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## Understanding the Cost of College in California

### A Standard Cost of Attendance Methodology Can Support Students' College Investments and Improve Financial Aid

**T**here is increasing recognition in California and nationally that the financial aid students receive to attend college should address the cost of attendance beyond tuition and fees, since living expenses – particularly housing expenses – often make up the largest share of students' budgets. Consequently, recent financial aid reform efforts at the state and federal levels have focused on aligning the structure of financial aid with the total cost of attendance. Cost of attendance estimates are determined by individual higher education institutions and are used by state and federal financial aid departments to calculate students' financial aid award amounts. Currently, there is no standardized methodology for how colleges calculate off-campus housing cost of attendance estimates, which can create inaccurate and incomparable estimates across colleges. Bringing consistency and uniformity to how the cost of college is reported across institutions will better support students in their college investment decisions and create a standardized process by which financial aid eligibility is calculated. This *Issue Brief* compares three potential options for calculating off-campus housing costs and the benefits and limitations of each, and outlines approaches state policymakers could take to ensure cost estimates are standardized at higher education institutions across California.

### Introduction

It is well understood that the cost of college attendance includes much more than tuition: students must also pay for housing, food, transportation, and other basic living expenses. Housing costs are particularly problematic for many students in California because costs have far outpaced earnings for most workers, adding to the financial strain on students from families with low and middle incomes.<sup>1</sup> Because a large share of California students live off campus during the school year, it is important that off-campus housing cost estimates are accurately and uniformly reported to financial aid departments and to perspective students who are deciding where to attend college.

Policymakers at the state and federal levels have passed legislation that aims to simplify and improve the information prospective students receive about the total cost of college. In 2007, the US Department of Education launched the College Navigator, a website that provides information about costs, graduation, and financial aid for all colleges participating in federal financial aid programs. In 2012, the federal Education Department released the College Financing Plan worksheet (formerly known as the Financial Aid Shopping Sheet), a standardized form designed to simplify the information prospective students receive about the costs and supports related to college. In 2017, state lawmakers approved AB 990, which requires the California State University (CSU) system and requests the University of California

(UC) system to post information about the cost of a one-bedroom apartment near the campus on their college websites; though it did not specify the methodology to do so.<sup>2</sup> In 2018, state lawmakers approved AB 1858, which beginning in January 2020, requires all colleges in California to use the US Department of Education’s “College Financing Plan” worksheet, previously mentioned, that provides clear information about college costs – including the cost of off-campus housing; though it also did not specify the methodology to do so.<sup>3</sup> While these policies help to improve transparency, accurately comparing costs is still nearly impossible due to data inconsistency among California colleges, particularly as it relates to the different methods to calculate off-campus housing costs. Different methods used to calculate costs also lead to inconsistency in the calculation of student financial aid amounts. This *Issue Brief* examines methodologies for calculating housing costs associated with the cost of attending college and suggests that standardizing these calculations among colleges can provide students with more accurate information about the cost of college. This will also create a uniform process for determining financial aid eligibility for students from low- and middle-income households who need support in pursuing higher education in California.

## Why Housing Cost Methodology Matters for Students

Housing costs are often the largest line item in the total cost of attendance and vary significantly by region for students who live off-campus.<sup>4</sup> While current federal law requires colleges receiving federal financial aid to report to the US Department of Education information about the total cost of attendance (which the Department publishes on its College Navigator website), including housing costs, it does not specify the methodology required to make off-campus housing calculations.<sup>5</sup> Tuition and on-campus housing costs are set by the institutions; however, off-campus housing costs are not controlled by the institutions. Still, colleges must disclose an estimated annual cost for students living off campus. It is important that the estimate of these costs are accurate, consistent, and comparable because

students’ financial decisions and financial aid limits are based on these cost of attendance calculations. If colleges set cost of attendance estimates too low, students may not receive enough financial aid to make ends meet; if housing estimates are set too high, students may be discouraged from attending the college of their choice. In addition, inconsistency in the methods used by colleges to estimate off-campus housing costs can result in inconsistency in the total allocations of state and federal financial aid available to support students across different colleges.

