

TOPIC: RECOMMENDATION FOR APPROVAL OF FY 2024-25 STUDENT BUDGET PARAMETERS

PREPARED BY: DEANNA CASTAÑEDA, LEAD FINANCE ANALYST & LAUREN GILLILAND, DEPUTY CHIEF FINANCIAL OFFICER

I. SUMMARY

This item recommends approval of the Fiscal Year 2024-25 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 in certain circumstances. The cost of attendance is a widely used metric. 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 family contributions from that student as calculated using the Free Application for Federal Student Aid (FAFSA) or Colorado Application for State Financial Aid (CASFA). 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 student aid index contribution (SAI), which is calculated by a federally-approved formula that accounts for income, assets, and other information. The difference between the COA and the SAI determines the eligible amount of need-based financial aid an eligible student can be awarded. New in 2024-25, an applicant's SAI is calculated using modified need analysis formulas outlined in the Better FAFSA Act. The new SAI will not include the number of family members attending college in the algorithm.

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 quantitative data methods from various reputable data sources to generate forecasting. The U.S. Department of Housing and Urban Development (HUD) FY2024 Fair Market Rent (FMR's) were applied for housing expenses, energy services were calculated based on the 2022 Consumer Expenditure Survey. 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 2022 Consumer Expenditure Survey and the USDA 2020–2025 Dietary Guidelines for Americans. September's Colorado Office of State Planning and Budgeting (OSPB) inflation forecast for 2023

and 2024 respectively was then applied. Transportation expenses were sourced from Regional Transportation District’s (RTD) fare structure. Personal expenses were calculated using the OSPB inflation September 2023 forecast. Book costs are derived using the guidelines from College Board. Childcare costs were sourced from the 2022 Colorado Child Care Market Rate Study 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 the 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. Requests for increases are subject to Department approval.

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 2024-25 with further information provided below.

Table 1 shows the Student Budget Base for FY 2024-25 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 2024-25

	Students Living with Parents	Students Living on Campus	Students Living off Campus
Housing	\$936	Actual	\$1,393
Food	\$307	Actual	\$472
Local Transportation	\$172	Actual	\$172
Personal Expenses	\$173	\$194	\$194
Total	\$1,588	Actuals + \$194	\$2,231

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 2024-25

	Lower Range		Upper Range
Book & Supplies (per year)	No lower limit		\$1,460*
Child Care (per month)	\$859		\$1,630
Non-local Transportation	Amount determined by Institution		
Computer Allowance (per year)	\$500		\$2,000
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 2024-25 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 2023-24 student budget guideline for housing was \$1165. According to the FY 2024 Fair Market Rent Documentation System¹, the average rent for a two-bedroom, one-bathroom apartment in Eagle County is \$2,319. 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 2022 Consumer Expenditure Survey², which includes gas, electricity and water. Since FY 2022-23, Student Monthly Budget Base for housing has shown a 69% increase reflective of market housing trends.

In total, Staff recommend setting the monthly housing budget maximum at \$1,393 a \$228 increase from the FY 2023-24 maximum of \$1,165. 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 \$114 to \$138. In FY 2024-25, staff also recommend keeping the monthly budget for internet at \$36. This amount is equal to roughly half of the average

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

² <https://www.bls.gov/cex/tables/calendar-year/mean-item-share-average-standard-error/cu-size-2022.pdf>

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 2024-25 maximum housing budget guideline increased from \$830 to \$936. 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, staff used current quantitative data available from trusted data sources and adjusted to include inflation. The average annual expenditure for food in the Bureau of Labor Statistics' 2022 Consumer Expenditure Survey was \$5,235 for one person.⁴ In conjunction with the Bureau of Labor Statics' 2022 Consumer Expenditure Survey, the Department utilized the USDA 2020–2025 Dietary Guidelines for Americans⁵ which reflects a healthy dietary pattern consists of a 2000 calorie diet per day. The calorie intake is based on the nutritional needs of most adults and used for meal planning purposes according to the 2020-2025 Dietary Guidelines. Given, the average American eats three meals per day, we can confirm the amount in the parameters covers three meals per day.

The Department then adjusted for inflation for 2023 and 2024 from September's OSPB Colorado Inflation Forecast of 5.0% and 3.1% respectively. Department staff recommend the FY 2024-25 budget guideline reflect the increase from \$466 to \$472 a \$6 increase. The previous year inflation assumptions were higher than the actual rate, minimizing the increase.

- *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 2023-24 student budget guideline was set at \$258 per month. Applying the same metrics used for students living Off-Campus, staff recommend the FY 2024-25 budget guideline reflect an increase of \$49, bringing the monthly total allowance to \$307.

