DOCUMENT RESUME

ED 230 085 HE 016 145

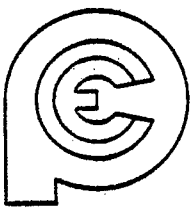
TITLE	Background Papers on Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Continuing Dialogue. A Supplement to the Report from Phase II of the Commission's Response to Assembly Concurrent Resolution 81. Commission Report No. 82-41.
INSTITUTION	California State Postsecondary Education Commission, Sacramento.
PUB DATE	Dec 82
NOTE	118p.; For related documents, see HE 016 149 and ED 216 725.
AVAILABLE FROM	California Postsecondary Education Commission, 1020 Twelfth Street, Sacramento, CA 95814.
PUB TYPE	Viewpoints (120)
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	*Access to Education; Community Colleges; Federal Aid; *Financial Policy; Graduate Students; Income; Master Plans; Postsecondary Education; Public Education; Retrenchment; State Aid; *State Colleges; State Universities; *Student Costs; *Student Financial Aid; Undergraduate Students
IDENTIFIERS	*California; California Community Colleges; California State University; College Costs; University of California

ABSTRACT

Three background papers to a study on the impact of student charges on access to public postsecondary education in California are presented. The California Postsecondary Education Commission conducted the investigation at the request of the California Legislature. The first background paper examines the evolution since 1960 of policies regarding the use of student fee revenues along with the implementation of the California master plan for higher education. Attention is also directed to: the policies of California and other states regarding the uses of student fee revenues; and policies within the state, including a taxonomy of charges and their uses at California State University, University of California, and the California community colleges. The second paper discusses the structure of major federal, state, and institutional student aid programs, and traces the history of federal and state aid. Recent proposals to reduce the growth of federal financial aid programs and the implications for California student financial aid recipients are considered. The third paper describes a number of approaches to setting fees for graduate students, including borrowing by graduate students and the nature of their indebtedness in different academic and professional fields. (SW)

BACKGROUND PAPERS ON STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION: A CONTINUING DIALOGUE

A SUPPLEMENT TO THE REPORT FROM PHASE II OF THE COMMISSION'S RESPONSE TO ASSEMBLY CONCURRENT RESOLUTION 81



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BACKGROUND PAPERS
ON STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION: A CONTINUING DIALOGUE

A Supplement to the Report from Phase II
of the Commission's Response to Assembly Concurrent Resolution 81

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

Commission Report 82-41

December 1982

CONTENTS

PREFACE

When the California Legislature asked the California Postsecondary Education Commission to continue and extend its April 1982 study of student charges, student financial aid, and access to postsecondary education, the Commission's staff began by preparing three working papers on the topics of particular concern to the Legislature as stated in Supplemental Language to the 1982-83 Budget Act, reproduced on the back cover. In revised form, these three papers comprise this supplement to the Commission's December 1982 report, Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Continuing Dialogue (Commission Report 82-40). The staff then developed a number of options and alternatives for recommendations in the areas under study which are described below. In consultation with segmental and State agency fiscal staff, the staff also made refinements in the calculation of the base for setting and adjusting fee levels proposed in the April report and adopted by the Legislature in Supplemental Language to the 1982-83 Budget Act. An expanded discussion of the elements included in this calculation of the base will be published as a separate technical supplement to the Commission's December report.

SCOPE OF THE BACKGROUND PAPERS

The major issues examined in the Commission's December report were (1) the appropriate uses of student fee revenues; (2) differential fee levels for graduate students--previously discussed by the Commission in its April response to Assembly Concurrent Resolution 81; and (3) the future of State student aid programs in the context of changing public sector fees and the potential for reduced federal student aid funding.

The papers in the present volume address each of these issues in turn. The first examines existing policies regarding the use of student fee revenues and traces the evolution of these policies since 1960 and the implementation of the Master Plan for higher education in California. It compares State and segmental policies regarding the uses of student fee revenues to state and institutional policies and practices elsewhere. It also compares existing segmental policies within California and on pp. 26-33 provides a taxonomy of University, State University, and Community College charges and their uses. Finally, it compares available funding over time for institutional activities which are supported by student fees and those which are not.

The second paper offers background on the structure of major federal, State, and institutional student aid programs. It traces funding for federal and State student financial aid programs since their inception, describes recent proposals to reduce the growth of federal financial aid programs, and discusses the implications of various proposals for California student financial aid recipients.

The third paper describes a number of approaches for setting fees for graduate students and discusses the advantages and disadvantages of each of them. It includes a comparison of how undergraduate and graduate students finance their education, and concludes by discussing borrowing by graduate students and the different nature of their indebtedness in different academic and professional fields.

OPTIONS AND IMPLICATIONS

As part of the consultation process used in the preparation of the December report, the Commission staff developed a number of possible recommendations regarding the use of student fee revenues, student financial aid, and post-baccalaureate student charges. For each of these options, the staff described a number of implications for the State, the segments, and students. The ACR 81 Advisory Committee then reviewed and commented on this staff paper, and the revised options and implications in each of the three major areas are summarized below.

Use of Student Fee Revenues

In examining alternatives to existing practices regarding the use of student fee revenues, the Commission staff suggested five options which ranged from essentially categorical application of student fee revenues to unrestricted use of student fee revenues:

1. State policy should precisely define those categories of student services for which general student fees can be expended, and these categories should be the same for all public segments.

2. State policy should precisely define the categories of student services and student access activities (such as outreach, financial aid, Educational Opportunity Programs, and student affirmative action) for which general student fees can be expended, and these categories should be the same for all public segments.

3. State policy should maintain the current use of student fee revenues in which the types and level of student support for student services vary among the segments as described in the background paper for Phase II of the ACR 81 study on "Use of Student Fee Revenues in California Higher Education."

4. State policy should allow the use of student fee revenues for support of student services, instruction and related costs, but not for research, public services, or independent operations.

5. State policy should allow the use of student fee revenues for the full range of institutional activities currently supported by State General Funds or student fee revenues.

Although the staff listed only five specific options along this continuum, it became clear that almost infinite alternatives within the range of these options could be described, and each possible alternative could in turn be varied by allowing different definitions for each segment or requiring common definitions for all three segments. Each of these reflect different State policy options regarding the use of the revenues in response to the Commission's legislative charge.

In the process of developing these alternatives, Commission staff found it difficult to separate policies regarding the use of fee revenues from practices in the budget process for accounting for fee revenues, and so it also included four fiscal management options. These options had implications for State and segmental budgeting and accounting procedures far beyond the scope of the Commission's study, and after further consideration and with the counsel of the ACR 81 Advisory Committee, Commission staff limited its subsequent efforts to assessment of the use of fee policy options.

Postbaccalaureate Charges

In examining alternative responses to the Legislature's charge that the Commission develop recommendations for the establishment of further charges for postbaccalaureate students, Commission staff identified four separate options:

1. Postbaccalaureate students in the University and State University should be charged the same fees as undergraduates in the same segment.

2. Current student charges practices should be continued.

3. A postbaccalaureate differential should be set in both segments with graduate and professional students charged a specified percentage above undergraduate students in the same segment.

4. Existing student charges practices for most graduate students in the University and State University should be continued, but higher fees should be charged for certain high-cost and high-return graduate and professional degree programs.

Student Financial Aid

Unlike the options for use of fees and postbaccalaureate fee levels, which were mutually exclusive options, the Commission staff identified a number of elements with respect to student financial aid. Any combination of these elements could be incorporated into the Commission's recommendations.

1. The State should assume responsibility for funding aid for undergraduate and graduate students in all three public postsecondary education segments.

2. The State should fund a certain number or percent of fee waivers to be awarded by segments to students who demonstrate financial need.

3. The State should increase General Fund appropriations for student financial aid to offset the effects of reduced federal funding for need-based student financial aid in the 1982-83 and 1983-84 academic years.

4. The State should provide financial aid augmentations to the segments to offset fee increases in the public segments for students who demonstrate financial need, while maintaining other State-funded student financial aid including the Student Aid Commission, EOP, and EOPS programs at appropriate levels.

5. The State should provide funding for financial aid to the Student Aid Commission and the segments based on practices in effect for the 1982-83 fiscal year.

6. State appropriations for student financial aid should be allocated on the basis of a guaranteed share of available appropriations to segments or institutions for packaging and distribution to students.

7. In the near term, the State should provide sufficient aid to offset fee increases for students with financial need with a combination of augmentations to the Student Aid Commission and the segments. At the same time, a new structure for funding and administering student aid should be developed to assure the effective and equitable use of State student aid funds in the context of changes in federal aid and in fees charged by the public segments.

Discussion with the ACR 81 Advisory Committee made it clear that State policy priorities for student aid and the organization and administration of student aid programs are so interrelated as to make conceptual elements such as those presented by the staff difficult to assess adequately. A further limitation of the elements related to student financial aid was the lack of information regarding potential funding needs. Since the level of aid necessary to implement any final set of recommendations would have to be estimated according to the actual set of elements incorporated into a single proposal, no estimates of costs were included.

The discussion of options described above, along with the three working papers included in this volume, provided the backdrop for the discussions leading to the Commission's response in Phase II of its ACR 81 study. The Commission hopes that they, along with the materials prepared for the first phase of the ACR 81 response, will provide a useful context for readers of both the April and December reports--Student Charges, Student Financial Aid, and Access to Postsecondary Education, and Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Continuing Dialogue.

USE OF STUDENT FEE REVENUES IN CALIFORNIA PUBLIC HIGHER EDUCATION

Assembly Concurrent Resolution 81 (Hart, 1982) required that by May 1, 1982, the California Postsecondary Education Commission review and make recommendations on "which costs of university operations are appropriately borne by students, and the proportion of expenditure for these operations that should be financed by student charges." Within the time constraints of ACR 81, however, the Commission was unable to determine by May 1 "the appropriateness of all the many specific uses of these charges or the appropriate proportion of costs that should be financed by the students" (1982, p. 33). Thus, the Commission resolved to continue its review of current fee policies and use of fee revenues and to make recommendations for State policy by December 1.

As part of the 1982-83 Budget, the Legislature then adopted Supplement Budget Language directing the Commission to conduct and submit to the Legislature by December 1:

> a study of the impact of student charges on public postsecondary education, including recommendations for State policy on issues regarding: (a) the activities that shall be funded with revenues from student charges, (b) the impact that student charges at one segment have on other segments, (c) the appropriate level of student charges for each segment, (d) the level of additional financial aid required to maintain student access at various levels of student charges, and (e) additional issues recommended for further study from the ACR 81 study conducted pursuant to Resolution Chapter 23, Statutes of 1982 (Item 6420-001-001, subitem 1).

This paper presents information about current fee policies and the use of fee revenues as background for these recommendations. Its three sections seek to answer three major questions:

- What is current State policy regarding student fees and their use?
- What types of student fees do California's public colleges and universities charge, and how are revenues from these fees used?
- What is the role of student fee revenues in financing public higher education in California?

STATE POLICY REGARDING STUDENT FEES AND THEIR USES

State policy regarding the support of public higher education in California has a long history. The principle that California residents should not pay "tuition"--that is, charges to support instruction--was established in the "Organic Statutes" that created the University of California in 1867:

> For the time being, an admission fee and rates of tuition, such as the Board of Regents shall deem expedient, may be required of each pupil, except as herein otherwise provided; and as soon as the income of the University shall permit, admission and tuition shall be free to all residents of the State (Statutes of California, 1868, p. 254).

In 1960, the Survey Team for the Master Plan for Higher Education reaffirmed this principle but stated that "students should assume greater responsibility for financing their education by paying fees sufficient to cover operating costs not directly related to instruction" (Master Plan Survey Team, 1960, p. 173). The team identified two kinds of student fees:

- Costs for the operation of "ancillary" services such as housing, food, and parking, which should be entirely self-supporting by their users; and
- Costs for services "associated with the educational program" such as health services, intercollegiate athletics, counseling, and student activities. These should be supported by all students.

The State's policy has been to provide major support for the public segments in the areas of instruction and related academic support, administration, and plant operation and maintenance.

During the 1960s, most "ancillary" services were self-supporting in all three public segments of higher education. Only the four-year segments, however, levied mandatory charges for "associated" services, using small portions of those charges to support certain costs related to instruction. Generally no charges exist at the Community Colleges for any but ancillary services for students enrolled in State-supported courses. Primarily because of the different finance pattern characteristic of the Community Colleges, State policy in this area remained essentially unchanged.

Recently, all publicly supported agencies and institutions have had to cope with tight budgets. In the University and the State University, budget reductions have been imposed with the expectation they would be offset by ad hoc increases in student fees. As part of Supplemental Language to the 1982-83 Budget Act, the Legislature recognized that the unpredictable nature of such annual and even mid-year fee increases is poor State policy, and has resolved that fee increases in the future should be "gradual, moderate, and predictable" (Item 6440-001-001, subitem 11, and Item 6610-001-001, subitem 10).

State policy regarding the use of fees varies among the segments of public higher education. For the University of California, student fees are income to the institution and are not subject to direct legislative intervention. At the State University, however, revenues from student fees are not income to the institution but go instead to the State as reimbursements. The California Community Colleges remain "free" in that they charge no mandatory general fee for all students. This reflects the State's commitment to the "open door" policy of the Community Colleges. However, the Legislature has authorized the Community Colleges to charge certain fees for 19 specific and largely ancillary services, at the discretion of local Community College Board of Trustees. Revenues from these fees are retained by the districts for support of these specific services.

In recent years, State policy of using fee increases at the University and State University to offset reductions in their General Fund support has led to changes in the use of their student fee revenues and questions about State support for some Community College courses. The implications of these changes and questions require attention if a consistent State policy on setting and using student fees is to be established. Such a policy will not only facilitate planning by students and institutions but will also aid the State in making decisions regarding levels of fees and financial aid and will assure continuation of student access to and educational excellence in California public higher education.

CURRENT FEES AND THEIR USES

Student charges at California's public colleges and universities can be divided into at least six categories: (1) tuition, (2) student service fees, (3) student government and association fees, (4) facilities fees, (5) auxiliary enterprises fees, and (6) miscellaneous user fees. State policy and practice regarding tuition are similar among all three segments and are explained on an interseg-

mental basis below. The other fees differ so greatly among segments, however, that they are subsequently discussed segment by segment.

Tuition

The 1960 Master Plan for Higher Education in California explicitly established the principle that public higher education institutions shall be tuition free to all residents of the State. In the Master Plan, tuition is defined generally as teaching expense which is defined as follows:

> Teaching expense is defined to include the cost of the salaries of instructors involved in teaching for the proportion of their time which is concerned with instruction, plus the clerical salaries, supplies, equipment, and organized activities related to teaching (Master Plan Survey Team, 1960, p. 174).

Under this definition, use of charges for the cost of instructors' salaries would constitute tuition. However, the classification of charges used to support "salaries, supplies, equipment, and organized activities related to teaching" as tuition is the subject of considerable debate. At the State University, for example, the definition of tuition was recently changed to include support for two instructional budget categories--Instruction, and Academic Support--that are enrollment based. But officials at the University of California define tuition differently; there, tuition is any charge for other than specified student services--that is, those student services currently supported by student fees plus Student Affirmative Action, Disabled Student Services, and the Office of Admissions and Registrar. (The costs of the Offices of Admissions and Registrar were formerly included among the costs which would constitute tuition.) Meanwhile, at the Community Colleges tuition is considered to be any general student fee which is mandatory, not permissive, and which can be applied toward general institutional support.

None of the three public segments in California currently charges tuition, as defined by that segment, of students who are State residents. California policy has been to use student fee revenues for purposes complementary to, but not a part of, the instructional program. Thus, although students at public four-year institutions are charged fees which help pay for a portion of the costs of student services, their fees do not help fund instruction.

Both the University and the State University charge tuition, however, for nonresident or out-of-state students, although it may be

waived for some graduate students as a form of financial aid. The level of these charges is based on the instruction-related cost per student, and the revenue is a reimbursement to the State from the universities. Nonresident tuition at the University was $2,880 for the 1981-82 academic year and $3,150 for 1982-83; at the State University, the nonresident tuition charge was $2,835 in 1981-82 and $3,150 in 1982-83. Total estimated revenue for 1981-82 from nonresident tuition at the University was $30,840,000 and at the State University was $29,937,000. In addition to paying tuition, nonresident students in both segments are charged the same fees as resident students.

The Community Colleges also charge out-of-state residents tuition, the amount of which varies from district to district in a range from $39 to $96 per semester unit in 1982-83. Total nonresident tuition revenue for the Community Colleges in 1981-82 was $29,152,691. The Community Colleges are prohibited from reporting nonresidents' attendance for purposes of generating State General Fund support.

Several long-standing exceptions exist to California's "no tuition" tradition for residents.

- First, this tradition applies only to "regular" resident students and not to those enrolled in extension courses, who are expected to pay full costs in the University and the State University.

- Second, the State does not support summer session instruction in the four-year segments except for regular summer session instruction at the four campuses of the State University (Hayward, Los Angeles, Pomona, and San Luis Obispo) with year-round academic calenders. Summer extension courses at these four campuses are self-supporting.

- Third, even in the Community Colleges, where few distinctions about the "regular" status of students exist, the State does not support all offerings. Certain activities, called "community services," do not receive State support because they do not meet State requirements for support, either because they are courses taught by noncredentialed faculty or have not been approved by the Community College Chancellor's Office. The 1982-83 Budget Act also reduced State support for some avocational, recreational, and personal development courses, both credit or noncredit, to be identified by the Board of Governors, with the expectation that the Community Colleges would charge students their cost.

California's policy regarding tuition for State residents differs in all three segments from that of similar institutions in other

states. The experience of other states need not be taken as precedent for California, but their practices regarding student fees highlight California's distinctive policies. The comparison institutions used for faculty salary comparisons share many features with the California institutions and thus provide a better comparative basis for student fee purposes than would any sort of national average. Among the four public universities in other states that the Commission uses in its annual faculty salary report for salary comparisons with the University of California, all four charge both resident and nonresident tuition. Among the 18 comparison institutions for the State University, ten charge their state residents tuition while the other eight use the revenues from student fees either directly for instruction or indirectly for it through their general operating budget. And among 13 states with major community college networks--Arizona, Colorado, Florida, Illinois, Michigan, Minnesota, New York, Ohio, Oregon, Texas, Virginia, Washington, and Wisconsin--all 13 either charge their community college students tuition or a fee that helps support the colleges' general operating budgets and, thus, instruction.

Student Fees at the University of California

The California Constitution established the University of California as "a public trust" and provides its Regents with full governance authority. The University receives State funding through a line item in the State's Budget Act which categorizes its activities into 13 program classifications including instruction, research, teaching hospitals, student services, plant operations and maintenance, and auxiliary enterprises and organizations. This budgetary mechanism of program classifications facilitates identification and control of "program budgets" for those activities identified by the Master Plan Team.

As part of their governance powers, the Regents have sole authority to establish and set the level of student fees. In practice, the Regents have adhered to the Master Plan's provisions regarding fees. Student fee revenues are income for the University and technically are not subject to direct legislative intervention. However, the Legislature can exert substantial influence and has recently imposed "unspecified reductions" in appropriations with the assumption that a portion of these reductions would be offset by increases in student fees. The Regents have increased student fees in 1981-82 and 1982-83 to partially offset certain budget reductions.

The University presently charges students a Registration Fee, an Educational Fee, and a variety of student government and activity fees.

Registration Fee: The Registration Fee is the traditional University fee assessed of all students and relates to the Master Plan guidelines of charging students for services associated with their educational program. According to policies adopted by the Regents, income from the Registration Fee "shall continue to be used for services, other than financial aid, which benefit the student and which are complementary to, but not a part of, the instructional program." A portion of the Registration Fee supported the cost of administering the University's financial aid programs until 1977-78, when the Regents decided to support financial aid administration from Educational Fee income. Until 1978-79, a small portion of the Registration Fee income was also spent on instruction and departmental research laboratory costs, but at that time these activities were shifted to General Fund support. While the Regents establish the maximum level for the Registration Fee, campuses have some flexibility in determining the actual level of this fee and the specific activities funded by its revenues; these activities include arts and lectures, intercollegiate athletics, recreational programs, health services, and capital improvements which provide extracurricular benefits to students. On most campuses, students and faculty serve on Registration Fee advisory committees which review the expenditure of revenues from this fee and advise the Chancellors on future allocation.

Table 1 summarizes Registration Fee revenues and expenditures for basic student services for the past four years. Registration Fee revenues have supported a fairly consistent proportion of basic student services costs during these years. Further, the activities supported by these revenues have been relatively unchanged over this period. However, the rate of Registration Fee increases have been slightly below the rate of increase in student services expenditures. Increases in the fee levels have been relatively constant in terms of percent over time and have approached the maximum level specified by the Regents, while changes in the level of expenditures have primarily been a function of the rate of inflation and related cost-of-living salary adjustments.

Educational Fee: In 1970, when the Governor proposed charging resident tuition at both the University and State University--a proposal defeated by the Legislature--the University established its Educational Fee. The Regents used the fee revenues in 1970-71 to support University capital outlay. In 1971-72, this fee was doubled and part of the revenue generated was used to support some instructional costs and financial aid support. Subsequently, these fee revenues were also used to fund instruction and departmental research laboratory costs, deferred maintenance, staffing of physical planning offices, and the Extended University program. In 1976,

TABLE 1 University of California Registration Fee Revenues as Compared With Basic Student Services Expenditures, 1978-79 to 1981-82, in Thousands of Dollars

Category	1978-79	1979-80	1980-81	1981-82
Registration Fee Revenues	$39,619	$46,375	$54,310	$57,800
Basic Student Services Expenditures	47,175	53,868	70,825	74,478
Revenues as a Percent of Expenditures	84%	86%	76%	78%

Note: Student services includes Social and Cultural Activities, Guidance and Counseling, Supplemental Education Services, and Student Health Services. Current year (1981-82) income and expenditures are estimates. Actual figures for 1981-82 will be substituted when they become available.

Source: Governor's Budgets, 1980-81 to 1982-83.

the Regents adopted a policy that "Educational Fee income shall be used exclusively for support of student financial aid and related programs." Graduate and professional students' Educational Fees are $60 per student a year more than that paid by undergraduates, and most of the added revenues are used to provide financial aid to those graduate students with demonstrated financial need.

In 1978, Proposition 13 brought a new era of fiscal stringency for publicly supported services including higher education. For two years, a large State General Fund surplus provided a cushion that allowed State support of the four-year segments to grow according to general formulas which considered the effects of inflation, other price increases, and enrollment growth. By 1981, however, the State had exhausted its surplus and the Legislature was forced to limit General Fund expenditures. In the 1981-82 Budget Act, appropriations for the University's current operations were considerably below the level proposed by the Governor in January 1981, and both of these levels were substantially below the amounts requested by the Regents. The 1981-82 Budget Act contained a $10.5 million "unallocated" reduction with the assumption it would be offset by a student fee increase.

In July 1981, the Regents approved the first increase in the Educational Fee since 1971, both to offset a permanent $10.5 million "unallocated" reduction in State General Fund support for student services programs and also to increase the student financial aid programs. At the same time, the Regents modified the 1976 policy in order to use the fee to help support "those centrally funded student services programs which lost State General Fund support."

