

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of November 18, 2009

**APPROVAL OF THE 2009-10 MID-YEAR AND 2010-11 STUDENT FEE INCREASES
AND EXPANSION OF THE BLUE AND GOLD OPPORTUNITY PLAN**

EXECUTIVE SUMMARY

- Actions:**
- Approve a mid-year increase of 15 percent in mandatory systemwide fees for undergraduate and graduate professional students and 2.6 percent for graduate academic students, effective for winter quarter/spring semester 2010.
 - Approve an additional increase of 15 percent in mandatory systemwide fees for all students, effective summer 2010.
 - Endorse expansion of the Blue and Gold Opportunity Plan for 2010-11, under which the University will provide that financially needy California undergraduates with total family income under \$70,000 will have systemwide fees covered (up to the students' need) by scholarship or grant awards.
- Previous Action:** In May 2009, the Regents approved increases in mandatory systemwide fees of 10 percent in the Educational Fee and 4.2 percent in the Registration Fee, effective summer 2009. At that time the Regents also approved a 10 percent increase in the Nonresident Tuition Fee for undergraduate students only, effective fall 2009.
- Issues:** Actions at the State level in July 2009 to dramatically reduce the State subsidy provided for the University's core operations have resulted in a funding gap of \$535 million during 2009-10, including \$368 million in unfunded mandatory costs (e.g., enrollment, inflation, utility cost increases, health benefit increases). In addition, the State's fiscal situation remains severely constrained and could worsen, thus permanent measures – including mid-year 2009-10 fee increases and additional increases in 2010-11 – must be taken to help stabilize the University's fiscal situation.

RECOMMENDATION

The President recommends that the Committee on Finance recommend to the Regents the following actions on student fees for mid-year 2009-10 and for 2010-11:

- A. Effective winter quarter/spring semester 2010, approve the mandatory systemwide fees shown in Display 1. Of the revenue generated from the increases in mandatory systemwide fees from undergraduates, an amount equivalent to 33 percent will be set aside to mitigate the impact of the fee increases on financially needy undergraduate students. Of the revenue generated from the increases from graduate academic students, 50 percent will be set aside to provide additional funds for student financial support; and 33 percent of the revenue generated from the increases from students subjected to professional fees will be set aside for financial aid.
- B. For 2010-11, effective summer 2010, approve the mandatory systemwide fees shown in Display 2. Of the revenue generated from the increases in mandatory systemwide fees from undergraduates, an amount equivalent to 33 percent will be set aside to mitigate the impact of the fee increases on financially needy undergraduate students. Of the revenue generated from the increases from graduate academic students, 50 percent will be set aside to provide additional funds for student financial support; and 33 percent of the revenue generated from the increases from students subjected to professional fees will be set aside for financial aid.
- C. Effective fall 2010, approve expansion of the Blue and Gold Opportunity Plan to provide that financially needy California undergraduates with total family income under \$70,000 and enrolled in their first four years (two years for transfer students) will have systemwide fees covered, up to the students' need, by scholarship or grant awards.

DISPLAY 1: Proposed 2009-10 Mid-Year Increases

	Current 2009-10 Fee Levels		Proposed Increase ¹		Proposed 2009-10 Fee Levels	
	Educational Fee ²	Registration Fee	\$	%	Educational Fee ²	Registration Fee
Mandatory Systemwide Fees						
Undergraduate						
Resident	\$6,888	\$900	\$585	15.0%	\$7,473	\$900
Nonresident	\$7,536	\$900	\$633	15.0%	\$8,169	\$900
Graduate Academic						
Resident	\$7,836	\$900	\$111	2.6%	\$7,947	\$900
Nonresident	\$8,178	\$900	\$117	2.6%	\$8,295	\$900
Graduate Professional ³						
Group 1						
Resident/Nonresident	\$6,822	\$900	\$579	15.0%	\$7,401	\$900
Group 2						
Resident	\$7,836	\$900	\$654	15.0%	\$8,490	\$900
Nonresident	\$8,178	\$900	\$681	15.0%	\$8,859	\$900

¹ Dollar amount represents the actual increase in fees students would experience during 2009-10. Percentage amount represents the annualized percentage increase in the fee level.

