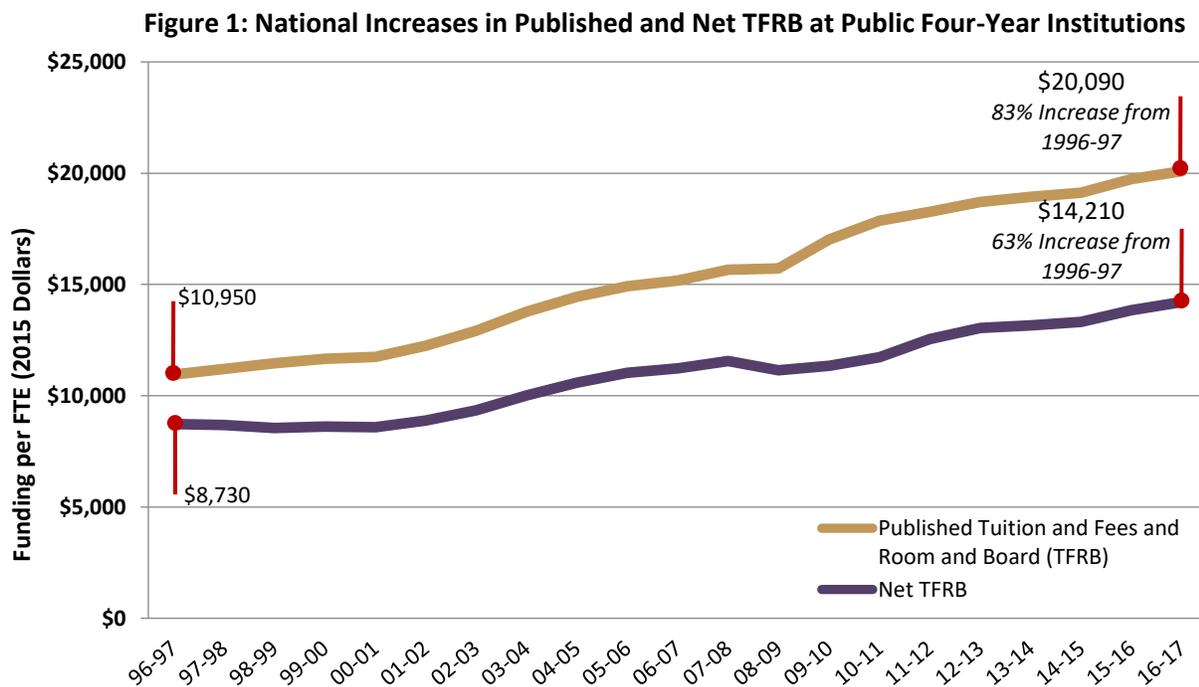


**Date:** June 7, 2017

**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*—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).<sup>1</sup>

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

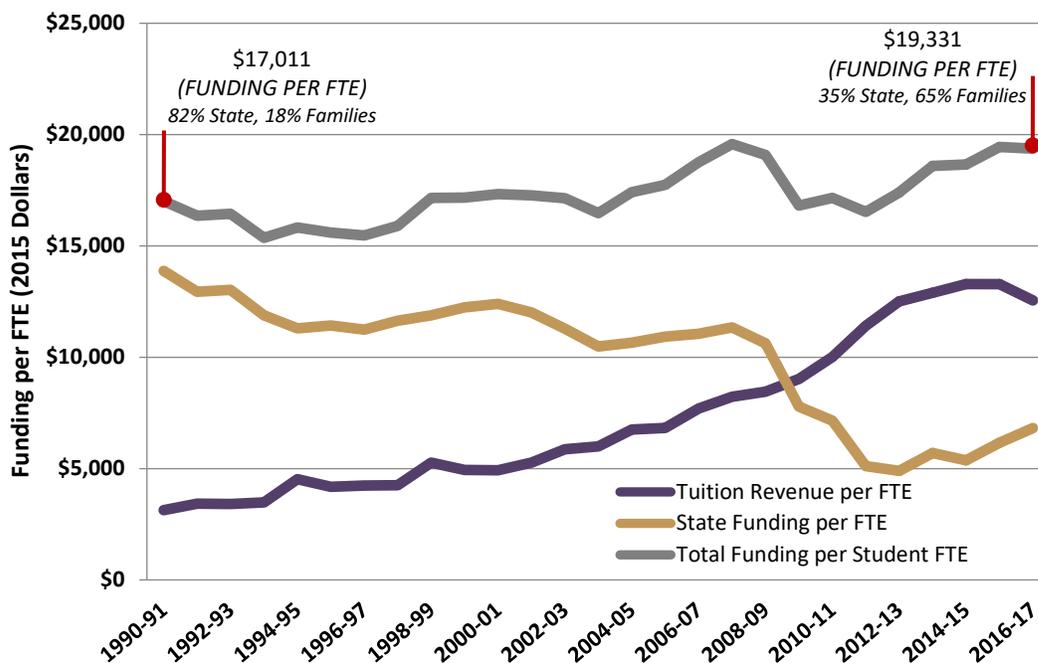
1. **The price behavior of higher education bears more similarity to service industries than to goods-producing industries.** Unlike goods producers, service industries have few opportunities to increase productivity without decreasing quality. This is primarily due to a reliance on expensive, high-skill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