During the summer of 1981, the State's fiscal situation worsened considerably, with monthly State revenues falling seriously short of projections and expenditures exceeding budgeted amounts. The Governor responded to this situation by directing all State agencies and institutions to reduce their projected 1981-82 expenditures by 2 percent and by freezing all capital outlay expenditure. As a partial response to this directive, the Regents imposed a one-time student fee surcharge of $25 in the spring quarter. The University transferred most of those few activities in the Student Service program formerly receiving State General Fund support to student fee support leaving only Admission, Registrar, Disabled Students programs, and 75 percent of Student Affirmative Action on General Fund support. The University also indicated that student fees were approaching the maximum level that could be justified under Master Plan guidelines.

Table 2 compares Educational Fee expenditures at the University by budget categories for 1980-81 and 1981-82.

At the time that the Governor's 1982-83 Budget was being prepared, the State economy was still weak and a $2.1 billion State deficit was projected. One component of the Governor's proposal to eliminate this projected deficit was to require all State agencies and institutions to reduce their budgets by 5 percent. For the University of California and the California State University, this rate was reduced to 2.5 percent. The University of California faced an unspecified reduction of over $29 million with the assumption that the Regents would raise student fees by $100 per student to partially offset the reduction. The Legislature adopted the Governor's proposal for new fee levels, and for 1982-83, the University raised annual undergraduate student fees from $997 to $1,194 and annual graduate student fees from $1,043 to $1,254. Increased Educational Fee revenues will help fund student services for which State support was reduced.

Table 3 summarizes Educational Fee revenues and expenditures for financial aid and related activities for the last four years. The level of the Educational Fee did not change between 1971-72 and 1980-81. However, as noted earlier in 1981, it was raised by an annual amount of $225 to accommodate Governor's Budget reductions. As the result of a mid-year reduction, an additional $25-per-quarter

TABLE 2 University of California Educational Fee Budgeted Expenditures by Budget Category, in Thousands of Dollars, 1980-81 and 1981-82

Category	1980-81[a]	1981-82[b]
Student Financial Aid	$32,787	$36,959
Financial Aid Administration	6,418	7,770
Student Loan Collection	2,366	2,877
Other Student Services--includes Social and Cultural Services, Supplemental Educational Services, Counseling and Career Guidance	1,425	5,788
Administration--Dean of Students and Vice Chancellor for Student Affairs	5,788	9,141
Operation and Maintenance of Plant and Institutional Support as a Student Services Recharge	9,141	15,500

a. Based on a fee level of $300 per year for undergraduate students and $360 per year for graduate students.

b. Based on a fee level of $475 per year for undergraduate students and $535 per year for graduate students (includes a $25 spring quarter surcharge for all students.

Source: University of California, "1982-83 Budget for Current Operations and Capital Improvement" and "Report of the Systemwide Student Fee Advisory Committee, August 18, 1982."

fee surcharge was imposed in the spring term. Prior to 1981-82, revenues generated were used to provide student financial aid for University students. The fee increases of 1981-82 generated revenue in excess of the financial aid needs of the segment and, therefore, a portion of these revenues were used to support other student services programs for which General Fund support had been reduced.

TABLE 3 University of California Educational Fee Revenues as Compared With Expenditures for Financial Aid and Related Activities, in Thousands of Dollars, 1978-79 to 1981-82

Category	1978-79	1979-80	1980-81	1981-82
Educational Fee Revenues	$40,340	$37,780	$42,958	$63,619
Financial Aid and Related Activities Expenditures	40,605	42,932	48,110	56,736
Revenues as a Percent of Expenditures	99%	88%	89%	112%

Note: Expenditures include Financial Aid and Financial Aid Administration. Current year (1981-82) income and expenditures are estimated.

Source: Governor's Budgets, 1980-81 to 1982-83.

Whereas University nonresident tuition revenues are considered to be offsets against State appropriations for instruction and other State-funded operations, revenues from both the Registration and Educational Fees are generally considered University revenues in addition to State appropriations, tied directly to the expenditures of the offices and activities which they support, and thus are kept and expended by the University and its campuses.

Student Activity and Other Fees: In addition to the Registration and Educational Fees, individual campuses of the University also charge a variety of Student Activity Fees, up to the limit adopted by the Regents, to help finance a large number of student programs, student organizations, and facilities for student activities. One campus has a mandatory transit system fee, and one campus has a campus programs fee. Such fees vary from campus to campus, and income from them is retained by each campus to support its own distinctive mixture of student activities.

The Regents have also established and maintained other fees for specific ancillary services or activities, such as parking, dormitories, late fines, testing, student records, and others. These charges for ancillary services are set to support the full cost of

these services and activities and their revenues are retained by the campuses for support of these ancillary services.

Student Charges at the University's Comparison Institutions: As noted above, all four of the University's public comparison institutions charge resident tuition as well as nonresident tuition and student fees. However, the uses of tuition revenues differ among institutions. The State University of New York (SUNY) at Buffalo uses tuition revenues to service the system's capital debt with the surplus supporting current operating expenses, including instruction. Tuition revenues at the University of Michigan support both instructional and student services costs; and tuition includes mandatory assessments for health services, intramural and recreational facilities operations and debt retirement, and student/administrative facilities support. At the University of Illinois, Champaign-Urbana, and the University of Wisconsin, Madison, it is not possible to identify specific uses of tuition revenues because at Illinois, tuition revenues are reimbursed to the State as offsets against general appopriations, and at Wisconsin all revenue, including that from student charges, enters the University's general fund for support of all institutional expenses.

Besides tuition, students at all four of the University's comparison institutions pay fees for student services and activities that are similar in nature and use to the University's Registration Fee. At SUNY Buffalo, student tuition and fees cover social, cultural, and recreational services and activities for students. Students at Michigan pay three mandatory fees: Student Assembly, Registration, and Student Government. At the University of Illinois, student fees include Health Services, Health Insurance (which can be waived if students are already insured) and Services. Use of fee revenues in these three institutions is restricted to specified activities or services. At the University of Wisconsin, revenues from student activities fees enter the University's general revenue fund along with tuition revenues and thus their uses are neither restricted nor clearly identifiable.

Three other points of comparison between the University of California and these four institutions are worthy of note.

- First, none of the four has a student fee similar to the Educational Fee, the revenues from which support direct institutional financial assistance to students. In those institutions where student charges revenues flow to the state's or institution's general fund, a link between fees and student aid does exist because this same fund supports some financial aid, but no explicit policy ties financial aid support to student fee levels.

- Second, in spite of the fact that all four comparison institutions charge tuition, the mandatory undergraduate resident fees at the University of California are within $100 of total student charges at three of these institutions, and only the University of Michigan has significantly higher mandatory charges.

- Third, increases in fee levels at the University in recent years have exceeded those of most of its comparison institutions. Table 4 compares the amount of student charges and percent increase for the last five years for the University of California and its comparison institutions. Charges at all four comparison institutions include tuition or an instructional fee. The comparison institutions have experienced fairly uniform fee increases over the past five years, averaging about 10 percent a year, while at the University, which averaged about 14 percent a year over this period, increases have been concentrated in the last two years. Only at the University of Michigan did total amount and percent of increase exceed those at the University.

TABLE 4 Average Annual Undergraduate Resident Student Charges for the University of California and its Comparison Institutions, 1978-79 to 1982-83

Institutions	1978-79	1979-80	1980-81	1981-82	1982-83	Cum. % Change
University of California	$ 731	$ 731 (0%)	$ 775 (+6%)	$ 997 (29%)	$1,194 (+20%)	(+63%)
Comparison Institutions						
University of Illinois	846	916 (+8%)	984 (+7%)	1,099 (12%)	1,288 (+17%)	(+52%)
University of Michigan	1,240	1,373 (+11%)	1,561 (+14%)	1,861 (19%)	2,143 (+15%)	(+73%)
State University of New York at Buffalo	920	995 (+8%)	995 (0%)	1,070 (+8%)	1,154 (+8%)	(+25%)
University of Wisconsin-Madison	812	877 (+8%)	977 (+11%)	1,015 (+4%)	1,122 (+11%)	(+38%)

Source: "University of California Student Fees and Deposits," and for comparison institutions, a survey by Commission staff in September 1982.

Student Fees at The California State University

The California State University is organized as a system under a single governing board, the Board of Trustees and receives funding through a line item in the State's Budget Act which classifies its activities into 9 program categories, including instruction, research, public service, and student services.

The governance authority of the Board of Trustees is established in statute; it has the authority to establish student fees and adjust their levels. In practice, however, the Legislature and the Department of Finance have assumed an active role in adjusting the level and structure of these fees. Moreover, revenues from student fees are not income to the State University but go to the State as reimbursements. Therefore, the State University has less flexibility in reallocation of these resources than does the University.

In the State University, all students are expected to pay three general kinds of fees: a Student Services Fee, a new State University Fee, and a set of student activities fees.

The Student Services Fee: The Student Services Fee, once called the Materials and Services Fee, corresponds most closely to the Registration Fee at the University. Used primarily to support student services, it is based on the operating costs for counseling, testing, health services, career planning and placement, social and cultural development, housing administration, and financial aid administration--but not financial aid grants themselves--plus one-half of the costs of operating the Dean of Students' office. Until 1979-80, a portion of the Student Services Fee also covered costs for "instructional supplies and audiovisual materials." Beginning in 1975-76, however, State policy changed and the Fee was held constant for four years until the General Fund appropriations absorbed the full cost of these supplies and materials.

The ramifications of Proposition 13 and the declining State economy have affected State University practices and levels of student charges just as they have those of the University of California. In 1980-81, average annual undergraduate fees at the State University were $219 per student. The $5 million unallocated reduction in the 1981-82 Budget Act was offset through increased fees, which were raised to an average of $270. When the Governor imposed a 2 percent reduction in expenditures for State agencies and institutions in October 1981, the State University instituted a one-time student fee surcharge of $46 for the spring of 1982 bringing total fees for the 1981-82 academic year to $316 and making the total increase for the year almost $100.

Until 1982-83, the Trustees elected to maintain a two-level fee structure for the Student Service Fee whereby part-time students enrolled for six units or less per term were charged a lower fee than other students. Because the instructional supplies and materials portion of the fee was phased out in 1978-79, a Chancellor's Task Force on the Student Services Fee recommended in November 1981 that this differential be eliminated beginning in 1982-83. This recommendation was adopted by the Board of Trustees and implemented for the 1982-83 academic year.

Table 5 summarizes Student Services Fee reimbursements and student services expenditures for the last four years. The Student Services Fee is intended to cover the costs of providing student services. Its level is established according to a methodology that projects expected expenditures and enrollments and calculates a fee level that will generate revenues sufficient to cover those specified expenditures. An adjustment in fee level is made when actual expenditures do not equal actual revenues. As noted earlier, however, unlike fees revenues at the University, the revenues from the State University's Student Services Fee are not retained by the system and its campuses, but are considered offsets against State appropriations.

TABLE 5 California State University Student Services Fee Reimbursements and Student Services Expenditures, 1978-79 to 1981-82, in Thousands of Dollars

Category	1978-79	1979-80	1980-81	1981-82
Student Services Fee Reimbursements	$43,110	$43,020	$48,916	$61,655
Student Services Expenditures	37,922	46,254	54,845	56,607
Reimbursement as a Percent of Expenditures	114%	93%	89%	109%

Note: Student Services Expenditures do not include related Institutional Support costs.

Source: Student Services Fee Reimbursements, California State University Support Budgets, 1980-81 to 1982-83; Student Services Expenditures, Chancellor's Office staff.

State University Fee: Another special Chancellor's Task Force--this one on a new student fee--reported in December 1981 on a fee designed to enable the State University to (1) offset proposed reductions in General Fund support during the 1982-83 academic year, and (2) create a source of financial aid grant funds for needy students enrolled for at least a half-time load in a manner similar to the current Educational Fee aid program of the University of California. It recommended the adoption of a new "State University Fee" that would be sufficient to make up the difference between a desired or program maintenance level of support and State appropriations. This recommendation was adopted. In the 1982-83 Budget, the Legislature reduced the budget for the State University, imposed a $100 per student fee increase above the 1981-82 level raising average fees to $441 per year. The Trustees identified this increase as the new State University Fee which is differentiated for students taking less than six units ($48 per year) and those taking six or more units ($150 per year). Rather than provide aid funds from the fee revenues, however, these revenues are State General Fund reimbursements. The Legislature made a separate appropriation for the first time in 1982-83 of $3.4 million for State University student financial aid.

Student Activities and Other Fees: In addition to the Student Services Fee and the new State University Fee, State University students are required to pay the following student activities fees. The State University and its campuses retain the income from these fees, which vary slightly from campus to campus, for support of specific activities.

- The Student Body Association Fee is required of all students who enroll at a State University campus, and its revenues support student government and social, cultural, and athletic activities for the student body. While the Trustees have delegated responsibility for the administration of these fee revenues to the Associated Students, expenditures must be approved by the president of the campus and any major change in the nature of the expenditures must be approved by the State University chancellor.

- The Student Body Center Fee is paid by all students, except those at Bakersfield which does not have a student union. The revenues are used primarily to retire the bond debts for the construction of student unions. A small portion, however, may cover current operations of the student unions, and each campus administration has some flexibility within the limits established by the Trustees and with approval of the chancellor to set these fee levels and to use the revenues.

- The Health Facilities Fee is a uniform charge to all students, the revenues from which are used to retire the bond indebtedness for construction of campus health facilities. This fee is the same on all campuses because the systemwide administration manages this construction program. (Costs of the current operations of health facilities are covered by Student Services Fee revenues.)

- The Instructionally Related Activities (IRA) Fee, established by the Trustees in 1978 with a maximum level of $10 for the first three years, is also paid by all students for the support of campus academically related activities. These activities include radio and television, newspaper publishing, intercollegiate athletics, concerts, forensics, and art exhibits. Each campus' IRA advisory board advises its president on adjustments to this fee. Any increase must be approved by a student referendum.

The Trustees also have established and maintained user fees for specific services and activities, such as housing, food service, parking, late fines, testing, and student records. These charges for ancillary services are set at a level to support their full cost, and their revenues are retained by each campus.

Student Charges at the State University's Comparison Institutions: As mentioned earlier, of the 18 public comparison institutions for the State University, ten institutions charge their students tuition and the other eight charge a student fee, the revenues from which are either targeted directly to instruction or indirectly to it through the institution's general operating budget. Revenues from tuition at most comparison institutions flow to their states as general reimbursements. At those institutions that retain their tuition revenue, it is income to the institution's general operating fund.

In all 18 comparison institutions, students support through student fees, the same or a similar range of student services, activities, and student facilities as do students at the State University. The major difference resides with the budgetary handling of these student fee revenues. As noted above, most student services fees in the State University go to the State as a general reimbursement, while student fee revenues at comparison institutions are generally retained at the institutions, usually as revenue to their general operating funds with some limitations on their specific uses.

For the first time in 1982-83, the California State Legislature took responsibility for student financial aid at the State University through the direct appropriation of funds for student aid.

This pattern is consistent with the funding of student financial aid in the comparison institutions, although a few variations exist--primarily at institutions where tuition and fee revenues are income to their general operating fund and some financial aid is an expense to the same fund.

Despite the $100-per-student increase in fees in 1982-83, State University resident undergraduate fees ($441) are significantly lower than student charges at any of the comparison institutions. With the exception of the University of Hawaii, State University fees are less than half those of any other institution. The fees at the University of Hawaii are the closest--only $50 higher.

Historical comparisons of changes in student charges for the State University and its comparison institutions are difficult because of the magnitude of the differences in the amounts of these charges as shown in Table 6. The same dollar change in level of student charges results in a significantly higher percent change at the State University than at its comparison institutions. Yet, the impact on students of a $100 increase may be psychologically greater when the base level is so much smaller; and thus the larger percentage may be a fairly accurate reflection of this impact.

While the average dollar increase in student charges at the comparison institutions since 1978-79 ($452) has been almost twice that of the State University ($236), the percent change (51%) has been less than half that of the State University (115%). Only two institutions--SUNY College at Buffalo and the University of Hawaii at Manoa--increased charges by a lower amount than the State University.

TABLE 6 Average Annual Undergraduate Resident Student Charges for The California State University and its Comparison Institutions, 1978-79 to 1982-83

Institution	1978-79	1979-80	1980-81	1981-82	1982-83	Cum. % Change
California State University	$ 205	$ 209 (+2%)	$ 219 (+5%)	$ 316 (+44%)	$ 441 (+40%)	(115%)
Comparison Institutions						
Bowling Green State University	1,080	1,086 (+1%)	1,251 (+15%)	1,473 (+16%)	1,614 (+10%)	(+49%)
Illinois State University *	NA	NA	NA	NA	1,859	NA
Indiana State University	840	900 (+7%)	975 (+8%)	1,110 (+14%)	1,275 (+15%)	(+52%)
Iowa State University	735	816 (+11%)	816 (0%)	950 (+16%)	1,040 (+9%)	(+41%)
Miami (Ohio) University	1,130	1,210 (+7%)	1,420 (+17%)	1,840 (+30%)	2,090 (+14%)	(+85%)
Northern Illinois University	780	847 (+9%)	901 (+6%)	997 (+11%)	1,114 (+12%)	(+43%)
Portland State University	780	858 (+10%)	933 (+9%)	1,184 (+27%)	1,356 (+15%)	(+74%)
Southern Illinois University	753	858 (+14%)	942 (+10%)	1,050 (+11%)	1,210 (+15%)	(+61%)
SUNY College at Albany	937	997 (+6%)	1,002 (+1%)	1,152 (+15%)	1,152 (0%)	(+23%)
SUNY College at Buffalo	920	995 (+8%)	1,003 (+1%)	1,153 (+15%)	1,153 (0%)	(+25%)
University of Colorado	845	892 (+6%)	995 (+12%)	1,111 (+12%)	1,222 (+10%)	(+45%)
University of Hawaii-Manoa	478	478 (0%)	480 (+%)	480 (0%)	480 (0%)	(+%)
University of Nevada-Reno	690	690 (+0%)	720 (+4%)	840 (+17%)	930 (+11%)	(+35%)
University of Oregon	789	860 (+9%)	969 (+13%)	1,239 (+28%)	1,380 (+11%)	(+75%)
University of Wisconsin-Milwaukee	838	898 (+7%)	1,003 (+12%)	1,046 (+4%)	1,155 (+10%)	(+38%)
Virginia Polytechnic Institute and State University	792	837 (+6%)	972 (+16%)	1,095 (+13%)	1,281 (+17%)	(+62%)
Wayne State University	1,121	1,289 (+15%)	1,466 (+14%)	1,710 (+17%)	1,910 (+12%)	(+70%)
Western Michigan University	864	972 (+12%)	1,086 (+12%)	1,316 (+21%)	1,453 (+10%)	(+68%)

NA - Illinois State University historical data was not available.

Source: California State University "Fact Sheet" and, for comparison institutions, a survey by Commission staff in September 1982.

Student Fees at the California Community Colleges

California Community Colleges are organized into 70 districts, each under the governance of a locally elected board of trustees. Each district is funded by State apportionments that are distributed through general grants based almost entirely on each district's Average Daily Attendance (ADA). After combining these apportionments with property tax revenues, the local boards enjoy substantial latitude in allocating these funds among most activities, including expenditures for student services, with the only major prescription being that 50 percent of the current expense of education must be spent on instructional salaries. Thus, the finance system of the Community Colleges does not lend itself to the kind of identification and State control of funding for student services possible for the four-year segments.

Authorized Fees: No statewide mandatory fees are charged for California residents attending State-supported courses at the Community Colleges. Aside from nonresident tuition and charges for community service courses, their student fees are limited to those authorized by statute for specific services or activities. The California Education Code includes provisions for local districts to levy permissive user fees or charges for some 19 services and activities and establishes a maximum level for these fees. These specific services generally fall within the category of "ancillary" services which the Master Plan Team identified as appropriately supported by student fees. These fees are similar to the student user charges at the University and the State University.

The Board of Trustees for each of the Community College districts determines the type and, within the authorized limits, the level of these fees. The authorized charges include fees for parents using a campus child-development or day-care center, for eye protection devices, for field trips and field-trip insurance, health fees, instructional materials fees, dormitory charges, late application fees, materials fees for adult classes, medical insurance for athletes, parking fees, physical education fees for use of non-district facilities, program change fees, and student record fees. Revenues from these fees are to be used only to cover the costs of these specified services and activities. Because these are user fees based on the costs of these services and activities and are not required fees, their amount varies widely among students in the same institution and at different institutions because the courses and activities of individual students vary. As discretionary fees, they are charged in some districts and not in others.

Since the 1960s, the practice of levying no general mandatory charge at Community Colleges has persisted partly because of the different financing pattern and governance characteristics of the Community Colleges and partly because of the State's commitment to the "open door" policy of the Community Colleges. However, increasing pressure on the State's fiscal resources has affected the Community Colleges and reopened discussion of possible mandatory fees. Proposition 13, in fact, probably had its most direct impact on higher education through the Community Colleges. It reduced property tax revenue by 60 percent, eliminated Community College districts' control over their tax rates, and made the Legislature responsible for the distribution of these revenues. To meet the immediate crisis for 1978-79, the Legislature agreed to distribute regular Community College apportionments supplemented with General Fund surplus monies. This emergency funding solution built into the funding base for Community Colleges a State commitment which depended on the existence of a General Fund surplus. When the State surplus was exhausted in 1981, financial pressure on State-supported apportionments increased, and the colleges received a 5 percent inflation adjustment during a period of double-digit inflation. Most Community Colleges resorted to multiple strategies to mitigate the financial pressure, including reducing enrollments and transferring courses from State support to fee support in Community Services. Despite these difficulties, the State's official policy continued to reflect the Master Plan's prescriptions, and student fees at the Community Colleges remained discretionary.

During the 1982-83 Budget deliberations, the Legislature considered but rejected a mandatory student fee in Community Colleges. However, the Legislature provided no adjustment for inflation or enrollment growth and reduced by $30 million apportionments used to support certain avocational, recreational, and personal development courses to be identified by the Community Colleges' Board of Governors. The districts have the choice of eliminating these courses or reclassifying them as "community services" courses for which fees are charged.

Student Charges in States With Major Community College Networks: No traditional comparison group of two-year institutions has been developed for the California Community Colleges similar to those for the University and the State University. Thus, for this review, information has been collected from 13 states with major community college networks--Arizona, Colorado, Florida, Illinois, Michigan, Minnesota, New York, Ohio, Oregon, Texas, Virginia, Washington, and Wisconsin. Community college comparisons are particularly difficult because of the diversity in their mission and function not only within California but also within and among other states. Despite these difficulties, examples of fee structures and the uses of fee

revenues from other community colleges illustrate the distinctive nature of California policy.

Three general types of student charges exist among community colleges in the 13 comparison states: tuition, mandatory student services fees, and local discretionary fees. Among these states, every possible combination of these three fee types exists. However, in every case, student charges include, as a condition of enrollment, tuition or a fee the revenue from which supports the institutions' general operating budgets and, thus, instructional costs. As noted earlier, eight of the states charge students mandatory statewide tuition. In two others, tuition can be charged at the discretion of the local district or colleges. In one of these, tuition charges exist for all colleges in the system, and in the second, a general registration fee can also be charged. In the three other states, the revenues from mandatory student fees may be used to support instructional costs.

Student services funding comes from a variety of sources among and even within these 13 systems. In some states, student services are funded by tuition revenues either directly or through the general institutional operating budget. In others, mandatory fee revenues support student services through the same variety of budget mechanisms as tuition. In still others, student services are supported by revenues from discretionary fees. In all 13 cases, however, unlike California, students provide some support for student services through mandatory fees, as well as through student user charges which are similar to the discretionary fees authorized at the California Community Colleges.

