

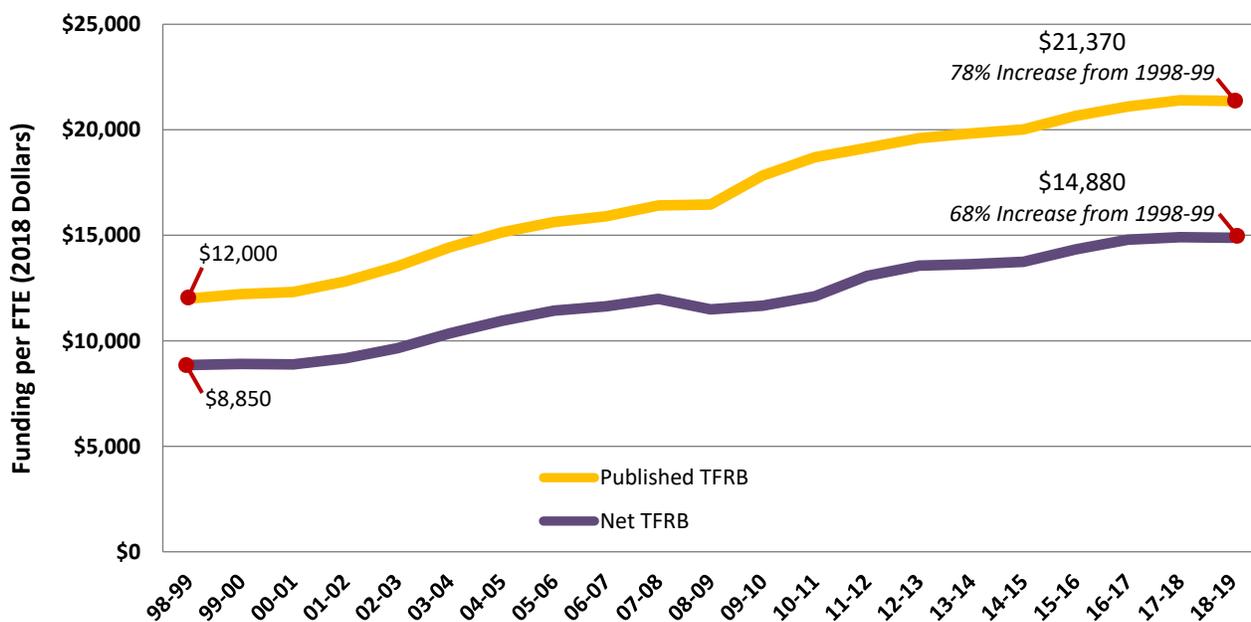
Date: January 28, 2019

Subject: Published Price vs. Net Price in Higher Education

Published college prices—which include 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 1998-99 and 2018-19, *published* prices for resident students rose an average of 78 percent at [public four-year institutions](#) (going from \$12,000 to \$21,370), whereas *net* prices for residents at public four-year institutions rose an average of 68 percent (going from \$8,850 to \$14,880). This difference is thanks to federal, state, and institutional aid.

Figure 1: National Increases in Published and Net TFRB at Public Four-Year Institutions



(Source: Figure 9 data. The College Board, Trends in College Pricing 2018, [Page 18](#).)

For comparison, during that same timeframe, published prices for resident students at [private nonprofit four-year institutions](#) rose by an average of 54 percent (going from \$31,590 to \$48,510), and *net* price for residents at those institutions rose by an average of 26 percent (going from \$21,630 to \$27,290).²

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

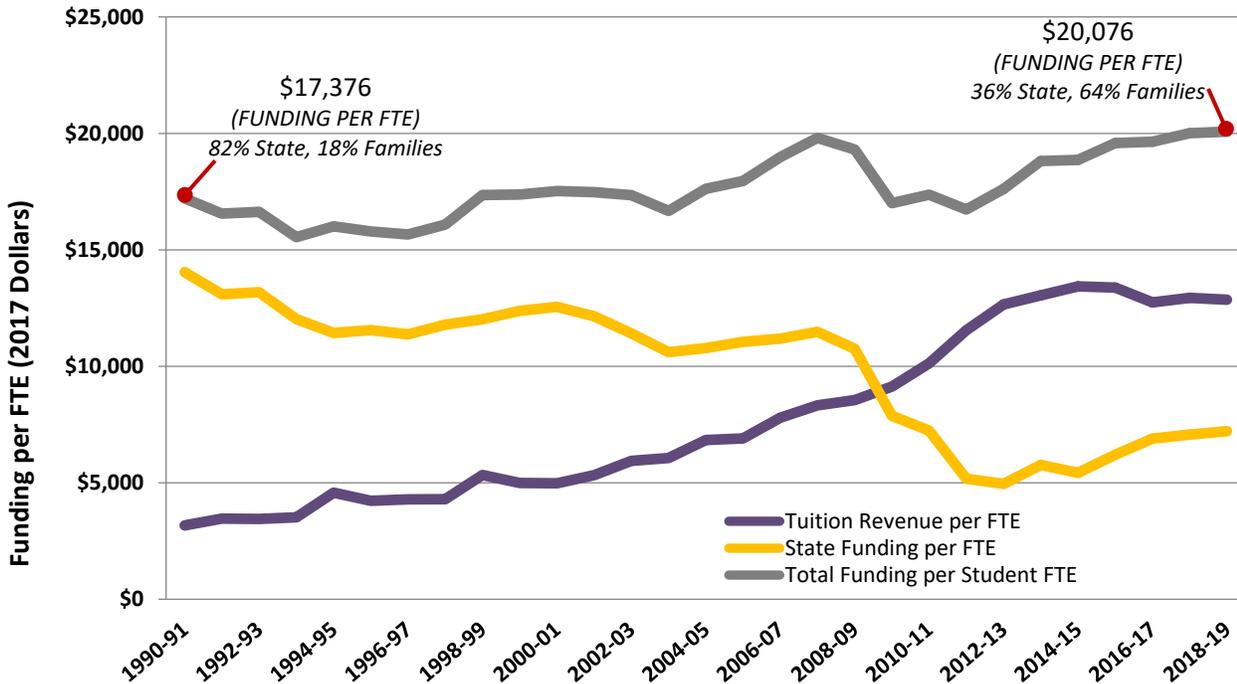
1. **The price behavior of higher education bears more similarity to service industries than to goods-producing industries.** Unlike goods producers, service industries have few opportunities to increase productivity without decreasing quality. This is primarily due to a reliance on expensive, high-skill 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. Amounts for Private and Public institutions are in 2018 dollars.

