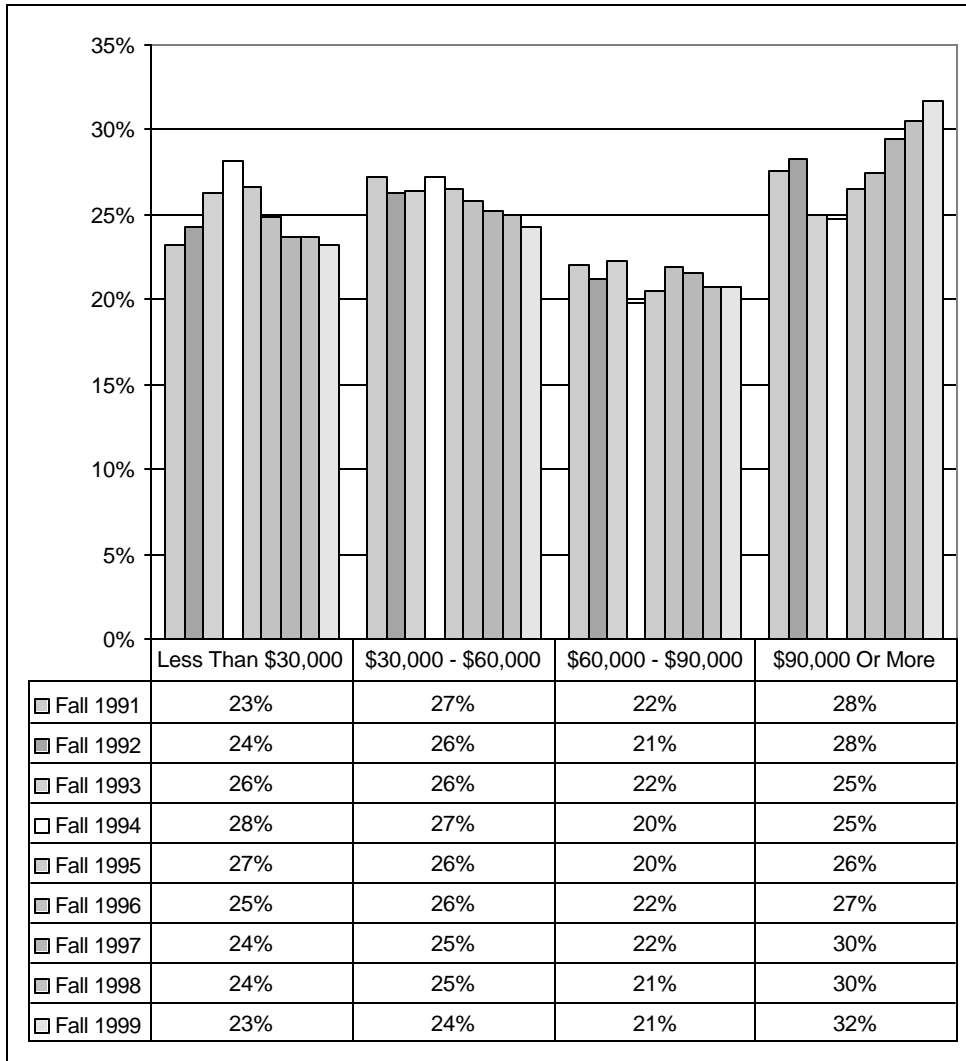


Figure 16
First-Time Freshman Enrollment Systemwide by Parent Income and Cohort Year, Percent Distribution, Constant 1998 Dollars

SECTION 2 FINANCIAL SUPPORT FOR GRADUATE STUDENTS

How Graduate Students Use Financial Assistance to Help Cover Educational Expenses

The financial assistance used by graduate students to help cover educational costs can be grouped into three categories: 1) support from fellowships, grants, and assistantships; 2) student loans; and 3) work-study funds. While financing patterns can differ significantly across disciplines, Figure 17 shows how average financing patterns differ between graduate students in academic and professional degree programs.

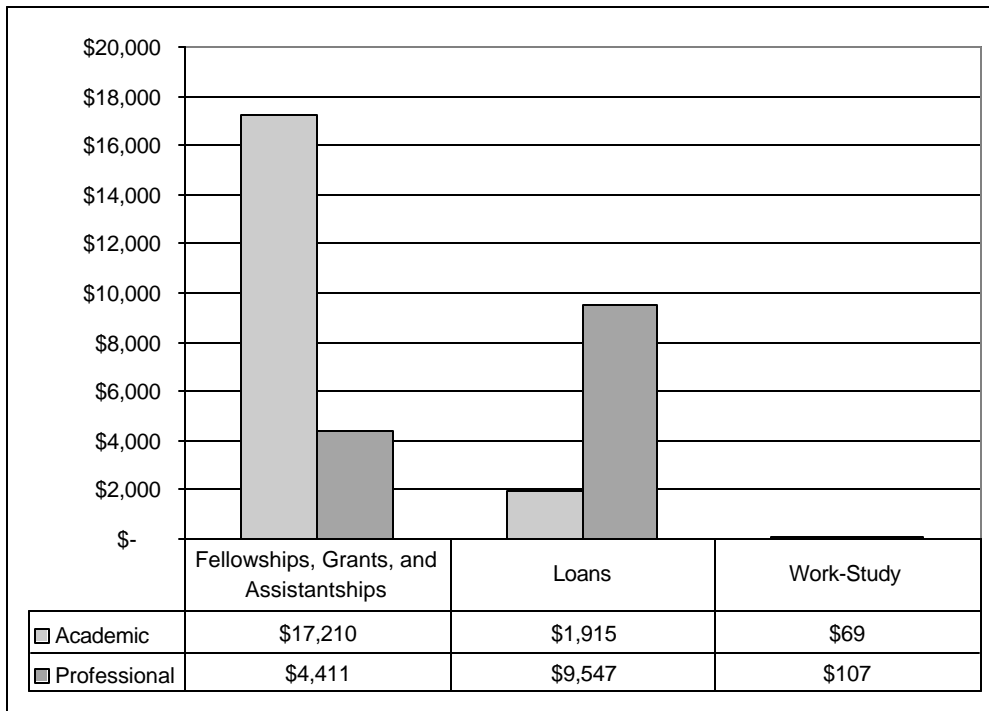


Figure 17
**Per Capita Awards for Graduate Students
By Award Type and Type of Graduate Program, 1998-98**

Graduate academic students rely far more extensively on fellowships, grants, and assistantships than their graduate professional counterparts. The average value of fellowships, grants, and assistantships per academic graduate student is over 4 times than per graduate professional student.

The reverse pattern holds for loan assistance. Loan assistance per graduate professional student is over 5 times what it is per graduate academic student.

This pattern reflects differences in how graduate academic and graduate professional students have been financing their increasing costs of education. Graduate academic students have covered a great deal of the increases in the cost of attendance over the past decade with additional fellowship, grant, and assistantship support. Graduate professional students, however, have been meeting their increased costs primarily through increased borrowing.

These differences reflect the contrasting approaches to graduate student support. Fellowship, grant, and assistantship support are viewed as more appropriate and loans as less appropriate for recruiting and retaining doctoral students whose academic programs are lengthy and whose future income prospects are relatively low. In contrast, student loans are viewed as being more appropriate for students pursuing professional degrees whose programs are relatively shorter and whose incomes have the potential to be substantially higher.

In addition to relying on different types of assistance to help meet educational costs, graduate academic and professional students also receive different levels of over-all support. Per capita assistance of all types is 36 percent higher for graduate academic students than it is for graduate professional students, so graduate academic students are relying on student financial assistance to a much greater extent than are graduate professional students.

Graduate Academic Students

Any consideration of the role of student financial support in helping graduate academic students finance their advanced studies needs to be made in the context of doctoral education in the United States, rather than in comparison to the issues, policies, and practices prevalent in the area of undergraduate student support. One aspect in which they differ is that the principal types of support awarded to graduate academic students (fellowships and assistantships) use academic performance and scholarly potential rather than student and family resources or financial aid need as the basis of eligibility and selection. In 1998-99, 93 percent of graduate academic students received merit-based support, while only 29 percent received need-based support, largely in the form of student loans. In addition, eligibility for graduate level need-based assistance is determined without regard to parent income since graduate students are considered to be self-supporting or independent.