As with the four-year institutions, several points should be noted about the use of community college student fees in these states. In most cases, revenues from these fees enter the general operating fund of the community colleges, with capital outlay costs being the primary responsibility of the State, the only exception usually being retirement of bond indebtedness for student facilities. Only six of the thirteen states use revenues from student charges for student financial assistance, and in two of these cases--Washington and Texas--students are assessed directly for financial aid. In the other four of the six, student charges are income to the general institutional operating fund, and financial aid is an expenditure out of this same fund. The other seven states have no institutional financial aid. Officials in one of these states, Virginia, comment that its low tuition and fees ($384 in 1981-82) is itself a form of financial aid.

The California Community Colleges have the distinction of being the only two-year colleges in the nation with no required general fee for all resident students. The national average (based on 46 states) for required tuition and fees for resident students in

community colleges in 1981-82 was $500 per year (State of Washington Council for Postsecondary Education, 1982, p. 30). The charges outside California ranged from $90 per year in Hawaii to $930 in New York. Students in community colleges across the nation have generally faced increased costs for their education in recent years just as have their counterparts in the four-year segments. Nationally, student charges in community colleges rose 34 percent over the last four years and 18 percent between 1980-81 and 1981-82 alone. Comparisons of changes in student charges between the California Community Colleges and those in other states are difficult, because California's Community Colleges charge no mandatory fee for their resident students. Nonetheless, Table 7 compares the fee histories for the California Community Colleges with a set of other states' community colleges. Because of the complexity and variability within and between states, average resident student fee levels for 1982-83 are not yet available for most states. Thus, Table 7 only covers four years, 1978-79 to 1981-82. Over that period, average fee levels at these comparison community colleges have risen 46 percent and increased an average of $158. The largest percent increases occurred between 1979-80 and 1980-81. However, in those states for which 1982-83 data are available, substantial increases are also occurring this year.

Summary

Both the University of California and the California State University currently adhere closely to the types and uses of student fees recommended in the Master Plan, and their use of these fees is quite similar. California resident students do not pay tuition in either segment, and their fee revenue is not used to support the instructional budget. Revenues from mandatory student fees are the primary support for student services, while revenues from user fees support ancillary services in both segments.

The major difference between these two segments apart from the fact that most fee revenues at the State University revert to the State as a reimbursement, relates to support of student financial aid. Since 1976, University of California students, through their Educational Fee, have provided direct financial assistance to other University students. In contrast, at the State University, financial aid funds do not come directly from student fee revenues. For 1982-83, the State has appropriated $3.4 million in financial aid for State University students from State General Funds.

The Community Colleges also have the option of charging student user fees for support of ancillary services, but they charge no general mandatory fees statewide for support of student services. Charges for ancillary services are imposed at the discretion of the district. For example, students in one Community College district

TABLE 7 Average Annual Resident Student Required Charges at the California Community Colleges and Community Colleges in Selected States, 1978-79 to 1981-82

System	1978-79	1979-80	1980-81	1981-82
California Community Colleges	$ 0	$ 0	$ 0	$ 0
Comparison Community Colleges				
Arizona	146	152 (+4%)	224 (+47%)	244 (+9%)
Colorado	360	389 (+8%)	567 (+46%)	636 (+12%)
Florida	398	410 (+3%)	430 (+5%)	468 (+9%)
Illinois	399	417 (+5%)	442 (+6%)	491 (+11%)
Michigan	464	494 (+6%)	534 (+8%)	624 (+17%)
Minnesota	540	574 (+6%)	638 (+11%)	743 (+16%)
New York	722	800 (+11%)	875 (+9%)	930 (+6%)
Ohio	495	520 (+5%)	655 (+26%)	825 (+26%)
Oregon	390	419 (+7%)	447 (+7%)	508 (+14%)
Texas	120	120 (0%)	250 (+108%)	260 (+4%)
Virginia	300	300 (0%)	342 (+14%)	384 (+12%)
Washington	306	306 (0%)	306 (0%)	471 (+54%)
Wisconsin	678	746 (+10%)	794 (+6%)	839 (+6%)

Source: State of Washington, Council for Postsecondary Education, 1982.

may be required to pay for parking while in another district parking may be free. Support for the student services that exist at the Community Colleges must come out of general apportionment block grants and property tax revenues along with all other current operating expenses.

For all three segments, support of the instructional program and, for the most part, instructional facilities remains the responsibility of the State. In the two University segments, support for those services that are complementary but not directly related to instruction are the responsibility of students. Similarly, the operation of ancillary services, such as housing, food services, and parking are self-supporting at the Universities and may be self-supporting at the Community Colleges depending on local district policy.

The 1982-83 practices in the three segments that stem from these policies are outlined in the taxonomy (Table 8) on the following pages.

TABLE 8 Taxonomy of Student Charges in California Public Higher Education,

Category of Fee	Segment	Type of Student	Current Level	How Determined Currently
1 TUITION[a]				
1.1 Resident	UC	--	--	Not permitted by Regents' policy.
	CSU	--	--	$25 annual tuition authorized in statute but not currently charged.
	CCC	--	--	Not authorized in statute.
1.2 Nonresident	UC	Nonresidents	$3150/year	Based on incremental instructional cost per student.
	CSU	Nonresidents	$3150/year.	Same as UC.
	CCC	Nonresidents	Varies among districts from $39 to 96 per semester unit	In general, based on the district's incremental current expense of education.
1.3 Summer Session/ Extension	UC	Registrants	Varies by course	Based on full costs of courses.
1.4 Summer Session[b]/ Continuing Education	CSU	Registrants	Varies by course	Based on full costs of courses.
1.5 Community Services	CCC	Registrants	Varies by course	Based on full costs of courses.
2 STUDENT SERVICES				
2.1 Registration Fee	UC	All students	$510/year	Based on cost of student services. Level can vary by campus within maximum set by the Regents.
2.2 Educational Fee	UC	All undergraduate students	$627/year	Based on financial aid needs and, recently, in response to budget reductions.
		All graduate students	$687/year	

a. Tuition is a charge levied on students to help defray instructional costs. California State policy includes the principle of no tuition for its resident students except for certain course fees.

1982-83

Disposition of Revenues	Current Use of Revenues
--	--
--	--
--	--
Returned to the State as a General Fund reimbursement.	Supports State-funded current operations as a General Fund reimbursement.
Same as UC.	Same as UC.
Retained by the districts. Nonresident ADA not reported to the State for apportionments.	Supports current operations.
Retained by the campus for general instruction or extension support.	Funds course offerings.
Retained by the campus for general instruction or continuing education support.	Funds course offerings.
Retained by districts for support of current operations.	Funds course offerings.
Retained by the campuses.	Supports student services: counseling and guidance, health services, and social, cultural, and recreational programs and facilities.
Retained by the segment.	Supports student financial aid--grants, loan collection, administration--and related activities and, recently, other student services.

b. The four campuses of the State University that operate on year-round academic calendars (Hayward, Los Angeles, Pomona, and San Luis Obispo) receive State support for summer sessions and do not charge instructional fees for regular summer-session courses but may charge fees for continuing education courses in the summer.

TABLE 8 (continued)

Category of Fee	Segment	Type of Student	Current Level	How Determined Currently
2.3 Student Services Fee	CSU	All students	$216/year	Based on cost of centrally funded student services.
2.4 State University Fee	CSU	All students: Less than 6 units 6 units or more	 $48/year $150/year	Imposed by the Governor and Legislature during budget process.
2.5 Instructionally Related Activities Fee	CSU	All students	Varies between $10 and $30/year by campus	Set by Trustees to fund student services and activities not funded elsewhere.
2.6 Health Services	CCC	See Miscellaneous User Fees (6.3)	--	--
3 STUDENT GOVERNMENT/ASSOCIATION				
3.1 Student Activities or Campus Fees	UC	All students: Undergraduate students Graduate students	Varies by campus: $37.50 to $132/year $19.50 to $132/year	Established by students according to projected costs of specific activities within limits set by the Regents.
3.2 Student Body Association	CSU	All students: 6 or less units Over 6 units	Varies by campus and credit load: $13.50 to $29/year $20 to $29/year	Established by students according to projected costs of specific activities within limits set by the Trustees.
3.3 Student Association Fees	CCC	See Miscellaneous User Fees (6.3)	--	--
4 FACILITIES				
4.1 Registration Fee and Student Activities Fees	UC	See specific fee categories above (2.1 and 3.1).	--	See specific fee categories above (2.1 and 3.1).

Disposition of Revenues	Current Use of Revenues
Returned to the State as a General Fund reimbursement.	Offsets funding for same range of student services as UC fees, except financial aid grants.
Returned to the State as a General Fund reimbursement.	Offsets General Fund reductions.
Retained by the campuses.	Funds academically related student activities: student media, forensics, cultural activities, and intercollegiate athletics.
Retained by the campuses.	Funds student organizations, programs, and facilities. May include transit fees.
Retained by the campuses.	Funds student government and its social, cultural, and athletic activities for students.
See specific fee categories above (2.1 and 3.1).	See specific fee categories above (2.1 and 3.1).

TABLE 8 (continued)

Category of Fee	Segment	Type of Student	Current Level	How Determined Currently
4.2 Student Body Center Fee	CSU	All students (except at Bakersfield).	Varies between $20 and $60/year by campus.	Based on bond indebtedness for student unions.
4.3 Health Facilities Fee	CSU	All students	$6/year	Based on bond indebtedness for campus health facilities.
4.4 --	CCC	No comparable fee	--	--
5 AUXILIARY ENTERPRISES	UC& CSU	Student users	Varies by service and/ or campus.	Based on full cost of services.
	CCC	Student users	Varies by district.	Local board option, based on cost of services and statutory maximum charge.
6 MISCELLANEOUS USER FEES				
6.1 Instructionally Related User Fees	All	Student users	Varies by activity or use and by campus or district.	Based on full cost of service or activity.

Disposition of Revenues	Current Use of Revenues
Retained by the campuses; debt managed by the campuses.	Retirement of bond indebtedness (may include some current operating expenses).
Retained by the segment; debt managed by the segment.	Retirement of bond indebtedness (cost of health services funded by Student Services Fee).
—	—
Retained by the campuses or enterprises.	Fully funds operations of dormitories, food services, parking, student-owned enterprises, and other ancillary services.
Retained by district or enterprise.	Used to support a portion of the costs of operating of dormitories, food services, parking, and other ancillary services.
Retained by segment, campus, or district.	Fully funds specific services and activities designated as self-supporting as follows: UC: breakage credit by examination special library privileges instructional materials CSU: laboratory equipment instructional materials field trips art materials instrument rental testing CCC: eye protection devices field trips instructional materials adult classes materials art supplies use of non-district physical education facilities

TABLE 8 (concluded)

Category of Fee	Segment	Type of Student	Current Level	How Determined Currently
6.2 Administrative User Fees	All	Student users	Varies by activity or use and by campus or district.	Based on full cost of service or activity.
6.3 Other User Fees	All	Student users	Varies by activity or use and by campus or district.	Based on full cost of service or activity.

Source: Information assembled from various documents, such as "University of California Student Fees and Deposits, 1982-83," "California State University Fact Sheet: California Resident Student Fees for Academic Year 1982-83,"

Disposition of Revenues	Current Use of Revenues
Retained by segment, campus, or district.	Fully fund specific services and activities designated as self-supporting as follows: UC: application process change of study list duplicate diploma duplicate ID card filing for candidacy late filing of study list late fee payment reinstatement removal of I or E grade returned check collection thesis or dissertation filing transcripts CSU: application process catalog change of study list graduate and diploma health certificate fee for teachers ID card late registration transcripts CCC: late application program changes student records transcripts
Retained by segment, campus, or district.	Fully fund specific services and activities designated as self-supporting as follows: UC: child care medical insurance transportation CSU: child care medical insurance CCC: transportation child care health services field trip insurance medical insurance for athletes student government fees

the Association of California Community College Administrators' Survey of Education Code Authorized Fees, and the California Education Code.

THE ROLE OF STUDENT FEE REVENUES IN THE FINANCING OF CALIFORNIA PUBLIC HIGHER EDUCATION

No discussion of the use of student fees would be complete without examining their role in financing public higher education and their impact on institutional support.

Student Fee Revenues and the State's Budget Process

The State's budget process and its policy for funding current operations for its four-year colleges and universities has traditionally been different from that of its two-year Community Colleges. Since their founding, the University of California and the California State University have been considered State institutions, receiving no funds from local taxes. Thus they have been subject to the State's yearly "budget cycle," in which their annual budgets are established in accordance with a program classification system and then modified by the Department of Finance, the Legislature, and the Governor. Within this program classification system, the State has pursued different funding policies for the 14 categories of the system, as indicated in Table 9. Student fees for matriculated students enter the budget process primarily in the Student Services program (listed at the top of the second page in Table 9). The major exceptions are student charges in the Instruction category for extension courses and for summer session enrollment which are self-supporting through fees and user charges, except for summer courses on the four State University campuses that operate on year-round academic calendars. However, student fees also fund certain activities in the Academic Support, Institutional Support, and Student Financial Aid classifications. User fees (including those from student users) provide minor support for Instruction, Academic Support, and Independent Operations as well as full support for such student-related services as housing, food service, and parking in the Auxiliary Enterprises/Organizations category. Nonresident tuition, based on the instruction-related cost per student, is collected from out-of-state students except when waived, but this tuition revenue is a general reimbursement to the State.

In contrast to the University and State University, the Community Colleges began as part of the common school system and for most of their history have been supported by a finance formula that matched State funds with local property tax revenues unrelated to the program classification system of the four-year institutions. Until 1978, the State's budget process afforded Community College districts authority over their property-tax rate, with the assurance of State support based on enrollments and the relative wealth of the districts.

TABLE 9 Program Classification System for State Budgeting of the University of California and The California State University

Program Classification	Segment	State Funding Policy	Program Activity Components
Instruction			
Regular	Both	State funds regular instruction and the health sciences. Summer Session[a] and Extension are self-supporting through student fees.	All personnel and supplies involved in formal instruction: faculty, teaching assistant instructional and support staff, classrooms and laboratory supplies, instructional equipment.
Health Science	UC only		
Summer (Special Session)	Both		
Extension	Both		
Research	Both	State funds organized research in UC only. At CSU funding now in Independent Operations from external sources.	Specific projects or organized units concerned primarily with basic research.
Public Service	Both	State funds certain UC programs, primarily Cooperative (agricultural) Extension. CSU receives very limited funding in this area.	Applied programs outside the regular curriculum which are designed for the general public.
Academic Support	Both	State funds most of these activities, with some support from user fees and student charges.	Libraries, audio-visual services, computing support, demonstration schools, ancillary services (clinics, bureaus, centers, institutes) etc.[b]
Teaching Hospitals	UC only	Funded primarily by fees for services. State funds care of patients who are unable to pay for themselves and who are important for instruction (Clinical Teaching Support).	Health services within five hospitals owned by UC.

TABLE 9 (continued)

Program Classification	Segment	State Funding Policy	Program Activity Components
Student Services	Both[c]	Funded primarily by student fees and users fees. State supports disadvantaged and disabled student services, at UC the offices of admissions and registrar, and at CSU direct student financial aid for 1982-83.	Office of admissions and records at UC, cultural and social activities, counseling and career guidance, financial aid administration, direct financial aid at CSU only, student health services, supplemental learning ing services, student affirmative action, and student support (CSU: housing, parking, bookstore, cafeteria).
Student Financial Aid	UC	At UC, State funds 75% of student affirmative action. All other activities (aid) funded by students through Educational Fee. At CSU, State funds aid offset to student fee increase in 1982-83 only.	Direct student financial aid.
Institutional Support	Both	State funds these activities with some support from student fees.	Executive management, fiscal operations, logistical services, physical plant operations (CSU), employee benefits, community relations, admissions and records (CSU).
Plant Operations and Maintenance	UC only[d]	State funds all activities in buildings which are used primarily for instruction, support services, research, and public service.	Utilities, building and grounds maintenance, janitorial services, administration, refuse disposal and fire protection.
Auxiliary Enterprises/Organizations	Both	User fees support these activities; no State support.	Non-instructional services provided primarily to students in return for specific charges (housing, parking, intercollegiate athletics, food service, student unions).

TABLE 9 (continued)

Program Classification	Segment	State Funding Policy	Program Activity Components
Independent Operations	CSU only	Activities are supported privately (foundations) or by user fees.	All activities that benefit students, faculty and independent agencies not directly related to educational objectives (use of facilities and personnel by governmental agencies or industry).
Provisions for Allocations	UC only	State funds for activities which are State supported in other classifications (temporary account).	Temporary account for lump sum appropriations which ultimately go: (1) from systemwide accounts to campuses and (2) from campus accounts to operations (salary and price increases, employee benefits endowment income, budgetary savings, etc.)
Other Reductions	Both	Reduction in State General Fund support and/or increased reimbursements from student fees or other charges.	Baseline (permanent) or temporary reductions in appropriations in various classifications sometimes offset by other revenue sources.
Unspecified Programs	Both	State funds for new or one-time activities.	CSU discretionary fund for Chancellor, enrollment adjustments, etc.

a. The Hayward, Los Angeles, Pomona, and San Luis Obispo campuses of the California State University receive State support for their summer sessions because they operate on year-round academic calendars. Summer extension courses at these four campuses are self-supporting, however.

b. Other academic support components include a medical technology program, natural resources and fisheries facilities, Desert Studies Center, three Indian community programs, rural nursing, Center for Economic Education, Moss Landing marine science facility, off-campus center at Calexico, joint doctoral programs, some intercollegiate athletics at smaller campuses, and professional journals.

c. The State University received a direct appropriation for Student Financial Aid for the first time in 1982-83. Prior to this year no direct aid funds were available and financial aid administration was funded through Student Services.

d. The State University includes plant operations and maintenance under Institutional Support.

Source: Governor's Budget, 1982-83.

However, in that year Proposition 13 eliminated district control over property tax rates, and the State then established a general formula which guaranteed an overall support rate for apportionments to each district that mixed State general funds and property tax revenues. Despite this change, the State continues to fund Community College enrollments through general apportionments unrelated to program classification and without any provision for student fee reimbursements.

Trends in Student Charges and Institutional Support

Information on trends in fees and state appropriations can be used to analyze policy issues such as the concern expressed by the Commission (1982, pp. 33-34) that when student fee revenues are reserved for one purpose, such as student services, other educational expenditures (including instructional support) may suffer disproportionately during times of retrenchment.

Conclusions from such an examination must be limited, not only because expenditure levels in large educational institutions are determined by many factors, and changes in levels are not strictly comparable, but also because student fees are collected by the public segments for different purposes. Nevertheless, an examination of the changes over time in expenditures for services supported by student fees compared to services supported by State General Funds may provide some indication of the impact of current practices in the use of fee revenues during times of retrenchment.

This analysis is based on expenditures between 1974-75 and 1981-82. Selection of a base year in any longitudinal study is an important decision, and the choice is heavily influenced by analytical constraints and available data. In this case, the 1974-75 fiscal year was selected as a base because it was four years before Proposition 13--a watershed of sorts in State finance. Likewise, 1981-82 was selected as the final year of the series because it falls four years after Proposition 13 and is the most recent year for which reliable data are available.

Because of the wide disparities in total State support for current operations of the University, the State University, and the Community Colleges (Table 10), a better measure of support for this analysis is increases in their funding for instruction. Table 11 shows that the differences among the three segments on this measure vary in a range from a high of 108.7 percent for general campus instruction at the University to 97.3 percent for instruction at the State University to a low of 94.7 percent for instructors' salaries* at the Community Colleges.

*Determining the appropriate measure for cost of instruction at the Community Colleges for this span of years is extremely difficult. See footnote "A" on Table 10 for an explanation of the decision to use instructors' salaries as a proxy.

In comparison, Table 12 shows expenditures over the same period for major student services. In the University, these expenditures increased by 140.1 percent, while at the State University they increased by 132.7 percent.

In those years when the State most restricted its support for higher education--the fiscal year after Proposition 13, 1978-79, and the fiscal year the State General Fund surplus was exhausted, 1981-82--both instruction, supported by State funds and student services, supported by student fee revenues experienced a less than average percent increase. However, in every instance, increases in total student services expenditures in these years were greater than increases in State support for instruction. In the years immediately following the impact of Proposition 13, the General Fund provided greater than average increases to instruction, and student services experienced similar increases. With the surplus currently exhausted and the prospect of sustained fiscal stringency, concern exists that instruction will experience lower increases than student services in the future simply because of their sources of funding.

TABLE 10 Enrollments and State General Funds and Property Tax Revenues for Support of Current Operations in the Three Public Segments, 1974-75 and 1981-82

	1974-75		1981-82	
Institution	Support for Current Operations	Total Enrollments	Support for Current Operations	Total Enrollments
University of California	$514,566,350	115,396 FTE	$1,098,986,000 (113.5%)	123,666 FTE (+7.2%)
California State University	481,546,141	227,324 FTE	963,453,000 (99.8%)	236,850 FTE (+4.2%)
California Community Colleges	866,812,842	694,096 ADA	1,425,895,000 (64.4%)	740,795 ADA (+6.7%)

Source: Governor's Budget, 1976-77; Governor's Budget, 1982-83; Controller's Report for Fiscal Transactions of School Districts, 1974-75; Legislative Analyst's' Analysis of the 1982-83 Budget Bill.

TABLE 11 State General Funds for Instruction at the University of California and the California State University and for Salaries of Instructors Per Education Code at the California Community Colleges, in Thousands of Dollars, 1974-75 to 1981-82

Year	University of California General Campuses Expenditure	Percent Change	California State University[a] Expenditure	Percent Change	California Community Colleges[b] Expenditure	Percent Change
1974-75	$215,243		$321,664		$395,003	
1975-76	240,481	+11.7%	358,178	+11.3%	467,952	+18.4%
1976-77	263,411	+ 9.5	395,990	+10.6	523,920	+11.9
1977-78	289,882	+10.0	433,897	+ 9.6	576,168	+ 9.9
1978-79	300,007	+ 3.4	447,327	+ 3.1	572,847	- 0.5
1979-80	359,529	+19.8	522,363	+16.8	644,592	+12.5
1980-81	420,624	+16.9	605,929	+16.0	732,662	+13.6
1981-82	449,286	+ 6.8	634,611	+ 4.7	769,295[c]	+ 4.9
TOTAL PERCENT INCREASE		108.7%		97.3%		94.7%

a. California State University expenditures are total actual expenditures provided by Chancellor's Office staff in October 1982. To determine General Fund expenditures for instruction, Materials and Services Fee revenues expended for instruction were deleted from the totals from 1974-75 to 1977-78.

b. There is no data available for the Community Colleges during these years which exactly parallel the State funds for instruction at the four-year institutions. The provision of instructors' salaries was chosen as the best surrogate for increases in instruction for two reasons: (1) The Education Code mandates that the data be collected each year and compared to the Current Expenses of Education. This insures uniformity and completeness of reporting. (2) Although instructors salaries are not the only component of instruction, they represent the largest share of expenditures in the area and changes in salaries are perhaps the best available proxy for changes in the total expenditures in the area.

c. Data for 1981-82 is not yet available from the Chancellor's Office. Therefore, this estimate was derived by adding 5 percent (the statewide Cost-of-Living adjustment for the Community Colleges) to the 1980-81 level of instructors' salaries ($732,661,962).

