
**UNIVERSITY OF CALIFORNIA
OFFICE OF THE PRESIDENT**



**ANNUAL REPORT ON
STUDENT FINANCIAL SUPPORT**

2013-2014

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

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Preface

This report, submitted to The Regents of the University of California, provides comprehensive data on how undergraduate and graduate students at the University of California financed their education in the 2013-14 academic year. The report is compiled by Student Financial Support in the Student Affairs department at the UC Office of the President.

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

Note that many descriptive statistics regarding the University's financial aid program in 2013-14 were published in February 2015 in the University's annual report to the Governor and the Legislature, *University of California Institutional Financial Aid Programs*. That report, along with many other reports and analyses related to student financial support, may be found at <http://ucop.edu/student-affairs/data-and-reporting>.

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EXECUTIVE SUMMARY

Financial Support for Undergraduate Students

The primary goal of the University's undergraduate financial aid programs is to ensure that the University remains financially accessible to all academically eligible students.

- The University expects a *partnership* between students, parents, state and federal governments, and the University to finance a student's education. (See pp. 13-15)

Many indicators suggest that the University continued to be financially accessible to undergraduate students at every income level in 2013-14.

- Gift aid (grants and scholarships) dramatically reduced the net cost of attending UC for the neediest families. In 2013-14, the average net cost for California residents – including room and board, books and supplies, transportation, health insurance, and other costs – ranged from an average of about \$11,000 for low-income families to nearly \$33,700 for higher-income families. (See p. 22)
- Growth in per capita grant aid has slowed since 2011-12 due to flat systemwide student fee levels. (See p. 28)
- UC continues to enroll a far higher percentage of Pell Grant recipients than comparable universities, public or private. Pell Grant recipients are typically viewed as a proxy for low-income students. (See p. 35)
- Trends in the income of UC students – both among Fall 2013 freshmen class and all UC undergraduates – show no change attributable to cost increases. (See pp. 36-37)
- Students with similar levels of academic preparation from low-, middle-, and high-income families achieve similar levels of academic success at UC as measured by their persistence, the number of units completed after two years, and their six-year graduations rates. (See pp. 40-42)
- The 55% of students who graduated in 2013-14 with student loan debt had slightly less cumulative borrowing (\$19,105), on average, than students who graduated in 2012-13 (\$19,363) after adjusting for inflation. That figure remains well below the national average student loan debt at graduation of \$28,400. (See p. 43)

Nevertheless, the University remains concerned about its continued ability to remain affordable to all students.

- Annual levels of student borrowing and cumulative debt at graduation increased fastest among middle-income students between 2008-09 and 2011-12, when gift aid did not fully offset the cumulative impact of tuition and fee increases over the same period. (See p. 31 and p. 43)
- Each year, some students borrow and/or work at levels that the University considers to be excessive, while many students at every income level do not work or borrow at all. Several factors may help explain why certain students borrow or work too much, including the amount of support provided by students' parents and some above-average discretionary expenses. (See pp. 38-39 and pp. 43-44)

There are several new developments in 2014-15 related to UC affordability.

- Systemwide tuition and fees did not increase in 2014-15. As a result, there was no corresponding increase in per capita support from either the Cal Grant program or the University's need-based grant program, both of which generally rise when student fees increase. *(See p. 45)*
- The maximum Pell Grant award increased by \$85, from \$5,645 in 2013-14 to \$5,730 in 2014-15. The increase will help offset increases in costs other than systemwide tuition and fees, such as campus-based fees, room and board, and other expenses. *(See p. 45)*
- Beginning in 2014-15, California's Middle Class Scholarship Program is a new source of gift assistance for students at UC and the California State University with household incomes of up to \$150,000 who receive limited or no need-based financial aid. The program is in the first year of a scheduled four-year phase-in, at the end of which the maximum award will equal 40 percent of systemwide student fees. *(See p. 45)*

Financial Support for Graduate Students

The primary goal of the University's graduate financial aid programs is to provide competitive levels of support in order to enroll a highly talented, diverse student body.

- Different competitive environments help explain differences in student financial support provided to graduate academic and professional degree students, as well as differences by academic discipline and student level. *(See pp. 49-52)*

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

- Over time, the per capita net stipend (support from gift aid and assistantships in excess of a student's tuition and fees) has increased slightly for doctoral students from the U.S. but has declined for international students. *(See p. 53)*
- The University's financial support offers to students admitted to its doctoral programs are often less than offers from students' top-choice, non-UC institution. *(See p. 54)*

Cumulative student loan debt at graduation continues to rise for students in professional degree programs.

- The average cumulative debt at graduation for students in the University's professional degree programs varies widely by discipline. *(See p. 56)*
- Flexible loan repayment plans (including a new income-based repayment plan) are available to graduates of all programs in order to improve the manageability of their debt at graduation. *(See p. 56)*
- For students pursuing public interest work, University and extramural loan repayment assistance plans (LRAPs) provide additional relief in some cases. *(See p. 56)*

Several initiatives related to graduate student support are underway in 2013-14.

- UC continued to maintain graduate nonresident tuition at 2004-05 levels in an ongoing effort to compete for and enroll top international and out-of-state students. *(See p. 57)*

- UC held a systemwide conference on improving doctoral student support in April 2014. The forum provided community members from across the system with the opportunity to share best practices and identify policy priorities and recommendations to address on-going concerns about the competitiveness of doctoral student support at UC. (*See p. 57*)

SECTION 1

FINANCIAL SUPPORT FOR UNDERGRADUATE STUDENTS

Goals of the University's Undergraduate Financial Aid Programs

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

Consistent with this focus, the University's undergraduate financial assistance program is built around the goal of ensuring that UC is financially accessible to all students who are academically eligible to enroll. Undergraduate aid is intended to ensure that financial concerns are not a barrier to students who could not otherwise afford to attend UC. Consequently, most of the undergraduate financial assistance at UC is distributed on the basis of financial need.

Financing a UC Education: The Education Financing Model

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

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

- UC must acknowledge the student's total cost of attendance: resident student fees, along with costs related to living and personal expenses, books and supplies, transportation, and health care.
- Financing a UC education requires a partnership between students, parents, federal and state governments, and the University.
- To maintain equity among undergraduate students, the University expects all students to make a similar contribution from student loans and employment to help finance their education.
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular students bodies.

These principles are reflected in a simple framework for determining a student's financial aid package, shown in the box below.

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

- Parents should be prepared to meet part of their expected contribution by planning and saving beforehand and/or by borrowing once the student is enrolled. Students whose parents do not fulfill their part of the partnership may have to work or borrow more in order to cover their costs.
- Parents who contribute beyond their expected share in order to assume some, or all, of their student's expected contribution from work and borrowing may be unduly burdened.

UC Grant Assistance Under The Education Financing Model

The Total Cost of Attendance

Less **A reasonable contribution from parents**

UC expects parents to contribute based upon their available resources as defined by federal standards, which take into account parental income and assets, family size, the number of family members in college, and other factors. No contribution is expected of parents with very limited resources.

Less **Grants from federal and state programs**

UC expects students to apply for all relevant federal and state grant programs to help cover a portion of their cost of attendance.

Less **A manageable student contribution from work and borrowing.**

UC expects *all* students to contribute towards their education through a manageable level of work and borrowing (self-help).

Equals **University grant aid needed**

UC awards grants to cover any remaining portion of the cost of attendance.

What do these principles mean for UC students?

- The University expects all undergraduates to cover part of their cost of attendance through “self-help”—a combination of loans and wages from employment. The University aims to keep self-help manageable so that students may make steady progress toward completion of the baccalaureate degree and meet their loan repayment obligations after graduation.
- Students can influence their loan/work expectation in several ways. Students who reduce expenses lower their individual cost of attendance and hence the amount they will need to earn or borrow. Conversely, students who spend more than average or who incur additional, unrelated expenses 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).
- Individual students decide the balance between working and borrowing that is right for them. However, all students should plan to work and borrow to some extent so that neither burden becomes unmanageable.
- UC expects students to apply for all relevant federal and state grant programs and to meet application deadlines. Late applicants are generally assigned a loan/work expectation that is larger than the contribution expected of on-time applicants.

What do these principles mean for the University?

- The University determines funding levels for its system-wide need-based grant program, allocates funds across the campuses, and sets guidelines for awarding funds to students in accordance with the Education Financing Model. These funds, unlike funds such as endowments, are specifically for providing students with access to the University. The Education Financing Model does not apply to funds generated and held at the campus level. Campuses are encouraged to develop additional resources in support of their own enrollment management goals.
- The University aims to provide sufficient systemwide funding to keep students' loan/work expectations within the manageable range established by the Education Financing Model.
- The University develops and updates the manageable self-help expectation range annually. The earnings component of the self-help range derives from the expectation that students will work during the summer and between 6 and 20 hours per week during the academic year. The borrowing component of the self-help range reflects the portion of post-graduation earnings that students can be reasonably expected to dedicate to loan repayment according to credit industry standards.

Communicating UC Affordability: The Blue and Gold Opportunity Plan

As noted above, the University's undergraduate financial aid strategy is designed to help students cover the entire cost of attendance – not just tuition and fees. Under the Education Financing Model, students from low-income families typically qualify for large amounts of grant assistance, since the gap between the total cost of attendance and the amount that students and parents are expected to contribute under the Model is large. Indeed, under the Model, low-income students typically qualify for grant assistance that substantially exceeds the full cost of systemwide tuition and fees.

In 2009, the University capitalized on this fact by launching the Blue and Gold Opportunity Plan, an easy-to-communicate commitment by the University to ensure that eligible students have their systemwide tuition and fees covered by grant and/or scholarship assistance. The incremental cost of the Plan was modest because most eligible students already qualified for grant assistance in excess of their tuition and fees under the Education Financing Model.

Eligibility for the Blue and Gold Opportunity Plan is limited to California residents with financial need and income up to a specified cap. The cap, which was initially set at \$60,000 when the plan was launched in 2009, was \$80,000 during the 2013-14 academic year.

The Plan does not fully capture the extent of grant assistance available to students, since low-income students generally receive grant assistance to help with other non-tuition components of the cost of attendance, too. It does, however, allow the University to communicate a clear message to prospective low-income students that UC tuition and fees should not dissuade them from aspiring to attend UC.

How UC Undergraduates Financed Their Education in 2013-14

The charts that follow depict how UC undergraduates financed their education during the 2013-14 academic year.

- As noted earlier, the University acknowledges that students need to cover the total cost of attendance – not just tuition and fees. See Figure 1-1.
- UC students receive substantial levels of gift aid – grants and scholarships – to help cover their total cost. See Figure 1-2.
 - Grants are awarded to lower- and middle-income students with financial need. Scholarships, in contrast, tend to benefit students at every income level. See Figure 1-3.
 - Most grant assistance comes from three major programs: federal Pell Grants, state Cal Grants, and UC Grants. UC grants are awarded after taking Pell Grants and Cal Grants into account to make UC financially accessible to students at every income level. See Figure 1-4.
 - Scholarships from both UC and outside sources reduce the amount that students at every income level need to work and borrow. See Figure 1-5.
- Gift aid dramatically reduces UC’s net cost of attendance for lower-income students and provides substantial assistance to middle-income students, too. See Figure 1-6.
- Loans help students and parents cover the net cost of attendance. Low-income students are more likely to borrow than students from middle- or high-income families, and some students at every income level do not borrow. Parent loans are most common among middle-income families. See Figure 1-7.
- Consistent with the Education Financing Model, many students work part-time during the academic year to help cover a share of their costs. Jobs funded by federal work-study funds are available to students with financial need, but other forms of employment play an even greater role in helping students finance their education. See Figure 1-8.

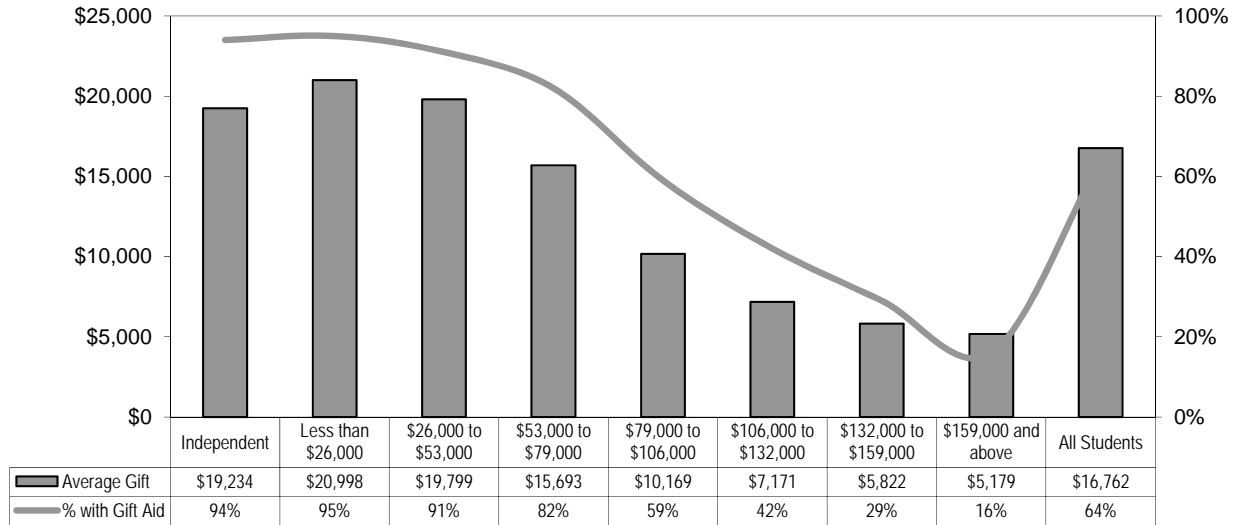
Figure 1-1
The Cost of Attendance

Average On-Campus Undergraduate Student Budget for California Residents, Academic Year 2013-14	
Student Tuition and Fees:	\$13,185
Books and Supplies:	\$1,504
Living:	\$13,788
Personal Expenses:	\$1,400
Transportation:	\$822
Healthcare Allowance:	\$1,667
TOTAL:	\$32,366

- The University of California’s undergraduate financial assistance programs are designed to make the full cost of attending the University – known as the cost of attendance or the student budget – manageable for *all* eligible students and their families.
- Undergraduate student budgets vary by factors such as residency status, campus, and living arrangement (living with parents, on campus or off campus).
- The University derives student budgets from known institutional charges (e.g., tuition and on-campus room-and-board charges) and results from the systemwide Cost of Attendance Survey (COAS). The COAS, typically conducted every three years, provides comprehensive data on UC students’ non-fee expenses as well as a standardized basis for calculating student budgets at each campus that reflects local economic conditions and student spending patterns.
- UC’s student budgets are generally more inclusive than those at other institutions in two ways.
 - UC surveys both financial aid recipients and non-recipients about their *actual* expenditures for most budget components. In contrast, other institutions often assign budgets according to what they feel students *should* spend, not what they *do* spend.
 - UC includes more costs (e.g., certain transportation costs, cell phone plans, and health insurance costs) as legitimate educational expenses than do other schools.

Both practices reflect the principle that financial aid recipients should be able to cover the same educational expenses as other students and not be subjected to artificially low living conditions.

