

**HIGHER EDUCATION: ANSWERS TO FREQUENTLY ASKED QUESTIONS**

## **Do University Students' Fees Support Financial Aid?**



### **Policies Link Student Aid Funding to Student Fee Levels**

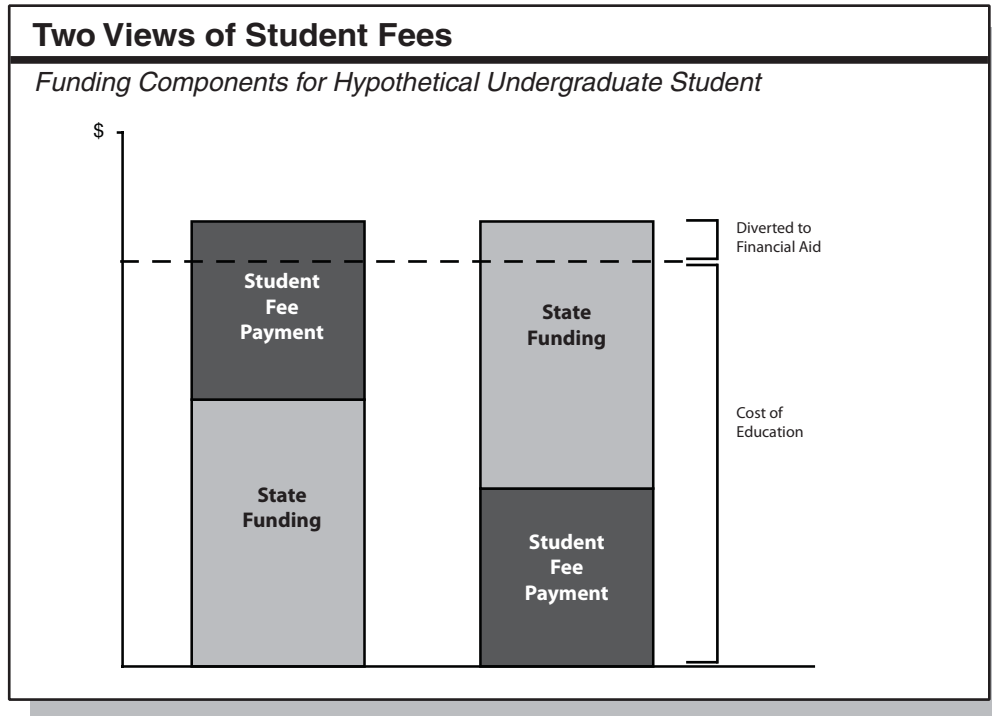
- The University of California (UC) and the California State University (CSU) administer their own financial aid programs for their students. These “institutional aid” programs provide grants to help financially needy students pay various education costs.
- The two university systems have adopted policies to increase funding for these programs each time students fees are increased. These policies are commonly understood to actually divert funding from student fee payments to financial aid programs. As we describe below, however, this is not necessarily the case.



### **Two Views of the Role of Student Fee Revenue**

- In general, the universities receive two main sources of funding—a General Fund subsidy provided by the state and fee revenue paid by the student—to educate their students. The figure on the next page shows two different perspectives of how funding for institutional financial aid is diverted from these education funds for a hypothetical UC student.

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- The left side of the figure depicts the common view that institutional aid is funded from student fee revenue. While all of the state funding is shown as supporting the cost of educating the student, the addition of the fee payment exceeds the funding needed for the student’s education, and the “excess” fee revenue is diverted to institutional aid.
- The right side of the figure shows an alternative, and equally correct, view. In this scenario, all of the student’s fee payment contributes to the cost of educating the student. The funding provided by the state covers the remainder of that cost, as well as a contribution to institutional aid.
- As these views demonstrate, state General Fund support and student fees are interchangeable funding sources that together support educational costs and financial aid. For budgeting purposes, therefore, the distinction between fees and General Fund is not important.