

TOPIC: FY2012 – 2013 STUDENT BUDGET PARAMETERS (APPROVED)

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I. SUMMARY

This agenda item presents the FY2012-2013 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.craigslist.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 price index for food costs. 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 conducts research in each student budget area to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines for FY2012-2013, with further information provided below.

Table 1 shows the Student Budget Base for FY2012-2013 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 FY2012-2013

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$215	<i>Actual</i>	\$631
Food	\$265	<i>Actual</i>	\$358
Local Transportation	\$144	\$144	\$144
Personal Expenses	\$130	\$146	\$146
Total	\$754	\$290	\$1,279

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 FY2012-2013

	Lower Range		Upper Range
Book & Supplies Per Year	No lower limit		\$1,800*
Child Care if appropriate per month	\$368		\$1,033
Non-local Transportation	Amount determined by Institution		
Computer Allowance	\$500		\$1,800
Medical	\$93	Actual cost at campus health center	\$248/month

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

The recommended FY2012-2013 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 FY2011-2012 student budget guideline for housing was \$620. 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 within the FY2011-2012 budget guideline. According to the 2011 Metro Denver Housing Vacancy and Rent Survey, vacancy rates have dropped and rents have increased slightly. At the same time, electricity costs have increased by 2.2% based on the consumer price index (CPI). Staff recommends an increase of \$11 based on the median rent rates for a two bedroom apartment for the housing budget guideline for FY2012-2013. The rate allows for economic adjustments in rent or utilities.
- *With Parents:* For students living with parents, the FY2011-2012 housing budget guideline was \$215. Staff has maintained that budget line for FY2012-2013 due to an increase in the prior year.

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 December 2011 CPI measure from the Bureau of Labor Statistics, food costs at home have increased by 2.9% in 2011. Department staff recommends the FY2012-2013 budget guideline reflect the increase to \$358 per month. The prior year level was \$348 per month.

With Parents: For students who live with their parents, the Department's student budget parameters assume that food is a shared cost. The FY2011-2012 student budget guideline was set at \$265 per month. According to the December 2011 CPI measure from the Bureau of Labor Statistics, food costs at home have increased by 6% in 2011. Thus, staff recommends the food budget guideline for this group of students be increased from the prior year level of \$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 FY2011-2012 at \$144. Staff recommends that the rate remain effective for FY2012-2013. 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 FY2011-2012, Department staff recommends increasing the personal expense guideline by CPI to \$130 for students living at home and to \$146 for all other students; 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 budget limit for FY2012-2013 be set at \$1,800, which is a \$200 decrease from the FY2011-2012 limit. This amount is based on information from the institutions. The book allowance at each institution may vary. The Department also has eliminated a minimum amount in FY2012-2013 based on feedback from institutions.

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 \$1033 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 reports the average costs for childcare for both infants and older students. The higher range is based upon infant care and the minimum is an estimate for home care for a school aged children ranging from \$368 per month and up. 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 or to use the actual costs at campuses the offer campus based insurance plans. This amount is based on health insurance data from major health care providers with a data on the web (Kaiser Permanente and Anthem Blue Cross and 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 \$40 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. The lower limit of \$93 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 \$1800 – in FY2012-2013 remains consistent with last year, as prices remain flat or are decreasing.

STAFF RECOMMENDATION

That the Commission approve the FY2012-2013 Student Budget Parameters

STATUTORY AUTHORITY

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