



Stony Brook University

How Living Costs Undermine Net Price As An Affordability Metric

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OVERVIEW

Except for institutions with very few commuters, net price is not a valid measure of affordability because cost of living budgets are determined without sufficient standards and consistency

Research partners through Wisconsin HOPE Lab:

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- Sara Goldrick-Rab, Univ. of Wisconsin-Madison



NET PRICE AND COST OF ATTENDANCE CALCULATIONS

| | |
|-------|--------------------|
| | Tuition |
| | Required Fees |
| | Books |
| | Room & Board* |
| + | Other Costs |
| <hr/> | |
| | Cost of Attendance |

| | |
|-------|--------------------|
| | Cost of Attendance |
| | - Grant Aid |
| <hr/> | |
| | Net Price |

* based on living arrangements

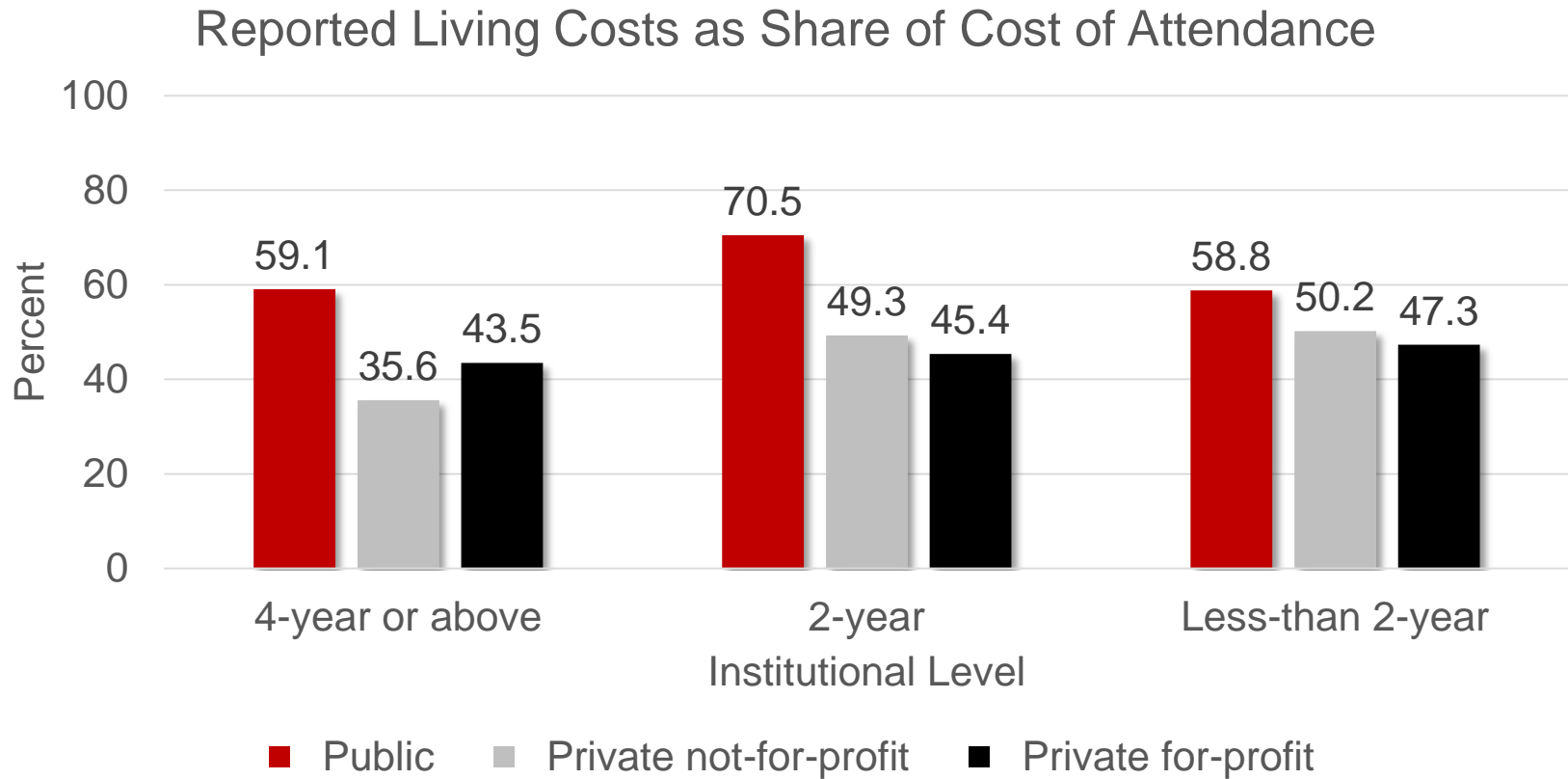


HOW LIVING COSTS ARE DETERMINED

- Set in a manner “determined by the institution” (SEC. 472. 20 U.S.C. 1087)
- Sparse guidance in FSA Handbook:
 - periodic surveys of student population,
 - assessing local housing costs or other pertinent data
 - otherwise reasonable methods
- NASFAA Monograph



LIVING COSTS AS SHARE OF COA





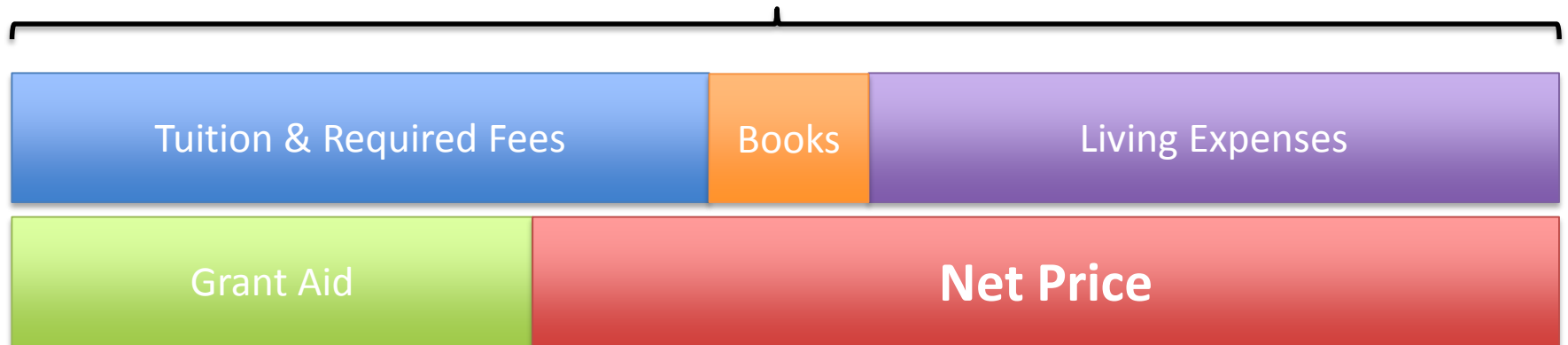
APPLICATION OF GRANT AID TO COSTS

Grant aid is generally applied

- First to offset direct costs (tuition and req. fees)
- Then to offset books, supplies, living expenses

Residual net price after application of aid weights cost of living components even more as share of total COA

Cost of Attendance





SELECTED RANKINGS USING NET PRICE

Federal Uses:

HEOA Watch Lists

White House Score Card

College Navigator

Rating System (?)

