Who Pays for What?

Students and Parents Paying for an Education

By Steve Chatman

Cost of attendance for a typical off-campus California resident undergraduate student in 2003-2004 is expected to be $16,529, a substantial amount. That total figure is comprised of educational, registration and other fees of $6,403, books and supplies of $1,214, basic living expenses of $7,624 and $1,288 for transportation. These values represent average expenses as determined from student spending surveys and university fee policies and therefore, actual expenses can be expected to differ. Fees can also differ for students with continuing coverage under their parents’ health plan because students with comparable coverage can waive the $550 health insurance fee. Even though these figures reflect a relative higher education bargain when compared to similar quality alternatives, total cost for a four-year degree at current rates would be nearly $70,000 and the total can reasonably be expected to increase as annual costs increase and state budget support declines. So how do students manage to acquire the necessary resources?

Many students rely on financial aid for all or part of their expenses (about 65%). For most of these students, the financial aid application process demands clear communication by student and parents about available resources, and the resulting financial need computation identifies expected contributions by each party.

For students attending with the assistance of financial aid, communication with parents about resources and expenditures is likely to be reasonably open. However, the likelihood of open, structured discussion for students attending without financial aid is less. This QuickSurvey was directed at the undergraduate population attending without financial aid, and was designed to learn more about how students and parents come to an understanding about expenses and resources and how they should be managed.

The survey was in two parts. The first part asked “If you are attending UC Davis WITHOUT using financial aid, what proportion of your total expenses (school and living expenses) is being paid by your parents?” The options were 90%+, 75%-89%, 50%-74%, 25%-49%, 10%-24%, and 9% or less. Almost 4,000 students responded. If they selected any category but the two extremes, they received a follow-up question asking “Imaging that you are talking with a community college student who will be transferring to Davis and will be sharing expenses with his/her parents. How would you recommend they decide how they will share expenses?” Of the 753 who might have commented to this follow-up question, 122 did (16%). The follow-up question assumed that students would suggest a strategy somewhat similar to their own or one that they considered better than their own. The results reported below will be organized by the two parts of this QuickSurvey: Proportional Distribution and Negotiation.

Proportional Distribution -- Parents and Students Share Expenses

Two characteristics of the distribution were readily apparent. First, the majority of students attending without financial aid were doing so almost exclusively on their parents’ resources. Sixty-one percent reported that their parents were paying for 90% or more of their expenses (Figure 1). The second dominating characteristic was the shape of the distribution. It was bimodal. In addition to the majority at 90% or more, the next largest percentage was at 9% or less (20%). These two categories accounted for four-out-of-five students. Between these two peaks were the remaining 19%-20%, and they tended to trail off from the larger parental share to lower (8%, 6%, 3%, 3%). The follow-up question was directed at these mid-range students—those whose parents provided something between 90% and 10% of expenses.
Imagining that you are talking with a community college student who will be transferring to Davis and will be sharing expenses with his/her parents. How would you recommend they decide how they will share expenses?”

The advice from students sharing expenses with parents was wide-ranging but there were a few common themes. The most predominant was that each should pay for an identifiable component like tuition or living expenses. There were very few cases where the family determined a total budget and then agreed to a proportional split of that total. It was much more common for each to be expected to pay for a category of expense; the most frequently mentioned distribution was for parents to pay for educational fees and students to pay for living expenses. Books and supplies were sometimes associated with educational fees and distributed to the parents but not uniformly. Discretionary spending like entertainment was most often distributed to the student, and students were typically expected to work. Based on the students’ recommendations, there was a hierarchy of cost of attendance components, and parents were expected to pay for as many of those components as they could afford. The hierarchy was tuition (educational fees), room and board, books and supplies, and living expenses. It should be noted that the hierarchy was frequently justified by the nature of the expense and the student’s ability to exercise control over the expense. Please note that there was a wide range of experience and advice and that this was an exploratory study that did not attempt to determine exact population practices.

Before sharing examples of the advice offered, one other trend emerged from the comments. As the percentage of expenses being paid by parents lessened, there was a tendency for the advice to be more terse, coldly stated, and generally somewhat bitter. In fact, it was common in the 10% to 24% category for students to question the value of a UC Davis education and recommend that the student consider a CSU instead. The number of students in this category was small and the comments may not be statistically representative but the trend was apparent.

A few examples illustrating the majority of advice offered:

Ask for your parents to help out with tuition and rent. Since board, entertainment, and other living expenses fluctuate, you’re forced to spend wisely if you pay for those yourself.

Parents pay for tuition and housing, student pays for utilities and food. That way the student will be more careful with spending.

If parents are helping they need to direct their financial attention towards school fees and basic living expenses (rent, bills, etc.) first, allowing the student to be responsible for all above and beyond necessity. If the students are involved in these expenses, the parents should take care of all or as many of the school expense as possible and then subsidize the living expenses. This allows for the minimum amount of confusion about who pays what part of what, and familiarizes students with budgeting and money management without negative academic consequences due to strict deadlines and high costs.

What works for us is that my parents pay the tuition and mandatory fees, and I pay everything else: food, rent, bills, books, etc. They pay the necessary expenses and it’s up to me to decide what is the wisest way to use my money.