

Office of the President

TO MEMBERS OF THE ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

**DISCUSSION ITEM**

*For Meeting of November 15, 2017*

**REPORT OF THE TOTAL COST OF ATTENDANCE WORKING GROUP**

**EXECUTIVE SUMMARY**

Regents policy on undergraduate financial aid calls for making the cost of attendance for California undergraduates, which includes tuition, fees, and expenses for housing, food, educational materials, and transportation, affordable. The policy specifies that the cost of attendance be met through a combination of family resources (to the extent that they are able), a manageable contribution from the student, and grant support from federal, State, University, and private sources. The Education Financing Model (EFM) is the University's strategy for implementing this policy.

The Total Cost of Attendance Working Group examined whether the EFM, as currently designed, is achieving the goal of the Regents policy or whether the EFM needs to be reformed. (See attached report for the Working Group Charge and the Regents Policy.)

The Working Group recognized that the University of California has a unique and laudable record serving California students from all socioeconomic backgrounds. Not only does UC enroll a greater proportion of low-income students than any other top research university, it graduates them at the comparable, high rates of their peers from middle-income and higher-income families.

Nevertheless, the Working Group was charged with identifying ways to improve the EFM. The Working Group developed eight recommendations to do so, presented below. As a general approach, the Working Group adopted the principle of looking for ways to partner with the State to focus attention on the total cost of attendance at its public universities and to help students in covering those costs. Some recommendations include options with significant trade-offs that the Board will need to consider. (See attached report.) The Working Group did not prioritize the recommendations.

1. **Advocate for Additional Cal Grant Eligibility for Summer and Promote Summer Enrollment as a Way to Reduce Time-to-Degree:** Speeding time to graduation is one of the most effective ways to reduce the cost of an undergraduate degree, and students who attend summer school are more likely to graduate in four years. The University

- should advocate for expanded availability of Cal Grants in summer to support summer enrollment.
2. **Expand Multi-year Financial Aid Plans:** Direct the Office of the President to work with campuses to expand an innovative UC Santa Barbara pilot program offering four-year financial aid promises to select new freshmen and two-year promises to select new transfer students.
  3. **Improve Measurement of the Total Cost of Attendance:** Improve assessment of the total cost of attendance, reducing reliance on survey data exclusively, especially when campuses may have data on actual direct student expenditures (e.g., campus course materials fees), engaging survey experts in reviewing the UC Cost of Attendance Survey (COAS), and reducing the time between administrations of the COAS.
  4. **Bring Additional Affordability Information to Regents' Conversations and Flag Decisions that Impact Affordability:** The Office of the President will present information on the total cost of attendance, and student working and borrowing when presenting tuition increase proposals to the Regents. Furthermore, an in depth discussion of affordability issues outside the context of a tuition increase is recommended. Finally, Board decisions, which could have an impact on affordability for students, e.g., approving capital projects to build student housing, should be flagged as such by the campuses and the Office of the President.
  5. **Further Study Strategies to Limit Increases in University Housing and Healthcare Costs:** Housing and health insurance are significant drivers of the total cost of attendance and the costs of both of these drivers are partially within the control of the University. The University should identify and disseminate best practices to help campuses limit these cost increases without compromising student success (e.g., eliminating academic space within housing known to contribute to student success). NOTE: This recommendation is not intended to suggest that these costs be subsidized.
  6. **Create Modest, Progressive Self-Help Models:** Rather than expect the same from all students in terms of part-time work and student loans, UC should ask less of the most financially needy. This could happen systemwide or through greater use of campus flexibility.
  7. **Leverage State Support for Middle-Class Students to Enhance UC Affordability:** Acknowledging perceived flaws in the federal need analysis formula, the University should leverage the State of California's Middle Class Scholarship Program.
  8. **Improve Financial Education:** The Office of the President will work with campuses – and perhaps intersegmentally with the California State University system and the California Community Colleges system – to expand financial literacy training for students.

The attached report provides general background and outcome measures reviewed by the Working Group, summarizes their deliberations, and expands upon the recommendations described above, including the benefits and challenges of each.

## BACKGROUND

### *Total Cost of Attendance Working Group*

The Total Cost of Attendance Working Group met six times between April and October, 2017. As part of its deliberations, the Working Group invited outside speakers to provide an outside perspective on the Education Financing Model (EFM) and reviewed in detail the assumptions and principles underlying the EFM, including alternatives to each of the principles. Outcome data on graduation and persistence rates, debt upon graduation, average work hours, and the income distribution of UC students compared to California as a whole were discussed, as were numerous options and alternatives to the current approach.