Source: Governor's Budget, 1976-77 to 1982-83, California State University Chancellor's Office staff, October 18, 1982, Controller's Report for Fiscal Transactions of School Districts, 1974-75 to 1980-81, Community College Chancellor's Office staff.

TABLE 12 Expenditures for Selected Student Services at the University of California and the California State University, 1974-75 to 1981-82

Year	University of California Expenditure[a]	University of California Percent Change	California State University Expenditure[b]	California State University Percent Change
1974-75	$36,445,000		$28,177,000	
1975-76	41,893,000	14.9%	32,370,000	14.9%
1976-77	43,119,000	2.9	36,871,000	13.9
1977-78	47,519,000	10.2	41,550,000	12.7
1978-79	54,646,000	15.0	42,696,000	2.8
1979-80	62,333,000	14.1	52,106,000	22.0
1980-81	75,136,000	20.5	61,933,000	18.9
1981-82(est.)	87,516,000[c]	16.5	65,568,000	5.9
TOTAL PERCENT INCREASE		140.1%		132.7%

a. Includes expenditures for social and cultural activities, counseling and career guidance, supplemental educational services, financial aid administration, and student health services. These activities were selected because they are the expenditures most heavily supported by student fees at the University of California. Not included are student financial aid and Educational Opportunity Programs.

b. Expenditures include all student-fee supported student services and Institutional Support overhead for these services. Not included are student fee revenues expended for Instruction or Academic Support between 1974-75 and 1977-78.

c. The Governor's Budget does not provide accurate, current year expenditures for student services. Therefore, several adjustments were necessary to make the 1981-82 expenditures more realistic. First, the "employee benefits," which were shown in the Governor's Budget as a lump sum, were prorated among the various program elements for 1981-82. Second, the consistent underprojections of student service expenditures in the Governor's Budget were corrected. The results of these calculations should provide a more accurate expenditure level for the final year in the series. These adjustments were all discussed with University staff before they were undertaken.

Source: Governor's Budget, 1976-77 to 1982-83 and California State University Chancellor's Office staff, October 18, 1982.

In the California Community Colleges, student fees are not collected to pay for student services (except for health services in some districts). Thus they offer an interesting contrast to the pattern of expenditures in the four-year segments. Table 13 displays Community College expenditures between 1977-78 and 1980-81 (the only years available) for admissions and records, counseling and guidance, and "other student services"--activities which generally correspond to fee-supported services at the University and the State University. Regretfully, statewide measures of the total dollar increase for these services are not valid for the Community Colleges since various districts failed to report each year, thus skewing the aggregate numbers and making comparisons over time questionable. To correct this, Table 13 shows student service expenditures as a percent of total expenditures, a technique which removes some of the bias inherent in comparing the expenditures as aggregates. This table shows that student services have declined as a percent of operational expenditures (from 8.98 percent in 1977-78 to 8.55 percent in 1980-81).

This technique of determining the proportion of total expenditures that is represented by student services is extended to the budgets of the University and the State University in Table 14. Over the years 1977-78 to 1980-81 (the only years for which Community College data are available), student service expenditures increased as a proportion of operating expenditures at the University and State University. When 1981-82, a year of retrenchment, is added and 1974-75 is used as the base year, student services expenditures increased as a proportion of the State University's total expenditures from 5.1 percent to 6.4 percent while this proportion at the University of California declined slightly.

SUMMARY

In summary, this paper has reviewed current State policy regarding student fees and their use, the types of student fees California public colleges and universities charge and how the revenues from these fees are used, and the role of student fee revenues in financing public higher education in California as background to assist the Commission in formulating recommendations for new State policy on the appropriate use of student fee revenues.

TABLE 13 Expenditures for Student Services at the California Community Colleges, 1977-78, 1979-80, 1980-81 (Excluding Capital Outlay)

Fiscal Year 1977-78	Expenditures
Admissions and Records	$ 22,819,667
Counseling and Guidance	$ 37,718,851
Other Student Services[a]	$ 37,243,449
Total, Student Services	$ 97,781,967
Total, Operating Expenditures	$1,089,476,955
Student Services as a Percent of Operating Expenditures	8.98%
Fiscal Year 1978-79	Data Not Usable
Fiscal Year 1979-80	
Admissions and Records	$ 26,118,741
Counseling and Guidance	$ 46,944,179
Other Student Services[a]	$ 41,195,245
Total, Student Services	$ 114,258,165
Total, Operating Expenditures	$1,320,233,494
Student Services as a Percent of Operating Expenditures	8.65%
Fiscal Year 1980-81	
Admissions and Records	$ 30,699,424
Counseling and Guidance	$ 52,709,780
Other Student Services[a]	$ 47,396,512
Total, Student Services	$ 130,775,716
Total, Operating Expenditures	$1,530,358,584
Student Services as a Percent of Operating Expenditures	8.55%

a. Other student services include personnel administration, financial aid administration, health services, housing services, and student transportation.

Note: The following districts are missing from the data: for 1977-78, Chaffey, El Camino, Hartnell, Pasadena, San Mateo, Sierra, Siskiyou, and West Valley; for 1979-80, Chaffey and Yosemite; and for 1980-81, Chaffey and Barstow.

Sources: Chancellor's Office, "General Fund Expenditures by Activity, Fiscal Year, 1977-78"; California Community Colleges, Fiscal Data Abstract, 1979-80, Addendum from Fiscal Services Administrator, September 3, 1981, Exhibit B-2; California Community Colleges, Fiscal Data Abstract, 1980-81, p. 30.

TABLE 14 Student Service Expenditures as a Proportion of Total Expenditures for the Three Public Segments of Postsecondary Education, 1974-75 to 1981-82

Fiscal Year	University of California[a]	California State University[b]	California Community Colleges[c]
1974-75	.0392	.0541	Not Available
1977-78	.0349	.0586	.08975
1980-81	.0358	.0610	.08545
1981-82	.0387	.0639	Not Available

a. Total expenditures are defined as "Totals, Budgeted Programs," displayed in the Governor's Budget. Student Service expenditures are defined as "Totals, Student Services," displayed in the Governor's Budget.

b. Total expenditures are defined as "Totals, Programs," displayed in the Governor's Budget. Student Service expenditures are defined as "Continuing Program Costs," minus "Reimbursement - Federal and Auxiliary Organizations" for 1974-75 and 1977-78, and excludes "Federal Trust Fund" for 1980-81 and 1981-82. These are displayed in the Governor's Budget.

c. The components of this calculation are found in Table 12.

Sources: Various Governor's Budgets and Table 12.

THE SCOPE AND SOURCES OF STUDENT FINANCIAL AID IN CALIFORNIA

Among its several provisions, Assembly Concurrent Resolution 81 (1982) charged the California Postsecondary Education Commission to develop recommendations for "the appropriate distribution of student financial aid among all needy California postsecondary education students" (Resolution Chapter 23, Statutes of 1982). The Commission's response to ACR 81, Student Charges, Student Financial Aid, and Access to Postsecondary Education, included two recommendations which stressed the essential link between fees and student financial aid, the need for increased funding for student assistance when fees are raised, and the importance of equitable treatment of needy students:

> RECOMMENDATION 7. The State should provide financial assistance to qualified students whose ability to attend postsecondary institutions is jeopardized by increases in student charges. Such assistance should be provided through programs that assure equitable treatment of students with similar resources and needs.
>
> RECOMMENDATION 8. Students throughout California should be treated similarly by State financial assistance policies regardless of the institutions which they attend, and the State should use a common and consistent methodology to assure equitable treatment (1982, p. 29).

The Commission also cited a number of factors that should be considered in the assessment of appropriate funding levels for student financial aid, including: (1) student charges in the public segments, (2) tuition and fees in the independent sector, (3) changes in other student costs, (4) segmental procedures for the distribution of student financial aid, and (5) federal student financial aid policies and levels as they affect California students (ibid.).

In addition, the Commission expressed grave concern about University of California policy which uses revenues from student charges to support student financial aid programs and its implications for equitable student charges levels and financial aid availability among the segments:

> Neither the State University nor the Community Colleges use student charges for this purpose. Within the University, the practice means that students who can pay full fees are paying more than the cost of services in order to pay for the education of other students. Yet these

other students are eligible for aid that the State has not thus far provided and that is not available in the other two public segments (p. 34).

In Supplemental Language to the 1982-83 Budget Act, the Legislature subsequently stated its intent that long-term policy should be "that the State assume responsibility for funding financial aid currently provided by student fee revenues." It directed the Commission to study and make recommendations on "the level of additional financial aid required to maintain student access at various levels of student charges and . . . any additional issues recommended for further study from the ACR 81 study," and it directed the Commission to make recommendations about "the provision of appropriate levels and kinds of student financial aid to offset tuition charges for postbaccalaureate students with demonstrated financial need," with consideration given to "alternative payment structures and financial aid mechanisms, including waivers and deferrals for public service" (Item 6420-001-001, subitems 1 and 3).

This paper provides information on student financial aid in California as a basis for discussing the policy issues raised by these Commission concerns and legislative charges. The first section summarizes the relationship between public assistance programs and student financial aid. The second defines and describes the major forms of financial aid available to California students. The later sections summarize the objectives, origins, and current status of financial aid supplied by (1) institutional funds, (2) federal support, and (3) California State support.

PUBLIC ASSISTANCE AND STUDENT FINANCIAL AID

The federal and state governments together operate a number of programs to provide assistance to low-income citizens in obtaining at least minimal levels of food, shelter, and medical care. Eligibility for these programs, including Aid to Families with Dependent Children (AFDC), Department of Housing and Urban Development (HUD) housing assistance programs, and MediCal, is generally a function of family or household income. Students or prospective students from families who receive assistance from these programs are very likely to be eligible for state and federal student financial aid should they desire to attend college. In addition, there are other public assistance programs, such as unemployment or food stamps, for which students are ineligible as a virtue of their status as students.

The following discussion describes the treatment of student financial aid and college enrollment in the assessment of eligibility for key public assistance programs, and the treatment of public assistance "income" in determining financial aid eligibility.

Aid to Families with Dependent Children (AFDC)

Until recently, the AFDC program counted college-going members of families (up to age 22 for dependent children) in determining eligibility for assistance. Under those provisions, California exempted postsecondary education loans and grants which are based on need or used to cover fee, book, transportation, and child care expenses related to postsecondary education attendance from consideration as family income in determining family eligibility for AFDC assistance. In addition, California exempted from consideration income earned by a postsecondary education student/family member if he or she was enrolled full time or enrolled part time and not employed full time.

Recent changes to federal law related to the AFDC program have removed family members attending school other than "secondary school or (the) equivalent level of vocational or technical training" from consideration in the assessment of eligibility for AFDC assistance. In California, over half (51.4 percent) of the 18-20 year-old dependent children from families receiving AFDC benefits were enrolled in college in 1977. Another 11.5 percent were involved in vocational training of all kinds. All of the former group and at least part of the latter are no longer eligible for AFDC benefits.

Medi-Cal

The Medi-Cal program is funded by the federal government with matching funds from the states and administered by the states. It provides subsidized health care for low-income families. Although coverage of AFDC participants is required, the states are allowed the discretion to serve other citizens identified as medically needy. As with AFDC, California exempts most forms of federal and state need-based student financial aid, including loans, grants, and work-study money from consideration as income in determining eligibility for Medi-Cal assistance.

Public Housing Assistance

Public housing assistance programs are funded by HUD and administered by local public housing authorities which own and operate public housing units, subsidize rents in privately owned units, and provide

interest subsidies so that rents to low-income tenants may be lowered. Eligibility is based on income, with rents ranging from a minimum of 5 percent of income to a maximum of 30 percent of income.

Unlike the AFDC and Medi-Cal programs, HUD housing subsidies exempt only that part of student financial aid received by family members that covers direct educational costs--tuition, fees, books. Aid intended to cover subsistence or transportation costs is counted as income for purposes of determining family eligibility for federal housing subsidies.

Student Financial Aid

Financial need for students is a function of student and family resources and the cost of postsecondary education attendance. In the case of low-income recipients of public assistance benefits, family resources are usually assessed as being too low to allow for any discretionary income available for postsecondary education expenditures. Thus, these family resources from public assistance programs are generally not reduced to fund college attendance. (Benefits may be reduced if postsecondary education attendance makes a family member ineligible.) At the same time, all student earnings and any financial aid are considered available to fund college attendance costs. To the degree that public assistance programs count these resources as family income, they are double counted, and the result is either a reduction of family public assistance benefits, or a shortfall in resources available to cover postsecondary education costs.

DEFINING AND DETERMINING STUDENT FINANCIAL AID

"Student financial aid" generally refers to any form of assistance to students in meeting those educational costs* not covered by their own financial resources or, where appropriate, by the resources of their families. For the purposes of this paper, it refers to formal programs that assist postsecondary students in meeting these costs. Thus, although family and student savings as well as earnings from unsubsidized jobs play major roles in the funding of students' costs of education, this paper is limited to those institutional and governmental efforts targeted specifically to offsetting all or

*Educational costs are all costs related to attending a postsecondary education institution, including tuition and required fees, food and housing, books and supplies, transportation, and personal expenses. These are also referred to as the cost of attendance.

part of students' costs. Many of these programs assist students by enabling them to obtain low interest loans or employment to cover their educational costs. This kind of "self-help" financial aid is paid back by students through loan repayments or work and represents a substantial amount of the financial aid available to students in California.

Financial aid takes three main forms:

1. Grant: either a direct monetary payment or an exemption from obligation for certain costs, such as a scholarship or fellowship, with no repayment required.

2. Loan: either a temporary payment to defray all or part of educational costs or a temporary exemption from obligation for all or part of educational costs, with repayment required.

3. Work-study: part-time employment, with salary at least partially subsidized by someone other than the employer.

Within each of these general forms of financial aid there are many variations, of course, depending on whether a particular program is need-based, its target population, its objectives, and other factors.

Non-Need-Based and Need-Based Financial Aid

"Non-need-based" financial assistance is distributed to students without regard to their financial resources. Two common examples are academic scholarships and athletic grants-in-aid that are used to recognize excellence regardless of financial need.

"Need-based" financial assistance is intended to provide students with sufficient funds to meet all or some portion of the difference between their available resources and the costs of their education. For this purpose, mechanisms for assessing financial "need" have been developed. Financial need is usually defined as the difference between the costs of education (or the student budget) at a particular institution and the resources available to a student to fund his or her education. Generally, the first component of a "needs analysis"--the student budget--is established by each institution and takes into account tuition and fees, books and supplies, board and room, transportation, and miscellaneous expenditures for a typical student at that institution, with different student budgets developed for students who commute from home or live on or off campus and for those who are married, or have dependents.

The other component of the needs analysis calculation--the assessment of the financial resources available to students to fund their

educations--involves comparing the student's and his or her family's income, savings, and other assets to their tax and other obligations and living expenses in order to arrive at an estimate of discretionary income. A certain portion of discretionary income is assumed to be available to pay for postsecondary education expenses. Factors such as family size and age, number of family members in college, and special financial circumstances are considered in this resource analysis, but in cases where a student has established financial independence from his or her family, only the student's financial resources (and those of a spouse, if applicable) are considered in the needs analysis calculation.*

Two major resource analysis methods exist--one for the federal Pell Grant program, the other, the Uniform Methodology, for most state and institutionally awarded aid. In both cases, the approach to resource analysis is similar, but their treatment of family factors as well as of income, assets, and expenses differs and results in different assessments of expected family and student contributions. In either case, a student's and family's expected contributions are calculated independently of school costs. As a result, financial need varies both with the student budget at different institutions and with the student's presumed ability to pay.

A variety of need-based and non-need-based student financial aid programs are funded by postsecondary education institutions, federal and state governments, and myriad charitable, fraternal, professional, and community organizations. In California, the major programs are the institutionally funded, federal, and State programs described in the remainder of this paper.

*A dependent student is one whose parents' or guardians' financial resources are considered in the assessment of funds to be made available to meet the costs of attendance at a postsecondary educational institution. In order to establish financial independence for federal programs, a student must meet the following standards (1) not live with his or her parents or guardian for more than six weeks in the year preceding the year for which aid is being requested, (2) not be claimed on his or her parents' or guardians' tax returns in the year preceding the year for which aid is being requested, and (3) not receive more than $750 worth of support from his or her parents or guardians in the year preceding the year for which aid is being requested. In order to be considered independent for need-based student grants that are funded by the State of California or a public postsecondary education in California, a student must meet these criteria for three years preceding the year for which aid is requested.

INSTITUTIONALLY FUNDED FINANCIAL AID

Postsecondary education institutions in California have historically provided financial assistance to their students. Originally the focus was on exceptionally talented students who otherwise would not be able to attend a particular school. Now many institutions have supplemented their early commitments with internally funded programs to aid those students who may not be receiving federal or state funds but for whom educational costs would be a barrier to postsecondary education attendance.

The University of California

Students at the nine campuses of the University of California have access to a variety of institutionally funded student financial aid in addition to the federal- and State-funded programs which will be described later in this paper. The main source of funds for the University's own student financial aid programs is Educational Fee income. The remainder comes from endowment income, alumni contributions, campus discretionary funds and income from repayment of Educational Fee Loans and University Loans. In 1980-81, a total of 38,041 students (23,319 undergraduates and 14,722 graduates) received over $50 million in University-funded student financial aid ($21.2 million was received by undergraduate and $28.9 was received by graduates). The following descriptions of the University's internally funded student financial aid programs are taken largely from Item 304 of the agenda for the Regents Committee on Education Policy for March 18, 1982.

The largest single program is the University Student Aid program, which provides grant, loan, or work study aid to graduate and undergraduate students solely on the basis of financial need. The Educational Fee Grant provides grants, based entirely on need, to undergraduates in their first year of attendance at the University. After the first year of attendance, undergraduate and graduate financial aid recipients whose fees are not covered by other specified awards are required to take an Educational Fee Deferment Loan as a component of their total financial aid award.

The University also offers a variety of scholarships and fellowships which are awarded on the basis of academic merit. In the undergraduate area, Regents Scholarships are awarded on the basis of academic excellence. A Regents scholar who demonstrates financial need receives an annual stipend which covers the difference between his or her resources and the cost of education at the University. In addition, all Regents Scholars receive a one-time-only honorarium

of $100 without regard to financial need. University Scholarships are also awarded to undergraduate students on the basis of merit, with the amount of the award based on financial need.

The University provides financial aid for graduate students through a number of programs in addition to the Educational Fee Grant (or loan) and the University Student Aid Program. Regents Fellowships are awarded solely on the basis of academic merit and include stipends for living expenses in addition to covering fees and non-resident tuition. Similar awards are provided through the Graduate Opportunity Fellowship Program, which is intended to assist in increasing the enrollment of students with demonstrated scholastic achievement from the population which has been traditionally underrepresented in the University's academic graduate departments. The In-Candidacy Fee Offset Grant covers the educational fee for graduate students who have been advanced to candidacy and are within the normal time for completion of their degrees and is awarded without regard to financial need. University funded non-resident tuition waivers, which are included in the University grant category, are provided to graduate students, and are in addition to those provided by the State. Finally, many undergraduates and graduate students receive financial support from campus employment.

In the University, policies with respect to consideration of academic performance and financial need differ for undergraduate and graduate students. Almost all undergraduate financial aid is awarded entirely on the basis of financial need. Scholarships are awarded on the basis of academic achievement and promise, but the size of the grant is generally based on financial need. Graduate students receive a higher proportion of merit-based awards than do undergraduates, and the amount of these awards is usually not a function of financial need.

The California State University

Unlike the University of California, the California State University does not have significant resources of its own which it uses for student financial aid. Until 1982-83, it could offer virtually no student financial aid other than what was available from the State and federal programs to be described below. The one exception was State funding for its Educational Opportunity Program, which incorporates student grants along with outreach and student support services, including counseling and tutoring, for low-income, disadvantaged, and ethnic minority students. In 1981-82, the Legislature appropriated $14.8 million for this program, of which $7.2 million was used to fund 10,388 grant awards.

For 1982-83, the State has appropriated $3.4 million in financial aid for State University students to partially offset the $100 fee increase adopted this year. These funds are to be distributed among the 19 campuses of the system according to their estimated number of students with financial need, as indicated by their number of reported federal Pell Grant recipients. Funds will be distributed by the campuses among California residents attending at least half time who meet certain minimum financial need criteria.

California Community Colleges

Like State University students, Community College students depend for the most part on the federal- and State-funded programs described below for their financial aid. The system as a whole generates no financial aid itself. Individual districts and campuses have small sources of aid provided by local business, professional, or fraternal organizations, most of which is not need based. In addition, they receive State funding for their Extended Opportunity Programs and Services (EOPS), which they use to provide financial aid as well as outreach, instruction, and transition efforts for low-income, disadvantaged students. EOPS funding is distributed to Community Colleges according to a formula which measures the socioeconomic status of the students in each district, as well as other factors. Funding for EOPS during 1981-82 provided average grants of $310 for approximately 36,000 students, a total of $11.2 million in direct financial aid and $13.3 million for support services administration and special projects.

Independent Colleges and Universities

The availability and use of institutional financial aid in independent colleges and universities differs as much among these institutions as it does compared to the three public segments of California higher education. Some independent institutions have enough endowment funding for financial aid to enable them to admit students without regard to financial need and to guarantee them sufficient funding throughout their attendance. Other institutions are instead vitally dependent on federal and State student aid programs to provide most of the financial aid for their students. (In California, it is unconstitutional for the State to appropriate money directly to independent institutions for any purpose, including financial aid; and State financial aid for their students comes through the Cal Grant A and B programs of the California Student Aid Commission.) The State's major independent universities have the same kind of endowment, research, and fellowship resources for their students as the University of California, while smaller institutions may have limited endowments, small or no graduate

programs, or adequate numbers of faculty available to teach even small classes and seminars and thus may not need to use their advanced students as teaching assistants. The amount and use of institutional financial aid hence varies greatly among independent institutions, and no estimate of its total is available.

FEDERALLY FUNDED FINANCIAL AID

The federal government first became involved in providing student financial aid in the 1940s with the adoption of the G.I. Bill. Its benefits provided stipends to cover educational costs, books, and supplies as well as subsistence to any qualified veteran who attended college.

The launch of Sputnik was the catalyst for the second major federal effort in student financial aid. The National Defense Education Act of 1958 authorized research fellowships for graduate students in order to encourage the development of knowledge necessary to compete successfully with the Russians in a number of fields. The National Defense Education Act also established the National Defense Student Loan (NDSL) program, which provided capital to postsecondary education institutions to enable them to make low-interest loans to students, with a focus on those intending to become teachers and provisions for forgiveness of the loans for those borrowers who taught for a specified number of years.*

Over the next decade, as the recognition grew of the contribution of educational opportunities to the creation of social opportunities to those in American society who had previously had neither, the federal government established a number of outreach programs to inform low-income, disadvantaged, and minority students about postsecondary education opportunities and to encourage their attendance. When it became apparent that information and encouragement alone were not sufficient to overcome the financial barriers to

*Currently, the NDSL program (since renamed the National Direct Student Loan program) provides funding to campuses for making low-interest loans to needy undergraduate and graduate students in any field. Undergraduates may borrow up to $3,000 during the first two years of undergraduate study or a cumulative total of $6,000 toward funding their bachelor's degree, with total borrowing for both undergraduate and graduate study limited to $12,000. The NDSL program is funded through a combination of federal capital contributions allocated to institutions according to the general formula for all federal campus-based programs, a 10 percent match from institutional funds, and loan collection revenues from former borrowers.

postsecondary education faced by many of these students, the federal government established and funded its first need-based financial aid programs: Supplemental Educational Opportunity Grants, College Work Study, and Federally Insured Guaranteed Student Loans.