Selected Ranking Publications:

Washington Monthly

U.S. News Best Value Colleges

Kiplinger's Best Value Colleges



METHODOLOGY

Generate county-level estimates of cost-of-living

Compare campus-reported costs for living expenses off-campus, not with family to county-level estimates

Results analyzed by sector and geospatially



REGIONAL ADJUSTMENT APPROACH (1)

- Model approach on the MIT Living Wage Calculator (Glasmeier & Arete, 2014), using data available when 2013-14 COA numbers were developed
- Adjusted for regional differences using 2013 County Cost of Living Index when needed
- Room and board:
 - Housing: HUD median rents by county for efficiency apartment without roommates (FY 2012)
 - Food: USDA low-cost food plan (June 2012)



REGIONAL ADJUSTMENT APPROACH (2)

“Other expenses”:

- Transportation: BLS Consumer Expenditure Survey for individuals under 25 years old (2012)
- Health care: Average premium by state from the Kaiser Family Foundation—national average used if missing data (2010)
- Miscellaneous: BLS Consumer Expenditure Survey for individuals under 25 years old (2012)



INSTITUTIONAL DATA

Primary source: IPEDS IC 2013-14

Selection criteria:

- Values reported both for
 - Room & board, off-campus not with family
 - Other expenses, off-campus not with family

Reporting status differences

- Academic year reporter values treated a 9 months
- Program reporters normalized to 9 months

Excluded institutions from U.S. Territories



LIMITATIONS

Costs are not uniform within counties

- Urban areas: Gasoline/rent costs vary within small areas
- Rural areas: Transportation costs vary by distance to college

Does not reflect variation in needs within students that can be captured by professional judgments



OVERARCHING FINDINGS

- Higher cost estimates in urban/rural counties
- Half of institutions in most expensive quartile of counties
- Huge institutional variation at county level:
 - 56.4% of institutions within \$3,000 of estimate
 - 10.8% of institutions \$3,000+ above estimate
 - 32.8% of institutions \$3,000+ below estimate

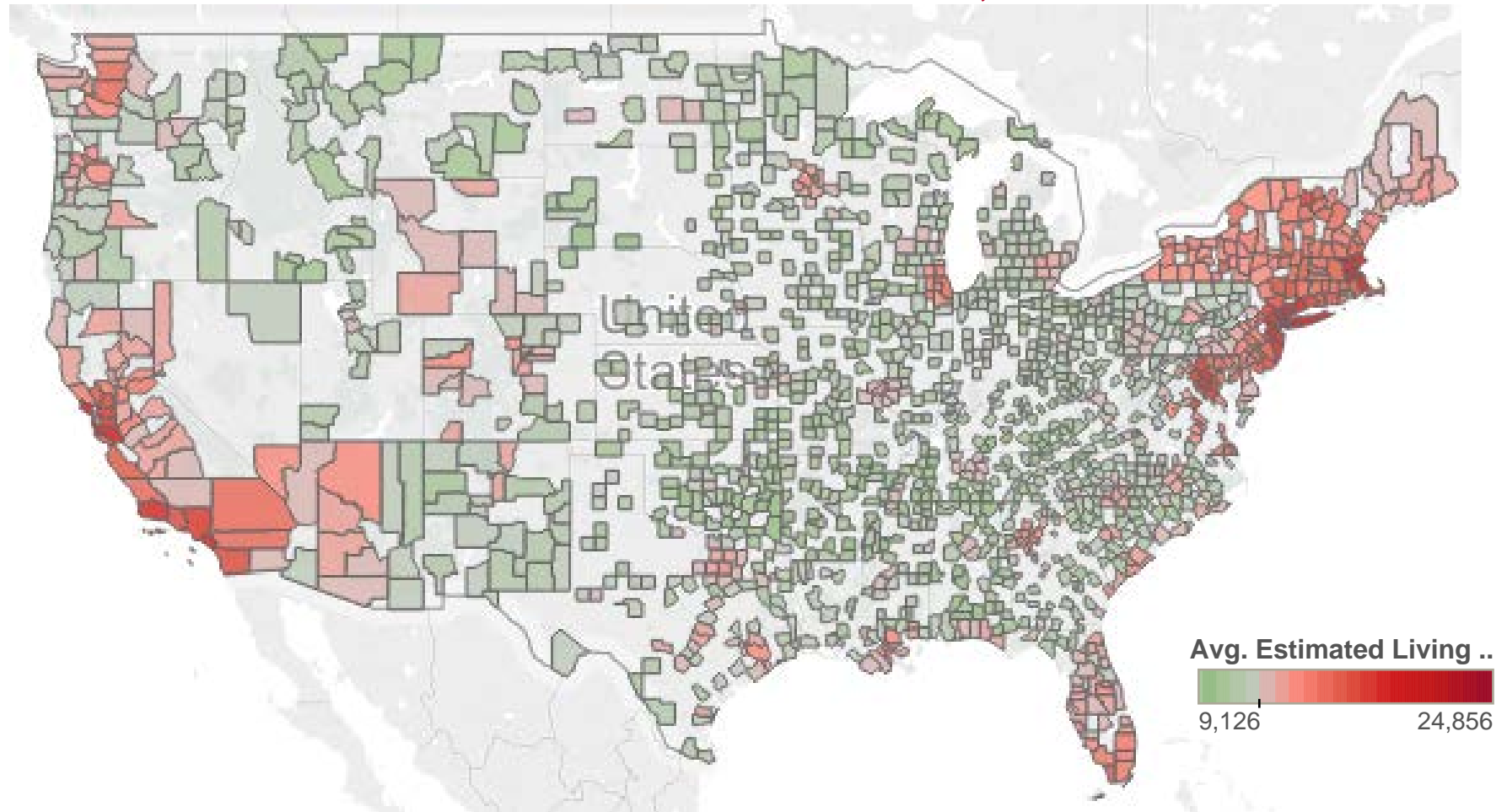


COUNTY-LEVEL ESTIMATES, 9 MONTHS

| | Room & Board Costs | | | Other Costs | | | | Total |
|-------------|--------------------|-------|--------|-------------|-------------|-------|-------|--------|
| | Housing | Food | Total | Transp. | Health Care | Misc. | Total | |
| Min | 2,862 | 1,665 | 4,572 | 2,061 | 1,224 | 621 | 4,077 | 9,126 |
| 25th pctile | 3,969 | 1,872 | 5,877 | 2,331 | 1,809 | 702 | 4,860 | 10,863 |
| 50th pctile | 4,662 | 1,944 | 6,606 | 2,421 | 1,890 | 729 | 5,040 | 11,678 |
| 75th pctile | 5,623 | 2,068 | 7,711 | 2,565 | 2,025 | 774 | 5,371 | 12,940 |
| Max | 12,051 | 3,690 | 15,489 | 4,590 | 3,933 | 1,386 | 9,189 | 24,426 |
| Mean | 5,040 | 2,003 | 7,039 | 2,490 | 1,990 | 753 | 5,233 | 12,272 |
| SD | 1,572 | 214 | 1,719 | 266 | 457 | 80 | 682 | 2,213 |