...the principal types of support awarded to graduate academic students (fellowships and assistantships) use academic performance and scholarly potential as the basis of eligibility and selection...

The types of aid received by graduate academic students reflect the prevalence of merit-based over need-based support. Eighty-eight percent of aid received by these students in 1998-99 came in the form of fellowships and assistantships. The remaining 12 percent came largely in the form of loans.

The availability and the nature of merit-based support at the graduate level, moreover, vary widely by discipline, making it difficult to generalize about types of merit-based student support at this level or find common ground across subject areas that can serve as a basis for standard policies and practices.

Graduate academic students in general, and doctoral students in particular, receive the majority of their support from institutional sources: graduate academic students at UC, for example, received 53 percent of their support from University programs in 1998-99. However, fellowship, assistantship, and student loan support funded or authorized by the federal government is a crucial piece of the total support structure of many graduate students.

Graduate Professional Students

The University's graduate professional students face different costs and different student support issues than do its graduate academic students. Easier access to loans, the program-specific fees that graduate professional students pay in some fields, and the paucity of grant, fellowship, and assistantship support for these students have combined to produce an ever-increasing reliance on borrowing as a means of financing the cost of attendance. As Figure 18 shows, the average loan amount of professional degree student borrowers has grown by \$3,870 (37 percent) since 1993-94. However, the rate of increase has slowed in each of the past five years so that in 1998-99, the average annual loan amount increased by 3 percent after double-digit rates of increase as recently as 1994-95.

Easier access to loans, the program-specific fees that these students pay in some fields, and the paucity of grant, fellowship, and assistantship support for professional degree students have combined to produce an ever-increasing reliance on borrowing...

The average amount borrowed shown in Figure 18 reflects a mix of students in programs with Fees for Selected Professional School Students and those in programs without. The average loan among graduate students differs substantially by program; borrowers in programs with Fees for Selected Professional School Students borrowed an average of 36 percent more in 1998-99 than professional degree students in programs with no program-specific fees. Students in law and business programs had the highest average loans – 45 and 44 percent more respectively than graduate students in programs with no program-specific fees.

Since student loans are such an important part of the financial support structure for professional students, changes in the features of federal loan programs can affect these students to a greater degree than others. For example, the more flexible and generous repayment provisions that have been instituted in the federal programs will, in all likelihood, benefit graduate professional students more than others because of the higher cumulative debt that many of these students carry. In addition, UC's professional degree students who do borrow may benefit from the reinstatement of the federal tax deduction for student loan interest payments. This tax deduction, which is sub-

ject to income restrictions, can be taken for the interest that is paid during the first 60 months in which a student loan is in repayment.

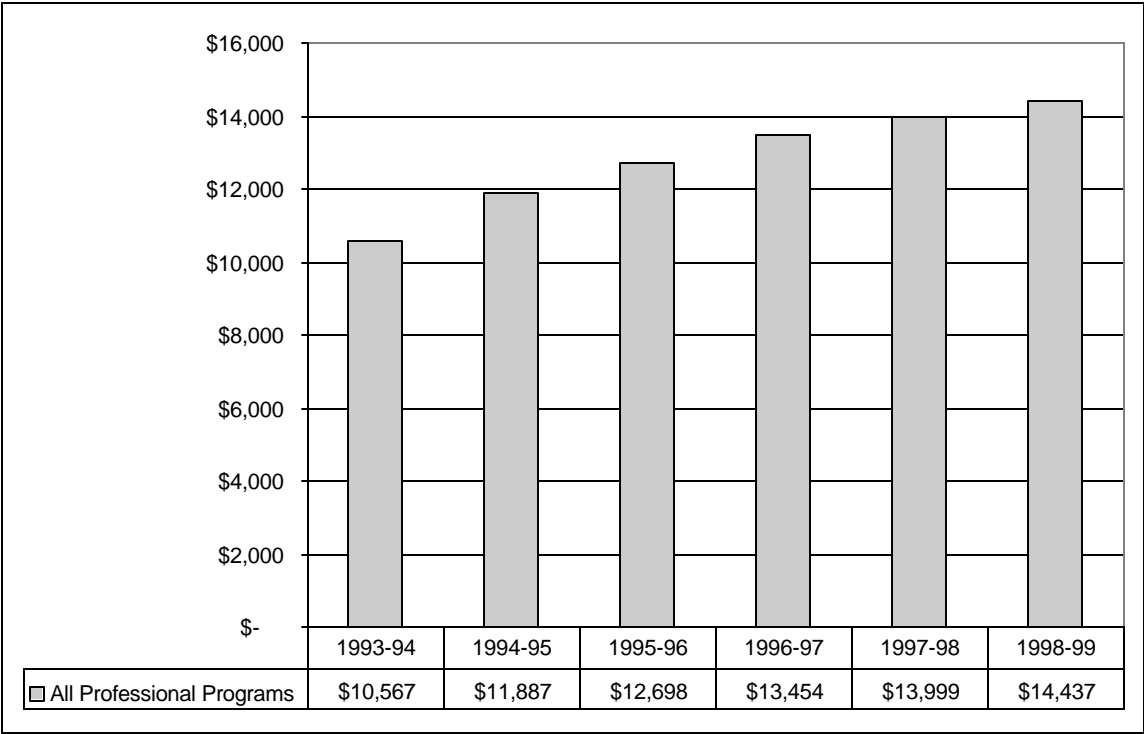


Figure 18
**Average Annual Loan Amounts:
 Professional Degree Students, 1993-94 to 1998-99**

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 has not raised its mandatory systemwide student fees since 1994-95, and in 1998-99, these fees actually decreased by 5 percent for undergraduates. Mandatory systemwide fees for resident undergraduate students and resident graduate students enrolled in programs not subject to the Fee for Selected Professional School Students declined by 5 percent for 1999-2000. At the same time, the state has provided funding to the University that allows funding levels for the University's financial aid programs to be maintained, creating an additional benefit to University of California students and their families.

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 undergraduates receiving Cal Grant awards grew by 4.4 percent between 1997-98 and 1998-99 while enrollment increased by 2.7 percent over the same period.

The California Student Aid Commission's budget for 2000-2001 includes the largest increase in support for Cal Grants in the history of the program. This increase in support will be used largely to increase the number of new Cal Grant awards. Some UC students, especially those transferring from community college, should become eligible for a Cal Grant as a result of the infusion of funds into the program in 2000-01. However, most of the expansion in the existing program will benefit students attending the California State University or a California Community College. The Commission's budget also includes support for the first increase in the Cal Grant B subsistence award in over a decade.

In addition, at the end of the 1999-2000 legislative session, the Governor signed legislation reconfiguring the Cal Grant Programs to create a new entitlement program that will further expand the pool of students with financial need who are provided with assistance. The entitlement will be phased in beginning in 2001-2002 and is expected to have only a marginal impact on the number of UC students eligible for a Cal Grant. The impact of the entitlement will be felt most directly at the California State University and the California Community Colleges.

The University may, however, derive substantial indirect benefits from the entitlement. As information about the entitlement is disseminated among prospective California college students, it may help the University's efforts to overcome the misperception that grant assistance is not available to help meet UC costs.

Governor's Merit Scholarships

The Governor also signed legislation at the close of the 1999-2000 legislative session establishing two state-wide merit scholarship programs. The Governor's Scholars Program will provide \$1,000 scholarships to California 9th, 10th and 11th graders based on their scores on certain standardized tests (i.e. the STAR exams). Scholarships will be awarded to students who score in the top 10 percent of their grade level statewide or in the top 10 percent of their schools. The Governor's Distinguished Mathematics and Science Scholars Program, will provide 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 calculus and an advanced placement examination in biology, chemistry, or physics.

Scholarshare Trust College Savings Program

While the increased support for the Cal Grant programs helps to meet the needs of California's students and families with financial need, the state has also established a program encouraging all families, especially those from middle-income backgrounds, to embark upon a system of long-range planning for contributing to their children's college expenses. In recent years, an increasing portion of middle-income families that are ineligible for need-based financial aid have found that they lack the savings or current income to cover their children's educational expense. 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 College Savings Program" (hereinafter referred to as the "Scholarshare Trust"), a tax-deferred college savings fund.

