

TOPIC: RECOMMENDATION FOR APPROVAL OF FY 2023-24 STUDENT BUDGET PARAMETERS

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I. SUMMARY

This item recommends approval of the Fiscal Year 2023-24 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 used to determine federal financial aid (grants, work study, and loans) to students. The cost of attendance 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. 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 2020 Road to Affordability Report. 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. 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.

This year Department staff recalibrated the data to trusted data sources. Some of the base numbers were a decade old with various measures of inflation applied year over year. This largely increased student budgets significantly, other than a small decrease in food.

Annually, the Commission 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 various reputable data sources. U.S. Department of Housing and Urban Development (HUD) FY2023 Fair Market Rent (FMR's) were applied for housing expenses, as well as Consumer price Index (CPI) July 21-July 22 for energy services in the household energy index. Broadband Service was also included in housing costs, using Colorado Broadband Office, provided by Governor's Office of Information Technology. Food costs are based on the U.S. Bureau of Labor Statistics' September 2021 Consumer Expenditure Survey. September's Colorado Office of State Planning and Budgeting (OSPB) inflation forecast for 2022

and 2023 respectively was then applied. Transportation expenses were sourced from Regional Transportation District's (RTD) fare structure. Personal expenses were calculated using the OSPB inflation forecast for 2022. Book costs are derived using the guidelines from the College Board, Annual Survey Colleges; NCES, IPEDS Fall 2020 Enrollment Data; Student Watch and Student Monitor. Childcare costs were sourced from the Economic Policy Institute then adjusted for inflation for infants, and a representative school district before/after-care program for school aged children. Medical expenses were calculated using the Plan Finder Connect for Health Colorado.

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

The Department researches each student budget area annually to ensure that student budgets remain reasonable. The following tables summarize the recommended guidelines for FY 2023-24 with further information provided below.

Table 1 shows the Student Budget Base for FY 2023-24 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 2023-24

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$830	Actual	\$1,165
Food	\$258	Actual	\$466
Local Transportation	\$185	\$185	\$185
Personal Expenses	\$160	\$179	\$179
Total	\$1,433	\$364	\$1,995

Note: the total for students living on campus does not include housing and food costs, since actuals are determined by the institution.
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 2023-24

	Lower Range		Upper Range
Book & Supplies (per year)	No lower limit		\$1,460*
Child Care (per month)	\$775		\$1,496
Non-local Transportation	Amount determined by Institution		
Computer Allowance (per year)	\$500		\$1,800
Medical (per month)	\$300	Actual cost at campus health center	\$350

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

The recommended FY 2023-24 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 residence halls, 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% of the average rent and utility costs for a two-bedroom apartment. The FY 2022-23 student budget guideline for housing was \$812. According to the FY 2023 Fair Market Rent Documentation System¹, the average rent for a two-bedroom, one-bathroom apartment in Eagle County is \$2,030. This is the highest cost area in Colorado and therefore, was used to calculate the maximum of the range.

Outside of Eagle County, housing costs are lower, but continue to grow at varying rates. Utility costs increased slightly. The Department’s suggested cost was calculated using the household energy index of the Bureau of Labor Statistics², which includes electricity and utility (piped) gas service.

In total, Staff recommend setting the monthly housing budget maximum at \$1,165 a \$353 increase from the FY 2022-23 maximum of \$812. This amount is meant to cover half of the rent for a two-bedroom, one-bathroom apartment in Eagle County and increases the amount for utilities from \$96 to \$114. In FY 2023-24, staff also recommend keeping the

¹ <https://www.huduser.gov/portal/datasets/fmr.html>

² <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm#>

monthly budget for internet at \$36. This amount is equal to roughly half of the average monthly internet cost in Colorado per the Broadband Office of the Governor's Office of Information Technology.³

- *With Parents:* For students living with parents, the FY 2023-24 maximum housing budget guideline increased from \$245 to \$830. This is based on splitting the cost of a three-bedroom apartment three ways using the Fair Market Rent Documentation System.

Food Expenses:

Food budgets vary for three groups of students:

- *On-Campus:* For students living in residence halls, the food budget guideline is the actual cost of board.
- *Off-Campus:* For students living off campus, there was a decrease from last year. The basis of the previous amount was a decade old and various methods of inflation were applied over the years to arrive at the FY 2022-23 budget. As with other portions of the student budget, staff recalibrated the data this year to align with up-to-date, trusted data sources. The average annual expenditure for food in the Bureau of Labor Statistics' 2021 Consumer Expenditure Survey was \$4,942 for one person.⁴ The Department then adjusted for inflation for 2022 and 2023 from September's OSPB Colorado Inflation Forecast of 8.3% and 4.5% respectively. Department staff recommend the FY 2023-24 budget guideline reflect the decrease from \$504 to \$466 a \$38 decrease.
- *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 2022-23 student budget guideline was set at \$289 per month. Applying the same metrics used for students living Off-Campus, staff recommends the FY 2023-24 budget guideline reflect the decrease, bringing the monthly allowance to total of \$258, a \$31 decrease.