² Includes \$60 surcharge to cover costs associated with the injunction and judgment of the *Kashmiri* lawsuit.

³ Professional students in these programs also pay a Professional Degree Fee that varies by campus and program. In 2009-10, these fees range from \$4,000 to \$25,675. Proposed fee increases for 2010-11 range from \$280 to \$5,696 and are presented in the November 2009 Regents' item *Approval of 2010-11 Professional Degree Fee Increases*. Different Educational Fee rates for professional degree students exist due to differences in the point in time at which programs began charging the Professional Degree Fees. For 2011-12, the Office of the President will work with the campuses to develop a strategy to adjust Educational Fee and Professional Degree Fee levels so that Educational Fee levels are consistent for all students also charged Professional Degree Fees. Implementation of such a strategy will be completed in a way that is cost-neutral for both the University and individual students.

- Group 1 includes students in Business; Dentistry; Law; Medicine; Nursing; Optometry; Pharmacy; Theater, Film and Television; and Veterinary Medicine professional degree programs.
- Group 2 includes students in International Relations and Pacific Studies, Preventive Veterinary Medicine, Public Health, and Public Policy professional degree programs.

DISPLAY 2: Proposed 2010-11 Increases

	2009-10 Fee Levels ¹		Proposed Increase		Proposed 2010-11 Fee Levels	
	Educational Fee ²	Registration Fee	\$	%	Educational Fee ²	Registration Fee
Mandatory Systemwide Fees						
Undergraduate						
Resident	\$8,058	\$900	\$1,344	15.0%	\$9,402	\$900
Nonresident	\$8,802	\$900	\$1,458	15.0%	\$10,260	\$900
Graduate Academic						
Resident	\$8,058	\$900	\$1,344	15.0%	\$9,402	\$900
Nonresident	\$8,412	\$900	\$1,398	15.0%	\$9,810	\$900
Graduate Professional ³						
Group 1						
Resident/Nonresident	\$7,980	\$900	\$1,332	15.0%	\$9,312	\$900
Group 2						
Resident	\$9,144	\$900	\$1,506	15.0%	\$10,650	\$900
Nonresident	\$9,540	\$900	\$1,566	15.0%	\$11,106	\$900
Group 3						
Resident	\$8,058	\$900	\$1,344	15.0%	\$9,402	\$900
Nonresident	\$8,412	\$900	\$1,398	15.0%	\$9,810	\$900

¹ 2009-10 fee levels assume approval of mid-year fee increases and represent the annualized fee amount.

² Includes \$60 surcharge to cover costs associated with the injunction and judgment of the *Kashmiri* lawsuit.

³ Professional students in these programs also pay a Professional Degree Fee that varies by campus and program. In 2009-10, these fees range from \$4,000 to \$25,675. Proposed fee increases for 2010-11 range from \$280 to \$5,696 and are presented in the November 2009 Regents' item *Approval of 2010-11 Professional Degree Fee Increases*. Different Educational Fee rates for professional degree students exist due to differences in the point in time at which programs began charging the Professional Degree Fees. For 2011-12, the Office of the President will work with the campuses to develop a strategy to adjust Educational Fee and Professional Degree Fee levels so that Educational Fee levels are consistent for all students also charged Professional Degree Fees. Implementation of such a strategy will be completed in a way that is cost-neutral for both the University and individual students.

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- Group 2 includes students in International Relations and Pacific Studies, Preventive Veterinary Medicine, Public Health, and Public Policy professional degree programs.
- Group 3 includes students in Architecture, Environmental Design, Information Management, Physical Therapy, Social Welfare, and Urban Planning professional degree programs.

Displays 1 and 2 above reflect increases in mandatory systemwide fees only. Estimated total charges for resident students for mid-year 2009-10 and for 2010-11 are shown in Displays 4 and 5 below.

