



## UC Undergraduate Financial Aid and Affordability

The University of California has a fundamental responsibility to be financially accessible to all students admitted within the framework of the Master Plan, regardless of their financial resources. This responsibility is implicit in the Master Plan itself and forms the basis of the university's undergraduate financial aid policy.

Despite a host of challenges in recent years – including large fee increases resulting from deep cuts in state support for the university's budget, increases in non-fee costs, and large fluctuations in the California economy – the university has remained financially accessible to students at all income levels. For example:

- In 2006-07, 63percent of UC undergraduates received some type of financial support (loans, grants, scholarships, work-study), totaling \$1.3 billion. More than half (54percent) of all UC undergraduates received some kind of grant or scholarship (federal, state, university or other) averaging \$9,680, which directly reduced the cost of their education.

The university continues to enroll a larger number of low-income students than do comparable public or private universities. As a system, nearly one-third of all UC undergraduates were Pell Grant recipients last year, compared with 8percent to 15percent at Harvard, Yale, Stanford 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 (after controlling for academic preparation) have not widened in response to cost increases.
- Although some students at every income level work long hours (more than 20 hours per week), students' 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 students who graduated in 2006-07, 51percent had some student loan debt; the other 49percent of graduates did not borrow. Among those with debt, the average debt was under \$14,700. Repaying that debt is very manageable considering the average earning potential of UC graduates.
- In 2006-07, UC's total cost of attendance (including the cost of mandatory student health insurance) was slightly less than Michigan and Illinois and more than Virginia and SUNY Buffalo. Simple cost comparisons, however, ignore the effects of financial aid at UC, which benefits both from a strong state and institutional grant program. 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 do not reduce UC's financial accessibility for low-income students. When fees increase, UC sets aside a portion (currently 33percent) of the revenue from the increase to provide additional undergraduate need-based grants. This additional funding, together with the state's Cal Grant program, fully covers the fee increase for grant-eligible students (i.e., 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 also lessened the impact of fee increases on middle-income families by providing grant assistance to cover half of the fee increase for students with financial need and parental income below \$100,000.

Despite recent increases in fees and other costs, a record number of students – more than 121,000 – have applied for admission to the university for fall 2008.

### **UC Affordability Workgroup**

Last fall, UC Provost Wyatt R. Hume asked Chancellor Robert J. Birgeneau to chair a systemwide workgroup charged with identifying UC's undergraduate affordability needs and developing an action plan to address them. Its preliminary findings and recommendations were presented at the January Regents' meeting.

The workgroup found that although the university is financially accessible to students at every income level today, increases in non-fee costs will, over time, increase the amount that students are expected to work and borrow. The workgroup also found that the amount that middle-income parents are expected to contribute towards the cost of education can be burdensome for some families. The workgroup recommended enhancements to the university's need-based grant program to address these concerns before they become an obstacle to maintaining a highly talented and socioeconomically diverse student body.

A number of elite private universities have recently announced plans to use their substantial endowment resources to reduce the tuition burden for low- and middle-income students and their families. Because UC enrolls many more students from low- and middle-income families than these schools and has a much smaller endowment per student, the workgroup has been looking at other innovative ways to increase funding for its undergraduate financial aid programs over the next decade.

Recommended strategies for generating additional grant funds include campus and systemwide fundraising with a state matching contribution to create a \$2 billion endowment for need-based grants, 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.