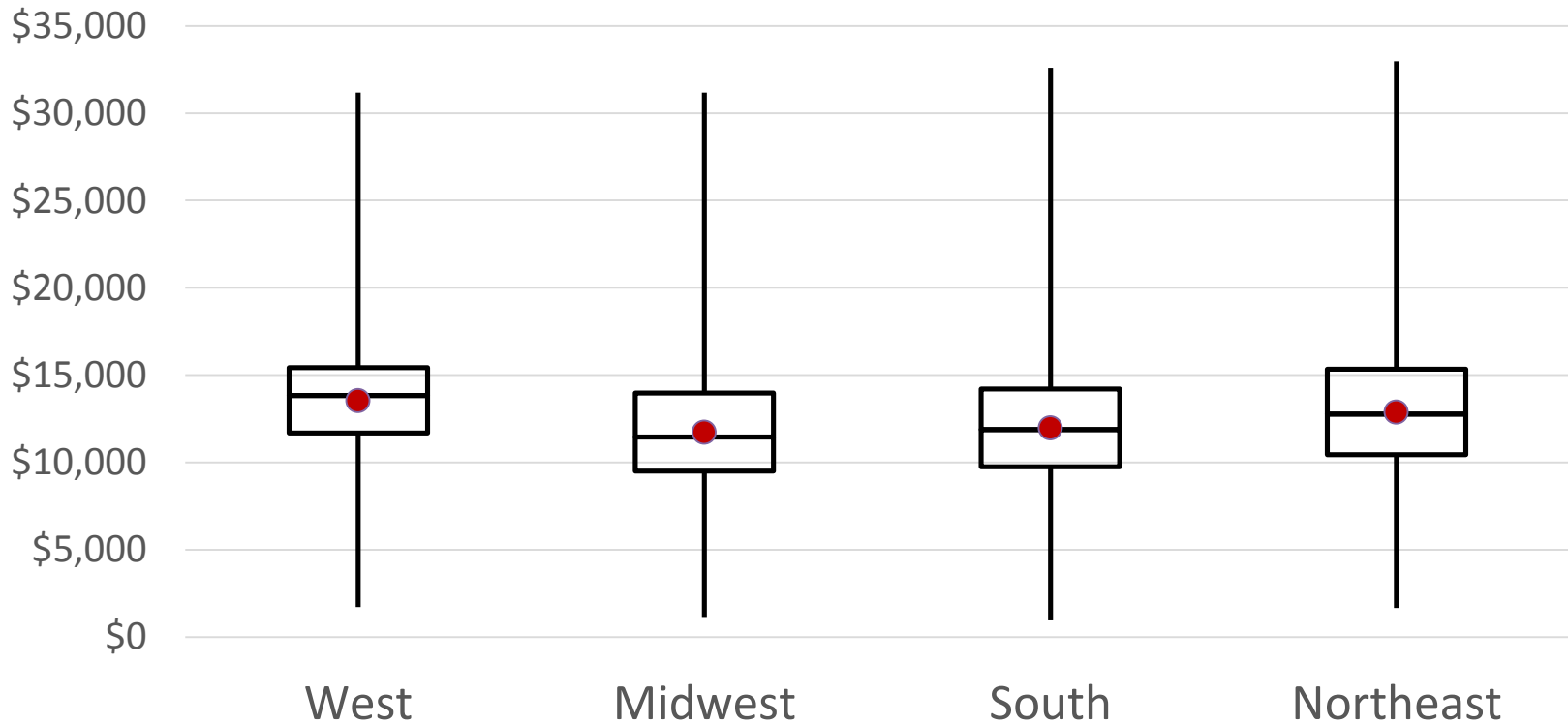
COUNTY-LEVEL ESTIMATES, 9 MONTHS





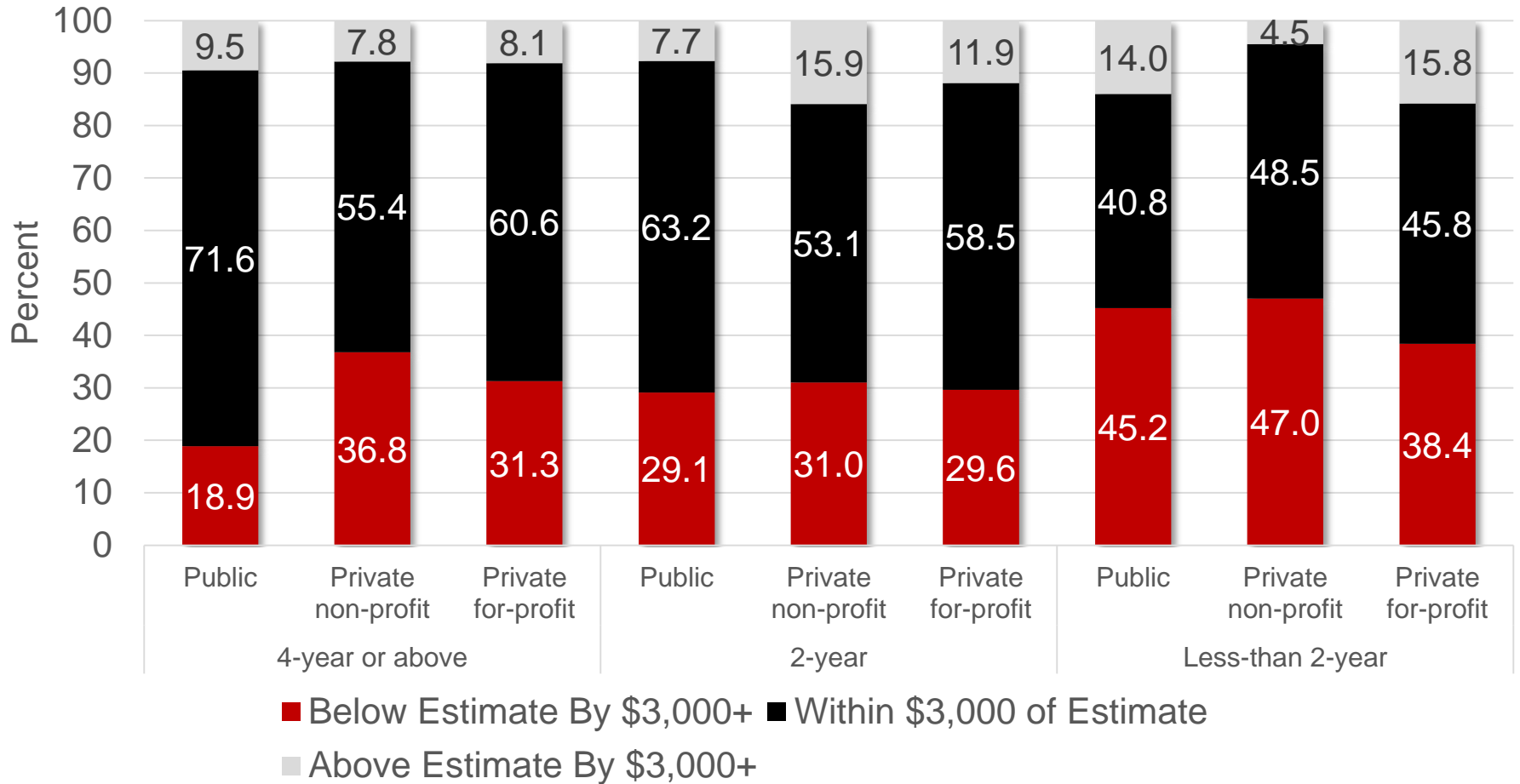
ESTIMATED LIVING COSTS BY REGION

Living Cost Allowances (over 9 months) for Off-Campus Students Not Living with Family, by Region, 2013-14



