Many Leading Private Colleges and Universities Tailor Prices To Students' Financial Means, Study Finds

A new study brings good news to well-qualified low- and moderate-income students who want to go to some of the nation's top private colleges and universities. The research found that many highly selective schools tailor their tuition and other prices to students' financial means, enabling some students to pay only a fraction of the schools' high "sticker prices." The study is published in the latest issue of the Journal of Human Resources.

"We asked what students at different income levels actually pay at the leading private colleges and universities in the United States," explains co-author Gordon C. Winston, Ph.D., professor of economics at Williams College in Williamstown, MA. "We found that very consistently, these wealthy, high-quality schools give large discounts to low-income kids. On average, the ultimate net prices are well under the prices of public colleges."

The study analyzed family income, financial aid grants, and other data from the records of 41,401 full-time undergraduate students enrolled at 28 of the 31 highly selective, private colleges and universities in the Consortium for the Financing of Higher Education (COFHE). All of the students had received financial aid from their schools.

The researchers categorized the students into the five U.S. census family-income groups, or quintiles, and looked at the average price students in each group paid for full-time tuition, room, board, and fees for the 2001–02 academic year. They also looked at trends in those prices and the net prices as a share of family income at 10 of the schools over a five-year period. Foreign students were not included in the analysis.

For the 2001-02 academic year, the schools' average "sticker price" was $33,831, yet the average amount paid by students who received financial aid was less than half (47 percent) of that amount—$16,058. On average, aided students at coed colleges paid slightly less than those at universities and women's colleges—$14,726, or 44 percent of the sticker price, for the year.

The study also showed that the lower the students' family income, the smaller percentage of the sticker price the students paid. Students in the lowest income quintile, which had a median annual family income of $15,347, paid an average of only $7,552 (22 percent of the sticker price) for the 2001-02 academic year. Those in the middle family-income quintile (median annual income of $50,890) paid $11,557 (34 percent of the sticker price), and those in the highest family-income quintile (median annual income of $113,689) paid $23,690 (70 percent of the sticker price).
At one school, students in the lowest family-income quintile paid an average of only $796, or 2.5 percent of the sticker price, for the 2001-02 academic year.

Although students in the lowest family-income quintile on average paid only 22 percent of the schools' median sticker prices, that group spent nearly half (49 percent) of their annual family income for one year at an elite college or university. In contrast, students in the other four family-income groups spent an average of between 21 percent and 26 percent of their annual family incomes for one year.

Further analysis of data from 10 of the 28 schools showed that the average net price paid as a share of family income dropped considerably for the lowest income group over a five-year period—from 70 percent in the 1998–99 academic year to 49 percent in 2002–03. At those 10 schools, net price as a share of family income remained fairly stable for students in the other four family-income groups.

"The kids in the bottom quintile are getting a significant price reduction, but relative to their family income, it's not nearly the price reduction that other kids are getting," Winston says. "It's really encouraging, though, that among these expensive, elite schools, the proportion of family income paid is falling precipitously for low-income students."

Winston attributes this affordability to the increasing commitment of leading private colleges and universities to offer "equality of opportunity" by opening their doors to academically qualified students, regardless of family income.

"These wealthy schools are manifesting what they see as a very basic social obligation—to make a superb education available to high-ability kids from poor families," he explains.

Winston and co-authors Catherine B. Hill, Ph.D., and Stephanie A. Boyd, also with Williams College, point out that the admission standards at the colleges and universities they studied are among the most demanding in the country, and few students—whether rich or poor—are able to meet them.

Nevertheless, Winston suggests, "We need to get the message across that these schools are accessible and affordable. If you want to go to Harvard, give it a try. If you can get in, low income is not going to keep you out."

The study results can be found in the Fall 2005 issue of the Journal of Human Resources, published by the University of Wisconsin Press.

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