

TOPIC: FY 2018 – 2019 STUDENT BUDGET PARAMETERS

PREPARED BY: EMILY BURNS, LEAD FINANCE ANALYST

I. SUMMARY

This consent agenda recommends approval of the Fiscal Year 2018-2019 Student Budget Parameters.

II. BACKGROUND

In compliance with federal regulations, postsecondary education institutions that participate in federal financial aid programs are required to determine average costs that they use to determine federal financial aid (grants, work study, and loans) to students. The cost of attendance for a student is an estimate of a student's educational expenses for the period of enrollment. Allowable costs include: tuition and fees, books, supplies, transportation, personal expenses, and room and board with additional supplemental budgets specific to certain circumstances.

Institutional financial aid administrators conduct a need analysis for students, estimating the amount of assistance needed after accounting for the expected contributions from that student and his or her family. The need analysis has two basic components: (1) the student's cost of attendance (COA), which is a reasonable estimate of what it will 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 an eligible student can be awarded.

Annually, the Colorado Commission on Higher Education (CCHE) recommends guidelines for student budget parameters to be used by financial aid administrators, in determining COA at their respective institutions. The Department's recommended guidelines use published data from the Colorado Department of Local Affairs and the U.S. Bureau of Labor Statistics to determine housing costs. Child care costs are based on Colorado data as reported from the National Association of Child Care Resource and Referral Agencies. 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.

While the state guidelines establish a reference point, the U.S. Department of Education allows 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 these costs must use actual data to support their adjusted budget and file adjusted student budgets with the Department.

II. STAFF ANALYSIS

Annually, Department staff conducts research in each student budget area to ensure that student budgets remain reasonable. For FY 2018-2019, the research and agenda item have been moved up in the calendar to provide guidance to institutions as the Federal Government shifts to an earlier Federal Application for Student Aid (FAFSA) availability of October 1st instead of January 1st. The following tables summarize the recommended guidelines for FY 2018-2019, with further information provided below.

Table 1 shows the Student Budget Base for FY 2018-2019 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 2018-2019

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$225	Actual	\$852
Food	\$274	Actual	\$431
Local Transportation	\$185	\$185	\$185
Personal Expenses	\$134	\$151	\$151
Total	\$811	\$336	\$1,484

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 discretionary costs that apply to certain students:

Table 2: Supplemental Student Budget Expenses for FY2018-2019

	Lower Range		Upper Range
Book & Supplies Per Year	No lower limit		\$1,800*
Child Care if appropriate per month	\$351**		\$1,037**
Non-local Transportation	Amount determined by Institution		
Computer Allowance	\$500		\$1,800

Medical	\$175	Actual cost at campus health center	\$270
---------	-------	-------------------------------------	-------

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

**The childcare allowance range shrank because Colorado-specific estimates were available this year whereas last year, national averages were used.

The recommended FY 2018-2019 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 FY 2017-2018 student budget guideline for housing was \$736. According to the 2017 Apartment and Rental Properties: Vacancy and Rent Surveys rents in the Denver Metro area increased throughout 2016 and into the first half of 2017. The average rent for a two-bedroom, one-bathroom apartment was \$1,439 in the metro area.

Regionally, outside of metro Denver and Boulder, housing costs remain lower, but continue to grow at varying rates. Utility costs increased per the Consumer Price Index (CPI); this is largely tied to the uptick in oil prices. The Department’s suggested increase was calculated using the average percentage increase of the Bureau of Labor Statistics energy index for electricity and utility (piped) gas service.

Staff recommends increasing the monthly budget to \$852. This amount covers half of the rent for a two-bedroom, one-bathroom apartment (\$719), and increases the amount for utilities from \$87 to \$94 to cover the projected inflation rate of 7.9%. Additionally, staff applied a 5.3% inflation rate, which is the BLS reported inflation rate on rent, to housing costs as a way to anticipate changes between September of 2017 and when the parameters will take effect in the fall of 2018. As housing costs are the largest share of the budget, and have been increasing the most in recent months, staff wanted to ensure that some room for fluctuation in prices was built into the budgets. Department staff used the Bureau of Labor Statistics CPI Report for Denver-Boulder-Greeley for the first half of 2017 and 2017 Vacancy and Rent Surveys produced by the Colorado Department of Local Affairs to determine that the fair market rate for a two bedroom apartment in metropolitan areas rose within the FY 2017-2018 budget guideline.