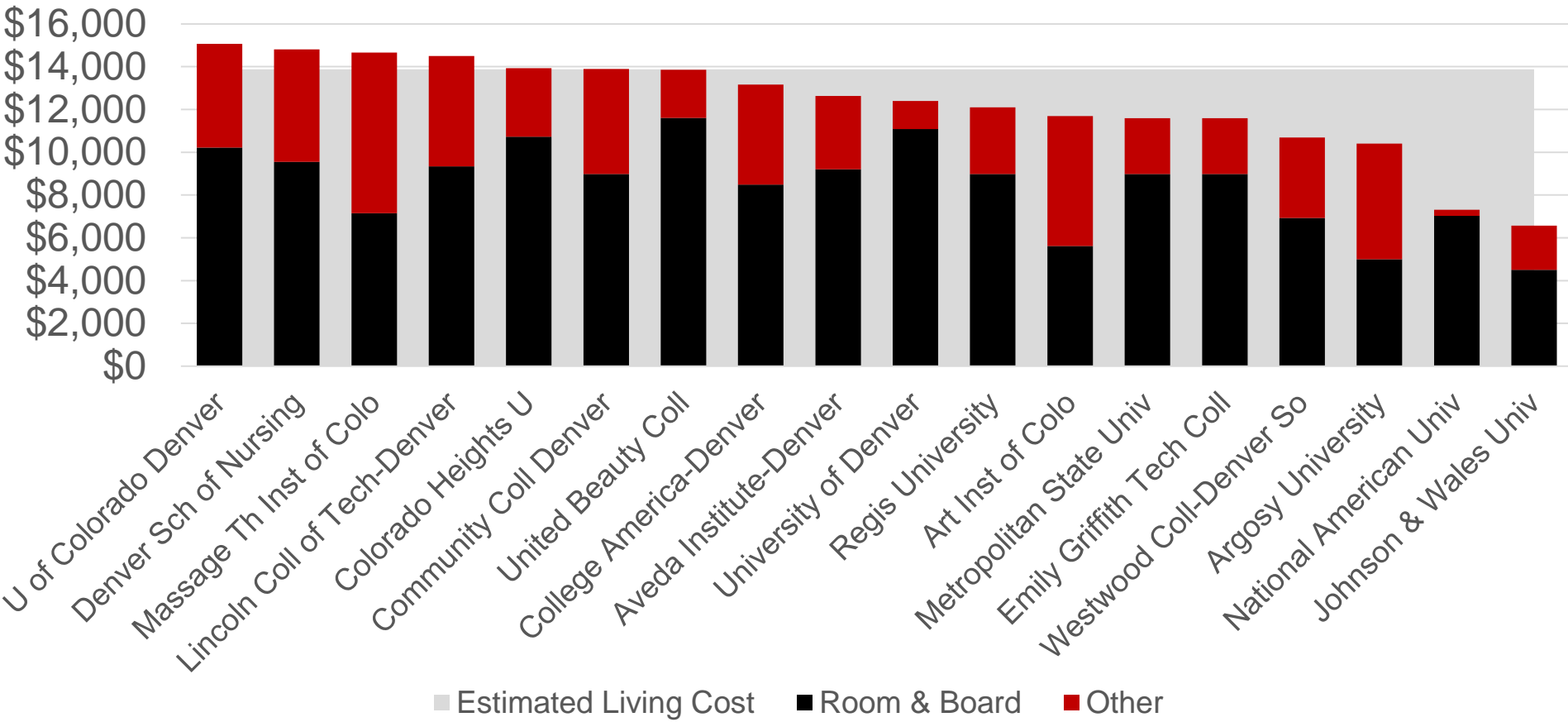


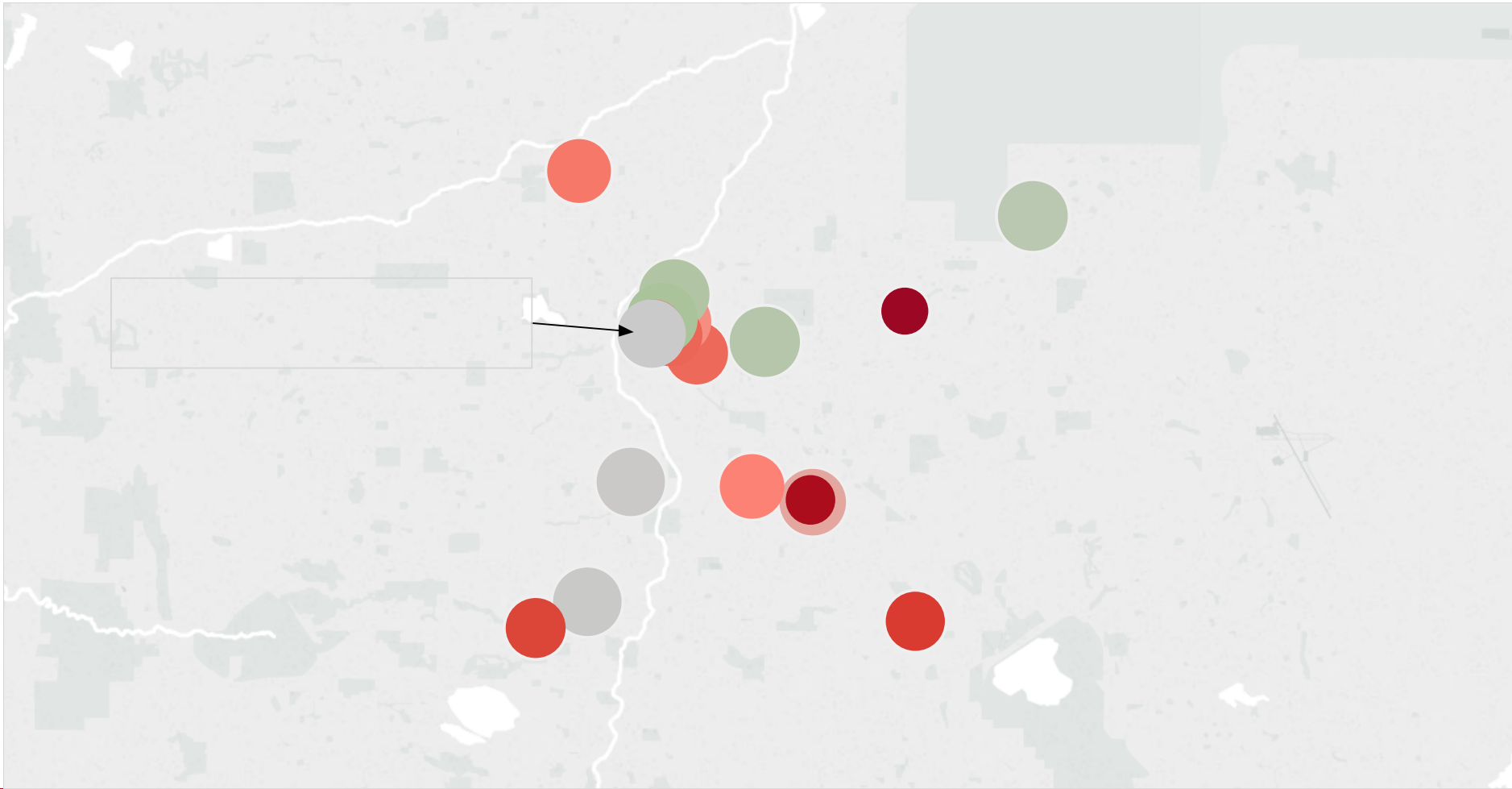
REPORTED VS. ESTIMATED LIVING COSTS





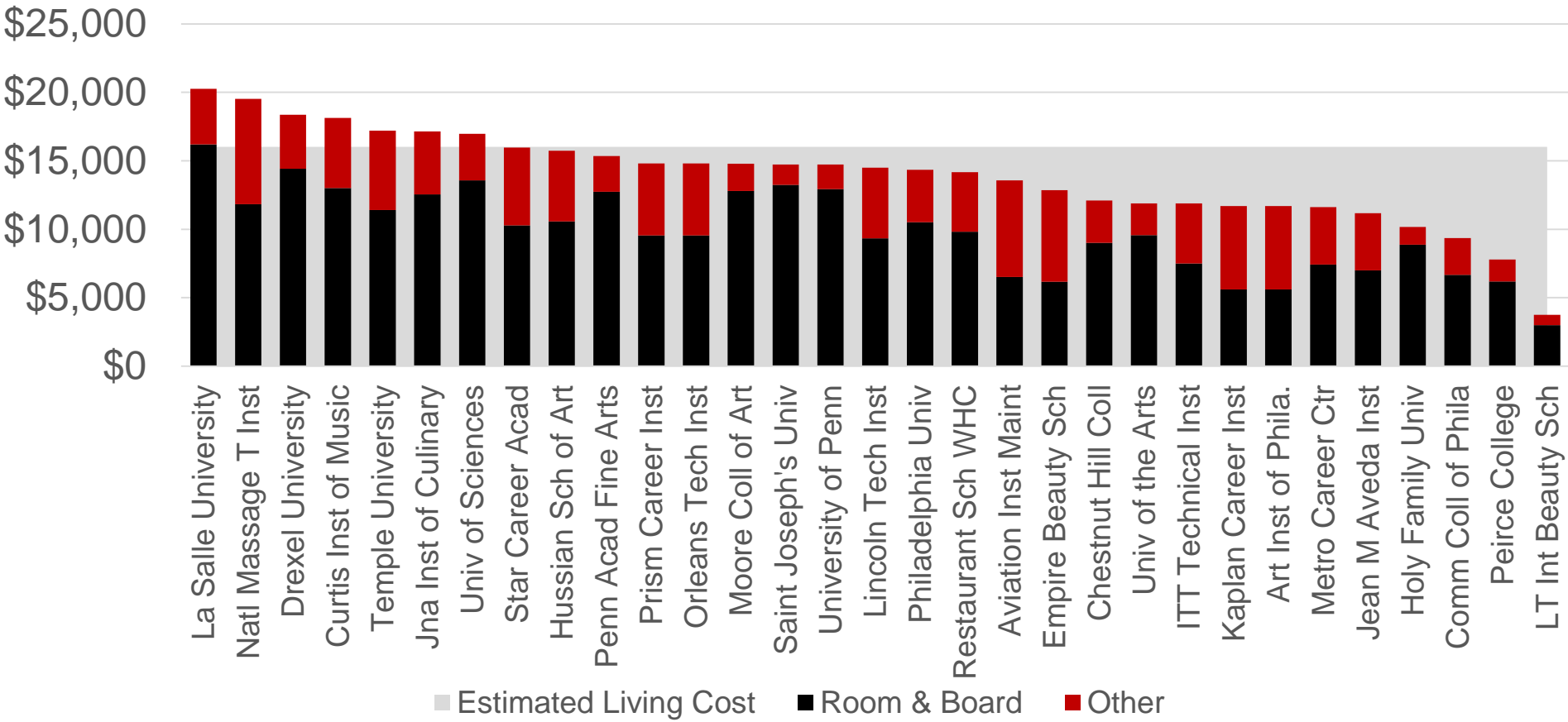
Comparison of Living Cost Allowances to Estimated 9 Months Living Costs, Denver County, Colorado