BACKGROUND

As discussed at the Regents' September 2009 meeting, actions at the State level in July 2009 to dramatically reduce the State subsidy provided for the University's core operations have resulted in a funding gap of \$535 million during 2009-10, including \$368 million in unfunded mandatory cost increases (e.g., enrollment, inflation, utility cost increases, health benefit increases).

Over the last few months, it has become more apparent that the breadth and depth of these fiscal challenges are threatening the basic quality of the education being provided to UC's students. Faculty hiring has dramatically slowed and is therefore not keeping up with enrollment demand,

course sections are being eliminated, hours of service are being shortened for many programs of importance to students, staff positions are being eliminated, vacancies are frozen – in short, many of the activities that keep the University functioning at a level needed to meet its missions of teaching, research, and public service are severely curtailed. Campuses are using one-time funds as available to help bridge the gap. However, use of these one-time monies is clearly not sustainable for ongoing programs. The furlough program, too, is providing one-time help in 2009-10, but salaries that are already significantly below market cannot continue at these levels for the longer term. Campuses fear that the continuing fiscal crisis may induce faculty to leave UC for institutions in states that are beginning to recover economically. For the same reason, campuses also report that UC faces challenges in attracting new faculty members due to the University's funding shortfall; competitor institutions are offering more competitive salaries and generous start-up packages.

In light of the above, the President and the Chancellors believe it will be extremely difficult to close the shortfall without severe damage to the University absent additional revenue. The reductions are simply too large to manage without a serious disruption of the University's ability to provide basic services and programs. Recognizing that the State's fiscal situation is severely constrained and could worsen, the President and the Chancellors also firmly believe that permanent measures must be taken during the course of the next twenty months (2009-10, 2010-11) to begin to stabilize the University's fiscal situation. Those measures include implementing a mid-year fee increase for 2009-10 and an additional fee increase for 2010-11.

Revenues from these fee increases will allow fewer jobs to be eliminated, a return to faculty hiring, fewer classes to be cancelled than would otherwise be the case, and a return to more normal hours for campus services. It is critical that the University take steps to ensure that the quality of its programs and its ability to provide basic services do not decline beyond a point of recovery.

Proposed Mandatory Systemwide Student Fee Increases and Use of Funds

Within this context, it is proposed that mandatory student fees be increased mid-year by 15 percent for undergraduate and graduate professional students and 2.6 percent for graduate academic students, effective for winter quarter/spring semester 2010. Because the fee increase would be effective for the spring semester, students at semester campuses would pay the entire increase when they pay for spring semester. For students at quarter campuses, the increase would be paid over the winter and spring quarters. Regarding notice to students about mid-year fee increases, the University is widely publicizing the proposed increases to students and applicants. A letter from the President to all students describing the fee increases was distributed in mid-October. To ensure successful implementation of mid-year fee increases, the Office of the President is working with the campuses to ensure that the appropriate changes to student billing systems and financial aid packages are being made.

In addition, it is proposed that the Regents approve an additional annual increase of 15 percent in mandatory systemwide fees for all students for 2010-11, effective summer 2010.

While the fee increases proposed at the Regents' September 2009 meeting did not specify the breakdown between increases in the Educational and Registration Fees, given the magnitude of State General Fund budget reductions and the need to use all available new revenue toward support of the basic operating budget, it is recommended that the Regents apply the entire increase in mandatory systemwide fees to the Educational Fee. Revenue from fee increases at this time must restore instructional programs and fill the gap left from the continued disinvestment by the State.

The mid-year 2009-10 increases in the Educational Fee would generate approximately \$100.2 million in 2009-10 and an additional \$118.5 million in 2010-11, and the 2010-11 increases in the Educational Fee would generate approximately \$286.4 million in 2010-11. Consistent with current practice, 33 percent of the revenue generated from the increases for undergraduate students would be set aside to mitigate the impact of the fee increases on financially needy undergraduate students. Of the revenue generated from the graduate academic student increases, 50 percent would be set aside to provide additional funds for student financial support; and 33 percent of the revenue generated from the increases from students subjected to professional fees would be set aside for financial aid.

