

## Determining Cost of Attendance

Costs of attendance (budgets) are used to calculate student federal aid eligibility and are made up of both direct costs (tuition, fees, books, materials) as well as indirect costs (room, board, transportation, personal expense, etc.). What we recommend is that the institution determines a standard amount per month for the indirect costs, i.e., living expenses. Once you have a standard monthly allowance for these items it's easy to simply multiply that number by the number of months in the standard budget period. For student loan awards, budget periods will differ in length depending on a student's enrollment status. For clock hour programs, part time students will take more calendar time to complete an academic year/loan period than full time students. An institution must have cost of attendance budgets for both Pell and loan awards.

### ***Pell Costs of Attendance***

The Pell cost of attendance is used to determine federal Pell eligibility but is often different than the cost of attendance used for loan awards. For purposes of Pell eligibility, you only need to have one budget for a full academic year of training for a full time student. That is typically a 900 hour and 26 or more week period of time for most clock hour programs. Regardless of whether a student is full time or part time, or getting Pell for a full academic year or for only a partial academic year, you use the same budget for all Pell award periods. This may seem odd, but the law states that you ALWAYS use a full academic year, full time budget for Pell. The actual Pell **payment** will be prorated down if the student is being paid for less than a full academic year in hours but the budget is always for a full academic year. So whether you're processing Pell for academic year 1 or 2, you use the same budget. That makes Pell a very easy award to package. If your FT students are scheduled for 30 hours per week, a typical 900 hour period would be 30 weeks long (7 months). That's why we suggest a monthly amount for living costs that you can simply multiply by 7 months for a full time, full academic year budget. Your Pell cost of attendance includes the following components:

- Tuition & Fees
- Books & supplies
- Room & Board
- Personal Expenses
- Transportation

Each of the above amounts must be based on a full academic year for a full time student. This will require that you prorate the tuition and fee amount if the program in which the student enrolled is not equal to one full academic year. An example of that proration for a program greater than one academic year is found below:

Program Length = 1500 Hours  
Program Tuition & Fees = \$14,900  
Academic Year Length = 900 Hours  
Academic Year Tuition & Fees = \$8,940                      ( $\$14,900 \times 900 / 1500$ )

Below is an example of that proration for a program less than one academic year:

Program Length = 750 Hours

Program Tuition & Fees = \$9,995

Academic Year Length = 900 Hours

Academic Year Tuition & Fees = \$11,994      ( $\$9,995 \times 900 / 750$ )

Tuition & Fees are always prorated by multiplying the total program tuition and fee amount by the following fraction:

$$\frac{\text{Clock Hours in the Academic Year}}{\text{Clock Hours in the Program}}$$

This formula will adjust your tuition and fee amount either upward or downward, depending on the length of the program, so that it results in a tuition and fee component for a full academic year.

The books and supplies component of the cost of attendance should be either the actual amount or an estimated amount of books and supplies costs for the full academic year. The remaining cost of attendance components (living costs) will also be based on a full academic year of study for a full time student. In the example on the previous page of a 7 month academic year, you would simply include 7 months' worth of estimated expenses for room & board, personal miscellaneous expenses and transportation to and from school. Determining estimated living costs is discussed in greater detail later. The sum of all five of the budget components as described above will be your Pell Cost of Attendance.

### ***Loan Costs of Attendance***

Your cost of attendance for loan purposes is different from Pell and will more accurately reflect the student's estimated costs for the academic year/loan period. The complete cost of attendance for loan purposes contains the same components as those required for Pell costs:

- Tuition & Fees
- Books & supplies
- Room & Board
- Personal Expenses
- Transportation

Contrary to Pell costs of attendance rules, which require that you always use a full time, full academic year cost estimate, loan costs of attendance will be based on the loan period for each student. For clock hour programs, the loan period must be consistent with the period of time that the loan is intended. There are only 3 scenarios that you will encounter in determining the loan period for a student.