- *With Parents:* For students living with parents, the FY 2017-2018 housing budget guideline was \$218. Staff recommends increasing the housing budget for students living at home by inflation (3.1) which would increase the total to \$225.

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 annualized CPI measure from the Bureau of Labor Statistics for food costs away from home increased by 4.6% over the last 12 months. Department staff recommends the FY 2018-2019 budget guideline reflect the inflationary increase bringing the total monthly allowance to \$431 (an increase of \$19).
- *With Parents:* For students who live with their parents, the Department's student budget parameters assume that food is a shared cost across the household. The FY 2017-2018 student budget guideline was set at \$274 per month. According to the measure from the Bureau of Labor Statistics, the annualized food costs at home increased by 0.2% over the last 12 months, a .2% increase on \$274 is \$.55. Because the increase is minimal and because food prices tend to be more volatile than other goods, staff recommends that the FY 2018-19 amount remains at \$274.

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 FY 2017-18, the Department set the monthly local transportation guideline at \$185, based largely on a substantial increase in the Regional Transit Pass, plus an additional budget for recreation, or the approximate cost of commuting and parking a car at \$6.00 per day. Because the Regional Transit Pass increase realized last year has since stabilized, staff recommends that the FY 2018-19 amount also remains constant at \$185.

Personal Expenses:

The student budget parameters define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. The annualized Consumer Price Index for commodities minus food and energy commodities (which are accounted for elsewhere in the parameters) decreased slightly over the last 12 months. Department staff recommends holding the parameters for personal expenses constant from FY 2017-2018 to FY 2018-2019 as the decrease was minimal and not proportionate across all commodities. 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 2018-2019, (Academic Year 2018-19) be set at \$1,800, the same rate as the FY 2017-2018 limit. The average amount spent on textbooks nationally in FY 2017-2018 varied by sector, but it remains under the \$1,800 proposed parameter. The book allowance at each institution may vary, depending on course of study. The Department will continue not recommending a minimum amount for books in FY 2018-19. There are more affordable options for textbooks than purchasing all books, including textbook rental.

Child Care:

Child care in Colorado continues to be expensive. The cost depends on location and age of the child. The 2017 Colorado Fact Sheet published by Child Care Aware, USA shows the average costs for child care in Colorado range between \$4,766 for a school-aged child and \$15,138 for an infant. The FY 2018-2019 child care budget guideline is based on the range of the reported cost of care per child, per month, from \$351 up to a maximum of \$1,037 per child. The recommended range is the monthly average cost associated with the cost for care of an infant (the higher cost) and for a school-aged child (the lower cost). Based on the availability of new data, this staff recommendation is slightly lower than last year's estimate of \$419 and 1,096, respectively.

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 \$270 per month or to use the actual costs at campuses that offer campus based insurance plans. The upper limit is based on health insurance data from major health care providers in addition to data on the web for an older, higher-risk population. The amount accounts for differences in population traits. The lower limit of \$175 per month is based on the review of individual plans on Colorado's health insurance exchange (Connect for Health Colorado) for 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. For FY 2018-19 the proposed parameter price range for computers is \$500 to \$1,800, remaining constant from the previous fiscal year as prices for technology remain constant or decline.

Summary of Changes

Table 1: Student Monthly Budget Base for FY 2017-2018

	FY17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19
	Students Living with Parents	Students Living with Parents	Students Living on Campus	Students Living on Campus	Students Living off Campus	Students Living off Campus
Housing	\$218	\$225	Actual	Actual	\$736	\$852
Food	\$274	\$274	Actual	Actual	\$412	\$431
Local Transportation	\$185	\$185	\$185	\$185	\$185	\$185
Personal Expenses	\$134	\$134	\$151	\$151	\$151	\$151
Total	\$811	\$818	\$336	\$336	\$1,484	\$1,619

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 discretionary costs that apply to certain students:

Table 2: Supplemental Student Budget Expenses for FY2017-2018

	Lower Range FY 17-18	Lower Range FY 18-19		Upper Range FY 18-19	Upper Range FY 17-18
Book & Supplies Per Year	No lower limit	No lower limit		\$1,800*	\$1,800*
Child Care if appropriate per month	\$419	\$351**		\$1,037**	\$1,096
Non-local Transportation	Amount determined by Institution				
Computer Allowance	\$500	\$500		\$1,800	\$1,800
Medical	\$175	\$175	Actual cost at campus health center	\$270	\$270

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

**The childcare allowance range shrank because Colorado-specific estimates were available this year whereas last year, national data was used.

STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the FY 2018-2019 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