

TOPIC: FISCAL YEAR 2010 – 2011 STUDENT BUDGET PARAMETERS

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I. SUMMARY

This agenda item presents the FY2010-2011 Student Budget Parameters. In compliance with federal regulations for states that participate in federal financial aid programs, the Commission annually recommends guidelines for student living expenses, to be used by financial aid administrators in determining student eligibility for need-based aid (grants, work-study, and loans). Student budgets include tuition and fees, books, supplies, transportation, personal expenses, room and board with additional supplemental budgets specific circumstances.

II. BACKGROUND

Need-based financial aid requires a student need analysis to estimate the amount of assistance a student will require, after taking into account 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 (COA), which is an estimate of what it will reasonably cost the student to attend a given institution for a given period of time; and (2) an estimate of the expected family contribution (EFC), which is calculated by a federally-approved formula that accounts for income, assets, number of family members attending college, and other information. The difference between the COA and the EFC determines the eligible amount of need-based financial aid for a student.

The Commission provides guidelines and recommended statewide cost parameters for institutions to use in defining the COA. The Department's recommended parameters use published data from the Colorado Division of Housing, the U.S. Bureau of Labor Statistics, and www.apartments.com to determine housing costs. Child care costs are based on information from the National Association of Child Care Resource and Referral Agencies and from local inquiries. Food costs are from the State Demography Office using the Self-Sufficiency Standards. Book costs are derived using the guidelines from the Higher Education Reauthorization Act of 2008 and information collected from colleges.

While the state parameters establish a reference point, the U.S. Department of Education allows institutions discretion to determine reasonable cost elements from empirical data, for example data based on valid student surveys and housing cost norms from a local realty board. Institutions that wish to modify costs must use actual data to support their adjusted budget and file adjusted student budgets with the Department.

II. STAFF ANALYSIS

To update the parameters for FY2010-2011, Department staff conducted research in each student budget area to ensure that student budgets are reasonable. The following tables summarize the recommended parameters, with further information provided below.

Table 1 shows the Student Budget Base for FY2010-2011 for Students Living with Parents, Students Living on Campus, and Students Living off Campus:

Table 1: Student Monthly Budget Base for FY2010-2011

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$212	<i>Actual</i>	\$610
Food	\$250	<i>Actual</i>	\$332
Local Transportation	\$144	\$144	\$144
Personal Expenses	\$125	\$141	\$141
Total	\$731	\$285 (plus housing and food)	\$1,227

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 FY 2010-2011

	Lower Range	Upper Range
Book & Supplies Per Year	\$1,200	\$1,749
Child Care if appropriate per month	\$350	\$980
Non-local Transportation	Amount determined by Institution	
Computer Allowance	\$500	\$1,800
Medical	\$90	\$237/month

The recommended FY2010-2011 student budget parameters are described in more detail below.

Housing Costs

Housing parameters vary for three groups of students:

- For students living in dormitories, the housing parameter is the actual room expense that the campus charges students.
- For students living off campus, the Department's student budget parameters define the housing budget as 50 percent of the average rent and utility costs for a two-bedroom apartment. The FY2009-2010 student budget parameter for housing was \$610. Department staff used web research and reports from the Colorado Department of Housing to determine that the fair market rate for a two bedroom apartment in metropolitan areas has fallen below that amount. Rather than reduce the housing budget, staff recommends no increase to the housing budget parameter for FY2010-2011. The rate allows for economic adjustments in rent or utilities.
- For students living with parents, the FY2009-2010 housing budget parameter was \$212. This number remains the same for FY2010-2011, based on the consumer price index from the December 2009 Colorado Office of State Planning and Budgeting Revenue Forecast and on the midyear projection from the U.S. Bureau of Labor Statistics.

Food Expenses:

Food budgets similarly vary for three groups of students:

- For students living in dormitories, the food budget parameter is the actual cost of board.
- For students living off campus, the Consumer Expenditure Survey, published by the U.S. Bureau of Labor Statistics, estimated food costs for single consumers at \$332 per month. Using this estimate, Department staff recommends that the FY2010-2011 budget parameter remain the same.
- For students who live with their parents, the Department's student budget parameters assume that food is a shared cost. The FY2009-FY2010 student budget parameter was set at \$250 per month. According to the November 2009 CPI measure from the Bureau of Labor Statistics, food costs at home have dropped 2.9% in 2009. Thus, staff recommends the food budget parameter for this group of students remain at \$250 per month.

Local Transportation Expenses Excluding Non-local Transportation:

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 for FY2009-FY2010 at \$144. Staff recommends that the rate remain effective for FY2010-2011. The rate allows for daily roundtrip transportation by bus or light rail (RTD rates), plus a small additional amount for miscellaneous trips, or the approximate cost of commuting and parking a car at \$6.00 per day.

Personal Expenses:

Financial aid guidelines define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. For FY2010-2011, Department staff recommends holding the personal expense parameter to \$125 for students living at home and to \$141 for all other students; with the main difference between the two groups being that students living at home do not typically incur laundry expenses.

Books and Supplies:

For books and supplies, Department staff recommends the upper parameter for FY2010-2011 be set at \$1,749, which is the same as FY2009-FY2010. This amount is based on information from the institutions of higher education. The Department also includes a minimum amount of \$1,200 based on the Higher Education Reauthorization Act of 2008.

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 \$905 per child. A report from the National Association of Child Care Resource and Referral Agencies shows child care costs in Boulder, Colorado Springs, Denver and Grand Junction areas ranging from \$350 per month for home care for a school aged children to \$980 per month for full time center infant care. Because of the wide range of costs and types of care, Department staff recommends using the state average for an infant in a childcare facility as a maximum for child care.

Medical Expenses:

For institutions that do not have health insurance or medical care funded through student fees, the Department recommends a maximum health expense parameter of \$237 per month. This amount is based on health insurance data from major health care providers who provide information on the web (Kaiser Permanente and Blue Cross Blue Shield). The amount takes into consideration rate variances for full time male and female students of various ages and also considers male and female smokers versus non-smokers. The amount is based on the average monthly PPO premium for a health care plan, with a \$30 co-pay for females at age 40 for the

high average. When compared to health insurance costs at universities who offer insurance, the \$237 per month guideline is within the range of costs reported.

Non-local Transportation:

The Department does not establish this parameter. Institutions may include the cost of plane fare for two round trips home per year for students who live outside a normal travel range.

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 – \$500 to \$1800 – in FY2010-2011 remains consistent with last year, as prices remain flat. The data sources included web-published costs listing products and price, published December 2009.

III. STAFF RECOMMENDATIONS

That the Commission approve the 2010-2011 Student Budget Parameters

STATUTORY AUTHORITY

C.R.S. 23-3.3-102