## Methodologies Used to Estimate Housing Costs

There are several ways to estimate off-campus student housing costs. Three specific options for colleges in California include institutional surveys, the California Student Aid Commission’s Student Expenses and Resources Survey (SEARS), and the US Department of Housing and Community Development’s Fair Market Rents (FMRs).

### Institutional Surveys

The University of California (UC) and some private nonprofit institutions conduct their own institutional surveys to calculate the cost of off-campus housing and other expenses related to education at their campuses. The UC’s Cost of Attendance Survey reports the average monthly rent paid by students living off campus (including students with no roommates, one or more roommates, and those with housemates). This survey is administered every two to three years. Some private non-profit colleges administer campus-wide surveys regarding student expenses and some respond to financial questions that are reported on College Navigator, although participation in both is optional.

### The California Student Aid Commission’s Student Expense and Resources Survey (SEARS)

The SEARS survey is administered by the California Student Aid Commission (CSAC) to students at all of the state’s postsecondary institutions regarding

the cost of college. Historically, the SEARS survey was conducted every three years, but due to state budget cuts it was not conducted for 12 years – from 2007-08 to 2018-19. In the absence of updated data, CSAC annually adjusted the 2006-07 SEARS figures for overall inflation, and these inflation-adjusted figures have been used by many colleges, researchers, and advocates to estimate cost of attendance. This inflation-adjustment method did not accurately reflect housing costs because housing costs increased far more than overall inflation during that period.<sup>6</sup> In 2018-19, funding from private philanthropy allowed the Commission to redesign and conduct the SEARS survey. The new data are based on responses from more than 15,000 students from the University of California, California State University, California Community Colleges, non-profit private institutions, and for-profit colleges. CSAC plans to publish reports based on the survey data disaggregated by region, race and ethnicity, gender, age, and dependency status. The new SEARS survey is able to produce cost of attendance estimates, including off-campus housing cost estimates, for students by type of college for 15 microregions within the state, though not for all individual colleges.<sup>7</sup>

### **US Department of Housing and Urban Development’s Fair Market Rents (FMRs) and Small Area Fair Market Rents (SAFMRs)**

Fair Market Rents – known as FMRs – are published annually by the US Department of Housing and Urban Development (HUD) and provide an estimate of the cost of rent and utilities for a modest housing unit in a given local area based upon housing size (studio, one-bedroom, etc). FMRs are specific to counties or groups of adjacent counties. HUD also publishes Small Area Fair Market Rents (SAFMRs), which are calculated for ZIP codes within metropolitan areas (SAFMRs are not available for non-metropolitan areas). FMRs/SAFMRs generally represent the 40th percentile of rents paid by recent movers in an area, meaning that the cost of 40% of the rental housing in an area is lower than the FMRs/SAFMRs and 60% is higher. FMRs/SAFMRs are updated annually by HUD, based on data collection and analysis funded by federal dollars, and have been produced for more

than 30 years. They are used at the federal level to calculate rent subsidies available through the Housing Choice Voucher program (also known as Section 8).

## **The Pros and Cons of Different Methodologies**

There are pros and cons of each of the housing cost estimate methodologies described above. One useful way to compare these methods is to consider how each matches up with key desirable characteristics of a “student housing cost instrument” – or the means of calculating housing costs. These desirable characteristics include comparability of data across colleges, frequent updating, secure funding for data collection and analysis, localized geography, representation of typical student housing arrangements, and explicit identification of housing arrangement.

**Comparability of data.** Data should be consistent across all colleges to ensure that students can directly compare costs across different colleges and financial aid is equitably distributed. A benefit of FMRs/SAFMRs is that they provide standardized estimates across the state by zip code (in metropolitan areas) or county (in all parts of the state). SEARS provides consistent estimates across microregions, but not at the campus level for all colleges.<sup>8</sup> Institutional surveys use varying methodologies making it difficult for students to compare costs to other institutions.

