Standard Methodology Budgets (SMBs) for 2007-08

At their September 24, 2006 meeting, the Education Financing Model (EFM) Steering Committee approved 2005-06 Cost of Attendance Survey (COAS:06) results for use in the 2007-08 Standard Methodology Budgets. In addition, the EFM Steering Committee made two important changes to the Standard Methodology for 2007-08: a change in what telephone expenses are recognized and a change in the calculation of living, personal, and transportation allowances for commuter students. This paper outlines the 2007-08 Standard Methodology and the resulting draft budgets as of November 13, 2006.1

History and Purpose of Standard Methodology Budgets

In the early 1990s the University of California developed an integrated conceptual framework used to guide its work in helping students and parents manage the cost of an undergraduate education, in defining its role in funding the University’s undergraduate student financial support programs, and in allocating those funds to the campuses. This framework, known as the Education Financing Model (EFM) is based on a set of principles that includes the total cost of attendance as its context, not just the cost of fees. The real costs of attending the University include fees, living and personal expenses, books and supplies, and transportation costs. An inability to cover any of these costs can constitute just as much of a barrier to pursuing an undergraduate education as an inability to cover fees.

In order to be equitable both in the allocation of funds across campuses and in the awarding of financial aid to students, a single systemwide methodology was developed for student expense budgets. This “Standard Methodology” made uniform two components of the student expense budgets: The categories of allowable expenses and the calculation of each allowance.

The philosophy adopted by the EFM Steering Committee and incorporated into the Standard Methodology Budgets is to recognize the average actual expenses of students. This approach recognizes that students have a variety of lifestyles and needs. Setting the allowance based on the behavior of the average student avoids the necessity for making arbitrary decisions about appropriate student behavior. For example, rather than deciding on the number of meals a student needs to eat (i.e., should the food allowance for a student living in a dorm be based on a 21 meal plan even though most students opt for a plan with fewer meals), this approach looks at how much students report actually spending on food.

Fundamentals

Three budget types are developed for each campus based on living circumstances: commuter, for students living with parent and commuting to school; on-campus, for students living in official university housing; off-campus, for students not living in university housing or with parents. Some categories of costs, such as campus-based fees and USHIP premiums, do not vary by budget type for the same campus; since 2002-03, a single allowance for books and supplies has been calculated at each campus for all three budget types. Other categories of costs vary significantly by budget type and campus, most notably living and transportation expenses.

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1 Note that the tables at the end of this paper incorporate the policy changes adopted by the EFM Steering Committee and also use more recent CPI projections than those used to generate the figures presented at the Committee’s October 2006 meeting (April, 2006 rather than November 2006).
Beginning in 2007-08, commuter students across the system will be provided with the same living, transportation, and personal expense allowance.

Recognized expenses include direct educational costs for a California resident (e.g., fees, on-campus room and board), plus an allowance for indirect costs (e.g., living expenses, transportation, miscellaneous items). For expenses that the University directly charges to the student, the actual costs are known and included in the budgets, e.g., systemwide and campus-based mandatory fees, University Student Health Insurance Program (USHIP) premiums, on-campus housing. The UCOP office of Student Financial Support inquires of the campus staff for these figures.

In order to determine how much students spend on indirect expenditures related to their education (e.g., books, off-campus rent, transportation), the University relies on results from a survey of students. Since 1997, Student Financial Support has surveyed UC undergraduates using the triennial Cost of Attendance Survey (COAS). The COAS is conducted in consultation with the Financial Aid Directors and Institutional Research Directors.

In the years between surveys, indirect expenses except off-campus rent are adjusted by the fiscal year Consumer Price Index (CPI) forecasts for Urban Wage Earners and Clerical Workers. Off-campus housing is adjusted by the regional rent-specific CPI that best predicts changes in off-campus rent for each campus. The San Francisco rent-specific CPI is used for the Berkeley and Santa Cruz campuses, the Los Angeles rent-specific CPI is used for Riverside, and an average of the two is used for all other campuses.

Campuses have the flexibility to adjust the allowance for each individual component of the budget by an amount up to 1% of the total Standard Methodology expense budget, so long as the total Standard Methodology budget for each budget type (off-campus, on-campus, commuter) does not change by more than one percent. The one exception to this rule is that campuses may adjust budgets by up to 2% when making two budget types match (e.g., bringing on-campus and off-campus budgets into line with one another).

The expenses to be included as standard allowances in the undergraduate expense budgets are listed above; campuses may include, at their option, additional types of expenses as adjustments to the budgets on an individual case basis. However, these adjustments will not be reflected in the standard budgets published by the campuses, nor will they be included in the budget figures used under the Education Financing Model for the allocation of undergraduate need-based financial aid to the campuses.

