

What Students Typically Pay Is Significantly Lower than Published Prices

Average Net Prices at Public and Private Four-Year Colleges Are Also Rising

Grant aid from federal and state governments, institutional funds, and other private sources lowers the net price for a majority of college students. Benefits from federal education tax credits and deductions also reduce the costs students and their families actually incur.

Net prices (tuition and fees less grant aid and tax benefits) rose more slowly than published prices for full-time students in four-year colleges between 1996-97 and 2006-07, and actually declined for those in two-year colleges. The patterns in net prices differ across types of institutions because the sources of student aid are not the same for all students. For example, public college students rely more heavily on Pell Grants from the federal government, while private college students receive more of their grant aid from the colleges and universities in which they are enrolled.

Four-Year Public Colleges

In 2006-07, the average net price paid by full-time students enrolled at a four-year public college in their home state is approximately \$2,700, compared to average published tuition and fees of \$5,836. The typical student receives about \$3,100 in grant aid and tax benefits combined, covering about 53 percent of tuition and fees, and about 24 percent of tuition fees, room, and board.

Over the past 10 years, after adjusting for inflation, average published tuition and fees in this sector increased from about \$3,900 to \$5,800, an increase of 51 percent. Prices rose most rapidly in 2002-03, 2003-04, and 2004-05. In contrast, the average net price rose 29 percent over the decade, from about \$2,100 in 1996-97 to \$2,700 in 2006-07. The average net price either fell or just kept pace with inflation each year between 1996-97 and 2002-03, as Pell Grant funding became more generous and education tax benefits were implemented. But the net price has risen more rapidly than the published price in each year since 2002-03, as student aid has failed to keep pace for students in this sector.

Four-Year Private Colleges

The average net price for full-time students at private four-year colleges is approximately \$13,200, compared to average published tuition and fees of \$22,218. On average, these students receive about \$9,000 in grants and tax benefits, covering about 40 percent of tuition and fees, and about 30 percent of tuition fees, room, and board. Students at private institutions receive an average of about \$5,700 in grants from their colleges and universities, which constitutes 70 percent of their total grant aid.

After adjusting for inflation, 10-year trends at private four-year colleges show average tuition and fees increasing 32 percent, from \$16,843 in 1996-97 to \$22,218 in 2006-07. Over this decade, the average net price increased 27 percent from about \$10,500, to about \$13,200. Net price increased at an average rate of 2.4 percent per year for this period, compared to 4.2 percent for published tuition and fees.

Two-Year Public Colleges

Full-time students at two-year public colleges pay a net price of about \$100, compared to average published tuition and fees of \$2,272. However, the \$2,200 they receive in grants and tax benefits covers only about one-quarter of total tuition, fee, housing, and food costs.

In the past 10 years, average tuition and fees have increased from \$1,900 to \$2,300 (in 2006 dollars). The average net price declined from about \$700 in 1996-97 to its current level of less than \$100.

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2006 Trends in Higher Education Series: Net Price

What Students Typically Pay *continued*

Net Price and Family Income

Net prices are not the same for all students, with students from lower-income families getting the most assistance and those from higher-income families paying the most for tuition and fees. Many low-income students receive enough grant aid to cover their tuition and fees at public colleges and universities. In 2003-04, 60 percent of full-time two-year public college students and 56 percent of full-time public four-year college students from families with annual incomes of less than \$30,000 received enough in grants and tax benefits to cover tuition and fees.

In all three public and private nonprofit sectors, in 2003-04 the net prices paid by students from low-income families (annual incomes below \$35,000) equaled about one-third of the net prices paid by students from high-income families (incomes of \$95,000 or higher). There is less difference in the net prices paid by students with different family incomes in for-profit institutions.

Middle-income students also receive significant subsidies to help them pay college charges. At public four-year institutions, for example, the average net price paid by full-time dependent students from families with incomes between \$35,000 and \$63,000 was \$3,100, while those with family incomes between \$63,000 and \$95,000 paid about \$3,600. Those from families with incomes of \$95,000 or higher paid about \$5,000.

Net Price

Published Tuition and Fee Charges Compared to Tuition and Fees After Average Grant And Education Tax Benefits

Per Full-Time Undergraduate Student, by Type of Institution, in Constant (2006) Dollars, 1996-97 to 2006-07

