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SANTA BARBARA • SANTA CRUZ

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

March 22, 2019

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 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 e-mail at David.Alcocer@ucop.edu.

Yours very truly,


Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Richard D. Roth, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Mr. Kirk Feely)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Mrs. Katie Sperla)
Ms. Jennifer Troia, Joint Legislative Budget Committee
Ms. Erika Contreras, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office

The Honorable Holly J. Mitchell

March 22, 2019

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Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Ms. Keely Bosler, Department of Finance
Mr. Jeff Bell, Department of Finance
Mr. Chris Ferguson, Department of Finance
Ms. Rebecca Kirk, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Ms. Carolyn Chu, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Executive Vice President and Provost Michael Brown
Vice Provost and Chief Outreach Officer Yvette Gullatt
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Executive Vice President and Chief Financial Officer Nathan Brostrom
Associate Vice President Elizabeth Halimah
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief of Staff to the Chief Financial Officer Brad Werdick
Chief of Staff Governmental Relations Bob Hartnagel
Manager Jennifer Brice

UNIVERSITY OF CALIFORNIA

OFFICE OF THE PRESIDENT



INSTITUTIONAL FINANCIAL AID
PROGRAMS

*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. In the 2018 Budget Act (Assembly Bill 1809), these reporting requirements and the timeline for completing the report changed. As a result, this Institutional Financial Aid Programs report differs from those in prior years:

- The report focuses on undergraduate financial aid programs (see Section (a)(1) below).
- The report deadline is March 31. Therefore, it is no longer a preliminary report.
- New figures have been added to comply with new reporting requirements. See Figures 4-15 and Appendix A.
- Additional information on financial aid expenditures, trends, and outcomes for undergraduate students, as well as information on graduate student financial support, will continue to be reported to the UC Board of Regents in the *Annual Report on Student Financial Support*. The latest can be found here: <https://www.ucop.edu/student-affairs/data-and-reporting/reports-to-the-regents-on-student-financial-support/index.html>

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 University presents this report in response to the request for a report on its institutional financial aid programs. That request reads as follows:

Statutory Language AB 1809, Chapter 23, Statutes of 2018 amends Section 66021.1 of the Education Code to read:

(a) For purposes of this section, the following terms shall have the following meanings:

(1) “Institutional financial aid” means all institutional grant aid, including institutional student need-based and merit-based aid.

(2) “Students” means California residents who are undergraduate students at the University of California or the California State University.

(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 reports on or before March 31 of each year.

(c) The 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, 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) By parental income level or expected family contribution deciles, both of the following information for the prior academic year:

(A) Net price, which shall be the balance of the total cost of attendance minus all grant aid.

(B) The percentage of students receiving institutional aid and the average dollar amount of that institutional aid.

(5) For the prior academic year, the current academic 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. The explanation shall also include an explanation of how year-to-year non-tuition cost increases were calculated.

(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).

(7) An aggregate summary of financial aid awarded to students, including scholarships, grants, waivers, loans, and work-study awards from federal, state, institutional, and private sources for the prior academic year.

(8) Indicators of the effectiveness of the university's aid programs in achieving the university's stated goals related to financial aid.

(9) Information on students who submit a Free Application for Federal Student Aid, or Dream Act Application, but do not receive a Cal Grant or institutional financial aid for the prior academic year. This information shall be disaggregated by race, ethnicity, expected family contribution deciles, and dependency status.

(10) The California State University shall include information on the number of students who are eligible for a grant pursuant to the State University Grant Program but do not receive it or receive a partial award for the prior academic year. This information shall be disaggregated by race, ethnicity, and campus of attendance.

(11) The University of California is requested to include information on the average undergraduate student financial self-help level. This information shall be disaggregated by race, ethnicity, and campus of attendance.

(d) To the extent the university provides the information requested in subdivision (c) in reports to its governing board or in other university publications, those reports or publications may be submitted to the Legislature to satisfy this request. (Amended by Stats. 2018, Ch. 33, Sec. 6. (AB 1809) Effective June 27, 2018.

URL:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB1809

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 total 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 (EFM), 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 EFM;
- A partnership among students, parents, federal and state governments, and the University is required for the successful implementation of the EFM;
- 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 EFM to serve their particular student bodies.

The EFM 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 total 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 EFM 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 (total 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 EFM as described above. The specific awarding criteria vary slightly across campuses, consistent with the flexibility provided to campuses under the EFM. 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.

Since 2016-17, the University's budget approved by the Legislature and signed by the Governor has included language designating an unspecified level of state support for the program. In each year, UC has designated \$2.5 million of its state funds for this program and matched this funding to provide Dream loans 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.

Total Cost of Attendance

In early 2017, the Regents and the President charged the Total Cost of Attendance (TCOA) Working Group to review whether the EFM, as currently designed, is achieving the affordability goal of the Regents policy on undergraduate financial aid or whether the EFM needs to be reformed. The Working Group recognized that the University of California has a unique and laudable record serving California students from all socioeconomic backgrounds. Nevertheless, the Working Group was charged with identifying ways to improve the EFM. The Working Group developed eight recommendations to do so, including improving the estimation of the total cost of attendance.