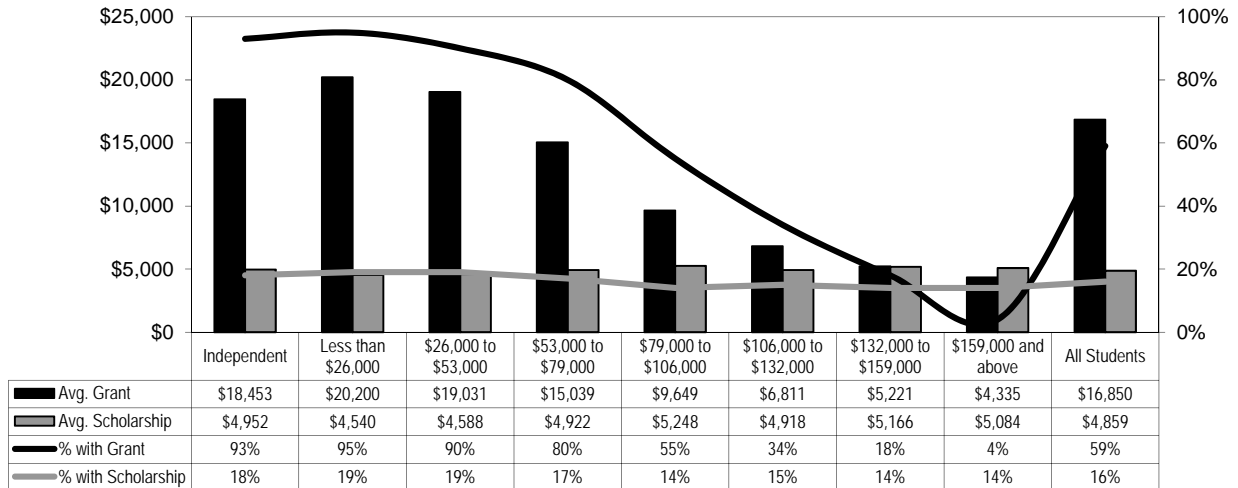
Figure 1-2
Gift Aid Recipients and Average Award by Parent Income,¹ Academic Year 2013-14



- Grants and scholarships – collectively known as “gift aid” – are the most important types of aid for students and families because they reduce the net cost of a UC education, thereby reducing the need for students and families to contribute from savings, income, or loans.
- Consistent with UC’s primary goal of being financially accessible to all students, independent and lower-income students, who typically have fewer family resources, are more likely to receive gift aid and generally receive larger awards than higher-income students.
- Although over 90% of all gift aid received by UC undergraduates is awarded on the basis of need, a sizeable proportion of students at every income level receive some form of gift aid.

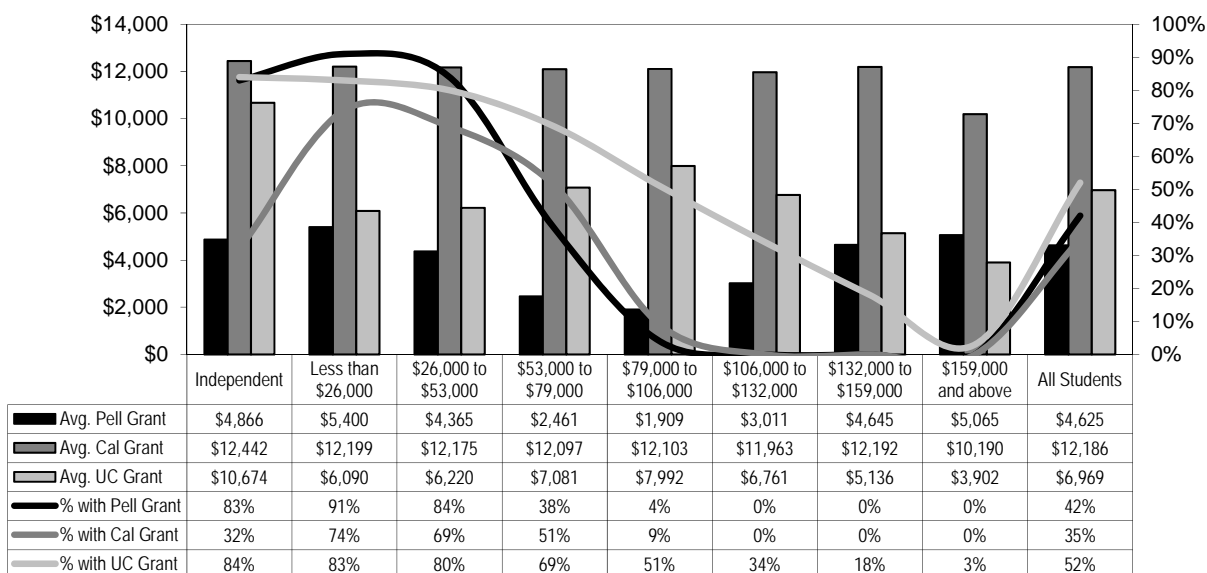
¹ Parent income figures throughout this report are obtained from either the Free Application for Federal Student Aid (for financial aid recipients) or the undergraduate application for admission. In cases where a student’s parent income is not available from those sources, the parent income represents an estimated figure based on the parent incomes of students with similar characteristics.

Figure 1-3
Grant and Scholarship Recipients and Average Awards by Parent Income, Academic Year 2013-14



- *Grants* are awarded primarily on the basis of a student’s financial circumstances. Students from low-income families and financially independent students (who are generally low-income) receive grant assistance at higher rates than students with higher parental incomes, as shown by the declining black line above. Among grant recipients, lower-income students generally receive larger grants (shown by the black bars above) than higher-income students.
- *Scholarships* are based on criteria such as academic achievement or specialized talent. Eligibility for certain scholarships may be limited to financially needy students, but scholarships are generally available to students at any income level who demonstrate merit as defined by the terms of the scholarship. The percentage of students with scholarships and the average scholarship amount varies relatively little with income (shown by the gray line and bars above).

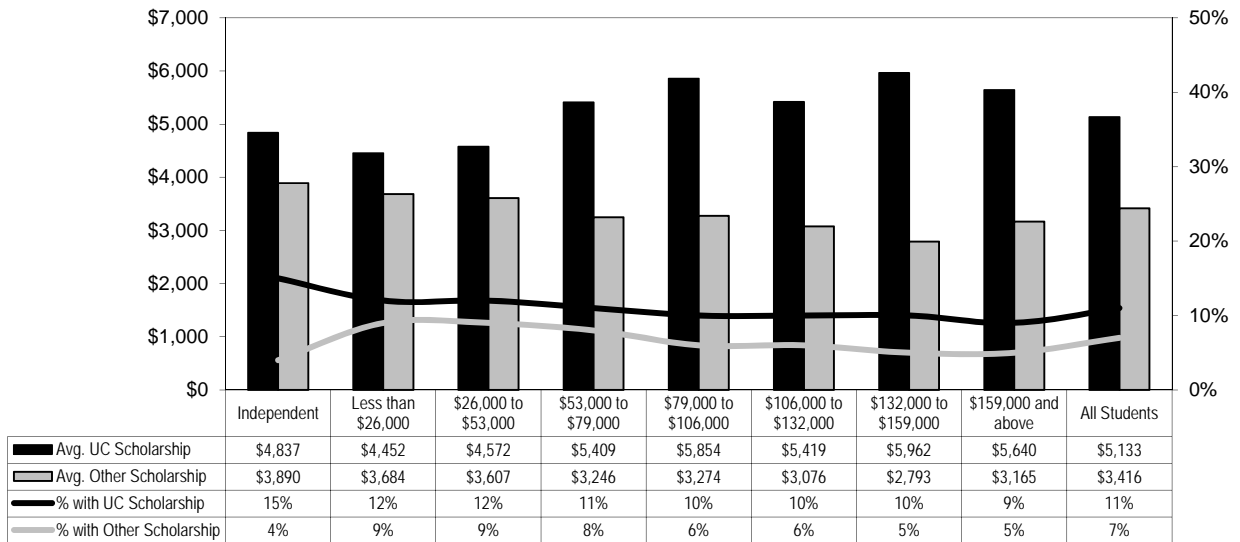
Figure 1-4
Pell Grant, Cal Grant, and UC Grant Awards, Academic Year 2013-14



- Federal Pell Grants, state Cal Grants, and UC’s institutional need-based grants represent the primary sources of gift aid for UC undergraduates.
- The federal *Pell Grant* program provides grants (worth up to \$5,645 in 2013-14) to low-income students. Eligibility declines rapidly with income, leading to the steep drop-off shown by the black line in the figure.
- *Cal Grants* typically cover students’ systemwide fees.² The Cal Grant program has an income ceiling that is high enough to include many families who do not qualify for a Pell Grant. However, as the dark gray line in Figure 1-4 shows, the likelihood that a student qualifies for a Cal Grant declines quickly once parental income exceeds about \$70,000. Cal Grant eligibility requirements favor students who enroll in college within a year of graduating from high school or who transfer from a community college before they reach the age of 27, resulting in a lower percentage of Cal Grant recipients among independent students. Eligibility is also limited to four years, resulting in a lower percentage of students with Cal Grants compared to Pell grants.
- A student’s *UC grant* (see the light gray line and bars above) fills in any remaining need after taking into account the student’s total cost of attendance, parental resources, self-help expectation from work and borrowing, and other grants received. Compared to Pell Grants and Cal Grants, UC grants serve a broader range of students and are more sensitive to students’ overall resources and costs (not just tuition and fees). The average UC grant is highest for independent students for two reasons: needy independent students have no parental resources to draw upon and they are less likely than other low-income students to meet the Cal Grant eligibility requirements.

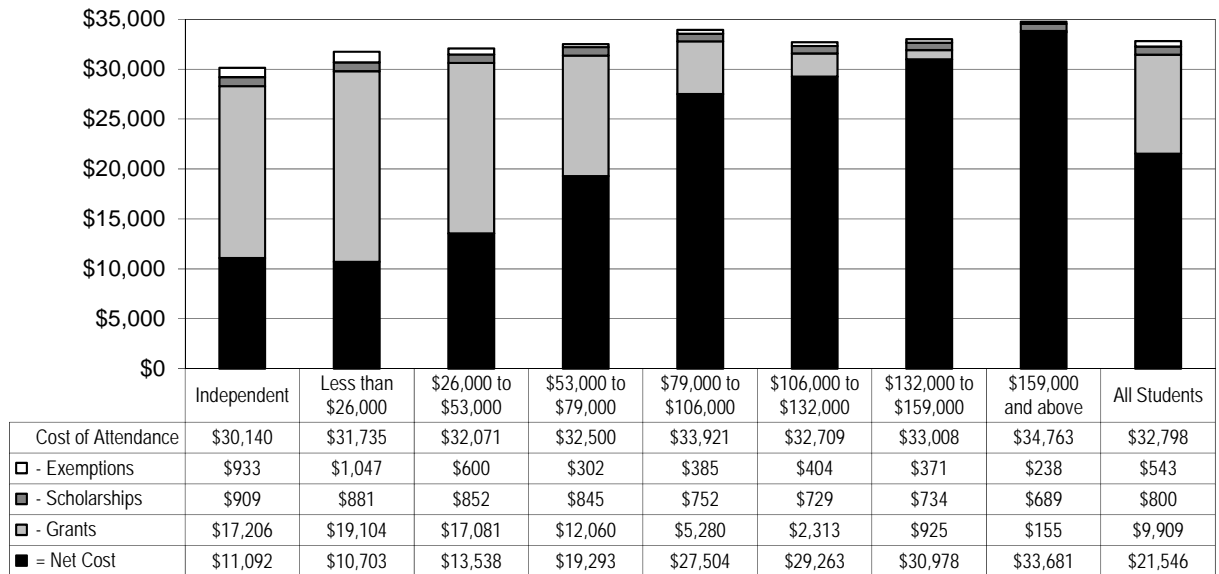
² Independent and low-income students who receive a Cal Grant B award also receive an “access grant,” valued at \$1,473 in 2013-14, to help cover expenses other than tuition and fees.

Figure 1-5
Scholarship Awards by Parent Income, Academic Year 2013-14



- UC undergraduates receive scholarships from both University and extramural programs.
- While some scholarships are restricted to students with financial need, scholarships can also be based, in whole or in part, on merit – e.g., academic ability or a specialized talent.
- The percentage of students with scholarships (shown by the solid lines in the figure above) and the average scholarship they receive (shown by the black and grey bars) vary little by income level.
- Scholarships are one way students can help cover their expected self-help contribution. Compared to the total amount of support provided by UC grants, however, the support provided by scholarships remains relatively modest. (See Figure 1-3.)

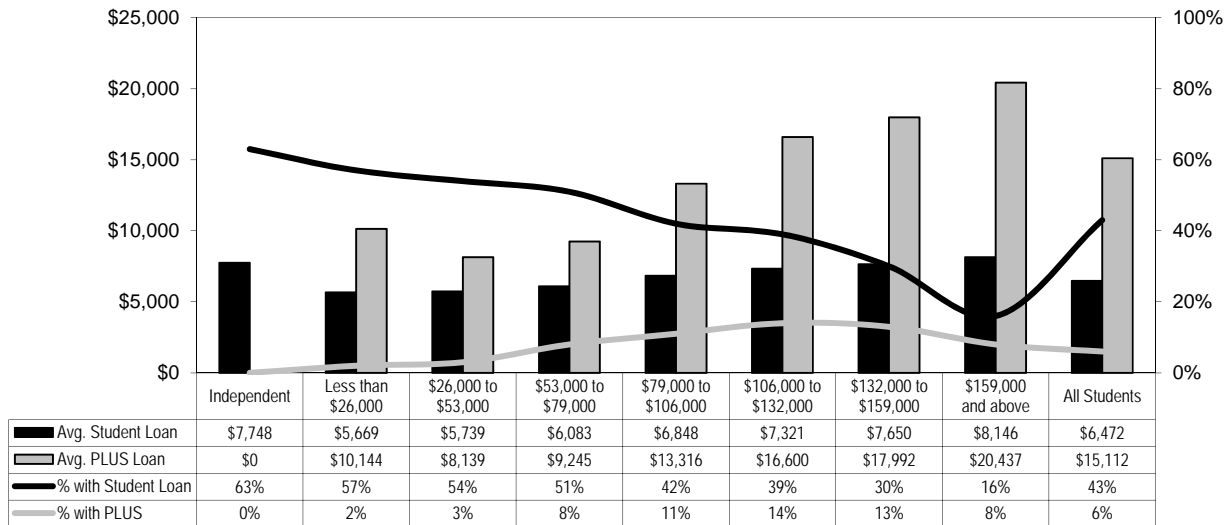
Figure 1-6
Per Capita Net Cost by Parent Income, Academic Year 2013-14³



- The net cost of attendance represents the share of the total cost of attendance that a student and his or her family are responsible for covering.
- Consistent with the Education Financing Model, UC’s net cost – the cumulative impact of grants, scholarships, and exemptions on the actual cost of attendance – is lowest for those students with the fewest financial resources (see the black bar segments in the figure above).
- Scholarships and various tuition and fee exemptions help to reduce the net cost for students at every income level to some extent.

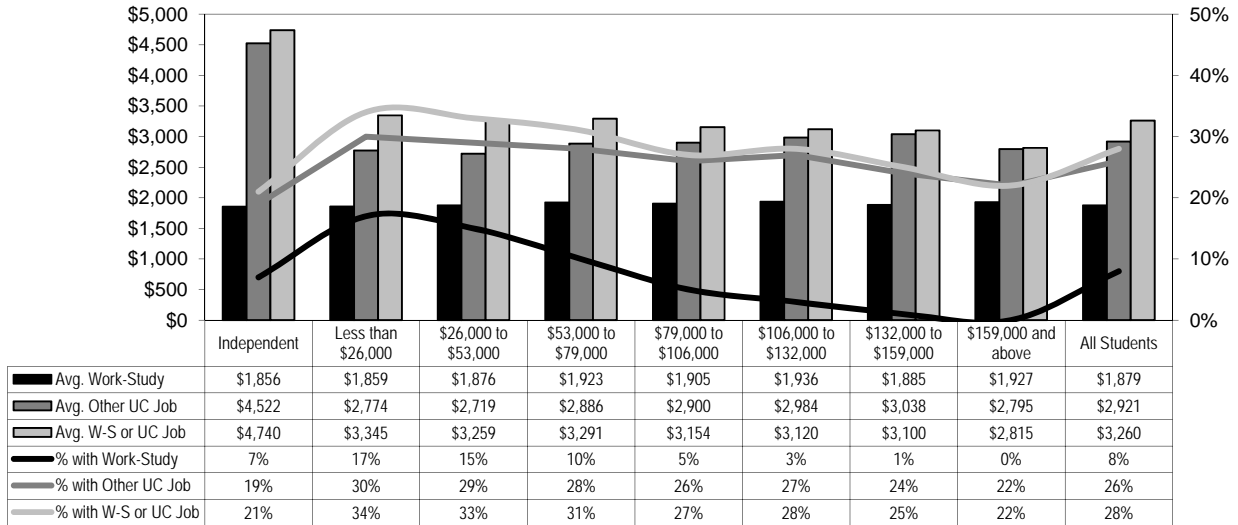
³ Includes tuition for UC’s relatively small population of out-of-state and international undergraduates.

