Section Three: Paying for College

Paying for college weighs heavily on the minds of many students and their families. One recent survey found that the majority of families considered financial aid to be a very important factor in deciding where to attend college and that this decision largely came down to dollars and cents.[40]

Students and their families are increasingly being asked to pay more to finance their college education, and with family incomes stagnating for all but the wealthiest households, the share of students relying on student loans to pay for college has increased.[41] This section provides an overview of the costs of college: what they include, how students and families pay for them, and recent changes and trends in costs data.

Figure N: Average Published and Net Prices for Full-Time Undergraduates by Sector: 2015–2016

	Public 2-Year In-District	Public 4-Year In-State	Private Nonprofit 4-Year	For-Profit
Tuition and Fees				
Published Prices	$3,435	$9,410	$32,405	$15,610
Net Prices	-$770	$3,980	$14,890	$12,175
Tuition, Fees, and Room and Board				
Published Prices	$11,438	$19,548	$43,921	$31,425
Net Prices	$7,230	$14,120	$26,400	$26,980

SOURCE: The College Board, Trends in Higher Education, Table 1A, "Average Published Charges (Enrollment-Weighted) for Full-Time Undergraduates by Sector, 2015–16," https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2015-16; and David Radwin, Jennifer Wine, Peter Siegel, and Michael Bryan, *2011–12 National Postsecondary Student Aid Study (NPSAS:12): Student Financial Estimates for 2011–12* (Washington, D.C.: National Center for Education Statistics, August 2013), http://nces.ed.gov/pubs2013/2013165.pdf.
NOTE: Net price for public and private nonprofit four-year institutions is estimated based on 2014–2015 financial aid. Net price for for-profit colleges is estimated based on 2011–2012 amounts and inflation-adjusted to 2015 dollars. Total grant aid includes federal Pell Grants, federal SEOG, state grants, institutional grants, private grants, and employer grants. Room and board in the public two-year sector refers to housing and food costs for commuter students since few community colleges provide on-campus housing. Prices and grant aid are rounded to the nearest five dollars.

40. Xianglei Chen, Joanna Wu, and Shayna Tasoff, *Getting Ready for College: Financial Concerns and Preparation Among the High School Senior Class of 2003–04* (Washington, D.C.: National Center of Education Statistics, April 2010), https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2010204.

41. Lawrence Mishel, "Causes of Wage Stagnation," Economic Policy Institute, January 6, 2015, http://www.epi.org/publication/causes-of-wage-stagnation/.

PUBLISHED ("STICKER") PRICES VERSUS NET PRICES

The information about tuition, fees, and room and board published on college websites and catalogs constitutes what is commonly referred to as the "sticker price" of attendance. This published or sticker price shows how much students must pay to attend school before subsidies like grants and scholarships. The figure actually paid by students and families after grants, scholarships, and work studies is the net price. Figure N compares published and net prices for full-time undergraduates by institution type for the 2015–2016 school year. The published and net prices differ greatly by sector, but the net price is consistently lower than the published price. For example, the net price to attend a private nonprofit four-year institution is about 40 percent lower than the published price: $26,400 compared with $43,921.

About one-third of all students enrolled in college full time pay the full "sticker" price, while two-thirds pay lower net prices.[42] Thus, the majority of students receive grants and scholarships that reduce their required payments below the sticker price and, as a result, published prices do not capture the true cost of attendance for most students and their families. For example, 85 percent of dependent students (generally students under the age of twenty-four who rely on their families for financial support) from families with annual incomes below $30,000 receive large enough tuition subsidies to cover the full cost of tuition and fees, which explains why average net tuition is actually negative for many lower-income students at public institutions.[43] Yet evidence also suggests that many students and their families, and lower-income families in particular, rule out schools that they can afford because the sticker price is too high.[44] Although most families are not asked to pay those amounts, the reality is that they frequently pay more attention to sticker prices than to net prices—the actual costs that families must pay after grant and scholarship aid is accounted for—because net prices are not well-publicized, and it is usually difficult to know in advance how much grant aid a student will receive.

About **one-third** of all students enrolled in college full time **pay the full "sticker" price**, while **two-thirds pay lower net prices.**

Many students and their families, and lower-income families in particular, **rule out schools that they can afford** because the sticker price is too high.

Figure O shows the average net tuition and fees and total net costs of attendance that families pay, which, as noted above, are substantially lower than the published prices. The average net cost is disaggregated by family income and dependency status to show how the cost of attendance varies by student and family circumstances. We see that average net costs tend to be

42. National Center for Education Statistics, Digest of Education Statistics, Table 331.20, "Full-Time, First-Time Degree/Certificate-Seeking Undergraduate Students Enrolled in Degree-Granting Postsecondary Institutions, by Participation and Average amount Awarded in Financial Aid Programs, and Control and Level of Institution: 2000–01 through 2012–13," https://nces.ed.gov/programs/digest/d14/tables/dt14_331.20.asp.

43. Sandy Baum and Jennifer Ma, *Trends in College Pricing 2015* (New York: College Board, 2015), http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf.

44. College Board and Art & Science Group, LLC, "A Majority of Students Look at a College's Sticker Price Without Taking Financial Aid into Consideration," *studentPoll* 10 (1) (February 2013), http://www.artsci.com/studentpoll/v10n1/index.aspx.

