

Calculating Student Budgets

State Grant Aid and Cost of Attendance

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When colleges determine how much aid a student should receive, they must first calculate how much it will cost the student to attend college. The total cost is also an important piece of consumer information, guiding the public in understanding the full costs associated with attending a particular college.

The unique financial circumstances facing families and communities mean that colleges need flexibility in setting that cost of attendance. At the same time, as California considers overhauling its student aid system to cover more non-tuition costs and reduce debt burdens, the attendant analysis of cost of attendance on an aggregate level will require consistency.

Any financial aid reforms should assess students' cost of attendance by:

- allowing campuses to set individual budgets that detail a student's expenses beyond tuition that may be covered by financial aid, retaining an individualized assessment to account for unique family financial challenges and specific campus goals or challenges; and

- requiring the California Student Aid Commission (CSAC) to develop a standard methodology for calculating the aggregate cost of attendance for students in different regions, living situations, enrollment intensity, and institution types, for use in driving state-level decisions in allocating grant aid to colleges. Analyses of the financial need faced by students on each campus, as determined by that standard methodology, will likely require more data sharing between the colleges and the agency.

Background

Once a student has applied to a college and for financial aid, their financial aid equation involves two parts:

- The budget: also called the cost of attendance, the budget includes the various expense categories that may need to be covered: food and housing; transportation, which varies depending on housing (on- or off-campus); personal care expenses, which may include health insurance; books and other school supplies, including a computer; and of course tuition and fees. In addition, some students need support for child care, while others have

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disabilities that require assistance to enable them to go to school.

- The financial aid award: sometimes referred to as a package or offer, the award consists of the grants, loans, and work-study offered to a student to cover some of the costs in the budget. Portions of the student's cost of attendance not included in the award may represent amounts assumed to be available from the student's or family's resources (as represented by the expected family contribution (EFC)) or from the student's work during the school year or breaks—all costs the student must cover without grant assistance. For the purposes of this brief, the gap between the family resources and grant aid awarded to a student, and the student's total budget, is called the student "self-help" amount. The self-help amount is sometimes referred to as the loan-and-work burden.

Student success in college can be seriously compromised when students must spend too many hours at an outside job in order to be able to afford rent and groceries.¹ At the University of California campuses, which have the highest on-time graduation rates of the state's public institutions, fewer than one in ten undergraduates work more than twenty hours per week, and nearly half do not have a job other than schoolwork during the academic year.² Covering non-tuition costs can help bring down the number of hours a student must work, and also reduces debt burdens when students leave campus. Determining how to calculate those costs for purposes of an aid award becomes a critical question.

Create Individual Student Budgets Locally

The amount of money a student needs will vary depending on the options available and the choices made by both campus officials and students, and often involve conundrums that are best managed locally. For example, if a student decides to economize and spend less money on rent by living with roommates or with a family member instead of in more expensive college dorms, should the student's award still be based on living in a dorm? Should the amount of aid

received change? What if campus officials strongly believe that it is important to live in the dorms to promote student success, but other campuses do not?

The responsibility to target aid for effectiveness in serving individual students locally should fall on the three public segments and their individual campuses. They should set student budgets and determine aid amounts for non-tuition expenses as they deem appropriate.³ However, even as institutions have autonomy to set individual budgets, the state should have a say in aggregate resource allocations to colleges to cover non-tuition costs.

Set a Statewide Methodology for the Purposes of Affordability Analysis and Aid Allocations

In order to ensure that California provides students with enough aid to keep college affordable, while also encouraging cost containment by schools and students, CSAC should establish its own model versions of student budgets for use in analyses.

With student-level data provided by institutions, CSAC can create and use a consistent methodology for calculating and analyzing costs and unmet financial need facing students across the different segments and regions of the state. They can encourage schools to account for costs that may be currently underreported, such as child care costs. Further, they can understand what contributes to larger or smaller gaps in financial need. For example, if a college has dormitories that cost more to live in than local apartments, rather than provide more grant aid, the state should be incentivizing reduced costs. As a part of that analysis, CSAC will also need to determine how much a student should be expected to work or borrow to cover non-tuition costs—a student's "self-help." These analyses can inform the legislature's decisions in providing increased grant aid and how it should be distributed across institutions to cover non-tuition costs. It can also provide the public with an understanding of how expensive a college is relative to the standard assessment, and how far the institution may be from closing gaps in financial need as compared to its peers.

For example, if the lawmakers were to allocate enough aid to reduce the need to borrow by half, they would determine the necessary amount and allocation across segments by calculating the need to borrow based on CSAC's standard calculation of costs and the resulting financial need of students at various institutions. This would provide a fair way to distribute aid that also incentivizes schools to limit costs, like books and housing, that are at least partially within their control. As a part of that analysis, CSAC should develop:

- a clear standard for assessing the costs facing students living at home, particularly the larger needs for food and housing contributions for students from the most impoverished families; dependent students who commute to school from their family home may also need to contribute to housing and food costs in the home: of these commuter students at UCs, two-thirds pay for groceries and nearly half of those in lower-income families pay rent, too;⁴
- a methodology for estimating rent/dorm costs that both takes into account market rates in the locality of the institution and the impact of housing stock on living arrangements, as well as a way to localize cost assessments of expenses such food and health care;⁵
- a consistent assessment of how much a student should reasonably be expected to work and/or borrow to contribute toward their “self help,” taking into account local minimum wage laws, research into levels of work that may be harmful to student success, and other barriers to work that students may face, such as local unemployment levels;
- guideposts to reduce and eliminate the need for borrowing, including a consideration as to whether self-help amounts should be lower for more disadvantaged students; and
- a consistent way to include child care needs for students who are parents. The state should also

consider requiring colleges to include child care expenses in budgets, which is consistent with laws for federal financial aid.⁶

Conclusion

Giving schools the ability to make on-the-ground assessments of costs, while using a state-wide definition for purposes of allocation across institutions, will allow students to receive the aid they need while allowing California to bring down costs and fairly distribute grant aid.

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Notes

1 While there are positive and negative effects of work on college achievement, “[l]ow-income students, especially low-income African Americans and Hispanics, tend to experience the more negative effects of working on their educational achievement and educational attainment.” Anthony P. Carnevale, Nicole Smith, and Michelle Melton, “Learning While Earning: The New Normal,” Georgetown University Center on Education and the Workforce, 2015, 16, <https://cew.georgetown.edu/cew-reports/workinglearners/>.

2 “Findings from the Undergraduate Cost of Attendance Survey 2015-16,” Office of the Vice President for Student Affairs, Student Financial Support, University of California, February, 2017, <https://regents.universityofcalifornia.edu/regmeet/mar17/a1attach.pdf>.

3 In projecting out those costs to students and families considering applying to college, however, the data available are frequently inaccurate. For example, net price calculators available on many college websites do not accurately account for costs facing students living at home by paying rent, or for child care expenses—even if the institution ultimately decides to include those expenses when it sets the student’s budget. Schools should report out accurate information to prospective students.

4 “Findings from the Undergraduate Cost of Attendance Survey 2015-16,” Table 9, Office of the Vice President for Student Affairs, Student Financial Support, University of California, February, 2017, <https://regents.universityofcalifornia.edu/regmeet/mar17/a1attach.pdf>.

5 These can use existing federal and data sources. For example, CSAC could use the market-price rents determined by the U.S. Department of Housing and Urban Development, and Covered CA data for assessing health insurance costs.