- 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 2018-19, 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 2018-19 academic year, 26 percent of UW undergraduates were eligible for Pell Grant funding and over 32 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 32 percent (nearly 10,000) of UW resident undergraduate students eligible for the Husky Promise. In 2018–19, approximately 9,300 UW students will receive funds from the Washington State Need Grant, 3,300 from the College Bound Scholarship, and 2,000 from the Washington State Opportunity Scholarship. Each year, 53 percent or more of UW undergraduates receive some form of financial aid. In total, UW undergraduates are receiving more than \$420 million in aid for the 2018-19 school year, with roughly \$100 million of that in the form of institutional grants and scholarships to Washington residents.

Table 1, below, compares the UW in Seattle to its peers (the 2019 U.S. News & World Report Top Public Research Institutions) on two common metrics of affordability and access: net price and percent of students receiving Pell grants.

In 2016-17 (the most recent year for which net price data is available from IPEDS), the **published price** for resident undergraduates at Seattle was **\$25,948** whereas the **net price** for first-time, full-time, resident undergraduates at Seattle was **\$9,443**. As the table shows, **the UW in Seattle has the lowest net price of its peers, and about 60 percent of all UW 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: 2019 U.S. News Peer Comparisons: Resident Undergraduate Net Price and Pell Recipients⁴

Institution Name	2015-16 ⁵		2016-17 ⁶	
	Net Price	% Receiving Pell	Net Price	% Receiving Pell
University of Washington-Seattle Campus	\$10,068	22.07%	\$9,443	21.31%
University of North Carolina at Chapel Hill	\$10,077	21.93%	\$11,100	21.63%
Purdue University-Main Campus	\$11,693	17.71%	\$12,117	16.72%
University of California-Irvine	\$13,780	44.69%	\$13,944	42.34%
The University of Texas at Austin	\$15,052	23.80%	\$14,356	23.56%
University of California-San Diego	\$14,770	35.34%	\$14,616	34.27%
University of California-Los Angeles	\$14,236	34.57%	\$14,760	33.78%
University of Florida	\$14,761	28.17%	\$15,283	26.07%
Georgia Institute of Technology-Main Campus	\$13,340	15.97%	\$15,873	14.71%
University of Wisconsin-Madison	\$15,874	13.53%	\$15,910	12.57%
University of Georgia	\$14,956	22.21%	\$15,934	21.53%
Rutgers University-New Brunswick	\$15,614	31.49%	\$16,016	29.35%
University of California-Santa Barbara	\$15,149	38.53%	\$16,154	36.37%
University of Michigan-Ann Arbor	\$16,107	15.17%	\$16,408	15.35%
University of California-Davis	\$16,039	39.83%	\$16,446	38.39%
University of Virginia-Main Campus	\$15,945	12.14%	\$16,594	12.49%
University of Illinois at Urbana-Champaign	\$16,683	20.67%	\$16,638	21.25%
University of Maryland-College Park	\$15,757	18.75%	\$17,241	18.63%
Ohio State University-Main Campus	\$17,944	20.42%	\$18,042	19.90%
University of California-Berkeley	\$17,160	30.31%	\$18,178	27.74%
University of Connecticut	\$19,064	20.52%	\$18,699	20.85%
Clemson University	\$17,797	20.52%	\$18,757	17.37%
Texas A & M University-College Station	\$15,455	21.60%	\$19,554	20.73%
Pennsylvania State University-Main Campus	\$25,055	15.46%	\$25,346	14.76%
U.S. News Peer Average	\$15,753	24.49%	\$16,433	23.49%

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. The state legislature has frozen or reduced resident undergraduate tuition rates in recent years (e.g. frozen in 2014-15, and reduced to 5 percent below 2014-15 rates in 2015-16 and to 15 percent below 2014-15 rates in 2016-17). The 2016-17 tuition reduction is the main reason for the drop in net price between the two years above. Overall, other components of students' budgets (books, transportation, personal) have not changed significantly, and the UW has kept its commitment to institutional aid and to keeping 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 2016-17 Net Price. Net prices in table are in nominal dollars (not adjusted for inflation).

⁵ Three schools in last years' comparison were not ranked in the 2019 U.S. News' Top 25 and, thus, have been removed from this table.

⁶ Reported data is from IPEDS preliminary release. Final release data for this year is not yet available from IPEDS.