Figure O: Net Tuition and Total Net Cost of Attendance (including Room and Board and Other Costs) for Full-Time Students by Dependency Status, Family Income Quartile, and College Sector in the 2011–2012 Academic Year

	Public 2-Year		Public 4-Year		Private Nonprofit 4-Year		For Profit	
	Net Tuition and Fees	Total Net Cost	Net Tuition and Fees	Total Net Cost	Net Tuition and Fees	Total Net Cost	Net Tuition and Fees	Total Net Cost
Dependent Students	**-$311**	**$11,237**	**$3,046**	**$18,324**	**$13,337**	**$28,379**	**$13,713**	**$27,474**
Lowest Quartile	-$3,080	$4,985	-$2,320	$9,534	$4,970	$19,358	$11,300	$24,176
Second Quartile	-$310	$10,632	$1,440	$14,947	$8,610	$22,749	$13,730	$27,065
Third Quartile	$1,900	$13,293	$5,350	$19,020	$13,970	$28,516	$18,040	$32,006
Highest Quartile	$2,050	$13,795	$6,330	$20,510	$19,720	$34,958	$17,460	$33,041
Independent Students	**-$1,810**	**$12,253**	**$280**	**$16,711**	**$11,859**	**$25,163**	**$9,060**	**$24,522**

SOURCE: David Radwin, Jennifer Wine, Peter Siegel, and Michael Bryan, *2011–12 National Postsecondary Student Aid Study (NPSAS:12): Student Financial Estimates for 2011–12* (Washington, D.C.: National Center for Education Statistics, August 2013), http://nces.ed.gov/pubs2013/2013165.pdf. NOTE: Lowest income quartile: less than $30,000; second: $30,000 to $64,999; third: $65,000 to $105,999; highest: $106,000 or higher (all in 2011 dollars). In-state tuition and fees are reported for public institutions; tuition and fees for all institutions are reported for private nonprofit four-year and for-profit institutions.

lower for students from lower-income families, although higher-income families also receive substantial tuition subsidies that lower their cost of attendance.[45]

In addition to grants and scholarships, students and their families rely on many other sources of financial aid to help pay for college, including loans, tax credits and deductions, and work study. Across all institutions, dependent students received nearly $12,000 per student in financial aid in 2011–2012, of which:

- More than half (54 percent) was offered as grant aid;
- Thirty percent took the form of student loans; and

45. For example, Baum and Ma report that more than half of the financial aid at private four-year institutions is distributed to students whose annual family incomes exceed $155,000, while these students make up less than 20 percent of the student body at those colleges and universities. Baum and Ma, *Trends in College Pricing 2015*, 31.

At all types of institutions, **there has been an increase in student borrowing** and an overall increase from approximately one-half of graduates in 2000 to almost 60 percent of graduates by 2012. **Community colleges have the smallest share of student borrowers** at 36 percent, **while for-profit institutions have the largest share** at 86 percent.

- Sixteen percent was a combination of work study, tax credits and deductions, and other forms of tuition assistance.[46]

While these numbers provide an overall average of student aid sources, there are significant differences by college sector. For example, dependent students attending public two-year institutions in 2011–2012 received nearly 75 percent of their aid in the form of grants, while those who attended public four-year and for-profit colleges received less than half of their aid as grants.[47]

In general, the data explaining net costs and types of aid highlighted above for dependent students also hold true for independent students.[48] The key difference between dependent and independent students in the financial aid system is that the system expects a dependent student's parents to contribute to paying for their son's or daughter's education, whereas independent students are expected to contribute something from their own earnings and there is no expectation of help from parents. This results in two important differences between dependent and independent students when it comes to college costs:

1. Average net prices for independent students are considerably lower than for dependent students. At public four-year institutions, for example, independent students paid $280 for tuition and fees on average in 2011–2012 after accounting for grants and scholarships, compared with $3,046 for dependent students. This reflects the fact that parents' income is ignored in determining the ability of independent students to pay for college.
2. Despite facing lower net prices on average, independent students tend to borrow more for college because they also need to finance their household expenses while reducing their work earnings to make time for school. For this reason and because they cannot benefit from the Parent PLUS loan program, the maximum federal loan amount that independent students can borrow for college is considerably higher than that of dependent students. As a result, the average amount that independent students borrow is 20 to 30 percent higher in each college sector.

TRENDS IN BORROWING

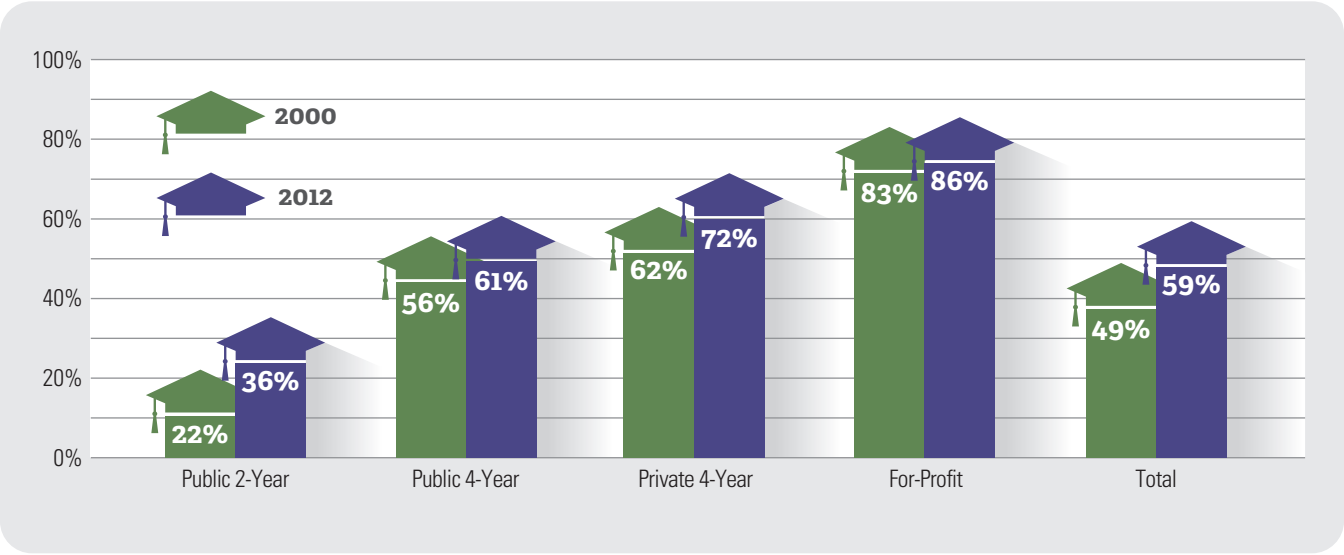
As prices have increased at public and private nonprofit four-year institutions, as well as at for-profit institutions, students and families have become increasingly reliant

