

# Cost of Attendance (Budget)

*Awards for each of the FSA programs are based on some form of financial need, beginning with cost of attendance. This chapter picks up at the point where you have established the student's EFC (see the Application and Verification Guide) and the student's basic eligibility (see Volume I).*

*Most schools establish average costs for different categories of students and set these cost categories in EDEXpress or other software that they use to calculate awards and package aid. The typical costs that you establish for your students will be used to calculate their Pell, Stafford, and Campus-Based awards (Chapters 3, 4, and 5) and package their aid (Chapter 6).*

Unlike scholarship programs that may award funds based on academic merit or the student's field of study, "need-based" grants, loans, and work-study are based on the family's need for assistance.

The cost of attendance is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive for purposes of the Campus-Based Programs and Stafford/PLUS loans, and is one of the basic components of the Pell Grant calculation.

## ALLOWABLE COSTS

The cost of attendance for a student is an estimate of that student's educational expenses for the period of enrollment. As we'll see, you can use average expenses for students at your school, rather than actual expenses. For example, for the tuition and fees component, you can use the same average 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.

## CHAPTER 2 HIGHLIGHTS

### Allowable Costs

Determined by school, taking into account:

- Tuition and fees
- Books, supplies, transportation, personal, misc.
- Room and board
- Dependent care
- Study abroad expenses
- Disability expenses
- Employment expenses for coop study
- Loan fees

### Exceptions

- Less than half-time enrollment
- Correspondence study
- Incarcerated students
- Professional judgment

### Costs met from other sources

- Tuition and fees not paid by student
- Free room and board

### Costs for period of enrollment

- Campus-Based and Stafford/PLUS are based on costs for the period of enrollment; for instance, costs for a student attending a single semester in the school year would be limited to the costs for that time period.
- Pell is always based on the cost of full-time attendance for a full academic year.

### Actual costs for Pell must be full-year

If you're using actual charges for a student who is attending part-time or for a portion of an academic year, you must prorate the part-time student's actual costs to determine the full-time, full-year budget that will be used to look up the student's Pell award.

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### Cost of attendance components

The cost of attendance is determined by law (Higher Education Act, Sec. 472) and is not subject to regulation by the Department.

The law specifies the types of costs that are included in the cost of attendance, but you must determine the appropriate amount to include for each category for students at your school.

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### Disabled student

A student is considered disabled if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually disabled, seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

There are different ways to arrive at average costs for your students, such as periodic surveys of your student population and local housing costs.

### Allowable costs in general

The types of costs that may be included are the same for all FSA programs. The cost of attendance for the Campus-based and Stafford/PLUS programs is a student's cost for the period of enrollment. The cost of attendance used for Pell Grants is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up or down for students who are attending less than an academic year (or who are part-time in a term program). We'll discuss this at the end of this chapter.

A student's cost of attendance generally is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes costs of rental or purchase of equipment (including equipment for instruction by telecommunications), materials, or supplies required of all students in the same course of study.
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** This can include a reasonable amount, as determined by your school, for the documented rental or purchase of a personal computer that the student will use for study for the enrollment period. For example, a computer purchased in the summer for use in the fall term may be included.
- **An allowance for room and board.** For students without dependents living at home with their parents, this will be an allowance that you determine. For students living on campus, the allowance is the standard amount normally assessed most residents. For those living off campus but not with their parents, the allowance must be based on reasonable expenses for room and board.
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include, but that are not limited to, class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided.
- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**
- **For a disabled student, an allowance for expenses related to the student's disability.** These expenses include special services,

personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other agencies.

- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**
- **For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).** You may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging aid). In all cases, you can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school. “Backend” fees for non-federal loans may only be included if they are charged to the borrower during the period of enrollment for which the loan is made.

### *Exceptions to the normal cost allowances*

The following are the exceptions to the normal cost of attendance allowances discussed above:

- For students who are enrolled **less than half time**, only the costs for tuition and fees and allowances for books and supplies, transportation (but not miscellaneous expenses), and dependent care expenses may be included as part of the cost of attendance.
- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred for the period of residential training. (As mentioned in Chapter 1 of *Volume 1: Student Eligibility*, a student isn’t eligible to receive FSA aid for correspondence courses unless the student is enrolled in an associate-, bachelor’s-, or graduate-degree program and unless the school meets the criteria for the percentage of courses taught using this medium.)
- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for FSA loans, and if he is in a federal or state penal institution, he is ineligible for Pell grants (see Chapter 1) as well.

### **Documentation of exceptional expenses**

The law doesn’t specify what documentation you must collect for expenses such as dependent care or disability-related expenses. You can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student or other appropriate sources.

### **Less than Half Time COA Components**

For students who are less than half time, COA can include only:

- tuition and fees,
- an allowance for books and supplies,
- transportation (but not miscellaneous & personal expenses), and
- an allowance for dependent care expenses.

### Tuition prepayment plan

Higher Education Act  
Sec. 480(j)

- You have the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide*.)