Of the \$505.1 million that mid-year 2009-10 and 2010-11 fee increases would generate, approximately \$175.1 million would be set aside for financial aid; the rest would be used to address State budget reductions, mandatory cost increases, and other pressing needs.

DISPLAY 3: Fee Increases and Expected Use of Revenue

	Expected Revenue	Expected Revenue Uses
Educational Fee, mid-year 2009-10 increase	<ul style="list-style-type: none"> ▪ \$100.2 million in 2009-10 ▪ An additional \$118.5 million in 2010-11 when the mid-year increases are annualized 	Revenue would help support the University's operating budget. \$73.4 million of the annualized amount would be set aside for financial aid, while the remainder would be used to address State budget reductions, mandatory cost increases, and other pressing needs.
Educational Fee, 2010-11 increase	<ul style="list-style-type: none"> ▪ \$286.4 million 	Revenue would help support the University's operating budget. \$101.7 million would be set aside for financial aid, while the remainder would be used to address State budget reductions, mandatory cost increases, and other pressing needs.

The adequacy of graduate student support is a serious issue for the University. Because campuses are concerned about their ability to remain competitive for the best graduate students, a 2.6 percent increase in mandatory systemwide fees for graduate academic students is proposed for mid-year 2009-10, instead of the 15 percent increase in mandatory systemwide fees that was proposed at the Regents' September 2009 meeting. (As of 2010-11, the Educational Fee level for resident graduate academic students would equal the Educational Fee levels for resident undergraduates). This lower increase in graduate academic fees will minimize the impact on faculty research grants and training grants covering the fee increases, as well as help address continuing concerns about graduate student support.

Nonresident Tuition. For the remainder of 2009-10 and for 2010-11, it is proposed that nonresident tuition remain at \$22,021 for undergraduates, at \$14,694 for graduate academic students, and at \$12,245 for professional students. (In addition to the nonresident tuition fee, nonresident students must pay mandatory systemwide fees and, if applicable, the Fee for Professional School Students.)

No increase in nonresident tuition for undergraduates is being proposed at this time because the University is concerned that current nonresident tuition levels have peaked, compared to the market. Nonresident students already pay more than the average cost of their education. In addition, in 2009-10 UC's fees are higher than the average fees for the comparators by almost \$4,000 for nonresident undergraduates (\$4,600 if mid-year fee increases are approved).

Due to continuing concerns about the University's ability to recruit high-quality graduate students and the need to ensure that the University's graduate student support packages are competitive with those of other institutions seeking the same high-quality students, no increase in nonresident tuition for graduate students has been proposed for the last five years. No proposal for nonresident tuition increases for graduate students will be made for 2010-11 as well. All nonresident students would experience increases in mandatory systemwide fees similar to those charged to resident students.

Professional Degree Fees. Proposed increases in professional degree fees are presented for the Regents' approval, along with information from professional schools' three-year plans, in the November 2009 Regents' item *Approval of 2010-11 Professional Degree Fee Increases*. Increases in professional degree fees for 2010-11 range from \$280 to \$5,696.

Differential Undergraduate Fees by Discipline. A proposal to establish differential fees for undergraduate students majoring in Business and Engineering was discussed at the September 2009 meeting. At this time, the Office of the President is deferring any recommendation for a differential fee for Business or Engineering undergraduate students for the 2010-11 fiscal year. Additional review and consultation is needed before such a recommendation can be presented to the Regents. The issue of differential fees by discipline is being referred to the UC Commission on the Future.

Total Charges for Resident Students

In addition to mandatory systemwide fees, students pay campus-based fees. These primarily consist of fees levied through student votes to support specific programs of interest to the students, life-safety fees proposed by chancellors and approved by the Regents, and health insurance for graduate students. Displays 4 and 5 show estimated total charges for resident students for 2009-10 and 2010-11, reflecting a weighted systemwide average for campus-based fees. Not included are individual Course Materials and Services Fees (which vary widely by campus and by discipline) and health insurance fees that undergraduate students pay if they are unable to demonstrate health coverage from another source.