46. A key difference between grants/scholarships and loans is that students must repay loan aid after they leave school, whereas they are not required to pay back the grant and scholarship assistance they receive.

47. David Radwin, Jennifer Wine, Peter Siegel, and Michael Bryan, *2011–12 National Postsecondary Student Aid Study (NPSAS:12): Student Financial Aid Estimates for 2011–12* (Washington, D.C.: National Center for Education Statistics, August 2013), http://nces.ed.gov/pubs2013/2013165.pdf.

48. An independent student is one of the following: at least twenty-four years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, someone with legal dependents other than a spouse, an emancipated minor, or someone who is homeless or at risk of becoming homeless.

Figure P: Share of College Graduates Borrowing for College: 2000 and 2012



SOURCE: John A. Riccobono, Melissa B. Cominole, Peter H. Siegel et al., *National Postsecondary Student Aid Study 1999–2000 (NPSAS:2000): Methodology Report* (Washington, D.C.: National Center for Education Statistics, June 2002), http://nces.ed.gov/pubs2002/2002152.pdf; and David Radwin, Jennifer Wine, Peter Siegel, and Michael Bryan, *2011–12 National Postsecondary Student Aid Study (NPSAS:12): Student Financial Estimates for 2011–12* (Washington, D.C.: National Center for Education Statistics, August 2013), http://nces.ed.gov/pubs2013/2013165.pdf.

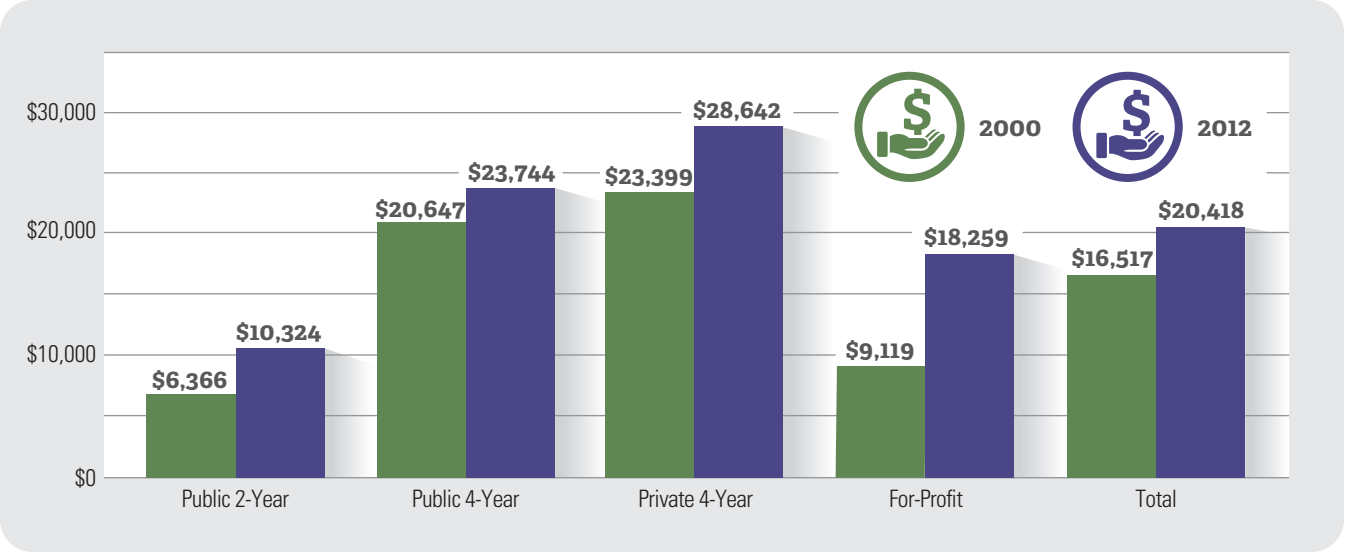
on loan aid to help cover the cost of attendance. And even at public two-year colleges, where net prices have decreased, a growing share of students and their families have chosen to borrow more and pay less out of pocket to cover their college-going expenses.[49] Figure P shows how the share of college graduates taking out loans has increased from 2000 to 2012. At all types of institutions, there has been an increase in student borrowing and an overall increase from approximately one-half of graduates in 2000 to almost 60 percent of graduates by 2012. Community colleges have the smallest share of student borrowers at 36 percent, while for-profit institutions have the largest share at 86 percent.