Figure 1-7
Student and Parent Loan Use by Parent Income, Academic Year 2013-14



- Overall, student loans are much more common than parent loans.
- The percentage of students with student loans declines steadily with income; in contrast, the average student loan rises somewhat with income (see the black line and bars in the figure above). The higher average borrowing among borrowers from higher-income families may reflect a decision by some students to cover a portion of their expected parent contribution with their student loan.
- Among the small proportion of students who use parent loans, middle-income families borrow at the highest rate. The average PLUS loan increases steadily with parental income and is highest for high-income families, who should be in a better position than others to repay larger loans (see the gray line and bars in the figure above).

Figure 1-8
**Work-Study and Campus Employment by Parent Income, Academic Year
 2013-14**



- Students use wages from on- and off-campus employment to cover a portion of their educational expenses. Under the Education Financing Model, the University tries to provide sufficient grant assistance so that no student is required to work unmanageable hours in order to finance their education.
- The figure above shows employment patterns for students with work-study positions and other positions paid from the University’s payroll. Information about hours worked in all forms of student employment (including off-campus, non-work-study employment) appears later in this chapter.
- Job opportunities funded through the federal work-study program are reserved for financially needy students who receive a work-study award as part of their financial aid package. The University employs many needy and non-needy students in other positions, and students also work in a variety of off-campus positions.
- The percentage of students with work-study jobs declines as parent income increases (see the black line in the figure above) while the percentage of students with other forms of campus employment is similar across all income levels (see the dark gray line).
- The average combined earnings from work-study and other campus employment does not vary across students’ income levels (see the light gray bars).

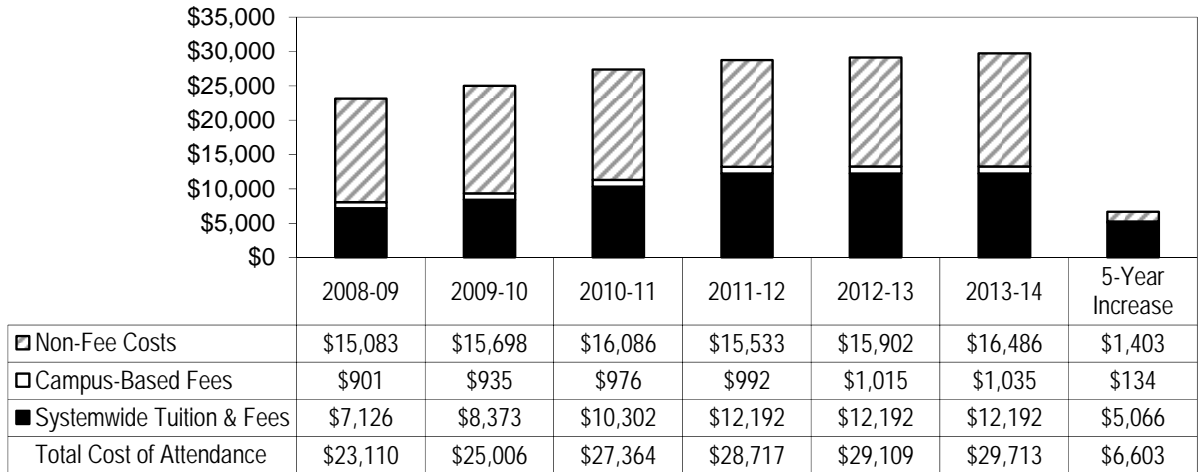
Recent Trends in Student Financial Support for Undergraduates

The charts that follow highlight key trends related to undergraduate student financial support at UC.

- UC's average total cost of attendance rose between 2008-09 and 2011-12, primarily due to increases in mandatory systemwide tuition and fees. The rate of increase slowed beginning in 2012-13 as systemwide tuition and fees remained unchanged. See Figure 1-9.
- While the amount of gift aid received by UC students increased sharply between 2009-10 and 2011-12, it remained relatively stable between 2011-12 and 2013-14. See Figure 1-10.
 - Most of the recent increase in gift aid was attributable to increased funding from the state's Cal Grant program and UC's own institutional aid program. The increased funding for both programs was driven primarily by increases in UC's systemwide tuition and fees. See Figure 1-11.
 - Per capita funding for merit-based scholarships from both UC and non-UC sources has remained relatively flat in the last three years, when adjusted for inflation. See Figure 1-12.
- UC's net cost – the total cost of attendance less gift aid – has declined slightly or remained flat for low-income students in recent years due to the large increases in gift aid noted above. Net cost has risen somewhat, however, for middle-income students and has risen more rapidly for higher-income students. See Figure 1-13.
- Student borrowing decreased slightly for students at all income levels between 2012-13 and 2013-14. See Figure 1-14.
- Parent borrowing changed little in 2013-14 and remains much less common than student borrowing. See Figure 1-15.
- Students' earnings from work-study and on-campus employment decreased slightly in 2013-14 and still remain low by historical standards. See Figure 1-16.

Figure 1-9

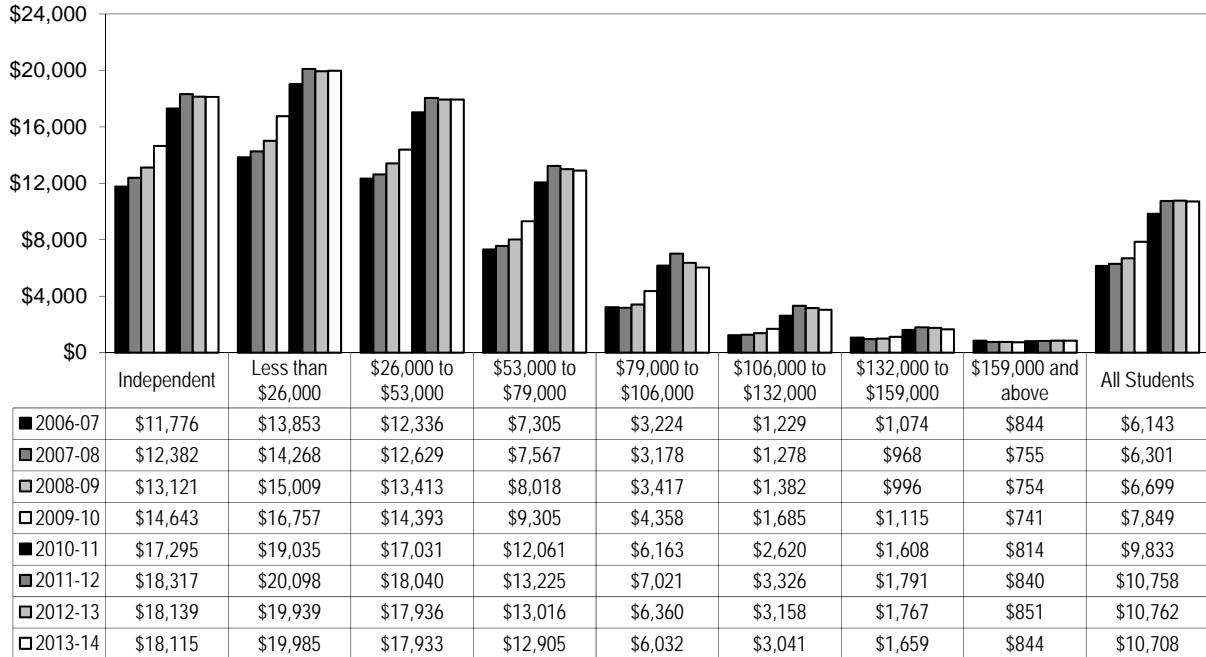
Average UC Total Cost of Attendance for California Residents, 2008-09 to 2013-14, Nominal Dollars⁴



- UC’s average total cost of attendance has increased in recent years due to increases in both tuition and fees and other costs, although systemwide tuition and fees did not increase between 2011-12 and 2013-14.
- During the period shown above, most of the increase is attributable to increases in the University’s systemwide tuition and fees between 2008-09 and 2011-12. Note, however, that increases in systemwide tuition and fees generate additional funding for need-based grants from both the Cal Grant program and UC’s own institutional aid program (see Figure 1-11). This additional funding offsets the increase in the cost of attendance for most low- and middle-incomes students with financial need. In contrast, increases in non-fee costs generate no new funding for financial aid.

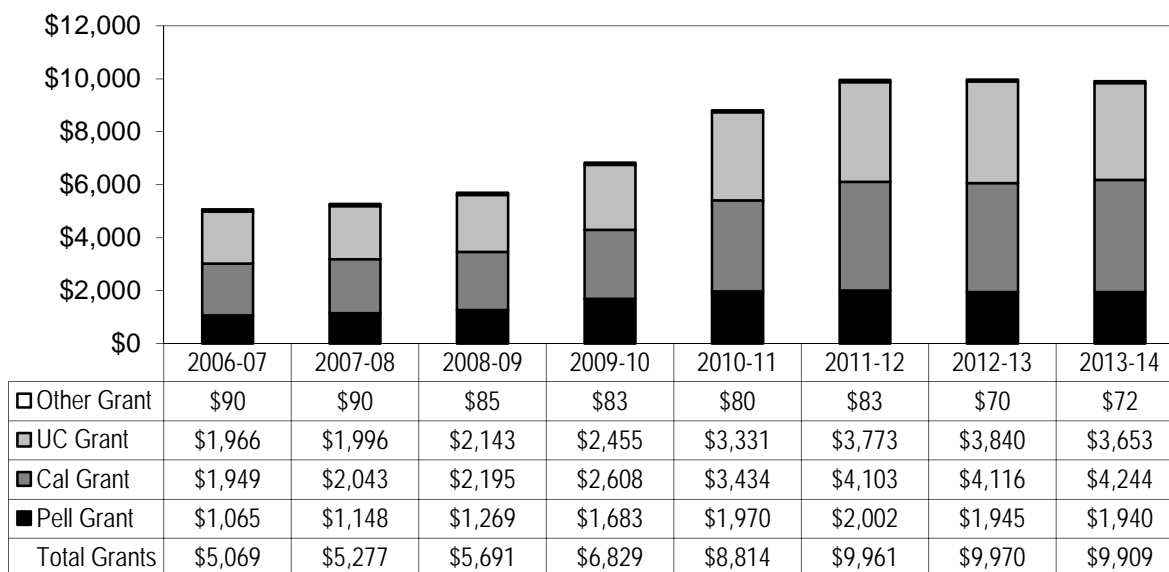
⁴ Figures represent the weighted average total cost of attendance across all housing categories (on-campus, off-campus, and living with relatives).

Figure 1-10
**Trends in Per Capita Undergraduate Gift Aid by Parent Income, 2013-14
 Constant Dollars**



- The support received by UC students from gift aid (grants and scholarships) remained relatively flat in 2013-14 on a per capita basis, after adjusting for inflation. This followed several consecutive years of increases, which were primarily attributable to increases in systemwide tuition and fees (see Figure 1-10).
- The slight decline in per capita gift aid among students from lower- and middle-income families reflects both (a) an increase in the proportion of UC students from such families (see Figure 1-19) and (b) relatively static funding from Cal Grants and UC grants in the absence of any systemwide tuition and fee increase in 2013-14. Put another way, the observed decline in per capita gift aid for these families reflects a relatively constant level of gift aid between 2012-13 and 2013-14 distributed across a larger population of students from low- and middle-income families.

Figure 1-11
Trends in Per Capita Grant Support for UC Students, 2013-14 Constant Dollars

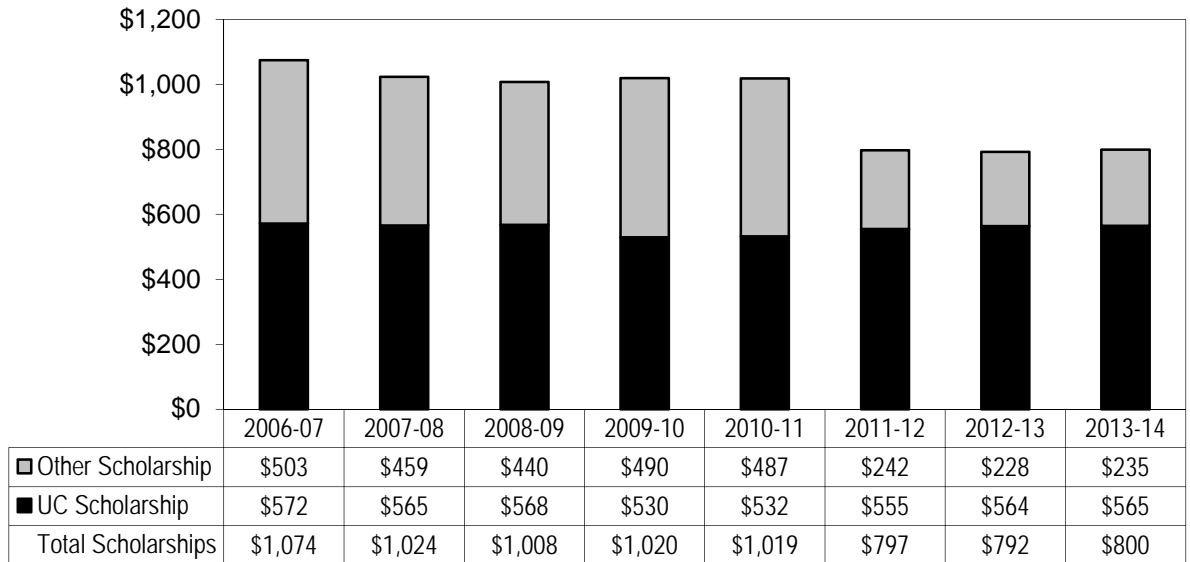


- The combined funding from all grant programs has increased in recent years and has generally outpaced both inflation and the University’s enrollment growth (see Figure 1-11).
- *Cal Grant* awards increased rapidly from 2009-10 through 2011-12 (see the dark gray bar segments). Cal Grant awards generally cover students’ systemwide tuition and fees, which rose substantially during this period.⁵ Because there was no systemwide tuition and fee increase between 2011-12 and 2013-14, Cal Grant awards remained relatively stable.
- *UC grants* also increased between 2009-10 and 2011-12 due to the University’s policy of setting aside a portion of new tuition and fee revenue generated from fee increases and enrollment growth to augment its grant program (see the light gray bar segments).
- *Pell Grants* showed a much more modest increase during this period (see the black bar segments). More recently, however, funding for the Pell Grant program has increased substantially. The maximum Pell Grant award in 2013-14 was \$5,645 – \$1,595 more than the maximum in 2006-07.

⁵ Recent increases in support from the Cal Grant program are partly attributable to Cal Grant A recipients who, in prior years, would have received a Cal Grant B award and thus would not have received first-year tuition and fee coverage. This shift from Cal Grant B to Cal Grant A awards began in 2008-09 when UC’s tuition and fees reached a level such that the extra year of tuition and fee coverage provided by a Cal Grant A award became more valuable than the “access grant” (currently \$1,473) provided by a Cal Grant B award for four years.