**2007-08 Budgets**

Included are 2007-08 Standard Methodology Budgets based on the results of the 2005-06 Cost of Attendance Survey (Tables 4-7). As always, direct charges are incorporated when known. Inquiries of the campus health directors, financial aid offices, and housing offices begin in November of the prior year (e.g., November 2006 for the 2007-08 academic year). Until the results of these inquiries are known, estimates based on increases in recent years developed by UCOP staff are used as place-holders.
Systemwide Fees
The one consistent element throughout every budget type, category, and campus are the systemwide mandatory Education and Registration Fees established every year by the University Board of Regents. Because a proposal for a fee increase in 2007-08 has not yet been presented to The Regents, 2006-07 fee levels are used as a place-holder.

Books and Supplies
The books and supplies allowance is an average of what students report spending on computer-related costs (educational software, additional hardware, and internet connection), course textbooks, and course material fees. A single allowance is developed for each respective campus (i.e., the allowance is the same for commuter, on-campus, and off-campus students).

Living Expenses
Living expenses cover the cost of rent (dorm or apartment), food (groceries, meals out), telephone charges, and utilities. The amounts vary significantly by living arrangement.

Of note is the new policy adopted by the EFM Steering Committee at its October, 2006 meeting recognizing cell phone costs for all students who have one (98%) and recognizing residential phone costs only for students with no cell phone (2%). This replaces the old policy of doing the reverse: Recognizing the cost of a residential line for all students with one (32%) and recognizing cell phone costs only for students without a land line (68%).

Commuter
Commuter budgets are used for students living at home with their parents or, at some campuses, living with other relatives. Many students report having to pay rent, despite living at home, which is reflected in the data. As with the other two budget types, groceries, meals out, utilities, and phone costs are also included. Given the small sample size of commuter students in the 2005-06 COAS at all but two campuses (Riverside and Irvine), the Committee recommended using systemwide averages to determine living, personal, and transportation expenses, beginning with the 2007-08 SMBs.

On-campus
The living costs for on-campus budgets are a combination of data from the UC housing offices and from COAS. Students with a meal plan are provided the average combined on-campus housing and meal plans costs, weighted for anticipated utilization as determined by the housing offices. Students without a meal plan are provided a room allowance based on the housing office data and an allowance for utilities and groceries based on the COAS. Added to the weighted average for both groups of students is an allowance for meals out/snacks and cell phone costs (see above).

Note that the on-campus housing rates are estimates developed by UCOP based on past increases in costs over the last five years, for each campus. These estimates will be replaced by each campus’s estimates as they are provided to UCOP over the course of the next three months. The portions that are based on COAS (rather than data that will be updated by the campus housing offices) are only the utilities, groceries, snacks/meals out, and telephone allowances.
Off-campus
As mentioned above, rent-specific CPI adjusters are used to determine off-campus rent: for Riverside the Los Angeles rent CPI is applied; for Berkeley and Santa Cruz the San Francisco rent CPI is applied; for Davis, Irvine, Los Angeles, San Diego, and Santa Barbara the California rent CPI is applied. These were identified as the best predictors of costs increases at the respective campuses.

As with on-campus budgets, food, snack and utility expenses are included in the total living costs, along with the housing data. These expenses are taken from the self-reported costs provided by students living off-campus who responded to the COAS. As with personal, books and supplies, and transportation allowances, the general CPI-W is used to adjust non-rent costs in non-survey years.

Personal
Personal expenses may include clothing costs, entertainment expenses, and other incidental expenses associated with the activities of daily living that are not encompassed by housing, food or utility costs. Personal costs are developed from expenses reported by the students in the Cost of Attendance Survey, with CPI projected increases applied in non-survey years.

Transportation
Transportation costs include vehicle insurance and registration that are attributable to student vehicle usage for driving between school and work (or in the case of off-campus and commuter students, home, school and work). These costs also include estimates for local area vehicle expenses (such as gas) and public transit costs.

Healthcare Allowance
The Healthcare Allowance is equivalent to the USHIP premium at each campus. Estimates are developed by UCOP based on increases over the past five years, which will be updated when new information from the campus health offices becomes available. As mentioned above, this allowance does not vary by budget type.

Campus-based Fees
Likewise, UCOP develops estimates for campus-based fees that act as placeholders until campuses provide better estimates.

Merced
The Merced budget is based on projected Merced charges and the average expenses of other UC students. On-campus housing costs, campus-based fees across all budget types, and USHIP are now derived in the same manner as for other campuses, but the other costs are developed as follows. For books and supplies across all budget types the systemwide weighted average is used; personal costs are based on those for the Davis campus, in the respective budget types; transportation costs are based on Riverside campus costs in the respective budget types. Off-campus living costs are the same as they are for Davis off-campus budgets. These costs were agreed upon as the best proxies for the costs of attending the Merced campus.
The plan is to eventually include undergraduates attending UC Merced in the Cost of Attendance Survey for 2008-09. They were excluded from the 2005-06 survey because of the small samples that could be drawn from the Merced campus population.

