

One-third of U.S. Institutions of Higher Education Underestimate Living Costs by More Than \$3,000

The Wisconsin HOPE Lab conducted a study of institutional living cost allowances and found that in 2013, about one-third of institutional living cost allowances nationwide were more than \$3,000 below the estimated cost of living for the location of the institution. The estimates were based on median fair market rent for a zero bedroom (studio/efficiency) apartment by county from the U.S. Department of Housing and Urban Development, low-cost food averages based on age from the U.S. Department of Agriculture (combined with a county cost of living index to account for regional differences), transportation costs from the U.S. Bureau of Labor Statistics, state-level health care costs, and other miscellaneous costs such as personal care products.

Sector	Institutions #	Institutional Living Cost Allowance vs. County Cost of Living Estimate		
		Above Estimate by \$3,000+ Percent	Within \$3,000 of Estimate Percent	Below Estimate by \$3,000+ Percent
4-year or above	2,538	8.3	60.9	30.8
Public	634	9.5	71.6	18.9
Private not-for-profit	1,200	7.8	55.4	36.8
Private for-profit	704	8.1	60.6	31.3
2-year	2,107	10.1	60.4	29.5
Public	1,019	7.7	63.2	29.1
Private not-for-profit	126	15.9	53.1	31.0
Private for-profit	962	11.9	58.5	29.6
Less-than-2-year	1,797	15.1	45.3	39.6
Public	228	14.0	40.8	45.2
Private not-for-profit	66	4.5	48.5	47.0
Private for-profit	1,503	15.8	45.8	38.4
Grand Total	6,442	10.8	56.4	32.8

The federal definition of the cost of attendance (COA) includes tuition, fees, room and board (food, housing, transportation, and other miscellaneous costs of living), books, and supplies. The COA is important because it is part of the equation that helps determine how much financial aid students are eligible to receive in grants and loans from federal, state, and institutional sources. Federal law requires each institution to “determine an appropriate and reasonable amount” using its own method. Typically, institutions recalculate their COA annually. For direct educational costs, this is a relatively straightforward process. Determining living costs can be somewhat more complicated.

In keeping with federal law and the principal of local control, there is no regulation or standardized system for determining COA, including the living cost components. Schools use various methods to research and estimate these costs, including student surveys, interviews, and economic data. Organizations such as the National Association of Student Financial Aid Administrators and the College Board provide some guidance, but each institution has the flexibility and responsibility to reach its own estimate by its own means.

Source: Wisconsin HOPE Lab, *The Costs of College Attendance: Trends, Variation, and Accuracy in Institutional Living Cost Allowances*, by Robert Kelchen, Braden J. Hosch, and Sara Goldrick-Rab (2014)
<http://www.wihopelab.com/publications/Kelchen%20Hosch%20Goldrick-Rab%202014.pdf>.

