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SANTA BARBARA • SANTA CRUZ

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
<http://www.ucop.edu>

January 9, 2018

The Honorable Holly J. Mitchell
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Mitchell:

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

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

Yours very truly,

A handwritten signature in cursive script that reads "Janet Napolitano".

Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Anthony J. Portantino, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Mrs. Katie Sperla)

The Honorable Holly J. Mitchell

January 9, 2018

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Ms. Jennifer Troia, Joint Legislative Budget Committee
Mr. Danny Alvarez, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Christian Osmena, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Mac Taylor, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Provost and Executive Vice President Michael Brown
Executive Vice President and Chief Financial Officer Nathan Brostrom
Vice President Robin Holmes-Sullivan
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief Policy Advisor and Executive Director Jenny Kao
Chief of Staff to the Chief Financial Officer Oren Gabriel

UNIVERSITY OF CALIFORNIA

OFFICE OF THE PRESIDENT



INSTITUTIONAL FINANCIAL AID
PROGRAMS

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

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OVERVIEW

Language in Section 66021.1 of the California Education Code directs the California State University and requests the University of California to report annually to the Legislature on their respective institutional financial aid programs. The University presents this report in response to the request for a preliminary report on its institutional financial aid programs. That request reads as follows:

66021.1(b) The California State University shall, and the University of California is requested to, report annually to the Legislature on their respective institutional financial aid programs. The California State University shall, and the University of California is requested, to provide preliminary reports on or before January 10 of each year, and final reports on or before March 31 of each year.

(c) The preliminary reports shall include all of the following:

(1) A description of the goals, terms, and policies of each of the university's institutional aid programs, including eligibility criteria, allocation of financial aid awards, fee waivers, and other relevant information.

(2) A description and explanation of any changes the university has made to any of these policies since the prior year, and any changes the university intends to make for the next academic year.

(3) The total amount the university expended on institutional aid for students, disaggregated by student level, for the two prior academic years, the current year, and a projection for the next year, and the average and 90th percentile undergraduate institutional aid award amount provided per recipient for the prior two academic years and the current academic year.

(4) The average and 90th percentile parental income level, expected family contribution, and the financial need of undergraduate need-based student institutional gift aid recipients for the prior two academic years.

(5) For the prior year, the current year, and the budget year, an analysis identifying the estimated number of undergraduates with financial need; their aggregate cost of attendance and aggregate expected federal parent contribution; the aggregate amount of financial aid, including federal gift aid, state gift aid, institutional need-based aid, institutional merit-based aid, other institutional gift aid, and private gift aid, received by these students; the aggregate remaining amount to be met by work, borrowing, or other means; and an explanation of the estimated change in aggregate student need in the budget year resulting from changes in the cost of attendance, and other factors, including any fee increases proposed by the university in its fall budget proposal. The explanation shall include an estimate of the extent to which cost increases will be offset by federal, state, and institutional financial aid programs.

(6) The typical financial aid package for a typical dependent undergraduate student with a parent income of twenty thousand dollars (\$20,000), forty thousand dollars (\$40,000), sixty thousand dollars (\$60,000), eighty thousand dollars (\$80,000), and one hundred thousand dollars (\$100,000).

The University will also provide a final report on its institutional financial aid programs no later than March 31, 2018, in accordance with other provisions of Section 66021.1.

The University's *Annual Report on Student Financial Support* provides a more comprehensive review of the financial support received by UC students, along with detailed trends and statistics related to support from State, Federal, University, and private sources. The most recent edition of the report may be found at http://www.ucop.edu/student-affairs/files/regents_1516.pdf.

Additional information about the University's financial aid programs, affordability, and social mobility may be found at the following locations:

- The University's *Budget for Current Operations*, which can be found at ucop.edu/operating-budget/budgets-and-reports/current-operations-budgets/index.html,
- The UC Accountability Report, which is available at accountability.universityofcalifornia.edu, and
- The UC Information Center, which is available at universityofcalifornia.edu/infocenter.

The Role of the University's Undergraduate and Graduate Financial Aid Programs

The financial aid programs available to University of California students do more than provide individual students with financial assistance to help cover their expenses. Considered together, they are critical to the University's success in carrying out its missions of instruction and research. Viewing undergraduate and graduate financial aid programs in terms of the University's missions is fundamental to understanding these programs and their success.