DISPLAY 4: 2009-10 Estimated Total Charges for Resident Students

	Current 2009-10 Fees	Proposed Mid-Year Increase ¹		Proposed 2009-10 Total
		\$	%	
Undergraduate				
Mandatory Systemwide Fees ²	\$7,788	\$585	15.0%	\$8,373
Campus-based Fees	<u>\$938</u>	<u>\$0</u>	0.0%	<u>\$938</u>
Total	\$8,726	\$585		\$9,311
Graduate Academic				
Mandatory Systemwide Fees ²	\$8,736	\$111	2.6%	\$8,847
Campus-based Fees ³	<u>\$2,505</u>	<u>\$0</u>	0.0%	<u>\$2,505</u>
Total	\$11,241	\$111		\$11,352
Graduate Professional⁴				
Group 1				
Mandatory Systemwide Fees ²	\$7,722	\$579	15.0%	\$8,301
Campus-based Fees ³	<u>\$2,505</u>	<u>\$0</u>	0.0%	<u>\$2,505</u>
Total	\$10,227	\$579		\$10,806
Group 2				
Mandatory Systemwide Fees ²	\$8,736	\$654	15.0%	\$9,390
Campus-based Fees ³	<u>\$2,505</u>	<u>\$0</u>	0.0%	<u>\$2,505</u>
Total	\$11,241	\$0		\$11,895

¹ Dollar amount represents the actual increase in fees students would experience during 2009-10. Percentage amount represents the annualized percentage increase in the fee level.

² Includes \$60 surcharge to cover costs associated with the injunction and judgment of the *Kashmiri* lawsuit.

³ Campus-based fee levels for graduates include a waivable health insurance fee.

⁴ Professional students in these programs also pay a Professional Degree Fee that varies by campus and program. In 2009-10, these fees range from \$4,000 to \$25,675. Proposed fee increases for 2010-11 range from \$280 to \$5,696 and are presented in the November 2009 Regents' item *Approval of 2010-11 Professional Degree Fee Increases*. Different Educational Fee rates for professional degree students exist due to differences in the point in time at which programs began charging the Professional Degree Fees. For 2011-12, the Office of the President will work with the campuses to develop a strategy to adjust Educational Fee and Professional Degree Fee levels so that Educational Fee levels are consistent for all students also charged Professional Degree Fees. Implementation of such a strategy will be completed in a way that is cost-neutral for both the University and individual students.

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DISPLAY 5: 2010-11 Estimated Total Charges for Resident Students

	2009-10 Fees ¹	Proposed Increase		Proposed 2010-11 Total
		\$	%	
Undergraduate				
Mandatory Systemwide Fees ²	\$8,958	\$1,344	15.0%	\$10,302
Campus-based Fees ³	<u>\$938</u>	<u>\$47</u>	5.0%	<u>\$985</u>
Total	\$9,896	\$1,391		\$11,287
Graduate Academic				
Mandatory Systemwide Fees ²	\$8,958	\$1,344	15.0%	\$10,302
Campus-based Fees ³	<u>\$2,505</u>	<u>\$125</u>	5.0%	<u>\$2,630</u>
Total	\$11,463	\$1,469		\$12,932
Graduate Professional⁴				
Group 1				
Mandatory Systemwide Fees ²	\$8,880	\$1,332	15.0%	\$10,212
Campus-based Fees ³	<u>\$2,505</u>	<u>\$125</u>	5.0%	<u>\$2,630</u>
Total	\$11,385	\$1,457		\$12,842
Group 2				
Mandatory Systemwide Fees ²	\$10,044	\$1,506	15.0%	\$11,550
Campus-based Fees ³	<u>\$2,505</u>	<u>\$125</u>	5.0%	<u>\$2,630</u>
Total	\$12,549	\$1,631		\$14,180
Group 3				
Mandatory Systemwide Fees ²	\$8,958	\$1,344	15.0%	\$10,302
Campus-based Fees ³	<u>\$2,505</u>	<u>\$125</u>	5.0%	<u>\$2,630</u>
Total	\$11,463	\$1,469		\$12,932

¹ 2009-10 fee levels assume approval of mid-year fee increases and represent the annualized fee amount.