Early Need-Based Programs

In addition to the NDSL program, the federal government currently funds two other financial aid programs which are administered within federal guidelines by postsecondary education institutions, with institutional allocations determined according to a formula which takes into account total enrollment, enrollment of financial aid recipients, other student financial aid resources, and previous allocations under the programs.

Supplemental Educational Opportunity Grants (SEOG): This campus-based program provides grants of up to $2,000 per academic year to undergraduate students with financial need as determined by the institution within federal guidelines.

College Work Study (CWS): This campus-based program provides funds for making part-time employment available to undergraduate and graduate students who work for them under the program. The federal government provides a maximum of 80 percent of the funding, which is matched by a minimum of 20 percent from the public agency or private non-profit organization which employs the student. Students who are hired under this program must have demonstrated financial need. Their earnings represent the award in this program.

Guaranteed Student Loan Program (GSL): This program uses federal funds to subsidize low interest rates on loans made to students by commercial lenders, make interest payments on those loans to lenders while borrowers are in school, and guarantee the loans against default. Currently, students from families with adjusted gross incomes above $30,000 must demonstrate financial need in order to be eligible for this program, and their loans are limited to their financial need, with a minimum loan of $1,000. Undergraduate students may borrow up to $2,500 per year. Independent undergraduates may borrow up to $3,000 annually, while the maximum annual loan for graduate students is $5,000. Aggregate lending limits are $12,500 for undergraduate studies and $25,000 for graduate studies.*

*Recently, the federal government also authorized a companion loan program for parents--Auxiliary Loans to Assist Students (ALAS)--which guarantees against default loans made by commercial lenders to parents or independent students at rates slightly below commercial rates. Repayment on these loans begins within 60 days of borrowing.

Basic Educational Opportunity Grants (Pell Grants)

In 1972, the federal government made a major commitment to student financial aid with the establishment of the Basic Educational Opportunity Grant (BEOG) program (now called the "Pell Grant" program). The objective of this program was to reduce financial barriers to postsecondary education attendance for low-income students by assuring that any student who met federal standards of financial need would be guaranteed grant assistance, up to a statutory maximum, with other financial aid built on this base. This program aims at giving even the lowest income students an opportunity to choose from among all of the postsecondary educational options for which they are qualified and to which they are admitted.

Until 1972, the federal government had limited its equal educational opportunity involvement to enabling individual postsecondary education institutions to serve more low-income, minority, and disadvantaged students. With the establishment of the BEOG/Pell Grant program, the federal government identified a direct role for itself in providing financial aid and recognized the key role of financial aid grants, as opposed to loans or work in reducing the financial barriers to postsecondary education. Rather than distributing funds to institutions, this program distributes federal funds only to those institutions chosen by students who have applied and been determined eligible, thereby reducing student dependence on the availability of institutional funds as the major source of financial aid, and as a result, giving them a broader range of options in selecting a college or university.

The establishment and expansion of the BEOG/Pell Grant program reflected less a change in federal financial aid objectives than a decision that additional and complementary efforts were needed to more fully meet on-going objectives of assuring the expansion of educational opportunities. Currently, Pell Grants are awarded to undergraduates as an entitlement according to an eligibility index which is a measure of the resources available from a student and his or her family to pay postsecondary education costs, and are limited to half the cost of education up to a maximum award level, set in statute at $1,800 annually but which has varied in recent years according to the availability of federal appropriations for the program.

State Student Incentive Grant Program (SSIG)

The SSIG program was established in 1973 with the intent of encouraging the development or expansion of state-funded student grant programs. Under this program, the federal government provides

funding to states, to be matched dollar for dollar with state monies and used for state-administered need-based student financial aid. Each state receives federal funds appropriated for this program in proportion to its share of the total national enrollments in postsecondary education. In California, these funds are used to augment State appropriations for the Cal Grant programs described below.

Middle Income Student Assistance

In 1978, under pressure to find an alternative to tuition tax credits and to respond to increasing pressure from middle-class families for a share of the federal financial aid commitment, Congress adopted and the President signed the Middle Income Student Assistance Act (MISAA), which marked a major explicit shift in federal financial aid objectives by dramatically expanding eligibility for federal financial aid to middle-income families. The goal of this action was not so much to assure that potential students who otherwise could not attend college would have this opportunity, as it was to relieve middle-income families of some of the financial burdens they experience in sending their children to college. The major changes to then existing programs were to (1) expand eligibility for Pell Grants to students from families with annual incomes of up to $25,000, compared to the pre-MISAA level of $14,500, and (2) allow any student, regardless of family income or financial need, to borrow under the Guaranteed Student Loan program, with full eligibility for all interest subsidies as well as the guarantee against default. Adjustments to the federal government's campus-based student aid programs also occurred, and authorized funding in these programs increased significantly between 1977-78 and 1978-79.

Almost immediately, Pell Grant levels had to be reduced because appropriations were insufficient to fund fully all students who had become eligible to receive these grants. Not long thereafter, federal costs for interest subsidies in the Guaranteed Student Loan program skyrocketed--partly because unlimited eligibility increased the number of borrowers, and partly because rapidly increasing commercial interest rates raised federal costs on each loan made.

At the same time that the added costs of MISAA became evident, the national economy took a downturn and the desire for some restraints on federal spending increased. As a result, the federal government has attempted to take steps to reduce its costs for student financial aid and slow the phenomenal growth it had started only two years earlier.

In the case of Pell Grants, awards in 1980-81 and 1981-82 were reduced in size using across-the-board reductions totaling $130.

For the 1982-83 academic year, eligibility for Pell Grants has been rolled back to pre-MISAA levels by administrative regulations which (1) increase the amount of discretionary income expected to be contributed to postsecondary education costs, (2) reduce the amount of home equity assets which is exempt from assessment as a resource for funding postsecondary education costs, and (3) treat G.I. veterans and Social Security benefits received by students as financial aid, so that 100 percent of these benefits are used to offset postsecondary education costs. (Previously, veterans and Social Security benefits had been treated as income and only part of the total benefit considered a contribution to postsecondary education costs.)

The federal government's approach to reducing its costs in the Guaranteed Student Loan program has been twofold: (1) to attempt to reduce the number of borrowers by limiting eligibility to students from families with adjusted gross incomes of under $30,000 annually and to students from families with incomes above that level who demonstrate financial need, and (2) to impose a 5 percent loan origination fee which would be used to offset federal interest payments to commercial lenders. Both of these changes were effective October 1, 1981, in an attempt to reduce volume and costs for the 1981-82 school year. In reality, most borrowing for that academic year was done before the new provisions took effect. As a result, Guaranteed Student Loan volume in California (as well as nationally) was substantial ($284 million from July 1 through September 30, 1981, compared to $109 million during the same period in 1980). Borrowing so far is significantly lower for the 1982-83 academic year, with the July-September loan volume at $157 million, slightly over half of that for the same period in 1981. It is unclear whether this reduction is solely a function of the eligibility and origination fee changes implemented in the 1981-82 academic year or because of uncertainty created by pending federal proposals to double the origination fee, eliminate graduate students from Guaranteed Student Loan eligibility, and to make all loans need based. When borrowing for the October 1, 1982 - December 30, 1982 period is completed and considered with the volume for the previous quarter, a clearer picture of the effects of the program changes may emerge.

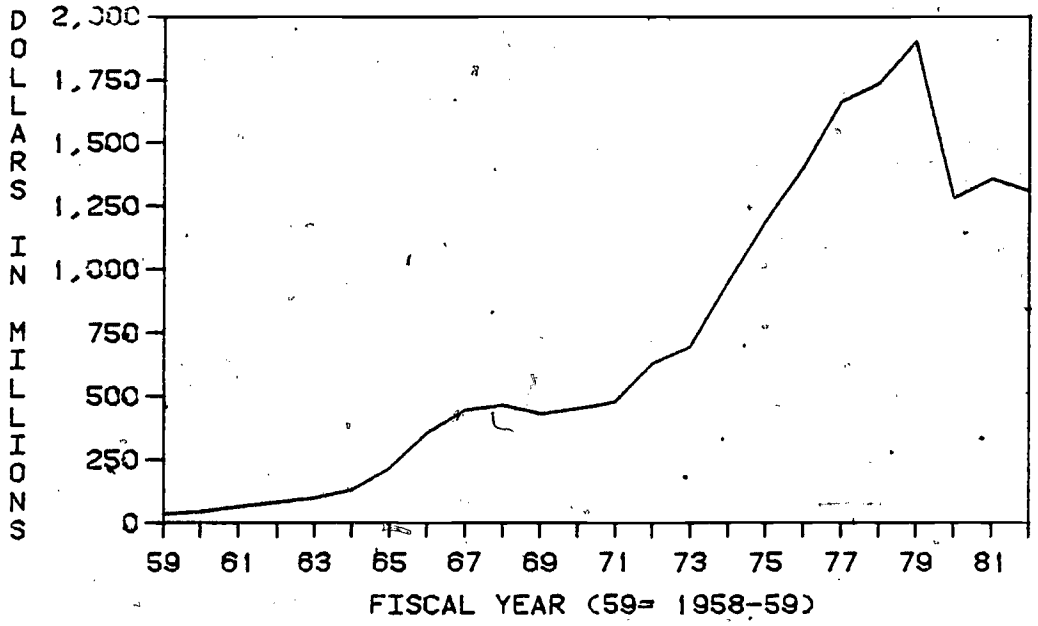
In sum, since 1978, the magnitude of the federal activity in student financial aid (as well as in many related and unrelated social programs) has been questioned. Neither of the major objectives of the federal student financial aid effort have been explicitly repudiated, yet the kinds and numbers of students who will be eligible for aid in the future are likely to be different than was true a year or two ago.

Present Funding and Future Prospects

Funding histories for all federal financial aid programs for the last 20 years--or since the inception of newer programs--are summarized in Figure 1 and Table 1. They show that as student financial aid became established as a federal policy, funding increased steadily through the 1970s but since then has declined.

Despite publicity to the contrary, Pell Grant funding for 1982-83 is not substantially different from that in 1981-82. Federal appropriations for this program have been increased by about 3.4 percent (from $2.34 billion to $2.42 billion) for the 1982-83 academic year, but despite this increase, individual students are more likely to lose grants this year than last because of the administrative changes in eligibility criteria described above.

FIGURE 1 Federal Student Aid Appropriations for Programs in Constant Dollars, 1958-59 Through 1981-82



Source: Table 1.

TABLE 1 Federal Student Aid Appropriations for Major Programs, in Millions of Dollars, 1958-59 - 1981-82

YEAR	National Direct Student Loan[1]	College Work Study	Supplemental Educational Opportunity Grant[2]	Federally Insured/ Guaranteed Student Loan[3]	Basic Educational Opportunity Grant	State Student Incentive Grant[4]	TOTAL
58/9	$ 31	-	-	-	-	-	31
59/60	41	-	-	-	-	-	41
60/1	58	-	-	-	-	-	58
61/2	75	-	-	-	-	-	75
62/3	91	-	-	-	-	-	91
63/4	122	-	-	-	-	-	122
64/5	147	56	-	-	-	-	203
65/6	182	99	58	9	-	-	348
66/7	192	134	112	43	-	-	481
67/8	193	140	140	40	-	-	513
68/9	193	140	125	75	-	-	533
69/70	195	152	165	73	-	-	583
70/1	243	158	168	161	-	-	730
71/2	317	237	220	209	-	-	983
72/3	293	270	210	291	122	-	1,186
73/4	298	270	210	399	475	74	1,726
74/5	329	420	240	594	840	20	2,443
75/6	332	390	240	807	1,326	44	3,139
76/7	323	390	250	357	1,904	60	3,284
77/8	326	435	270	519	2,160	64	3,774
78/9	311	550	340	970	2,627	77	4,875
79/80	220	550	340	1,100	1,796[5]	77	4,083[5]
80/1[6]	186	550	370	1,950	2,340	77	5,473
81/2[6]	177	528	355	3,100	2,420	77	6,657

SOURCES: Congressional Budget Office and the (U.S.) Bureau of Student Financial Assistance.

[1]Prior to 1972, the program was called "National Defense Education Act."
[2]Prior to 1972, the program was called "Educational Opportunity Grants."
[3]Includes interest subsidies, special allowances, and default payments only.
[4]Aid to supplement state aid programs.
[5]Assumes $726 million carry-over funding additionally available for a 1980 total of $4,809,000,000.
[6]Appropriations for 1980-81 and 1981-82 are estimated and will be replaced with actual data as it becomes available.

Note: Not included is the Guaranteed Student Loan program.

In the Guaranteed Student Loan program, the effect of the changes implemented last year will be felt for the first time in the 1982-83 academic year. Probably the most important change is the requirement that students from families with adjusted gross income of over $30,000 demonstrate financial need in order to be able to borrow under the program. Although these provisions would appear to eliminate many students from the program, careful examination of the key elements indicates that few students would be entirely excluded from eligibility. The calculation of expected family contribution is generous, and depending on the student budget at the chosen postsecondary institution, students from families with total incomes of up to $75,000 annually may be able to demonstrate financial need and thus qualify to borrow under the program.

The situation for federal financial aid in 1983-84 is extremely uncertain. The administration has proposed that funding for the Pell Grant program be reduced 40 percent over the level appropriated in 1982-83. The Congress has not acted on this proposal at this time, and neither the administration nor Congress has indicated precisely how such cuts would be accommodated within the existing Pell Grant program objectives.

- One option would be to maintain eligibility for students currently eligible (essentially the pre-MISAA eligibility pool) and cut the size of awards, either across the board, or according to a ratable reduction formula. The latter approach would also reduce eligibility, since under ratable reductions policies, awards to students with the fewest financial resources are reduced the least, while those to students with the greatest financial resources are reduced the most, or eliminated entirely.

- Another option would be to maintain award size and further reduce the eligibility pool by increasing the assessment on discretionary family income and assets and/or by being less generous on allowances for family expenditures which are subtracted from gross income and assets before available resources are calculated.

- Another approach to reducing the size of the eligibility pool would be to tighten the standards for establishing financial independence. Current California standards require three years of independence from family support before family resources are not counted in needs analysis, while federal standards require only one year of independence. The available evidence suggests that a substantial number of California students are independent for federal grant purposes and dependent for California purposes.

- Finally, allowances for subsistence for students could be reduced to lower their financial need and thus reduce the size of their awards.

Congress could, of course, reduce the magnitude of the cut or reject it entirely.

Federal expenditures for the Guaranteed Student Loan program are much higher than for all other federal student financial aid programs, and approximately 90 percent of federal expenditures in this program in fiscal year 1982 are for interest subsidies for previous years' loans. As a result, to reduce federal costs will require, statutory limits on student eligibility, interest subsidies, or administrative cost allowances to state agencies that guarantee loans. So far, major proposals have focused on restricting student eligibility by (1) eliminating graduate students from eligibility under the program, and (2) requiring that all borrowers demonstrate financial need in order to take out guaranteed loans. Consideration has also been given to a one-time reduction of the federal costs of each new loan by increasing the loan origination fee from 5 percent to 10 percent.

Little serious consideration has been given to reducing interest subsidies, since commercial lenders indicate that their costs of participation in the program are barely covered now and that any reduction in subsidies would result in their participating in the program at a loss. With respect to administrative cost allowances, most state-guarantee agencies are self-supporting and claim that without the cost allowance, they would be unable to continue their guarantee function without state support, which for most states is unlikely to be forthcoming.

Although no final decisions have been made regarding changes to the Guaranteed Student Loan program for 1983-84, the drop in interest rates during this past summer may reduce projected federal costs for 1982-83 in the program from $3.9 billion to $3.1 billion. What effect this will have on the program is unclear.

Although it is small compared to the Pell Grant and Guaranteed Student Loan programs, funding for the campus-based programs has also become unstable and uncertain. Colleges and universities did not receive their full allocations for 1982-83 until after the start of the school year due to uncertainty in the federal appropriations process. The Administration proposes substantial reductions in 1983-84 funding for these programs, but it is uncertain whether Congress will adopt them. Since campus financial aid offices distribute the funds, changes in policies to accommodate funding cuts will vary from institution to institution.

All in all, meteoric growth followed by an unstable present and an uncertain future may be the best capsule description of federal student financial aid programs.

STATE-FUNDED FINANCIAL AID

California's student aid programs predate the major federal efforts described above and were developed to meet a different set of needs. Rather than the broad social objectives of the federal programs of the 1960s and 1970s, California established its first student aid program (then the State Scholarship program, now called Cal Grant A) in 1956 to meet a more limited objective: that of assuring that independent colleges were available to a limited number of highly talented students as an alternative to public institutions.

Cal Grant A Program

In the late 1950s, the State recognized that demand for postsecondary education over the next two decades was likely to exceed the State's capacity to create new spaces in its own system. The 1960 Master Plan acknowledged that independent colleges could accommodate some of the projected demand and suggested that it would be cost effective to provide students with grants to attend independent colleges if the alternative was to create more spaces in the public sector. Over time, the explicit and implicit objectives of this program have evolved from serving the needs of the State and students for sufficient spaces in postsecondary institutions to assisting independent institutions to attract students and maintain enrollments to enabling accademically qualified students with financial need to choose to attend the institution which best meets their needs.

The largest of the four major programs administered by the California Student Aid Commission--the Cal Grant A program--today provides grants for tuition and fees only. Awards are limited to financial need, tuition, and fees, or $3,300, whichever is less. Eligibility for new awards is limited to students with financial need from families with incomes up to $42,000, while renewals are awarded to students with financial need regardless of family income. The number of new awards is limited to 14,900, and students are eligible to renew these awards for up to four years of undergraduate study as long as they remain in good academic standing and continue to demonstrate financial need. Students in five-year undergraduate programs may receive a Cal Grant for the full five years of undergraduate study. Applicants for new Cal Grant A awards who demonstrate financial need are ranked according to grade point average, and awards are made to the students with the highest grade point average first, until all awards are distributed. Because California

Community Colleges charge no general mandatory fees, students enrolled in that segment are not eligible to participate in the Cal Grant A program.

Cal Grant B Program

In the late 1960s, California's policy makers recognized that not even the combination of extremely low-priced public institutions and student affirmative action and outreach efforts was sufficient to assure that low-income disadvantaged or minority students would attend postsecondary education. This acknowledgement that even free or low cost education has costs for students led to the establishment in 1969 of the College Opportunity Grant program (now Cal Grant B). The objective of this program was to assure that the exceptional financial barriers to postsecondary education confronting those students were kept as low as possible by (1) providing assistance for subsistence as well as tuition and fees, (2) encouraging use of the Community College system as the lowest cost entry point to postsecondary education, and (3) recognizing "disadvantagedness" in the selection process for the program.

In 1982-83, the Cal Grant B program will provide 6,825 new grants to undergraduate students for subsistence (up to $1,075) and for tuition and fees (up to $3,200) up to a total maximum of $4,225. New Cal Grant B awards are restricted to subsistence grants only; half of all first-time Cal Grant B award recipients are required to be Community College students; and first-time awards are limited to students who have accumulated less than 16 college credits. Students are eligible to receive the tuition and fee portion of the grant after their first year in the program. Eligibility for new awards is limited to students with financial need whose families' incomes are below $21,500,* while eligibility to renew awards requires continued demonstration of financial need without regard to family income. Applicants for new awards who meet family income and financial need requirements are ranked according to their scores on a questionnaire which measures disadvantagedness according to a number of socioeconomic factors and includes consideration of academic performance. The 6,825 new awards are made to the applicants with the highest scores on this questionnaire, until all new awards are distributed.

*This is the family income limit for a household of eleven or more; the limits vary with family size with a limit of $12,500 for a household of two.

Cal Grant C Program

In establishing the Occupational Education and Training Grant program (Cal Grant C) in 1972, the State sought to provide financial assistance to students pursuing technical and vocational training goals and to allow the use of State financial aid grants in private vocational schools. In addition, this program seeks to encourage expansion of the number of trained people in manpower-short professions.

Cal Grant C awards are available to students in two-year vocational and technical training programs who demonstrate financial need, and whose families' incomes are below $42,000. This program provides up to $1,960 for tuition and fees and up to $475 for special training materials required for the student's training.

Applicants who meet these criteria are ranked according to their responses and to the responses of teachers and employers to a questionnaire regarding vocational and technical interests and aptitudes. The 1,337 available new awards are distributed to the applicants with the highest scores on the questionnaire. Award renewal is contingent upon continued demonstration of financial need.

Graduate Fellowship Program

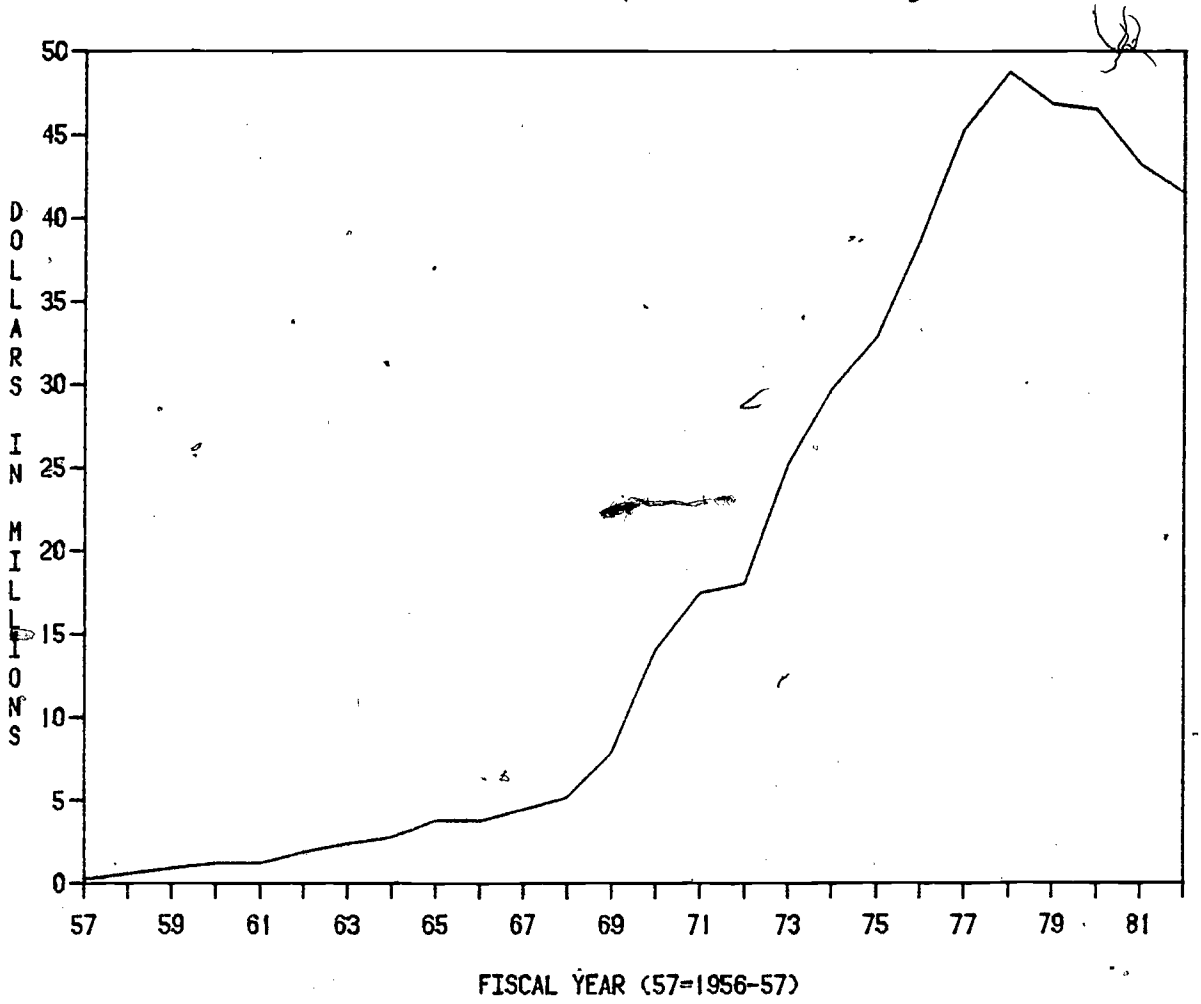
California has also made an explicit commitment to need-based graduate student financial assistance through its Graduate Fellowship Program. This program combines the objectives of the State's undergraduate programs in that it is intended to expand the representation of low-income, minority, and disadvantaged students in the professions and in academic postbaccalaureate fields by recognizing "disadvantagedness" as well as academic achievement in the selection process.