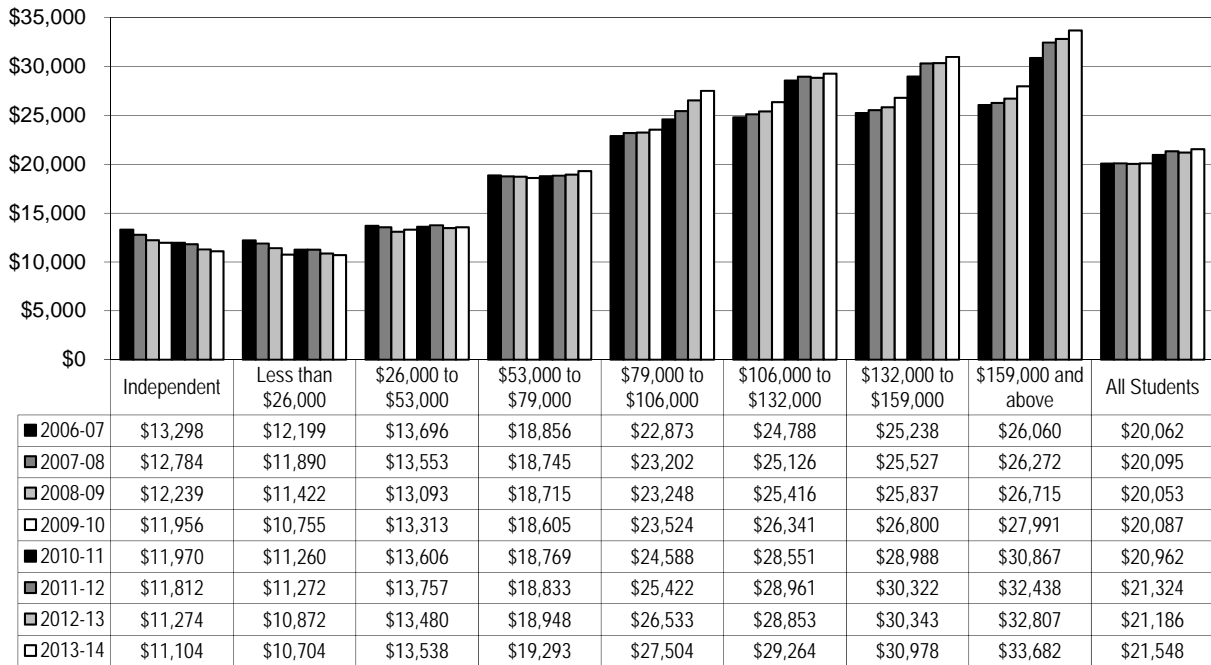
Figure 1-12

Trends in Per Capita Scholarship Support, 2013-14 Constant Dollars



- Per capita support from UC scholarships (shown by the black bars in Figure 1-12) remained relatively flat during the period shown above. This trend may partly reflect the generally sluggish economy in recent years, which affects both gifts to the University and the payout available from UC’s endowed scholarship funds.
- Funding from extramural scholarship programs (shown in grey) declined significantly in 2011-12 and remained at this level in 2012-13 and 2013-14. The decline in 2011-12 reflects the elimination of two short-lived federal scholarship programs – the Academic Competitiveness Grant (ACG) and National Science and Mathematics Access to Retain Talent (National SMART Grant) Programs – established by the Higher Education Reconciliation Act of 2005. The programs primarily benefited low-income, high-achieving college students – particularly those in majoring in technical fields. UC undergraduates received nearly \$40 million in support from these programs in 2010-11. The programs were authorized only through the 2010-11 academic year; they were not renewed for 2011-12 or later years.

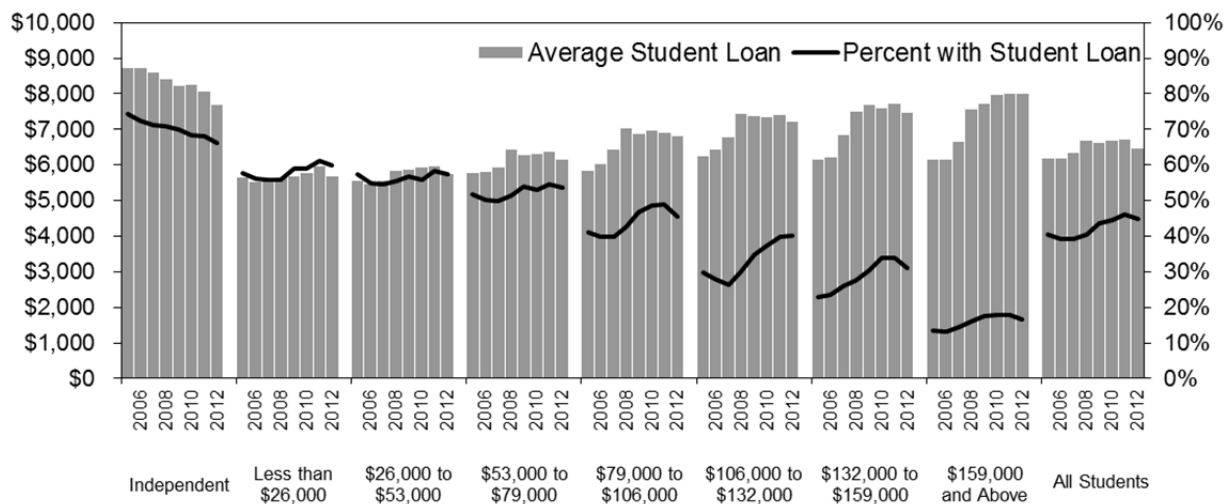
Figure 1-13
Trends in the Net Cost by Parent Income, 2013-14 Constant Dollars



- Changes in the net cost of attending the University – that is, a student’s total cost of attendance less any grants, scholarships, and exemptions – have varied substantially depending on parent income (see Figure 1-13).
- For families in the highest income bracket, the annual net cost of a UC education grew by over \$7,600 between 2006-07 and 2013-14 in inflation-adjusted dollars.
- Increases in gift aid lessened the increase in net cost for low-income families. In fact, the net cost actually *declined* for independent students and for students in the lowest income groups during this period in inflation-adjusted dollars.

Figure 1-14

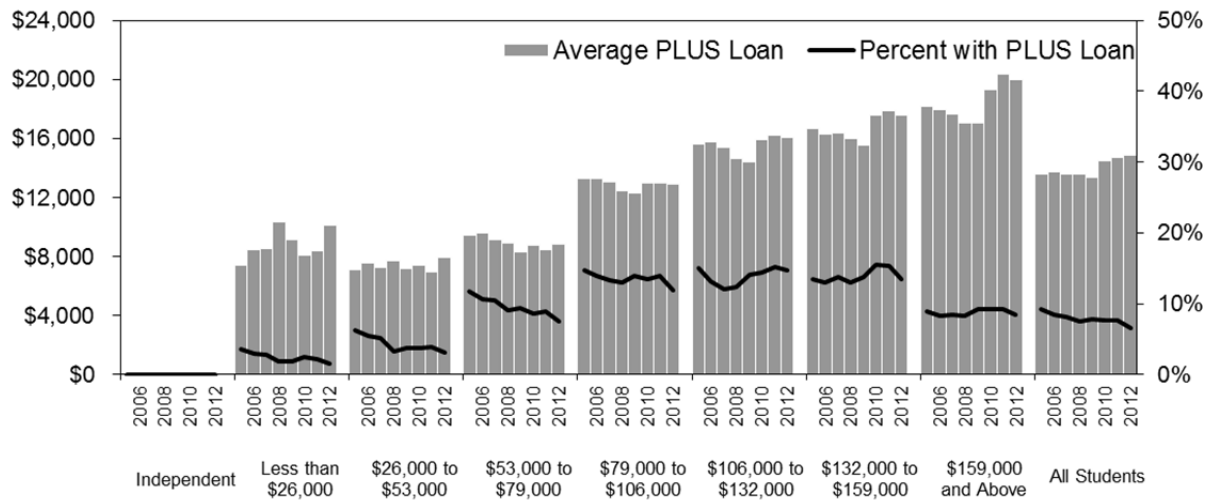
Trends in Student Borrowing by Parent Income, 2013-14 Constant Dollars



- The share of UC undergraduates who used student loans to help finance their education has declined in each of the last two years, from 46% in 2011-12 to 43% in 2013-14 (see the black lines in the figure above). This trend has happened in all but one income category shown in Figure 1-14.
- In constant dollars, the average amount borrowed has also declined in each of the last two years. Average borrowing levels declined from \$6,872 in 2011-12 to \$6,472 in 2013-14 (decreased slightly from \$6,717 in 2011-12 to \$6,467 in 2012-13 (see the gray bars in the figure above). This amounts to a decline of almost 6%.
- The two-year decline in the proportion of students borrowing applies to students in all income categories, except those with family incomes of between \$103,000 and \$129,000, who have seen a one-year decline.
- Students in all income categories have seen at least a two-year decline in their average loan amount.
- Prior to 2008-09, the percentage of students who borrowed declined for several years. That decline – which also occurred among students attending the California State University (CSU) and independent California institutions – ran contrary to national trends that showed an overall increase in the percentage of students who borrow. One potential explanation for the trend is the increase in California property values that occurred during this period, which may have led families to use home equity loans in lieu of student loans. The subsequent downturn in the California housing market and a tighter credit market may partly explain the increased reliance on student loans that began in 2008-09.

Figure 1-15

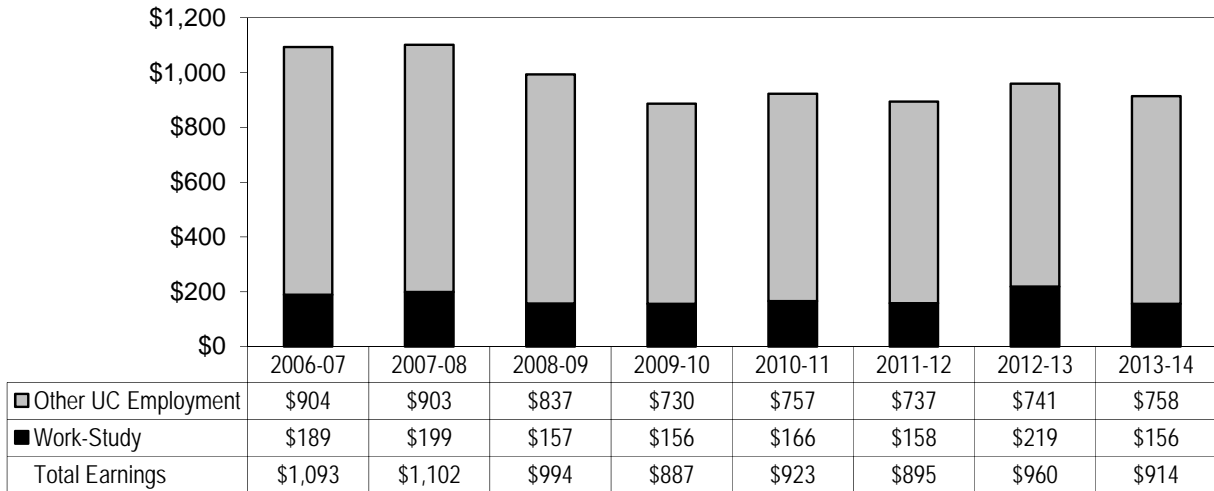
Trends in Parent Borrowing by Parent Income, 2013-14 Constant Dollars



- Parental borrowing under the federal PLUS loan declined from 8% to 6% between 2011-12 and 2013-14 (see the black lines in the figure above), although the average PLUS loan amounts remained relatively stable.
- Recent increases in the average PLUS loan may be partly attributable to a decline in the availability of other borrowing options (e.g., home equity loans) due to the recent economic downturn.
- Although not shown in the chart above, data indicate that the increase in the average PLUS loan among the very few low-income PLUS borrowers is attributable to a growing number of nonresident students in this category who rely on PLUS loans to help finance the cost of Nonresident Supplemental Tuition, which is not covered by Cal Grants or the University’s primary need-based grant program.

Figure 1-16

**Trends in Per Capita Work-Study and On-Campus Employment, 2013-14
Constant Dollars**



- Per capita student support from work-study earnings and other on-campus employment decreased slightly between 2012-13 and 2013-14 and remained slightly below 2008-09 levels in inflation-adjusted dollars.
- Support from employment remains low by historical standards, which may partly reflect fewer on-campus employment opportunities due to constraints on the University’s operating budget.
- For information about trends in the hours worked by UC students, see Figures 1-20 and 1-21 later in this chapter.

Outcome Measures Related to Student Financial Support

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

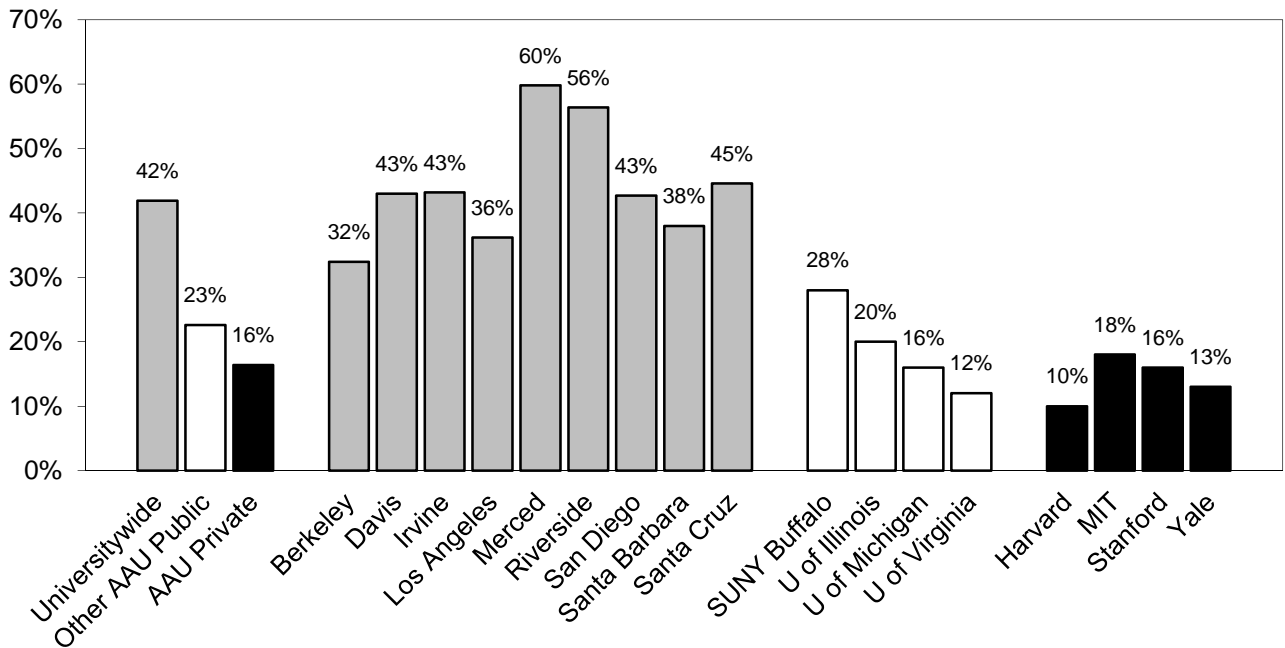
- Is the University financially accessible to students at every income level?
- Do UC students work manageable hours?
- Do students' financial circumstances affect their academic success?
- Do students graduate with manageable debt?

The charts that follow address these questions.