The University's Instructional Mission and Financial Assistance for Undergraduates

California's Master Plan for Higher Education calls for the University to select its undergraduates from among the top one-eighth of graduating high school seniors. The University's undergraduate financial assistance program is built around the goal of ensuring that financial concerns are not a barrier to eligible students choosing to attend the University. Consequently, most undergraduate financial assistance at UC is need-based – which is to say that it is distributed based on family financial circumstances. This assistance is intended to make the University accessible to students who could not otherwise afford to attend UC.

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

The University's graduate student enrollment is tied most directly to the University's research mission. The first point of enrolling graduate students is not to serve a designated pool of Californians – indeed, there is no Master Plan goal for graduate enrollment analogous to that for undergraduate enrollment – but rather to further both the University's role in helping the state meet its professional workforce needs and the University's research mission, which makes important contributions to the California economy. These contributions are maximized when the University attracts the top candidates from the pool of prospective graduate level students. This means that the goal of graduate financial support differs substantially from that of undergraduate support. Graduate financial support is intended not simply to make the University accessible, but also to serve as an important recruitment tool, the success of which is tied closely to whether UC's offers of financial assistance are competitive with those made by other universities competing for the same students. Thus, while most graduate students are needy, graduate level assistance at UC is distributed largely based on merit in order to increase its effectiveness at recruiting strong graduate students.

Notes on the Data

Figures presented in this report for 2017-18 and 2018-19 are preliminary and subject to change. Figures presented in this report reflect good-faith estimates as of the date of publication. All figures are for the academic year only and exclude self-supporting programs (e.g., Executive MBA programs), which receive no support from State funds.

I. INSTITUTIONAL AID FOR UNDERGRADUATE STUDENTS

The University of California’s undergraduate financial assistance programs are designed to make the University financially accessible to all eligible students. To achieve this goal, the University’s Undergraduate Financial Aid Policy, adopted by the Regents in 1994, calls upon the University to make the *full cost of attending the university* – known as the cost of attendance or the student budget – manageable for eligible students and their families, irrespective of their family resources.

Managing the Cost of Attendance: The Education Financing Model

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

- Guide its work in helping students and their parents manage the cost of an undergraduate education,
- Define its role in funding the University’s undergraduate student financial support programs, and
- Determine how much undergraduate financial aid to allocate to each campus.

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

- The total cost of attendance (resident student tuition and fees, books and supplies, living and personal expenses, and transportation) – also known as the student expense budget – represents the context for the Model;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the Model;
- All students should expect to make a similar self-help contribution from loan and work toward their cost of attendance, without regard to family income or resources; and
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

The Model is built upon a simple framework. In narrative terms, under the framework, the student expense budget minus (1) a reasonable parent contribution calculated according to federal standards, (2) anticipated grant aid from state and federal sources, and (3) a manageable student self-help contribution from loan and/or work, equals the amount of University grant aid needed.

Understanding how the University's undergraduate institutional aid program is administered requires a general understanding of each of the elements of the framework. These elements are explained below.

- **Student Expense Budget:** The student expense budget represents an estimate of a student's costs while attending college. This budget accounts for expenses such as student tuition and fees, books and supplies, room and board, transportation, and personal expenses, and reflects differing expenses associated with different campuses and different living arrangements.
- **Parent Contribution:** The expected contribution from parents is calculated in accordance with the federal needs analysis methodology.
- **Federal and State Grant Aid:** Federal and state grant aid is extremely important to UC students. Grant aid is what reduces the need for students to work and borrow to cover their educational costs, and together, federal and state grants account for over 60 percent of the grants received by UC undergraduates.
- **Manageable Student Self-Help Contribution from Work and Borrowing:** While University financial aid recipients are expected to contribute to their expenses, the goal of the Model is to keep the hours worked and student debt levels within a manageable range, and to keep the total student contribution consistent across income levels.
- **University Grant Aid:** University grant assistance is awarded to students whose full cost of attendance is not covered through sources listed above. Without the University grant to cover remaining expenses, some students would be left facing the need to work or borrow at higher levels. This would be inconsistent with the principle calling for equity in expectations.