² Includes \$60 surcharge to cover costs associated with the injunction and judgment of the *Kashmiri* lawsuit.

³ Reflects projected increases in campus-based fees for 2010-11. Campus-based fee levels for graduates include a waivable health insurance fee.

⁴ Professional students in these programs also pay a Professional Degree Fee that varies by campus and program. In 2009-10, these fees range from \$4,000 to \$25,675. Proposed fee increases for 2010-11 range from \$280 to \$5,696 and are presented in the November 2009 Regents' item *Approval of 2010-11 Professional Degree Fee Increases*. Different Educational Fee rates for professional degree students exist due to differences in the point in time at which programs began charging the Professional Degree Fees. For 2011-12, the Office of the President will work with the campuses to develop a strategy to adjust Educational Fee and Professional Degree Fee levels so that Educational Fee levels are consistent for all students also charged Professional Degree Fees. Implementation of such a strategy will be completed in a way that is cost-neutral for both the University and individual students.

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Fees at Public Comparison Institutions

When comparing UC's fees to those at other institutions, total charges (including campus-based fees) must be used to reflect the comparison accurately.

- UC's average fees for resident undergraduate and graduate academic students are currently below total tuition and fees charged by three of its four comparison institutions in 2009-10.
- For nonresident undergraduates, UC's fees are below two of the four comparators (Michigan and Virginia). Notably, these appear to be the only public research institutions in the nation with undergraduate nonresident charges higher than UC's fee charges.
- For nonresident graduate students, UC's fees are below only one of the four comparators.

A mid-year increase as proposed applied for half of 2009-10 would mean that UC's fees for resident undergraduate and graduate students would remain below three of the four comparators, as shown in Display 6. On an annualized basis, the proposed increase would push UC past one additional institution at the undergraduate level.

DISPLAY 6: 2009-10 University of California and Public Comparison Fees

	Undergraduate		Graduate	
	Resident	Nonresident	Resident	Nonresident
Public Comparison Institutions				
SUNY Buffalo	\$7,013	\$14,913	\$9,883	\$14,763
Illinois	\$12,508	\$26,650	\$12,514	\$25,780
Michigan	\$12,400	\$36,163	\$17,475	\$35,133
Virginia	\$9,872	\$31,872	\$12,635	\$22,635
Average	\$10,448	\$27,400	\$13,127	\$24,578
UC	\$8,726	\$31,395	\$11,241	\$26,277
UC + Proposed Increases (half-year)	\$9,311	\$32,028	\$11,352	\$26,394

Note: Comparison institution figures include tuition and required fees as reported by the Association of American Universities Data Exchange (AAUDE). UC figures include mandatory systemwide fees and campus-based fees, nonresident tuition for nonresident students, and a waivable health insurance fee for UC graduate students.

Assuming a 5 percent increase in comparison institutions' tuition and fee levels (reflected in Display 7 below), UC's fee increases as proposed for 2010-11 would mean that UC's fees for resident undergraduate students would remain below two of the four comparators, as shown in Display 7. However, for the first time, UC fees for resident undergraduates would exceed the average of the four public comparison institutions in 2010-11. UC's fees for resident graduate students would remain below three of the four comparators. (Note that the projection of a 5 percent increase in comparison institutions' tuition and fee levels for 2010-11 may be artificially low.)