The median cumulative loan amount borrowed by graduates in 2012 ranged from **just over $10,000** for students attending community college to **almost $30,000** for graduates of private four-year colleges and universities.

In addition to more students borrowing to finance their education, loan amounts among borrowers have been increasing. Figure Q shows that from 2000 to 2012, the median loan amount that college graduates borrowed increased from about $16,500 to $20,400, or nearly 25 percent in inflation-adjusted terms. The median cumulative loan amount borrowed by graduates in 2012 ranged from just over $10,000 for students attending community college to almost $30,000 for graduates of private four-year colleges and universities.

49. Part of this phenomenon may be explained by the unique conditions during, and in the aftermath of, the Great Recession, when students experienced a sharp decline in employment and earnings while attending school. For more information, see Jason Delisle, *Shifting Burdens: How Students & Families Paid for College from 1996 to 2012* (Washington, D.C.: New America, 2016), https://static.newamerica.org/attachments/12956-shifting-burdens/Shifting-Burdens.9c2a91a9ea9d4d4a93ec8cc9c1d15af8.pdf.

Figure Q: Median Cumulative Loan Amount Borrowed in 2015 Dollars for Graduates: 2000 and 2012



SOURCE: John A. Riccobono, Melissa B. Cominole, Peter H. Siegel et al., *National Postsecondary Student Aid Study 1999–2000 (NPSAS:2000): Methodology Report* (Washington, D.C.: National Center for Education Statistics, June 2002), http://nces.ed.gov/pubs2002/2002152.pdf; and David Radwin, Jennifer Wine, Peter Siegel, and Michael Bryan, *2011–12 National Postsecondary Student Aid Study (NPSAS:12): Student Financial Estimates for 2011–12* (Washington, D.C.: National Center for Education Statistics, August 2013), http://nces.ed.gov/pubs2013/2013165.pdf.

Despite the recent rise in borrowing, most undergraduates today are still not taking on exorbitant debt to pay for college. A common measure of excessive borrowing is the share of students who take out more than $50,000 to pay for college. By this definition, less than 10 percent of undergraduate borrowers in 2014 paid for college by taking on exorbitant debt.[50] Additionally, Figure P shows that more than 40 percent of graduates in 2012 did not borrow at all to finance their education.

Among students who do take out loans, research indicates that the borrowers at greatest risk of defaulting are typically those who take out the smallest loan amounts.[51]

Only 9 percent of student borrowers who graduated from college went into default on their loan repayments, compared with 24 percent of the student borrowers who did not graduate in 2012.

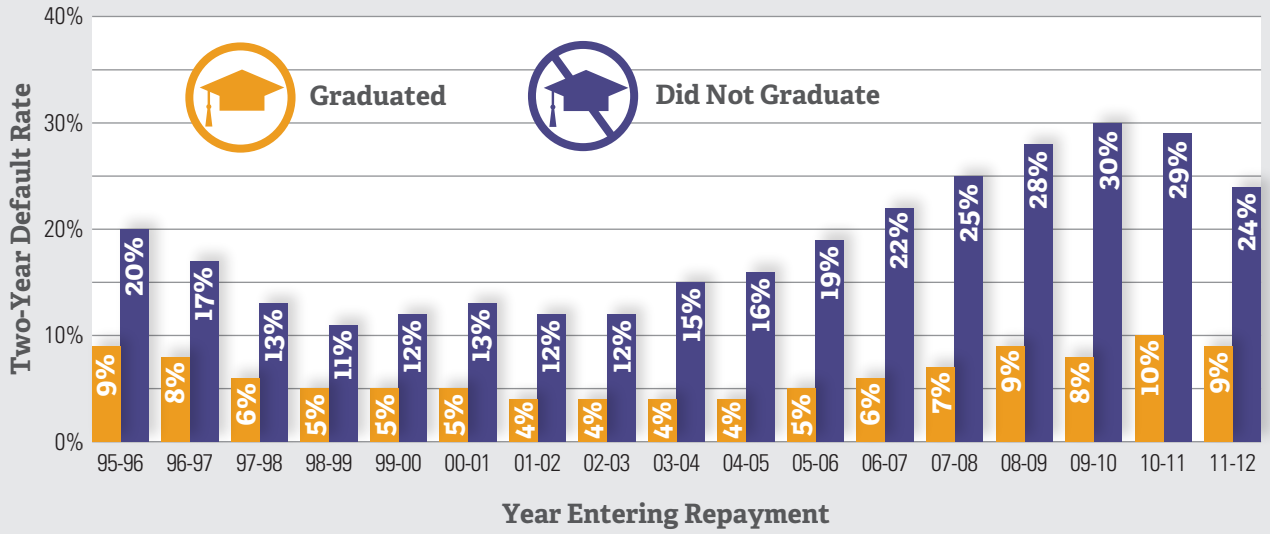
For example, the average loan amount among individuals defaulting on their federal loans is $15,000, compared with $26,000 for all other borrowers.[52] This is because loan defaulters are often students who dropped out of college quickly, with nothing to show by way of a credential for

50. Adam Looney and Constantine Yannelis, *A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults*, Brookings Papers on Economic Activity, BPEA Conference Draft, September 10–11, 2015 (Washington, D.C.: Brookings Institute, 2015), http://www.brookings.edu/~/media/projects/bpea/fall-2015_embargoed/conferencedraft_looneyyannelis_studentloandefaults.pdf.