- UC remains very successful at enrolling low-income Pell Grant recipients. See Figure 1-17.
- Trends in the family income mix of incoming freshmen suggest no direct correlation between year-to-year changes in the University's tuition and freshman enrollment. See Figure 1-18.
- While the percentage of UC students from lower-income families had increased in recent years, likely reflecting the impact of the economic downturn and recession on the incomes of UC families in those years, the proportion of student from lower-income families remained stable between 2012-13 and 2013-14. See Figure 1-19.
- About half of UC students at every income level reported not working. As in past years, however, a small proportion of students reported working more than 20 hours per week. See Figures 1-20 and 1-21.
- Among students who enroll at UC with similar levels of academic preparation, low-, middle-, and higher-income students achieve similar levels of academic success as measured by persistence, unit completion after two years, and 6-year graduation rates. See Figures 1-22, 1-23, and 1-24.
- The percentage of students graduating with debt did not change between 2012-13 and 2013-14, although the average debt among borrowers declined slightly. See Figures 1-25.
- Among borrowers in every income category, most graduated with cumulative debt that would require 5% or less of their estimated average salary to repay. About 4% of all UC graduates in 2013-14 had debt that would require more than 9% of their average salary to repay based on a standard 10-year repayment plan – a slight decline from 2012-13. See Figure 1-26.

Figure 1-17

Pell Grant Recipients at UC and Other Research Universities,⁶ 2012-13

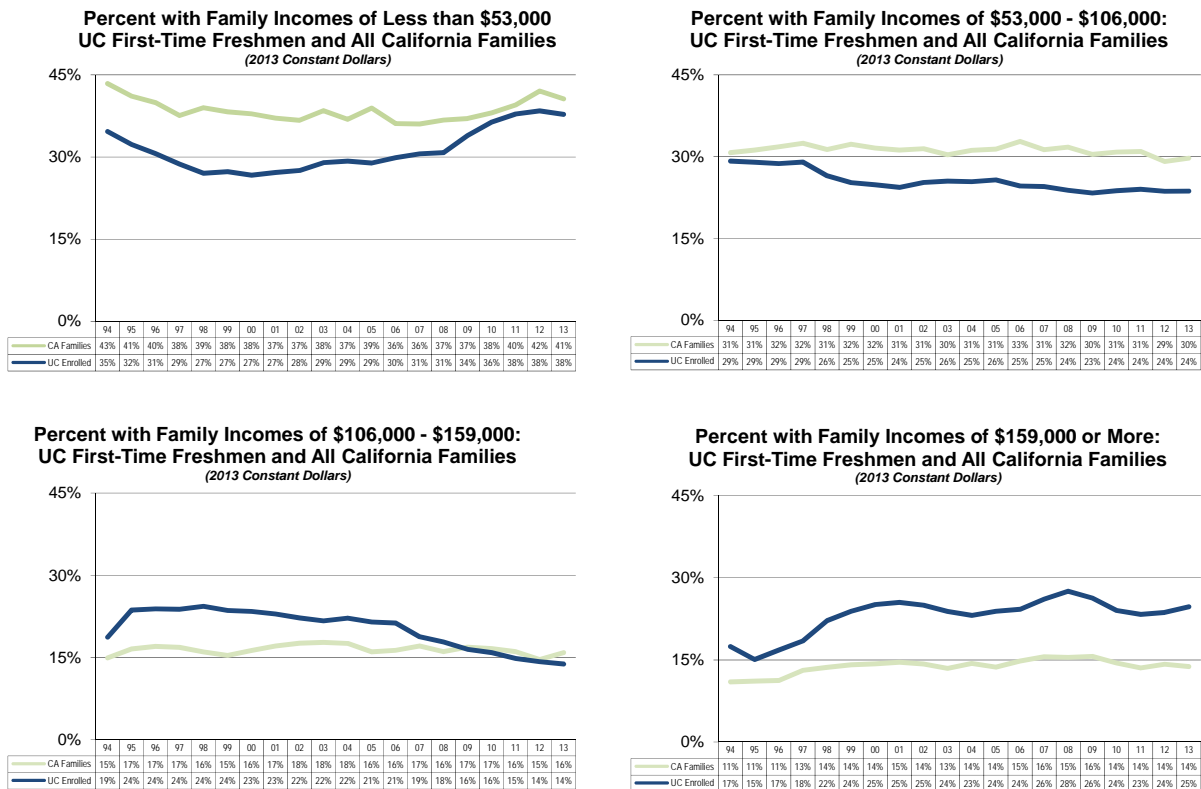


- The percentage of undergraduate students with Pell Grants provides a useful means to compare different institutions in terms of their financial accessibility for low-income students.
- Systemwide, UC enrolled a higher percentage of Pell Grant recipients – 42% – than any other top research university in the country in 2012-13.⁷
- UC’s exceptional success at enrolling low-income students is due, in part, to a combination of two strong need-based aid programs: the University’s own institutional aid program and the state’s Cal Grant program. While students at other institutions often benefit from *either* a strong institutional aid program *or* a strong state aid program, UC students benefit from *both*.

⁶ Association of American University (AAU) member institutions.

⁷ Figures shown are for 2012-13, the most recent year for which data are available through the Federal Integrated Postsecondary Education Data System (IPEDS). IPEDS figures include only students enrolled in the Fall term and hence may differ slightly from figures published elsewhere.

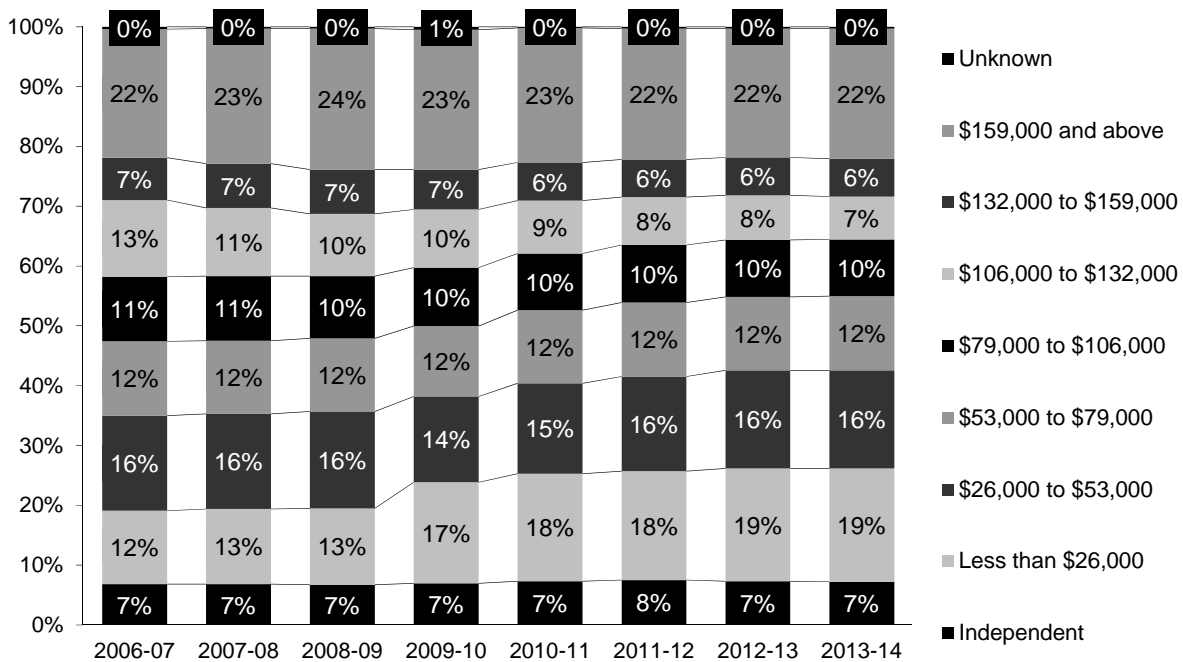
Figure 1-18
Trends in the Income of UC Freshman and California Families



- Another measure of the University’s affordability is the extent to which UC enrolls students from all income levels, despite increases in student fees and other costs.
- Trends in the percentage of UC freshmen in each income category shown above (shown in black) partly reflect trends in California’s population (shown in grey).⁸ For example, the percentage of low-income families decreased among UC freshmen and statewide during the economic growth of the late 1990s and early 2000s. More recently, the percentage of UC freshmen from low-income families has increased, as has the percentage of low-income families in the state.
- The enrollment of first-year students with parent income between \$53,000 and \$106,000 and between \$106,000 and \$159,000 has declined gradually since 1999, even though the proportion of California families in these categories has remained generally stable. Whether this trend is attributable to the rising cost of a UC education is unclear, though, since enrollment declined even in years with no fee increase (e.g., 2006-07 or 2012-13).

⁸ Families in the two lowest income categories are underrepresented at UC. This is presumably attributable to the well established link between income and academic preparedness. Since fewer students from these families are academically eligible to attend UC, they represent a smaller share of the University’s freshman enrollment.

Figure 1-19
Trends in the Parent Income of UC Undergraduates, 2013-14 Constant Dollars

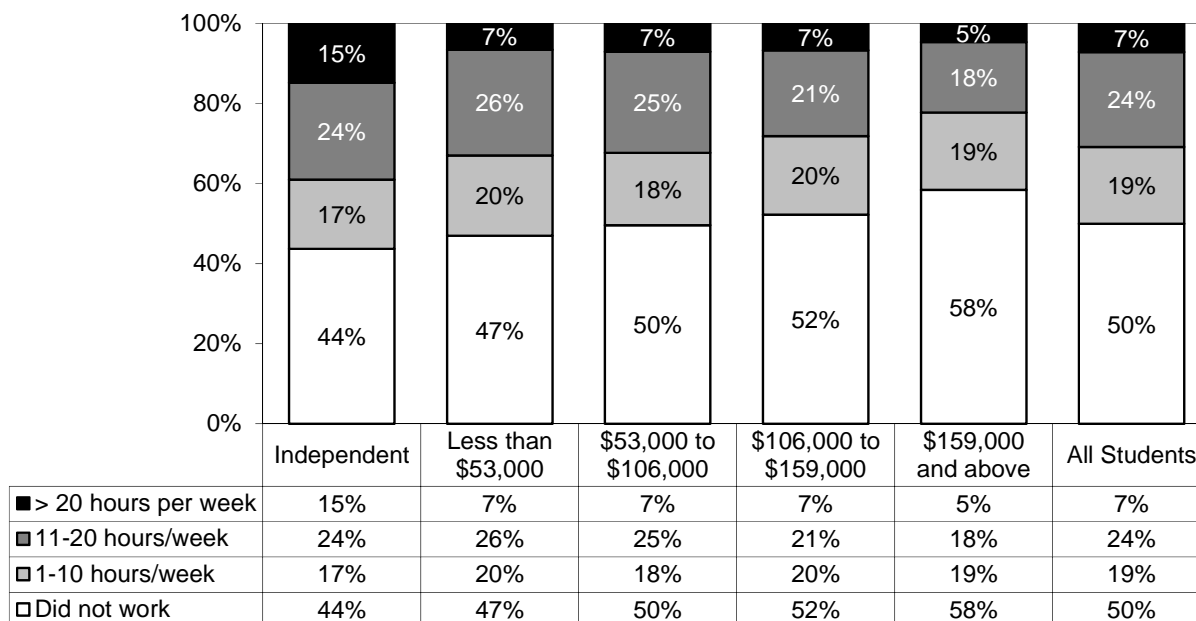


- As shown in Figure 1-19, the income distribution of UC undergraduates remained stable for many years despite increases in the University’s cost of attendance. This suggests that the University’s financial aid programs kept the University’s net cost of attendance within reach of low- and middle-income families, and that UC’s total cost of attendance remains affordable for others.
- Figure 1-19 also shows the impact of the recent economic downturn on UC families: since 2008-09, the proportion of UC students in the lower income categories increased noticeably, with an offsetting decline among upper- and upper-middle income families.⁹

⁹ Note that prior to 2007-08, an increasing number of students at one campus with parent incomes above \$100,000 were incorrectly categorized as having an income of \$100,000. This problem was fixed in 2007-08, resulting in an apparent (but not actual) decline in the percentage of students shown in the \$106,000 to \$132,000 category and a corresponding increase in the percentage shown in higher income categories.

Figure 1-20

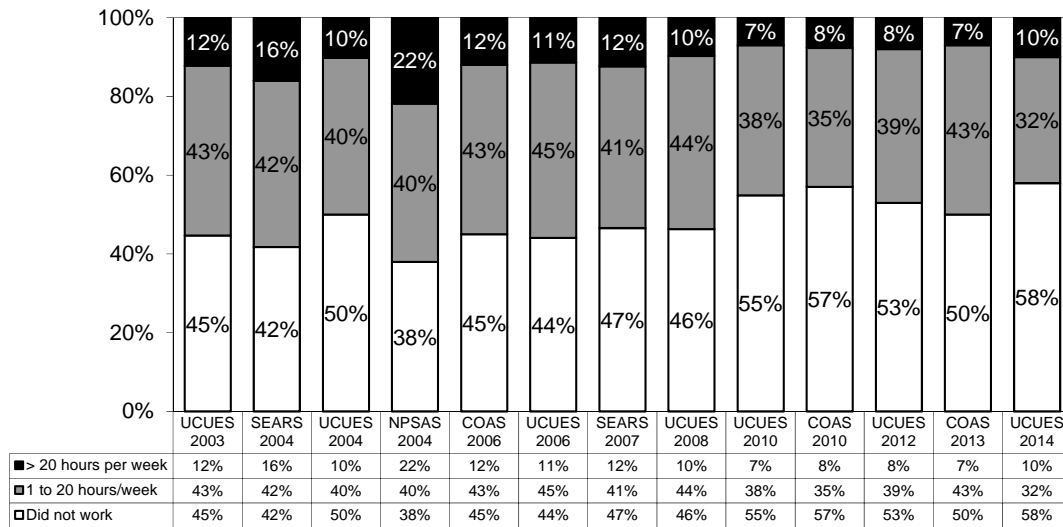
Hours of Student Employment by Income, 2013 University of California Cost of Attendance Survey (COAS)



- Under the Education Financing Model, the University expects each student to make a manageable contribution from employment towards financing the cost of the student’s education, not to exceed 20 hours per week. The “cap” of 20 hours per week was based on research that suggests that work in excess of 20 hours per week tends to negatively affect a student’s academic progress and performance. The University conducts periodic student surveys in order to monitor students’ employment patterns. Findings from a Spring 2013 survey are shown in the figure above.
- Among dependent students, work patterns show relatively slight variations by parent income.
- Many students at every income level do not work. This is consistent with the flexibility inherent in the Education Financing Model about how students actually cover their expected contributions. It also supports findings from a survey of parents of UC students, many of whom felt that it was their responsibility to cover their student’s expenses so that their son or daughter did not have to work. One reason why some parents perceive UC’s costs as burdensome may be that they are covering not only their expected share but also the student’s expected contribution from work.
- Some students at every income level report working more than 20 hours per week, which is beyond the upper bound of the University’s manageable range. Many factors may account for this, such as parents who are unable or unwilling to contribute the amount expected of them, or extraordinary expenses (higher than average discretionary expenses, family obligations, etc.).