In accordance with the TCOA Working Group recommendations, the University will be conducting its Cost of Attendance Survey (COAS) every other year beginning in Spring 2019; previously COAS was conducted every three years. The results of that survey, along with CSAC's Student Expense and Resources Survey (SEARS) will allow UC to improve its ability to estimate the true cost of an undergraduate education at all of its campuses.

Continued Phase-out of University Student Aid Program 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.

II. EXPENDITURES AND PROJECTIONS

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

Figure 1: Undergraduate Institutional Aid Expenditures, 2016-17 to 2019-20

	2016-17 (actual)	2017-18 (actual)	2018-19 (estimated)	2019-20 (estimated)
Gift Aid				
Grants				
Total amount	\$745.9 M	\$801.7 M	\$807.8 M	\$821.5 M
Average award	\$7,498	\$7,859	\$7,838	\$7,864
90 th %	\$15,631	\$16,264	\$16,243	\$16,269
Scholarships				
Total amount	\$133.4 M	\$151.7 M	\$156.7 M	\$161.2 M
Average award	\$5,883	\$5,957	\$5,980	\$5,966
90 th %	\$13,250	\$13,000	\$13,023	\$13,009
Subtotal—all Gift Aid				
Total amount	\$879.3 M	\$953.5 M	\$964.5 M	\$982.7 M
Average award	\$8,011	\$8,417	\$8,351	\$8,313
90 th %	\$15,979	\$16,851	\$16,785	\$16,747
Exemptions & Waivers				
Cal Vet (Fees)				
Total amount	\$34.7 M	\$39.2 M	\$40.2 M	\$41.4 M
Average award	\$12,294	\$12,630	\$12,570	\$12,570
90 th %	\$12,294	\$12,630	\$12,570	\$12,570
AB 540 (NR Tuition)				
Total amount	\$141.9 M	\$157.6 M	\$167.8 M	\$181.6 M
Average award	\$26,682	\$28,014	\$28,992	\$30,442
90 th %	\$26,682	\$28,014	\$28,992	\$30,442
Other				
Total amount	\$10.7 M	\$14.4 M	\$14.9 M	\$15.3 M
Average award	\$5,508	\$5,379	\$5,400	\$5,388
90 th %	\$26,682	\$28,014	\$28,992	\$30,442
Loans and Work-Study				
Loans				
DREAM Loan*	\$3.6 M	\$5.3 M	\$5.4 M	\$5.6 M
Total amount	\$9.0 M	\$12.3 M	\$12.7 M	\$13.1 M
Average award	\$1,850	\$1,782	\$1,789	\$1,785
90 th %	\$2,000	\$2,900	\$3,000	\$3,000
Work-Study				
Total amount	\$6.3 M	\$9.0 M	\$9.2 M	\$9.5 M
Average award	\$1,897	\$1,854	\$1,861	\$1,857
90 th %	\$3,500	\$3,324	\$4,000	\$4,000

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

Trends in Student Costs, Resources, and Need

Figure 2 below 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 2017-18 through 2019-20.

The total 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 next COAS is being conducted in Spring 2019. 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.

Overall, the aggregate undergraduate cost of attendance for need-based aid recipients is estimated to increase by \$74.2 million between 2018-19 and 2019-20.

Figure 2: Projected Undergraduate Student Costs and Resources, 2017-18 to 2019-20

	2017-18 (actual)	2018-19 (estimate)	2019-20 (estimate)	2019-20incr. (estimate)
Total # recipients of need-based aid	117,638	119,328	121,366	2,038
(a) Aggregate Total Cost of Attendance	\$4,013.2 M	\$4,150.4 M	\$4,284.9 M	\$134.5 M
(b) Aggregate Expected Parent	\$478.7 M	\$485.6 M	\$493.9 M	\$8.3 M
(c) Aggregate Federal gift aid	\$402.1 M	\$424.5 M	\$439.8 M	\$15.3 M
(d) Aggregate State gift aid				
Cal Grants	\$950.5 M	\$959.5 M	\$975.9 M	\$16.4 M
Middle Class Scholarships	\$12.0 M	\$16.2 M	\$16.5 M	\$0.3 M
Other State aid	\$1.0 M	\$1.0 M	\$1.0 M	\$0.0 M
(e) Aggregate UC need-based grants	\$801.7 M	\$807.8 M	\$821.5 M	\$13.7 M
(f) Aggregate UC merit-based awards	\$69.7 M	\$72.0 M	\$74.0 M	\$2.1 M
(g) Aggregate other UC gift aid (incl. exemptions)	\$163.3 M	\$165.6 M	\$168.4 M	\$2.8 M
(h) Aggregate private gift aid	\$31.3 M	\$33.0 M	\$34.6 M	\$1.5 M
(i) Aggregate remaining need to be met by work, borrowing or other means (a – [b through h])	\$1,103.0 M	\$1,185.2 M	\$1,259.3 M	\$74.2 M

* Dollar figures are in millions.