During its work, the Working Group considered the following questions:

- Whether the resources available for financial aid should continue to be based on supply (currently, a dedicated proportion of tuition revenue) or on the demand of student needs.
- Whether there are measures other than direct financial aid to students that should be implemented to reduce the total cost of attendance to make UC affordable for California undergraduates.
- Whether the total cost of attendance (before financial aid) at individual campuses and systemwide can be better estimated.
- Whether the current level of student self-help (i.e., the resources students are expected to contribute through part-time work and borrowing) is appropriate.
- Whether UC's current financial aid programs' assumptions about the amount of reasonable contributions that parents make to the cost of their children's education at UC reflect current realities or should be adjusted.

In short, the Working Group undertook a comprehensive review of UC's implementation of the Regents policy on undergraduate financial aid via the EFM. The recommendations above represent a set of generally agreed-upon conclusions, but the Working Group also proposed that the full Board of Regents consider different options for how to proceed in some areas.

*Education Financing Model*

The EFM is the University of California's strategy for implementing the Regents Policy on undergraduate financial aid, which reads:

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*The University's undergraduate student support policy is guided by the goal of maintaining the affordability of the University for all the students admitted within the framework of the Master Plan. (from Regents Policy 3201: The University of California Financial Aid Policy)*

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Consistent with this focus, the University's undergraduate financial assistance program is built around the goal of ensuring that UC is financially accessible to all California students who are academically eligible to enroll. The EFM is guided by three critical principles.

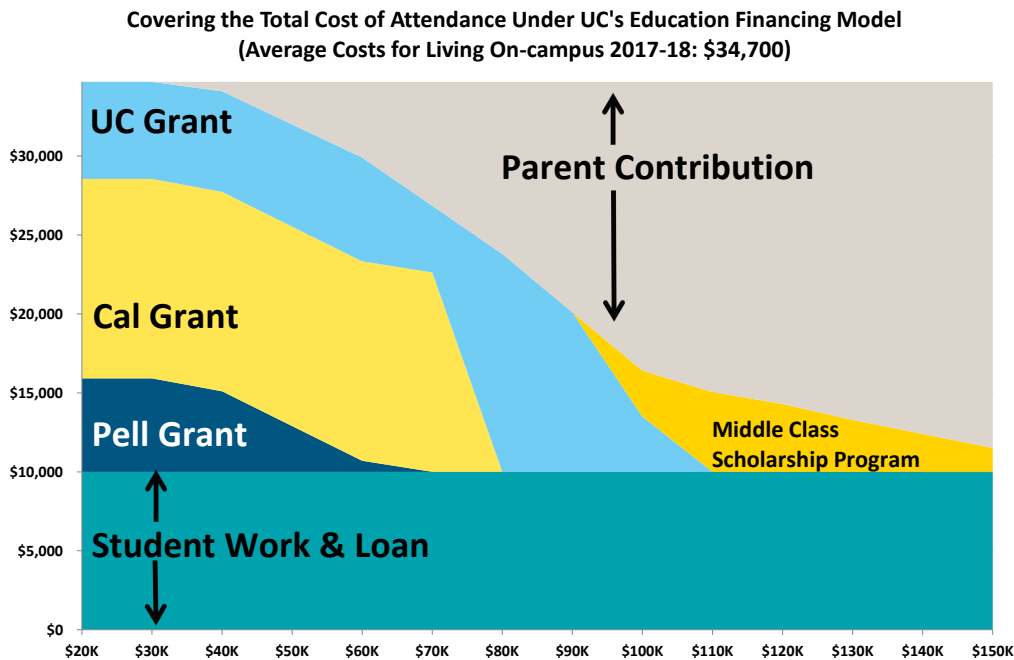
**Principle 1: Total Cost of Attendance is the Context for Measuring Affordability.** The EFM recognizes that affordability for students and families must recognize all educational costs, including books and supplies, room and board, transportation, personal expenses, health insurance, tuition, and fees. UC develops cost of attendance budgets, based in part on results of its systemwide UC Cost of Attendance Survey, for three living categories (living on-campus, living off-campus, living with parents) at each UC undergraduate campus for a total of 27 different student budgets.