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

Student Expense budget (cost of attendance):

Less Reasonable Contribution from Parents

Less Federal and State Grant Aid

Less Manageable Student Self-Help
Contribution from Work and Borrowing

Equals University Grant Aid Needed

Undergraduate Institutional Aid Programs

The University's undergraduate institutional aid programs can be grouped into four categories:

- **Need-based grants.** Need-based UC grants represent the most significant source of institutional aid for UC undergraduates. The primary goal of UC need-based grants is to provide financial access to students according to the terms of the Education Financing Model as described above. The specific awarding criteria vary slightly across campuses, consistent with the flexibility provided to campuses under the Model. In addition, since 2009-10, the University has awarded need-based grants as needed to ensure that low-income students who qualify for the Blue and Gold Opportunity Plan – currently those students with parent incomes of up to \$80,000 and financial aid eligibility – receive gift aid from UC, Federal, State, and/or outside agency grants and sources that is at least equal to their mandatory systemwide fees, not to exceed the student's financial need. In order to achieve these two goals, funding for UC grants is allocated to campuses in a manner that attempts to provide students with a common baseline level of financial accessibility (i.e., the same student self-help expectation) at every campus and to ensure that each campus has sufficient funds to meet the University's commitment reflected in the Blue and Gold. Allocations take into account campus differences in local costs (on- and off-campus housing, campus-based fees, books and supplies, health insurance, etc.) and student resources (parental resources and grants and scholarships from all sources).

Undergraduate need-based grants are funded primarily from the University Student Aid Program (USAP) budget, which is augmented each year due to the University's practice of setting aside a portion of new tuition and fee revenue for need-based aid. Like all USAP-funded programs, UC grants must be awarded in accordance with USAP Administrative Guidelines (available at www.ucop.edu/student-affairs/files/usap.pdf).

- **Scholarships.** UC scholarships are typically based on criteria such as academic achievement or athletic ability. Eligibility for certain scholarships may be limited to financially needy students, but scholarships are generally available to students at any income level who demonstrate particular merit as defined by the terms of the scholarships.

Most UC scholarships are funded from private gifts and endowments and are restricted to students at a particular campus, consistent with donors' wishes. Selection criteria vary according to local campus objectives and donors' wishes.

- **Tuition Exemptions and Waivers.** Certain UC students are exempt from paying in-state tuition and fees and/or nonresident supplemental tuition under a variety of exemption programs, or are eligible for waivers that cover these charges. In most cases, the policies implementing these exemptions and waivers were approved by the Regents in order to align UC policy with statutory exemptions created by the Legislature for students at the California State University and the California Community Colleges. The two largest programs are:

Cal Vet Fee Exemptions. Eligible dependents of deceased or disabled veterans are exempt from paying in-state tuition and fees.

AB 540 Nonresident Tuition Exemptions. Students (other than non-immigrant aliens) who graduated from a California high school (or the equivalent) and either 1) attended a California high school for three years or 2) earned the equivalent of three years of high school credit at a California high school and attended three years at some combination of California elementary or secondary schools are exempt from paying nonresident tuition.

Effective January 1, 2018, eligibility for an AB 540 tuition exemption expanded to include students who meet both 1) time and coursework requirements and 2) degree or unit requirements as described below.

Time and Coursework Requirements:

Either:

- a. Three full-time years attendance or attainment of equivalent credits at any of the following:
 - a. California high school
 - b. California adult school
 - c. California community college (limited to two years in credit-bearing courses)

OR

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

Degree or Unit Requirements

Meet one of the following three requirements

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

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan (including the DREAM Loan Program, described below) and work-study programs. While these programs fill specific niches for certain students (e.g., students who do not meet all of the Federal eligibility requirements for Title IV loan and work-study programs), they represent a tiny fraction of UC undergraduates' overall borrowing and employment earnings.

Recent and Anticipated Changes to Institutional Aid Policy

California DREAM Loan Program

The Legislature passed and the Governor signed UC-sponsored legislation in 2014 to establish the California DREAM Loan Program. This program serves undocumented AB 540 students at UC and CSU who, under the terms of the California Dream Act, became eligible for state and institutional grant programs but have lacked access to federal student loan programs. By establishing loan program eligibility, the California DREAM Loan Program allows the financial aid packages of these undocumented AB 540 students to more closely match those of other financial aid recipients at UC.

The University's 2015-16 budget approved by the Legislature and signed by the Governor included language designating an unspecified level of state support for the program. Since 2015-16, UC has designated \$2.5 million of its state funds for this program and matched this funding to provide DREAM loan support totaling \$5 million annually. Subsequent legislation signed by the Governor in September 2017 (AB 134) designated an additional \$1 million of UC's state funds to the DREAM Loan Program.

Food Security, Housing Security, and the UC Cost of Attendance Survey

The University's triennial survey of student spending was administered in spring 2016. The latest Cost of Attendance Survey included revised questions to help respondents more accurately report their food costs and allow students to report not just what they are spending on rent, but also information on their housing situation (e.g., number of roommates, distance lived from campus). The results of the survey informed the development of student expense budgets starting in 2017-18. A report on the survey is available here: <http://www.ucop.edu/student-affairs/files/COAS16%20Findings%20FINAL.pdf>.