The Scholarshare Trust was designed to encourage parents (and others such as grandparents) to begin a savings plan to help cover the costs of a college education. 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 to an account are accepted until the account's value reaches the beneficiary's projected education expenses at an independent (private) college or university. Earnings from these investments are not taxed at either the federal or state level until they are used for qualified higher education expenses (tuition and required fees, books, supplies, equipment, and eligible room and board expenses). When funds are withdrawn to pay for qualified expenses, the earnings are taxed at the beneficiary's tax rate, which is typically lower than that of the investor. 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-deferred 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 earned between \$80,000 and \$100,000 in modified adjusted gross income, and for single filers who earned between \$40,000 and \$50,000 in modified adjusted gross income.

Hope Scholarship Tax Credit

The Hope Scholarship Tax Credit was designed to make the first two years higher education universally 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 also is 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

In January 2000, the University issued over 370,000 IRS 1098-T forms to students who had paid qualified education fees to the University in 1999. Due to temporary reporting relief to higher education institutions from the IRS, the 1098-T is not particularly informative for students or their families. However, the University provided students with supplemental financial information to assist them in calculating any federal education tax credit for which they might be qualified. This supplemental information included a breakdown of the eligible tuition and mandatory fees paid during the tax year as well as the grants, scholarships, and other tax-free assistance that count against eligibility for the tax credits.

The University has recently surveyed some of its students in an attempt to learn about the rates at which UC students and their families are making use of the tax credits. The results of the survey, funded by the USA Group Foundation, should be available in late 2000.

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 the first 60 months of repayment on student loans. The deduction is available even if the taxpayer does not itemize other deductions. The maximum deduction for 2000 is \$2,000, and that amount will increase to \$2,500 for 2001 and later years. It is phased out for joint filers with adjusted gross incomes of between \$60,000 and \$75,000, and single filers with adjusted gross incomes of between \$40,000 and \$55,000. To the extent that the loan repayment occurs within the first 60 months of repayment, 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 funds 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 earnings withdrawn for education expenses or other purposes are tax-free. Otherwise, they are taxable. 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 \$500 per year into an Education IRA in a child's name. Although contributions are not tax deductible, earnings on the Education IRA will 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. Taxpayers may not, however, benefit from an Education IRA distribution and a Hope Scholarship or Lifetime Learning tax credit in the same year.

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.

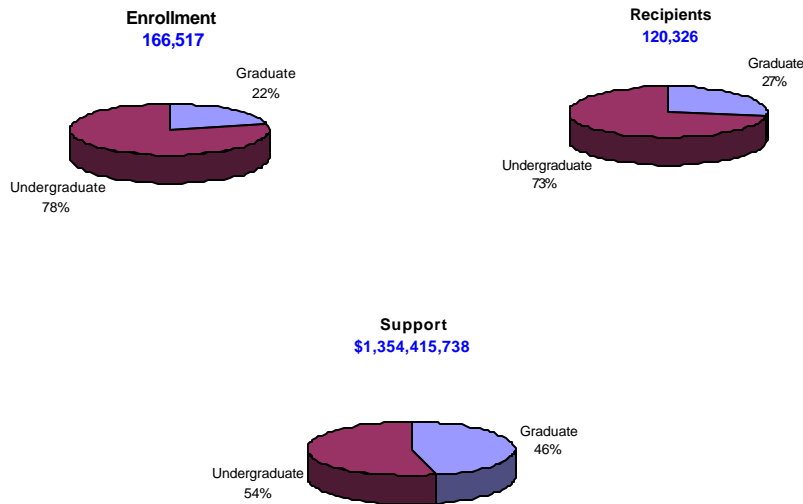
SECTION 4

OVERVIEW OF STUDENT FINANCIAL SUPPORT IN 1998-99

Using a series of figures and tables, this section presents an overview of student financial support during the 1998-99 academic year. Each figure or table is accompanied by text that provides additional detail.

Figure 19

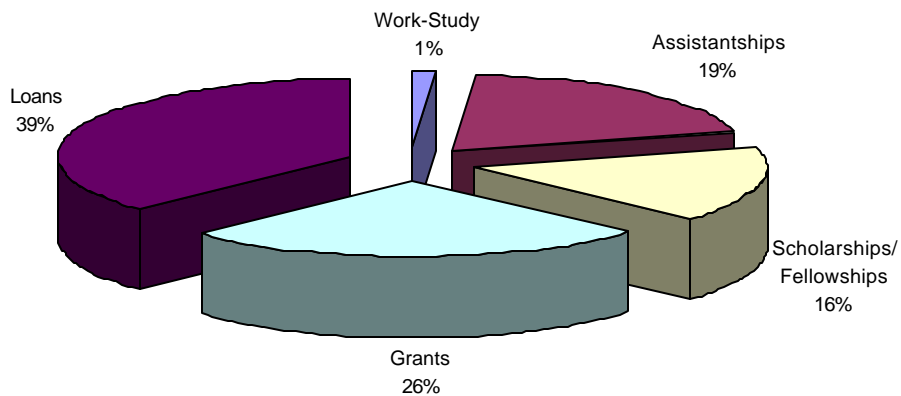
Enrollment, Recipients, and Support by Enrollment Level, 1998-99



- Almost eight of ten (79 percent) students enrolled at the University of California in 1998-99 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 because they:
 - Generally have a higher cost of attendance;
 - Are more likely to pay nonresident tuition;
 - Generally do not rely on parental support;
 - Are more likely to be married and to have dependent family members;
 - Are likely to be awarded assistantships;
 - Receive significant amounts of nonneed-based support; and
 - Have higher student loan limits.
- While the amount of graduate support continues to increase, the proportion of total financial support dollars awarded to graduate students continues to decline: graduate students re-

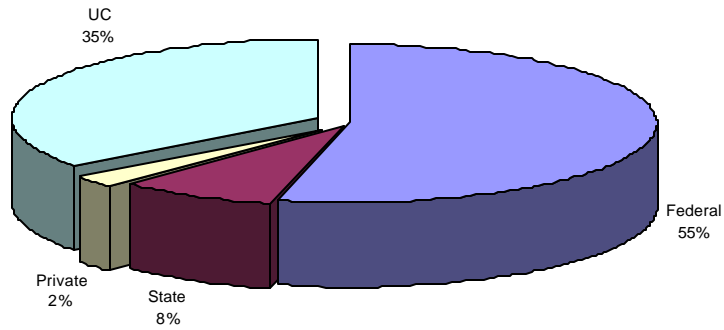
ceived 59 percent of total student financial support award monies in 1990-91 and 45 percent in 1998-99. Many factors have contributed to this steady proportional decrease, including growth in undergraduate enrollment relative to graduate enrollment; recent increases in federal Pell Grant funds for low-income undergraduates; and increased borrowing among undergraduate students and parents.

Figure 20
Total Support by Type, 1998-99
\$1,354,415,738



- Student Financial Support at the University of California increased by 3.9 percent, or \$50.5 million, between 1997-98 and 1998-99 and has reached a total level of *\$1.35 billion* (see Attachment A).
- Over 42 percent of this \$50.5 million increase was made up of growth in undergraduate grant support. Student loan volume was virtually unchanged for 1998-99, while in 1997-98, it accounted for over 45 percent of the increase in student support.
- Student loans continue to represent almost two fifths (39 percent) of total student support awarded at the University.

Figure 21
Total Support by Source, 1998-99
\$1,354,415,738



- Federal and University sources together provide 90 percent of the support received by UC students (see Attachments B through E)
- Between 1997-98 and 1998-98, the portion of total support from the University increased from 34 to 35 percent, while state support fell from 9 percent to 8 percent.
- UC support was up by 8 percent in 1998-99, while federal support was up by 1 percent.

