

**Date:** September 4, 2014

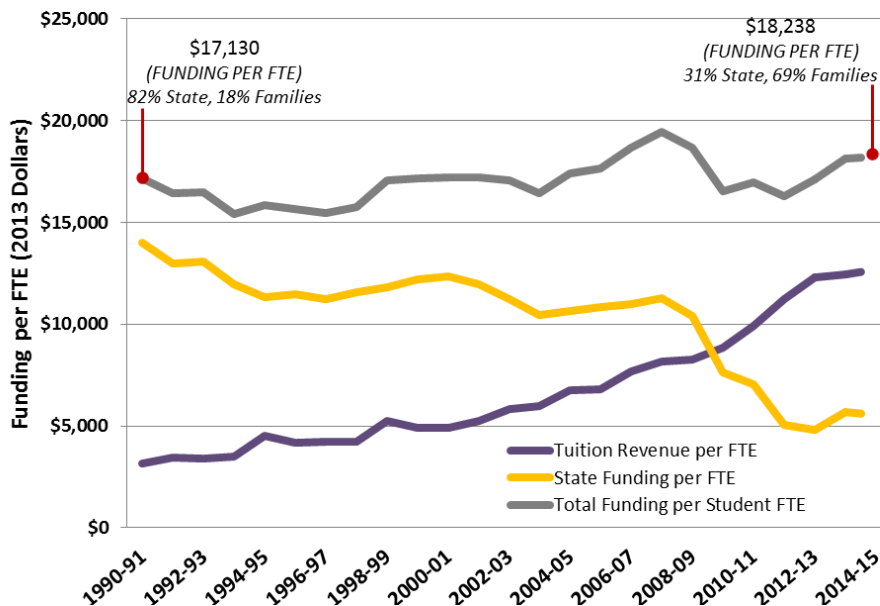
**Subject:** Published Price vs. Net Price in Higher Education

*Published* college prices—which include sticker tuition, fees, room and board (TFRB)—have shown dramatic increases over the past two decades; however, *net prices*— TFRB less grant and scholarship aid from federal, state or institutional sources—**have increased at a much more moderate rate.**

- Between 1993-94 and 2013-14, *published* prices for resident students rose an average of 83 percent at [public four-year colleges](#) (going from \$10,050 to \$18,390), and an average of 60 percent at [private nonprofit four-years](#) (going from \$25,550 to \$40,920).
- During that same timeframe, thanks to federal, state, and institutional aid, *net* prices for resident students rose an average of 58 percent at public four-year colleges (going from \$7,990 to \$12,620), and 30 percent at private nonprofit four-years (going from \$17,970 to \$23,290).<sup>1</sup>

These increases in net price are, of course, still significant; however it’s worth keeping two things in mind:

1. **The price behavior of higher education is more similar to service industries than to goods-producing industries.** Unlike goods producers, service industries have few opportunities to increase productivity without decreasing quality due primarily 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.
2. **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 the figure below, in 1990-91, the state of Washington contributed 82 percent of total funding per UW student FTE, and families were responsible for 18 percent. For comparison, in 2013-14, the state providing only 31 percent, leaving 69 percent to students and their families.



<sup>1</sup> 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.

Rising tuition rates might have meant a decline in access and in the economic diversity of our 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.** Last year, close to one-third of UW undergraduates received Pell Grant funding, 29 percent of all UW freshmen were the first in their families to attend college, and 33 percent (about 9,500) of UW undergraduate residents were eligible for the Husky Promise program. Each year, about 58 percent of UW undergraduates receive some form of financial aid totaling over \$386 million, of which about \$254 million was in the form of scholarships, grants, and waivers, while \$132 million comprised loan and work study aid.

**In 2011-12—the most recent year for which accurate, institution-level net price data is available—the UW’s net price for resident students was \$9,419, whereas its published price was over twice that amount, \$24,050.** The table below compares the UW and its peer institutions on two common metrics of affordability and access—net price and percent of students receiving Pell grants:

**Table 1: Peer Comparison of GCS Peers and Other Top 10 Public Research Universities (2011-12 Data)**

Peer Institution	2011-12 Net Price <sup>2</sup>	2011-12 % Receiving Pell <sup>3</sup>
<b>U. of Washington (all campuses)</b>	<b>\$ 9,419</b>	<b>32.1%</b>
U. of North Carolina at Chapel Hill*	\$ 11,092	21.7%
U. of Virginia	\$ 12,672	13.7%
U. of California, Irvine	\$ 12,856	41.3%
U. of California, San Diego	\$ 13,408	46.9%
Rutgers U.	\$ 14,357	36.8%
U. of Maryland	\$ 14,402	21.1%
U. of Michigan, Ann Arbor*	\$ 14,490	17.3%
U. of California, Los Angeles	\$ 14,857	37.8%
U. of California, Davis	\$ 14,877	43.5%
U. of Connecticut	\$ 14,911	24.5%
U. of Wisconsin, Madison*	\$ 15,317	17.4%
U. of Illinois at Urbana-Champaign*	\$ 16,495	21.4%
U. of Massachusetts, Amherst	\$ 18,156	28.5%
U. of Colorado	\$ 18,730	24.3%
<b>PEER MEAN</b>	<b>\$ 14,403</b>	<b>28.6%</b>

\*Other top ten public research universities, not GCS Peers

As you can see from Table 1, the UW has the lowest net price of its peers, and enrolls more Pell grant recipients than its peer mean. In fact, in 2012-13, more Pell Grant recipients were enrolled at the UW than at all the Ivy League universities combined. In addition, half of all UW undergraduates graduate with no known debt. In 2012, those that did borrow graduated with an average debt load of \$20,794, compared to a national public four-year average of \$25,000.<sup>4</sup>

<sup>2</sup> Net Price is the IPEDS calculation of net price for students paying resident tuition who receive scholarship or grant aid. For institutions with multiple campuses, the net price is a weighted average over campuses, but it is weighted by the number of undergraduates receiving grant and scholarship aid (rather than the number of undergraduate *residents* receiving grant and scholarship aid).

<sup>3</sup> Percentage receiving Pell is calculated as the number of Pell recipients (reported [here](#)) divided by the number of degree-seeking undergraduates, as reported on the IPEDS Fall Enrollment survey.

<sup>4</sup> Figure 10A. The College Board, Annual Survey of Colleges: Trends in Student Aid 2013.

Similarly, as shown in Table 2, although nearly all the other Council of President (COP) institutions enroll a higher percentage of Pell recipients than the UW, none have as low a net price as the UW.

**Table 2: Comparison of COP Institutions (2011-12 data)**

Institution Name	2011-12 Net Price <sup>5</sup>	2011-12 % Receiving Pell <sup>6</sup>
<b>U. of Washington (all campuses)</b>	<b>\$ 9,419</b>	<b>32.1%</b>
Eastern Washington U.	11,499	42.3%
Evergreen State College	12,736	47.4%
Western Washington U.	13,920	26.5%
Central Washington U.	14,532	40.3%
Washington State U.	16,327	35.5%

<sup>5</sup> Net Price is the IPEDS calculation of net price for students paying resident tuition who receive scholarship or grant aid. For institutions with multiple campuses, the net price is a weighted average over campuses, but it is weighted by the number of undergraduates receiving grant and scholarship aid (rather than the number of undergraduate *residents* receiving grant and scholarship aid).

<sup>6</sup> Percentage receiving Pell is calculated as the number of Pell recipients (reported [here](#)) divided by the number of degree-seeking undergraduates, as reported on the IPEDS Fall Enrollment survey.