Currently the Graduate Fellowship Program provides grants which cover the lower of students' financial need or tuition and fees up to $5,225 for graduate study. The number of new awards has ranged between 350 and 450 annually, and recipients are eligible to renew these awards for up to four years of graduate study as long as they demonstrate financial need and remain in good academic standing. Eligibility for new awards is limited to students with financial need whose families' incomes are below $42,000. Applicants who meet these criteria are ranked according to a score which considers academic performance and socioeconomic status. Renewal is contingent upon good academic standing and continued demonstration of financial need.

Present Funding and Future Prospects

State student financial aid funding in California has not been subject to the drastic swings in policy and funding of federal programs. Instead, it has suffered gradual erosion in the size of State grants relative to fee levels in some segments and overall educational costs in all segments. Table 2 provides a history of funding levels in the State's programs over recent years, while Figure 2 illustrates the growth in State student aid funding from 1956-57 through 1981-82. Although educational costs, including

FIGURE 2 State Student Aid Funding for Major Programs in Constant Dollars, 1956-57 Through 1981-82



Source: Table 2

TABLE 2 State Student Aid Funding for Major Programs, in Thousands of Dollars, 1956-57 - 1981-82

YEAR	State Scholarship: Cal Grant A[1]	Graduate Fellowship[1]	College Opportunity Grant: Cal Grant B[1]	Calif. State University and Colleges: EOP Grants[2]	Community Colleges: EOPS Grants[2]	Children of Deceased Peace Officers[1]	Occupational Education Training Grant: Cal Grant C[1]	Bilingual Teacher Corps[2]	Bilingual Cross-Cultural Teacher Development[1]	TOTAL
56/7	$ 232	-	-	-	-	-	-	-	-	$ 232
57/8	519	-	-	-	-	-	-	-	-	519
58/9	817	-	-	-	-	-	-	-	-	817
59/60	1,091	-	-	-	-	-	-	-	-	1,091
60/1	1,119	-	-	-	-	-	-	-	-	1,119
61/2	1,712	-	-	-	-	-	-	-	-	1,712
62/3	2,208	-	-	-	-	-	-	-	-	2,208
63/4	2,568	-	-	-	-	-	-	-	-	2,568
64/5	3,539	-	-	-	-	-	-	-	-	3,539
65/6	3,589	-	-	-	-	-	-	-	-	3,589
66/7	4,397	-	-	-	-	-	-	-	-	4,397
67/8	5,053	237	-	-	-	-	-	-	-	5,290
68/9	7,731	669	-	-	-	-	-	-	-	8,400
69/70	11,325	718	899	1,250	1,701	-	-	-	-	15,893
70/1	13,587	910	1,602	1,975	2,739	-	-	-	-	20,813
71/2	16,771	376	2,283	850	1,965	-	-	-	-	22,245
72/3	22,011	1,017	4,194	2,261	2,797	5	55	-	-	32,340
73/4	27,496	1,043	5,643	3,199	3,579	5	527	-	-	41,492
74/5	34,976	1,080	7,330	3,061	3,455	11	1,084	-	-	50,997
75/6	42,188	1,939	9,454	4,263	4,466	14	1,259	682	-	64,265
76/7	47,939	2,107	14,281	6,069	5,738	12	2,403	1,119	15	79,683
77/8	53,069	2,520	18.213	6,782	6,390	13	2,849	1,245	345	91,431
78/9	53,144	2,540	21,372	6,559	7,912	9	2,759	1,393	453	96,141
79/80	58,190	2,823	24,401	6,524	9,297	17	3,501	2,260	1,113	108,126
80/1	59,959	2,814	25,211	6,947	10,616	15	3,012	2,312	1,138	112,024
81/2	59,408[3]	2,788[3]	26,228[3]	7,214	11,205	17	3,109[3]	3,018[4]		112,987

SOURCE: State of California, Governor's Budget, 1956-57 to current; CSUC Chancellor's Office; CCC Chancellor's Office.

[1]Includes program administrative costs as well as grant funds. For Cal Grants A, B, and C, amount includes federal (SSIG) share. 78/9 SSIG = $12.4 million.

[2]Grant funds to students only, no administrative costs.

[3]Does not include two percent reduction in Budget Act appropriations necessary to balance the state budget deficit

[4]Funding for 1981-82 represents the consolidation of funding for the State Department of Education's Bilingual Teacher Corps Program and the Student Aid Commission's Bilingual Teacher Grant Program into a single Bilingual Teacher Grant program administered by the Student Aid Commission.

tuition or fees, have increased in all segments since 1980-81, the budget of the Student Aid Commission has been reduced twice in succeeding years. In 1981-82, its budget, along with the State operation budget, was reduced by 2 percent in order to help reduce the State's current year budget deficit. In the 1982-83 Budget Act, its State General Fund appropriations were reduced 3 percent. These funding reductions, accompanied by a legislative directive that a small augmentation to the Governor's Budget proposal be used to partially offset fee increases at the University of California and The California State University, resulted in reduction of maximum grants awarded to independent college students between 1981-82 and 1982-83 and in Commission grants not providing the full amount of tuition and fees to eligible University and State University students for the second year in a row, contrary to previous policy throughout the Cal Grant A program's history.

Although the Legislature has stated in Supplemental Budget Language its commitment to provide financial aid when fees are increased, appropriations for 1982-83 were only sufficient to partially fulfill this commitment with respect to Cal Grant recipients.

Because California's student aid programs, unlike federal programs, are not forward funded, funding plans for 1983-84 have not been proposed as yet. The Student Aid Commission will adopt its 1983-84 budget in November, and the Governor's Budget, presented to the Legislature in January, will include its proposal for student aid funding for the 1983-84 academic year. Given the State's precariously balanced budget for 1982-83, and the uncertain prospects for either a substantial economic recovery or increased taxes, it is difficult to predict what the fate of State support for student financial aid will be in 1983-84. The signals from 1982 are mixed. Although the Student Aid Commission's 1981-82 budget was reduced to help offset the State's budget deficit, none of this cut resulted in reductions in the size or number of student grants. The Commission absorbed part of the reduction in administrative functions and accommodated the rest because in the aggregate recipients enrolled in institutions with lower tuition and fees than anticipated during the development of the budget. The 1982-83 Budget Act reduced the Student Aid Commission's budget below the level funded in 1981-82, and resulted in the maximum authorized grant level being reduced below its 1981-82 levels.

In the face of a potential 5 percent budget cut proposed by the Governor for 1982-83, the Student Aid Commission adopted a policy to reduce the size of its awards to accommodate any budget reductions. The only other options for the Student Aid Commission are those which would reduce eligibility for grants sufficiently to decrease the number of grants awarded, either by increasing the grade point average, increasing the minimum need, or lowering the income ceiling.

SUMMARY

Table 3 on the following six pages identifies the objectives of the various federal and State student financial aid programs discussed on previous pages along with their different administrative, funding, and eligibility characteristics for achieving those ends. Not apparent from the table are the differences in how these programs are expected to interact. The federal government's programs are designed as building blocks, with funding from each available to eligible students. On the other hand, California's programs operate on independent and parallel tracks, in that students may establish eligibility in all programs but can receive a grant only under one of them. Moreover, California considers its programs as supplements and complements to federal programs, rather than as substitutes for them.

These facts, coupled with the current instability of federal policy regarding financial aid and the precarious nature of California's State budget, contribute to the urgency of reviewing and improving the distribution of financial aid to California's needy students.

TABLE 3 Characteristics of Federal and State Student Financial Aid Programs

	FEDERAL					
	Pell (BEOG) Grants	SEOG*	College Work Study	National Direct Student Loans	Guaranteed Student Loans	State Student Incentive Grants
OBJECTIVES	Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.
			Increase institutional student aid commitment by requiring 20% match.	Increase institutional student aid commitment by requiring 10% match.	Reduce financial barriers to choice.	Increase institutional student aid commitment by requiring at least 50% match.
						(See Cal Grant Programs).
ELIGIBILITY CRITERIA	Financial need as determined by Pell Grant Methodology.	Financial need as determined by Uniform Methodology.	Financial need as determined by Uniform Methodology.	Financial need as determined by Uniform Methodology.	Financial need for students from families with adjusted gross incomes over $30,000.	(See Cal Grant Programs).
	Undergraduates	Undergraduates	Undergraduates	Undergraduates	Undergraduates	Undergraduates
			Graduates	Graduates	Graduates	
	At least half time.	At least half time.	At least half time.	At least half time.	At least half time.	(See Cal Grant Programs).

CALIFORNIA

Cal Grant A	Cal Grant B	Cal Grant C	Graduate Fellowships
Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.	Reduce financial barriers to access.
Reduce financial barriers to choice.	Reduce financial barriers to choice.	Reduce financial barriers to choice.	Reduce financial barriers to choice.
Recognize academic performance.	Consider special needs of disadvantaged students	Consider unique characteristics of vocational/ technical students.	Recognize academic performance.
	Encourage use of Community Colleges as lowest priced segment.	Encourage enrollment of students in manpower-short technical fields.	Consider special needs of disadvantaged students.
Financial need as determined by Uniform Methodology.	Financial need as determined by Uniform Methodolgy.	Financial need as determined by Uniform Methodology.	Financial need as determined by Uniform Methodology.
Undergraduates	Undergraduates	Undergraduates	Graduates
At least half time.	At least half time.	At least half time.	At least half time.
	No more than 12 PSE credits accumulated to to enter program.	Limited to two-year vocational/ technical programs.	

TABLE 3 (continued)

	FEDERAL					
	Pell (BEOG) Grants	SEOG*	College Work Study	National Direct Student Loans	Guaranteed Student Loans	State Student Incentive Grants
RATIONING DEVICES	Nationwide program allocations.	Campus allocations.	Campus allocations.	Campus allocations. Institutional match revenues from repaid loans.		(See Cal Grant Programs).
		Campus application deadline varies.	Campus application deadline varies.	Campus application deadline varies.		
						(See Cal Grant Programs).
FUNDING SOURCE	Federal appropriation.	Federal appropriation.	Federal appropriation plus 20% institutional match.	Federal appropriation plus 10% institutional match.	Federal (off-budget)	Federal appropriation plus 50% institutional match.

CALIFORNIA

Cal Grant A	Cal Grant B	Cal Grant C	Graduate Fellowships
Income ceiling for new recipients ($42,000)	Income ceiling for new recipients ($21,500)	Income ceiling for new recipients ($42,000)	Income ceiling for new recipients ($42,000)
	Demonstrate disadvantagedness.	Demonstrate vocational/ technical aptitude.	Demonstrate disadvantagedness.
Limited # of new awards (14,900)	Limited # of new awards (6,825)	Limited # of new awards (1,377)	# of new awards limited by statute to 2% of the # of B.A. degrees awarded. Funding has never supported that many awards.
General Fund appropriations.	General fund appropriations.	General fund appropriations.	General fund appropriations.
Application deadline - February for fall school year start.	Application deadline - February for fall school year start.	Application deadline - February for fall school year start.	Application deadline - February for fall school year start.
Minimum need: varies by segment.	Minimum need: varies by segment.	Minimum need: varies by segment.	Minimum need: varies by segment.
State appropriation plus SSIG.	State appropriation plus SSIG.	State appropriation plus SSIG.	State appropriation.

TABLE 3 (continued)

	FEDERAL					
	Pell (BEOG) Grants	SEOG*	College Work Study	National Direct Student Loans	Guaranteed Student Loans	State Student Incentive Grants
ADMINISTRATIVE CONTROL	Federal	Campus	Campus	Campus	State/Campus/ Lender	State
PROGRAM STRUCTURE	$1 800 maximum award.	$2,000 maximum award.		$1,500 maximum loan.	$2,500-$3,000 maximum loan depending on student level dependency status.	(See Cal Grant Programs).
	$135 minimum award.				$1,000 minimum loan.	(See Cal Grant Programs).
	Other Student aid not counted in need analysis.	Pell, Cal Grant, private aid counted in need analysis.	Pell, Cal Grant, private aid counted in need analysis.	Pell, Cal Grant, private aid counted in need analysis.	None considered for under $30,000 Pell, Cal Grant, campus-based, private aid counted in need analysis for those over $30,000.	(See Cal Grant Programs).
	All elements of standard student budget up to half of budget or $1,800, whichever is less.	All elements of student budget as defined by institution.	All elements of student budget as defined by institution.	All elements of student budget as defined by institution.	All elements of student budget as defined by institution.	(See Cal Grant Programs).

CALIFORNIA

Cal Grant A	Cal Grant B	Cal Grant C	Graduate Fellowships
State	State	State	State
$3,330 maximum award.	$4,225 maximum award.	$2,375 maximum award.	$5,225 maximum award.
Minimum award varies by segment.	Minimum award varies by segment.	Minimum award varies by segment.	Minimum award varies by segment.
Pell for those eligible counted in calculating unmet need.	Pell for those eligible counted in calculating unmet need.	Pell for those eligible counted in calculating unmet need.	Consider private, other awards reported on application.
Consider private, other awards reported.	Consider private, other awards reported.	Consider private, other awards reported.	
Tuition and fees up to need, total tuition and fees or $3,300 whichever is less.	Tuition and fees up to total, or $3,200, whichever is less, plus subsistence up to $1,025; total not to exceed need.	Tuition and fees up to total, or $2,000 whichever is less, plus equipment and supplies up to $500; total award not to exceed need.	Tuition and fees up to total or $5,225 whichever is less; total award not to exceed need.

DIFFERENTIATION OF POSTBACCALAUREATE CHARGES

Since the passage of Proposition 13 in June 1978, pressures have mounted to charge new or higher fees in public higher education in California. Legislative concern about appropriate mechanisms for setting and adjusting student fees prompted passage of Assembly Concurrent Resolution 81, charging the Postsecondary Education Commission to study "the impact of student charges on access to public postsecondary education" and recommend State policy to the Governor and Legislature by May 1982. The Commission adopted its response to this charge, Student Charges, Student Financial Aid, and Access to Postsecondary Education, in April with ten major recommendations. Subsequent legislative action and intent language on student charges led to fee increases which fell within the Commission's guidelines, agreement on the basic approach to setting and adjusting fees for undergraduates, and coupling the higher charges with the provision of additional financial aid. The question of the appropriate method for setting fees for graduate and professional graduate students was left open with the promise that the Commission would study the matter further.

The Legislature's interest in the possible differentiation of fees between undergraduate and graduate programs and the possible imposition of tuition in professional graduate programs can be traced to proposals by the Legislative Analyst for the past three years that graduate students in general and certain professional students in particular be charged tuition at both the University and the State University. Although not adopted by the fiscal committees of both houses during this year's budget hearings, a proposal to establish tuition for medical, dental, and law students was adopted by the Budget Conference Committee. The Committee subsequently reversed its action and directed the Regents of the University of California to submit to the Legislature by March 1983 a "plan for implementing professional school tuition beginning in September 1983." It also directed the Commission to develop recommendations regarding postbaccalaureate tuition and related issues.

Specifically, the Legislature through Item 6420-001-001, subitem 3, directed the Commission:

> to develop recommendations for: (1) the establishment of tuition charges for postbaccalaureate students, and (2) the provision of appropriate levels and kinds of student financial aid to offset tuition charges for postbaccalaureate students with demonstrated financial need. Consideration should be given to: (1) relative costs of different graduate programs, (2) remuneration for graduates of different postbaccalaureate programs, and (3) alternative

payment structures and financial aid mechanisms, including waivers and deferrals for public service. The CPEC shall conduct this study using the advisory structure currently in place for consideration of issues related to student charges, student financial aid, and access to postsecondary education. The study and recommendations shall be submitted to the Legislature not later than 12/1/82.

This paper provides the basis for the Commission's response to this specific legislative charge. The first section examines the fundamental issues raised by the project. The second evaluates the different arguments that have been offered for a graduate or professional fee differential and the alternative methods that might be used for setting postbaccalaureate tuition and required fees. The third analyzes the ways in which various types of graduate and professional students currently finance their educations and the sources of aid now available to attract and retain such students. And the fourth examines the relationship between fee levels and enrollment levels in various graduate and professional programs; the relationship between fees, financial aid, and the composition of the student body; and whether alternative payment structures and financial aid mechanisms, including waivers and deferrals for public service, might prove effective in influencing the future career patterns and choices of specialties among graduate and professional students.

MAJOR QUESTIONS AND ISSUES

The fundamental issue raised by the legislative charge is the same one posed by the original ACR 81 study--what is the most appropriate method for setting and adjusting student charges for students attending California public higher education institutions? The question is posed in its broadest form because tuition and fee policy for graduate and professional students should be formulated in the context of overall fee policies for all students. This is not to suggest that professional school students be treated the same as all other students or that their fees should be the same as those for all other students or even all other graduate students. It does suggest, however, that the fundamental questions for this report are (1) how should charges for graduate and professional students be set in relation to changes for other students, and (2) if there are to be differential changes, how should the tensions and tradeoffs among budgetary needs, access, excellence, equity, and fairness be resolved. Furthermore, the overall tuition and fee policy for postbaccalaureate students should be formulated with a clear understanding of State goals and priorities for all students and for public higher education in California.

While public and private costs are measurable, public and private benefits are difficult to quantify. As a result, those who formulate fee policy normally relie upon other approaches. The following major groups of questions, therefore, constitute the basic issues to be discussed in this report:

1. What are the costs and benefits of developing cost-of-instruction information for use in setting fee levels of postbaccalaureate students? What considerations should be taken into account in assessing the value of such cost information in setting student fees? What are the advantages and disadvantages of such a method for setting student charges?

2. What is the relationship between postbaccalaureate major or professional field and future earnings? What considerations should be taken into account in assessing the possible use of such information in setting student charges? What relationship, if any, should the supply and demand for certain graduate and professional fields have to the process by which student charges are determined?

3. How do graduate and professional students finance their educations? What kinds of barriers exist which adversely affect the entry of qualified low-income and minority students into graduate and professional programs? What special characteristics of graduate students should be taken into account in developing alternative payment mechanisms and student aid structures? Are effective mechanisms and structures for enhancing access and achieving State goals different for postgraduate students and undergraduates?

ARGUMENTS FOR AND AGAINST HAVING A STUDENT CHARGE DIFFERENTIAL FOR GRADUATE OR PROFESSIONAL STUDENTS

Generally the arguments over instituting a graduate and/or professional differential in student charges have been based on one or more of the following considerations: (1) greater costs to provide graduate and professional education; (2) comparisons with the practices of other states and institutions; and (3) the presumed greater private rates of return, greater private benefits, or greater lifetime earnings enjoyed by certain graduate and professional students.

1. The Greater Costs of Graduate and Professional Education

Though there are great difficulties involved in computing the direct and indirect costs of graduate and professional education, it is

evident that the cost of providing some graduate and professional education programs is greater than the costs of providing undergraduate instruction. Medicine and dentistry, for example, are extremely high cost programs; law, on the other hand, is one of the least expensive programs to provide. Those who stress the greater cost of providing graduate and professional education often assert that graduate students should be expected to pay higher fees than undergraduates even if the percentage or share of the costs of instruction paid by both types of students is identical.

On the other hand, those who oppose differential charges for postbaccalaureate students assert that the State receives significant benefits from its investment in graduate education. They argue that graduate programs provide trained teachers, engineers, doctors, dentists, computer scientists, agricultural experts, and other experts who advance California's economic, technical, social, and cultural development.

2. Graduate Differentials in Other States and at Other Institutions

A comparison of tuition and required fee levels in California and in other states reveals clearly that graduate and professional students in California enjoy lower fees than most of their counterparts elsewhere. While this observation has been used by some to suggest the appropriateness of higher charges for California's graduate and professional students, the same conclusion could be reached about the comparatively low student charges paid by California undergraduates, particularly at the State University and the Community Colleges. Those who use the comparative method with respect to graduate and professional charges need to examine the undergraduate/graduate differentials in other states and in California, not just the differences between graduate student charges in California and elsewhere.

3. Greater Private Rate of Return, Private Benefits, and Greater Lifetime Earnings or Average Incomes

This particular argument takes a number of forms: First it is sometimes assumed that the balance between public and private benefits is different for graduate and professional students on the one hand and undergraduates on the other. According to this view, most of the public or social benefits derived from higher education are secured in the course of a student's undergraduate education. In other words, graduate education presumably adds little further to the greater individual and social stability, increased participation in public affairs, involvement with charitable activities, or cultural contributions attributed to undergraduate education. On the other hand, graduate and professional education prepares people for entry

into teaching, business management, legal, dental, and medical careers and thus can be counted as a public benefit because of the economic diversity and growth such trained manpower makes possible, as well as a private benefit because of the greater individual income and the different career options it makes possible.

Those who advance the greater private benefit argument tend to emphasize the increased salaries earned by people with advanced degrees and suggest that the share of the costs paid by graduate and professional students for their additional education should be greater than the share of the costs paid by undergraduates.

Another variation of the greater private benefits argument concedes that the returns from an investment in graduate education may not always be higher to the individual in strictly financial terms. In this instance the emphasis is placed on the access to high status, prestigious occupations that graduate and professional education provides and on the intangible psychic income and benefits provided.

Still another variation of the argument often cited by proponents of graduate or professional fee differentials (particularly the latter) is the greater incomes and lifetime earnings that certain professions enjoy. The greater earnings argument is somewhat different from the greater private benefit or greater rate of return on investment arguments because income and earnings comparisons are possible between fields or professions even when it is impossible or inappropriate to compute respective rates of return on the investments in each.

Proponents of graduate and/or professional student tuition or fee differentials often cite one or more of these arguments to support their case. Yet does a field have to promise a high rate of return on investment, be high cost, high paying, and subject to high charges in other states to qualify for inclusion in a proposal to charge tuition or higher fees, or would a lesser number of these criteria be sufficient grounds for charging more? If more than one criterion is met, which one would serve as the basis for actually determining the amount of tuition or fees? The resolution of this issue requires an examination of the question of what graduate and professional students should be charged within the context of specific methods for setting and adjusting student charges in general.

ALTERNATIVE METHODS FOR SETTING AND ADJUSTING GRADUATE AND PROFESSIONAL STUDENT CHARGES

Among the different methods that might be used to set and adjust student charges are the following four: (1) base charges on the cost of instruction; (2) base charges on comparisons with similar institu-

tions in other states; (3) base charges on the rate of return on investment or the greater average earnings; or (4) set graduate and professional student charges as a percentage of undergraduate charges in each segment. The sections which follow examine each method for setting student charges and evaluate the advantages and disadvantages of each approach.