**Frequency.** Ensuring that estimates are updated frequently is important because housing costs have increased rapidly in recent years, and have outpaced overall inflation. FMRs/SAFMRs are updated and published annually by the federal government. The frequency of the SEARS survey is at the discretion of available funding.<sup>9</sup> Likewise, the frequency of institutional surveys varies.

**Funding for data collection and analysis.** Funding to estimate FMRs/SAFMRs is provided annually by the federal government. SEARS historically was funded by state dollars but adequate funding was not consistently allocated, and the most recent update was funded by philanthropic dollars.<sup>10</sup> Institutional surveys rely on institutional funding.

# The Pros and Cons of Different Methodologies for Estimating Off-Campus Student Housing Costs

	Pros	Cons
  <b>Institutional Surveys</b>	<p><b>Geographic scope:</b> Data are campus-specific.</p> <p><b>Representation of students' needs:</b> Costs reflect those paid by students at a specific institution.</p>	<p><b>Comparability of data:</b> Estimates may not be comparable to other institutions.</p> <p><b>Frequency:</b> Survey frequency varies by institution (data may be outdated).</p> <p><b>Explicit housing arrangement:</b> May or may not be specified; at the discretion of individual institutions.</p> <p><b>Funding for data collection and analysis:</b> Varies; at the discretion of individual institutions.</p>
  <b>California Student Aid Commission's Student Expense and Resources Survey (SEARS)</b>	<p><b>Comparability of data:</b> Estimates are comparable across all institutions.</p> <p><b>Geographic scope:</b> Data from most recent survey are available for 15 microregions within the state, but not for individual colleges.</p> <p><b>Representation of students' needs:</b> Costs reflect those paid by students at colleges surveyed.</p>	<p><b>Frequency:</b> Survey frequency varies depending on funding availability (prior to recent update, there was a 12-year gap in survey).</p> <p><b>Explicit housing arrangement:</b> Currently reported data do not specify size of housing unit or number of occupants.</p> <p><b>Funding for data collection and analysis:</b> Varies; dependent on appropriated state or philanthropic funding, which has not been consistently available.</p>
  <b>US Department of Housing and Urban Development's Fair Market Rents (FMRs) and Small Area Fair Market Rents (SAFMRs)</b>	<p><b>Comparability of data:</b> Estimates are comparable across all institutions.</p> <p><b>Geographic scope:</b> Data are available for specific counties, and for zip codes within metropolitan areas.</p> <p><b>Frequency:</b> Estimates are produced annually.</p> <p><b>Explicit housing arrangement:</b> Costs are specific to housing unit size and reflect total gross rent (including utilities) for unit.</p> <p><b>Funding for data collection and analysis:</b> Funded annually by the federal government.</p>	<p><b>Representation of students' needs:</b> Data reflect all housing units, not just housing occupied by students. Costs reflect total gross rent per housing unit, so would need to be adjusted to calculate costs for roommates/housemates splitting rent. May be difficult to locate available housing units at the FMR/SAFMR rate, which reflects lower-cost units.</p>

**Geographic scope.** Localized estimates are important so that data reflect housing costs actually available within typical commuting distances of each college. Because Small Area Fair Market Rents are provided at the zip code level, they can account for variance within a region, which may be significant. Institutional surveys have the potential to better reflect actual housing costs for students attending a specific campus (as rents are often higher the closer housing is to a college campus). The benefit of using the SEARS survey is that it represents college students from all segments of higher education disaggregated by microregion, which may be useful in presenting typical off-campus housing costs for all students paying rent in a particular area, regardless of which school they attend.

**Represents students' needs.** For cost of attendance estimates – such as housing – to be valuable, they need to be reflective of student-specific needs and choices. Student off-campus housing arrangements may differ from the housing arrangements of other types of households; for example, many students choose to share housing units and rent expenses with roommates or housemates. A potential limitation of FMRs/SAFMRs is that costs are not specific to students, but rather are designed to reflect the costs for the 40th percentile rents for all housing units of specific sizes within an area.<sup>11</sup> To use FMRs/SAFMRs for student budgets, assumptions would have to be made about the size of unit and number of occupants sharing the unit that would represent typical housing arrangements for students living off-campus. In addition, though FMRs/SAFMRs are generally representative of modest rents paid in a local area, students may find it difficult to locate available housing units at these rates, particularly in parts of the state where the availability of affordable rental housing is limited. The housing costs reported through SEARS and institutional surveys, in contrast to FMRs, reflect costs for student-specific housing arrangements (since only students are surveyed), though whether these costs reflect typical student costs depend on how well the survey sample and analysis methods reflect the make-up of the overall student body.

