

**Office of the President**

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

**DISCUSSION ITEM**

*For Meeting of March 15, 2017*

**UNDERGRADUATE COST OF ATTENDANCE**

**EXECUTIVE SUMMARY**

The University of California's undergraduate financial aid policy has the stated goal of "maintaining the affordability of the University for all students admitted within the framework of the Master Plan." (Regents Policy 3201: The University of California Financial Aid Policy)

UC's strategy for implementing this Regents Policy is called the Education Financing Model, which has kept the University financially accessible to California students from all financial backgrounds. One of the fundamental principles of the Education Financing Model is that financial aid needs to acknowledge the full cost of attending UC to students and their families and not just tuition and fees. The total cost of attendance includes living and personal expenses, books and supplies, transportation, and health care, as well as tuition and fees.

These components of the total cost of attendance fall into two categories: direct expenses and indirect expenses.

- **Direct Expenses:** These are expenses that are paid directly to the University. They include tuition and fees, residence hall and meal plan costs, and health insurance.
- **Indirect Expenses:** These are expenses incurred by students in pursuit of their education but not paid directly to the University. They include rent and food costs for students living off campus, personal and transportation costs, and book and supply expenses.

Although direct costs are readily identifiable, indirect costs are not. Since 1988 the University has conducted a survey of undergraduate students to identify the indirect costs and incorporate them into the total cost of attendance. That survey is known today as the Cost of Attendance Survey (COAS).

The latest COAS was completed in Spring of 2016. As with past surveys, the 2016 survey will be used to determine UC's total cost of attendance starting in 2017-18. The survey results demonstrated large increases in food costs, variable increases in rent costs depending on the campus location, and declines in some other costs (e.g., books and supplies, transportation). The

survey results, combined with changes in direct costs, yield campus average total cost of attendance figures for 2017-18 that increased between one percent and seven percent, depending on the campus.

If students are having difficulty living within their budgets and the resources they have available, campus officials can provide extra help by 1) increasing standard budgets on an ad hoc basis for students who have allowable extra expenses not reflected in the Standard Methodology Budget, which would allow campuses to provide additional financial aid (type of aid depending on funding available), 2) provide emergency assistance such as short-term loans or emergency housing or food assistance, and 3) providing financial literacy/wellness support to help students best manage the resources they have available.

## BACKGROUND

### *Defining the Total Cost of Attendance*

The total cost of attendance represents a comprehensive view of a student's educational and living expenses while enrolled at the University. It includes the following components: tuition and fees; housing, food, and other living costs; book and supply costs; personal and transportation costs; and health insurance.

The University's use of the total cost of attendance to award financial aid is driven by two factors:

- **Regents' Policy:** The Regents' Policy on undergraduate financial aid references "the cost of attending the University," not just tuition and fees (Regents Policy 3201: The University of California Financial Aid Policy). The policy recognizes that an inability to pay for any educational costs – whether tuition, books, housing, or food – can be a barrier to succeeding at UC.
- **Federal and State Financial Aid Rules:** University policy is consistent with federal and State policies on need-based financial aid by recognizing educational expenses beyond tuition. Need-based financial aid eligibility is limited to the difference between the total cost of attendance and a student's personal and family resources, as calculated according to a federal standard.

### *The Education Financing Model and the Total Cost of Attendance*

The Education Financing Model, or EFM, is the University's strategy for implementing the Regents' Policy. The EFM is grounded in the principle that the University must consider the total cost of attending the University. As such, having a comprehensive and accurate estimate of the total cost of attendance is critical to the EFM's success at the following:

- Measuring the adequacy of UC funding dedicated to undergraduate financial aid;
- Allocating undergraduate financial aid funding across campuses; and

- Developing individual student financial aid awards (i.e., “financial aid packaging”).

While systemwide tuition and fees are the same for all students, indirect costs (e.g., off-campus rents and transportation expenses) and other direct costs (e.g., campus-based fees, residence hall charges) vary by location. To ensure that student affordability is similar across campuses notwithstanding different costs of attendance, the EFM uses a methodology for developing the cost of attendance called its Standard Methodology Budgets.

### *Methodology for Determining the Total Cost of Attendance at Each UC Campus*

Federal and State regulations for need-based financial aid require colleges and universities to develop a comprehensive estimate of students’ educational expenses for a period of enrollment. The resulting “student budgets” are typically built on averages across the student body, but may be specific to the student’s housing choice. For example, like most colleges and universities, UC campuses use a different budget for students who live at home with their parents than for those who live in on-campus housing or live in an off-campus apartment.

