



## Affordability of an undergraduate education

Higher education access and affordability are national concerns. College tuition and fees – plus other expenses such as housing, food, books and transportation – have risen nationwide. Affordability is not just an issue to low-income families. Increasingly, the price of a college education is also a strain on middle-income families. UC is working to ensure affordability for students to keep the doors to a college education open.

Increasing access is not only good for students, it is vital for the prosperity and growth of our society and our economy. We need to invest in UC and its students now to reap the benefits in the future.

### Financial aid and affordability

- UC has a fundamental responsibility to be financially accessible to students at every income level. This responsibility forms the basis of UC's undergraduate financial aid policy.
- Despite a host of challenges in recent years – including large fee increases resulting from deep cuts in state support, increases in non-fee costs and large fluctuations in the California economy – UC has remained financially accessible to students at all income levels.
- In 2006-07, 63% of UC undergraduates received some type of financial support (loans, grants, scholarships and work-study), totaling \$1.3 billion. More than half (54%) of all UC undergraduates received some kind of grant or scholarship averaging \$9,680. [More than 85% awarded based on need.]
- UC continues to enroll a larger number of low-income students than do comparable public or private universities. Nearly one-third of all UC undergraduates were Pell Grant recipients last year, compared with less than 10% at Harvard, Yale and other highly selective research universities.
- The income distribution of UC students has generally remained stable, with small changes that have generally reflected trends in the income distribution of California families.
- Differences in persistence and graduation rates for low- and high-income students have not widened in response to cost increases.
- Although some students work excessive hours (more than 20 hours per week), their work hours are largely independent of parent income, and many students at every income level do not work.
- At every income level, a small percentage of students do graduate with excessive student loan debt. However, since 1999 in constant dollars, students' average debt at graduation has remained flat or declined for students in most income levels, and the percentage of students graduating with debt has fallen. Among UC's 2006-07 graduates, 51% had some student loan debt; the other 49% of graduates did not borrow. Among those with debt, the average debt was less than \$14,700. Repaying that debt is manageable considering the average earning potential of UC graduates.
- In 2006-07, UC's total cost of attendance was slightly less than Michigan and Illinois and more than Virginia and SUNY Buffalo. Taking into account scholarship and grant assistance, UC's average net cost (costs less gift aid) was below the average estimated net cost at its comparison institutions for need-based aid recipients in 2006-07.

### Impact of fee increases on affordability

- Fee increases generally do not reduce UC's financial accessibility for low-income students. When fees increase, UC sets aside a portion (currently 33%) of the revenue from the increase to provide more need-based grants. This additional funding, together with the state's Cal Grant program, fully covers the fee increase for grant-eligible students (typically those with parent income less than about \$60,000) and a portion of other cost increases such as rent, food and transportation. UC's enrollment of low-income undergraduates has not declined despite recent fee increases.
- UC has lessened the impact of fee increases on middle-income families by providing grant assistance to cover half of the increase for students with financial need and parental income below \$100,000.

### **UC Affordability Workgroup**

- A workgroup formed to identify UC's undergraduate affordability needs and develop an action plan to address them presented its preliminary findings and recommendations to the Regents in January.
- The workgroup recommended that increased funding for UC's undergraduate financial aid programs be a high priority for UC over the next decade.
- The workgroup identified a structural problem with the way UC funds its undergraduate grant assistance (reliance on fee revenue) that, if not addressed, will likely reduce UC's affordability for low-income students as other non-fee costs continue to increase. It also concluded that the amount UC expects middle-income families to contribute, which is based on a federal formula, should be reduced so that middle-income families can receive more grant assistance.
- Recommended strategies for generating additional grant funds include campus and systemwide fundraising with a state matching contribution, expansion of the Cal Grant program, and placing priority on undergraduate grants in the use of fee revenue (e.g., increasing the portion of new fee revenue returned to financial aid) and any new revenue resulting from more strategic investment of campuses' cash balances.

### **Investing in a college degree pays dividends**

- Over an adult's working life, high-school graduates can expect, on average, to earn \$1.2 million; those with a bachelor's degree, \$2.1 million; and people with a master's degree, \$2.5 million.
- Persons with doctoral degrees earn an average of \$3.4 million during their working life, and \$4.4 million for those with professional degrees.
- A bachelor's degree also results in more than \$80,000 in additional income tax revenue to the state over a lifetime when compared with a high school degree, and more than \$200,000 for a professional degree.

### **Data points: 2007-08 student fees for California residents**

- \$7,511/year for undergraduates (avg.) and \$9,768/year for academic graduate students (avg.)
- Two-thirds of undergraduates receive financial aid totaling \$1.3 billion.
- 88% of all UC students are California residents – including 94% of undergraduates.