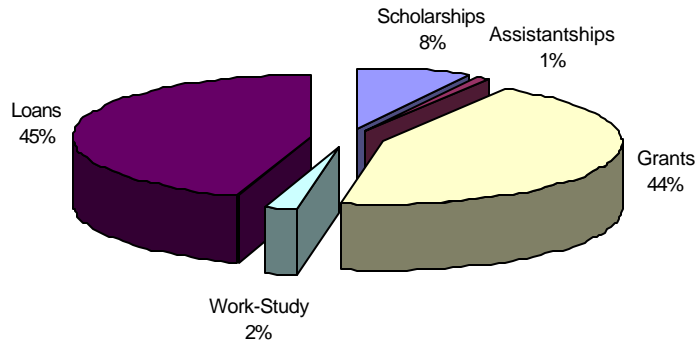
Figure 22
On-Campus and Work-Study Employment, 1998-99



- UC students earned \$418 million in work-study and other on-campus employment during 1998-99, which is a 4 percent (\$18 million) increase over 1997-98.
- A significant proportion of UC's student body was employed on campus during 1998-99 -- 36 percent of undergraduate and 63 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 5 percent of the total amount that UC students earn in on-campus and work-study employment.
- Total compensation for teaching and research assistantships is \$261 million and includes \$51 million in partial and full fee and tuition coverage awards and health insurance fee waivers that are granted to eligible students who hold these positions.
- 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 \$142 million in 1998-99.
- 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.

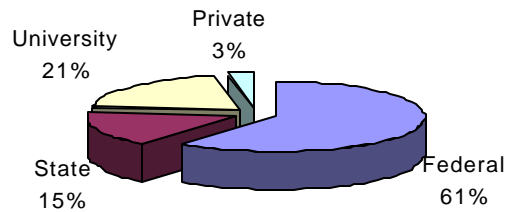
Figure 23

Types of Undergraduate Support, 1998-99
\$728,006,439



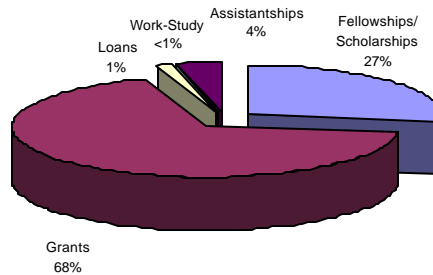
- Financial aid that does not have to be earned or repaid (i.e. grants and scholarships) constitutes 52 percent of undergraduate support at the University, with student loans and work-study comprising 47 percent and assistantships the remaining 1 percent.
- Almost two-thirds (66 percent) of the University's undergraduate students received some form of student financial support in 1998-99 (see Attachment A-2).
- More than half (53 percent) of UC's undergraduates received some form of need-based aid in 1998-99.
- Over half (54 percent) of UC's undergraduates received some form of gift assistance (includes both need-based and nonneed-based gift aid) in 1998-99.
- Over three-fourths (76 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 24 percent of undergraduate support is awarded principally in the form of loans (almost three-quarters of nonneed-based awards) with scholarships and grants comprising one quarter.

Figure 24
Sources of Undergraduate Support, 1998-99
\$728,006,439



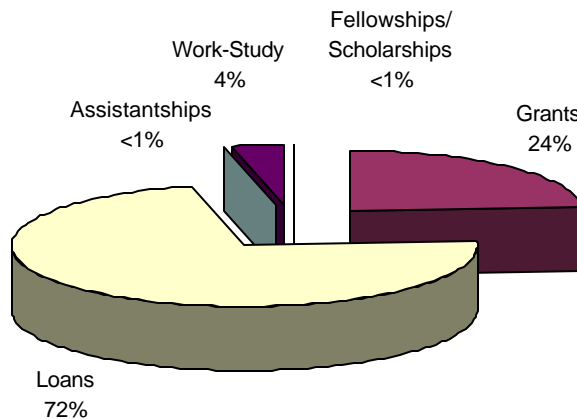
- UC undergraduates receive 61 percent of their support from programs funded or authorized by the federal government. It is important to keep in mind that over three quarters (76 percent) of these awards are made in the form of loans and work-study.
- State and University programs, while not equaling 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 of undergraduate grant and scholarship aid. While 28 percent of total gift assistance awarded in 1998-99 came from federal programs, 29 percent of total gift assistance awarded in 1998-99 came from state programs and 38 percent came from University programs.

Figure 25
University-Funded Support for Undergraduates, 1998-99
\$ 152,447,835



- University support represents 21 percent of total assistance received by undergraduates in 1997-98 but accounts for 38 percent of support for undergraduate gift assistance
- Most university support comes in the form of gift assistance. Grants and scholarships together represent 95 percent of University support for undergraduate students.

Figure 26
Federally Authorized Support for Undergraduate Students, 1998-99
\$ 444,301,938



- While federal support represents 61 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 28 percent of all gift assistance received by undergraduates.

Table 2

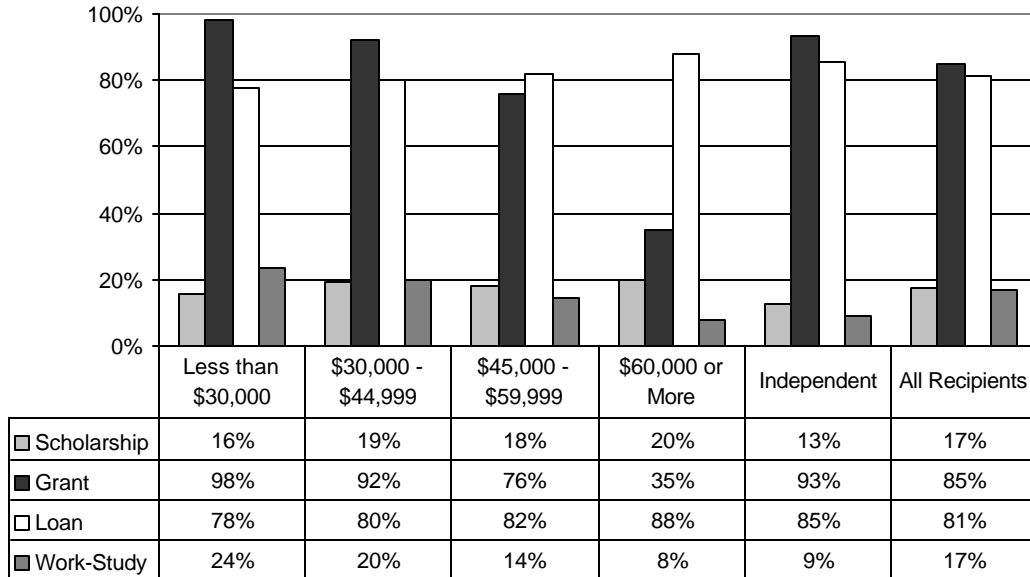
Undergraduate Need-Based Support Recipients by Parent Income, 1998-99

Dependent	Number of Recipients	Percent of Total	Percent of Dependent
Less than \$30,000	26,124	39%	48%
\$30,000 - \$44,999	10,950	16%	20%
\$45,000 - \$59,999	8,502	13%	15%
\$60,000 or More	9,365	14%	17%
Subtotal	54,941	82%	100%
Independent	12,308	19%	
Total	67,249	100%	

- 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.
- In 1998-99, the University's undergraduate need-based aid recipient population increased marginally (1.1 percent). However, the change differed by income level. The population of recipients from families with incomes of less than \$30,000 and independent recipients declined while the other populations grew. The largest growth was among students from families with incomes of \$60,000 and above (20.3 percent). However, this group still accounted for only 14 percent of need-based aid recipients in 1998-99.
- Undergraduate students who are considered to be financially independent of their parents continue to constitute approximately one-fifth of total undergraduate aid recipients.

