

TOPIC: 2011 – 2012 STUDENT BUDGET PARAMETERS (APPROVED)

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I. SUMMARY

This agenda item presents the FY2011-2012 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

Financial aid administrators conduct a student need analysis to determine eligibility for need-based aid 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 determined 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. The Department's recommended guidelines use published data from the Colorado Department of Local Affairs, the U.S. Bureau of Labor Statistics, and www.apartments.com to determine housing costs. Child care costs are from the Colorado data as reported from the National Association of Child Care Resource and Referral Agencies and local inquiries. Food costs are from the U.S. Bureau of Labor Statistics using the Consumer Expenditure Survey. Book costs are derived using the guidelines from the Higher Education Reauthorization Act of 2008 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, 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

Each year, Department staff conducted research in each student budget area to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines for FY2011-2012, with further information provided below.

Table 1 shows the Student Budget Base for FY2011-2012 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 FY2011-2012

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$215	<i>Actual</i>	\$620
Food	\$250	<i>Actual</i>	\$348
Local Transportation	\$144	\$144	\$144
Personal Expenses	\$127	\$141	\$143
Total	\$736	\$285	\$1,255

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

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 FY 2011-2012

	Lower Range	Upper Range
Book & Supplies Per Year	\$1,200	\$2,000*
Child Care if appropriate per month	\$368	\$1004
Non-local Transportation	Amount determined by Institution	
Computer Allowance	\$500	\$1,800
Medical	\$90	\$248/month

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

The recommended FY2011-2012 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 FY2010-FY2011 student budget guideline 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 fell below the FY2010-FY2011 budget guideline. According to the 2010 Metro Denver Housing Vacancy and Rent Survey, rents have increased slightly but have not returned to 2008 rates. Staff recommends an increase based on the projected consumer price index (CPI) of 1.65% for the housing budget guideline for FY2011-2012. The rate allows for economic adjustments in rent or utilities.
- *With Parents:* For students living with parents, the FY2010-FY2011 housing budget guideline was \$212. Staff recommends an increase to \$215 for FY2011-2012 based on a CPI of 1.65%. Staff derived 1.65% from the taking the average of two projections. December 2010 Colorado Office of State Planning and Budgeting Revenue Forecast, which projected the CPI for CY 2011 to be 1.6%, and the midyear projection from the U.S. Bureau of Labor Statistics, which set the CPI at 1.7%.

Food Expenses:

Food budgets similarly 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 Consumer Expenditure Survey, published by the U.S. Bureau of Labor Statistics, estimated food costs for single consumers at \$348 per month. Department staff recommend the FY2011-2012 budget guideline reflect the increase.

With Parents: For students who live with their parents, the Department's student budget parameters assume that food is a shared cost. The FY2010-2011 student budget guideline was set at \$250 per month. According to the November 2010 CPI measure from the

Bureau of Labor Statistics, food costs at home have increased by .1% in 2010. Thus, staff recommends the food budget guideline for this group of students remain at \$250 per month.

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. The Department set the monthly local transportation guideline for FY2010-FY2011 at \$144. Staff recommends that the rate remain effective for FY2011-2012. 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 FY2010-2011, Department staff recommends increasing the personal expense guideline by CPI to \$127 for students living at home and to \$143 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 FY2011-2012 be set at \$2,000, which is a \$200 increase above the FY2010-FY2011. This amount is based on information from the institutions. The book allowance at each institution may vary. 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 guideline is based on the range of the actual cost of care per child, per month, up to a maximum of \$1004 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 showed costs ranging from \$368 per month for home care for a school aged children to \$1108 per month for full time center infant care. Because of the wide range of costs and types of care, Department staff chooses to use 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 \$248 per month. This amount is based on health insurance data from major health care providers with a data 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 \$248 per month guideline is within the range of costs reported.

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 \$1800 – in FY2011-2012 remains consistent with last year, as prices remain flat. The data sources included web-published costs listing products and price, published December 2010.

III. STAFF RECOMMENDATIONS

That the Commission approve the 2011-2012 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