Of this amount, an estimated \$8.3 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.

Funding from Cal Grants is expected to increase between 2018-19 and 2019-20 by about 2% due to projected increase in resident enrollment. Funding from Pell Grants is expected to increase by 4% due to both the enrollment increase and an estimated 1.6% increase in the maximum Pell Grant (\$100).

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 \$12 million to UC need-based aid recipients and \$25 million to UC students overall in 2017-18.

The University's undergraduate need-based grant is funded by a long-standing practice of setting aside 33% of new mandatory systemwide tuition and fee revenue. With no planned tuition and fee increase for 2019-20, no significant increase in UC grant is anticipated.

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 \$74.2 million in 2019-20, an increase of approximately \$600 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.

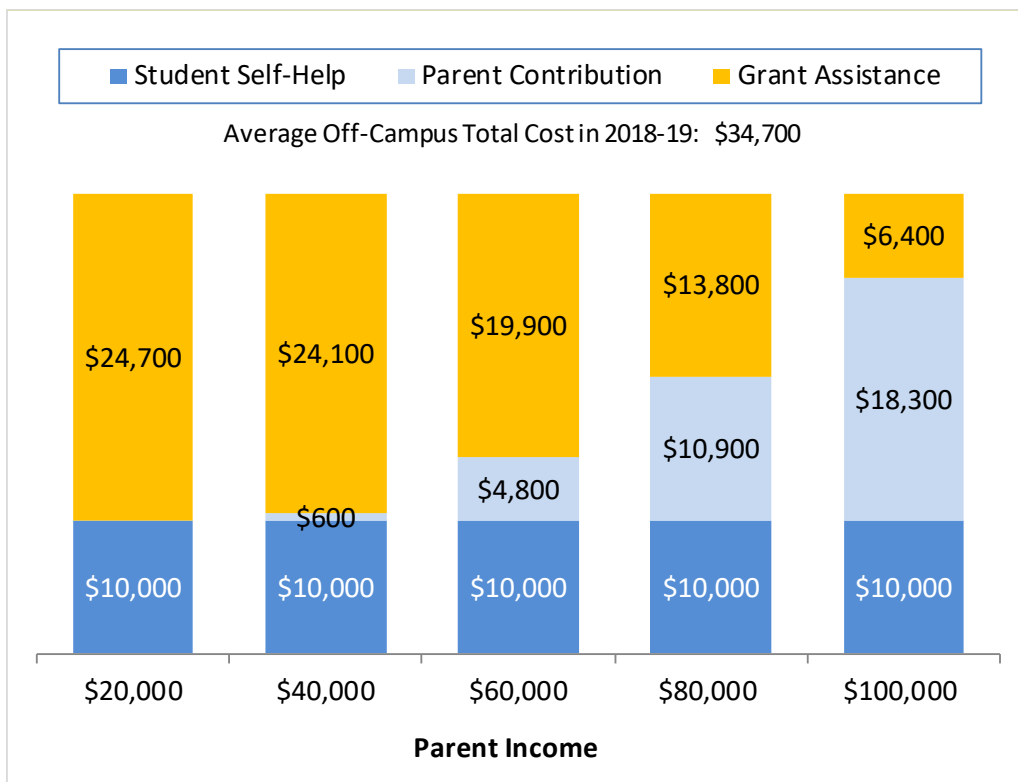
III. FINANCING A UC EDUCATION

Typical Financial Aid Packages

Figure 3 below depicts typical financial aid packages for students at different parent income levels living off-campus (the most common housing category) for 2018-19. Figure 3 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.

