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## Statement of Policy

### Procedure

The personal expense allowance in a school's student budgets includes costs for incidental student personal expenses, such as entertainment, clothing, personal care, and so on. Schools use several different methods to arrive at these allowances:

Conducting a survey of current students.

Adjusting the previous budget for inflation.

Relying on figures published by the College Board.

FinAid conducted an informal survey to identify how schools arrived at the personal expense allowance in the student budget.

Many schools use the figures published in the College Board's annual Trends in College publication, sometimes adjusting for inflation (i.e., when the Trends publication is not available in time). Specifically, they use the sum of the Transportation and Other categories in the "Average Expenses in Nonfixed Budget Components" table for the appropriate type of college, and increase it by the latest inflation rate if necessary.

This is a frankly circular approach, since the figures from the Trends publication are based on surveys of colleges. To the extent that quite a few colleges do this, a component of the Trends figures is nothing more than an old budget adjusted for inflation. The Trends figures do seem to track the inflation rate fairly well.

A potentially better approach is to use the College Board's [Living Expense Budget](#), which is based on a consumer survey. The College Board breaks the figures down as Housing 58%, Transportation 22%, and Miscellaneous 20%. Some schools go further and apply the old percentages published by the ACT in the 1980s, namely:

Food	35.8%
Housing	22.2%
Transportation	10.3%
Clothing	7.4%
Personal	3.0%
Medical	11.3%
Other	10.0%

The sum of Transportation, Clothing, Personal and Other is 30.7%. Applying this to the 9 month Low Budget of \$8,980 yields \$2,756.86.

Even though a higher student budget qualifies students for more aid, many schools tend to bias the student budget figures lower so that the total cost of education is lower, since parents tend to compare schools based on the total cost of education. Many schools compare their figures with other local colleges in order to ensure that their figures are not the highest for the region. This also gives the school room to approve student appeals for a higher budget on a case-by-case basis.

Some schools conduct their own survey. Of these, most update the survey every two years, adjusting the figures for inflation in the off year. Some adjust the figures at the historical rate of increase for room and board instead of the inflation rate. Some use regional CPI figures instead of the national inflation rate. Some use a fixed annual adjustment, such as 3%, regardless of the actual inflation rate.

Quite a few schools simply adjust the previous year's budget annually for inflation.

For housing costs most schools use the actual on-campus housing costs plus an apartment survey for off-campus housing costs.

For transportation costs for commuter students, some schools use the average distance from home at the IRS mileage rate. No school will make an adjustment for the purchase of an automobile. For on-campus students some schools assume the cost of two airplane tickets home a year.

Among those schools that reported a monthly budget and room and board figures, the average was \$208/month, representing 3.6% of the room and board figure. \$210/month +/- \$20/month covered more than two-thirds of the schools. There did not appear to be significant regional differences.

Another possible method of arriving at an overall student budget is to base it on the income protection allowance in some fashion.

Note that section 472(3) (A, B, C) of the Higher Education Act provides for schools to have separate budgets for three types of students:

Students without dependents living at home with parents

Students without dependents living in institutionally owned or operated housing

All other students

Schools are permitted to use either a student's actual costs for each component, or the costs paid by the average student. The following is a quote from page 1-120 of the Federal Student Aid Handbook:

Actual or average costs. You could use the actual cost for each component for each student, or a cost the average student would pay. For example, for the tuition and fees component, you can use the same amount for all full-time students, instead of figuring the actual tuition and fees for each individual student. You can have different standard costs for different categories of students, such as a cost of attendance for in-state students (who have lower tuition) and a higher cost of attendance for out-of-state students. If a student is enrolled in a program that

has extra fees or costs, such as lab fees, you can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If you establish standard cost categories, you must apply the cost allowances uniformly to all students in those categories.

This means that schools can have different standard budgets for each academic program or class level, but not different budgets based on the number of dependents. The ability to differentiate based on the number of dependents was eliminated by the 1989 Higher Education Act Technical Amendments. However, schools can include child care in the cost of attendance. (Note that child care must be paid to a third party to take care of the children. The student cannot "pay" his or her spouse to stay home and take care of the children and call it child care.)

Schools can also adjust cost of attendance using professional judgment on a case by case basis. But in general, only costs associated with the student and the student's academic program should be included in cost of attendance. For example, room and board for other family members cannot be included in the student budget, although there is a little wiggle room for rent payments. Costs associated with the student's family are addressed by the need analysis formula.