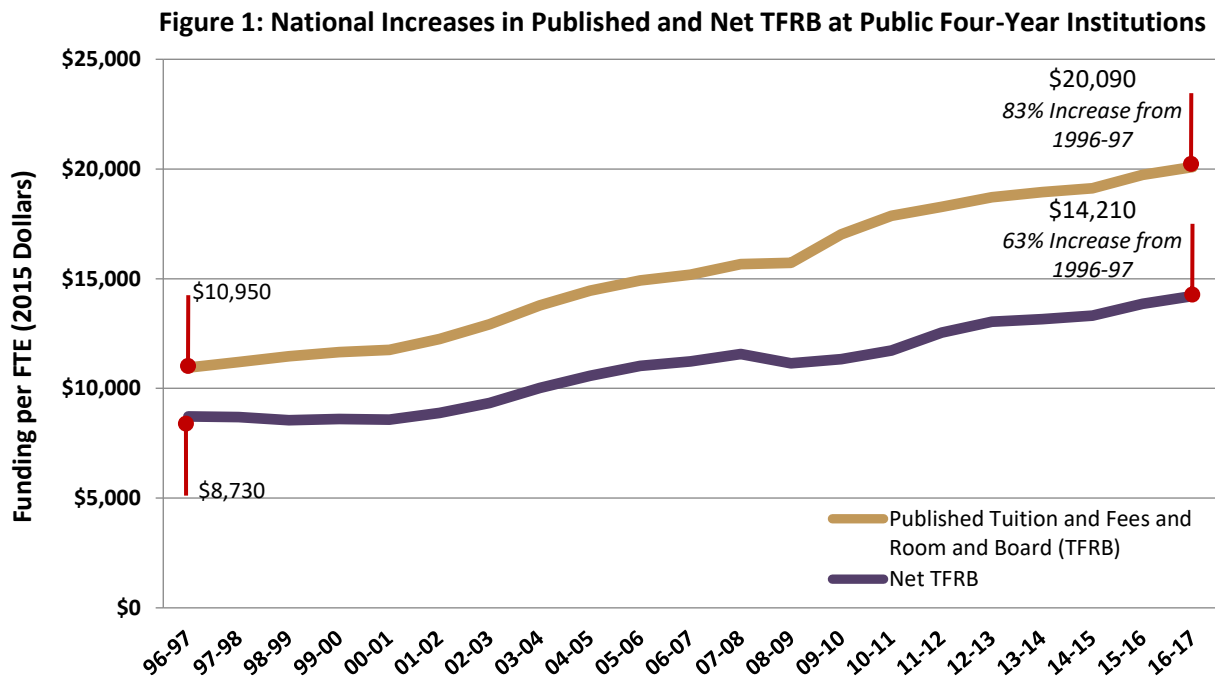


Date: January 10, 2018

Subject: Published Price vs. Net Price in Higher Education

Published college prices—which include sticker tuition, fees, room and board (TFRB)—have increased dramatically over the past two decades. However, *net prices*¹—TFRB minus grant and scholarship aid from federal, state or institutional sources—have increased at a more moderate rate.

As seen in Figure 1 (below), between 1996-97 and 2016-17, *published* prices for resident students rose an average of 83 percent at [public four-year institutions](#) (going from \$10,950 to \$20,090), whereas *net* prices for residents at public four-year institutions rose an average of 63 percent (going from \$8,730 to \$14,210). This difference is thanks to federal, state, and institutional aid.



(Source: Figure 10 data. The College Board, Trends in College Pricing 2016. Page 20.)

For comparison, during that same timeframe, published prices for resident students at [private nonprofit four-year institutions](#) rose by an average of 61 percent (going from \$28,140 to \$45,370), and *net* price for residents at those institutions rose by an average of 30 percent (going from \$20,020 to \$26,080).²

The increases in net price are significant. However, it is worth keeping two things in mind:

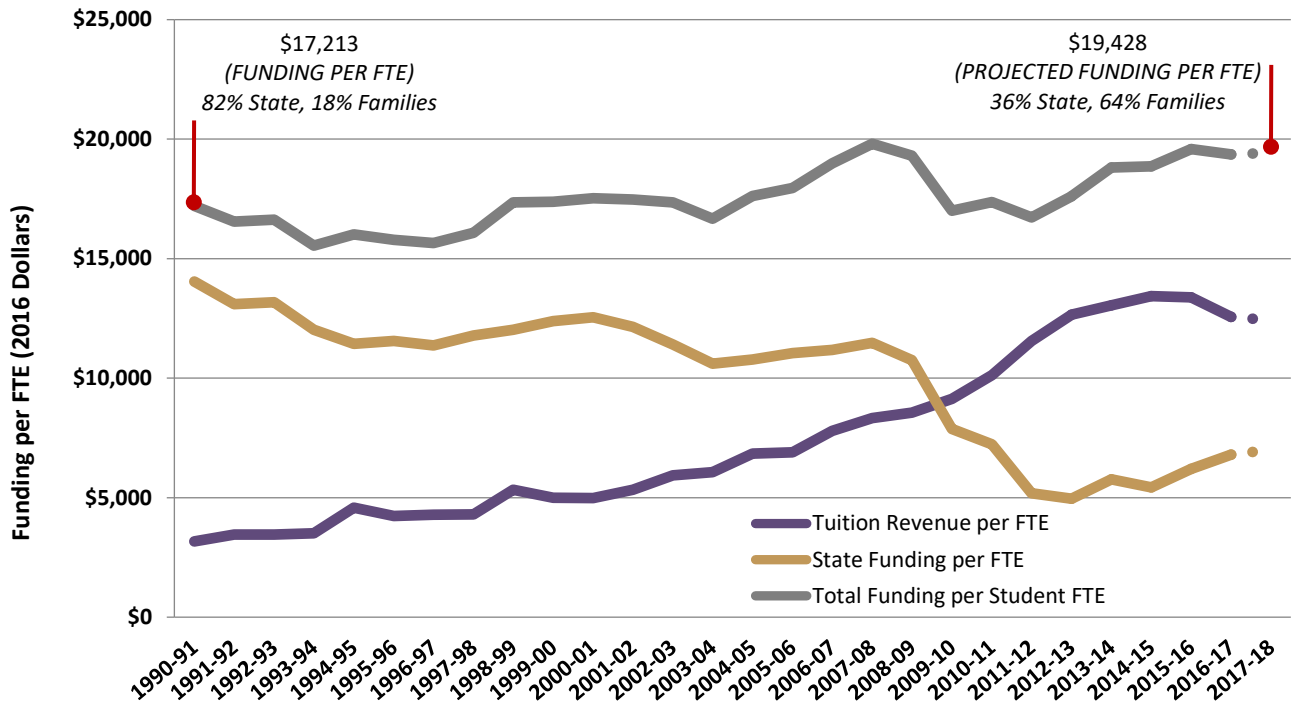
1. **The price behavior of higher education bears more similarity to service industries than to goods-producing industries.** Unlike goods producers, service industries have few opportunities to increase productivity without decreasing quality. This is primarily due to a reliance on expensive, high-skill workers (who comprise over 80 percent of higher education employees) and cutting-edge technology. As a result, higher education prices behave similarly to other personal services offered by highly-educated providers. Notably, the cost curves for dentists, lawyers, and physicians essentially mirror those for higher education.

¹ Net price is the “total cost of attendance” (calculated using the weighted average of sticker prices for students in different living situations) minus average aid. Specifically, the “cost of attendance” is the weighted average of published price, weighted by how many students are living on campus, versus off-campus, versus at home. Average financial aid is subtracted from the total cost of attendance to get to net price.

² Note that net prices vary considerably across students within institutions and within sectors. For those who do not receive grant aid or tax benefits, the net price is equal to the published price.

- Tuition increases at public institutions are due, in large part, to a decades-long trend of state budget cuts.** Like many other state institutions, the UW has endured numerous state funding cuts in past biennia. Consequently, the majority of funding formerly provided by the state is now borne by students and their families. As seen in Figure 2, below, in 1990-91, Washington state contributed 82 percent of the total funding per UW student FTE, and families were responsible for 18 percent. In 2017-18, state funds are projected to cover only 36 percent of the total funding per FTE, leaving 64 percent to students and families.

Figure 2: UW General Operating Funds Revenue Mix



Rising tuition rates could have meant a decline in access and in the economic diversity of students, but this has not been the case at the UW. **The UW increased its contribution to institutional financial aid in order to minimize net-price increases, particularly for students with the most financial need.** For the 2016-17 academic year, 27 percent of UW undergraduates were eligible for Pell Grant funding and 34 percent of all domestic UW students attending college for the first time would be the first generation in their families to attain a bachelor’s degree. The University and the state have several aid programs for students, with 30 percent (about 9,900) of UW undergraduate residents eligible for the Husky Promise, 2,800 students expected to receive funds from the College Bound Scholarship, and 7,700 students expected to receive funding from the Washington State Need Grant. Each year, about 56 percent of UW undergraduates receive some form of financial aid. In total, UW undergraduates received over \$410 million in aid for the 2016-17 school year, with over \$100 million of that in the form of institutional grants and scholarships to Washington residents.