Figure 3: Typical Financial Aid Packages, 2018-19

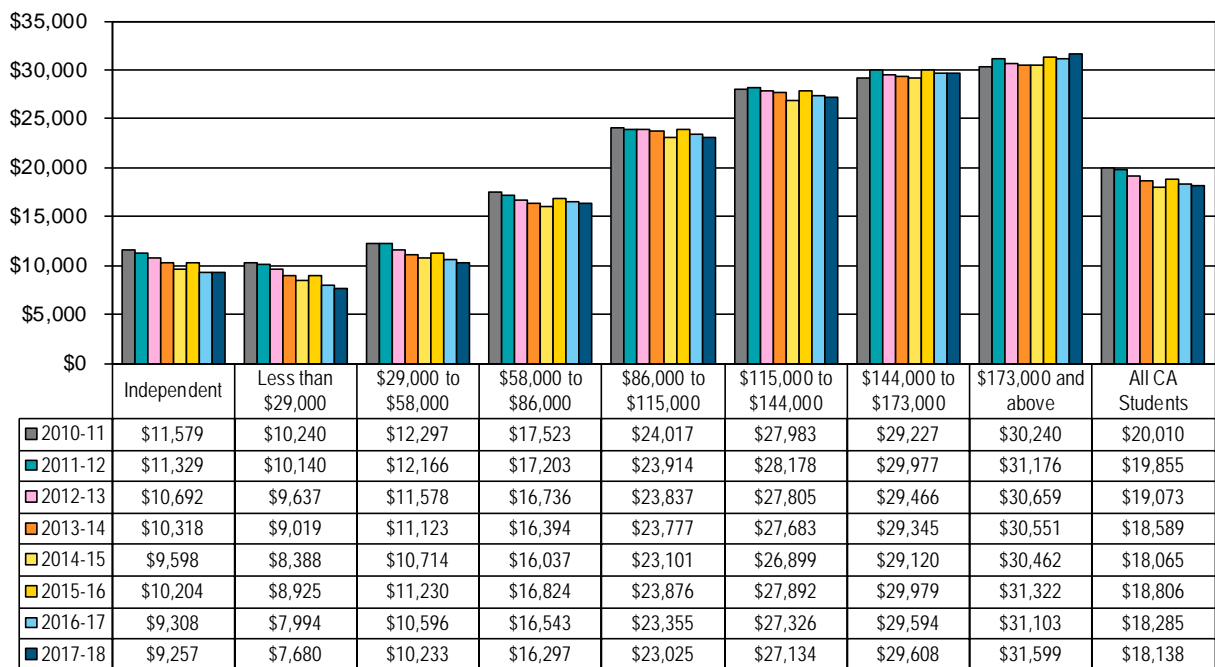


Net Cost by Parent Income

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, i.e., the Student Self-Help and Parent Contribution in Figure 3 above. Consistent with the EFM, 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.

Figure 4 below shows the trend in net cost for UC students by family income over time. 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. For families in the highest income bracket, the annual net cost of a UC education grew by over \$1,359 between 2010-11 and 2017-18 in inflation-adjusted dollars. Increases in gift aid lessened the increase in net cost for low-income families. In fact, the net cost declined for independent students and for students in all but the top two income groups during this period in inflation-adjusted dollars.

Figure 4: Trends in the Net Cost by Parent Income Among CA Residents, 2017-18 Constant Dollars



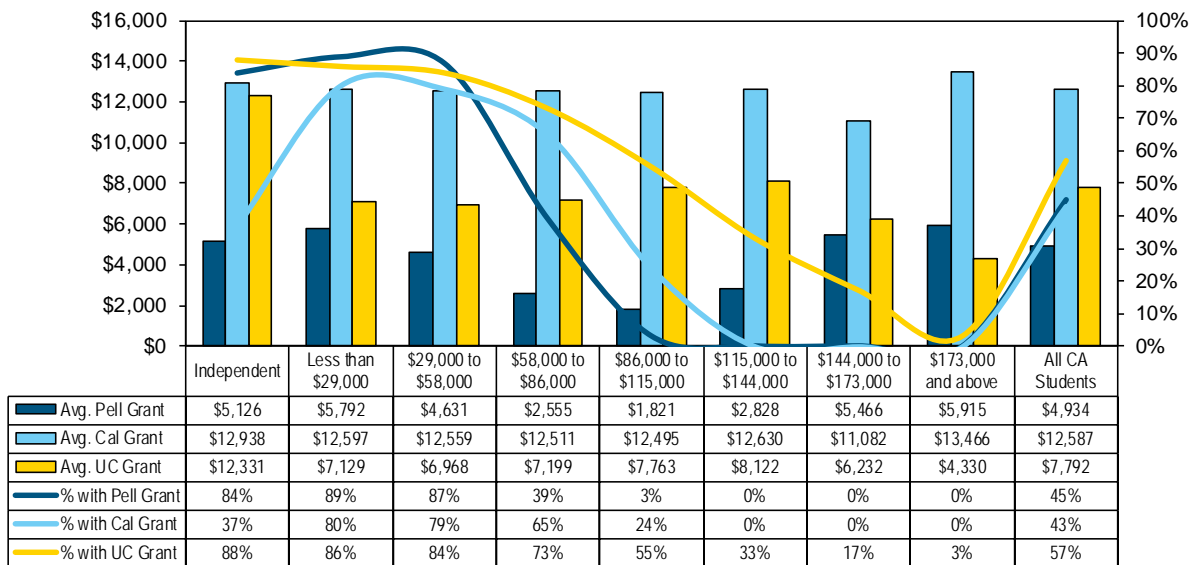
Net cost is a function of a number of elements, including the estimated total cost of attendance, parent contributions, and gift aid. The total cost of attendance does not vary much by income and the parent contribution is a function of the federal needs analysis formula. The primary tool to ensure that a UC education is affordable, then, is the use of need-based financial aid.

Figure 5 below shows the distribution of the primary federal, state, and university need-based grants by parent income. The federal Pell Grant program provides grants (worth up to \$5,920 in 2017-18) to low-income students. Eligibility declines rapidly with income, leading to the steep drop-off shown by the dark blue line in the figure.

