

**Office of the President**

**TO MEMBERS OF THE ACADEMIC AND STUDENT AFFAIRS COMMITTEE:**

## **ACTION ITEM**

*For Meeting of May 18, 2022*

### **AMENDMENT OF REGENTS POLICY 3201 - THE UNIVERSITY OF CALIFORNIA FINANCIAL AID POLICY AND DISCUSSION OF NEW FEDERAL NEED ANALYSIS**

#### **EXECUTIVE SUMMARY**

The Academic and Student Affairs Committee has been reviewing alternative approaches to the University of California's existing undergraduate financial aid strategy. This item proposes actions for the Committee, including reforms to Regents Policy 3201, and discusses future federal financial aid changes:

- Amend Regents Policy 3201 to align with the University's goal to reduce undergraduate reliance on student loans.
- Amend Regents Policy 3201 to formally incorporate the subjective experience of students (e.g., basic needs insecurity) as a metric in assessing the University's financial aid policy.
- Encourage ongoing discussions of the use of University Student Aid Program dollars to offset "negative Student Aid Index" when federal needs analysis changes in 2024–25. (No change to Regents Policy 3201 is required.)

#### **RECOMMENDATION**

The President of the University recommends that the Academic and Student Affairs Committee recommends that the Regents amend Regents Policy 3201- The University of California Financial Aid Policy as shown in Attachment 1.

#### **BACKGROUND**

Presented here is an abbreviated version of the background already provided to the Academic and Student Affairs Committee at previous meetings. Links to the previous items are at the end of this briefing.

Regents Policy 3201 approaches covering the total cost of attendance as a partnership between students, their parents/families, and State, federal, and University financial aid programs. This construct requires revision by the Board and the Office of the President due to changes at the federal, State, and University level.

Parents/Families	Students	Grant Support
<ul style="list-style-type: none"><li>• Based on their ability to pay, using federal formula (income, assets, family size, etc.)</li><li>• Expectations range from \$0 to cost of attendance</li></ul>	<ul style="list-style-type: none"><li>• Work part-time (&lt;20 hours) during the school year, full-time during the summer</li><li>• Take on loan debt such that repayments are 5 to 9 percent of average income</li></ul>	<ul style="list-style-type: none"><li>• Cal Grants (\$1 billion) primarily cover tuition.</li><li>• Federal Pell Grants (\$400 million)</li><li>• UC Grant (\$800 million) fills in gaps: two-thirds of this Grant covers living costs.</li></ul>

### ***National Policy Change: Assessing a Family’s Ability to Pay***

Starting in 2024–25, the Expected Family Contribution (EFC) will be replaced by a Student Aid Index (SAI). The SAI will operate like the EFC in terms of the calculation of federal need-based aid eligibility, although that remains to be regulated.

The SAI can be a negative number, as low as -\$1,500, in recognition of some families’ even lesser ability to contribute to their child’s education than the current “zero EFC” would suggest. Colleges and universities should be able to provide \$1,500 in additional financial aid to these families, even when it exceeds the total cost of attendance.

### ***State Policy Changes: Debt-Free and Middle Class Scholarship***

The current Middle Class Scholarship (MCS) program covers up to 40 percent of tuition for those not receiving tuition coverage at California State University (CSU) or UC. The reformed program will instead address the total cost of attendance, with the goal of creating a debt-free education at both of these public university systems.

The approach imagines a self-help component like UC’s Education Financing Model, but with a goal of \$7,898 in total self-help for students, an amount that the State anticipates students can earn through part-time work during the academic year and full-time work during the summer.

Governor Newsom has proposed increasing the program from \$117 million to \$632 million in 2022–23, which still does not provide enough funding to achieve debt-free status on its own. This will advance CSU and UC approximately one-fifth of the way toward debt-free status (estimates vary).

### ***University-Level Changes: Debt-Free and Basic Needs***

President Drake has laid out the goal of providing debt-free paths to a UC degree where self-help might be covered through service learning or student work-learning opportunities. Furthermore, the Governor made providing debt-free pathways for all California undergraduates a goal for the University to realize by 2030.

A debt-free path means that qualifying students will receive financial aid packages and work-study opportunities enabling them to afford a UC degree through part-time work alone, with normal work-study commitments. Students retain the option to borrow, but could graduate without borrowing if they so choose.

In addition, the University continues to be concerned about meeting students' basic needs and about their subjective experience of financing a degree.

### **PROPOSED REGENTS' ACTIONS**

#### ***Amend Regents Policy 3201 to recognize the goal of reducing student borrowing.***

Current Regents Policy 3201 expresses no policy preference for work over borrowing. With the emphasis at the State and University levels on pathways that allow students to work part time to avoid borrowing, an update is appropriate.

#### ***Amend Regents Policy 3201 to add the student experience as a formal metric.***

Current Regents Policy 3201 also does not incorporate the student experience as a metric for assessing the University's undergraduate financial aid strategy, despite the fact that UC has been surveying students about the experience of financing their education, meeting their basic needs, and balancing educational goals with paying their bills. The biannual Cost of Attendance Survey (COAS) and University of California Undergraduate Experience Survey (UCUES) offer ready metrics to track over time.

See Attachment 1 for the proposed policy amendments that address these proposals.

### **DISCUSSION: COMING FEDERAL FINANCIAL AID CHANGES**

#### ***Continued discussion on using UC Grants to offset negative Student Aid Index.***

As mentioned above, the federal change to a Student Aid Index (SAI) will provide a way for colleges and universities to distinguish between some of their most economically disadvantaged students. Those with the fewest family resources will have a "negative SAI" that can qualify a student for additional grant money.

Currently, UC has over 55,000 undergraduate students with an Expected Parent Contribution of zero dollars, which makes distinguishing between them to provide additional, targeted support difficult. Under current federal need analysis, parents whose income is below the minimum estimated to support a family is reset to zero. The new formula will instead provide a range of SAI's from -\$1,500 to \$0 for all the current "zero contribution" families.

Depending on guidance from the federal government, the University could potentially provide additional UC grant money to these students without making a change to Regents Policy 3201.

The Education Financing Model Steering Committee, the systemwide committee responsible for advising on the implementation of Regents policy, will examine the alternatives once data are available on the impact on UC students.

**LINKS TO PREVIOUS REGENTS ITEMS**

- [March 2022 summary of financial aid landscape changes for ASAC and FCSC](#)
- [November 2020 alternative approaches to the Education Financing Model \(EFM\)](#)
- [July 2019 report to the Regents on debt by income, race and ethnicity](#)
- [Total Cost of Attendance Working Group Final Report \(November 2017\)](#)

**KEY TO ACRONYMS**

EFC	Expected Family Contribution
EFM	Education Financing Model
FAFSA	Free Application for Federal Student Aid
MCS	Middle Class Scholarship
SAI	Student Aid Index

**ATTACHMENTS:**

[Attachment 1: Proposed Amendments to Regents Policy 3201: The University of California Financial Aid Policy](#)