Continued Phase-out of University Student Aid Program Eligibility for Nonresident Undergraduates

In November 2015, the UC Regents approved a budget that eliminates eligibility for the University's systemwide tuition and fee-funded need-based grant program – the University Student Aid Program (USAP) – for nonresident undergraduate students. Before this action was taken, domestic nonresident undergraduates with financial need could receive USAP to cover in-state costs. (They never received grant aid to cover Nonresident Supplemental Tuition.)

This change will be phased in over time, providing students who first enrolled at UC before Fall 2016 eligibility to receive UC need-based aid for the rest of their tenure as a student at UC. The \$14 million associated with the second cohort of ineligible nonresident students was used to help fund enrollment of 2,500 additional California resident undergraduates in 2017-18.

Institutional Aid Expenditures

Table 1-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

Table 1-1: Undergraduate Institutional Aid Expenditures, 2015-16 to 2018-19

	2015-16 (actual)	2016-17 (actual)	2017-18 (estimated)	2018-19* (estimated)
Gift Aid				
Grants				
Total amount	\$706.8 M	\$745.6 M	\$775.2 M	\$791.0 M
Average award	\$7,235	\$7,498	\$7,749	\$7,992
90 th %	\$15,118	\$15,631	\$15,882	\$16,125
Scholarships				
Total amount	\$116.8 M	\$133.4 M	\$137.8 M	\$141.8 M
Average award	\$5,610	\$5,883	\$5,927	\$6,053
90 th %	\$12,500	\$13,250	\$13,294	\$13,420
Subtotal—all Gift Aid				
Total amount	\$823.6 M	\$879.1 M	\$913.0 M	\$932.7 M
Average award	\$7,750	\$8,012	\$8,193	\$8,377
90 th %	\$15,550	\$15,981	\$16,162	\$16,347
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$31.9 M	\$34.7 M	\$36.5 M	\$37.8 M
Average award	\$12,240	\$12,294	\$12,630	\$12,972
90 th %	\$12,240	\$12,294	\$12,630	\$12,972
AB 540 (NR Tuition)				
Total amount	\$111.8 M	\$141.8 M	\$152.7 M	\$161.5 M
Average award	\$24,708	\$26,682	\$28,014	\$29,415
90 th %	\$24,708	\$26,682	\$28,014	\$29,415
Other				
Total amount	\$8.3 M	\$10.7 M	\$11.0 M	\$11.3 M
Average award	\$5,546	\$5,508	\$5,550	\$5,668
90 th %	\$24,708	\$26,682	\$28,014	\$29,415
Loans and Work-Study				
Loans				
DREAM Loan**	\$0.9 M	\$3.6 M	\$5.4 M	\$5.4 M
Total amount	\$5.8 M	\$9.0 M	\$9.3 M	\$9.6 M
Average award	\$1,696	\$1,850	\$1,864	\$1,904
90 th %	\$2,565	\$2,000	\$3,000	\$3,000
Work-Study				
Total amount	\$6.6 M	\$6.3 M	\$6.5 M	\$6.7 M
Average award	\$1,876	\$1,897	\$1,912	\$1,952
90 th %	\$3,380	\$3,500	\$4,000	\$4,000

*As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2017-19. For purposes of this report, figures for 2018-19 reflect a \$288 (2.5%) adjustment to 2017-18 Tuition levels and a \$54 adjustment to the Student Services Fee.

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

Undergraduate Need-Based Institutional Gift Aid Recipients

Table 1-2, below, displays information about the parent income, expected family contribution, and financial need of students who received need-based institutional gift aid in the past two academic years.

Table 1-2: Parent Income, Expected Family Contribution, and Financial Need of Students Receiving Need-Based Institutional Gift Aid

	2015-16 (actual)	2016-17 (actual)
Parent Income (for dependent aid recipients)		
Average	\$46,654	\$51,440
90 th Percentile	\$100,104	\$102,591
Expected Family Contribution*		
Average	\$3,928	\$4,011
90 th Percentile	\$13,306	\$13,490
Financial Need*		
Average	\$30,414	\$30,556
90 th Percentile	\$37,957	\$36,544

* Annualized for students who were enrolled less than the entire academic year.

Trends in Student Costs, Resources, and Need

Table 1-3 on the following page displays information about the aggregate cost of attendance, expected parental resources, gift aid, and remaining need for undergraduate need-based aid recipients in academic years 2016-17 through 2018-19.