**Principle 2: Covering the Total Cost Requires a Partnership.** The University of California treats covering the total cost of attendance as a partnership among students, their parents, and State, federal, and University financial aid programs.

**Principle 3: Students' Working and Borrowing Must Be Manageable to be Affordable.** UC defines a range of manageable working and borrowing as outlined below and aims to be around the midpoint in that range.

Figure 1 below presents a stylized view of how the EFM works across students by income. As the graphic shows, the student contribution, also known as "self-help," does not vary by income, while the parent contribution does. UC awards its own UC Grant to fill in the gaps between State and federal grants in order to be sure the total cost of attendance is covered.

Figure 1: Visualization of Current EFM



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, presented in the Executive Summary above and with greater detail in the attached report.

### *Options Considered and Not Recommended*

Below is a list of the options that did not make it into the list of Working Group Recommendations along with a brief description of the deliberations.

#### Decentralization of University of California Financial Aid

The Working Group reaffirmed the importance of ensuring that costs are not a barrier to undergraduates across all UC campuses and that costs are not a deciding factor when a student is choosing between campuses. This means that more UC need-based grant may be needed at some campuses than others, taking into account the aggregate financial need of each campus' student body. So, in order to ensure affordability at all campuses, including those with the greatest levels of collective need, the Working Group rejected a decentralized model where campus financial aid would be funded only by funds generated locally.

### Alternate Calculation of Expected Parent Contribution

The current Regents policy on financial aid specifies that the Free Application for Federal Student Aid (FAFSA) and federal need analysis should be used in its implementation. The Working Group discussed the strengths and drawbacks of this.

- The Working Group discussed, but did not pursue, the option of the University's developing its own need analysis formula. This could be accomplished by using data collected on the FAFSA differently or by collecting additional family income and asset information separately. The questionable benefit and potential administrative burdens for students and campuses led to the Working Group' rejecting this option.
- The Working Group discussed and rejected the use of the College Board's PROFILE, a supplemental financial aid application published by the College Board, which is used by many private colleges and universities. While the PROFILE provides more nuanced information, the administrative barrier it represents to low-income students outweighed the value of greater precision.

### Adjusting the Return-to-Aid Percentage Annually

The Working Group discussed the potential for adjusting the return-to-aid percentage each year to meet the assessed financial need. Instead, the Working Group agreed to recommend that a full discussion of financial aid and the total cost of attendance be included whenever a proposal to increase tuition and fees is presented to the Regents.

### Return-to-Aid on Charges Beyond Tuition and Fees

The Working Group also looked at the option of building a return-to-aid in other direct charges from the University that could provide funding that would rise as those costs do. In other words, a surcharge to fund financial aid would be added to on-campus housing, health insurance, and course materials fees. This option was rejected as unworkable for a number of reasons. For example, some of the services funded by these charges, e.g., health insurance, must compete within markets where competitors are not adding surcharges to fund aid. Thus, including a return-to-aid while still facing the need to remain competitive in the marketplace would lead to a corresponding decrease in benefits.

### Redefining "Manageable" Self Help

The Working Group discussed in detail the assumptions behind the University's range of manageable working and borrowing for students. Maintenance of this definition was delegated to the EFM Steering Committee.

Best Practices

The Working Group was pleased to review several best practices undertaken by campuses in a number of areas, such as the development of cross-department teams to assist students in acute financial crisis. However, the Working Group did not want to ask the Regents to review “best practices,” but encourages the UC Office of the President to continue to facilitate the dialogue across the system.

Expanding Blue and Gold Opportunity Plan

The Working Group also discussed the option of expanding the University’s Blue and Gold Opportunity Plan, which currently promises to cover tuition and fees for students from families with incomes under \$80,000. However, expanding this program to cover additional students would displace Middle Class Scholarship awards currently received by these students. Instead, the Working Group recommends alternate action on middle-class students. (See Recommendation 7.)

*Questions for Discussion*

The attached report from the Total Cost of Attendance Working Group describes in detail each recommendation. Questions for the Academic and Student Affairs Committee include the following:

- Which recommendations from the Working Group are endorsed by the Committee?
- For recommendations with options, which options in particular?
- Does the Committee wish to prioritize the recommendations in the report?

**Attachment: Total Cost of Attendance Working Group Final Report**

Key to Acronyms:

COAS	UC Cost of Attendance Survey
EFM	Education Financing Model
FAFSA	Free Application for Federal Student Aid