

TOPIC: 2007-2008 STUDENT FINANCIAL AID BUDGET PARAMETERS

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I. SUMMARY

This agenda item presents the 2007-2008 Student Financial Aid Budget Parameters. In compliance with regulations for states that participate in federal financial aid programs, the Commission annually recommends guidelines for student living expenses (room and board, transportation, books and supplies, personal, and childcare expenses) for use by postsecondary institutions approved to participate in Colorado student financial assistance programs. While the state budget parameters establish a reference point, each institution may adjust the state parameters to reflect actual local costs – that is, actual cost of a two-bedroom apartment. Institutions that wish to modify the room and board costs must use actual data to support their adjusted budget and file their adjusted budgets with CCHE.

CCHE staff uses published data from the Colorado Division of Housing, The United States Bureau of Labor Statistics, www.apartments.com, business and industry (e.g., health insurance and child care), and colleges and universities (e.g., books) to determine budget guidelines. Table 1 shows the Student Budget Base for 2007-2008 for Students Living with Parents, Students Living On Campus and Students Living Off Campus.

Table1: Student Monthly Budget Base for 2007-2008

	Students Living with Parents	Students Living On Campus	Students Living Off Campus
Housing	\$200	<i>Range (\$370-\$684)¹</i>	\$577
Food	\$243	<i>Range (\$356-\$512)¹</i>	\$322
Local Transportation	\$135	\$135	\$135
Medical	\$200	\$200	\$200
Personal Expenses	\$117	\$133	\$133
Total	\$895.00	\$468.00	\$1367.00

The student monthly budget base includes monthly costs typically incurred by all students. Table 2 lists the parameters for the annual cost of books and supplies and discretionary costs that apply to certain students.

¹ Range of Room & Board is displayed for illustrative purposes only and is not included in total

Table 2: Supplemental Student Budget Expenses for 2007-2008

	All Students
Books & Supplies Per Year	\$1,698
Child Care if appropriate per month	\$774
Non-local Transportation	Amount determined by Institution
Computer Allowance	\$500-\$1,700

II. BACKGROUND

Student budget parameters are used by financial aid administrators in determining student eligibility for need-based financial aid. Need-based financial aid (i.e., grants, work-study, and loans) requires a student need analysis. The need analysis is the process of estimating the amount of assistance a student will require, supplementing the resources theoretically available from that student and his or her family. Need analysis has two basic components: (1) the student's cost of attendance which is an estimation of what it will reasonably cost the student to attend a given institution for a given period of time called the **cost of attendance (COA)**, and (2) an estimation of the ability of the student and his or her immediate family to contribute to that educational cost, commonly called the **expected family contribution (EFC)**. The expected family contribution (EFC) is obtained by a federally approved formula that takes income, assets, number in college and other information into account. The cost of attendance (COA) is a figure determined by institutions. The difference between the COA and the EFC is the amount of financial aid eligibility for a need-based student.

CCHE has traditionally provided guidelines and recommendations of statewide cost parameters for institutions to use in defining the COA. The United States Department of Education (USDE) interpreted the term "determined by the institution" to mean that the institution has the authority to determine reasonable cost elements, from empirical data, i.e., data based on valid student surveys, housing cost norms from a local realty board, etc. In other words, the USDE expects the institutional determination to be based on modifications of state data and adjusted for local economic conditions.

III. STAFF ANALYSIS

To update the budget parameters, CCHE staff collected information from different sources. Staff utilized Colorado's Statewide Apartment Vacancy and Rent Study and web-based research to determine rental rates, the U.S. Bureau of Labor Statistics Consumer Expenditure survey to determine food costs and web-based research was conducted to determine average utility prices, and child care costs. The cost of books and supplies was established using institutional information and information provided by the National Association of College Stores. Personal expenses was inflated from 2007-2008 by the Consumer Price Index for such expenses. CCHE collected health insurance data from insurance companies and computer hardware costs from computer industry web-published cost comparisons. The 2007-2008 student budget parameters are described below.

Housing Costs:

Housing budgets vary for three groups of students.

For students living in dormitories, the housing parameter is the actual room expense that the campus charges students.

