

TOPIC: FISCAL YEAR 2015 – 2016 STUDENT BUDGET PARAMETERS

PREPARED BY: CELINA DURAN, LEAD FINANCE ANALYST

I. SUMMARY

This agenda item presents the FY2015-2016 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 for student financial aid purposes include tuition and fees, books, supplies, transportation, personal expenses, and room and board. There are some allowable add-ons to the student budget for student-specific circumstances.

II. BACKGROUND

Financial aid administrators conduct 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 guidelines for institutions to use in defining the COA. For the room and board component of the student budget, the Department's recommended guidelines use published data from the Colorado Department of Local Affairs, the U.S. Bureau of Labor Statistics, and www.craigslist.com to determine housing costs. Food costs are based on U.S. Bureau of Labor Statistics data, specifically the consumer price index for food costs. Book costs are derived using the guidelines from the Trends in College Pricing report from the College Board and information collected from colleges. Child care costs, for student-specific circumstances, are based on Colorado data as reported from the National Association of Child Care Resource and Referral Agencies and local inquiries.

While the state guidelines establish a reference point, the U.S. Department of Education allow institutions discretion to determine reasonable cost elements from empirical data, such as 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

Each year, Department staff conducts research in each student budget area to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines for FY 2015-2016, with further information provided below.

Table 1 shows the Student Budget Base for FY2015-2016 for Student Living with Parents, Students Living on Campus, and Students Living off Campus. The student monthly budget base includes monthly costs typically incurred by all students.

Table 1: Student Monthly Budget Base for FY 2015-2016

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$215	Actual	\$682
Food	\$273	Actual	\$385
Local Transportation	\$144	\$144	\$144
Personal Expenses	\$134	\$151	\$151
Total	\$766	\$295	\$1,362

Note: the total for students living on campus does not include housing and food costs.
Totals rounded to nearest dollar.

Table 2 lists the guidelines for the annual cost of books and supplies and student-specific costs that apply only to certain students:

Table 2: Supplemental Student Budget Expenses for FY2015-2016

	Lower Range		Upper Range
Book & Supplies Per Year	No lower limit		\$1,800*
Child Care if appropriate per month	\$274		\$1,139
Non-local Transportation	Amount determined by Institution		
Computer Allowance	\$500		\$1,800
Medical	\$163	Actual cost at campus health center	\$335

*To be determined at institution and may vary by course of study

The recommended FY 2015-2016 student budget guidelines are described in more detail below.

Housing Costs

Housing budget guidelines vary for three groups of students.

- *On Campus:* For students living in dormitories, the housing budget is the actual room expense that the campus charges students.
- *Off Campus:* The Department’s student budget parameters 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 FY2014-2015 student budget guideline for housing was \$634. Department staff used internet research and reports from the Colorado Department of Local Affairs to determine that the fair market rate for a two bedroom apartment rate to meet the FY2015-2016 budget guideline. According to the 2015 Apartment and Rental Properties: Vacancy and Rent Surveys apartment rents have increased by eight percent in the past year, this is largely attributed to the low vacancy rate. Utility costs have increased by 2.9% based on the consumer price index (CPI). Staff recommends adjusting the monthly budget to \$682 to address an increase in both rent and utilities for FY2015-2016 for students living off campus.
- *With Parents:* For students living with parents, the FY2014-2015 housing budget guideline was \$215. Staff has maintained that budget line for FY2015-2016.

Food Expenses:

Food budgets vary for three groups of students:

- *On Campus:* For students living in dormitories, the food budget guideline is the actual cost of board.
- *Off Campus:* For students living off campus the November 2014 CPI measure from the Bureau of Labor Statistics, food costs away home have increased by 2.9% for the year in 2014. Department staff recommends the FY2015-2016 budget guideline reflect this increase, or \$385 per month (an \$11 monthly increase).
- *With Parents:* For students who live with their parents, the Department's student budget parameters assume that food is a shared cost. The FY2014-2015 student budget guideline was set at \$273 per month, (an \$8 monthly increase). According to the November 2014 CPI measure from the Bureau of Labor Statistics, food costs at home have increased by 3.2% in 2014.

Local Transportation Expenses Excluding Non-local Transportation:

The student budget parameters define local transportation expenses as the cost of using public transportation or sharing the operation of an automobile. For FY2014-2015, the Department set the monthly local transportation guideline at \$144. Staff recommends that the rate remain effective for FY2015-2016. The rate allows for daily roundtrip transportation by bus or light rail (RTD rates), plus an additional budget for recreation, or the approximate cost of commuting and parking a car at \$6.00 per day.

Personal Expenses:

The student budget parameters define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. For FY2015-2016, the price of commodities increased by almost two percent. Department staff recommends increasing the personal expense guideline to reflect the increase. The monthly budget is \$134 for students living at home and \$151 for all other students; the main difference between the two groups is that students living at home do not typically incur laundry expenses.

Books and Supplies:

For books and supplies, Department staff recommends the upper budget limit for FY 2015-2016 be set at \$1,800, the same rate as the FY2014-2015 limit. This amount is based on information from the institutions. The average amount spent on text books nationally in FY 2013-2014 was

\$1,256 per year. The book allowance at each institution may vary, depending on course of study. The Department also has eliminated a minimum amount in FY 2015-2016 based on feedback from institutions.

Child Care:

Child care in Colorado continues to be expensive. The child care budget guideline is based on the range of the actual cost of care per child, per month, up to a maximum of \$1,139 per child. A report from the National Association of Child Care Resource and Referral Agencies published child care costs in Boulder, Colorado Springs, Denver and Grand Junction areas. The report describes the average costs for childcare for both infants and older children. The higher range is based upon infant care and the minimum is an estimate for home care for school-aged children, ranging from \$274 per month and up. 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 guideline of \$335 per month or to use the actual costs at campuses that offer campus based insurance plans. This amount is based on health insurance data from major health care providers with data published on the web (Kaiser Permanente and Cigna). 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 \$50 co-pay for females at age 40 for the high average. The lower limit of \$163 per month is based upon an individual plan for a 20 year old student.

Non-local Transportation:

The Department does not establish this guideline. 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 \$1,800 – in FY2015-2016 remains consistent with last year, as prices remain flat or are decreasing.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the FY 2015-2016 Student Budget Parameters.

STATUTORY AUTHORITY

C.R.S. 23-3.3-101 (1.5) (a)

(1.5) "Cost of attendance at a nonpublic institution of higher education" means:

(a) Allowances specified by the commission for room and board and miscellaneous expenses, which shall be the same for nonpublic institutions of higher education as for a representative group of comparable state institutions, as determined by the commission