The cost of attendance represents a combination of known direct charges (such as systemwide and campus-based tuition and fees and on-campus student housing) and estimated other costs (off-campus housing, textbooks, transportation, etc.) incurred by the student over the course of the academic year. To estimate these other costs, the University conducts a periodic Cost of Attendance Survey (COAS); as mentioned above, the last COAS was administered in Spring 2016, and the results are available at <http://www.ucop.edu/student-affairs/files/COAS16%20Findings%20FINAL.pdf>. The COAS asks students for information about their actual expenditures on costs such as off-campus rent, meals (other than those covered by their meal plans), books and supplies, transportation expenses, personal expenses, and other costs. During the intervening years between surveys, budget items derived from the COAS are adjusted annually to account for inflation.

It is worth noting that the University observed a decline in some reported expenses between the 2016 and 2013 COAS. For example, students reported spending less on textbooks in 2016 than they did in 2013. The University believes that this is a result of changes in the marketplace, e.g., students can now rent textbooks, reducing their costs. No correlation was observed between

declines in reported expenses and parent income, which suggests that this is not a result of financial aid policies, but true changes in student behavior. This decline in some expenses, along with increases in some types of aid, explains why the aggregate need to be met by working and borrowing in Table 1-3 actually declines in the 2017-18 estimates.

Overall, the aggregate undergraduate cost of attendance for need-based aid recipients is estimated to increase by \$238.0 million between 2017-18 and 2018-19. As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2018-19. For purposes of this report, figures for 2018-19 reflect a \$288 (2.5%) adjustment to 2017-18 Tuition levels and a \$54 (5.0%) adjustment to 2017-18 Student Services Fee. A modest 3 percent inflationary adjustment is assumed for all the other costs.

Table 1-3: Projected Undergraduate Student Costs and Resources, 2016-17 to 2018-19

	2016-17 (actual)	2017-18 (estimate)	2018-19 (estimate)	2018-19incr. (estimate)
Total # recipients of need-based aid	116,643			865
(a) Aggregate Cost of Attendance (COA)	\$3,942.1 M	\$3,980.3	\$4,218.3 M	\$238.0 M
(b) Aggregate Expected Parent Contribution	\$516.3 M	\$524.7 M	\$528.5 M	\$3.8 M
(c) Aggregate Federal gift aid	\$381.8 M	\$399.8 M	\$410.7 M	\$10.9 M
(d) Aggregate State gift aid				
Cal Grants	\$887.6 M	\$926.7 M	\$958.7 M	\$32.0 M
Middle Class Scholarships	\$9.1 M	\$12.8 M	\$13.2 M	\$0.4 M
Other State aid	\$0.8 M	\$0.8 M	\$0.8 M	\$0.0 M
(e) Aggregate UC need-based grants	\$745.6 M	\$775.2 M	\$791.0 M	\$15.8 M
(f) Aggregate UC merit-based awards	\$74.6 M	\$77.0 M	\$79.2 M	\$2.2 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$147.6 M	\$150.0 M	\$151.1 M	\$1.1 M
(h) Aggregate private gift aid	\$35.1 M	\$37.1 M	\$38.5 M	\$1.3 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through h])	\$1,143.7 M	\$1,076.2 M	\$1,246.5 M	\$170.3 M

* Dollar figures are in millions.

Of this amount, an estimated \$3.8 million is anticipated to be covered from the parent resources of new aid recipients as part of UC's planned expansion of California resident enrollment. The expected parent contribution of current aid recipients is expected to remain unchanged.

Funding from Cal Grants is expected to increase by about 3.5% due to projected increase in resident enrollment as well as the assumption built into this report about changes to Tuition and the Student Services Fee mentioned above. Funding from Pell Grants is expected to increase by 2.7% due to both the enrollment increase and an estimated 2% increase in the maximum Pell Grant.

The Middle Class Scholarship Program is a relatively new source of gift aid from the State. The program began in 2014-15 and has been fully phased in as of 2017-18. The program provides

awards of up to 40 percent of systemwide tuition and fees to students who typically do not receive gift aid from other sources. The program provided \$9.1 million to UC need-based aid recipients and \$17.7 million to UC students overall in 2016-17.

The University's practice of setting aside 33% of new mandatory systemwide tuition and fee revenue, combined with campuses' practice of setting aside a portion of new campus-based fee revenue, would be expected to provide an additional \$15.8 million in funding to help cover expenses after accounting for the reduction in funding that would have otherwise gone to nonresident undergraduates.

Other sources of gift aid are expected to remain relatively flat.

