

TOPIC: 2008-2009 STUDENT FINANCIAL AID BUDGET PARAMETERS

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I. SUMMARY

This agenda item presents the FY08-09 Student Financial Aid Budget Parameters. In compliance with regulations for the 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 – e.g., 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 the Department of Higher Education (the Department).

The Department uses published data from the Colorado Division of Housing, the United State 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 FY08-09 for Student Living with Parents, Students Living on Campus, and Students Living off Campus.

Table 1: Student Monthly Budget Base for FY08-09

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$206	<i>Range (\$382-\$730)</i>	\$610
Food	\$250	<i>Range (\$370-\$567)</i>	\$332
Local Transportation	\$144	\$144	\$144
Medical	\$205	\$205	\$205
Personal Expenses	\$121	\$137	\$137
Total	\$926	\$486	\$1,428

Note: the total for students living on campus does not include housing and food costs.

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.

Table 2: Supplemental Student Budget Expenses for 2008-2009

	All Students
Book & Supplies Per Year	\$1,749
Child Care if appropriate per month	\$832
Non-local Transportation	Amount determined by Institution
Computer Allowance	\$500-\$1,800

II. BACKGROUND

Student budget parameters are used by financial aid administrators to determine student eligibility for need-based financial aid. Need-based financial aid (i.e., grants, work-study, and loans) requires a student need analysis to estimate the amount of assistance a student will require, supplementing the expected resources 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 estimate 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 estimate of the **expected family contribution (EFC)**. The expected family contribution (EFC) is obtained by a federally approved formula that accounts for income, assets, number of family members attending college, and other information. The cost of attendance is a figure determined by institutions using these student budget parameters. The difference between the COA and the EFC is the amount of financial aid eligibility for a need-based student.

The Commission has traditionally provided guidelines and recommended 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 adjusted for local economic conditions.

III. STAFF ANALYSIS

To update the budget parameters, the Department collected information from various sources. The Department utilized 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 were inflated for FY08-09 using the Office of State Planning and Budgeting's (OSP) average estimated Consumer Price Index (CPI) for Denver-Boulder-Greeley for Calendar Years 2008 and 2009. The Department collected health insurance data from insurance companies and computer hardware costs from computer industry web-published cost comparisons. The FY08-09 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.

The Department'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. The Department used the average rental rates by market area according to the 2007 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 is \$1,049. Next, the Department added the average utility bill for a two-bedroom which is \$170 according to Xcel Energy. This amount remains consistent from last year based on information provided by Xcel Energy. The monthly rent and utilities expense totals \$1,219. Following the financial aid guidelines, half of the cost (\$610) 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 Department conducted in 1991 through 2003-4. This budget parameter has been updated for 2008-2009 by inflating the \$122 housing by CPI in each year since FY 2003-04. The housing budget for students living with parents in FY08-09 is calculated at \$206. The CPI of 3.0% was derived from the December 2007 OSPB Revenue Forecast. The forecasted CPI for CY 2008 is 2.9% and for CY 2009 is 3.1%. The average for FY08-09 used in these calculations is therefore 3.0% (CPI).

Food Expenses:

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

The Department's financial aid guidelines assume that food is a shared cost for students who live with their parents. According to the 2005 Consumer Expenditure Survey, published by the U.S. Department of Labor Statistics, estimated food costs per family member in a household of more than two consumers is \$250 per month (inflated to FY08-09 using CPI). The food cost parameter for this group of students is set

at \$250 per month. For students living off campus, the survey (inflated to FY08-09 using CPI), estimated food costs for single consumers at \$332 per month.

Local Transportation Expenses Excluding 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. The Department set the monthly local transportation parameter at \$144, the cost of a monthly regional RTD pass or the approximate cost of commuting and parking a car for \$6.00 a day.

Medical Expenses:

For institutions that do not have health insurance or medical care funded through student fees, the Department establishes a maximum health expense parameter of \$205 per month. This amount takes into consideration rate variance for full time male and female students and also considers male and female smokers versus non-smokers. This parameter is based on the average monthly PPO premium for a health care plan with a \$25 co-pay. The data sources used for this estimate include major health care providers in Colorado with presence on the web. Several institutions have set up health insurance or medical care through mandatory student fees that cover all students. When compared to health insurance costs at universities who offer insurance, the \$205 per month is within the range of costs reported.

Personal Expenses:

The financial aid guidelines define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. Based on typical costs in a college town, a student may expect to spend \$16 a month on laundry, \$25 on dry cleaning or the purchase of clothing, \$25 on shampoo, toothpaste, and other toiletries, \$50 a month entertainment (e.g., concerts, movies, or other campus events), and \$21 for transportation. In FY08-09 the Department set the personal expense parameter at \$121 for students living at home and \$137 for all other students. The main difference between the two groups would be that primarily students living at home do not incur Laundromat expenditures.

Books and Supplies:

The parameter for books and supplies is \$1,749 based upon responses from Colorado public and private institutions. In FY07-08, the Student Budget Parameter set books and supplies at \$1,698. For FY08-09 the Department used CPI to (3.0%) to adjust the books and supplies parameter.

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 \$850 per child. The cost is up from \$774 in FY07-08. A review of child care costs in Boulder, Colorado Springs, Denver and Grand Junction areas yields a range from \$606 per month for home care in Grand Junction to \$1,032 per month for full time center infant care in Denver. The average for full time care including Boulder, Colorado Springs, Denver and Grand Junction, averaging the cost of

family care with care in a childcare center is \$832 per month. This seems to be a reasonable number to budget as a maximum for childcare.

Non-local Transportation:

The Department 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 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 \$1,800. The data sources included web-published costs listing products and price, published January 2008.

IV. STAFF RECOMMENDATIONS

That the Commission approve the 2008-2009 Student Financial Aid Budget Parameter

STATUTORY AUTHORITY

C.R.S. 23-3.3-102