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

⁴ <https://www.bls.gov/cex/tables/calendar-year/mean-item-share-average-standard-error/cu-size-2022.pdf>

⁵ https://www.dietaryguidelines.gov/sites/default/files/2020-12/Dietary_Guidelines_for_Americans_2020-2025.pdf

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 2024-25, the Department recommends decreasing the monthly local transportation guideline from \$185 to \$172, a \$13 decrease. This adjustment is based on the new RTD fare structure which will take effect January 2024 (Q1) reducing the monthly annual pass from \$114 to \$88 monthly.⁶ The reduced cost continues to incorporate an additional budget for recreation, or the approximate cost of commuting and parking a car at \$6.00 per day.⁷ The Department recommends institutions without RTD access to utilize actual costs for Students Living On Campus.

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 2023-24, the monthly budget was \$160 for students living at home and \$179 for all other students; staff recommend for FY 2024-25 budget parameters reflect the 5.0% inflation for 2023 and 3.1% 2024 inflationary increases based on OSPB's September 2023 forecast. As such, the FY 2024-25 monthly budget for students living at home is \$173 and \$194 for all other students. The primary cost differential between the two groups, is 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 2024-25 be set at \$1,460, equal to the FY 2023-24 limit. The average amount spent on textbooks nationally varies by sector. According to the 2022 Trends in College Pricing Report, published annually by College Board, the high range of textbook costs is \$1,460.⁸ 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 2024-25. 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. Despite the implementation of the Universal Preschool Program, families continue to struggle with childcare costs across the state. Quantitative data for this category reflects statewide childcare market rates have increased faster than the rate of inflation. Imperative to note, costs vary significantly depending upon location and the age of

⁶ <https://www.rtd-denver.com/news-stop/news/rtd-board-of-directors-approves-new-fare-structure-and-equity-analysis>

⁷ <https://www.rtd-denver.com/fares-passes/fares>

⁸ <https://research.collegeboard.org/media/pdf/trends-in-college-pricing-student-aid-2022.pdf> page 11

the child. Childcare prices in 2022 exceeded 2021 state-set rates for most rate categories, including children in centers under 6 years of age.

Per the 2022 Colorado Child Care Market Rate Study⁹, the statewide annual mean rates for child care in Colorado for infant children equates to \$18,067, for toddlers 18 months to 36 months the total annual rates equal \$15,053, whereas children 36 months and older (up to 6 years old) can cost on average \$12,746 annually. After school program care for children 6–12 years of age is \$9520. Department staff incorporated a 5.0% inflation rate for 2023 and 3.1% for 2024 based on OSPB's September forecast. The FY2024-25 budget parameters including inflation are \$19,558 for infants, and \$16,295 for children 36 months and older (up to 6 years old). The Department recommends utilizing the highest annual mean rate of \$19,558 for infants as the upper range and after school programs for children 6-12 years of age, \$10,306 as the lowest range. This represents an increase of \$134 per month for infants, and an increase of \$84 per month for children 6-12 years of age. Therefore, the FY 2024-25 childcare budget guideline is based on the range of the estimated cost of care per child per month, from \$859 up to a maximum of \$1,630 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.¹⁰ 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.

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 2024-25, the proposed parameter price range for computers is \$500 to \$2,000, reflecting a \$200 increase in the upper range. The Department suggests this increase to accommodate increased enrollment to

⁹ https://drive.google.com/file/d/1_Ax34b4v-kGkaO4UI0zw6RQ7EWlivrj7/view?pli=1 page 5

¹⁰ <https://planfinder.connectforhealthco.com/home>

STEM fields and the associated cost with technology based on recommendations from Offices of Information Technology (OIT) departments at various institutions.

Summary of Changes

Table 1: Student Monthly Budget Base, Changes from FY 2023-24 to FY 2024-25

	FY 23-24	FY 24-25	FY 23-24	FY 24-25	FY 23-24	FY 24-25
	Students Living with Parents		Students Living on Campus		Students Living Off Campus	
Housing	\$830	\$936	Actual	Actual	\$1,165	\$1,393
Food	\$258	\$307	Actual	Actual	\$466	\$472
Local Transportation	\$185	\$172	\$185	Actual	\$185	\$172
Personal Expenses	\$160	\$173	\$179	\$194	\$179	\$194
Total	\$1433	\$1,588	\$364	Actuals + \$194	\$1995	\$2,231

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 23-24	Lower Range FY 24-25		Upper Range FY 23-24	Upper Range FY 24-25
Books & Supplies (per year)	No lower limit	No lower limit		\$1,460*	\$1,460*
Child Care (per month)	\$775	\$859		\$1,496	\$1,630*
Non-local Transportation	Amount determined by institution				
Computer Allowance (per year)	\$500	\$500		\$1,800	\$2,000
Medical (per month)	\$300	\$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 2024-25 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.