Figure 27

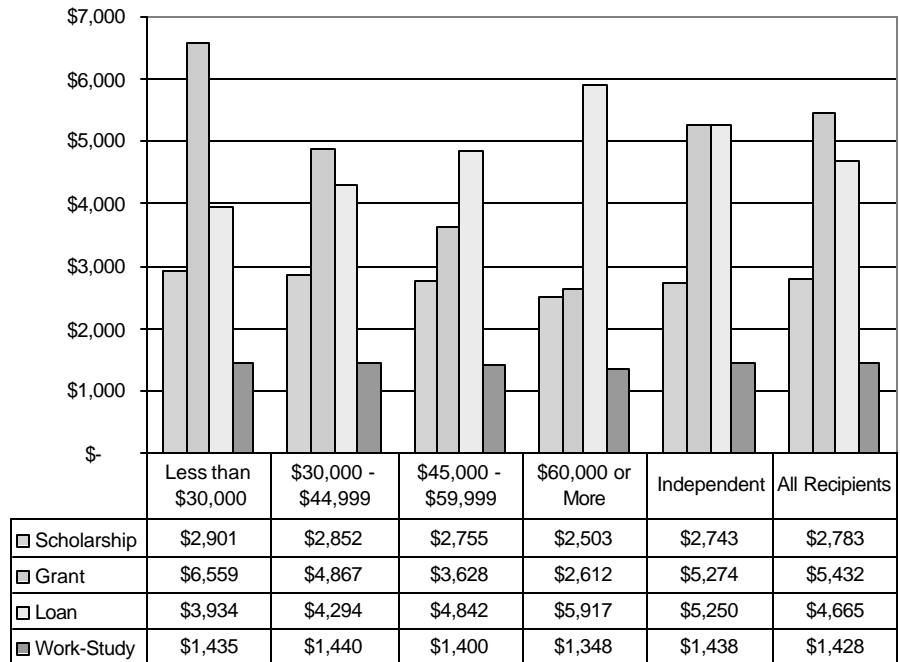
Support for Undergraduate Need-Based Aid Recipients by Aid Type and Family Income: Percent with Award, 1998-99



- 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 aid recipients, almost all of whom received grant awards during 1998-99. 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 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.

Figure 28

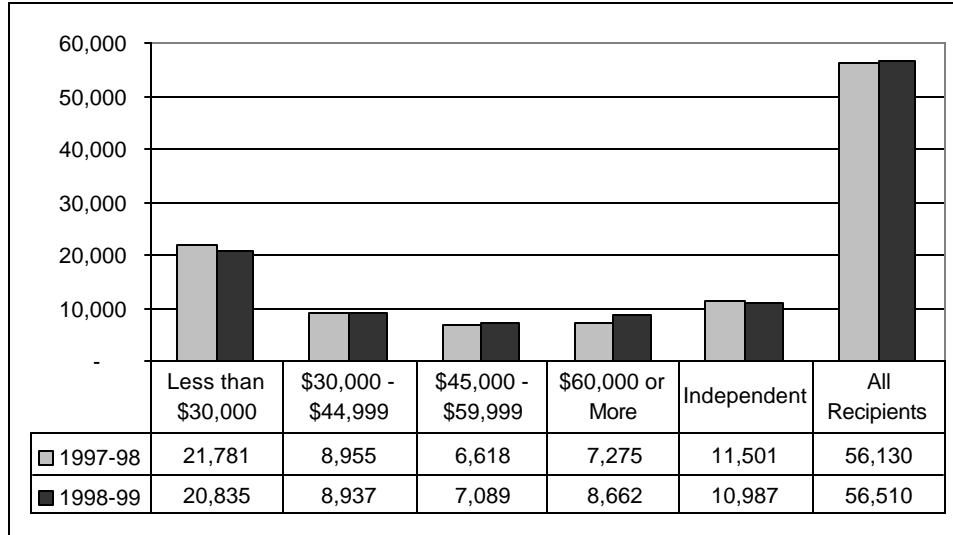
Average Awards of Undergraduate Need-Based Aid Recipients by Family Income, 1998-99



- 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, on average, offset the lower grant levels. These average figures, however, do not mean that all independent students have loans to offset 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 increasing borrowing 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 1998-99 was only one-fifth the number with grants, those recipients who do earn scholarships receive substantial awards that average over \$2,700 across all income and dependency categories. These awards help to reduce the amount of work and loan for such students.

Figure 29

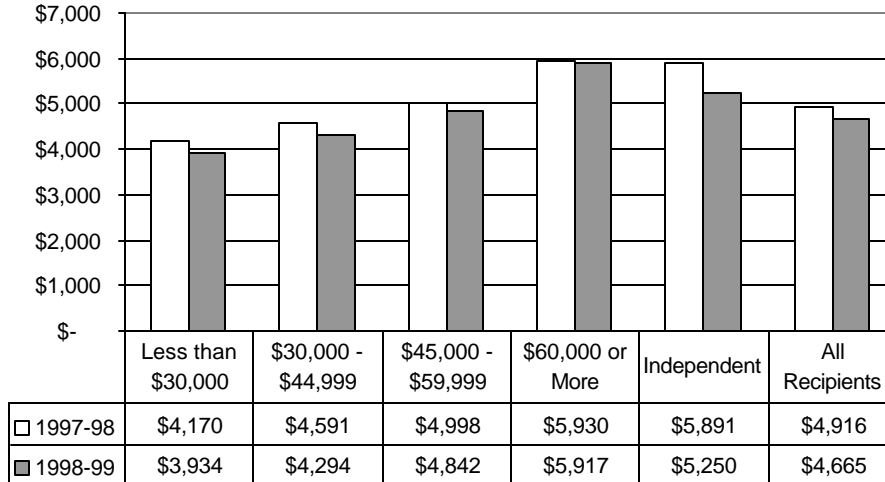
Borrowing by Parent Income of Undergraduate Need-Based Aid Recipients: Number of Borrowers, 1997-98 and 1998-99



- The total number of undergraduate need-based borrowers was virtually unchanged between 1997-98 and 1998-99, while undergraduate enrollment increased by 3 percent.
- The number of borrowers decreased for need-based aid recipients with parent incomes of less than \$30,000 and \$30,000-\$44,999 as well as for independent students. It increased, however, for dependent students in the other income categories. The largest increase occurred among dependent students from families with incomes of \$60,000 or more (by 1,387 borrowers or 19 percent).
- Almost half of all dependent borrowers (46 percent) in 1998-99 had family incomes of less than \$30,000.

Figure 30

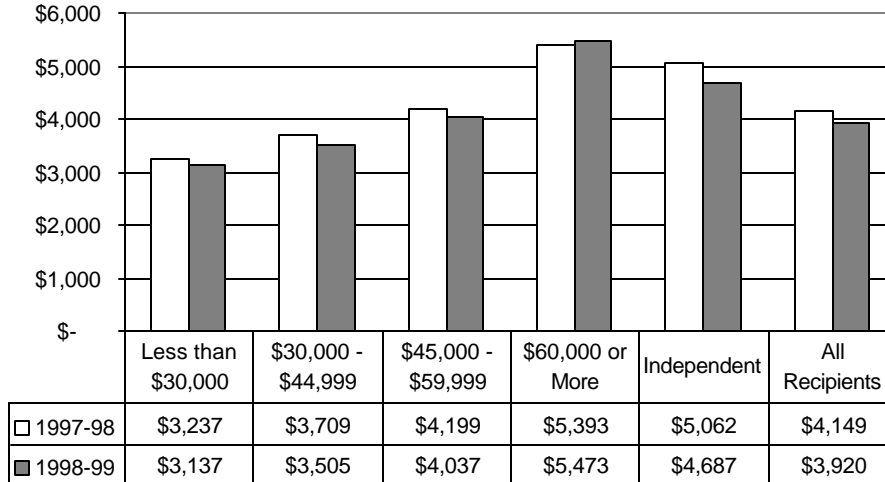
Undergraduate Borrowing Among Need-Based Aid Recipients by Income: Average Loan, 1997-98 and 1998-99



- The average loan per dependent borrower increased with family income in 1997-98 and 1998-99. Thus, low-income dependent students, on average, take out smaller loans than their higher-income peers who borrow.
- Independent students, who do not have parental resources to help them cover their cost of attendance, had larger average loans in 1998-99 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- and upper-class undergraduates means that 1998-99 is the second consecutive year in which an income category of dependent students had an average loan larger than independent students.
- The average loan amount for all undergraduates decreased by 5 percent between 1997-98 and 1998-99. The sharpest decrease in average loan amount among the income and dependency categories came among independent students. Their average loan decreased by 11 percent.