***The program is shorter than the academic year***

Academic Year (at least 900 clock hours and 26 weeks)
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Program Length = 750 Clock Hours
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In these cases, your loan period includes 750 clock hours and the calendar time it will take for the student to complete the entire program.

***The program is equal to the academic year***

Academic Year (at least 900 clock hours and 26 weeks)
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Program Length = 900 Clock Hours
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In these cases, your loan period includes 900 clock hours and the calendar time it will take for the student to complete the entire program.

***The program is longer than the academic year***

Academic Year (at least 900 clock hours and 26 weeks)
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Program Length = 1500 Clock Hours
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In these cases, the student's enrollment will span multiple academic years. The student's first loan period will only include the first academic year of study. When the student completes that academic year and progresses to academic year #2, the second loan period will include only the remaining portion of the program (900 to 1500 hours in this example). Each loan period will only include costs of attendance that are incurred during that calendar time.

A full time student in this last example may be enrolled in a 1500 clock hour program that will require 12 calendar months to complete. The first academic year of 900 hours might be estimated at 7 months in length and the remaining 600 hours of training required during academic year 2 would take an additional 5 months. The end result would be that 1500 hours of training over 12 months is split into two separate periods of enrollment, i.e., loan periods.

The cost of attendance used to determine loan eligibility for a loan period must reflect the estimated costs that the student will incur during that loan period. Again contrary to Pell, you will have different loan costs of attendance for full time students and part time students because the loan period in calendar time will be longer for part time students to complete the number of clock hours in the loan period. Accordingly, living costs will be greater if the loan period is longer than that of a full time student.

It is a prerequisite that one understands how to determine a loan period before one can determine a cost of attendance for the loan period. Once you've determined the loan period for a student, you can determine a related cost of attendance. The cost will include the five traditional components:

- Tuition & Fees
- Books & supplies
- Room & Board
- Personal Expenses
- Transportation

Only expenses incurred during the respective loan period should be included in the cost of attendance for that loan period. The bottom 3 living expense components should simply include your monthly allowance for those expenses multiplied by the number of months in the loan period. The tuition & fee and books & supplies amounts should be the actual costs for those components incurred by the student during the loan period.

In the case of a program that is longer than one academic year it is important that the correct tuition and fee amount is included in the cost of attendance budget. For institutions that charge tuition and fees separately by academic year, this is easily determined and the budget for each loan period will include the tuition and fees charged to the student for that specific period of time.

If students are charged for the entire long-term program upon enrollment resulting in no additional charges being assessed for the 2<sup>nd</sup> academic year, then the entire tuition and fee amount is considered to be charged in the first academic year and accordingly, is only included in the cost of attendance for the first loan period. In these common scenarios the cost of attendance for the second academic year will contain no tuition, fees, books or supplies and will only include estimated living expenses during the second loan period.

### ***Determining an estimated cost for living expenses***

Costs associated with room & board, personal miscellaneous expenses and transportation are determined separately for two groups of students:

- Students, with no dependents of their own, who are living with a parent(s)
- All other students

Contrary to popular belief, the living cost portion of your budgets is not based on a student's dependency status. Aid administrators often refer to "independent" budgets and "dependent" budgets. Generally speaking, the budget is actually based on whether or not the student lives with his/her parent(s), regardless of the student's dependency status. A 26 year old student independent by virtue of age who is living at home with mom and dad, will get a lower cost of attendance budget than a 22 year old dependent student who lives on his/her own.

### ***Room & Board***

You should determine a monthly allowance for room and board for students based on the two categories noted above. Let's say you determine this to be \$350/month for students living with their parents and \$700/month for those living on their own. For a 7 month full time budget, you would then have \$2450 room & board for students living with parents, and \$4900 room & board for students on their own. For a 10 month PT budget, the figures would be \$3500 and \$7000, respectively. Keep in mind that budgets are meant to estimate a standard, typical living cost and should not reflect an increased or higher standard of living. You should not use a rent average for upscale, one-bedroom condos in gated communities. Rents should be reflective of "reasonable" costs of living in the area. To arrive at more conservative allowances for rent, you may consider an average 2-bedroom rental cost and use 50% of that as a rent allowance for the student.