Federal regulations provide institutions with flexibility in the methodology for determining the student budgets used to award financial aid. As long as the approach is a reasonable one, colleges and universities may use sources that include actual charges paid to the university, student survey data, local market information, or other methods.

UC has always based direct expenses on actual charges reported to the Office of the President each year. The use of survey data to determine indirect costs across California institutions started with the 1972 administration of the Student Expenses and Resources Survey (SEARS). SEARS was a joint effort of the California Student Aid Commission, the then California Postsecondary Education Commission, the University of California, the California State University, the California Community Colleges, and the Association of Independent California Colleges and Universities. SEARS was generally conducted every three years until 2008. However, UC started conducting its own Cost of Attendance Survey (COAS) in 1988, when there was doubt about whether the SEARS would be completed.

UC has completed an undergraduate COAS roughly every three years since 1988. The systemwide Education Financing Model Steering Committee, which advises the Office of the President on implementing Regents’ policy on financial aid, reviews the results of each COAS and approves its use to develop campus-specific indirect costs of student financial aid budgets. Survey results are adjusted for inflation between the surveys. The University labels the budgets created through this process “Standard Methodology Budgets.” The survey approach yields student expense budgets that are rooted in what other students actually spend.

### *2016 Cost of Attendance Survey Results and 2017-18 Standard Methodology Budgets*

The 2016 Cost of Attendance Survey (COAS:16) was conducted in Spring 2016. COAS:16 was an on-line, sample survey of students on each UC undergraduate campus without regard to their

financial aid status. A full breakdown of the survey results is shown in Attachment 1, which the following bullets summarize:

- **Food:** Reported expenses for groceries, snacks, and meals out increased dramatically – by nearly 60 percent for students living off campus – likely driven primarily by a change in how the survey questions on food expenses were framed and not actual food cost increases. Upon the recommendation of a student focus group, COAS:16 asked for weekly rather than monthly food expenses with the expectation that this change would produce more accurate results.
- **Housing:** Monthly off-campus rent increased systemwide by about the rate of the California rent-specific Consumer Price Index (CPI), as published by the California Department of Finance. Students at campuses in high-cost, urban parts of the state reported substantial increases, while those in less urban, lower-cost areas reported rent levels that remained relatively flat or declined.
- **Books and Supplies:** Book and supply expenses declined on all campuses and among all students. These results affirmed anecdotal stories that have been circulating that students are increasingly taking advantage of alternatives (e.g., renting textbooks).
- **Personal and Transportation Expenses:** Declines in personal expenses were similar in scale to those for book and supply expenses, and showed a minimal correlation to income levels. The decline in transportation expenses was expected given a negative Transportation CPI published by the California Department of Finance.

Although some of the findings above matched expectations – e.g., the increase in food allowance and decrease in transportation expenses – others did not. UCOP Student Affairs worked with UCOP Institutional Research and Academic Planning (IRAP) and the EFM Steering Committee to ensure the results were deemed reliable.

- IRAP confirmed that the survey collected data from a sufficient number of students to estimate average expenses with statistical confidence and survey respondents were representative of the general population of UC undergraduates. Nearly 14,000 students participated, with an overall response rate of 42 percent (above the target of 40 percent) and adequate responses for each campus location to report campus-level data.
- Across all of the cost categories, the EFM Steering Committee looked for correlation between family income and reported expense levels or changes in expenses since the last COAS in 2013. The correlation was, at most, very low in all the reviewed categories. This alleviated concerns that inadequate financial aid budgets might have been driving down rent costs for students from lower-income families.

The COAS results are combined with direct cost figures to build the cost of attendance levels – or Standard Methodology Budgets – for all undergraduate campuses and for three living

situations: on-campus, off-campus, and commuting (living at home with parents or relatives). The resulting systemwide average student budgets for 2017-18 compared with 2016-17 are as follows: a three percent increase over last year for commuters, a two percent increase for on-campus students, and a five percent increase for students in off-campus housing. Averaged across all three housing types, the increase is four percent.

**Key to Acronyms**

COAS	Cost of Attendance Survey
CPI	Consumer Price Index
EFM	Education Financing Model
SEARS	Student Expenses and Resources Survey

[Attachment 1: Findings from the Undergraduate Cost of Attendance Survey 2015-16](#)