

TOPIC: FISCAL YEAR 2020 – 2021 STUDENT BUDGET PARAMETERS

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I. SUMMARY

This discussion item recommends approval of the Fiscal Year 2020-2021 Student Budget Parameters.

II. BACKGROUND

In compliance with federal regulations, postsecondary education institutions that participate in federal financial aid programs are required to set average costs 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 the following: tuition and fees, books, supplies, transportation, personal expenses, and room and board, with additional supplemental budgets specific to certain circumstances. The cost of attendance is a widely used metric. For example, cost of attendance was a key part of the discussion in the Department's Return on Investment Report released July 31, 2019. In Colorado, institutional cost of attendance calculations are made with guidance from student budget parameters set by the Department.

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, the 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. 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. Childcare costs are based on Colorado data as reported from the National Association of Child Care Resource and Referral Agencies.

Although 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.

III. STAFF ANALYSIS

Annually Department staff researches each student budget area to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines for FY 2020-21 with further information provided below.

Table 1 shows the Student Budget Base for FY 2020-21 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 2020-21

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$238	Actual	\$798
Food	\$276	Actual	\$473
Local Transportation	\$185	\$185	\$185
Personal Expenses	\$143	\$160	\$160
Total	\$842	\$345	\$1,616

Note: the total for students living on campus does not include housing and food costs.
 Totals rounded to the 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 FY 2020-21

	Lower Range		Upper Range
Book & Supplies Per Year	No lower limit		\$1,800*
Child Care if appropriate per month	\$428		\$1,295
Non-local Transportation	Amount determined by Institution		
Computer Allowance	\$500		\$1,800

Medical	\$250	Actual cost at campus health center	\$350
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*To be determined at institution and may vary by course of study

The recommended FY 2020-21 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 2019-20 student budget guideline for housing was \$858. According to the fourth quarter 2018 Apartment and Rental Properties: Vacancy and Rent Surveys, rents in the Denver metro area increased in the first two quarters before falling in the second half of the year. The average rent for a two-bedroom, one-bathroom apartment was \$1,367 in the metro area.

Regionally, outside of metro Denver and Boulder, housing costs remain lower, but continue to grow at varying rates. Utility costs decreased per the Consumer Price Index (CPI) due to lower prices for all major components. The Department’s suggested increase was calculated using the household energy index of the Bureau of Labor Statistics, which includes electricity and utility (piped) gas service.

Staff recommends setting the monthly budget at \$798.¹ This amount covers half of the rent for a two-bedroom, one-bathroom apartment (\$683), and decreases the amount for utilities from \$102 to \$97 based on a 5.3% decline in the household energy index. Additionally, staff applied a 2.6 percent inflation rate; the BLS reported inflation rate on rent to housing costs as a way to anticipate changes between September of 2019 and the date when the parameters will take effect in the fall of 2020. As housing costs are the largest share of the budget, staff seeks to ensure that there is room for fluctuation in prices was built into the budgets. Department staff used the Bureau of Labor Statistics Denver-Aurora-Lakewood CPI Report for July 2019 and the Fourth Quarter of 2018 Vacancy and Rent Surveys produced by the Colorado Department of Local Affairs to determine that the average market rate for a two-bedroom apartment in the Denver metropolitan area.

¹ This slight decrease in the housing budget does not reflect a decrease in actual housing costs – it is a correction of an error in the FY 2019-20 Student Budget Parameters. The housing estimate is based on the average rent for a two-bedroom, one-bathroom apartment in the Denver metro area; the 2019-20 parameters mistakenly used the average rent for *any* apartment in Denver county.

- *With Parents:* For students living with parents, the FY 2019-20 housing budget guideline was \$233. Staff recommends increasing the housing budget for students living at home by inflation (2.1 percent), which would increase the total to \$238.

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 4.3% over the last 12 months. Department staff recommends the FY 2020-21 budget guideline reflect the inflationary increase, bringing the total monthly allowance to \$473 (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 2019-20 student budget guideline was set at \$280 per month. According to the measure from the Bureau of Labor Statistics, the annualized food costs at home decreased by 1.6 percent over the last 12 months. Staff recommends the FY 2020-21 budget guideline reflect the decrease, lowering the monthly allowance by \$4 for a total of \$276.

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 2019-20, the Department held the monthly local transportation guideline at \$185, based largely on the cost of an RTD Monthly 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 in FY 2017-18 has since stabilized, staff recommends that the FY 2020-21 amount also remain constant.

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 all items minus food and energy (which are accounted for elsewhere in the parameters) increased by 2.8 percent over the last 12 months. In FY 2019-20, the monthly budget was \$139 for students living at home and \$156 for all other students; staff recommends that the FY 2020-21 budget parameters reflect the 2.8 percent inflationary increase to CPI for all items minus food and energy. As such, the FY 2020-21 monthly budget for students living at home is \$143 and \$160 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 2020-21 be set at \$1,800, the same rate as the FY 2019-20 limit. The average amount spent on textbooks nationally in FY 2018-19 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 to abstain from recommending a minimum amount for books in FY 2020-21. There are more affordable options for textbooks than purchasing all books. Students may choose to rent textbooks, borrow, or share.

Childcare:

Childcare in Colorado continues to be expensive. The cost depends on location and age of the child. The 2019 Colorado Fact Sheet published by Child Care Aware USA no longer includes average cost data as a metric. For that reason, Department staff has elected to increase the FY 2019-20 average cost of childcare by the Denver-Aurora-Lakewood CPI inflation rate for tuition, school fees and childcare (3.9 percent). As such, the inflation adjusted range for average costs for child care in Colorado is between \$5,135 for a school-aged child and \$15,543 for an infant. The FY 2020-21 childcare budget guideline is based on the range of the estimated cost of care per child per month, from \$428 up to a maximum of \$1,295 per child. The recommended range is the monthly average cost associated with the cost of care for a school-aged child (the lower cost) and the cost of care for an infant (the higher cost).

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 \$350 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 for an older, higher-risk population. The lower limit of \$250 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. The amounts account for some differences in population traits.

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 2019-20, the proposed parameter is 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, Changes from FY 2019-20 to FY 2020-21

	FY 19-20	FY 20-21	FY 19-20	FY 20-21	FY 19-20	FY 20-21
	Students Living with Parents		Students Living on Campus		Students Living Off Campus	
Housing	\$233	\$238	Actual	Actual	\$858	\$798
Food	\$280	\$276	Actual	Actual	\$453	\$473
Local Transportation	\$185	\$185	\$185	\$185	\$185	\$185
Personal Expenses	\$139	\$143	\$156	\$160	\$156	\$160
Total	\$837	\$842	\$341	\$345	\$1,652	\$1,616

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, Changes from FY 2019-20 to FY 2020-21

	Lower Range FY 19-20	Lower Range FY 20-21		Upper Range FY 19-20	Upper Range FY 20-21
Books & Supplies Per Year	No lower limit	No lower limit		\$1,800*	\$1,800*
Child Care Per Month (if appropriate)	\$411	\$428		\$1,246	\$1,295
Non-local Transportation	Amount determined by institution				
Computer Allowance	\$500	\$500		\$1,800	\$1,800
Medical	\$200	\$250	Actual cost at campus health center	\$300	\$350

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

IV. STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the FY 2020-21 Student Budget Parameters.

V. 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