Comparison of Living Cost Allowances to Estimated 9 Months Living Costs, Philadelphia County, Pennsylvania



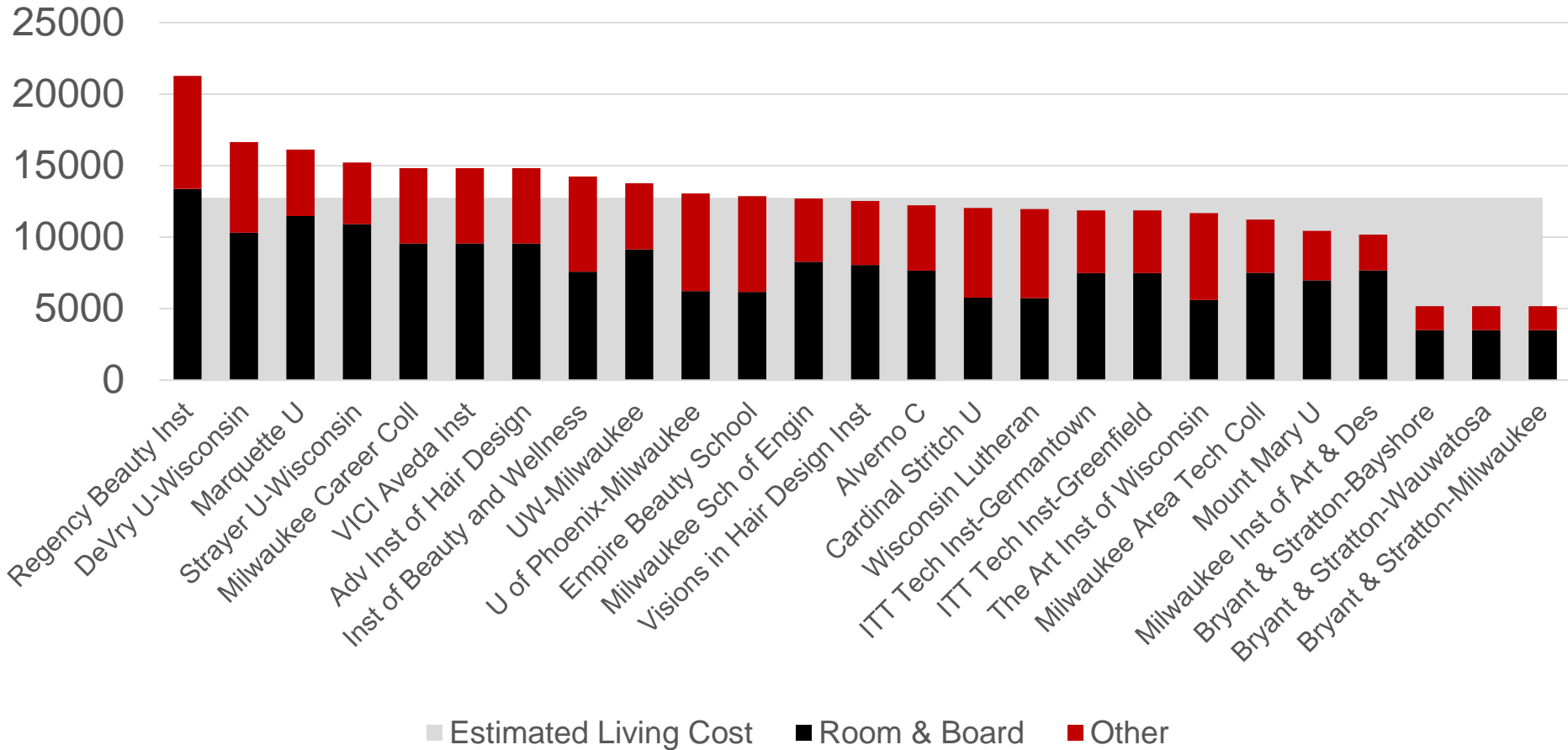


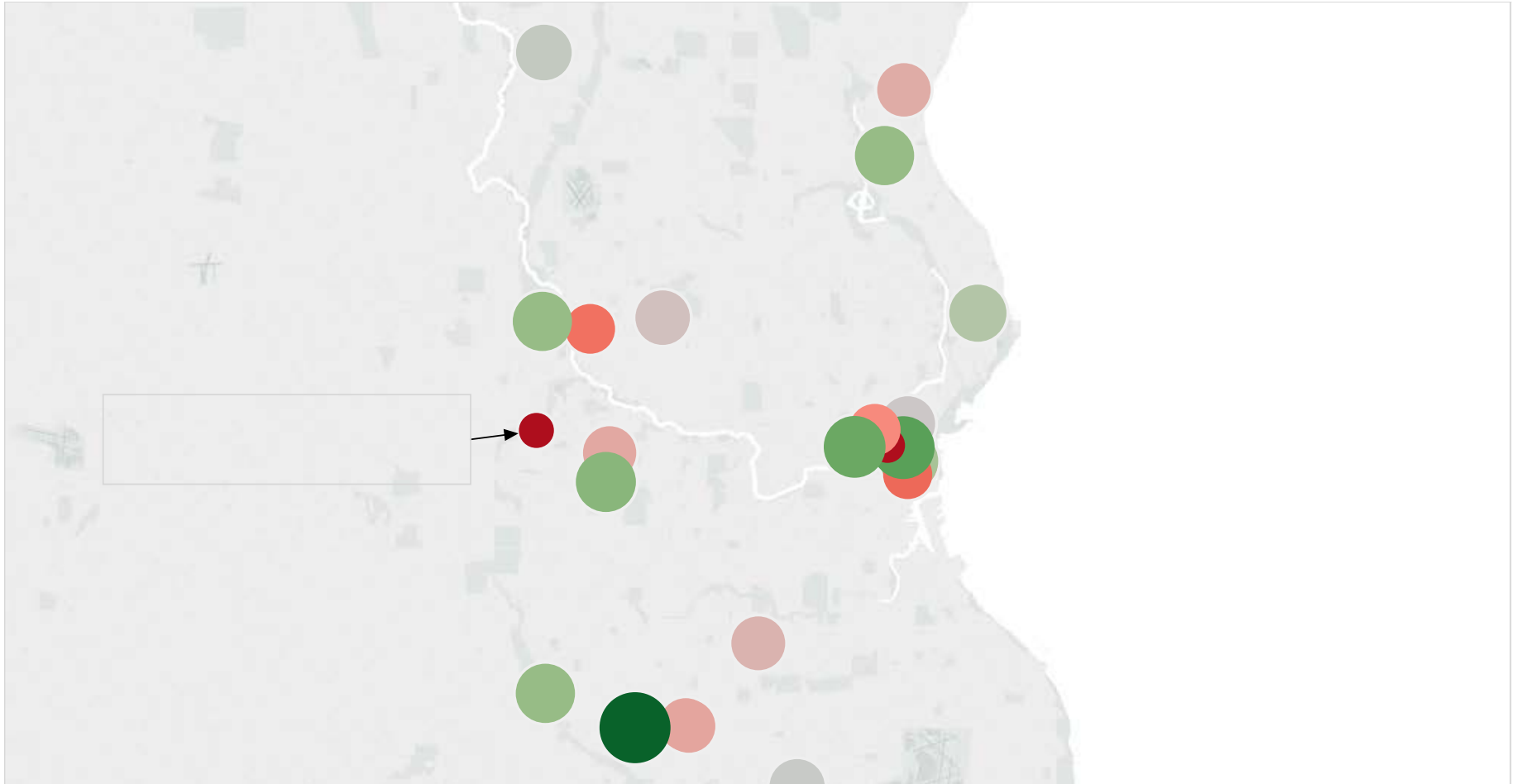
LIVING COSTS, 9 MONTHS PHILADELPHIA (DETAIL)