Cal Grants typically cover students' systemwide fees at UC. 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 light blue line in Figure 5 shows, the likelihood that a student qualifies for a Cal Grant declines quickly once parental income exceeds about \$80,000. 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.

A student's UC grant (see the gold line and columns 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.

Figure 5: Pell Grant, Cal Grant, & UC Grant Awards Among CA Residents, Academic Year 2017-18



Student Self-Help

As described above, the EFM assumes a consistent contribution from students to help cover their own total cost of attendance. The University's goal is to ensure that the self-help, which includes borrowing through student loan programs and part-time work, is manageable.

The self-help level that the University is able to fund in any given year is a function of the estimated total cost of attendance less the expected contribution from parents and all available gift aid. If gift aid from any source increases in a given year, all things equal, the self-help expectation will decrease. If gift aid decreases, the self-help expectation will increase. Over the long-term, UC has found that its practice of setting aside 33% of all new tuition and fee revenue to fund its own institutional grant program has been enough to keep the self-help manageable.

Figure 6 below shows the average self-help level in 2017-18 by campus. The University attempts to shift resources across the system to maintain a roughly similar self-help at all of its campuses. As is apparent in Figure 6, the self-help level is generally the same, but some variation exists. This is due to a number of factors, including a lag in the EFM to respond to changes on the campus, the availability of local campus resources, and, in some cases, campus flexibility in awarding practices.

Figure 6: Self-Help Levels 2017-18*

	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	Santa Barbara	Santa Cruz	System
Average Self-Help	\$10,100	\$9,200	\$9,900	\$9,300	\$9,300	\$9,200	\$10,300	\$10,600	\$10,600	\$9,700

Figure 7 below shows the self-help levels by race and ethnicity. The variation between racial/ethnic groups is due to a number of factors that correlate with race. For example, the distribution of students from different racial/ethnic groups is not uniform across the system and, as Figure 6 shows, there is some variation by campus. The University awards its financial aid without preference to gender, race, ethnicity, or national origin.[†]

Figure 7: Self Help by Race/Ethnicity, 2017-18

	African-American	American Indian	Asian	Chicano-Latino	Unknown	White
Average Self-Help	\$9,800	\$9,900	\$9,700	\$9,500	\$9,800	\$10,000

* The self-help levels reported in Figures 6 and 7 represent averages across all UC need-based grant recipients. For each student, the self-help level represents the total cost of attendance less parent contribution and any gift aid. The self-help level for UC San Diego was calculated adjusting the student expense budgets to include a healthcare allowance for all students, including those who waive out of the University Student Health Insurance Program, in order to make the calculation comparable to other UC campuses.

[†] The average self-help levels in Figures 6 and 7 may include some financial aid that is awarded preferentially on the basis of race or ethnicity, i.e., pre-Proposition 209 gifts and endowments, scholarships from outside sources.

Applicants

Figures 8-10 below show the number of applicants for financial aid – defined as those filing a Free Application for Federal Student Aid or California Dream Act Application – and the type of aid that they received.

As Figure 8 below shows, UC received 142,179 applications for financial aid from California residents, which is approximately 80 percent of enrolled California residents. Of these applicants, 82 percent, or 116,947, received a Cal Grant or UC gift aid. As Figure 8 shows, the vast majority of those not receiving either a Cal Grants or UC grant are from families with an Expected Family Contribution (EFC) above \$20,000. Two percent (1,128) of the lowest income families were not served by these financial aid programs, which can include late applicants, students served by other financial aid programs (e.g., large scholarship awards), or students otherwise ineligible (e.g., failed to register for the Selective Service, failed to complete other required paperwork).

Figure 9 below further examines the 25,232 students identified in Figure 8 who did not receive a Cal Grant or UC grant. Nearly 4,000 of these students missed the filing deadline for Cal Grants (see Figure 9).

Figure 8: Applicants for Financial Aid and Receipt of Aid, by EFC, 2017-18

EFC Deciles (Not Income)	CA Resident Financial Aid Applicants	CA Residents with Cal Grant or UC Gift Aid	% of Applicants by EFC Decile	CA Residents without Cal Grant or UC Grant	% of Applicants by EFC Decile
\$0	45,984	44,856	98%	1,128	2%
\$0 to \$5,000	39,735	38,751	98%	984	2%
\$5,000 to \$10,000	15,062	14,488	96%	574	4%
\$10,000 to \$15,000	8,777	8,119	93%	658	7%
\$15,000 to \$20,000	6,126	5,104	83%	1,022	17%
\$20,000 to \$25,000	4,842	2,443	50%	2,399	50%
\$25,000 to \$30,000	3,847	803	21%	3,044	79%
\$30,000 to \$35,000	3,072	442	14%	2,630	86%
\$35,000 to \$40,000	2,383	315	13%	2,068	87%
Greater than \$40,000	12,351	1,626	13%	10,725	87%
Total	142,179	116,947	82%	25,232	18%

An additional 5,200 students qualified for a Middle Class Scholarship program (see Figure 9). Accounting for both of these populations – those who did not meet the State’s deadline for applying for financial aid and those served by the State’s Middle Class Scholarship – leaves 16,000 students, or 11%, of California on-time applicants for aid are not qualifying for assistance, the majority of whom have high EFCs and are therefore less financially needy.