Figure 1-21

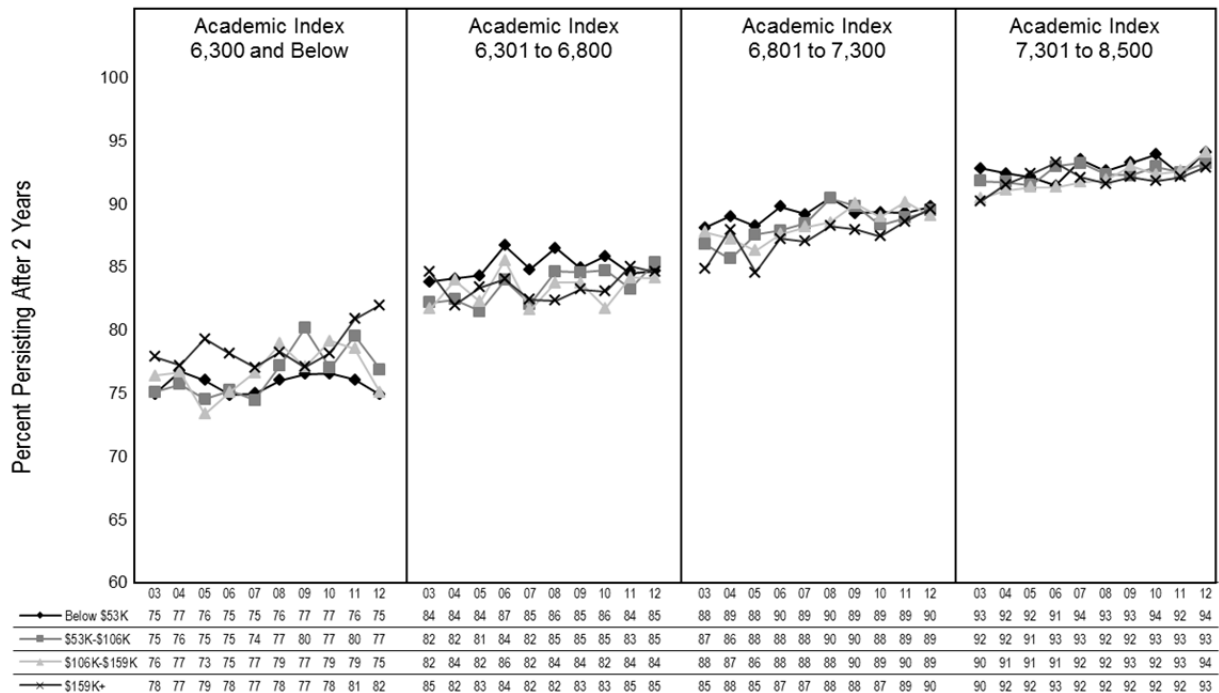
Manageability of Student Employment, Recent Surveys of UC Students



- Several factors limit the conclusions that can be drawn from a single survey about the relationship between students’ work patterns and UC affordability. For example:
 - Employment is strongly correlated with the student’s year in school, with seniors working more often and for longer hours than freshmen. The difference in work patterns between seniors and freshmen, for example, is much greater than the difference in work patterns between students from low- and high-income families.
 - UC survey data indicate that students who work more than 20 hours per week spend more, on average, on discretionary expense items than do other students. The causal relationship between these students’ expenses and work habits is unclear: do they work more because they have higher expenses, or do they spend more because they have more discretionary income?
 - Students work for reasons other than to finance their education. For example, some students work to cover living expenses for other family members as well as for themselves.
 - The economy can affect the availability of student jobs and, hence, students’ work hours.
- Nevertheless, if the University were steadily becoming less affordable for students, one might expect to find a long-term increase in UC students’ work-hours. That has not occurred.
 - The figure above depicts results from multiple surveys conducted since 2003¹⁰. The surveys used a variety of survey instruments yet depict a similar pattern of work that shows no obvious relationship to concurrent increases in UC’s costs.

¹⁰ The surveys are the University of California Undergraduate Experience Survey (UCUES); the Student Expenses and Resources Survey (SEARS); the National Postsecondary Student Aid Study (NPSAS), and the UC Cost of Attendance Survey (COAS). In 2014, UCUES changed from collecting work hours in a multiple choice question to using an open-response question, which could account for the some difference in that year’s results.

Figure 1-22
Trends in 2-Year Student Persistence Rates¹¹ by Entering Year, Parent Income, and Academic Preparation¹²

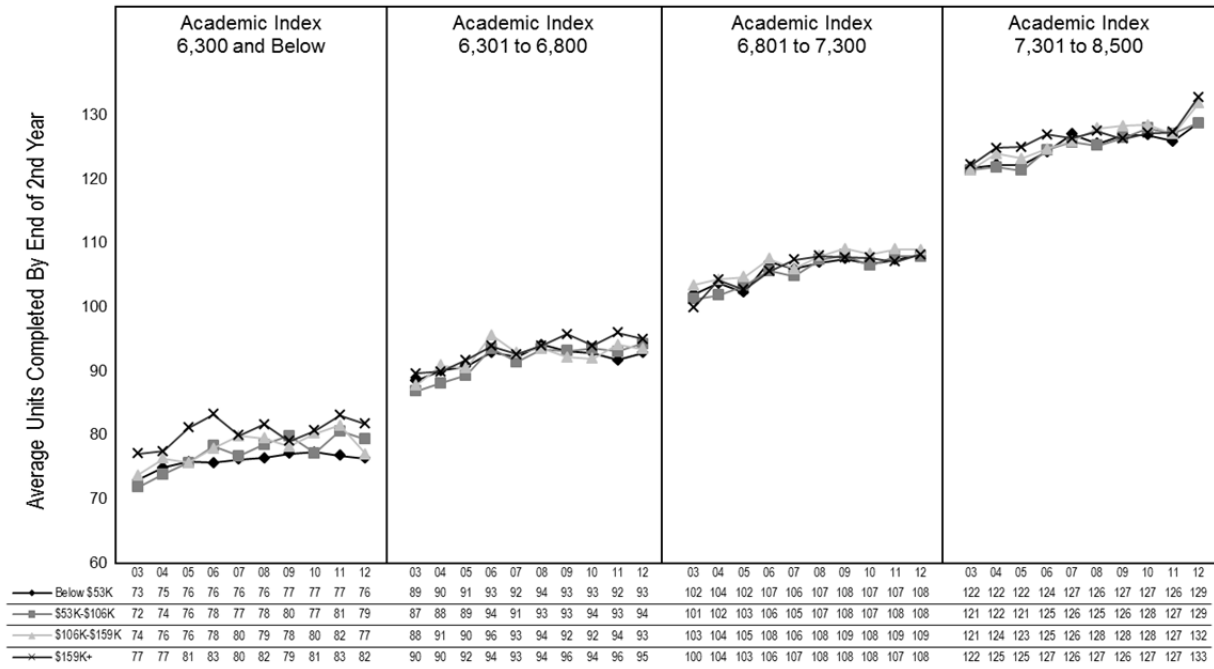


- Students who are better prepared academically (those with a higher academic index) when they enroll at UC persist to their third year at higher rates than less well prepared students.
- Among students with the three highest levels of academic preparation, students at every income level persist at roughly similar rates. However, a disparity in persistence by income could be emerging among the students with the lowest levels of academic preparation, where in recent years students in this group with the highest levels of income have higher persistence rates than other students.
- No long-term pattern suggests students are leaving the University at this stage in their education due to financial considerations.

¹¹ The rate at which students persisted into their junior year, by academic preparation for each entering class of UC freshmen from Fall 2003 through Fall 2012.

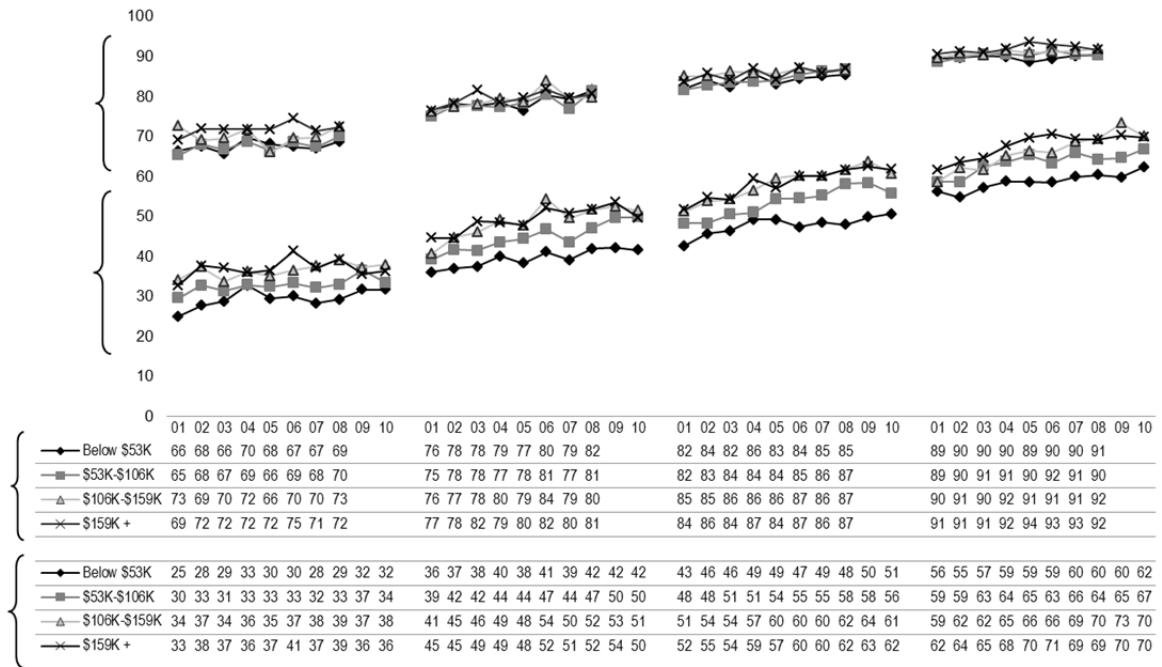
¹² The academic index is calculated by multiplying the high school GPA by 1,000, multiplying the combined math and verbal SAT test scores by 2.5 and summing the results.

Figure 1-23
Units Completed After 2 Years by Entering Year, Parent Income, and Academic Preparation



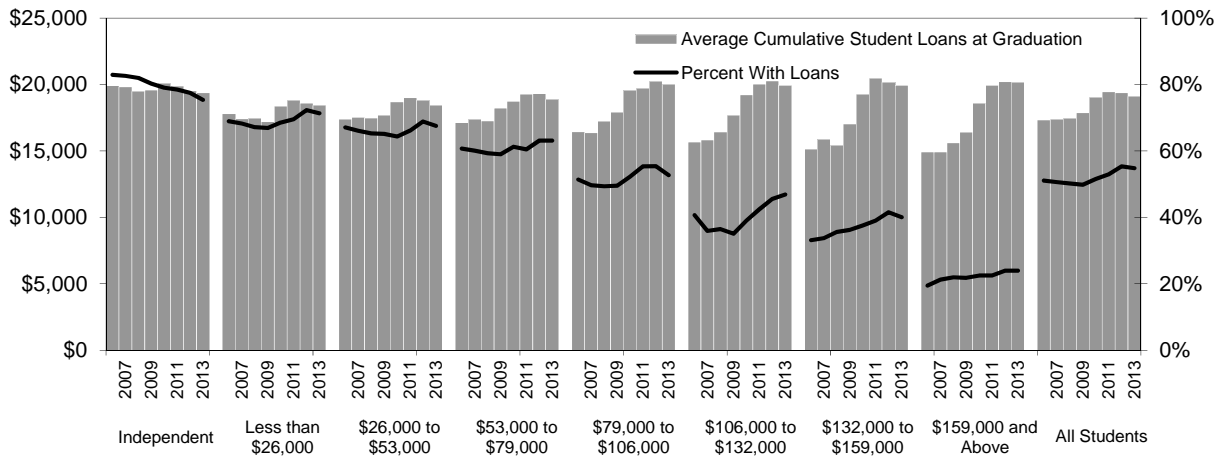
- The number of units completed after two years varies little across income categories among students with similar levels of academic preparation, suggesting that financial considerations are not influencing students' ability to make academic progress towards their degree.

Figure 1-24
Four- and Six-Year Graduation Rates by Entering Year, Parent Income, and Academic Preparation



- Historically, four-year graduation rates for higher-income students have generally exceeded those of lower-income students with similar levels of academic preparation. These rates, which have diverged and converged somewhat at different points in time, show no apparent relationship to changes in students' costs or financial aid.
- Six-year graduation rates show much less difference by parental income level. Small differences do persist – particularly among students who are less well prepared academically
- Overall, the patterns suggest that the University's financial aid programs allow low-income students to remain enrolled long enough to overcome other socioeconomic disadvantages that are not fully reflected in the measure of academic preparation used in this report (for example, parents' education level or the extent to which these students initially enrolled with significant amounts of Advanced Placement credit).

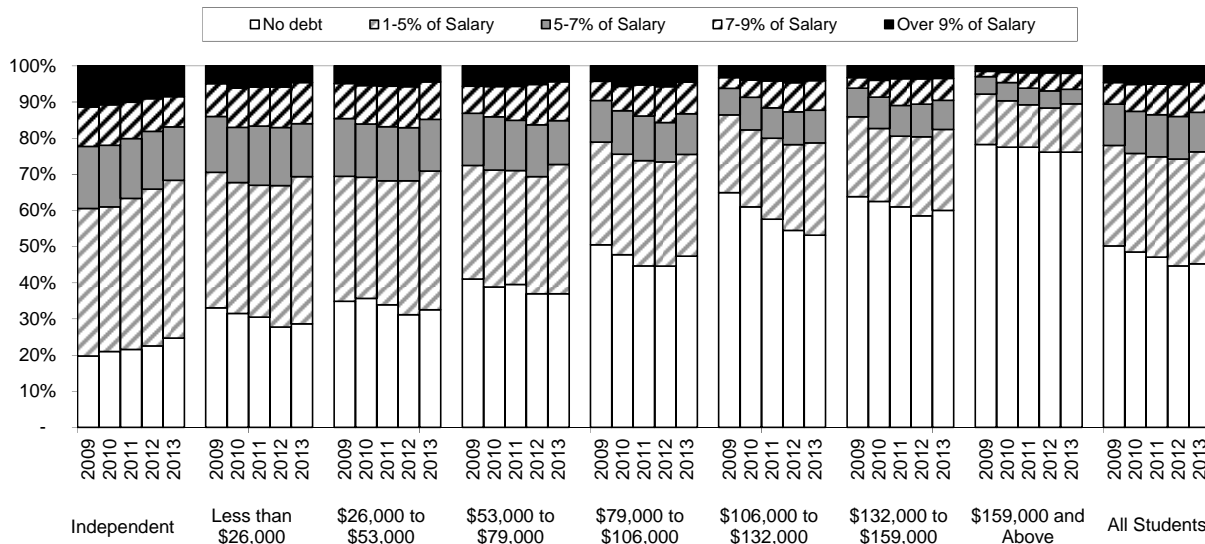
Figure 1-25
Trends in Cumulative Debt at Graduation by Parent Income, 2013 Constant Dollars



- The incidence of postgraduate debt declines with parent income: students from high-income families are much less likely to graduate with debt than students from low-income families or independent students (see the black lines in the figure above).
- Overall, 55% of the UC graduating class of 2013-14 had some student loan debt, the same as among the 2012-13 graduating class. The average cumulative student loan debt at graduation for these borrowers was \$19,105, slightly lower than the comparable figure for 2012-13 graduates (\$19,363) after adjusting for inflation.
- UC's average student debt at graduation remains low by national standards. Nationally, 69% of the graduating class of 2013 had student loan debt, with an average of \$28,400 per borrower, according to the Project on Student Debt.
- The trend in cumulative borrowing among students in most income groups is consistent with the trend in annual borrowing discussed earlier (see Figure 1-14).

Figure 1-26

Manageability of Debt at Graduation by Parent Income: Percentage of Students' Average Salary Required to Repay Student Loans



- UC attempts to use financial aid to allow students to graduate with a manageable amount of debt. The benchmark used to evaluate manageability is the percentage of average earnings required to repay a student's debt at graduation based upon a standard ten-year repayment plan. UC considers debt that requires between 5% and 9% of a student's postgraduate earnings to be manageable.
- Among borrowers in every income category, most graduated with cumulative borrowing that would require 5% or less of their average salary to repay.
- About four percent of all UC graduates in 2013-14 had debt that would require more than 9% of their average salary to repay.¹³
- Debt manageability for *individual students* can vary substantially for various reasons.
 - Students vary in their postgraduate earnings. Higher-income students can devote a higher proportion of their incomes to debt repayment without sacrificing basic expenditures.
 - Students vary in their other obligations. The same level of student loan debt will be less manageable for students with greater family obligations or other debt.
 - Students may choose alternative repayment plans (e.g., income-based plans) based on their individual circumstances. These can increase debt manageability for students with high levels of debt and/or low income, but can result in higher interest costs over time.