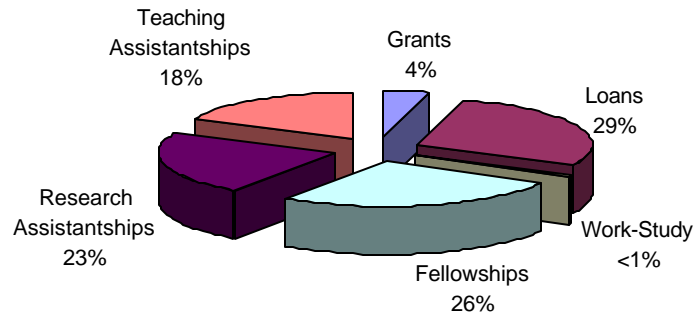
Figure 31

Undergraduate Borrowing Among Need-Based Aid Recipients by Income: Per Capita Borrowing, 1997-98 and 1998-99



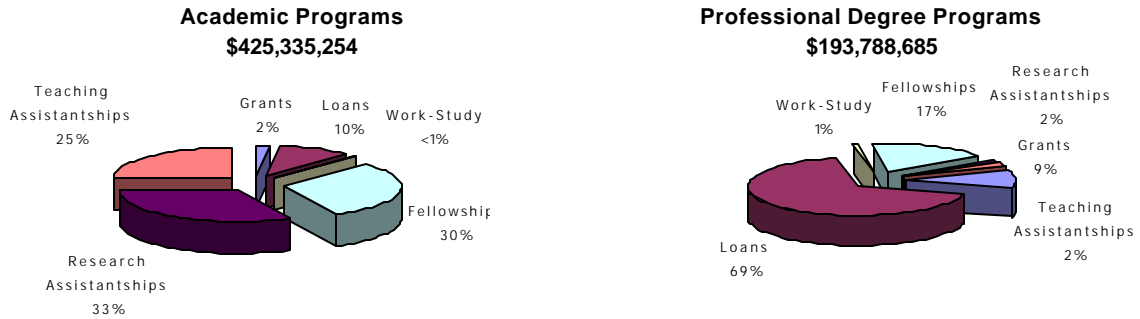
- Like the average loan per dependent student, borrowing per need-based aid recipient increases with family income among dependent students.
- Borrowing per undergraduate need-based aid recipient declined by 6 percent or \$229 overall between 1997-98 and 1998-99. Among the income and dependency categories, dependent students with parent incomes of between \$30,000 and \$44,999 showed the greatest decrease -- 6 percent -- while students with family incomes of over \$60,000 were the only ones to show an increase, although it was an increase of only 1 percent.
- While per capita borrowing among students with parent income of over \$60,000 increased, the average loan decreased (see Figure 30). This indicates that while borrowers were typically borrowing less, a greater portion of the need-based aid recipients in this category were borrowing.

Figure 32
Graduate Support by Aid Type, 1998-99
\$622,059,725



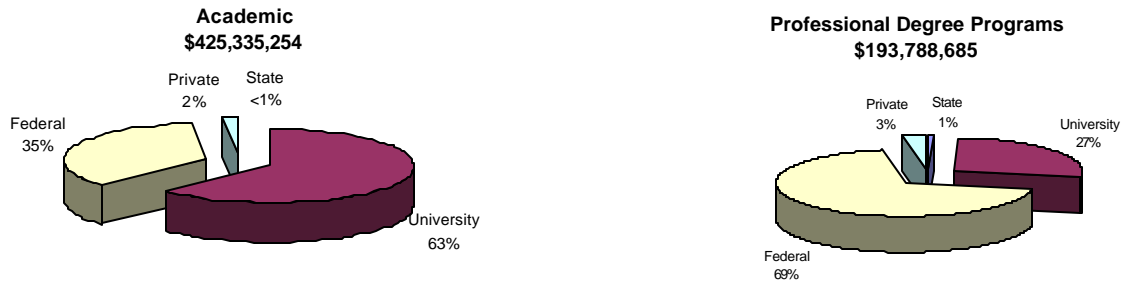
- Between 1997-98 and 1998-99, total graduate student support at the University increased by 4% to \$622 million.
- The balance between merit- and need-based support at the graduate level was steady for the third consecutive year. The need-based aid, consisting of grants, loans, and work-study, constituted 33 percent of graduate support. The merit-based aid, consisting of Teaching Assistantships, Research Assistantships, and fellowships constituted 67 percent of graduate support.
- Proportional relationships among the different types of merit- and need-based support remained essentially unchanged in 1998-99.

Figure 33
Graduate Financial Support by Program Type and Aid Type, 1998-99



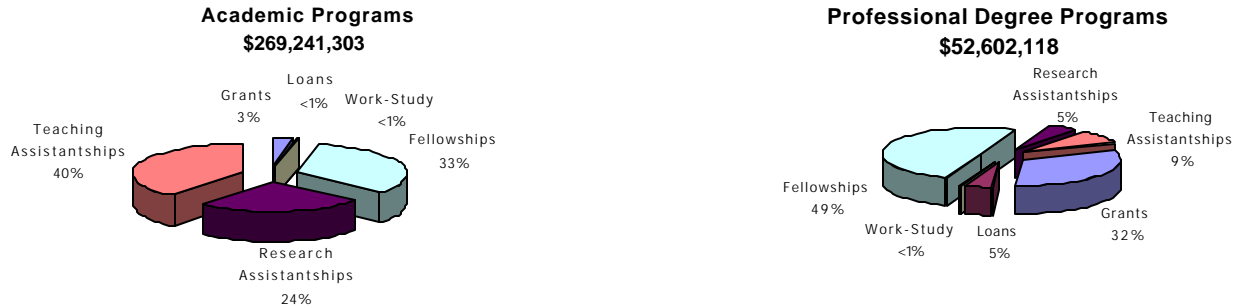
- Graduate academic students receive almost all their financial support -- 88 percent -- in the form of merit-based awards, i.e., fellowships and assistantships. This is up from 85 percent in 1997-98.
- Support for graduate academic students is up by 3 percent over 1997-98.
- Graduate professional students, on the other hand, receive 69 percent of their support in the form of student loans and only 21 percent of their support in the form of merit-based awards.
- Support for graduate professional students is up by 6 percent over 1997-98.

Figure 34
Sources of Graduate Financial Support, 1998-99



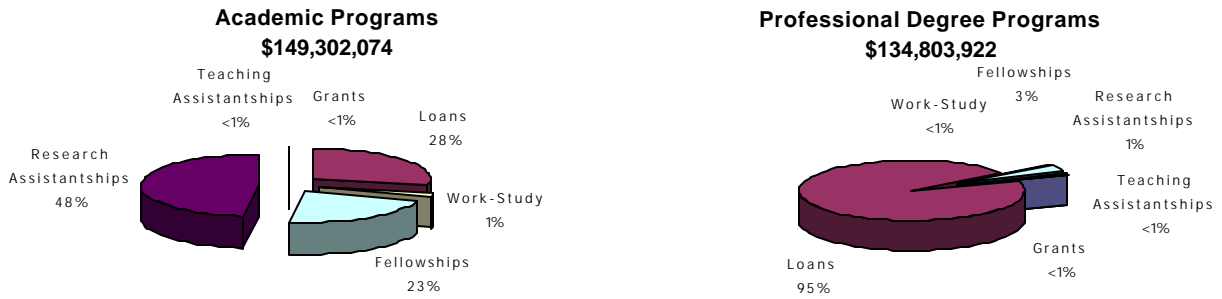
- Graduate academic students receive essentially all of their financial support from the University and from federal programs.
- The University plays a larger role in supporting graduate academic students than it does in supporting undergraduate students or graduate professional students, in great part because the type of support provided these students (fellowships and assistantships) is closely tied to the teaching and research missions of the University.
- Since graduate professional students rely to such a great extent on student loans as a means of financing their cost of attendance, it follows that over two-thirds (69 percent) of total dollars awarded these students come from federal programs.