<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.

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 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 2016-17, state funds covered only 35 percent of the total funding per FTE, leaving 65 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 and its peer institutions on two common metrics of affordability and access: net price and percent of students receiving Pell grants:

**Table 1: U.S. News & World Report Peer Comparisons: Resident Undergraduate Net Price and Pell Recipients<sup>2</sup>**

Institution Name	2013-14		2014-15 <sup>3</sup>	
	Net Price <sup>4</sup>	% Receiving Pell	Net Price	% Receiving Pell
<b>University of Washington-Seattle Campus</b>	<b>\$10,374</b>	<b>25.38%</b>	<b>\$9,744</b>	<b>23.79%</b>
University of North Carolina at Chapel Hill	\$10,936	21.28%	\$10,785	21.86%
Purdue University-Main Campus	\$13,081	20.17%	\$11,643	18.90%
Georgia Institute of Technology-Main Campus	\$12,187	18.23%	\$12,736	16.99%
University of Georgia	\$13,287	23.83%	\$13,280	22.92%
University of California-Los Angeles	\$12,510	35.88%	\$13,816	35.24%
University of Virginia-Main Campus	\$14,069	12.56%	\$14,539	12.65%
University of Florida	\$14,786	31.52%	\$14,610	30.29%
University of California-Irvine	\$12,072	45.36%	\$14,662	46.02%
University of Maryland-College Park	\$14,833	19.64%	\$14,697	19.41%
University of California-San Diego	\$13,693	40.06%	\$14,933	38.44%
University of Michigan-Ann Arbor	\$15,850	15.69%	\$15,757	15.38%
Rutgers University-New Brunswick	\$15,917	29.96%	\$15,869	30.95%
University of Wisconsin-Madison	\$16,131	15.22%	\$16,060	14.46%
University of California-Santa Barbara	\$14,966	38.06%	\$16,211	38.06%
University of California-Berkeley	\$16,655	31.43%	\$16,601	31.14%
University of California-Davis	\$16,231	42.84%	\$16,841	41.23%
University of Illinois at Urbana-Champaign	\$16,249	20.58%	\$16,841	20.49%
The University of Texas at Austin	\$16,832	26.02%	\$17,366	24.76%
Ohio State University-Main Campus	\$18,215	22.43%	\$18,502	21.41%
University of Connecticut	\$19,049	20.66%	\$18,931	21.20%
University of Pittsburgh-Pittsburgh Campus	\$23,489	16.58%	\$24,311	16.65%
Pennsylvania State University-Main Campus	\$24,220	16.61%	\$24,992	16.09%
<b>US News peer average<sup>5</sup></b>	<b>\$15,694</b>	<b>25.65%</b>	<b>\$16,090</b>	<b>25.24%</b>

In 2014-15—the most recent year for which accurate, institution-level net price data is available from IPEDS—the UW’s *published* price for resident students was \$27,112, whereas its net price was \$9,744. As the table shows, the UW has the lowest net price of its peers, and the UW’s 2014-15 net price actually decreased by \$630, compared to a \$396 average increase among the UW’s peer group. Half of all UW undergraduates graduate with no known debt.<sup>6</sup>

<sup>2</sup> Table is sorted by 2014-15 Net Price

<sup>3</sup> The 2015-16 IPEDS report on net price should be released in the coming months. This brief will be adjusted accordingly once new data is available.

<sup>4</sup> Calculated as a percentage of the total number of undergraduate students, as reported on the IPEDS student financial aid component. The value is the net price for students paying in-state tuition who receive grant or scholarship aid.

<sup>5</sup> Excludes schools who do not classify as an R1 research institution. Net Price is a mean value, Pell % are weighted averages.

<sup>6</sup> The university has no records of students’ consumer loans and therefore cannot say definitively that these students have no debt.