¹³ Based on the projected average salary of UC graduates over a ten-year period following graduation, assuming annual increases of 4%. Estimates include interest accrued on student loans (other than subsidized loans) while the student is enrolled.

New Developments for 2014-15

The following policy decisions and trends at the state, federal and University level are expected to influence the financial accessibility of the University in 2014-15:

- UC systemwide tuition and fees did not increase in 2014-15. As a result, there was no corresponding increase in either the University's need-based grant program (which is funded primarily by the University's practice of setting aside one-third of the new fee revenue for financial aid) or the Cal Grant program, which generally covers systemwide tuition and fees for Cal Grant recipients.
- The maximum Pell Grant program award increased by \$85, from \$5,645 in 2013-14 to \$5,730 in 2014-15. The increase will help offset increases in costs other than systemwide tuition and fees, such as campus-based fees, room and board, and other expenses.
- UC families will continue to be able to take advantage of the American Opportunity Credit, which expands the existing Hope Credit for tax years 2009 through 2017 and makes the Hope Credit available to a broader range of taxpayers, including many with higher incomes and those who owe no tax. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student. The full credit is available to individuals whose modified adjusted gross income is \$80,000 or less, or \$160,000 or less for married couples filing a joint return. The credit is phased out for taxpayers with incomes above these levels. UC estimates that these enhancements provided benefits worth over \$80 million to UC students and families for the 2012 tax year and a similar amount for 2013.
- Beginning in 2014-15, California's Middle Class Scholarship Program is a new source of gift aid for California students. The program is scheduled to phase in over four years, with the maximum amount of the scholarship increasing with each academic year until 2017-18. At that point, the maximum scholarship amount will be 40% of systemwide tuition and fees per year for students whose family income is up to \$100,000, and between 10% and 40% of systemwide tuition and fees for students whose family income is up to \$150,000 (based on a sliding scale). The program is expected to provide approximately \$24M in gift aid funding to UC students who typically do not receive gift aid from other sources in their first year.

The University will continue to monitor the indicators of financial accessibility and affordability described in this report, along with other indicators that are regularly reviewed by the University's Education Financing Model Steering Committee and/or included in the University's annual *Accountability Report*.

SECTION 2

FINANCIAL SUPPORT FOR GRADUATE STUDENTS

Goals of the University's Graduate Financial Aid Programs

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

The goal of graduate financial support differs substantially from that of undergraduate financial support. Support for graduate students is intended not simply to make the university accessible, but also to help entice top students to choose UC over other institutions for graduate study. Graduate student financial support is an important recruitment tool, the success of which is tied closely to whether the University's offers of financial assistance are competitive with those made by other universities competing for the same students. Graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

UC's graduate student population encompasses a diverse mix of academic and professional degree programs and disciplines. The levels and types of support received by graduate students vary by program and discipline, reflecting differences in both the competitive environment and extramural funding sources for these programs. For example:

- Research universities typically cover tuition and fees for students in academic doctoral programs as well as provide students with a net stipend for living expenses. In contrast, professional degree programs typically expect students to finance a portion of their tuition and/or living expenses through student loans.
- Research grants, which provide funding for graduate student research assistantships, are the principal source of student financial support for academic doctoral students in science and engineering disciplines. In contrast, fellowships and teaching assistantships play a proportionately larger role for academic doctoral students in the humanities and social sciences.

The metrics used to assess the adequacy of student financial support vary as well. Whereas the University seeks to provide competitive net stipends for students in its academic doctoral programs, its primary concern for students in professional degree programs is to ensure that levels of student indebtedness do not dissuade talented students from enrolling or prevent students from pursuing public interest employment upon graduation.

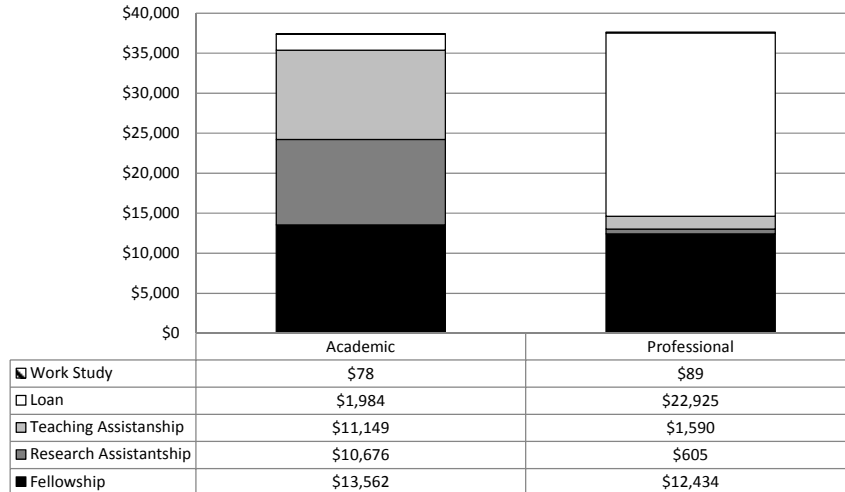
Graduate Academic and Professional Student Funding Patterns

The charts that follow depict several patterns and trends related to graduate student financial support.

- The financial support received by students in graduate academic programs differs markedly from that received by students in professional degree programs. Whereas nearly all support received by graduate academic students is in the form of fellowships and assistantships, students in professional degree programs rely primarily on loans to finance their education. See Figure 2-1.
- Support for graduate academic students has grown substantially in recent years, largely due to increases in tuition and fees that must be covered by additional aid in order to remain competitive with other institutions. See Figure 2-2.
- Among graduate academic students, types and levels of support vary by academic discipline. See Figure 2-3.
- In every discipline, academic doctoral students typically receive net stipends (support from fellowships and assistantships in excess of tuition and fees) that far exceeds that of academic masters students. Moreover, their net stipends have increased over time in every discipline, whereas the net stipends received by academic masters students have generally declined. See Figure 2-4.
- Among academic doctoral students, California residents typically receive higher net stipends than domestic non-resident students or international students. The gap between the net stipends received by California residents and international students has grown over time in most disciplines. See Figure 2-5.
- The University remains concerned about the competitiveness of its offers to students admitted to its graduate academic programs, which continue to lag those from students' top-choice non-UC alternatives. The competitiveness gap is greatest for international students. See Figure 2-6.
- Although fellowship support for professional degree students has increased – due in part to the one-third of tuition, fees, and professional degree fees that are set aside for institutional aid – it has been outpaced by increases in student borrowing. See Figure 2-7.
- While the percentage of professional degree program graduates with student debt declined in recent years, the average amount students borrowed while enrolled continues to increase. See Figure 2-8.

Figure 2-1

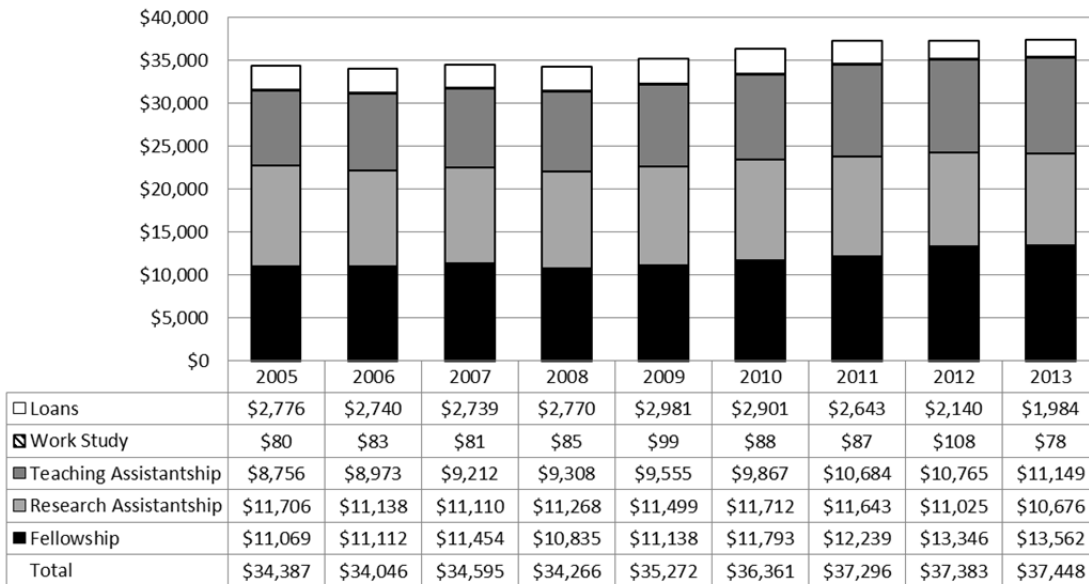
Per Capita Student Financial Support by Type of Graduate Academic and Graduate Professional Degree Students, 2013-14



- Compared to students in professional degree programs, a far greater portion of aid received by students in graduate academic programs is awarded in the form of gifts and assistantships, which are the most desirable types of assistance.
- Graduate professional degree students rely far more heavily on loans than do graduate academic students.
- Differences in the financing patterns of graduate academic program and graduate professional degree program students reflect fundamental differences in approaches to financing for these two groups of students.
 - Competition is the most significant factor driving these differences. As referenced earlier, financial assistance at the graduate level is a recruitment tool. The financing patterns shown above are generally reflective of what is required for the University to be competitive with institutions seeking to attract the same students, and are similar to the financing patterns at competing institutions.
 - Professional degree program students can typically anticipate higher earnings than graduate academic students. Although higher earnings can make payments on large levels of student debt manageable, challenges remain for those students who graduate with substantial levels of debt and who enter low-paying careers.

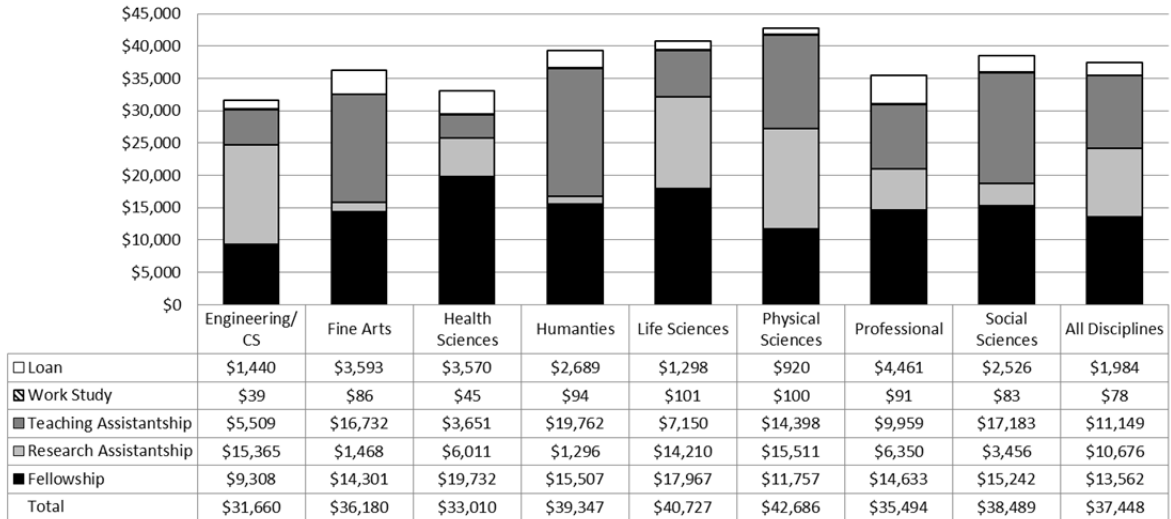
Figure 2-2

Per Capita Student Financial Support for Graduate Academic Students Over Time, Constant Dollars



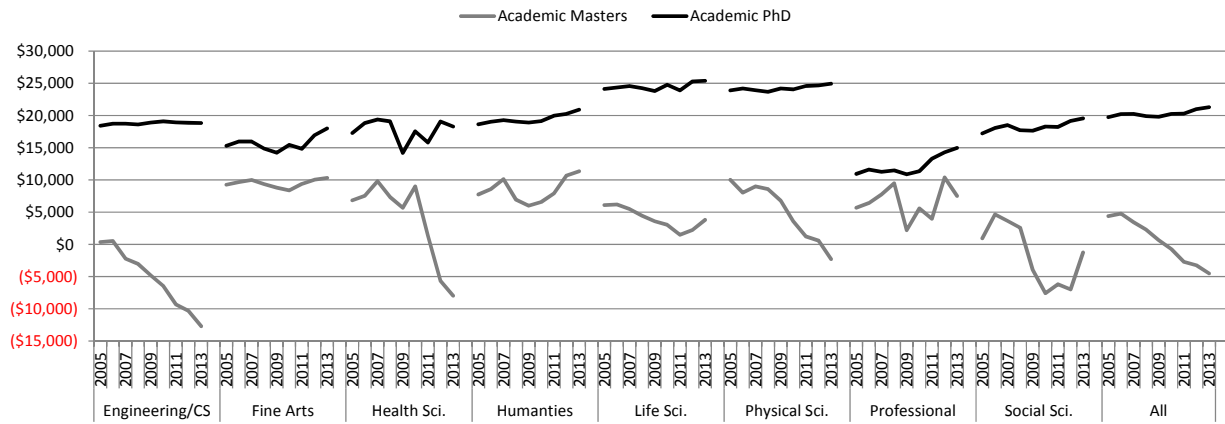
- Aggregate support for graduate academic students has increased over time. Different forms of support have increased (or decreased) at different rates, however.
- Support from fellowships (shown in black) and teaching assistantships (shown in dark gray) has increased. This is largely attributable to systemwide tuition and fee increases, which
 - increase the value of tuition and fee remissions provided to teaching assistants, and
 - generate additional funding for fellowships and other forms of support due to the University’s practice of setting aside a portion (currently 50%) of new tuition and fee revenue for graduate student support.
- Funding from research assistantships (shown in light gray) has decreased in constant dollars during this period, partly due to a reduction in the amount of nonresident tuition charged to research grants for graduate student researchers who have advanced to candidacy. The reduction occurred in 2006-07.
- Support from loans (shown in white) has declined in recent years, and support from work-study (not visible) changed little during this period. Both represent a small portion of the overall support received by graduate academic students.

Figure 2-3
Per Capita Student Financial Support for Graduate Academic Students by Discipline, 2013-14



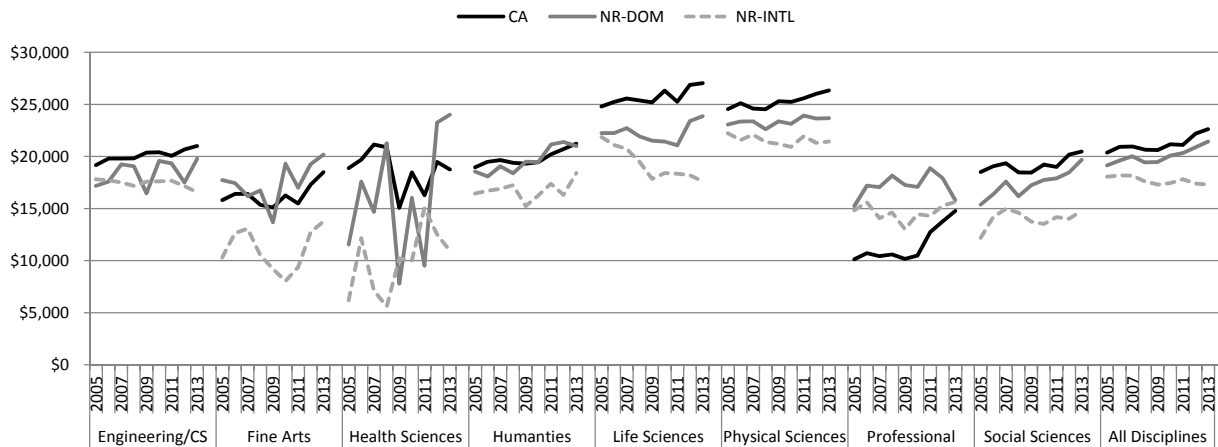
- Among graduate academic students, both the level and mix of funding varies by discipline.
- Competitive aid – fellowships, research assistantships, and teaching assistantships – is the most desirable form of support, and is highest for students in the physical and life sciences. In contrast, students in professional disciplines and in the fine arts are more likely to rely on student loans.
- Types of assistantships also differ across disciplines. Students in the humanities, fine arts, and social sciences are more likely to have teaching assistantship awards. Those in engineering/computer science, life sciences, and physical sciences are more likely to receive research assistantships, which are typically considered more desirable than teaching assistantships.