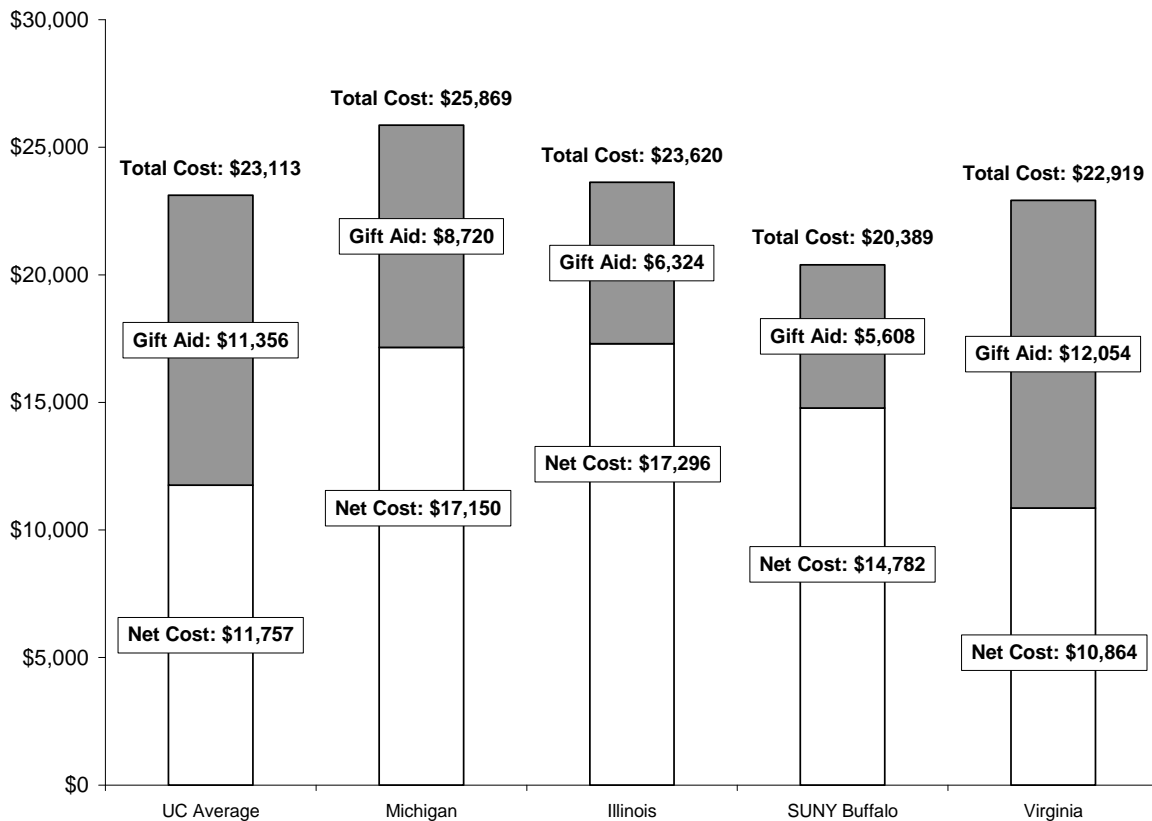
DISPLAY 7: 2010-11 University of California and Public Comparison Fees

	<u>Undergraduate</u>		<u>Graduate</u>	
	Resident	Nonresident	Resident	Nonresident
Public Comparison Institutions				
SUNY Buffalo	\$7,364	\$15,659	\$10,377	\$15,501
Illinois	\$13,133	\$27,983	\$13,140	\$27,069
Michigan	\$13,020	\$37,971	\$18,349	\$36,890
Virginia	\$10,366	\$33,466	\$13,267	\$23,767
Average	\$10,971	\$28,769	\$13,783	\$25,807
UC + Proposed Increases	\$11,287	\$34,166	\$12,932	\$27,626

Note: Comparison institution figures include tuition and required fees as reported by the Association of American Universities Data Exchange (AAUDE). UC figures include mandatory systemwide fees and campus-based fees, nonresident tuition for nonresident students, and a waivable health insurance fee for UC graduate students.

Fees represent only a portion of the total costs that students must cover, however. Display 8 depicts the average total cost of attendance – including fees, housing, books and supplies, health insurance, and other costs – for undergraduates at UC and its four public comparison institutions. In 2008-09, UC’s average total cost of attendance (before financial aid) represents the midpoint among these institutions. However, gift aid (grants and scholarships) significantly reduces costs for financially needy students. As shown in Display 8, after taking gift aid into account, UC’s average net cost for need-based aid recipients in 2008-09 was below the estimated net cost of three of the four comparison institutions. Comparison institution figures for total cost of attendance or net cost for need-based aid recipients in 2009-10 and 2010-11 are unknown at this time.