1. Base Charges on the Cost of Instruction in Particular Fields or at Particular Student Levels

The cost-of-instruction method of setting tuition or required fees is used currently by 17 states including Arizona, Colorado, Florida, Kansas, Maine, Massachusetts, New Jersey, Ohio, Oklahoma, Oregon, Rhode Island, Virginia, Washington, and Wisconsin for all undergraduates and in some instances for graduate students. New Hampshire uses this method for setting tuition for nonresident students; Michigan and Minnesota use variations of it for setting both resident and nonresident student charges; and at least five other states are considering adopting it (Maryland State Board for Higher Education, 1982, pp. 2-15).

In general, this method requires a precise specification of all the components of an institution's budget. At the very least, it involves distinguishing between instruction-related costs and other costs, such as research and public services. Instruction-related costs generally include both the direct cost of instruction and a pro rata share of the costs for libraries, maintenance of plant, and other institutional services. Computing these costs requires uniform accounting procedures at all of a state's public institutions and some agreed upon procedures for assigning costs. This consensus is difficult to achieve, however, even in a state with only a few public institutions of higher education, and the costs of securing the needed data increase dramatically with the level of detail and the sophistication of the cost accounting system. Even small technical adjustments in cost accounting procedures can have substantial financial implications, particularly for large systems. (For a thorough analysis of the methods and costs involved in implementing cost-of-instruction systems, see the Commission's 1980 report, Determining the Cost of Instruction in California Public Higher Education.)

As currently practiced, the cost-of-instruction method is really a variety of methods. The share of instructional costs that students pay almost always differs between resident and nonresident students. Commonly it also differs by type of institution, such as university versus community college, and often for students at different levels, such as undergraduate versus graduate students. When Florida first instituted its cost-of-instruction system, it computed general instructional costs for five different student levels: (1) lower division undergraduate, (2) upper division undergraduate, (3) graduate level

prior to thesis or dissertation, (4) thesis or dissertation state, and (5) professional. For resident students in its four-year institutions, Florida proposed to set tuition charges at 30 percent of the cost of instruction at each student level the first year, but the cost and complexity of maintaining and updating this multi-level system was so great that it was never fully implemented or updated. Most other states use fewer student levels in their computations--some only make the computation for all undergraduates or all students--and set tuition or fees in their four-year institutions at 20-30 percent of cost, at least for undergraduates.

A cost-of-instruction policy theoretically could assess each student's charges by calculating the actual costs of his or her education depending on particular courses and majors; but this would be both expensive and impractical. As a result, separate tuition charges for each student by student major have rarely been considered seriously. Moreover, a cost-of-instruction approach based on the student's major or field of study has other deficiencies. First, no clear-cut relationship exists between costs of instruction in a discipline and the future earnings of its graduates. As a result, the adoption of a cost-of-instruction method based on each student's major would discriminate against students who chose careers which offer low financial rewards, such as teaching, the ministry, nursing, or social work. Such a system would tend to discourage students from enrolling in high-cost fields of instruction unless they were likely to be guaranteed large monetary gains for doing so. As such, this particular approach to cost-of-instruction fee levels, if implemented at either the undergraduate or graduate level would divorce the determination of student charges from decisions about society's needs and state goals and objectives for public higher education.

On a practical note, detailed level-by-level and major-by-major determinations of costs are both difficult and expensive to make. It is complicated enough to determine which direct and indirect costs to include in computations of costs for undergraduates as a whole or for all students without presuming that fair and equitable direct and indirect cost assignments could be made in great detail for a full array of majors or for various graduate and professional programs. Michigan, for example, computes costs and differentiates charges for lower division, upper division, graduate, and certain professional students separately. On the other hand, several other states including New York had similar undergraduate differentials but discontinued them because of difficulties in administering such a highly differentiated system of charges. Still other states when faced with the difficulties inherent in trying to estimate instructional costs accurately, equitably, and economically, have switched to using average appropriations per full-time-equivalent (FTE) undergraduate instead of making computations of average instructional costs per FTE. Unlike California, however, the other states using an appropriations base calculate average appropriations per FTE separately for each of their public segments.

One of the cost-of-instruction method's main virtues is that it relates student charges to one of the major benefits students receive from higher education--instruction. Generally, this method is based on the premise that the cost of providing postsecondary education should be shared in an equitable manner by all students through tuition and by the State through direct institutional subsidies and financial aid. Since tuition is normally defined as a charge levied on students to help defray a portion of instructional costs, the adoption of a cost-of-instruction method for setting charges would probably require an explicit recognition of tuition as at least one of the major components of student fees.

Focusing on the general implications of establishing an undergraduate/graduate and professional differential, the cost-of-instruction and appropriations-per-FTE approaches have much to recommend them. Yet they are not without their limitations. If graduate or professional students were charged the same share of instructional costs as undergraduates, graduate and professional students would face considerably higher tuition charges than undergraduates because the costs of their instruction are generally higher. As a recent report by the Southern Regional Education Board observes, "Studies of cost differences between undergraduate and graduate education range widely by discipline and according to the completeness of cost factors taken into consideration, but fair consensus exists that even the less expensive programs of doctoral education are generally at least three times as costly as undergraduate education." (1980, pp. 15-16.) Tuition and fee levels, on the other hand, never range that widely for the simple reason that charging graduate and most professional students the same percentage of their actual costs as undergraduates paid would prevent some graduate and professional students from continuing their educations or alter the composition of the graduate and professional student population by eliminating some low-income and minority students who could not afford to pay. Indeed, most states that use the cost-of-instruction method or the percentage of appropriations-per-FTE method try to insure adequate supplies of highly trained and highly educated workers in key fields by either charging graduate students a smaller percentage of the costs of their educations or by basing graduate and professional differentials on a percentage of undergraduate charges.

In summary, the cost-of-instruction method of determining student charges appears to be fairly objective, but determining the percentage of those costs that students should pay is inherently arbitrary. Nationally, the average proportion of instructional costs supported by tuition and fees has remained steady at about 23 percent in universities, 19 percent in other four-year institutions, and 17 percent in two-year institutions (SREB, pp. i). When states set fees by employing different percentages of the cost of instruction in different segments, as Washington and others do, the effect is to alter the basic concept behind the method, often in response to historical or traditional segmental fee differentials that bear little relationship to instructional cost differences. Similarly, the practice of charg-

ing graduate and professional students a smaller percentage of instruction al costs than undergraduates may produce tuition levels that have only a vague relation to actual differences in instructional costs, but it does generally reflect state priorities and a recognition that tuition levels must also have some reasonable relation to students' ability to pay.

2. Base Charges on Comparisons with Similar Institutions Elsewhere

This approach is generally a better indication of the broad context in which graduate and professional fee differentials can be discussed profitably than it is an actual method for setting tuition and fees. The comparative approach used here for graduate and professional charges examines the undergraduate/graduate differentials in other states and in California, not just the differences between graduate student charges in California and elsewhere.

Comparisons Among States: Nationally, more than half of the states (including California) charge graduate students more than undergraduates at their major state universities and at their state colleges. About 20 of the other states have no graduate differential, and five or six charge graduate students less than undergraduates. In the latter instance, however, the lower graduate charges often stem from lower average credit loads, not from lower graduate charges per unit.

Of the 13 states with major public university systems, only two have no graduate differential. In the remaining 11, graduate students are charged more than undergraduates. In three of these 11, the graduate differential ranges from 1 to 9 percent more; in four states it ranges from 10 to 20 percent; in three from 20 to 39 percent; and in the other state--New York--graduate students are charged at least 40 percent more than undergraduates.

In these same 13 leading states, the pattern is somewhat different at their state colleges. In two of the 13, graduate students at the state colleges are charged less than undergraduates, and in three others there is no graduate differential. Of the eight remaining states which charge their state college graduate students higher tuition or fees, half charge graduate students 15 to 29 percent more, three charge from 1 to 14 percent more, and one (New York) charges over 40 percent more.

National patterns and selected state comparisons provide a useful starting point. Nevertheless, national averages or even averages for each state serve little purpose in determining what student charges should be or how they might be set. Instead, a list of comparison institutions such as those used in the Commission's annual report on faculty salaries may provide a more appropriate basis for comparing student charges and graduate differentials in California institutions

with those at similar colleges and universities elsewhere. The list of University and State University public comparison institutions used in the Commission's reports has remained unchanged in each segment since 1973-74. The University's public comparison institutions had to meet several criteria, including the requirement that (1) each institution should be an eminent major university offering a broad spectrum of undergraduate, graduate (master's and Ph.D.), and professional instruction, and with a faculty responsible for research as well as teaching; and (2) each institution should be one with which the University is in significant and continuing competition in the recruitment or retention of faculty. In the case of the State University, its comparison institutions, among other things, were expected to be "large institutions that offer both undergraduate and graduate instruction," but the 20 institutions that awarded the greatest number of doctorates were excluded since the State University does not grant doctorates except under special arrangement. (Criteria for the selection of comparison institutions appear on pp. 125-128 of the Commission's latest report on faculty and administrative salaries, 1982c.) Although selected for other purposes, these public comparison institutions in each instance represent institutions that have been judged to be most like their California counterparts and are used here to examine student charges in general and graduate differentials in particular.

University of California Comparison Institutions: Table 1 shows that in 1982-83 three of the University's four public comparison institutions had resident undergraduate student charges that were higher than the average at the University's nine campuses. The other had charges that were slightly less. The average student charges for resident undergraduates at the University were only 5 percent lower than the median for the four comparison institutions.

At the graduate level, all the University's comparison institutions charged residents higher tuition and fees than did the University. In fact, the average resident graduate charge at the comparison institutions was 59 percent above that of the University and the median was 38 percent above the University average. Stated differently, the graduate differential at the University of California is less than four percent above the undergraduate level, but at the University's comparison institutions graduate students are charged from 14 to 50 percent more than undergraduates at the same institutions.

California State University Comparison Institutions: Table 2 reveals a much greater disparity between student charges at the 19 campuses of the State University and its 18 public comparison institutions than between the University and its four public comparison institutions. The least expensive of the 18 institutions charges resident undergraduates 9 percent more than the average State University campus; the next least expensive comparison institution charges twice

as much as the most expensive State University campus; and the other 16 charge resident undergraduates anywhere from two to nearly five times as much.

TABLE 1 Tuition and Fees at the University of California and its Public Comparison Institutions by Student Level and Residency Status, 1982-1983

Institution	Undergraduate Resident	Tuition and Fees Nonresident	Graduate Resident	Tuition and Fees Nonresident
State University of New York at Buffalo	$1,229	$1,929	$1,849	$2,434
University of Illinois, Urbana/Champaign	1,302	3,102	1,484	3,648
University of Michigan, Ann Arbor	2,144	6,014	2,966	6,310
University of Wisconsin, Madison	1,122	3,900	1,568	4,695
University of California, Berkeley	1,174	4,324	1,234	4,384
Average for Comparison Institutions	1,449	3,736	1,967	4,272
Median for Comparison Institutions	1,266	3,501	1,708	4,172
Average for the Nine University of California Campuses	1,194	4,344	1,240	4,390

Note: Based on the assumption that spring 1983 tuition/fees will be the same as fall 1982. Undergraduate rates for the University of Illinois, Urbana/Champaign are an average of lower/upper division.

Source: California Postsecondary Education Commission, October 1982.

The average resident graduate student at the State University's comparison institutions is charged $1,452 compared to an average of $441 at the State University. Six of these comparison institutions charge resident graduate students less than resident undergraduates, although the University of Nevada and perhaps several of the other five charge graduate students the same amount per unit as undergraduates but graduate students take fewer units on the average than undergraduates. Moreover, 12 of the 18 comparison institutions have some kind of undergraduate-graduate differential, and the average for the 18 is only 10.4 percent.

In sum, the comparison method indicates clearly that differences exist between California and other states with respect to both undergraduate and graduate charges. While resident undergraduates at the University and its four public comparison institutions are fairly similar, with the exception of Michigan, the University's resident graduate students are charged less than similar students at its public comparison institutions. At the State University, both resident undergraduate and resident graduate student charges differ from the patterns at its 18 public comparison institutions.

Of particular note within the context of this paper is that a slight majority of the State University's comparison institutions charge their graduate students more than their undergraduates while the State University does not. In general, graduate fees at the 18 comparison institutions averaged 10.4 percent higher than undergraduate charges. Nevertheless, while such comparisons can help to determine what other states are doing and provide a context for assessing similarities and differences between California and the rest of the country, they cannot determine whether California could achieve its educational objectives by imitating the rest of the nation.

3. Base Charges on the Rate of Return on Investment or Future Earnings of Graduate and Professional Students

If the rationale for a tuition policy is based in large part on the future earnings prospects of college graduates, it might also appear desirable to establish differential charges that recognize differences in future earnings. To be implemented, this method would first require an elaborate compilation of the future earnings potential of a wide variety of occupations. While such an approach might seem more equitable in theory than the flat-rate approaches mentioned earlier, it has its shortcomings:

- First and most fundamental, it is impossible to link specific majors with specific occupations.

TABLE 2 Tuition and Required Fees at the California State University and its Public Comparison Institutions, 1982-83

University or College	Undergraduate Tuition and Fees Resident	Undergraduate Tuition and Fees Nonresident	Graduate Tuition and Fees Resident	Graduate Tuition and Fees Nonresident
Bowling Green State University	$1,614	$3,504	$2,090	$3,980
Illinois State University	1,859	3,718	1,103	2,412
Indiana State University	1,275	3,030	1,164	2,628
Iowa State University	1,040	2,580	1,200	2,800
Miami University (Ohio)	2,090	4,090	2,240	4,240
Northern Illinois University	1,114	2,674	1,138	2,746
Portland State University	1,356	3,981	2,019	3,267
Southern Illinois University	1,210	2,830	1,025	2,374
SUNY at Albany	1,152	1,852	1,725	2,210
SUNY College at Buffalo	1,153	1,853	1,725	2,210
University of Colorado	1,222	4,731	1,291	4,675
University of Hawaii-Manoa	480	1,155	582	1,407
University of Nevada-Reno	930	2,930	620	2,620
University of Oregon	1,380	4,005	2,043	3,291
University of Wisconsin-Milwaukee	1,155	3,933	1,601	4,728
Virginia Polytechnic Institute and State University	1,281	2,526	1,422	1,557
Wayne State University	1,910	4,220	1,720	3,640
Western Michigan University	1,453	3,406	1,428	3,366
Average for Comparison Institutions	1,315	3,168	1,452	3,008
Average for the 19 California State University Campuses	441	3,591	441	3,591

Source: California Postsecondary Education Commission, October 1982.

- Second, it is impossible to forecast accurately the earnings potential of the staggering array of occupations that make up the modern economy.

- Third, even if the future earnings of a wide variety of occupations could be forecast correctly, this method divorces what a student is asked to pay from when he or she is able to pay by assuming that those who will eventually make high average salaries can afford to pay higher charges while they are still students.

- Fourth, basing current charges on students' future earnings potential ignores the fact that many students do not decide on a major until late in their undergraduate years and that there is often little relationship between a student's major, his or her future career, or his or her future earnings. For example, business majors with a baccalaureate degree in 1982 received an average starting salary of $17,800 per year while those with an economics major received an average of $16,600 (College Placement Council, 1982). However, if a business major and an economics major both took accounting jobs, they would receive, on average, nearly identical starting salaries. Humanities majors, on the other hand, received starting salaries in 1982 that averaged $3,600 per year less than the average business major, but those humanities graduates who accepted accounting jobs earned slightly more than accounting majors in similar positions. Which of these earnings patterns provides the appropriate basis for setting fees? At the graduate and professional level, as well, students may end up pursuing careers that are quite different from their graduate fields of study. For example, less than 50 percent of law school graduates actually practice law.

- Fifth and finally, this method typically uses average salaries for its comparisons and thus ignores important internal variations in the earnings of people within the same occupation or profession. Indeed, this approach to setting fees is more rather than less complicated at the graduate and professional levels than it is at the undergraduate level. It is widely assumed that graduate instruction, unlike undergraduate education, generally provides specialized knowledge and skills which are more likely to translate into a higher income for the student than the knowledge acquired as an undergraduate. Not only does the presumed income-enhancing value of graduate education vary widely by discipline, but also simple comparisons of salary differences can be quite misleading.

The issue here is not only whether the rate of return on an investment in graduate or professional education is higher than for undergraduate education but also whether the rates of return are sufficiently great that increased student charges in these fields would

not reduce the supply of graduates or alter their social composition. There are several ways to approach these questions, but no one way is entirely satisfactory.

One approach to the first question would be to take starting salary data for students in a range of fields, examine the differential in salaries attributable to advanced degrees, and then, by using the typical time to degree, evaluate the length of time it would take students with particular advanced degrees to amortize the forgone earnings attributable to their decision to delay entry into the field after completing a bachelor's degree.

Table 3 shows that in both high-demand fields like engineering and computer science and low-demand fields like humanities or social science where students can enter the job market after securing a bachelor's degree, the differential in starting salaries for students with advanced degrees is not sufficient to produce a higher rate of return on investment in a graduate education. In fact, not only are the rates of return on investment much lower in these fields for graduates than for undergraduates, but they sometimes produce powerful disincentives for students considering further study beyond the baccalaureate level. For example, bachelor's degree students who majored in chemical engineering received average initial salary offers in 1982 of $2,256 per month; those with master's degrees in the same field received initial offers averaging $2,459; and those

TABLE 3 Starting Salary Differentials for Selected Fields by Major and Degree Level, July 1982

Field	B.A./B.S.	Master's	Ph.D.
Chemical Engineering	$2,256/mo.	$2,459/mo.	$3,019/mo.
Computer Sciences	$1,908	$2,267	--
Mathematics	$1,727	$2,162	$2,544
Accounting	$1,543	$1,847	--
Business, General	$1,496	$2,135	--
Humanities	$1,362	$1,512	$1,808*
Social Sciences	$1,375	$1,552	$1,808*

*Based on CSU faculty salary schedule for beginning assistant professors.
Source: College Placement Council, 1982, p. 2, 3, and 10.

with doctoral degrees had offers averaging $3,019. Assuming an average of two years to complete a master's degree and a total of five years beyond the baccalaureate to complete a doctorate, certain comparisons can be made. Since the rate of increase in salaries between 1981 and 1982 was not appreciably different at the various degree levels, the 1982 starting salary differentials can be used to compute hypothetical forgone earnings in each instance. In this example, it would take a chemical engineering student with a master's degree 22 years after completing the degree for the higher starting salary to make up for the two years of forgone earnings required to earn the extra degree, assuming the two followed similar career paths after securing their jobs. It would take a student earning a doctorate in this field nearly fifteen years to recover the forgone earnings resulting from the decision to postpone entry into the job market for five years. Again, looking at private sector employment for computer science graduates with bachelor's and master's degrees, it would take the latter nearly 11 years to amortize the forgone earnings of his advanced degree, not counting the direct costs of the education itself.

Although the forgone earnings approach illustrates that for some private sector jobs the salary advantage of an advanced degree is too slight to make up for the immediate financial rewards of employment after the baccalaureate degree, there are other considerations as well:

- First, forgone earnings computations assume that two individuals with different degrees would experience similar career advancement patterns, when in fact students with master's or other advanced graduate degrees may have an edge in securing promotions and might experience more rapid career advancement. For example, a bachelor's degree in business may permit its recipient to secure a sales or accounting position with a company that might eventually lead to management responsibilities, but an MBA degree is normally the prerequisite for entry into most business management positions.

- Second, not only are direct comparisons of starting salaries or forgone earnings misleading when students in different degree programs are preparing for entirely different careers after graduation but the distinctive attributes and life styles associated with particular careers are likely to play a major role in evaluating the rate of return on investment in graduate education. Someone with a master's degree in the humanities might seek government employment or a high school teaching position, but a doctoral student in the humanities would be more likely to aspire to become a college professor. In such instances, nonfinancial career considerations would probably be more important in deciding to continue with further graduate study than would a narrow calculation of forgone earnings.

- Finally, in many fields an advanced degree is the minimal level degree for entry into the field or profession. For some of these, particularly architecture, law, dentistry, pharmacy, and medicine, both the prestige of the profession and its income potential generally insure a significant rate of return on investment.

Overall, graduate education does not produce greater private rates of return on investment in a narrow earnings sense. In those instances where entry into a career can occur after completion of a baccalaureate degree, the loss of earnings for several years of graduate study more than offsets any starting salary advantage associated with an advanced degree. In fields like engineering, mathematics, and computer science--all currently offering high starting salaries for students completing baccalaureate degrees--the low rate of return on investment in an advanced degree probably serves as a powerful disincentive to enrollment. This is especially true in those instances where an advanced degree provides entry into lower paying alternative careers such as math or science teaching at the elementary and secondary level or engineering and computer science faculty positions at colleges and universities. Increasing the direct costs of securing advanced degrees by imposing a graduate tuition or fee differential could exacerbate current hiring problems by creating added disincentives.

In professional fields like medicine, dentistry, and law there is little doubt that the additional education has historically permitted entry into prestigious occupations and increased the recipients' lifetime earnings potential. Even here, however, the argument for increased charges rests heavily on comparisons of average income of people in these professions and the appropriate method for linking fee levels and average earnings is unclear. Such a focus has three major deficiencies. First, while all three of these professions have average incomes that are above average, they do not constitute the only graduate or professional fields with higher than average incomes. Graduates with MBA degrees are only one case in point. Second, there is considerable variation in the average salary figures among these three professions. For example, the most recent figures suggest that the average salary of physicians exceeds the average salary of dentists by more than 40 percent. Would a fee system based on such comparisons reflect such earnings differentials among higher paying professions? Third, there is an even greater variation in salaries among those engaged in each of these professions than there is between the average salary in these professions and the average salary in less remunerative professions and occupations. A doctor, for example, specializing in family practice medicine at a remote rural location would have a salary that was only a small fraction of what a neurosurgeon or a plastic surgeon would earn in an affluent suburban community. Charging both high tuition and fees because of the latter's impressive earnings and their inflation of the average salary

of the profession as a whole would penalize those who elected less lucrative specialties or less affluent communities in which to practice.

Today the extent to which a college education insures higher future earnings is being debated. College graduates in a number of occupations apparently earn less than some unionized workers in industry and in certain skilled trades though such comparisons all too often focus on hourly earnings and thus ignore the differential impact of unemployment on annual income levels. Other college graduates earn more than most nongraduates, but the rate of return on an investment in graduate education is often quite low in strictly financial terms. In a number of fields, higher charges might threaten the supply of needed personnel when a graduate degree does not confer any real promise of increased future earnings. Furthermore, if a state wants to try to recapture some of the added costs of providing college instruction, particularly higher cost graduate and professional education, by a method that more accurately and more nearly reflects the actual increased earnings of many of its graduates, then the graduated income tax system may be a fairer way to achieve this goal. Furthermore, the graduated income tax, unlike a system of sharply graduated tuition or fees, does not penalize those students who majored in subjects that led to less remunerative, yet socially desirable careers in what for most others are higher paying occupations or professions. It is also less likely to divert professional school students away from lower paying specialties or residencies, like family practice medicine. Moreover, it relates what is charged more closely with the ability to pay than do student charges based on as yet unrealized future earnings.