Overall, the University expects undergraduate need not met by the sources described above to increase by \$170.0 million in 2018-19, an increase of approximately \$1,426 per need-based aid recipient. The increase is attributable to projected cost increases described above, which will collectively exceed the projected increase in financial aid funds from state, federal, and institutional sources.

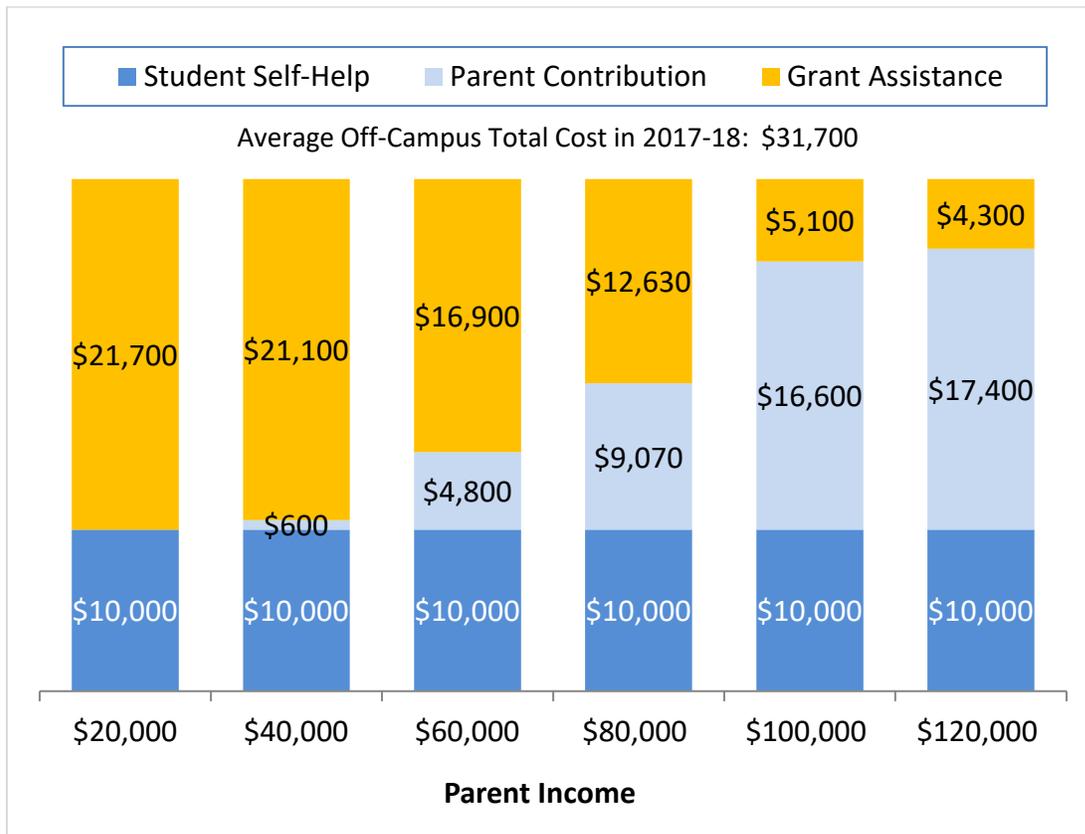
Typical Financial Aid Packages

Display 1-1, on the following page, depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category) for 2017-18.

Display 1 shows components of typical packages grouped into three broad categories:

- *Self-help:* Self-help components of a student's package include both student loans and an expected contribution from employment. UC expects all students to be capable of making the same self-help contribution from a manageable level of work and borrowing.
- *Parent contribution:* As shown below, the expected parent contribution rises quickly with income. Parents are not, however, expected to pay this amount out of current income alone. A student's package may include a parent loan to help families cover this amount, and many families contribute from savings as well.
- *Grant assistance:* Grant assistance consists of need-based gift aid provided primarily through a combination of three sources: federal Pell Grants, Cal Grants, and UC Grants. The specific mix of grants depends on the student. UC Grants are awarded so that, in combination with all other grants, self-help is equalized across students.

Display 1-1: Typical Financial Aid Packages, 2017-18*



* Gift assistance will increase to \$12,972 for the student with parental income of \$80,000 if the student meets all eligibility requirements for the Blue and Gold Opportunity Plan – e.g., CA residence, financial aid eligibility, and enrolled four years or less – assuming the 2.5% adjustment to Tuition and 5.0% adjustment to the Student Services Fee used for modeling purposes in this report.