Figure 9: Applicants for Financial Aid and Receipt of Aid, by EFC, 2017-18

EFC Deciles	CA Residents without Cal Grant or UC Grant	Late Applicants (post March 2)	MCS Recipients	On-time Applicants not served by Cal Grant, UC Grant, or MCS	Percent of all Applicants
\$0	1,128	578	2	548	1%
\$0 to \$5,000	984	445	85	454	1%
\$5,000 to \$10,000	574	218	81	275	2%
\$10,000 to \$15,000	658	233	95	330	4%
\$15,000 to \$20,000	1,022	229	314	479	8%
\$20,000 to \$25,000	2,399	295	1,061	1,043	22%
\$25,000 to \$30,000	3,044	250	1,505	1,289	34%
\$30,000 to \$35,000	2,630	266	1,199	1,165	38%
\$35,000 to \$40,000	2,068	211	576	1,281	54%
Greater than \$40,000	10,725	1,166	265	9,294	75%
Total	25,232	3,891	5,183	16,158	11%

Figures 10 and 11 below show applicants by financial aid dependency status and race/ethnicity.

Figure 10: Applicants for Financial Aid and Receipt of Aid, by Dependency Status, 2017-18

Dependency Status	CA Resident Financial Aid Applicants	CA Residents with Cal Grant or UC Gift Aid	% of Applicants by Dependency	CA Residents without Cal Grant or UC Grant	% of Applicants by Dependency
Independent	15,250	14,138	93%	1,112	7%
Dependent	126,929	102,809	81%	24,120	19%
Total	142,179	116,947	82%	25,232	18%

Figure 11: Applicants for Financial Aid and Receipt of Aid, by Race/Ethnicity, 2017-18

Ethnicity/Race	CA Resident Financial Aid Applicants	CA Residents with Cal Grant or UC Gift Aid	% of Applicants by Race/Ethnicity	CA Residents without Cal Grant or UC Grant	% of Applicants by Race/Ethnicity
African American	7,594	86%	1,031	14%	86%
American Indian	893	79%	184	21%	79%
Chicano/Latino	49,020	91%	4,425	9%	91%
Asian	51,081	79%	10,485	21%	79%
White	30,235	73%	8,300	27%	73%
Unknown	3,356	76%	807	24%	76%
Total	142,179	82%	25,232	18%	82%

IV. OUTCOME MEASURES

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:

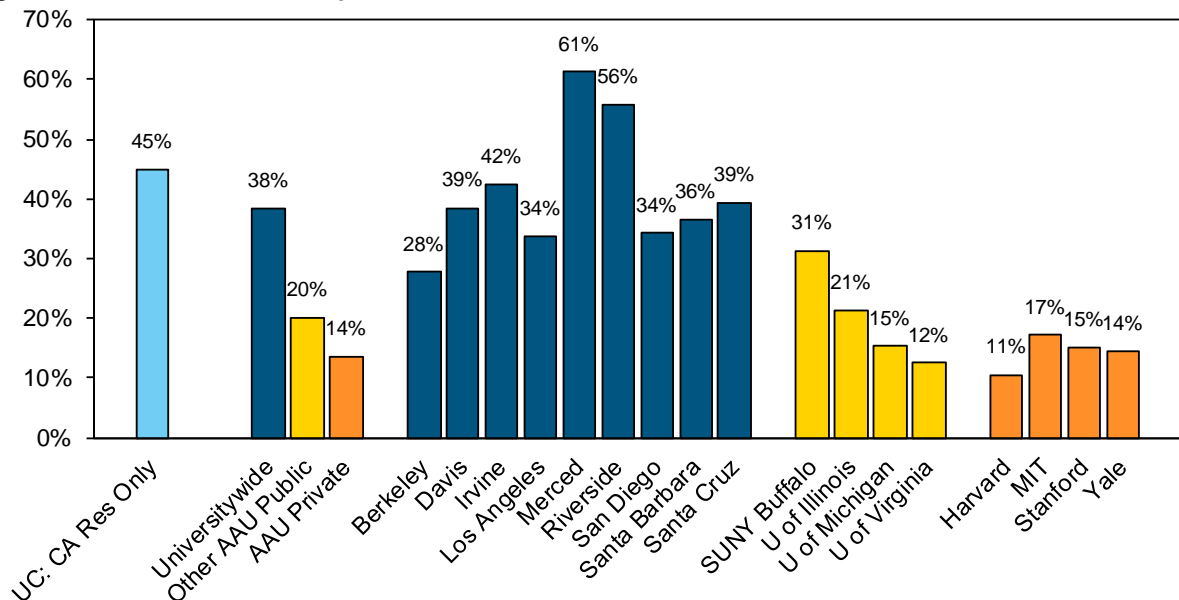
- Is the University financially accessible to students at every income level?
- Do UC students work manageable hours?
- Do students' financial circumstances affect their academic success?
- Do students graduate with manageable debt?