DISPLAY 8: 2008-09 Average Total Cost of Attendance for Undergraduate Need-Based Aid Recipients



Financial Aid

UC intends to maintain its commitment to assisting financially needy low- and middle-income students through its strong institutional financial aid program, which includes the Blue and Gold Opportunity Plan. Furthermore, UC will work with the State to ensure that the Cal Grant Program continues to cover mandatory systemwide fees for eligible UC students.

Financial aid for UC students was enhanced in several ways prior to July 2009, when the amendments to the 2009 Budget Act assigned new cuts to UC. These financial aid program enhancements – including the initiation of the Blue and Gold Opportunity Plan, augmentations to the State Cal Grant program, an influx of new resources for the Pell Grant program, and expansion of the federal higher education tax credit – meant that undergraduate students with family incomes below \$180,000 experienced, on average, an increase of \$1,200 - \$1,500 in resources for education expenses. This increase was substantially higher than the \$693 fee increase that the Regents approved for resident undergraduate students in May 2009.

These enhancements and increased resources will assist undergraduate resident students if mandatory fee increases as proposed are implemented for the winter quarter/spring semester

2010 terms. In addition, the impact of the fee increases on many needy students is expected to be offset by additional funding from the Cal Grant program. This funding, combined with UC's own return-to-aid funding, will provide enough additional funding to cover the fee increase for Cal Grant recipients and UC Grant recipients (generally those with parent income below \$70,000). UC projects that, on average, students with incomes below \$180,000 will experience financial resource increases, either through gift aid or expanded tax credits, to cover the full amount of fee increases already approved and now proposed for 2009-10.

The University plans to maintain UC's commitment under the Blue and Gold Opportunity Plan ensuring that mandatory systemwide fees, including the mid-year fee increase, are covered by gift assistance for eligible students. In 2009-10, the Blue and Gold Opportunity Plan ensures that financially needy California undergraduates with total family income under \$60,000 have systemwide fees covered (up to the students' need) by scholarship or grant awards. This financial aid initiative, new in 2009-10, helps ensure that UC fee charges do not deter the half of California households with incomes below \$60,000 from aspiring to a UC education. The Plan covers an estimated 48,000 students in 2009-10.

In 2010-11, the Blue and Gold Opportunity Plan will be expanded to include eligible resident undergraduates with family incomes up to \$70,000 (again, up to the students' need). The cost of this program expansion is anticipated to cost \$2.7 million and is expected to provide systemwide fee coverage to an additional 800 students who were not previously eligible for participation in the Plan. The overall benefit to increasing the Blue and Gold Opportunity Plan is not only to raise the financial aid income threshold for current UC students, but also to encourage a greater number of low income students to apply and hopefully be enrolled at the University of California. The University is currently examining options for funding the added costs.

In 2010-11, as noted earlier, the University plans to continue to augment its student aid programs with a return-to-aid of 33 percent for new undergraduate fee revenue. These funds, together with anticipated increases in Cal Grant and Pell Grant awards, will provide additional support that will generally cover the systemwide fee increases for Cal Grant and UC Grant recipients, and will provide some coverage of other cost increases as well. The University will also use these funds to mitigate the impact of higher fees on financially needy middle-income students who would not otherwise be eligible for grant assistance; the University will cover one-half of the fee increase for these students. UC plans to increase eligibility for this coverage to include financially needy students from families with incomes up to \$120,000 in 2010-11 (previously capped at \$100,000).

In addition to the increased financial aid resources noted above, the University has announced an ambitious effort to raise \$1 billion for student support over the next four years from private sources. This effort would double the amount of private support the system has raised for scholarships, fellowships and other gift aid in the previous five years. The effort recognizes the need to focus fundraising efforts more sharply on student support.