Table 1, below, compares the UW in Seattle and its peer institutions on two common metrics of affordability and access: net price and percent of students receiving Pell grants.

In 2015-16 (the most recent year for which net price data is available from IPEDS), the **published price** for resident undergraduates at Seattle was **\$27,034**, whereas the **net price** for first-time, full-time, resident undergraduates at Seattle was **\$10,068**. As the table shows, **the UW in Seattle has the lowest net price of its peers, and half of all UW in Seattle undergraduates graduate with no known debt.**³

³ The university has no records of students’ consumer loans and therefore cannot say definitively that these students have no debt.

Table 1: U.S. News & World Report Peer Comparisons: Resident Undergraduate Net Price and Pell Recipients⁴

Institution name	2014-15		2015-16 ⁵	
	Net Price ⁶	% Receiving Pell	Net Price	% Receiving Pell
University of Washington-Seattle Campus	\$ 9,744	23.79%	\$ 10,068	22.07%
University of North Carolina at Chapel Hill	\$ 10,785	21.86%	\$ 10,077	21.93%
Purdue University-Main Campus	\$ 11,643	18.90%	\$ 11,693	17.71%
Georgia Institute of Technology-Main Campus	\$ 12,736	16.99%	\$ 13,340	15.97%
University of California-Irvine	\$ 14,662	46.02%	\$ 13,780	44.69%
University of California-Los Angeles	\$ 13,816	35.24%	\$ 14,236	34.57%
University of Florida	\$ 14,610	30.29%	\$ 14,761	28.17%
University of California-San Diego	\$ 14,933	38.44%	\$ 14,770	35.34%
University of Georgia	\$ 13,280	22.92%	\$ 14,956	22.21%
University of California-Santa Barbara	\$ 16,211	38.06%	\$ 15,149	38.53%
Texas A & M University-College Station	\$ 13,723	22.00%	\$ 15,455	21.60%
University of Maryland-College Park	\$ 14,697	19.41%	\$ 15,757	18.75%
University of Wisconsin-Madison	\$ 16,060	14.46%	\$ 15,874	13.53%
University of Virginia-Main Campus	\$ 14,539	12.65%	\$ 15,945	12.14%
The University of Texas at Austin	\$ 17,366	24.76%	\$ 16,010	23.80%
University of California-Davis	\$ 16,841	41.23%	\$ 16,039	39.83%
University of Michigan-Ann Arbor	\$ 15,757	15.38%	\$ 16,107	15.17%
University of Illinois at Urbana-Champaign	\$ 16,841	20.49%	\$ 16,683	20.67%
University of California-Berkeley	\$ 16,601	31.14%	\$ 17,160	30.31%
Ohio State University-Main Campus	\$ 18,502	21.41%	\$ 17,971	20.42%
University of Connecticut	\$ 18,931	21.20%	\$ 19,064	20.52%
University of Pittsburgh-Pittsburgh Campus	\$ 24,311	16.65%	\$ 23,572	16.14%
Pennsylvania State University-Main Campus	\$ 24,992	16.09%	\$ 25,055	15.46%
<i>U.S. News peer average</i>	<i>\$ 15,721</i>	<i>24.76%</i>	<i>\$ 15,805</i>	<i>23.89%</i>

Variations in net price from year to year are due to many factors, including changes in tuition, fees, financial aid, and other aspects of students' budgets. Between 2013-14 and 2014-15, net price at the UW in Seattle decreased slightly as a higher ratio of students chose to live at home, which is the most affordable housing option. Between 2014-15 and 2015-16, there was a reversal in this housing trend and more students chose to live on campus, causing a small increase in net price. While the state legislature has frozen or reduced resident undergraduate tuition rates in recent years (e.g. frozen in 2014-15, reduced by 5 percent in 2015-16), most components of students' budgets (books, transportation, personal) haven't changed, the UW has kept its commitment to institutional aid, and the UW has kept mandatory fees and other expenses low. These factors have allowed the UW in Seattle's net price to remain relatively stable and below peer institutions.

⁴ Table is sorted by 2015-16 Net Price. Net prices in table are in nominal dollars (not adjusted for inflation).

⁵ Reported data is from IPEDS preliminary release. Final Release data for this year is not yet available from IPEDS.

⁶ Calculated based on incoming first-time, first-year, full-time undergraduate students paying resident tuition who receive grant or scholarship aid.