**Enrollments & Weighted Averages**

The total number of students at each campus used in calculating the weighted averages across the system is based on the actual academic year enrollment for the latest year available (e.g., 2005-06 in the case of the proposed 2007-08 budgets).

The proportion of the budgeted enrollment in each living type (commuter, on-, and off-campus) is based on a combination of information from the COAS and the campus housing offices. The number of on-campus students at each campus is based on Housing Office projections for the year in question (or prior year before these projections are known). The remaining budgeted enrollments are designated off-campus or commuter based on the proportion of COAS respondents from each campus with that living type. The resulting weighted averages across campuses are frequently used to represent UC costs in each of the three budget types or for a UC undergraduate education overall.

**Timeline**

In the fall of the year prior to the respective academic year, UCOP develops early estimates of the Standard Methodology Budgets. On-campus housing, campus-based fees, and the University student health insurance premium (USHIP) costs are eventually provided by the campuses, but at this early stage UCOP staff estimate direct charges using the five-year average increase for each respective category. Starting in late fall, UCOP begins to contact campuses for their estimates of the upcoming year.

In the past, the “final preliminary” Standard Methodology Budgets, from which the campuses may vary by 1%, were released by UCOP in January or February. The timeline was driven in part by the ability of campus housing or health center directors to provide projections for the upcoming year, as well as the delayed release of “November” CPI projections from the California Department of Finance. Given the increased pressure to recruit students and provide them with financial aid information earlier, the Financial Aid Directors have asked for earlier finalization of the preliminary budgets. UCOP will work with campuses to find the best compromise between earlier notification and accuracy of the “final preliminary” budgets.

The budgets used for USAP allocations are finalized in late March, although campuses are free to adjust their budgets used to award financial aid (within the 1% variance allowed) through July. In July, UCOP collects the final budget data and posts it online.
## Timetable

<table>
<thead>
<tr>
<th>OCTOBER</th>
<th>Using actual budgets from prior year, most recent COAS data, and most recent CPI data, create projected SMBs for subsequent academic year</th>
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<tr>
<td>NOVEMBER-DECEMBER</td>
<td>Contact campus Housing Office, Health Director, &amp; Financial Aid Office with initial request for subsequent year projections for housing costs, USHIP &amp; campus-based fees</td>
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<tr>
<td>EARLY JANUARY</td>
<td>Using campus data, updated CPI projections, and most recent COAS information, finalize preliminary SMB for subsequent year. (See note above about providing earlier finalization.)</td>
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<tr>
<td>JANUARY - MARCH</td>
<td>New data and adjustments accepted through March 15th for USAP allocation process.</td>
</tr>
<tr>
<td>APRIL - JULY</td>
<td>Campus corrections and updates, including those due to the 1% flexibility, accepted through July for posting on systemwide web site.</td>
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Standard Methodology Tables

Base Year Tables

Tables 1 through 3 demonstrate the combination of survey data and the best information to date on direct charges. These figures have not been adjusted using CPI for the 2007-08 academic year.

- Table 1: Base Year (2005-06) Average Commuter Expenses
- Table 2: Base Year (2005-06) Average On-campus Expenses
- Table 3: Base Year (2005-06) Average Off-campus Expenses

CPI Figures

The CPI estimates from the Department of Finance used in the Standard Methodology Budget process are summarized in Figure 1. The time period displayed is from 2000 through 2010. Highlighted are the factors used to inflate figures from Tables 1-3 to those seen in Tables 4-7.

- Figure 1: CPI Summary
  - California CPI-W, 2000-2010 – Used for all but off-campus rent
  - San Francisco Rent CPI, 2000-2010 – Used for off-campus rent at Berkeley and Santa Cruz
  - California Rent CPI, 2000-2010 – Used for off-campus rent at Davis, Irvine, Los Angeles, Merced, San Diego, and Santa Barbara
  - Los Angeles Rent CPI, 2000-2010 – Used for off-campus rent at Riverside

2007-08 Standard Methodology Budget Tables

Tables 4 through 7 show the proposed Standard Methodology Budgets for 2007-08. They show the same data in Tables 1 through 3, adjusted by CPI as outlined in Figure 1.

- Table 4: 2007-08 Average Commuter Expenses
- Table 5: 2007-08 Average On-campus Expenses
- Table 6: 2007-08 Average Off-campus Expenses
- Table 7: 2007-08 Standard Methodology Budgets

Comparison of 2007-08 and 2006-07 Standard Methodology Budgets

The following two tables compare the proposed 2007-08 tables to the 2006-07 final student budgets.

- Table 8: Dollar Difference Between 2007-08 and 2006-07 Budgets
- Table 9: Percent Difference Between 2007-08 and 2006-07 Budgets