Figure 35
**University-Funded Support for Graduate Students by Program Type:
 1998-99**



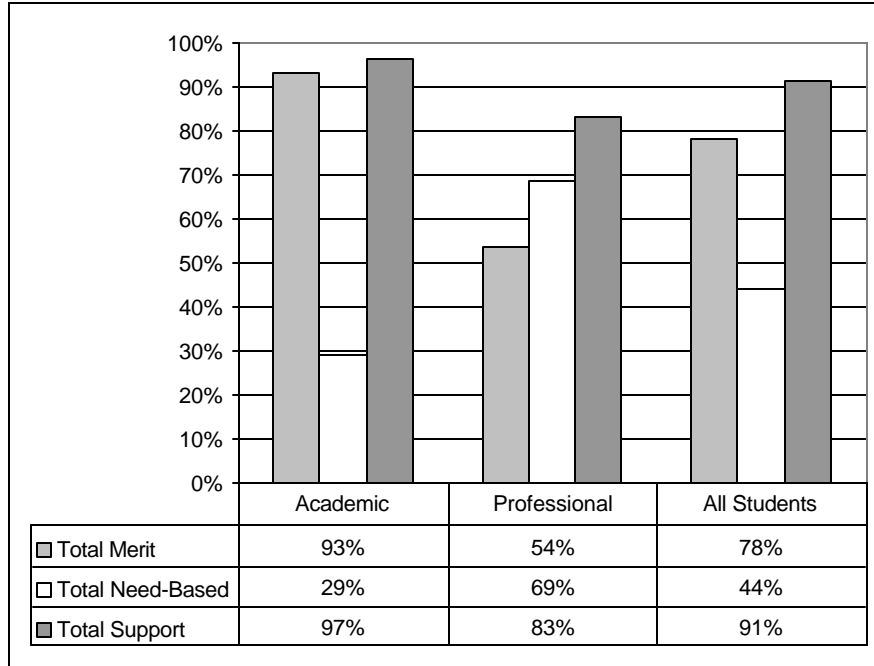
- Assistantships represented almost two-thirds (64%) of University support for graduate academic students in 1998-99 and, in combination with fellowships, comprised all but a small fraction of University support for students in graduate academic programs.
- University support for graduate professional students represented 16% of the total amount in UC's support programs for all graduate students, with almost two-thirds (91 percent) coming in the form of merit-based support (fellowships and assistantships).
- Total University support for graduate students is up by 4 percent (\$11 million) over 1997-98 levels.

Figure 36
Federally Authorized Support for Graduate Students by Program Type, 1998-99



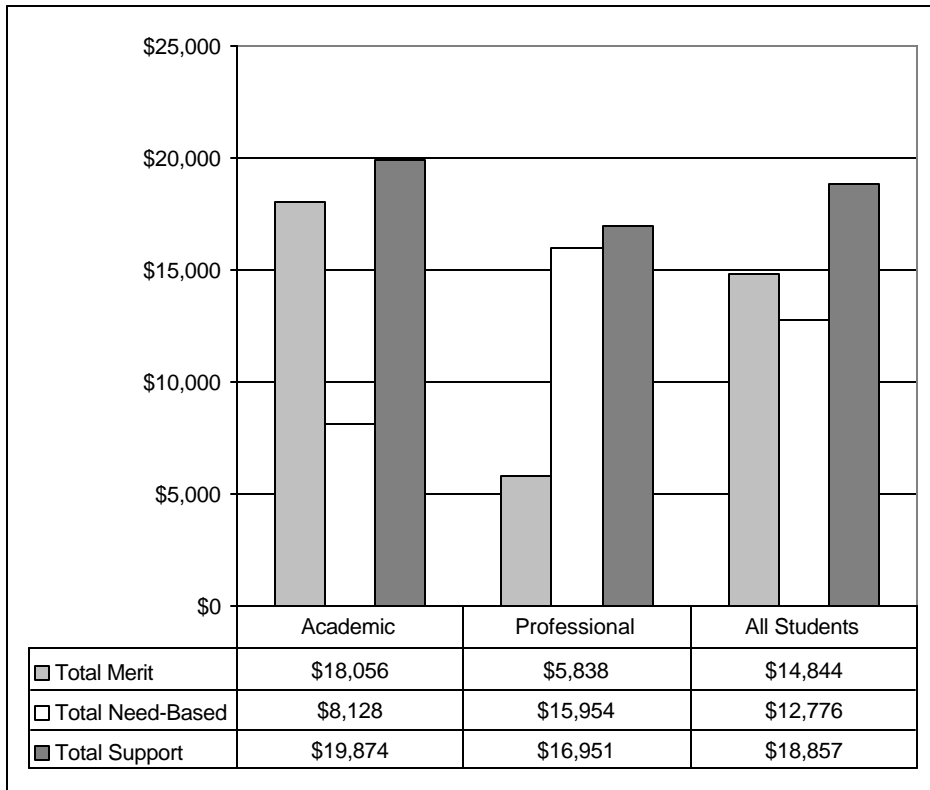
- Federally authorized support was more evenly distributed between graduate professional students (47 percent) and graduate academic students (53 percent).
- Research assistantship awards continued to be the most significant form (48 percent) of federal support for UC's graduate academic students in 1998-99.
- Almost all federal support for UC's graduate professional students (95 percent) comes to them in the form of student loans.
- Total federal support increased by 4 percent between 1997-98 and 1998-99.

Figure 37
**Percentage of Graduate Students Receiving
 Financial Support, 1998-99**



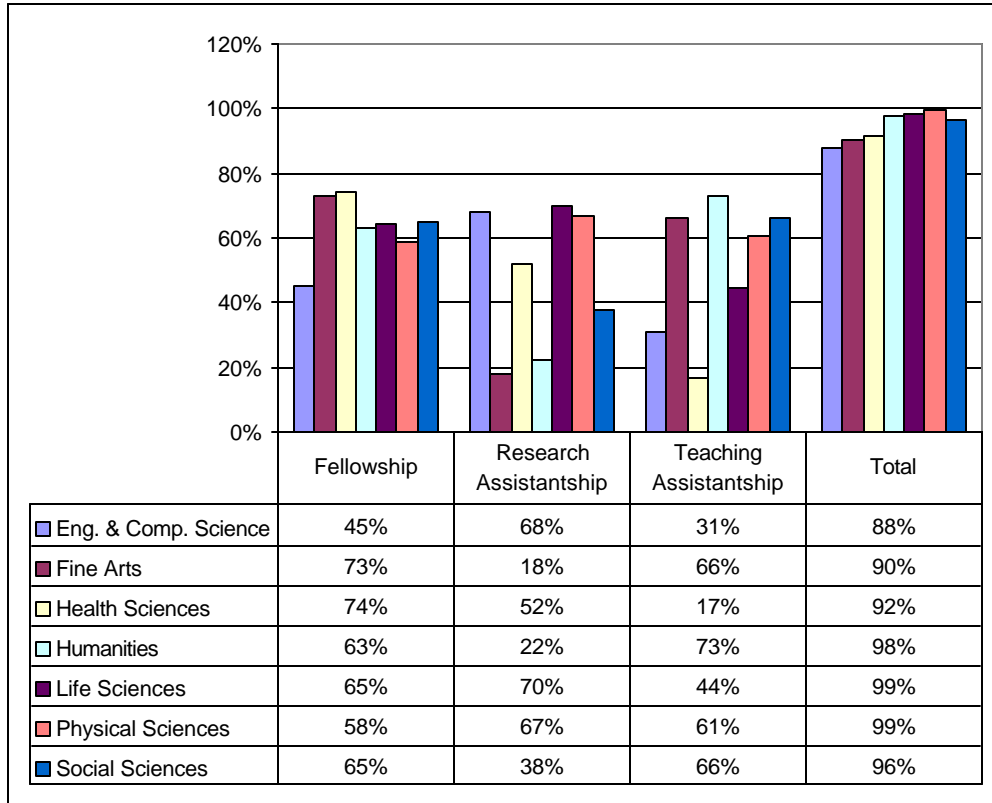
- The amount and type of support received by individual graduate students vary greatly by program and discipline. As reflected in 1998-99 data shown in Figure 37, a greater proportion of academic degree students receive support, and they are much more likely to receive merit-based support than professional degree students. On average, students enrolled in academic degree programs at the graduate level also receive larger amounts of total support and larger merit-based awards than students in professional degree programs.
- Professional degree students are much more likely to receive need-based awards, and they receive larger need-based awards, on average, than their counterparts in academic degree programs. These awards are made overwhelmingly in the form of loans.
- These differences in amount and type of support for students in academic and professional degree programs reflect prevailing approaches to graduate student support. On the one hand, merit-based support is considered an essential element in the recruitment and retention of Ph.D. students, while loans are viewed as a less appropriate means of support for these students, whose programs are lengthy and whose career paths include relatively low-paying faculty positions. On the other hand, need-based support in general and student loans in particular are considered an appropriate means of supporting those students who could not otherwise afford to enroll in one of the University's professional degree programs. These students are expected to cover more of their educational costs from personal resources and loans because their programs generally are shorter and their careers, especially in law, medicine, and business administration, are potentially more lucrative.

