

Introduction

The recession has pushed large numbers of people who would otherwise be working full-time at secure jobs into postsecondary education. Some are going to college for the first time, some are returning to complete credentials they began years ago, and some are seeking training for new careers. Colleges and universities are attempting to cut their budgets to fit the constraints of decreased revenues from state appropriations and from endowments and annual giving. Many are finding it necessary to increase their financial aid budgets in order to make it possible for students and families facing financial hardships to pay the bills.

Trends in College Pricing 2010 describes the unwelcome increases in published college prices these circumstances have generated and adds the more encouraging information about how much students actually pay after considering increases in available grant aid. The report, published annually since 1998 by the College Board, also includes data on the wide variation in college prices, changing enrollment patterns, and institutional revenues and expenditures.

A thorough understanding of the forces affecting prices would require better data than those currently available on the expenditure patterns of colleges and universities over time, as well as careful empirical analysis of all of the contributing forces. It is clear that the efficiency of campus operations, the level of governmental and philanthropic support, the prices of the goods and services educational institutions purchase, the nature and extent of the services and facilities provided, the academic preparation of the students who enroll, the level of demand for particular institutions, and competition among institutions all contribute to the rate of price increase. If college education is to become more affordable for more students, institutions will have to find ways to offer high-quality higher education in a more cost-effective manner. State and federal governments will have to improve their systems for supporting both postsecondary institutions and the students they educate. The data provided in *Trends in College Pricing* can inform policymakers, researchers, and others in their analyses of these issues.

The companion publication, *Trends in Student Aid*, contains detailed information about the financial aid that helps students and families to pay these prices. The website that accompanies the two publications makes data easily available for reference and downloading. The text that accompanies the graphs and tables in *Trends in College Pricing* does not summarize all of the information reported, but points to key ideas and should help readers to interpret the data.

PUBLISHED PRICES

The published prices on which the analysis in *Trends in College Pricing* is based come from data reported by institutions on the College Board's *Annual Survey of Colleges*. This survey, which is distributed to about 3,500 postsecondary institutions across the country, collects a wealth of data on enrollment, admissions, degrees and majors, tuition, financial aid, and other aspects of undergraduate education.

The prices reported here are averages for one year of full-time enrollment. About 37% of all undergraduates and about 60% of those attending public two-year colleges are enrolled part-time. Because of the variety of enrollment and pricing patterns, it is not possible to provide estimates of the charges facing these students that would be as accurate as the information we provide about full-time students. Data on full-time charges provide the best basis for comparison both over time and across sectors.

The prices included in *Trends* represent best estimates of average prices for all full-time undergraduate students. However, a growing number of institutions charge different prices for different years and/or for different programs of study. We are able to incorporate differences in prices by year of study reported to us by individual institutions, but not differences by programs. Another complexity that has developed in recent years concerns the division of institutions into the public two-year and public four-year sectors. More and more two-year colleges are offering a small number of four-year degrees or providing course work that leads to four-year degrees awarded on other campuses. While we make every effort to adjust our methodology to accommodate these changes, it is impossible to draw precise lines and to develop exact measures in all cases.

Trends in College Pricing 2010 presents detailed data on public two-year and four-year and private nonprofit four-year institutions for the 2010-11 academic year. Comparable information about the growing for-profit sector of postsecondary education, which enrolls about 10% of all full-time students, is not available. We do provide an estimate of the average charges at for-profit institutions, but because of the relatively small sample of those institutions from which we are able to collect data, it is important to interpret that information with extreme caution.

Finally, in interpreting college prices, it is important to remember that *Trends in College Pricing* reports on the price of one year of college. Many students require more than two years

of study to earn an associate degree or more than four years of study to earn a bachelor's degree. It is critical to consider the total price for all years of study in thinking about what is required to pay for college. There is considerable variation across sectors as well as among institutions within sectors in both average time to degree and overall graduation rates.

TUITION AND FEES VERSUS TOTAL CHARGES

Some of the graphs in this report focus only on tuition and fee charges, but we also report room and board charges for residential students, living costs for commuter students, and other components of student budgets. Because tuition and fees are relevant for all enrolled students, they are easiest to compare. However, whether students live on or off campus, they all must also pay for housing and food, buy books and supplies, and cover transportation and other basic living costs.

While some students are able to live with family, and not all living costs are attributable to attending school, the cost of living poses a significant hurdle for many students. Even those who receive grant aid sufficient to cover tuition and fee charges may struggle to cover living expenses. It is not so much the prices charged by institutions, but the very real costs they incur to support themselves and their families while in school that create the burden for these students. It is also important to remember that for many students, the largest component of the cost of being a student is actually the result of devoting time to schooling rather than to the labor market. Forgone earnings are not addressed in this report.

NET PRICES: WHAT STUDENTS ACTUALLY PAY

Although it is generally the published prices that make headlines, it is the net prices paid by individual students that matter most for college access and affordability. The reality is that because of increases in grant aid and tax benefits, average net tuition and fee prices are lower in 2010-11 than they were five years earlier, after adjusting for inflation.