CCHE's financial aid guidelines define the housing budget for students living off campus as 50 percent of the average rent and utility costs for a two-bedroom apartment. CCHE staff used the average rental rates by market area according to the 2006 Apartment Vacancy and Rent Study and collected actual rental costs from Denver, Boulder, Colorado Springs and Durango. The data indicated that the average rent of a two-bedroom apartment was \$989. CCHE staff added the average utility bill for a two-bedroom totaling \$165. This amount remains consistent from last year based on information provided by Excel energy. The rent and utilities totaled \$1,154. Following the guidelines, half of that cost (\$577) becomes the monthly housing budget parameter for students living off campus.

For students living with parents, the housing budget had been set at \$122 a month from the last survey the Commission conducted in 1991 through 2003-4. This budget parameter has been updated for 2007-2008 by inflating the \$122 housing cost by CPI in each year since FY 2003-4. The housing budget for students living with parents in 2007-2008 is calculated at \$200, increased 3.2% (CPI) from 2006-2007.

Food Expenses

For students living in dormitories, the food budget parameter is the actual cost of board.

CCHE's financial aid guidelines assume that food is a shared cost for students who live with their parents. According to the 2004 Consumer Expenditure Survey, published by the U.S. Department of Labor Statistics, estimated food costs per family member in a household of more than 2 consumers is \$243 per month (inflated to FY 08 using CPI). The food cost parameter for this group of students is set at \$243 per month. For students living off campus, the survey (inflated to FY08 using CPI), estimated food costs for single consumers at \$322 per month.

Local Transportation Expenses Exclude Non-local Transportation

The Financial Aid Guidelines define local transportation expenses as the cost of using public transportation or sharing the operation of an automobile. CCHE set the monthly local transportation parameter at \$135, the cost of a monthly regional RTD pass or the approximate cost of commuting and parking a car for \$6.00 a day. The cost of the RTD monthly regional pass increased from \$75 the previous year.

Medical Expenses

For institutions that do not have health insurance or medical care funded through student fees, CCHE establishes a maximum health expense parameter of \$194 per month. Several institutions set up health insurance or medical care through mandatory student fees that cover all students. This parameter is based on the average monthly HMO premium for a health plan with \$25 co-pay. The data sources included major health care providers in Colorado with presence on the web. When compared to health insurance costs of universities who offer insurance, the \$194 per month aligns within the range of costs reported.

Personal Expenses

The financial aid guidelines define personal expenses to include the cost of laundry, dry cleaning, toiletries, clothing, recreation and recreational transportation. Based on typical costs in a college town, a student may expect to spend \$14 a month on laundry, \$25 on dry cleaning or the purchase of clothing, \$21 on shampoo, toothpaste, and other toiletries, \$44 a month for concerts, movies or other campus events, and \$10 for transportation. In 2006-07, CCHE set the personal expense parameter at \$114 for students living with parents and \$129 for all other students. The only difference between the two budgets is that students living with parents do not typically pay laundromat costs. For 2007-08, personal expenses increased by 3.2% (CPI) for students living with parents to \$117, and \$133 for all other students.

Books and Supplies

The parameter for books and supplies is \$1,698 based upon responses from Colorado public and private institutions.

Child Care

The child care budget parameter is based on the range of the actual cost of care per child, per month, up to a maximum of \$774 per child. This cost is up from \$750 in FY 2006-2007. A check of costs in the Denver, Grand Junction and Colorado Springs areas yields a range from \$630 per month for home care in Grand Junction to \$1,036 per month for full time center infant care in Denver. The average for full time care including Colorado Springs, Denver and Grand Junction, averaging the cost of family care with care in a childcare center is \$774 per month. This seems to be a reasonable number to budget as a maximum for childcare.

Non-local Transportation

CCHE does not establish this parameter. Institutions may include the cost of plane fare for students who live outside a normal travel range. It is intended to finance two round trips home per year.

Computer Allowance

The cost of attendance regulations in the federal Higher Education Amendment of 1998 provide for a reasonable allowance for the documented rental or purchase of a personal computer. Institutions may include this cost in their student budget for determining eligibility for state financial aid. With the decrease in hardware prices, few students rent computers. The price range for computers remains consistent with last year as prices remain flat. As a result, the computer range is from \$500 to \$1,700. The data sources include web-published costs listing products and price, published January 2007.

IV. STAFF RECOMMENDATION

That the Commission approves the 2007-2008 Student Financial Aid Budget Parameters

STATUTORY AUTHORITY

C.R.S. 23-3.3-102 Assistance program authorized-procedure-audits. (3) The commission shall administer the program with the assistance of institutions according to policies and procedures established by the commission.