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### Free room and board example

Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges. If the student quits the job, the waiver is removed and the student has to pay the room and board charges. All the students have the room and board charge in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero counts the room and board waiver as a resource and estimated financial assistance. The other students must report the waiver as untaxed income.

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### WIA reimbursement contracts

Some WIA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before WIA will reimburse the school for tuition and fee costs. If the student doesn't fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school isn't permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. However, if a tuition and fees charge is included in a Title IV recipient's budget, the student would be liable for any outstanding charges that are not reimbursed by WIA. Therefore, schools that enter into reimbursement contracts *must remove the tuition and fees component* from the Title IV budget because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

### Tuition and fees waived or paid by other sources

In some cases, such as under Workforce Investment Act (WIA — formerly JTPA) programs, a student's tuition and fees are paid by another organization or are waived. The student's costs are based on what the school is actually charging the student, based on the agreement between the school and the student.

If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance. The tuition and fees payment would then be counted as a resource and estimated financial assistance. The charge is documented in the same way as for any non-WIA student—for instance, in your school's contract with the student or in the agreement with the WIA agency. (If your school charges the student for tuition and fees, your school would have to expect the student to pay the charge if the WIA agency or other source of assistance doesn't pay on the student's behalf.)

If the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's cost of attendance.

The same principle applies to *prepaid tuition plans* and *college savings plans*. If the money from the plan is intended to reduce the amount of tuition and fees that is charged to the student, then the cost of attendance used for the FSA programs would not include a tuition and fees component. On the other hand, if money from such a plan is used to pay a tuition and fee charge, then the cost of attendance is not affected.

Even if there's no tuition and fees component, the student's budget still includes the other costs listed previously, such as an allowance for living expenses. Note that an award to a student who has no tuition and fees may need to be based on the Alternate Schedule for "Tuition Sensitivity" (discussed in Chapter 3).

**Room and board provided at no cost to student**

If a student lives on campus, the student is considered to have entered into a contract with the school for room and board, even if there's no charge to the student. If room and board is supplied at no charge, that component of the cost of attendance would be zero. If the student is charged for the room and board and the charge is then waived, the value of the room and board can be included in the cost of attendance.

The value of room and board provided to an employee should be reported as untaxed income under housing, food, and other living allowances. It isn't considered financial aid unless the room and board is part of an on-campus job that was awarded on the basis of need. If the room and board results from a job that was awarded on the basis of need, then the value of the room and board would be counted as a resource for campus-based purposes and as estimated financial assistance for Stafford purposes and isn't reported as untaxed income.

**COSTS FOR PERIODS OTHER THAN 9 MONTHS**

The cost of attendance used to package Campus-based aid and Stafford/PLUS loans covers the student's actual period of enrollment. Therefore, if the student will be attending for more than 9 months, you must use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, you must use a lower cost of attendance. You can choose to prorate the allowances you use for 9 months, or can calculate the cost in any other reasonable way.

**Adjusting Costs for Pell**

The types of costs included in the Pell budget are the same as those for the other FSA programs; however, Pell costs are always based on the costs for a *full-time student for a full academic year*.

For Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they are the costs for one full academic year. This is true for both parts of the academic year definition: if either the number of weeks or the number of clock/credit hours differs from the academic year standard, the costs must be prorated to determine the full-time/full-year Pell budget.

The need to prorate Pell costs is most likely to occur in these situations:

- a term-based program that provides less than 30 weeks of instructional time in an academic year.
- a non-term program that provides less than 24 semester hours, 36 quarter hours, or 900 clock hours and/or provides less than 30 weeks of instructional time in an academic year.

**Costs for a period other than 9 months**

For Stafford, PLUS, and Campus-Based aid, the cost of attendance used for packaging must reflect the student's cost for that period that he or she is actually enrolled.

For instance, if a student is completing her program of study by taking a 1/2-time course load for the fall semester at your school, and that's the only term that she'll be attending in the award year, you could use the actual tuition and fee charges for the student's costs. If you use average costs for living expenses for a 9-month academic year for students in that program, you may divide your average costs by the number of terms in the academic year to find the cost for this enrollment period.

For Pell Grants, you could either use an average tuition cost for a full-time full-year student in the program or prorate the student's actual tuition for the fall term to arrive at a full-year full-time cost. Costs for living expenses may also be average costs for a full academic year—if a full-year average cost is used, it doesn't have to be prorated for Pell Grant awards.

**Costs for full program charged at start**

A school may charge the total cost for a program at the beginning of the first period of enrollment, but if the program is longer than an academic year, you must prorate these charges to reflect the academic year used for packaging purposes.

- a program that is longer than an academic year, where the costs for the entire program are charged at the beginning of the program.

There are two ways to prorate Pell costs, as shown in the first two examples on the next page. Both of these examples are based on a program that is shorter than an academic year. The third example shows how costs are prorated when they are charged for a program that is longer than an academic year.