### ***Personal Miscellaneous Expenses***

Using the same concept as the room and board example, determine a monthly allowance for personal expenses and multiply that amount by the number of months in the budget. Personal expenses include things like clothing, insurance, utilities, reasonable recreation, etc. Anything other than rent and food as those costs are covered under the room and board component. This allowance is also typically lesser for students living with a parent. If your allowance is determined to be \$100/month for students living with a parent and \$250/month for students on their own, then the personal expenses portion of a 7 month budget would be \$700 and \$1750, respectively.

### ***Transportation***

Transportation costs cannot include car payments nor can it include a student's total monthly transportation expenses. It should only represent transportation to/from school. If you are in an area that has good public transportation and a bus pass costs \$125/month. Then that's a good allowance for transportation. If not, I would suggest using a simple estimate for all students. If the typical student drives 5 miles to school, that's 10 miles per day roundtrip or about 200 miles per month. Using an IRS allowance of about 50 cents per mile, you would have a \$100/month transportation allowance. In a 7 month budget, you have \$700 in estimated transportation costs.

Those are the only items you need in a standard budget. You may add an "Other" category to account for special circumstances like child care but you should not have it in a standard budget. Not all students will incur child care costs while the student is in school. You may add these or other reasonable costs to an individual student's budget if necessary on a case by case basis.

When all is said and done, you could conceivably end up with at least 5 different costs of attendance budgets for a single program at your school as follows:

- One Pell cost of attendance
- Two loan costs of attendance for full time students (one for students living with parents and one for those on their own)
- Two loan costs of attendance for part time students (one for students living with parents and one for those on their own)

For programs longer than one academic year, we previously discussed that multiple academic years and loan periods are involved. This results in even more budgets for estimated expenses for second academic year loan periods. Once a monthly allowance is determined for room & board, personal expenses, and transportation it is easy to establish dozens of different budgets for different loan periods. These budgets can be stored in your Team software for easy retrieval during the award packaging process.

After your standard budgets are developed they should be used consistently from that point forward. You may find the need to develop additional budgets as time goes on and those can be added to your database. You should also review your cost of attendance budgets annually and make modifications if you desire.

You must maintain documentation of how your budgets were determined. The tuition, fee, book and supply costs are easily documented by enrollment agreements and other school publications. Regarding the living expense portion of the budgets, we recommend a couple of different approaches to both determine your allowances as well as maintain documentation on those estimates.

### ***Online Research***

The Internet is a vast tool that can assist you in obtaining estimated costs of living. You can search for local area rent estimates and visit governmental statistical sites that can provide valuable information. Performing a Google search on “living expenses” will display a number of helpful sites. Attached to this publication is a copy of monthly living cost estimates prepared by the Internal Revenue Service in 2015. See its web site for more up to date information as time passes.

### ***Student Surveys***

Another option is to create a survey requesting information about rent expenses, grocery expenses, utility fees, and other costs of living. The survey can be distributed to current students. The results can be averaged to determine estimated monthly costs of living of your student population.

There are certainly other sources of data that you can utilize but the above two options should be more than adequate to determine reasonable costs and have the documentation to back it all up.

The following chart provides an example of cost of attendance calculations for a typical program that has been used throughout this publication.

## Allowable Living Expense National Standards - effective 03/30/2015

Expense	One Person	Two Persons	Three Persons	Four Persons
Food	\$315	\$588	\$660	\$821
Housekeeping supplies	\$32	\$66	\$65	\$78
Apparel & services	\$88	\$162	\$209	\$244
Personal care products & services	\$34	\$61	\$64	\$70
Miscellaneous	\$116	\$215	\$251	\$300
<b>Total</b>	<b>\$585</b>	<b>\$1,092</b>	<b>\$1,249</b>	<b>\$1,513</b>

More than four persons	Additional Persons Amount
For each additional person, add to four-person total allowance:	\$378

**Please note that the standards change. We recommend you check the IRS.gov website periodically to assure you have the latest version.**