

TOPIC: 2009-2010 STUDENT BUDGET GUIDELINES

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I. SUMMARY

This agenda item presents the FY2009-2010 Student Budget Aid Guidelines. 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 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 Division of Housing, 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 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 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

To update the guidelines for FY2009-2010, Department staff conducted research in each budget area to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines, with further information provided below. Table 1 shows the Student Budget Base for FY2009-2010 for Student Living with Parents, Students Living on Campus, and Students Living off Campus:

Table 1: Student Monthly Budget Base for FY2009-2010

	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	\$1,227

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

The student monthly budget base includes monthly costs typically incurred by all students. 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 2009-2010

	Lower Range	Upper Range
Book & Supplies Per Year	\$1,200	\$1,749
Child Care if appropriate per month	\$582	\$905
Non-local Transportation	Amount determined by Institution	
Computer Allowance	\$500	\$1,800
Medical	\$90	\$237/month

The recommended FY2009-2010 student budget guidelines are described in more detail below.

Housing Costs

Housing budget guidelines vary for three groups of students.

- For students living in dormitories, the housing budget is the actual room expense that the campus charges students.
- The Department's financial aid guidelines 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 FY2008-2009 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 FY2008-2009 budget guideline. Monthly rent and utilities average \$1117, with half the cost being \$559. Therefore, staff recommends no increase to the housing budget guideline for FY2009-2010. The rate allows for minimal increases in rent or utilities.
- For students living with parents, the FY2008-2009 housing budget guideline was \$206. This number has been updated for FY2009-2010 by the amount of the consumer price index (CPI), resulting in a housing budget for students living with parents of \$212. The CPI of 2.2% was derived from the December 2008 Colorado Office of State Planning and Budgeting Revenue Forecast. The forecasted CPI for CY 2008 is 3.8% and for CY 2009 is 2.2%. The average for FY2009-2010 used in these calculations is 3.0%.

Food Expenses:

Food budgets similarly vary for three groups of students.

- For students living in dormitories, the food budget guideline is the actual cost of board.
- For students living off campus, the Consumer Expenditure Survey, published by the U.S. Department of Labor Statistics, estimated food costs for single consumers at \$332 per month. Based on this estimate, Department staff recommends that the FY2009-2010 budget guideline remain the same.
- For students who live with their parents, the Department's financial aid guidelines assume that food is a shared cost. Colorado's Self Sufficiency Standards (CSSS) for 2008 provides rates from all 64 Colorado counties for various categories, including food expenses required to survive without public or private assistance. According to the report, single adults required \$227 per month in the Denver/Boulder area and slightly less

in other areas. The FY2008-2009 student budget guideline was set at \$250 per month. Increasing the CSSS rates by CPI produces a result just below that amount. Thus, staff recommends the food budget guideline for this group of students be set at \$250 per month.

Local Transportation Expenses Excluding Non-local Transportation:

The 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 guideline for FY2008-2009 at \$144. Staff recommends that the rate remain effective for FY2009-2010. 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 financial aid guidelines define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. For FY2009-2010, Department staff recommends increasing the personal expense guideline by CPI from \$121 to \$125 for students living at home and from \$137 to \$141 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 FY2009-2010 be set at \$1749, which is the same as FY2008-2009. This amount is based on information from the institutions. The Department also includes a minimum amount of \$1200 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 \$905 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 \$582 per month for home care for a four-year old to \$905 per month for full time center infant care. Because of the wide range of costs and types of care, Department staff chose to use the state average for an infant in a childcare facility as a maximum for child care.

Medical Expenses:

In prior years, the Department has included a budget amount for medical expenses. The FY2009-2010 Student Financial Aid Guidelines do not include medical expenses as a part of regular

student budget guidelines. Instead, medical expenses are included as an optional expense in supplemental budgets for those who do not have insurance through the school or privately. This approach is in line with Federal regulations, which do not require medical expenses to be included in student budget guidelines because many institutions require students to carry medical insurance and provide it as a part of student fees.

For institutions that do not have health insurance or medical care funded through student fees, the Department recommends a maximum health expense guideline of \$237 per month. This amount is based on health insurance data from major health care providers with a data on the web (Aetna 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 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 FY2009-2010 remains consistent with last year, as prices remain flat. The data sources included web-published costs listing products and price, published December 2008.

III. STAFF RECOMMENDATIONS

That the Commission approve the 2009-2010 Student Financial Aid Budget Guidelines

STATUTORY AUTHORITY

C.R.S. 23-3.3-102