II. INSTITUTIONAL AID FOR GRADUATE ACADEMIC STUDENTS

Adequate support for graduate students has been identified by the Regents as one of the major issues facing the University. In order to support its research mission and fulfill its responsibility to meet California's professional workforce needs, the University needs to attract top graduate students. To do this, it must offer financial assistance packages that can compete with those offered by other institutions recruiting the same prospective graduate students. Providing a competitive level of student support – after taking into account the tuition and fees that students must cover – is the primary goal of the University's institutional aid program for graduate academic students.

Assessing the Competitiveness of Graduate Academic Student Support

Concerns about the competitiveness of the University's awards were substantiated by surveys conducted every three years since 2001 of students admitted to UC's academic doctoral programs. These surveys showed variation in the competitiveness of UC's offers across academic disciplines and campuses but indicated that, on average, the net stipend (fellowship and assistantship awards in excess of tuition and fees) associated with the offer from the student's top choice UC doctoral program was less than the student's top choice non-UC offer. Taking into account differences in the cost of living in different university communities increased the average shortfall in the value of UC's offers. Complete survey results may be found at <http://www.ucop.edu/student-affairs/files/GCOAS%20Report%202017.pdf>.

Graduate Academic Institutional Aid Programs

The University's institutional aid programs for graduate academic students can be grouped into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid is generally the most desirable and flexible form of student financial support for graduate academic students. Unlike research assistantships or teaching assistantships, these awards impose no employment obligation on the part of the recipient to "earn" the support; unlike loans, they do not need to be repaid. USAP represents most of the institutional funding available for UC-awarded gift aid. (For more details on the terms associated with USAP awards, see the USAP Administrative Guidelines at ucop.edu/student-affairs/files/usap.pdf.)

- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate academic students are exempt from paying fees and/or nonresident tuition under various fee and tuition exemption programs, or are eligible for waivers that cover these charges.
- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University's overall support for graduate academic students.

In addition to the financial aid programs described above, graduate academic students also utilize research and teaching assistantships to finance their UC education. These appointments are important for other reasons as well: assistantships help students to develop important teaching and research skills, to form close working relationships with faculty members, and to deepen their expertise in specific subject matter areas. University-sponsored assistantships have been funded from either the instructional (for teaching assistantships) or research (for research assistantships) portion of the University's budget, or from extramural sources (e.g., sponsored research grants). In recent years, the University has also allocated a portion of its student support funds to campuses in recognition of the increased cost of providing fee remissions* to these students.

* Teaching assistants and research assistants with appointments above a minimum percentage are entitled to remissions that cover their systemwide tuition and fees.

Institutional Aid Expenditures

Table 2-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 2-1: Graduate Academic Institutional Aid Expenditures,
2015-16 to 2018-19**

	2015-16 (actual)	2016-17 (actual)	2017-18 (estimated)	2018-19* (estimated)
UC Gift Aid				
Total amount	\$309.2 M	\$302.2 M	\$308.5 M	\$314.9 M
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$0.6 M	\$0.5 M	\$0.5 M	\$0.5 M
AB 540 (NR Tuition)				
Total amount	\$4.7 M	\$4.5 M	\$4.5 M	\$4.5 M
Other				
Total amount	\$7.5 M	\$6.0 M	\$6.2 M	\$6.4 M
Loans and Work-Study				
Loans				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
Work-Study				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M

* As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2018-19. For purposes of this report, figures for 2018-19 reflect a \$288 (2.5%) adjustment to 2017-18 Tuition levels and a \$54 (5.0%) adjustment to the 2017-18 Student Services Fee.

Projected increases in UC gift aid, exemptions and waivers, loans, and work-study in 2017-18 and 2018-19 are driven by modest anticipated changes in enrollment, as well as a return-to-aid on the adjustment to the 2017-18 Tuition (\$336) and Student Services Fee (\$54) and the modeled assumptions for 2018-19 described above.

III. INSTITUTIONAL AID FOR GRADUATE PROFESSIONAL STUDENTS

The University's professional school programs graduate a cadre of trained professionals in medicine, business, law, and other disciplines, many of whom remain in California and make valuable contributions to their professions and to the state. The University recognizes the importance of enrolling talented students from diverse socioeconomic backgrounds into these programs, for the betterment of the communities, institutions, and individuals that these professionals will ultimately serve. The University's institutional aid programs for graduate professional degree students are thus oriented around this goal.

About two-thirds of aid awarded to graduate professional students is in the form of loans, rather than fellowships or grants. The differences in support patterns for graduate academic and graduate professional students reflect the contrasting approaches to graduate student support in higher education. Fellowship, grant, and assistantship support are viewed as more successful and loans less successful 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 more appropriate for students pursuing professional degrees. These programs are relatively shorter and students' incomes have the potential to be substantially higher.