Figure 38
**Average Awards of Graduate Students
 Receiving Financial Support, 1998-99**



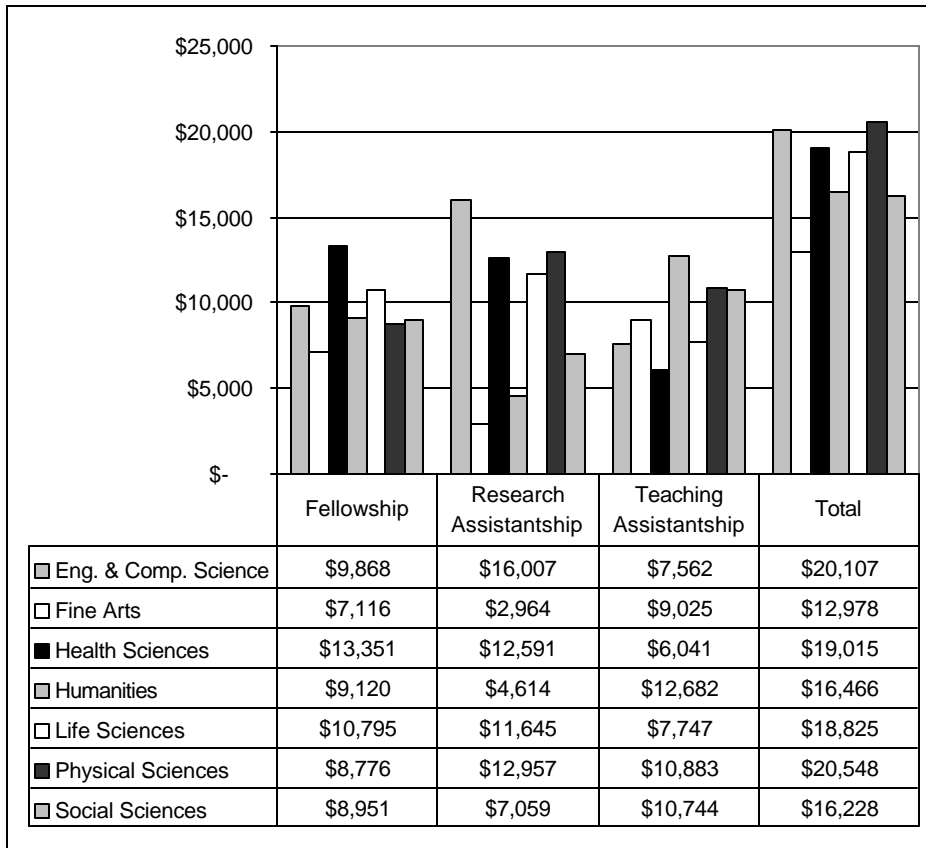
See discussion on previous page.

Figure 39
**Percentage of Graduate Academic Students
 Receiving Merit Support, 1998-99**



- As at other research universities, graduate student support at UC varies greatly by discipline. While at least 80 percent of graduate academic students in all major discipline areas received some form of merit-based support in 1997-98, the likelihood of a student's receiving such support climbs to over 90% in the Life and Physical Sciences.
- Academic discipline also affects the type of support awarded: students in the Life, Physical, and Engineering and Computer Sciences are more likely to receive a research assistantship than students in other disciplines, while those in the Humanities are more likely to be awarded a teaching assistantship. Although both types of awards require graduate students to work, the implications for progress toward the Ph.D. are quite different: research assistantships tend to link the graduate student with a professor who is working in the student's area of interest and dissertation projects usually develop from this work; teaching assistantships provide professional development and usually are related in some way to the student's general field, but may not have any relationship to the student's dissertation.

Figure 40
**Average Merit Awards of Graduate Academic Students,
 1998-99**



- The type and size of merit awards for graduate academic students vary by discipline. Information on 1998-99 graduate students shows that students in the Physical Sciences receive the largest merit awards, on average, while those in Fine Arts receive the least. As can be expected by the reliance on teaching assistantships in the Humanities, average TA awards in this discipline are higher than in other fields.
- The greater amount of extramural funding available for the Life and Physical Sciences, Engineering and Computer Science, and the Health Sciences makes it possible for students in these areas to have larger average awards, particularly in the form of research assistantships.

GLOSSARY

Bureau of Indian Affairs Grants^F

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

Cal Grant A Program^S

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

Cal Grant B Program^S

This program provides undergraduates from disadvantaged backgrounds with a fee-coverage grant and a stipend for living expenses.

Cal Grant C Program^S

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^U

This program provides scholarships to students who are studying abroad at one of 199 institutions in 35 other countries.

Exceptional Financial Need Scholarship Program^F

This program, authorized by the Public Health Service Act, provides grants to institutions that are used to support medical and nursing students who have great financial need.

Federal Direct Loan Program^F

This umbrella program encompasses three federal student loan programs funded with loan capital provided by the federal government; postsecondary institutions act as the lending agent for 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)^F

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^F

UC's graduate students receive Federally funded fellowships from many Federal agencies, among them the National Science Foundation, the Public Health Service, and the National Institutes of Health, and from a variety of Federal programs, such as the Foreign Language Area Studies Pro-

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

Federal Work-Study (FWS) Program^F

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

Graduate Fellowship Program^S

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 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)^F

This program's unsubsidized, nonneed-based loans are relatively expensive and are used by UC health professions students as a fund source of last resort.

Health Professions Student Loans (HPSL) and Nursing Student Loans (NSL)^F

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

Pell Grant Program^F

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)^F

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^U

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

Research Assistantships^U

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^{S/F}

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^S

This program operates at three UC campuses (Berkeley, Davis, and San Diego) and provides needy undergraduates and graduate students with funding for employment related to their academic majors or their career goals.

Supplemental Educational Opportunity Grant (SEOG) Program^F

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)^U

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.

Additional Note for Attachment G

- Prior to 1984-85, HEAL, PLUS, and SLS funds are counted in the Private and Outside Agency category; starting with 1984-85, they are counted in the Federal category.
- 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.

Additional Note for Attachment H

- Student Budget figures are based on weighted average systemwide budgets for undergraduates.
- The Family Contribution includes non-need scholarships.
- The figures for need-based loans exclude nonneed-based Stafford loans.

Additional Note for Attachment I

- Student budget figures are based on weighted average systemwide resident and non-resident budgets for graduate students.
- Beginning in 1989-90, research and teaching assistantships are derived from the Corporate Student System; for preceding years, they are estimated based on; other sources.
- The category “Family Contribution and Other Support” represents the result of subtracting total support from the student budget.

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

Student Financial Support
1111 Franklin Street, 9th Floor
Oakland, CA 94607-5200
(510) 987-9531

Director	Kate Jeffery
Coordinator, Contract Administration	Jacquelyn Ito-Woo
Coordinator, Federal Governmental Relations	Nancy Coolidge
Coordinator, University Programs	Jessica Cross
Coordinator, Policy Analysis & Communication	Christopher Carter
Principal Administrative Analyst	Saul Bercovitch
Principal Administrative Analyst	Barbara Hoblitzell
Principal Administrative Analyst	Patricia Mizuiri
Principal Administrative Analyst	Mark Langberg
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