4. Base Graduate and Professional Student Charges on a Percentage of Undergraduate Charges

The use of this method for setting graduate or professional student charges is independent of the method used to calculate and set undergraduate student charges. In some states, graduate and professional differentials are set as a percentage of undergraduate charges after undergraduate charges are set using the cost-of-instruction method. In other states, an appropriations base or some other technique is used tc set undergraduate charges and then a graduate differential is added.

Clearly, when graduate and professional student charges are set as a percentage of undergraduate charges, the state is spared the difficult and expensive process of computing instructional costs or appropriations per full-time equivalent student for various student levels. The higher charges for graduate and professional students can reflect the generally higher costs of instruction at those levels, although the actual fees paid as a percentage of actual costs might constitute a

smaller percentage of those costs than undergraduates pay. In Oregon, for example, graduate students are charged 50 percent more than undergraduates. In Washington, graduate students are charged 20 percent more than undergraduates, while professional students are charged 100 percent more than undergraduates. In 1981-82, at the University of Wisconsin at Madison, resident undergraduate students were charged $985 per year, graduate students $1,370, law students $1,370, and medical students $4,602. On the other hand, graduate students in master's degree programs of the California State University are charged the same amount as undergraduates. Graduate students at the University are charged about $50 or 4 percent a year more than undergraduates, whether they are working toward a master's degree, a Ph.D., an M.D., or a J.D.

One disadvantage of using a graduate differential which is set as a percentage of undergraduate charges is that the selection of the percentage to use is arbitrary. On the other hand, the advantage of using the percentage-differential method for setting graduate student charges is that it is not mechanically budget based and tends to more strongly reflect conscious policy decisions about the goals and educational priorities of a state. The same is true of using the method for various professional school differentials.

THE ABILITY TO PAY, METHODS OF PAYMENT, FINANCIAL AID, AND THE IMPACT OF TUITION AND FEES ON GRADUATE AND PROFESSIONAL ENROLLMENT

A major issue in any evaluation of alternative methods for setting student charges is the question of what people can afford to pay and when can they afford to pay it. This section of the report examines two general topics that are critical to formulating an answer to these questions: (1) how do graduate and professional students currently finance their educations? and (2) what impact would higher tuition and fees have on the enrollment of graduate and professional students and on the composition of that enrollment?

How California Graduate and Professional Students Currently Finance Their Education

Normally the question of what people can afford to pay is determined in making decisions about financial aid; but in periods of rapidly rising tuition and fees, fee setting, financial aid, and the ability to pay are also closely intertwined. The issue of how graduate and professional students finance their educations is complex, often misunderstood, and too rarely examined. The sources of information for the generalizations offered in this section are the 1980 Student

Expense and Resources Survey (SEARS) conducted by the California Student Aid Commission and a recent national study by the Educational Testing Service (ETS), Talented and Needy Graduate and Professional Students: A National Survey of People Who Applied for Need-Based Financial Aid to Attend Graduate or Professional School in 1980-81 (Flamer, Horch, Dwight, and Davis, 1982). The ETS study examined the key aspects of how needy graduate and professional students finance their educations, and the SEARS data for California provides an excellent basis for crosschecking the ETS conclusions with California data on graduate and professional students who are aid applicants as well as those who are not.

Self Support: Graduate and professional students are much more likely to be self-supporting and more dependent upon their own resources than are undergraduates. Nationally, ETS found that 70 percent of the college seniors in their study were dependent upon parents, but only about one-third of the graduate and professional students were. While such a shift is quite striking, Flamer, Horch, Dwight, and Davis observe that it was expected "given historical funding patterns at the graduate and professional level, the emerging independence of graduate and professional students, and prior parental sacrifices to finance undergraduate education" (p. 6.4).

A similar pattern appears to exist in California. At the University of California, 76.8 percent of the seniors in the SEARS sample were dependent on their parents to help meet their college costs, but only 38.2 percent of the graduate and professional students in the sample were. At the State University, 53.0 percent of the seniors in the sample were classified as dependent according to federal dependency criteria, but only 26.3 percent of that segment's graduate students were.

Parental Assistance: The ETS study found that not only was the percentage of graduate and professional students who relied upon parental support to help meet their educational costs small, but only a minority of "dependent" graduate and professional students actually received parental support. In their sample, less than half of the dependent graduate students received any appreciable help from their parents to finance postbaccalaureate costs.

Again, in California a somewhat similar pattern prevails at both the University and State University. Almost exactly half of the University's graduate and professional students in the SEARS sample who were classified as dependent received any contributions from their parents. Among those that did, however, the average contribution was $1,880 in 1979-80, or about 94 percent of what the average dependent undergraduate received from his or her parents. In the State University, only 35 percent of the dependent graduate students received any

financial assistance from their parents. Furthermore, the average parental contribution for graduate students receiving one was $1,445 per year, or approximately the same amount as received by dependent undergraduates.

Scholarship and Fellowship Grants: The ETS study points out that the major sources of undergraduate grant assistance come from federal aid programs but that none of these grant programs include graduate or professional students. Moreover, some of the major sources of graduate-student grants in the 1970s, such as Danforth Fellows, Woodrow Wilson, and Ford Foundation programs, have either been sharply reduced or discontinued altogether in recent years. As a result, the number of graduate and professional students receiving grant aid is much lower than among undergraduates, and the role of grant assistance in the financial aid packages of graduate and professional students is small compared to its role in undergraduate financial aid packaging. According to the ETS report (p. 62):

> First year graduate and professional students were considerably less likely to receive forms of grant aid than were their college senior counterparts (45 percent versus about 66 percent), were about equally likely to receive job assistance, and almost twice as likely as college seniors to rely on loans (83 percent versus 45 percent).

In California, the SEARS data have advantages over the national data on these points, because they contain both aid applicants and nonapplicants. Moreover, California students at all levels have typically relied more heavily upon grant assistance and less on loans than their undergraduate and graduate counterparts elsewhere in the country.

At the University of California, a larger percentage of dependent graduate students than dependent undergraduates received grant aid (43 percent of the sample versus 35 percent), and graduate or professional grant recipients typically received much larger grants than did undergraduate grant recipients (an average of $3,324 versus $1,609). Among independent graduate and professional students a slightly smaller percentage received grants than did independent undergraduates (58 percent versus 63 percent), and the grant amounts did not differ as widely as they did among dependent students although again the average graduate grant was larger ($3,000 versus $2,240).

At the State University, the pattern is very different largely because that segment does not have anything like the large institutional aid resources of the University financed through student fees. As a result, the segment is heavily dependent upon both State and federal sources of grant funds, and in both instances, these are targeted

almost exclusively toward needy undergraduates. Only 10 percent of the State University's dependent graduate students and 12 percent of its independent graduate students receive any grant aid, compared to 26 percent of the dependent and 28 percent of the independent undergraduates in that segment. The average amount of the grants among those receiving them varied from $1,830 for dependent graduate students down to $1,200 for dependent undergraduate grant recipients.

Work Aid: The ETS survey found little difference in the percentage of graduates or undergraduates who depend upon work aid to help finance their educations. Approximately 53 percent of the graduate and professional students applying for aid and 55 percent of the college seniors applying for aid received some work aid. The average amount of work aid was $2,378 for graduate and professional student recipients and $1,470 for seniors.

According to information in the SEARS sample which included both aided and nonaided students, the percentage of California students relying upon work was somewhat higher than the national average, but the inclusion of all types of work in the SEARS sample, instead of just work aid, may account for the differences.

In the University of California, the percentages of undergraduates and graduate students relying on work to help meet school costs was quite similar within dependency categories. For example, approximately 57 percent of the dependent undergraduates and 56 percent of the dependent graduate students reported some work earnings. The amounts earned differed significantly, however, because graduate teaching and research assistantship positions which are included as work aid paid considerably better than do most undergraduate summer jobs or term-time work-study employment. The average University dependent undergraduate who worked reported earning $2,009, whereas, the average dependent graduate student reported earnings of $3,850. The comparable figures for independent University students were $3,020 and $5,070, respectively.

In the State University, the percentage of both undergraduate and graduate students who reported working as part of their effort to meet college costs was much higher than at the University and much higher than the national patterns discussed in the ETS study. Among dependent undergraduates, 71 percent reported working at least for a portion of the year, and those that did earned an average of $3,220. Among independent undergraduates, 78 percent worked at least part time and the average working student earned $5,860 in 1979-80. Graduate students were even more dependent on work and reported higher average earnings than undergraduates. Fully 85 percent of the dependent graduate students and 84 percent of the independent graduate students worked. Furthermore, the average earnings of the dependent graduate students was $6,025 and of the independent graduate students was $7,600. In part, these differences reflect the predominantly

master's degree orientation of the State University's graduate programs and the predominantly part-time character of its graduate student population.

Loans: The final component and often the largest in most graduate and professional students' financial aid package is loans. According to the ETS study, 83 percent of the first-year graduate and professional students in their sample reported annual loan aid averaging $4,596. This, according to their data, is more than double the percentage of college seniors with loans and nearly triple the average college senior's loan amount. ETS also found significant variations in loan patterns between graduate academic and graduate professional students--a topic that will be discussed more fully later in this paper.

In California, the SEARS data show that both undergraduates and graduate students are much less dependent upon loans than their counterparts elsewhere in the country. However, the SEARS data are for 1979-80, and in the past two years the volume of Guaranteed Student Loans in California has increased nearly fourfold, so the patterns within the state may have already changed to conform more closely to national norms.

Nevertheless, 47 percent of the graduate and professional students at the University of California in the SEARS sample reported having taken out loans in 1979-80, compared to 35 percent of the University's undergraduates. Among dependent graduate students with loans in that year, the average loan was $2,990, and among independent graduate students, it was $3,140, while among all University undergraduates with loans it was $1,360.

A larger percentage of the University's graduate students reported that they had accumulated some debts in the course of securing their education than had taken out loans in 1979-80. Indeed, 52 percent of the dependent and 67 percent of the independent graduate students reported some indebtedness in 1979-80, with the average accumulated indebtedness being $4,840 for dependent graduate students and $5,120 for independent graduate students. Among undergraduates, on the other hand, a smaller percentage overall reported indebtedness than reported taking out loans in that year. This suggests that some of the loans for undergraduates at the University were short-term loans that were paid back within the same year they were incurred.

At the State University, both undergraduate and graduate students apparently depend much more heavily on work than on loans to pay for their college costs. Only 22 percent of the dependent and 18 percent of the independent graduate students in the SEARS sample reported taking out loans in 1979-80. This pattern also reinforces the general picture of State University graduate students being employed either

full or part time and pursuing their educations on a part-time basis. In both cases, the percentage of State University undergraduates with loans exceeds the graduate figures, although the average loan is smaller for undergraduates--$1,260 compared to $1,910.

A somewhat larger percentage of State University graduate students reported accumulating some educational indebtedness than reported taking out loans in 1979-80. Thirty-seven percent of the dependent graduate students reported having debts, as did 41 percent of the independent graduate students. In the former case the average debt was $3,220 and in the latter $3,420. Both the percentage with debts and the average debt was lower in the State University than in the University, though differences in the types of graduate programs, the typical length of study required, and the predominantly full-time attendance patterns at the University may account for the differences.

Field of Study: The ETS study points out that patterns of financing a graduate or professional education vary depending upon the student's type of program. For example, graduate students in the arts and sciences received more grant assistance and relied more on work assistance than students in other disciplines, particularly professional students in medicine, dentistry, and law. A by-product of this, according to the ETS study, is a "minimization of the amount of loans taken out by graduate arts and sciences students, who are generally less able to repay large loans, given their generally lower future earnings expectations" (p. 6.18). Further, a large part of the work assistance is teaching and research assistantships which are rare in graduate professional programs, but a major component of both need and non-need-based aid in other graduate programs. As the ETS study observes (p. 69):

> In many institutions, graduate arts and sciences students receive assistantships to teach introductory courses, thus freeing some faculty time for research. Law schools and medical schools do not follow this arrangement . . . Nevertheless, given the heavy course loads of law and medical students, it is noteworthy that one-quarter of the medical student aid recipients and over one-half of the law student aid recipients worked during the academic year. Even so, in order to meet expenses, law students and medical students had to rely heavily on loans.

Indeed, not only did a much larger percentage of the law, medicine, and dental students in the ETS survey take out loans (91 percent at public institutions) than did arts and sciences graduate students (58 percent), but the average loan was much greater. Indeed, the average arts and sciences graduate student with a loan at a public university borrowed $2,723, whereas the average law student at a similar insti-

tution borrowed $3,853, and the average medical or dental student borrowed $5,916.

Finally, variations in the dependence of different types of graduate and professional students on loans affects cumulative educational indebtedness patterns as well. In the ETS sample, 84 percent of the arts and sciences graduate students had some indebtedness upon completing their postbaccalaureate degrees, and the average debt for these students was $6,030. Among law school graduates in 1980-81, 97 percent listed educational debts, and the average indebtedness was $10,430 for those graduating from public universities. Finally, fourth year medical students at public medical schools reported the highest level of cumulative educational indebtedness. Fully 97.5 percent of all such students were indebted, and the average debt was $21,061. Furthermore, both law and medical students typically had to rely at least in part upon other than NDSL and GSL loans to finance their educations, typically loans without interest subsidies.

Manageable Debt Burdens: In recent years, concern among educators and policy makers has begun to shift from whether students would borrow to whether they may be relying too heavily upon loans to finance their education. Not only has the phenomenal growth in the Guaranteed Student Loan program in the past several years raised the question of how to appropriately control the costs of the program, but it has also focused attention on the question of what constitutes a manageable debt burden for different types of students with considerably different future earnings prospects. The problem for graduate students is twofold: (1) whether they will continue to be eligible to receive GSL loans at subsidized interest rates, and (2) if they do, whether they are able to pay off the accumulated debt burden they incur in securing their educations.

In the ETS study, the issue of manageable debt burdens is described in the following manner:

> Whether an educational loan is manageable or unmanageable is a function of a number of factors: the length of time allowed to repay the loan, the interest rate on the loan, whether the loan must be repaid in equal installments or whether graduated repayments are permitted, the future earnings prospects of the borrower, and the economic preferences of the borrower. For purposes of this analysis, we have defined an unmanageable loan two ways: (1) mean aggregate borrowing exceeding the amount that could be repaid, according to procedures developed by Horch (1978), on a 10 percent interest-bearing loan over a 10-year period, using conventional equal installments, and (2) aggregate borrowing exceeding the amount that could be repaid over a 15-year repayment period on a 10

percent loan if repayments are related to earnings growth during the first 15 years in the profession. (Flamer, Horch, and Davis, 1982, pp. ?5-?6).

Using Horch's estimation procedures and their own data, Flamer, Horch, and Davis concluded that the manageable debt limits under a 10-year, 10 percent interest, equal payment plan would be $6,200 for arts and sciences graduate students, $5,600 for lawyers, $13,800 for physicians beginning repayment after residency, or $6,600 for physicians if called upon to begin loan repayment in internship, and $8,200 for doctoral scientists and engineers. If a 15-year graduated repayment schedule on 10 percent interest loans were used instead, the unmanageable debt threshold would be approximately $14,600 for arts and sciences graduate students, $24,000 for lawyers, $45,000 for physicians beginning repayment after residency, $23,300 for physicians beginning repayment in internship, and $16,000 for doctoral scientists and engineers (pp. 7.6-7.7).

Based on the ETS graduate and professional student sample of financial aid applicants and recipients in 1980-81, 25 to 35 percent of the arts and science graduate students had what were probably unmanageable debt burdens upon graduation. Over 80 percent of the law students had debt burdens in excess of $7,500 and about 5 percent had debts in excess of $24,000. Among fourth year medical students, a mere 5.7 percent had debts of less than $7,500, 65 percent had borrowed more than $20,000, and 5.0 percent had debts in excess of $50,000. (p. 7.10)

Such figures are not definitive and are not related specifically to the accumulated debt burdens of different types of graduate and professional students in California. Nevertheless, they suggest at the very least that the availability of loans for graduate students can become a serious problem when overused at the same time that they are an essential ingredient in financing graduate and professional education.

Unfortunately, similarly detailed information on indebtedness patterns and variations among arts and sciences graduate students, law students, and medical or dental students is not currently available for California. Within the University, the general findings of the ETS study probably apply. Certainly, teaching and research assistantships are much more common among arts and sciences graduate students than among professional school students. The availability of fellowships and research assistantships is probably also greater among biological and physical science graduate students than for those in the humanities or social sciences. Law, dental, and medical students, on the other hand, are no doubt much more dependent upon loans than are other graduate students and generally emerge from graduate school with greater cumulative educational debts.

The Potential Impact of Increased Graduate Tuition or Fees on Enrollment Levels and on the Composition of Graduate and Professional Students

Since master's degree students at the State University are charged the same amount as undergraduates and those in the University are charged a nominal $20 per quarter more than undergraduates, both groups would be affected directly by any increase in undergraduate charges or by the imposition of a graduate tuition and/or fee differential. The enrollment of master's degree students would probably drop slightly with modest increases in student charges. Although master's degree students are not as price responsive as undergraduates, if the fee increases did not include a differential for students enrolled for less than six units per term, the decrease in enrollment would be larger. In the State University, in particular, simulations of fee increases without any part-time differential suggest a more adverse impact on enrollment because more than one-third of master's degree students in this segment are enrolled for a single course per term and more than half take two courses per term. Moreover, the amount of financial aid currently available for master's degree students in both segments is limited, and the failure to provide additional aid if fees were increased would probably affect the ethnic, income, and ability composition of master's degree students, even if the overall number of such students declined only slightly.

The University has the primary responsibility in California public higher education for educating and training doctoral and advanced professional students. Little is known presently about the likely response of such students to higher charges, but a study done on the price responsiveness of doctoral students at the University of Minnesota (Hoenack and Weiler, 1975) suggests that the enrollment impact of higher fees would be quite small. Given existing fellowships and research assistantships, and the surplus of qualified applicants to spaces available in a number of fields, modest increases in student charges for doctoral students are not expected to decrease enrollments or diminish the quality of students.

The price responsiveness of doctoral students at the University of California is probably similar to those in Minnesota. Nevertheless, 46 percent of the University's graduate students currently receive need-based or ability-based grant aid. In addition to these students, a large number of University graduate students also receive California Graduate Fellowships, federal fellowships, research assistantships, or teaching assistantships. In other words, a much greater percentage of the University's graduate students than its undergraduates receive financial aid in order to help meet the costs of their educations. Those receiving aid are quite price responsive, and although a drop in their enrollment would probably be offset, for the most part, by others who wished to attend, the composition of the graduate

student population would inevitably change and departments which are already experiencing enrollment declines would likely be the most adversely affected.

The available evidence suggests that moderately higher student charges for advanced professional students, particularly those in medicine, dentistry, or law, would produce some but not significant changes in the number or quality of students who would enroll since many highly qualified applicants in the large surplus pool of candidates would not be dissuaded by the increases either because of greater personal financial resources, a greater willingness to borrow, or the high salaries that many graduates can command. Nevertheless, while the overall number and quality of students would probably not change, their ethnic or income composition would probably be altered slightly, even if additional aid were available. As noted earlier, students in these three professional fields cannot count on as much parental support as undergraduates and cannot count on teaching and research assistantships, part-time employment, or significant grant aid like most other graduate students.

Finally, figures from the SEARS survey for all University graduate and professional students suggest that both the percentage willing to borrow to help finance their educations and the amounts they are willing to borrow in any one year exceed the percentage of graduate students currently borrowing and the average amount currently borrowed. For example, 78 percent of the University's dependent graduate students in 1979-80 indicated a willingness to borrow an average of $3,780 per year to help pay for their educations, compared to the 47 percent then borrowing and the average loan amount of $2,990. Similar patterns prevailed among the University's independent graduate students as well. One way to interpret such responses is that the willingness and capacity of the University's graduate students to assume a large responsibility for financing their educations exists. Another interpretation would be that such figures simply conform to national patterns which indicate that the willingness of graduate and professional students to borrow exceeds both their current level of borrowing and their ability to reasonably manage existing cumulative indebtedness. If this were the case, raising graduate tuition and fees without increasing the availability of some further grant assistance for the neediest students would only increase the indebtedness of graduate and professional students and the likelihood of increases in the default rate because of over borrowing.

The high cumulative indebtedness of law, dentistry, and medical students is raising concern nationally. One aspect of the situation that has not yet been adequately investigated is the link between levels of cumulative indebtedness and professional students' choices of specialties and sites for practice. Logic would suggest that high levels of indebtedness among medical students in particular would prompt larger numbers of these students to select more lucrative

specialties and seek to practice in affluent areas so that they can meet their debt obligations upon graduation. Among dentists, the high levels of indebtedness would appear to affect choices as to where to practice. When coupled with the traditionally high start-up costs (approximately $50,000) to begin practice, more and more dental graduates may emerge with unmanageable debt burdens. The evidence is not yet available for California or the rest of the nation to confirm or quiet these concerns, but the possible link between debt levels, choice of specialties, and decisions about where to practice should be watched closely, especially if sharp increases in tuition or fees were to occur.

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The California Postsecondary Education Commission was created by the Legislature and the Governor in 1974 as the successor to the California Coordinating Council for Higher Education in order to coordinate and plan for education in California beyond high school. As a state agency, the Commission is responsible for assuring that the State's resources for postsecondary education are utilized effectively and efficiently; for promoting diversity, innovation, and responsiveness to the needs of students and society; and for advising the Legislature and the Governor on statewide educational policy and funding.

The Commission consists of 15 members. Nine represent the general public, with three each appointed by the Speaker of the Assembly, the Senate Rules Committee, and the Governor. The other six represent the major educational systems of the State.

The Commission holds regular public meetings throughout the year at which it takes action on staff studies and adopts positions on legislative proposals affecting postsecondary education. Further information about the Commission, its meetings, its staff, and its other publications may be obtained from the Commission offices at 1020 Twelfth Street, Sacramento, California 98514; telephone (916) 445-7933.

Item 6420-001-001--California Postsecondary Education Commission

1. California Postsecondary Education Commission (CPEC). The Legislature directs the CPEC to conduct a study of the impact of student charges on public postsecondary education including recommendations for state policy on issues regarding: (a) the activities that shall be funded with revenues from student charges, (b) the impact that student charges at one segment have on other segments, (c) the appropriate level of student charges for each segment, (d) the level of additional financial aid required to maintain student access at various levels of student charges, and (e) any additional issues recommended for further study from the ACR 81 study conducted pursuant to Resolution Chapter 23, Statutes of 1982:

   The CPEC shall conduct this study with the advice and participation of a student from each public postsecondary segment appointed by the appropriate student organization; a representative from the administration of each public postsecondary education segments appointed by the chief executive of each of the segments, a faculty representative from each of the public postsecondary segments, appointed by the faculty governing body of each of the segments, and a representative each from the Legislative Analyst, Department of Finance, and the California Student Aid Commission. The study shall be submitted to the Legislature not later than 12/1/82.

...

3. The Legislature directs the CPEC to develop recommendations for: (1) the establishment of tuition charges for postbaccalaureate students and (2) the provision of appropriate levels and kinds of student financial aid to offset tuition charges for postbaccalaureate students with demonstrated financial need. Consideration should be given to: (1) relative costs of different graduate programs, (2) remuneration for graduates of different postbaccalaureate programs, and (3) alternative payment structures and financial aid mechanisms, including waivers and deferrals for public service. The CPEC shall conduct this study using the advisory structure currently in place for consideration of issues related to student charges, student financial aid, and access to postsecondary education. The study and recommendations shall be submitted to the Legislature not later than 12/1/82..