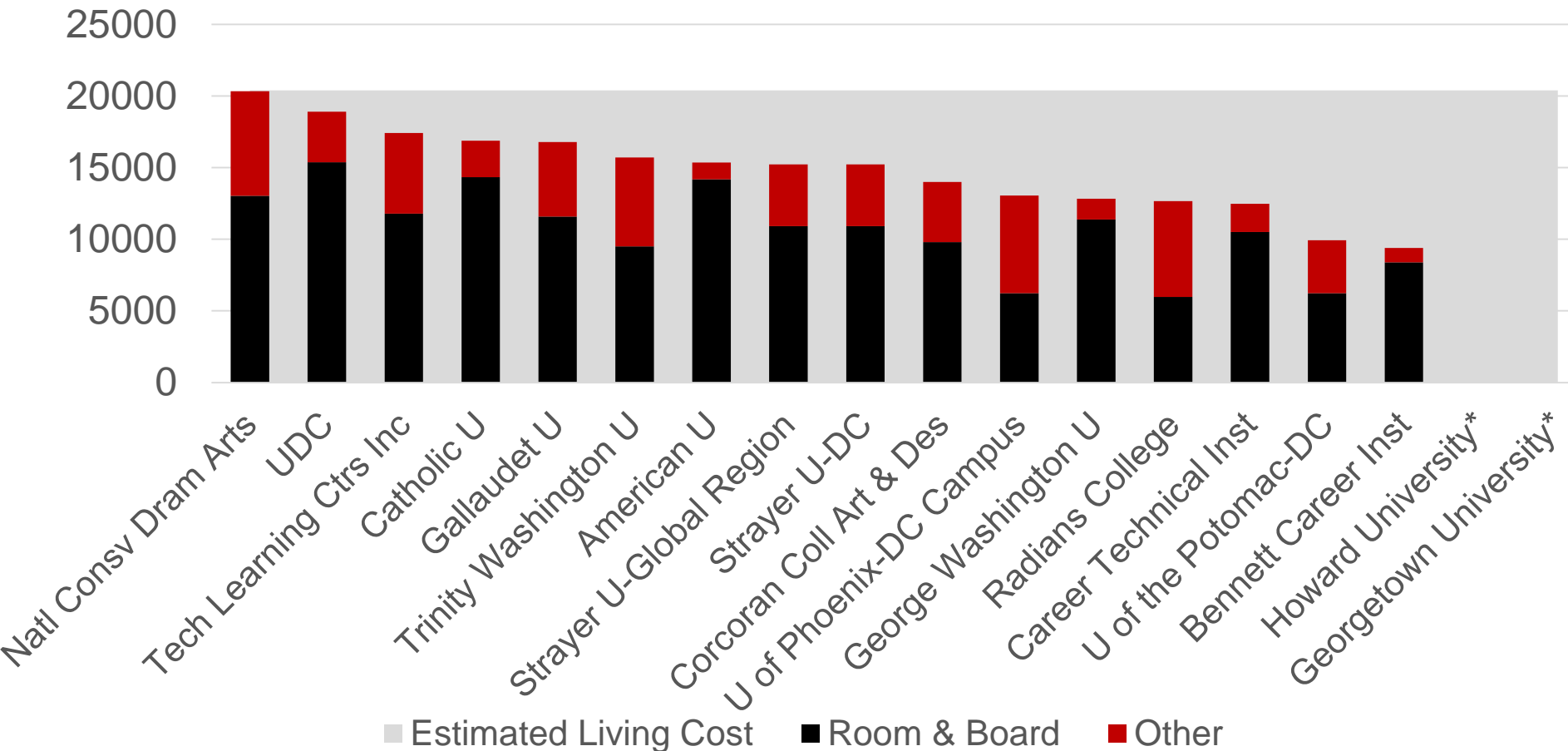
Comparison of Living Cost Allowances to Estimated Living Costs, Milwaukee County, Wisconsin







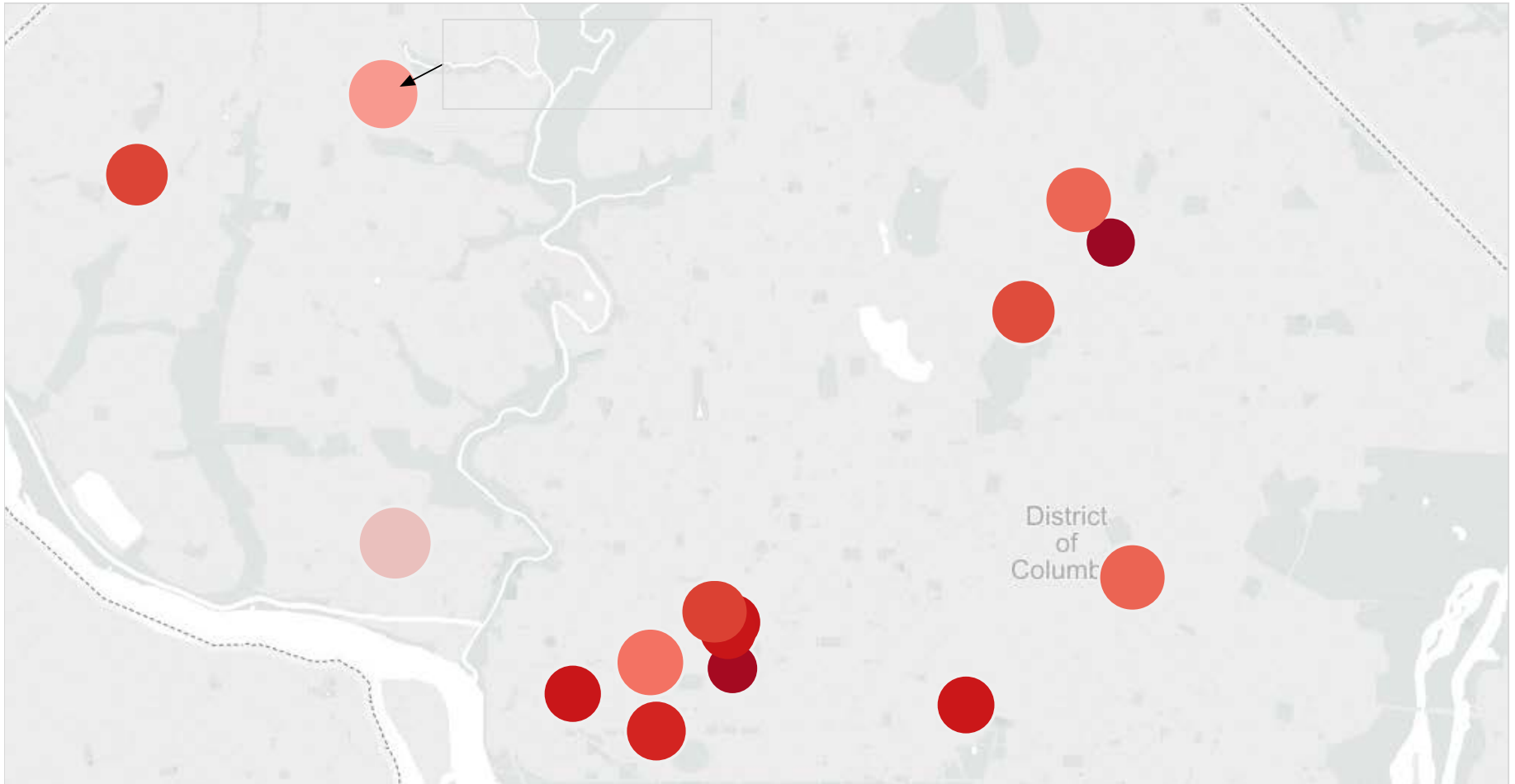
Comparison of Living Cost Allowances to Estimated Living Costs, Washington, DC