51. Ibid.

52. Susan Dynarski, "Why Students with Smallest Debts Have the Larger Problem," *The New York Times*, August 31, 2015, http://www.nytimes.com/2015/09/01/upshot/why-students-with-smallest-debts-need-the-greatest-help.html?_r=0.

Figure R: Two-Year Student Loan Default Rates by Degree Completion Status: 1995–1996 to 2011–2012



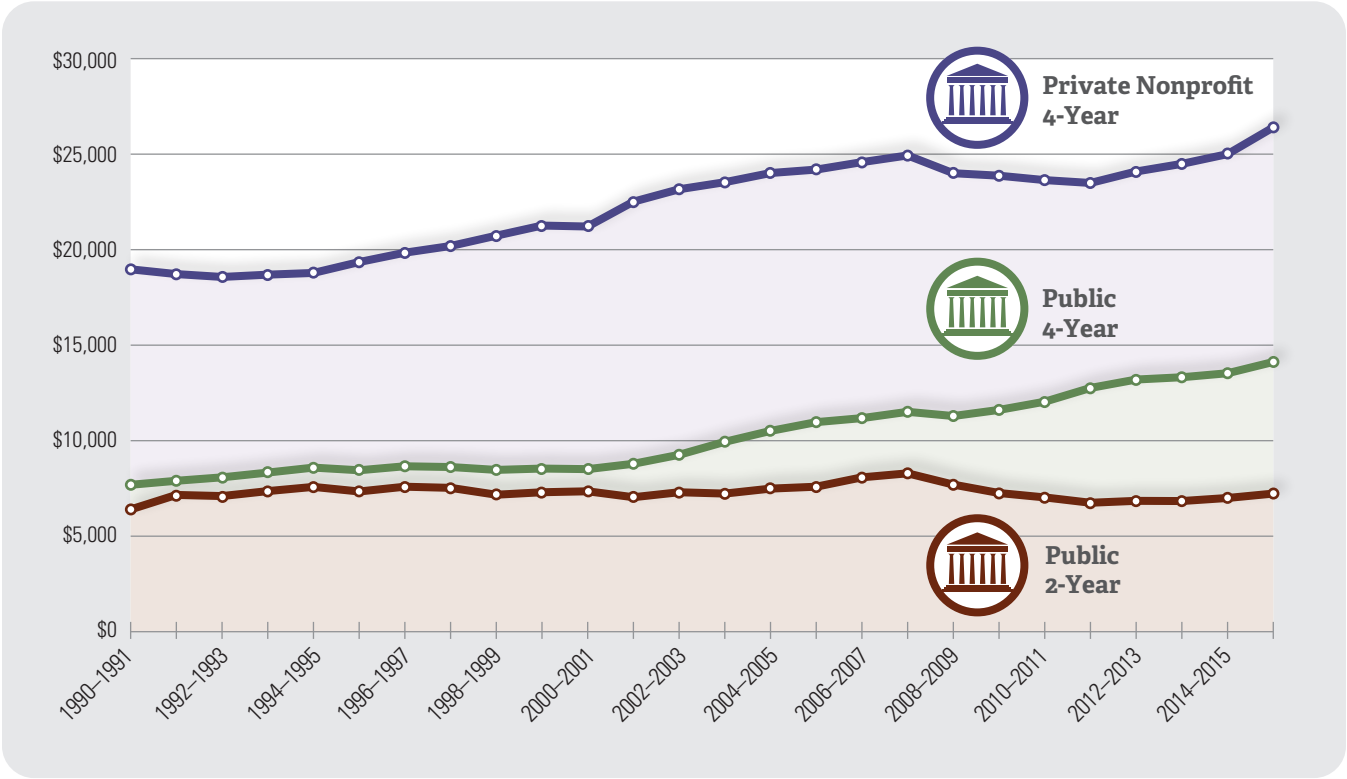
Two-Year Cohort Default Rates, Borrowers Entering Repayment in 2011–2012

	Public 2-Year	Public 4-Year	Private Nonprofit 4-Year	For-Profit	All
All Borrowers	23%	9%	7%	18%	14%
Borrowers Who Graduated	17%	6%	5%	14%	9%
Borrowers Who Did Not Graduate	29%	18%	15%	28%	24%

SOURCE: The College Board, Trends in Higher Education, Table 14A, "Two-Year Student Loan Default Rates by Repayment Cohort and Degree Completion Status, 1995–96 to 2011–12," https://trends.collegeboard.org/student-aid/figures-tables/two-year-student-loan-default-rates-degree-completion-status-over-time. NOTE: Default rates are based on defaults occurring within two calendar years of the date of entering repayment and do not correspond exactly to official two-year cohort default rates, which are based on defaults before the end of the fiscal year following the year in which the borrower enters repayment. Based on sector in which students were enrolled at the time the first federal student loan was issued. Does not include Perkins Loan or Parent PLUS Loan balances. Individual graduation outcomes are as reported by institutions.

the time and money that they invested in school. Figure R shows that only 9 percent of student borrowers who graduated from college went into default on their loan repayments, compared with 24 percent of the student borrowers who did not graduate in 2012. Further, students who graduated from private nonprofit four-year institutions had the lowest default rates, while students who borrowed but did not graduate from community colleges and for-profit institutions had the highest default rates. (Note that default rates are similar in the for-profit and the two-year public sectors, but the vast majority of for-profit students borrow, while nearly two-thirds of community college graduates do not take out student loans.) Students who earn low salaries in the workforce after they leave school

Figure S: Total Net Cost of Tuition and Fees and Room and Board in 2015 Dollars by Sector: 1990–1991 to 2015–2016



SOURCE: The College Board, Trends in Higher Education, Table 7, "Published and Net Prices in 2015 Dollars by Sector, Full-Time Undergraduate Students, 1990–91 to 2015–16," https://trends.collegeboard.org/college-pricing/figures-tables/average-net-price-over-time-full-time-students-sector.

and subsequently struggle to repay the modest amounts that they have borrowed have the highest default rates.