Additional outcome measures are available in the University's Accountability Report, online Information Center, and Annual Report on Student Financial Support.

Enrollment of Low-Income Students

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. See Figure 12 below.

Figure 12: Pell Grant Recipients at UC, Other Research Universities,[‡] 2017-18



[‡] Association of American University (AAU) member institutions.

Systemwide, UC enrolled a higher percentage of Pell Grant recipients – 38% – than any other top research university in the country in 2017-18.[§] To keep the Pell percentages comparable with other institutions, all undergraduates are included when calculating the 38%.

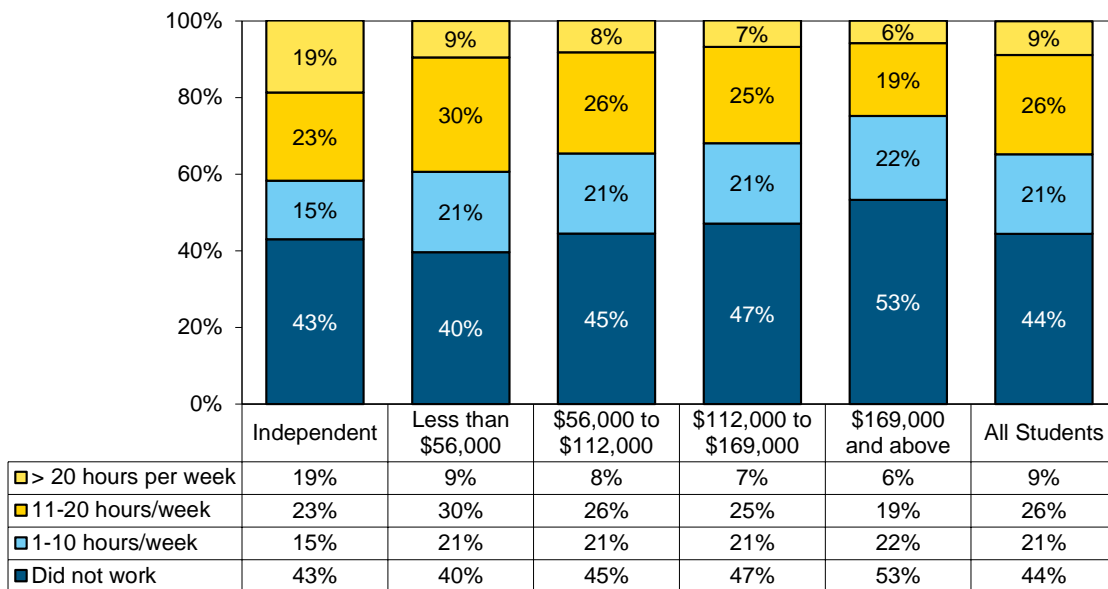
The percentage of Pell Grant recipients increases to 45% when limiting the analysis to California residents.

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.

Student Work Hours

Under the EFM, 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 2016 survey are shown in Figure 13 below. This same survey will be conducted again in Spring 2019.

Figure 13: Hours of Student Employment by Income, All Undergraduates, 2016 University of California Cost of Attendance Survey (COAS)



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

[§] Figures shown are for 2016-17, 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.

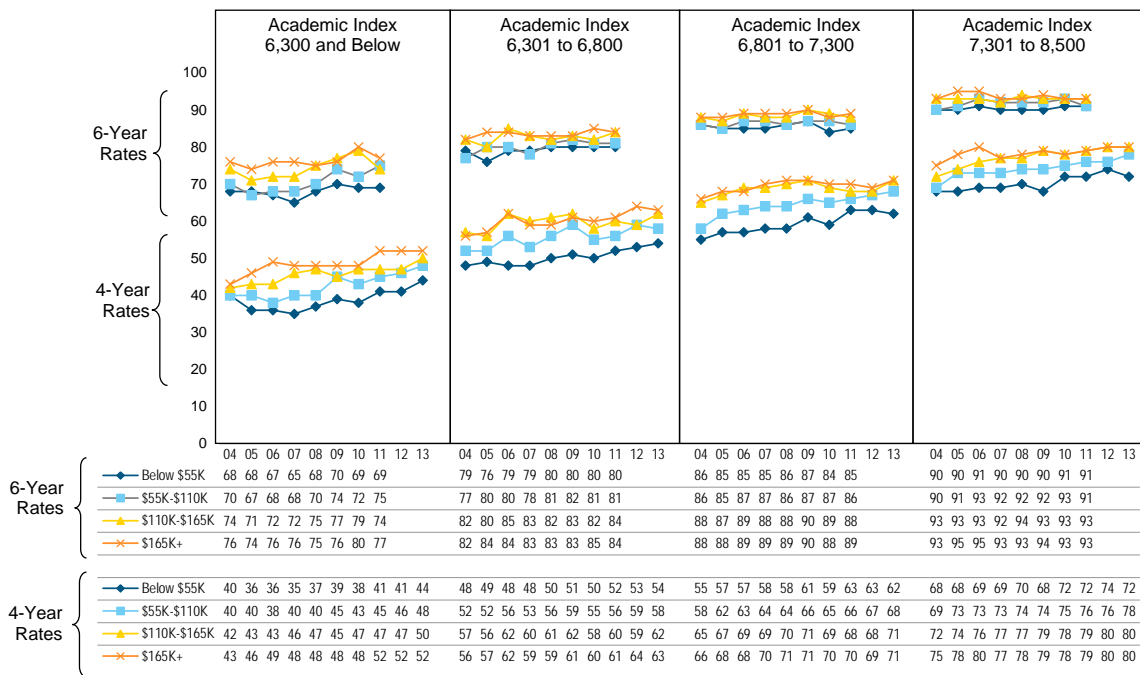
in the EFM about how students actually cover their expected contributions. It also supports findings from a survey of parents of UC students, many of whom felt that it was their responsibility to cover their student’s expenses so that their son or daughter did not have to work. One reason why some parents 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.).