■ Estimated Living Cost ■ Room & Board ■ Other



LIVING COSTS WASHINGTON, DC

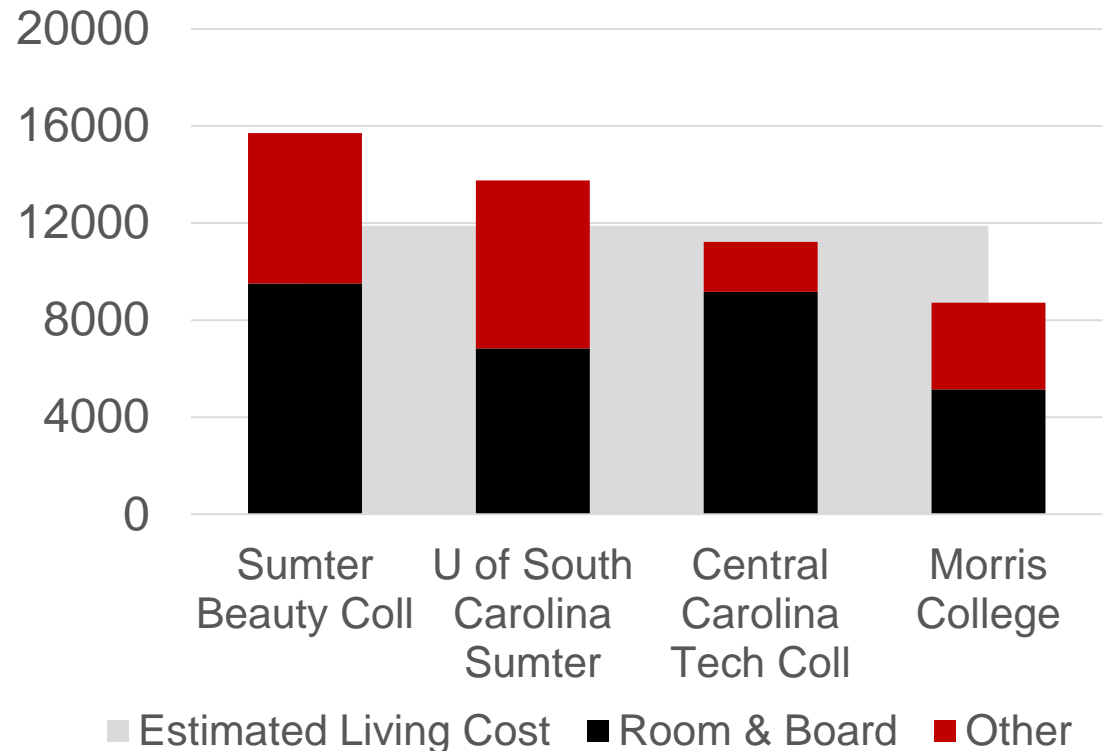




RURAL EXAMPLE: SUMTER, SC

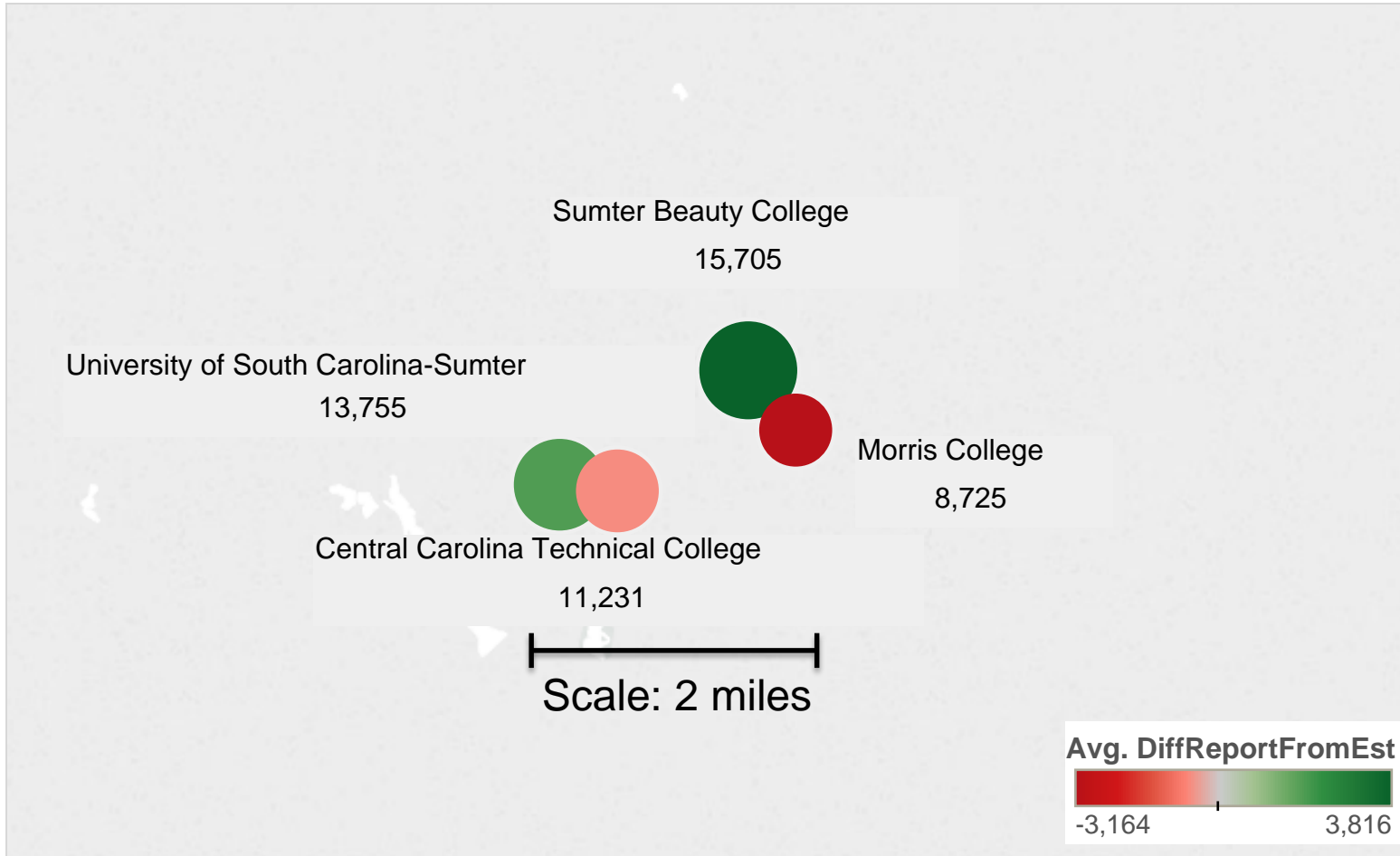
Cost variation is not limited to urban areas (but easier to observe)

Comparison of Living Cost Allowances to Estimated Living Costs, Sumter SC





LIVING COSTS, SUMTER CO., SC





IMPLICATIONS

- Net price statistics for institutions with sizeable commuter populations are not necessarily valid across groups
- Net price should not be used for accountability within broad groups of institutions without correction for living costs
- Benchmarking activities should examine variation in COA budgets prior to examination of net price