HOW COSTS TO ATTEND COLLEGE HAVE CHANGED

As the trends in Figure S reveal, the net costs of attendance have increased at public and private four-year institutions over the last twenty years while they have actually decreased at public two-year colleges (in inflation-adjusted dollars):

- Students and their families today pay 73 percent more in net tuition and fees to attend public four-year institutions than they did two decades ago. They pay 55 percent more than they did six years ago.[53]
- Students and their families today pay 32 percent more in net tuition and fees to attend private four-year institutions than they did two decades ago. They pay 10 percent more than they did six years ago.
- Students and their families paid 25 percent more in net tuition and fees to attend for-profit institutions in 2012 than in 2000.[54]
- Students and their families today pay half the net tuition and fees to attend public two-year institutions that they paid two decades ago. They pay 16 percent less than they did six years ago.

53. Ibid.

54. The trend in net prices at for-profit institutions covers a shorter time horizon because the sector has tripled in size (in terms of enrollments) since 2000 and represented a very small share of total enrollments before that time. Because the sector has experienced such enormous growth, the overall price trend captures both the fluctuation in prices within schools over time and price changes from new school openings. The price trend in the for-profit sector should be interpreted cautiously for this reason.

Net prices at public four-year institutions have risen most steeply because average aid per student has not kept pace with the growth in prices. At private nonprofit four-year institutions, net price increases are also partly a response to declines in per student tuition subsidies, and reflect increasing sticker prices at research universities where per student spending is on the rise.[55] In contrast, net prices at community colleges have dropped because the dollar increases in grants and tax benefits per student have been large enough to cover tuition increases. Between 1990–1991 and 2015–2016, spending on grants and tax benefits per community college student increased from $1,450 to $4,210 in real dollars, whereas published prices increased from only $1,660 to $3,440 over this period.[56]

While attending public four-year institutions is more expensive today than it was in the past, the average cost of in-state attendance at these schools remains substantially lower than at either private four-year institutions or for-profit colleges. Rising prices therefore do not indicate that four-year institutions are necessarily worse options for students today than they were in the past.

Nevertheless, because families are being asked to cover an increasingly large share of the cost of attending four-year institutions, the issue of affordability at public universities is paramount.

THE DRIVERS BEHIND RISING COLLEGE PRICES

To understand why tuition and fees, even accounting for grants and scholarships, have been rising at four-year institutions, we conclude this section by exploring how higher education spending and revenues have changed over time.

Students and their families today **pay half the net tuition and fees** to attend public two-year institutions that they paid two decades ago.

The recent and dramatic increases in the costs of producing a college education are often attributed to discretionary spending: that colleges are spending more on faculty and instruction, administrative staff and expenses, student services, and other academic support. However, this appears not to be the case. Figure T shows that education-related spending has remained flat, inched up slowly, or even decreased at public institutions over the past decade.

At public four-year institutions, rising prices largely reflect the fact that public subsidies for higher education have declined over time, and that these institutions are relying more heavily on students and families for operating revenue that used to come from state and local government. Figure U shows annual changes in published tuition and fee prices and state funding per student at public institutions over the past thirty years. The trend lines resemble mirrored images of each other, indicating that in years when state funding has declined sharply, institutions have offset the revenue losses by raising prices to students and families.