Graduate Professional Institutional Aid Programs

The University's institutional aid programs for graduate students in professional degree programs fall into three general categories:

- **Gift Aid (Grants and Fellowships).** Gift aid can significantly reduce the cost of a graduate professional degree program. Programs that charge Professional Degree Supplemental Tuition (PDST) are expected to set aside a portion of PDST revenue for fellowship support. At the systemwide level, USAP also provides fellowship funding for students in professional degree programs. (For more details on USAP awards, see the USAP Administrative Guidelines at ucop.edu/student-affairs/files/usap.pdf.) Campus allocations of USAP fellowship funds take into account the number of graduate professional degree students at each campus.
- **Fee and Tuition Exemptions and Waivers.** Certain categories of graduate professional degree students are exempt from paying fees and/or nonresident tuition under various fee and tuition exemption programs, or are eligible for waivers that cover these charges.

- **Loan and Work-Study Programs.** UC campuses administer a small number of UC-funded loan and work-study programs. These programs play a minor role in the University's overall support for graduate professional degree students.

In addition to these programs – which provide institutional support to currently enrolled students – loan repayment assistance programs (LRAPs) are available to graduates of certain professional degree programs. Four UC programs (three in law, one in business) offer loan repayment assistance to assist program graduates who chose to enter low-paying careers in the public interest. Outside agencies also provide LRAPs to students in the health sciences who pursue public interest careers as defined by each agency.

Recent and Anticipated Changes to Institutional Aid Policy

New Assessments of Professional Degree Supplemental Tuition

Consistent with University policy, professional degree programs proposing a PDST fee charge must set aside an amount equivalent to at least one-third of their professional degree fee revenue for institutional aid.

Institutional Aid Expenditures

Table 3-1, below, shows information regarding total expenditures and awards for each category of institutional aid award described above.

**Table 3-1: Graduate Professional Institutional Aid Expenditures,
2015-16 to 2018-19**

	2015-16 (actual)	2016-17 (actual)	2017-18 (estimated)	2018-19* (estimated)
UC Gift Aid				
Total amount	\$186.7 M	\$170.6 M	\$172.8 M	\$175.3 M
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$3.5 M	\$2.8 M	\$2.9 M	\$3.1 M
AB 540 (NR Tuition)				
Total amount	\$4.0 M	\$4.3 M	\$4.3 M	\$0.0 M
Other				
Total amount	\$3.4 M	\$2.5 M	\$2.6 M	\$2.7 M
Loans and Work-Study				
Loans				
Total amount	\$2.3 M	\$2.0 M	\$2.1 M	\$2.1 M
Work-Study				
Total amount	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M

* As of the date of preparation of this report, UC has not finalized a proposed Tuition level for 2018-19. For purposes of this report, figures for 2018-19 reflect a \$288 (2.5%) adjustment to 2017-18 Tuition levels and a \$54 (5.0%) adjustment to 2018-19 Student Services Fee. 2018-19 PDST charges are still unknown.

The projected increases in UC gift aid for 2017-18 and 2018-19 reflect a return-to-aid of 33% on all new PDST revenue as well as a return-to-aid on the modeled Tuition and Student Services Fee revenue for both years. Projected increases in exemptions and waivers, and loans also reflect anticipated enrollment growth and Tuition and Student Services Fee adjustments.

Appendix A

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

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

6440 UNIVERSITY OF CALIFORNIA DETAILED EXPENDITURES BY PROGRAM STUDENT MANDATORY FEES (Rounded to thousands)		
	2016-17 (actual)	% of Total
INSTRUCTION		
GENERAL CAMPUSES INSTRUCTION	1,350,513	39.24%
HEALTH SCIENCES INSTRUCTION	101,515	2.95%
Subtotal	1,452,028	42.19%
ACADEMIC SUPPORT		
LIBRARIES ACADEMIC SUPPORT	35,218	1.02%
OTHER ACADEMIC SUPPORT	302,854	8.80%
Subtotal	338,072	9.82%
STUDENT SERVICES		
Subtotal	369,690	10.74%
INSTITUTIONAL SUPPORT		
Subtotal	268,407	7.80%
OPERATION AND MAINTENANCE OF PLANT		
Subtotal	107,711	3.13%
STUDENT FINANCIAL AID		
Subtotal	906,038	26.32%
TOTAL	3,441,946	100.00%

Contact information:
Office of the President
University of California
1111 Franklin Street
Oakland, CA 94607-5220
<http://www.ucop.edu>