Figure 2-4
**Trend in Net Stipend Over Time for Academic Masters and Doctoral Students
 by Discipline, Constant Dollars**



- The net stipend provided to a student – support from fellowships and assistantship in excess of tuition and fees – is the University’s principal measure of the adequacy of graduate academic support.
- In most disciplines, the average net stipend of academic doctoral students (shown in black above) is substantially higher than that of masters students. This reflects the competitive nature of graduate student support and the emphasis placed by most research universities – including UC – on recruiting and supporting academic doctoral students, consistent with the research mission of these institutions.
- As tuition and fees have increased over time, departments have sought to maintain and even increase the value of net stipends awarded to academic doctoral students. This has come, to some extent, at the expense of academic masters students, whose average net stipend has declined over time.
- Masters students in engineering/computer science, health sciences, professional disciplines, and the social sciences typically do not receive enough fellowship or assistantship support to fully cover their tuition and fees, as shown by their negative net stipends in the figure above.

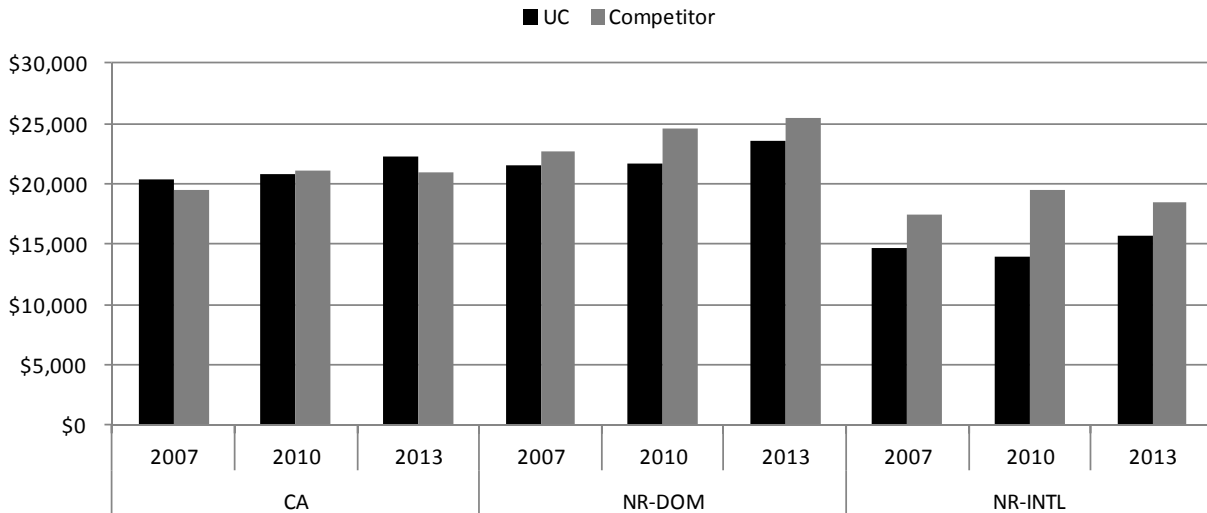
Figure 2-5
Trend in Net Stipend Over Time for Academic Doctoral Students by Residency and Discipline, Constant Dollar



- Despite tuition and fee increases, the value of net stipends received by academic doctoral students who are California residents (shown by the black lines above) has risen over time, after controlling for inflation.
- In contrast, the average net stipend received by international students (shown by the dotted line above) declined over time, resulting in a noteworthy gap in support between California residents and international students.
- International students are particularly costly to fund because they are subject to nonresident tuition until they advance to candidacy (and for any period of enrollment beginning three years after they advance to candidacy). Departments must cover these students' tuition and fees and nonresident tuition in addition to provide students with any net stipend.
- The University's ability to recruit international students to its doctoral programs has been a growing concern to the University. The number of international students enrolled in UC's academic doctoral programs has fluctuated over time, and there is evidence to suggest that the University's student financial support offers to international students are less competitive than its offers to other students (see Figure 2-6).

Figure 2-6

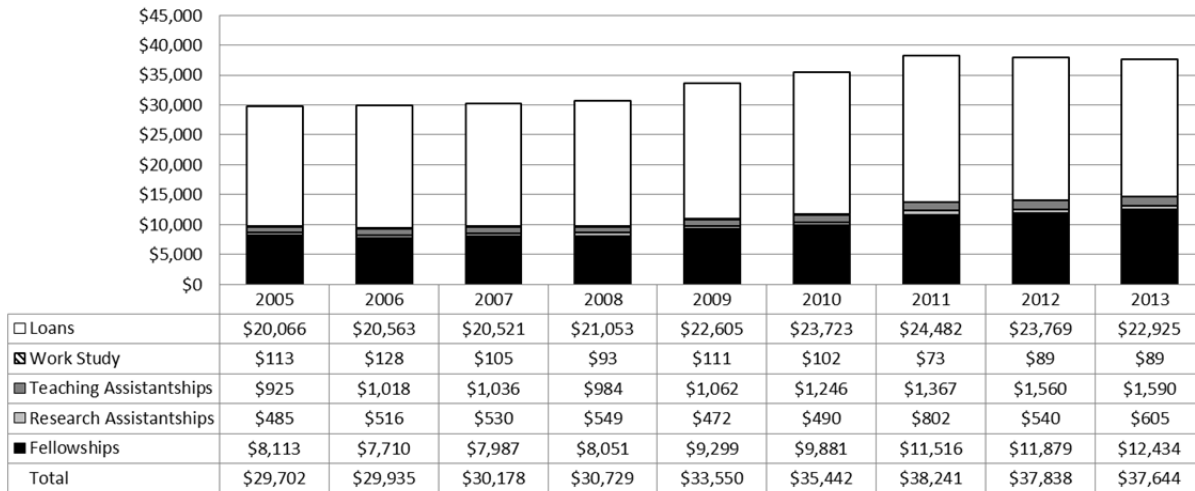
Trends in Net Stipends Offered by UC and Competing Institutions by Residency, Graduate Student Support Surveys, Constant Dollars



- Surveys of students admitted to the University’s academic doctoral programs suggest that the net stipends offered by UC (shown by the black bars above) are lower than those offered by students’ top-choice non-UC institution (shown in gray) for nonresident domestic and international students.
- After taking into account the generally higher cost of living in the communities where UC campuses are located, the gap between the purchasing power of UC’s net stipends and those from students’ top-choice non-UC institutions is even higher than the differences shown above.
- The competitiveness gap is largest for international students.
- UC’s competitiveness varied widely by discipline and campus.
- Detailed findings from the surveys are available at ucop.edu/student-affairs (see “Graduate Student Support” under “Data & Reporting”).

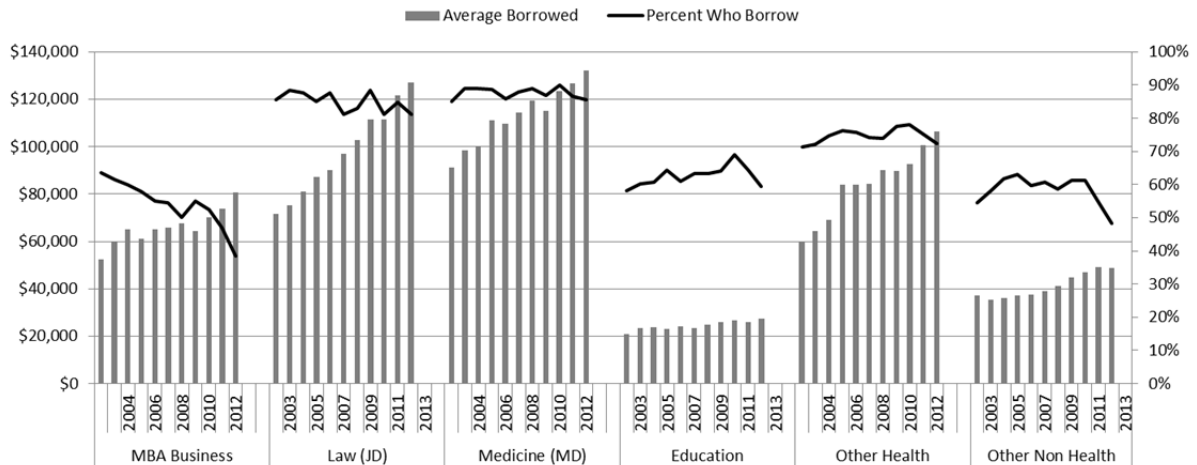
Figure 2-7

Per Capita Student Financial Support for Graduate Professional Degree Students Over Time, Constant Dollars



- Loans (shown in white above) are by far the most significant source of funding for students in the University’s professional degree programs. Borrowing among these students has increased significantly over time, largely due to increases in systemwide tuition and fees and Professional Degree Supplemental Tuition that have occurred during this time.
- Fellowship funding (shown in black) has increased as well. The increase is attributable to the University’s practice of augmenting its institutional aid programs in response to any increase in systemwide tuition or fees or the Professional Degree Supplemental Tuition.
- While teaching and research assistantships play major roles in funding academic doctoral students, they provide relatively little support to students in professional degree programs.

Figure 2-8
Cumulative Borrowing at Graduation Over Time, Professional Degree Program Graduates, Constant Dollars



- Levels of student borrowing differ substantially by professional degree program. Average debt at graduation (shown by the gray bars above) and the percentage of students with debt (shown by the black lines) are generally highest for programs with higher Professional Degree Supplemental Tuition charges (e.g., law) and/or programs that take longer to complete (e.g., medicine).
- Several mitigating factors help graduates of the University’s professional degree programs to manage their debt repayment obligations.
 - *Short- and long-term potential earnings upon graduation.* Graduates from professional degree programs in business, law, medicine, and several other disciplines can anticipate substantial earnings upon graduation – which greatly facilitates debt repayment.
 - *Flexible loan repayment plans.* Federal student loans offer a variety of repayment plans that can improve the manageability of graduates’ monthly loan payments – including a newly enhanced Income Based Repayment plan (IBR), which is designed to make loan repayments easier for students who take jobs with lower salaries.
 - *Loan repayment assistance programs (LRAPs).* LRAPs enable students to pursue public interest careers by helping them to repay their loans. For example, graduates of UC’s medical and health science professional schools may apply to LRAP programs funded by federal, state, and local agencies that support health professionals who choose to work in rural or medically underserved communities. UC law schools and the Haas School of Business at Berkeley also offer LRAPs for graduates who enter public interest careers.

New Developments for 2014-15

- The University maintained nonresident tuition at 2004-05 levels for all graduate and professional degree students. This should help improve the University's ability to compete for and enroll top international and out-of-state students.
- UC in-state systemwide tuition and fees also did not increase in 2014-15. Consequently, the cost of covering tuition and fees – from fellowships, assistantships, or a student's own resources – will decline slightly in inflation-adjusted dollars compared to 2013-14.
- In April 2014, the University held a systemwide conference on doctoral student support. The conference included representatives from every campus and yielded two outcomes: a set of best practices that campus officials can use to improve the University's ability to recruit and support talented academic doctoral students, and a set of recommendations for systemwide initiatives to enhance the University's success in this area. Given the current budget environment, these policy initiatives are still pending.

SECTION 3

OTHER PROGRAMS AND INITIATIVES TO ASSIST STUDENTS AND THEIR FAMILIES FINANCE A UC EDUCATION

State Programs and Initiatives

ScholarShare Trust College Savings Program

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

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

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

Federal Programs and Initiatives

Federal Education Tax Credits

The two federal education tax credits, the American Opportunity 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.

- **The American Opportunity Credit** – which was established by the American Recovery and Reinvestment Act of 2009 (ARRA) as an enhanced version of the **Hope Tax Credit** for tax years 2009 and 2010, and later extended through 2017 – provides up to \$2,500 per student for the first four years of postsecondary education to cover eligible expenses (generally tuition, fees, and books and supplies). Forty percent of the credit is refundable for most taxpayers. Eligibility is

phased out for joint filers who earn between \$160,000 and \$180,000, and for single filers who earn between \$80,000 and \$90,000.

- **The Lifetime Learning Tax Credit** is targeted at adults reentering college, changing careers, or taking courses to upgrade their job skills. It is also available to juniors, seniors, and graduate level students or other students ineligible for Hope credits. A family may receive a 20 percent tax credit for the first \$10,000 of qualified educational expenses paid each year. The maximum credit is \$2,000 per return. Eligibility is phased out for joint filers who earn between \$107,000 and \$127,000 in modified adjusted gross income, and for single filers who earn between \$53,000 and \$63,000 in modified adjusted gross income.

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

Tax Deduction for Higher Education-Related Expenses

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

Student Loan Interest Deduction

The student loan interest deduction reduces the burden of loan repayment by allowing taxpaying borrowers to take a tax deduction for interest paid during repayment on student loans. The deduction is available even if the taxpayer does not itemize other deductions. The maximum deduction is \$2,500. The income ceiling for eligibility for the interest deduction is \$75,000 for single filers and \$155,000 for joint filers. The deduction is available for all educational loans, including loans made to students or parents, guaranteed student loans, loans from private lenders, and loans made before the student loan interest deduction was passed into law.

Coverdell Education Savings Accounts (ESAs)

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

have been established for the beneficiary. The maximum amount that an individual can contribute to a single beneficiary is capped at \$2,000 per year for contributors whose income is less than \$95,000 (\$190,000 if filing a joint return) and declines to zero as the contributor's income approaches \$110,000 (\$220,000 for a joint return).

IRA Withdrawals for Higher Education Expenses

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

U.S. Savings Bonds

The interest on U.S. Savings bonds is, in certain circumstances, tax-free when bond proceeds are used to cover eligible education expenses. Individuals who are at least 24 years of age and purchase Series EE or Series I bonds may withdraw bond proceeds tax-free if they are used to cover tuition or fees or contributions to a Qualified State Tuition Program such as ScholarShare or an education IRA.

Information on Attachments

1. Sources for Data: UCOP Corporate Student System.
2. All recipient counts are unduplicated.
3. Postbaccalaureate teacher credential candidates are included in graduate enrollment figures.
4. Health sciences residents are excluded from graduate enrollment figures.

Additional Notes for Attachment C

- The appearance of Pell Grant awards at the graduate level is generally attributable to (a) students who moved from undergraduate to graduate status within a financial aid award year, and (2) students in teaching credential programs.
- “Other Federal Support” includes Bureau of Indian Affairs Grants, Nursing Grants and Loans, Health Education Assistance Loans (HEAL) and Health Professions Student Loans.
- This attachment does not include federally funded Social Security veterans’ benefits.

The University of California, in accordance with applicable federal and state law and university policy, does not discriminate on the basis of race, color, national origin, religion, sex, gender identity, pregnancy (includes pregnancy, childbirth and medical conditions related to pregnancy and childbirth), physical or mental disability, medical condition (cancer related or genetic characteristics), ancestry, marital status, age, sexual orientation, citizenship, or service in the uniformed services (includes membership, application for membership, performance of service, application for service, or obligation for service in the uniformed services). The university also prohibits sexual harassment. This nondiscrimination policy covers admission, access, and treatment in university programs and activities. Inquiries regarding the university’s student-related nondiscrimination policies may be directed to Eric Heng, Student Affairs Immediate Office at (510) 987-0239.

ATTACHMENTS