**Explicit housing arrangement.** Ambiguity in the expected living arrangements – e.g., studio, one-bedroom, shared housing – as it pertains to comparing college costs is also an area that can leave students with confusing information. A limitation of SEARS and some institutional surveys is that reported data on housing expenses do not explicitly specify the size of housing unit or number of occupants. Though CSUs post the monthly market-rate rent of a one-bedroom apartment (as required by AB 990) online, this information is often separate from other estimated cost of attendance information, and is not used for financial aid calculations.<sup>12</sup> A benefit of using FMRs/SAFMRs is that costs are specific to housing unit size and reflect total gross rent (including utilities) for the unit.

Different methods for estimating off-campus housing costs produce somewhat different cost estimates. For example, annual off-campus student housing costs in San Diego for the nine-month school year would be estimated as: \$9,000 according to the most recent SEARS survey; \$13,614 (including food) according to the UC Cost of Attendance Survey; and between \$12,690 and \$16,020 (for a one-bedroom apartment) according to Small Area Fair Market Rents.<sup>13</sup> That variation of several thousand dollars can be significant for a student evaluating financial aid awards and college admittance offers, especially for students from low- and middle-income households.

## **Policies Pushing for Standard Reporting Bring Clarity and Uniformity to Enrollment and Financial Aid Decisions**

Understanding that students' financial aid is largely driven by federally mandated calculations, policy reform at the federal level would be an optimal starting place to achieve clarity and uniformity on how cost of attendance is calculated and reported. Requiring colleges to use a consistent and appropriate method for reporting off-campus housing costs to the US Department of Education could change and improve federal and state financial aid calculations. This is because colleges typically use these figures reported to the federal government in informational materials for students and

as the costs reported to the state to calculate state financial aid.

However, in the absence of standardized federal requirements, there are ways California policymakers can step in to move higher education institutions toward adopting a consistent method for estimating housing costs, and using these consistent estimates to inform students about cost of attendance and to calculate financial aid eligibility.

For example, lawmakers could build on the requirements implemented through AB 990, which requires CSUs and requests UCs to post online the market-rate rent for a one-bedroom apartment, as noted above. The AB 990 information-posting requirement could be extended beyond CSUs to include community colleges and private colleges that participate in state financial aid programs, and could be more specific about where and how the information should be posted on college websites and made publically available. Lawmakers could also mandate that the housing costs reported under AB 990 be calculated using a specific, consistent methodology, and that the costs for all institutions also be posted online in a single location, such as on the California Student Aid Commission website, to facilitate comparison across institutions.<sup>14</sup> The Legislature may also wish to consider requiring all colleges to use a specific, consistent methodology when reporting off-campus cost of attendance estimates on the College Financing Plan worksheet (as they are required to do by AB 1858). To ensure that consistent estimates are used for purposes of calculating state-funded financial aid, policymakers should consider requiring that institutions use a specific, consistent method to calculate off-campus

housing costs reported to CSAC for purposes of participation in state financial aid programs, and could request that colleges report the same numbers to the US Department of Education for purposes of participation in federal financial aid programs. (The numbers reported to the US Department of Education are then published on the College Navigator website.) If policymakers wish to consider SEARS as a viable source for estimates of housing costs or other components of attendance – after considering the benefits and tradeoffs of different cost estimation approaches – they should consider ensuring adequate ongoing funding for SEARS to be conducted more frequently and representatively so that survey results are up-to-date and usable by all institutions.