Academic Success

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. See Figure 14 below.

Figure 14: Four- and Six-Year Graduation Rates by Entering Year, Parent Income, and Academic Preparation



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).

Cumulative Debt Upon Graduation

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).

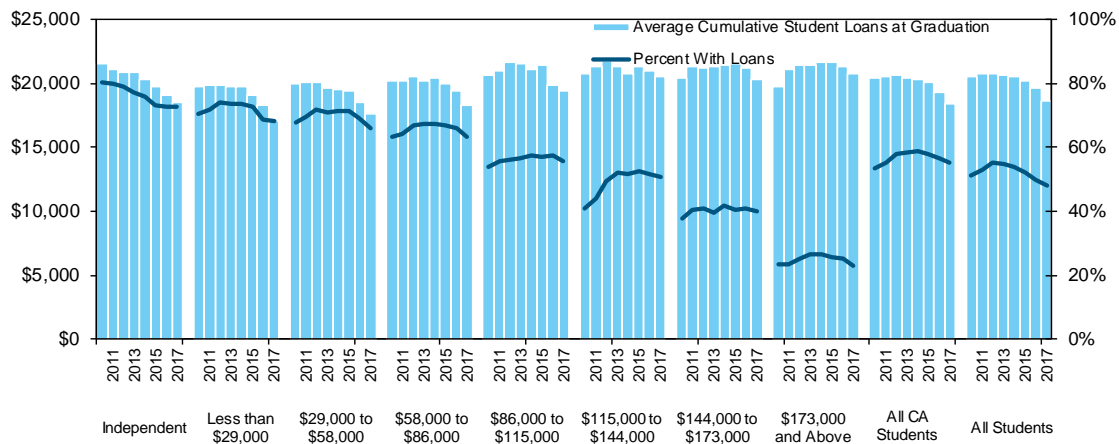
Overall, 48% of the UC graduating class of 2017-18 had some student loan debt, slightly less than the 2016-17 graduating class (50%). The average cumulative student loan debt at graduation for these borrowers (\$18,595) was slightly lower than the comparable figure for 2016-17 graduates (\$19,582) after adjusting for inflation.

Borrowing among California resident students is higher (55%) than borrowing among all undergraduates, but also declined in 2017-18 from 57% the year before. Resident undergraduates saw a similar decline in the average debt, from \$19,311 in 2016-17 to \$18,409 in 2017-18 after adjusting for inflation.

UC's average student debt at graduation for all students and for California residents remains low compared to national averages. Nationally, 65% of the graduating class of 2017 had student loan debt, with an average of \$28,650 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 14 below).

Figure 15: Trends in Cumulative Debt at Graduation Among California Residents by Parent Income and Among All Students, 2017 Constant Dollars



** Website reference (accessed January 28, 2019): <http://ticas.org/posd/home>.

Appendix: Detailed Expenditures

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)		
	2017-18 (actual)	% of Total
INSTRUCTION		
GENERAL CAMPUSES INSTRUCTION	\$1,500,888	39.42%
HEALTH SCIENCES INSTRUCTION	130,368	3.42%
Subtotal	1,631,256	42.84%
ACADEMIC SUPPORT		
LIBRARIES ACADEMIC SUPPORT	27,533	0.72%
OTHER ACADEMIC SUPPORT	288,417	7.55%
Subtotal	315,950	8.27%
STUDENT SERVICES		
Subtotal	383,865	10.08%
INSTITUTIONAL SUPPORT		
Subtotal	267,487	7.02%
OPERATION AND MAINTENANCE OF PLANT		
Subtotal	188,835	4.96%
STUDENT FINANCIAL AID		
Subtotal	1,021,801	26.82%
TOTAL	3,809,194	100.00%

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