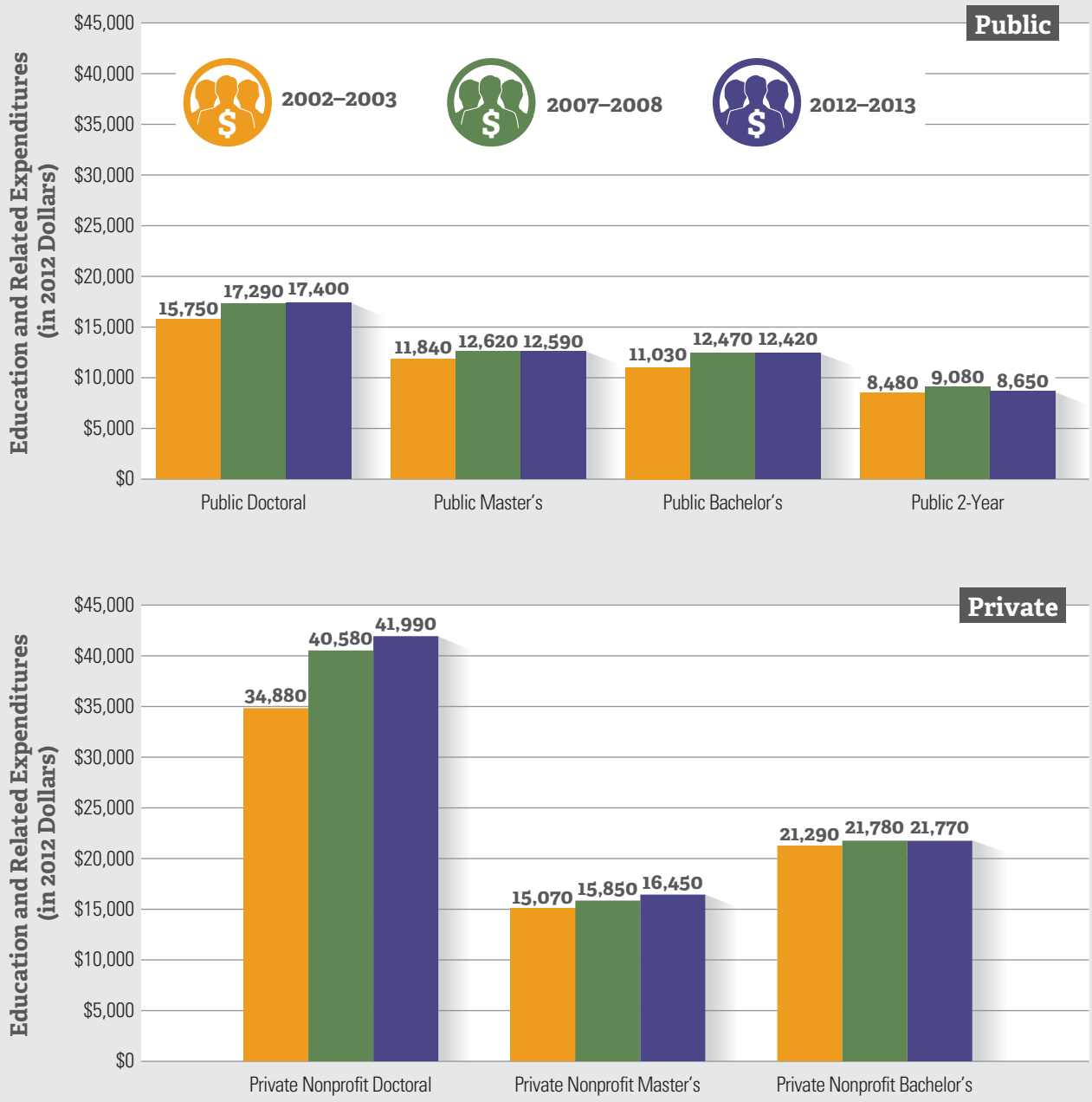
After adjusting for inflation, state funding per full-time equivalent student in 2014 was nearly 30 percent below the funding level in 2000.[57] Public four-year institutions

55. Dylan Matthews, "The Tuition is Too Damn High, Part III—The Three Reasons Tuition is Rising," *The Washington Post*, August 28, 2013, https://www.washingtonpost.com/news/wonk/wp/2013/08/28/the-tuition-is-too-damn-high-part-iii-the-three-reasons-tuition-is-rising/.

56. Baum and Ma, *Trends in College Pricing 2015*.

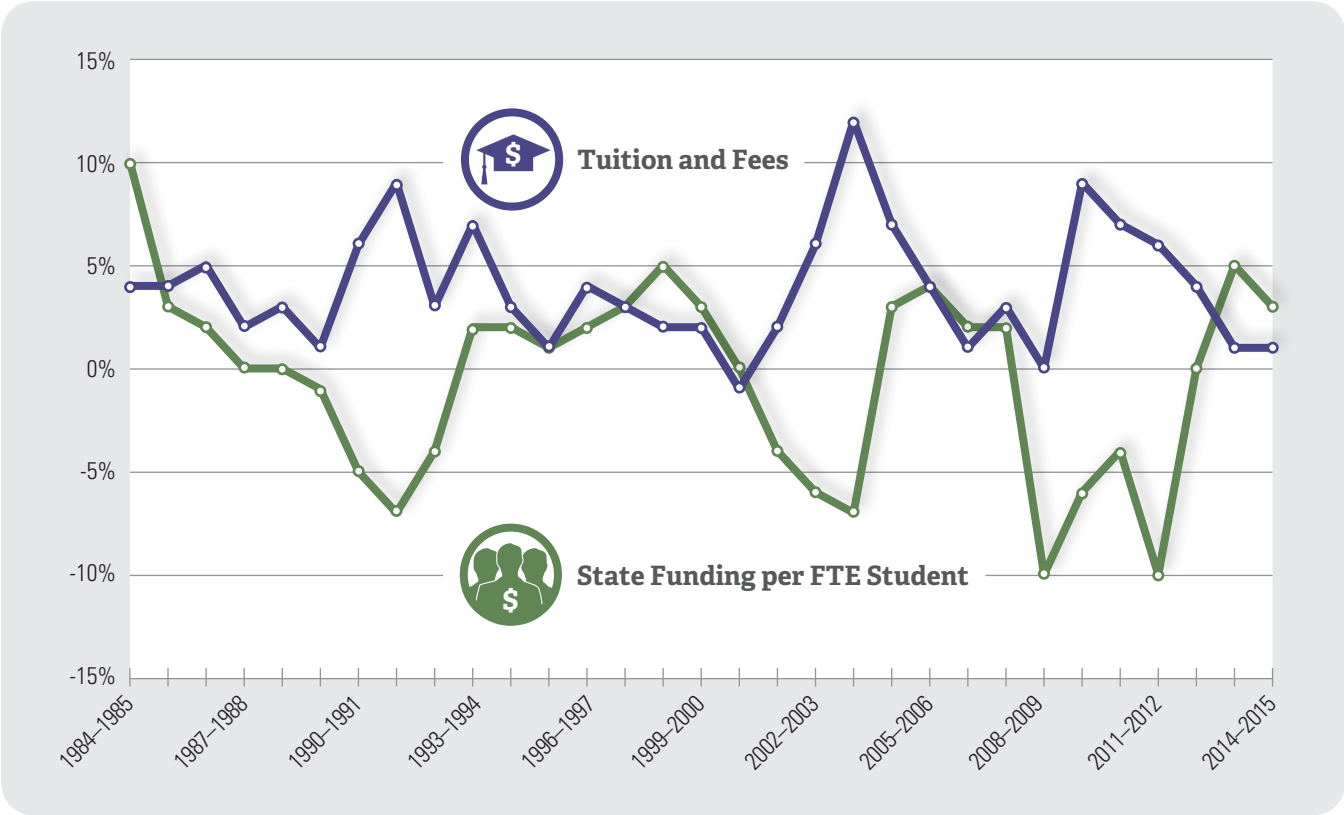
57. American Academy of Arts and Sciences, *Public Research Universities: Recommitting to Lincoln's Vision—An Educational Compact for the 21st Century* (Cambridge, Mass.: American Academy of Arts and Sciences, 2016), https://www.amacad.org/multimedia/pdfs/publications/researchpapersmonographs/PublicResearchUniv_Recommendations.pdf.