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 2023-24, the Department recommends holding the monthly local transportation guideline constant 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.⁵

Personal Expenses:

The student budget parameters define personal expenses to include the costs of laundry, dry cleaning, toiletries, clothing, recreation, and recreational transportation. In FY 2022-23, the monthly budget was \$148 for students living at home and \$165 for all other students, staff

³ <https://broadband.colorado.gov/learning-center/broadband-101/choosing-broadband-service>

⁴ [Table 1400. Size of consumer unit: Annual expenditure means, shares, standard errors, and coefficients of variation, Consumer Expenditure Surveys, 2021 PDF \(bls.gov\)](#)

⁵ <https://www.rtd-denver.com/fares-passes/fares>

recommend that the FY 2023-24 budget parameters reflect the 8.3% inflationary increase based on OSPB's inflation forecast for 2022. As such, the FY 2023-24 monthly budget for students living at home is \$160 and \$179 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 recommend the upper budget limit for FY 2023-24 be set at \$1,460, equal to the FY 2022-23 limit. The average amount spent on textbooks nationally varies by sector. According to the 2021 Trends in College Pricing Report, published annually by College Board, the high range of textbook costs is \$1,460.⁶ 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 2023-24. There are more affordable options for textbooks than purchasing all books. Students may choose to rent textbooks, borrow, or utilize open educational resources.

Childcare:

Childcare in Colorado continues to be expensive. The cost depends upon location and age of the child. Per the October 2020 Economic Policy Institute⁷, annual average costs for childcare in Colorado is \$15,325, which is \$1,277 per month for an infant. Once inflation of 3.54% from BLS was added for 2021 and 8.3% and 4.5% from the OSPB 2022 and 2023 forecast, the annual total increased to \$17,958, which is \$1,496 per month for infant childcare. Staff applied the same metrics for annual childcare of a 4-year-old increasing the cost from \$12,390 to \$14,519, which is \$1,210 per month and a \$177 monthly increase from FY 22-23. Childcare costs for a school aged child before and after school and summer care in a representative district are \$9,300 annually.⁸ Therefore the minimum annual childcare budget is set at \$775 per month, a \$335 monthly increase from last year. The FY 2023-24 childcare budget guideline is based on the range of the estimated cost of care per child per month, from \$775 up to a maximum of \$1,496 per child.

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 minimum health expense guideline is set at \$300. Both limits are established based on a review for individual plans on Colorado's health insurance exchange, Connect for Health Colorado.⁹ The lower limit includes low to moderate use plans for a 20-year-old student who does not smoke. The upper limit is based on data for an older, higher-risk population with a higher use plan. The amounts account for some differences in population traits.

⁶ <https://research.collegeboard.org/media/pdf/trends-college-pricing-student-aid-2021.pdf> page 11

⁷ <https://www.epi.org/child-care-costs-in-the-united-states/#/CO>

⁸ [School Age Child Care & Summer Care | Littleton Public Schools](#)

⁹ <https://planfinder.connectforhealthco.com/home>

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 provides 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 2023-24, 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 2022-23 to FY 2023-24

	FY 22-23	FY 23-24	FY 22-23	FY 23-24	FY 22-23	FY 23-24
	Students Living with Parents		Students Living on Campus		Students Living Off Campus	
Housing	\$245	\$830	Actual	Actual	\$812	\$1,165
Food	\$289	\$258	Actual	Actual	\$504	\$466
Local Transportation	\$185	\$185	\$185	\$185	\$185	\$185
Personal Expenses	\$148	\$160	\$165	\$179	\$165	\$179
Total	\$867	\$1,433	\$350	\$364	\$1,666	\$1,995

Note: The total for students living on campus does not include housing and food costs, since actuals are determined by the institution.

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 2022-23 to 2023-24

	Lower Range FY 22-23	Lower Range FY 23-24		Upper Range FY 22-23	Upper Range FY 23-24
Books & Supplies (per year)	No lower limit	No lower limit		\$1,460*	\$1,460*
Child Care (per month)	\$440	\$775		\$1,332	\$1,496
Non-local Transportation	Amount determined by institution				
Computer Allowance (per year)	\$500	\$500		\$1,800	\$1,800
Medical (per month)	\$250	\$300	Actual cost at campus health center	\$350	\$350

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

IV. STAFF RECOMMENDATIONS

Staff recommend approval of the FY 2023-24 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

C.R.S. 23-3.3-102 (1)

(1) The general assembly hereby authorizes the commission to establish a program of financial assistance, to be operated during any school sessions, including summer sessions for students attending institutions.