The definition of net price on which we rely is the average price paid by all full-time students — including those who do and do not receive student aid — after subtracting grant aid from all sources in addition to federal tax credits and deductions. Data on prices from the *Annual Survey of Colleges* and on student aid from *Trends in Student Aid* allow us to generate new, updated estimates for average net prices by sector each year. Data from the *National Postsecondary Student Aid Study*, released every four years, allow us to estimate net prices for students at different income levels. This year we include analyses of net college prices based on both sources.

HOW COLLEGE PRICES ARE CHANGING

The data in this report confirm the widespread perception that published college prices are rising more rapidly than the prices of other goods and services. This is not a new phenomenon, but one that has persisted over the entire 30-year period documented here. Annual percentage increases in tuition and fees consistently receive most of the attention, but a number of other aspects of college pricing have a greater impact on access and affordability.

In considering the impact of price increases, it is accumulated patterns, not one-year changes, that determine current charges. Relatively low prices may rise rapidly in percentage terms without causing significant difficulties, while even freezing high prices does not put them within reach of the typical student. Current prices and dollar increases, not percentage increases, best measure the impact on students and families.

Average net tuition and fee prices have declined in constant dollars in all sectors in recent years as a result of increases in grant aid. An unprecedented increase in the federal Pell Grant program for low- and moderate-income students in 2009-10 led to a decline in net price for 2009-10, despite relatively large increases in published prices. The 2010-11 increases in published prices at public colleges and universities are not matched this year by comparable aid increases. Nonetheless, average net tuition and fees remain lower in inflation-adjusted dollars than they were five years ago. This may seem counterintuitive to many people facing these prices.

A number of factors contribute to this apparent inconsistency between reality and perception. First, about one-third of full-time students pay the full published tuition price with no grant assistance. The prices these students pay have increased very rapidly. For example, students receiving neither grants nor tax benefits are paying an average of 7.9% more in tuition and fees at public four-year colleges this year than they paid last year. In addition, the nontuition expenses associated with going to college continue to rise and grant aid is rarely sufficient to meet those costs. Total net charges at public four-year colleges and universities, including room and board in addition to tuition and fees, are about \$600 higher, after adjusting for inflation, than they were five years ago. Another very significant issue is that incomes have declined for many families and stagnated for others, and the assets many families have saved to pay for college have diminished in value.

Neither changes in average published prices nor changes in average net prices necessarily describe the circumstances facing individual students. There is considerable variation in prices across sectors and across states and regions as well as among institutions within these categories. College students in the

United States have a wide variety of educational institutions from which to choose and these come with many different price tags. Moreover, different students pay different prices at the same institution. One of the problems many students face is how to make sense of all the options and complex pricing structures.

The scenario is even more complicated because of the wide variety of student aid programs and policies and because of changes over time in the distribution of student aid among students. A decline in the average net price at public four-year colleges in a particular state or at an individual private institution should make education more affordable. But if at the same time grant aid migrates from low- and moderate-income students to wealthier student-athletes or merit scholars who have less financial need, more students will actually struggle to pay for college.

Total postsecondary enrollment increased by about 18% between 2004-05 and 2009-10. Full-time enrollment increased more rapidly than part-time enrollment. The largest increases have been in public two-year and for-profit institutions. The fact that students are finding ways to finance their education is certainly largely explained by the understanding that more education generally leads to higher earnings throughout life. Nonetheless, despite the role of grant aid in moderating growth in net prices, the current path of increases in published college prices is not likely to be sustainable.

THE CONSUMER PRICE INDEX

We provide much of our data in constant dollars, adjusting values for changes in the Consumer Price Index (CPI). We use the change in the CPI from July 2009 to July 2010 to compare the price level for academic year 2010-11 to earlier prices. (Because *Trends in College Pricing* publishes data in fall 2010 for the current academic year, we must rely on the change in the price level in the year preceding the beginning of the term.)

While the CPI adjustment is necessary to make meaningful comparisons of values over long periods of time, comparisons of one-year changes in constant dollars may be confusing. Large fluctuations in energy prices have led to an unusually volatile CPI recently. The 5.6% increase in the CPI from July 2007 to July 2008 was the highest annual inflation rate since 1982. As a result, constant dollar increases for 2008 were small relative to current dollar increases. Between July 2008 and July 2009, the CPI declined by 2.1%, which resulted in constant dollar increases that were larger than current dollar increases. Between July 2009 and July 2010, the CPI increased by 1.2%.

A NOTE ON TRENDS DATA

While the information reported here provides a best approximation of trends in college charges over time, we would caution readers about placing too much reliance on either precise dollar amounts or precise annual percentage changes. Each year we revise the average prices calculated the previous year to account for corrected data we receive from institutions and to provide an enrollment-weighted average based on the most recent available data on the number of full-time students attending each institution. If, over time, increasing numbers of students were to choose to enroll in the lower-priced institutions within a sector, our measure of the average price increase would be lower than if enrollment were stable. Details relating to our methodology and to other technical issues and data reliability can be found at the end of the report, in the Notes and Sources section.

The tables supporting all of the graphs in the Trends publications, PDF versions of the publications, PowerPoint files containing individual slides for all of the graphs, and other detailed data on student aid and college pricing are available on our website at <http://trends.collegeboard.org>. Please feel free to cite or reproduce the data in Trends for noncommercial purposes with proper attribution.