Figure T: Education and Related Expenditures Per Full-Time Equivalent (FTE) Student in 2012 Dollars by Institution Type: 2002–2003, 2007–2008, 2012–2013



SOURCE: Sandy Baum and Jennifer Ma, *Trends in College Pricing 2015* (New York: College Board, 2015), http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf. NOTE: Education and related expenditures include spending on instruction, student services, and the education share of central academic and administrative support, as well as operations and maintenance. Expenditures for both undergraduate and graduate students are included in these estimates. Institutional averages are weighted by twelve-month full-time equivalent student enrollments.

Figure U: Annual Percentage Change in Inflation-Adjusted Per-Student State Funding for Higher Education and in Tuition and Fees at Public Institutions, 1984–1985 to 2014–2015



SOURCE: Sandy Baum and Jennifer Ma, *Trends in College Pricing 2015* (New York: College Board, 2015), http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf.

have become more reliant on tuition revenue to cover the cost of educating students because per-student public funding for higher education has eroded over this time period.

The gap between state support for public two- and four-year institutions, particularly research universities, raises a related set of concerns. In 2012–2013, state and local appropriations per FTE student averaged 44 percent more at public doctoral universities than at community colleges.[58] Public masters' universities received slightly more generous funding than community colleges. In other words, the institutions enrolling the bulk of lower- and moderate-income students receive lower subsidies than those enrolling more affluent student bodies. When the differences in tuition levels are factored in, the resource gaps across sectors are even starker.

Direct educational cost comparisons across sectors are very difficult to make. Comparing educational costs for lower-division students at four-year public institutions would be the best comparison to community college students; however, the data allowing us to separate out the costs to educate lower-division and upper-division students at four-year institutions, or even to separate graduate students from undergraduates, do not yet exist. Further, educational costs vary greatly by program, with courses in the health sciences and engineering, for example, being much costlier than those in the humanities and social sciences.

58. Baum and Ma, *Trends in College Pricing 2015*, Figure 18B, "Institutional Revenues per Student at Public Institutions over Time."

Public research and public bachelor's institutions **receive significantly higher state appropriations** than do community colleges and public master's institutions.

Even taking these limitations into consideration, it is clear that public research and public bachelor's institutions receive significantly higher state appropriations than do community colleges and public master's institutions (the most likely alternative to community colleges). Moreover, in contrast to K–12 education funding in some states and districts, allocations take no account of the appropriate compensatory level of institutional funding based on the academic and social needs of the students served. Because of their socioeconomic and academic backgrounds, community college students and those enrolled in nonselective public four-year institutions require more remedial coursework and higher levels of student support services than their counterparts in public research universities. There is general consensus that community colleges and other broad-access public institutions are significantly underfunded relative to flagship and other more selective public universities.

The growing prices at private colleges and universities, which, again, have been rising at lower rates than at their four-year public counterparts, can be attributed to a number of factors that vary across institutions. Private colleges are not a monolith; different forces act upon these institutions in unique ways. Many small or medium-sized local private colleges that draw primarily from students in their regions provide high levels of aid to students from low- and middle-income backgrounds. These colleges raise their prices so that they secure higher revenues in tuition and fees from the wealthier students who can afford to pay. For many of these colleges, the "sticker price," which is in fact paid by relatively few students, typically rises much more rapidly than the net price, after allowing for student aid awards and tuition discounts. In fact, for a number of private institutions, the net price may be stagnant or falling.

Elite small private colleges also use this tuition pricing strategy, but they too compete with similar institutions at the national and international levels to provide costly "luxury" goods such as new dormitories, fitness centers, and dining facilities to attract students. Some of these luxuries may have little or no educational impact, but others, like very small classes, full financial aid for students who study abroad, and sophisticated laboratory equipment, may provide meaningful educational advantages to students who attend. Catherine "Cappy" Hill, the former president of Vassar College, has persuasively argued that growing economic inequality helps drive the expectations of expensive amenities and educational offerings of the families of many of the students being recruited to elite colleges. Large private research universities also compete nationally for students, contending with the costs related to bringing in the best faculty to advance their research endeavors. Taken together, these explanations tell us much about rising prices at private colleges and universities, but they do not apply equally to all institutions in the sector.