If the student is in a category where costs are limited, such as less-than-half-time enrollment, those costs that are allowable must be based on costs for a full-time student for a full academic year. For instance, the tuition component of the Pell cost of attendance for a less-than-half-time student must be based on the tuition costs that would be incurred by a full-time student attending a full academic year.

Note that prorating the cost of attendance usually does not affect the amount of Pell Grant the student receives. However, you're required to report the full-time-full-year Pell budget when reporting disbursements to COD.

### Cost Example #1: prorating total costs by lesser of two fractions

You may take the student's entire cost of attendance (tuition and fees, room and board, etc..) and multiply it by the lesser of the two fractions that represent the length of the academic year. If the lesser fraction is one, then you don't prorate the cost of attendance. One fraction is based on credit or clock hours and the other is based on weeks of instructional time, as shown in this example.

Let's use the example of a program that charges \$10,500, awards 18 semester credits, and is completed by most full-time students within 20 weeks of instructional time.

$$\frac{\text{Credit/clock hours in academic year} = 24}{\text{Credit/clock hours awarded} = 18}$$

$$\frac{\text{Weeks in academic year} = 30}{\text{Weeks provided} = 20}$$

Since the fraction using credit hours is the lesser fraction, the program cost of \$10,500 is multiplied by 24/18 to find the full-year Pell cost.

$$\$10,500 \times 24/18 = \$14,000$$

In this case, the full-time cost is \$14,000. (Note: If one of the fractions is equal to one, for instance, if the program awards 24 credit hours, then the pro-rated cost is the same as the original cost of attendance.)

### Cost Example #2: prorating academic costs & living expenses separately

As an alternative, you can separately pro-rate the costs associated with credit or clock hours (tuition and fees, books and supplies, loan fees) and the costs associated with weeks of instructional time (room and board, miscellaneous expenses, disability expenses, transportation, dependent care, study abroad, reasonable costs associated with employment as part of a cooperative education program).

Using our earlier example of a program lasting 20 weeks and awarding 18 credit hours, and specifying that the student's tuition, books, supplies, etc come to \$4,500 and living expenses amount to \$6,000, the calculation would look like this:

$$\frac{24 \text{ credit hours}}{18 \text{ credit hours}} \times \$4,500 = \$6,000$$

$$\frac{30 \text{ weeks}}{20 \text{ weeks}} \times \$6,000 = \$9,000$$

In this example, the student's Pell budget is the sum of the two prorated costs, or \$15,000.

### Cost Example #3: prorating costs for a nonterm program longer than an academic year

Costs must also be prorated if they are charged for a period longer than an academic year. You may use either of the proration methods shown in Examples 1 and 2.

We'll use the example of a program awarding 1,000 clock hours and providing 40 weeks of instructional time. Let's assume that the school uses the regulatory minimums in defining the academic year as 900 clock hours and 30 weeks.

The total costs over the 40 weeks, including tuition and living expenses, is \$5,900. If we use the method in Example 1, this amount must be prorated by the lesser of the following two fractions.

$$\frac{\text{Credit/clock hours in academic year} = 900}{\text{Credit/clock hours awarded} = 1000}$$

$$\frac{\text{Weeks in academic year} = 30}{\text{Weeks provided} = 40}$$

The lesser of the two fractions is the one based on weeks (3/4). Multiply the total program cost by this fraction to determine the Pell costs for a full academic year:  $\$5,900 \times 3/4 = \$4,425$ .

### Pell Grant cost of attendance for a consortium program

A student receiving a Pell Grant for attendance at two schools through a consortium agreement may have costs from both schools at the same time. The student's cost of attendance is calculated in the same way as for a student taking classes at only one school. The student's tuition and fees and books and supplies charges at the consortium schools have to be combined into a single charge for a full academic year for purposes of the Pell calculation. The school paying the student can choose to use actual charges for the student, which would simply be the sum of the actual charges at both schools. Of course, if the student isn't attending full time, your school will have to prorate these tuition and fees and books and supplies charges so that they are the correct amounts for a full-time full-year student.

If the disbursing school is using average charges, then the average full-time charges at each of the schools must be prorated and combined. If the student is taking an equal course load at each school, the full-time tuition and fees charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, the disbursing school must prorate the charges based on the number of hours the student is taking at each school.

### Pell Grant cost of attendance for a co-op program

If a student has a co-op job for the first term, the tuition and fees for that period can be prorated over the full academic year for the program (which must include at least 30 weeks of instructional time). This prorated amount is then added to the other cost of attendance components to arrive at the total cost for a full-time student for a full academic year.

For the rest of the year, your school can either use the cost of attendance with the projected amount or can recalculate the student's tuition and fees at the end of the first term to determine a new cost of attendance for the remaining payment periods. This decision must be consistent with your school's overall policy on recalculating for changes in a student's costs. (See the discussion of Pell Grant recalculations in Chapter 3 of this volume for more information.) Note that the cost of attendance can also include employment-related expenses.