## Conclusion

California's colleges should move toward using a single, consistent methodology to estimate off-campus housing costs. There are several ways to estimate off-campus housing costs for students attending higher education institutions in the state, with caveats to each. The benefits and limitations of different estimating approaches should be considered when identifying the most appropriate method.

The more accurate and comparable the information students have available to them about the true costs of college, the better equipped they will be to make decisions about their educational and financial futures. Consistency in the method used by institutions to calculate cost of attendance estimates is also a necessary foundation for an equitable and cost-effective state financial aid model based on cost of attendance. As policymakers consider reforming financial aid to focus on the total cost of attendance, they should first act to standardized how costs of attendance estimates are calculated.

**Amy Rose** prepared this *Issue Brief*. The California Budget & Policy Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of Californians with low and middle incomes. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit the Budget Center's website at [www.calbudgetcenter.org](http://www.calbudgetcenter.org).

## ENDNOTES

- <sup>1</sup> Sara Kimberlin, *California's Housing Affordability Crisis Hits Renters and Households With the Lowest Incomes the Hardest* (California Budget & Policy Center: April 2017).
- <sup>2</sup> AB 990 (Rodriguez, Chapter 170 of 2017). The bill does not specify the methodology for calculating these costs, but requires campuses to "consult bona fide and reliable sources of current information about local housing market costs" when reporting housing costs. Community colleges and Private non-profit and for-profit colleges were not included in the bill.
- <sup>3</sup> AB 1858 (Calderon, Chapter 671 of 2018).
- <sup>4</sup> Amy Rose, *Barriers to Higher Education Attainment: Students' Unmet Basic Needs* (California Budget & Policy Center: May 2018).
- <sup>5</sup> The Higher Education Opportunity Act (Public Law 110-315). Colleges are required to calculate an allowance for room and board for students in different living arrangements, but the law specifies only that this allowance "be based on the expenses reasonably incurred by each type of student for room and board."
- <sup>6</sup> Between 2006 and 2017 the California Consumer Price Index increased 24.8%, whereas median rent in California increased by 41.6%.
- <sup>7</sup> CSAC's microregions are Central Valley, East Bay, Greater Sacramento, Inland Empire/Desert, Los Angeles, Mid-Peninsula, Mother Lode, North Bay, Northern Coastal, Northern Inland, Orange County, San Diego/Imperial, Santa Cruz/Monterey, Silicon Valley, South Central Coast. The data include responses from all CSUs and UCs, 98% of the CCCs, 50% of private non-profit colleges, and 12% of for-profit colleges.
- <sup>8</sup> The SEARS data do not allow for comparison of costs between colleges within a microregion, which may be problematic if housing costs vary significantly within the microregion.
- <sup>9</sup> During the 12-year period from 2007-08 to 2018-19 CSAC could not secure funds to administer SEARS according to schedule.
- <sup>10</sup> The 2000-01 SEARS survey cost approximately \$281,000 to conduct. CSAC acquired private funding to modernize and reinstate the survey for the 2018–2019 academic year.
- <sup>11</sup> In some tight housing markets the 50th percentile is used.
- <sup>12</sup> CSU's system-wide cost of attendance report does not use the one-bedroom market-rate rent figures required to be posted online by AB 990 (Rodriguez, Chapter 170 of 2017) and does not report housing costs separately from food costs.
- <sup>13</sup> SEARS figure was provided by CSAC and reflects unpublished preliminary data from the 2018-19 and represents – for the San Diego microregion – the median of the midpoint of each range of off-campus housing costs reported by students; the UC figure reflects estimated housing costs for the 2019-20 school year, and UC does not report housing costs separately from food; Small Area Fair Market Rent figures reflect monthly costs for a one-bedroom apartment for nine months in two zip codes surrounding the UC San Diego campus based on SAFMRs for federal fiscal year 2020 (October 1, 2019 to September 30, 2020).
- <sup>14</sup> In 2019, Governor Newsom vetoed AB 710 (Cervantes) – the Housing Cost of Attendance Act – which would have required all institutions to publish on their websites the cost of a one-bedroom apartment in the community immediately surrounding the school, using HUD's Fair Market Rent data.