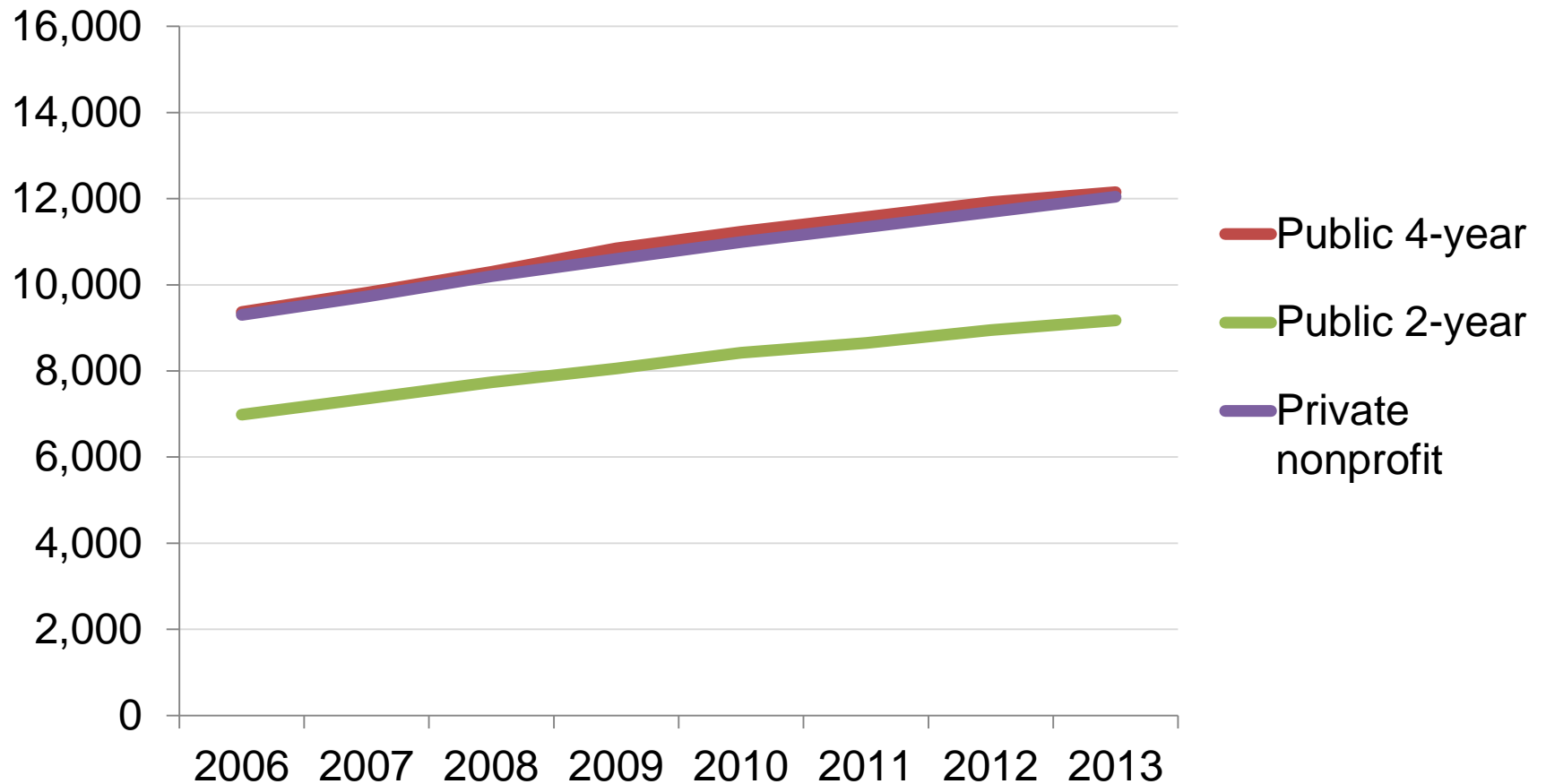
UNINTENDED CONSEQUENCES

Manipulation of net price to game accountability

- Subverts transparency agenda
- Artificial lowering of living costs
- Incentives to lower living cost budgets may stress students who qualify for less aid

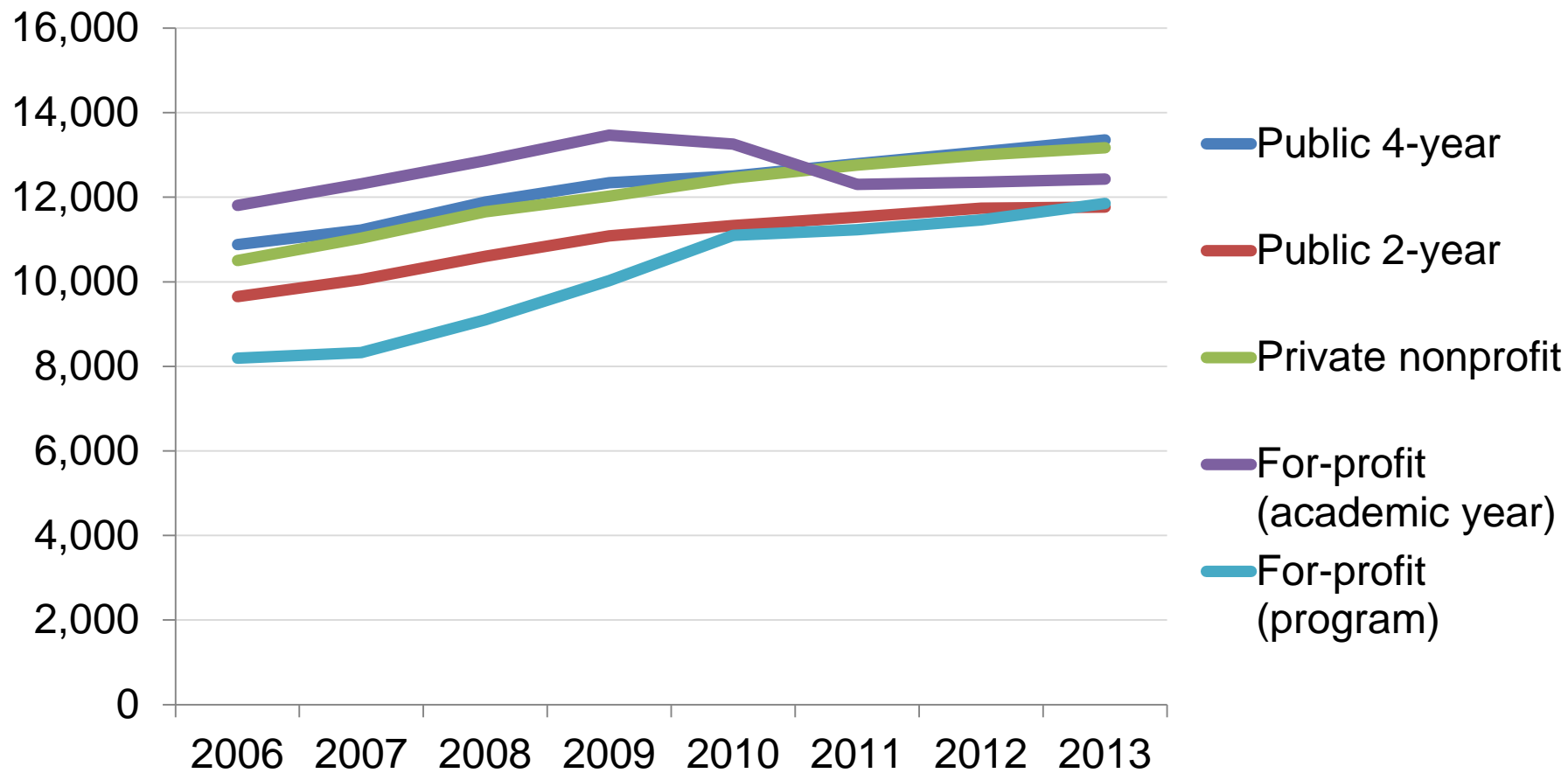


ON-CAMPUS LIVING COSTS BY YEAR





OFF-CAMPUS LIVING COSTS BY YEAR





RECOMMENDATIONS (1)

1. Determine living costs at federal level with regional (county) adjustments
2. Failing federal determination, authorize ED to establish rigorous methodology for cost of living budgets
3. Do not include net price in ratings system or 3rd party rankings, unless statistically adjusted



RECOMMENDATIONS (2)

4. Failing adoption of #1-3, for the purposes of net price calculations, consider using (nearest) campus living costs for off-campus costs
5. Conduct more research on living expenses at different geographic scales, esp. health care
6. Research community should take more active role in examining reliability and validity of prominent educational statistics



RESOURCES & CONTACT INFO

Kelchen, R., Hosch, B., Goldrick-Rab, S. [The Costs of College Attendance: Trends, Variation, and Accuracy in Institutional Living Cost Allowances.](#)
Association of Public Policy and Management
(2014). <http://wihopelab.com/publications/>.

<http://www.stonybrook.edu/commcms/irpe/reports/>

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