

What does college tuition pay for?

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With students displaced from campus and continuing their education online, the coronavirus pandemic has renewed discussions about tuition and college costs.

What is tuition?

Tuition is the price that institutions charge for courses and publish in brochures and on their websites. This is referred to as the “sticker price.”

Is tuition the full price a student pays to attend college?

No; tuition typically does not include all charges, such as room and board. All colleges and universities publish a cost of attendance on their websites. The full cost of attendance estimates all costs a student will incur, typically for the academic year. Costs for room and board, parking, books, supplies, and other expenses combined typically exceed the tuition price, particularly for public institutions.

Does the tuition a student pays always equal the published sticker price?

No. Because of financial aid, the tuition a student actually pays is often less than the published sticker price. Most students do not pay the sticker price.

As data in the table below from the College Board indicates, net price, which is the published price minus a student’s scholarships and aid from federal, state, and institutional sources, is considerably lower than the sticker price across institution types.

Difference in Sticker and Net Prices

Institution type	Average <i>Published/Sticker</i> Price for Tuition and Fees 2019-2020	Average <i>Net Price</i> for Tuition and Fees 2019-2020 (Preliminary)
Public Two-Year, In-District	\$3,730	—\$430
Public Four-Year, In-State	\$10,440	\$3,870
Private Nonprofit Four-Year	\$36,880	\$14,380

Source: College Board, Trends in College Pricing 2019

(<https://research.collegeboard.org/college-pricing-2019-full-report.pdf>)

The U.S. Department of Education College Scorecard ([https://collegescorecard...](https://collegescorecard.ed.gov/)) is a helpful resource to see overall average costs at a college by student income bracket, taking into account federal, state, or institutional grant aid available.

What does tuition pay for?

Revenue that a college or university receives from student tuition helps fund some, but not all, of an institution’s educational expenses. It helps cover the amount an institution spends to provide educational services to students, but the total amount to deliver a high-quality college education exceeds the price students pay.

Not only do most students not pay the published sticker price, but the price they are paying for a degree is subsidized by other sources of revenue. Most students are receiving an education that costs much more to provide than they pay.

OK, but what bills do colleges have to pay? What are their expenses?

The biggest expenses for colleges and universities are salaries and benefits for faculty and staff. But, there are many other resources that colleges need to invest in to deliver a high-quality education to students in: the built environment (classrooms, laboratories, libraries, housing, dining, athletic facilities, performing art spaces, etc.); computer supplies and equipment (hardware, software, ongoing services) and more. Faculty and staff need access to continuing education and professional development and facilities maintenance needs are ongoing.

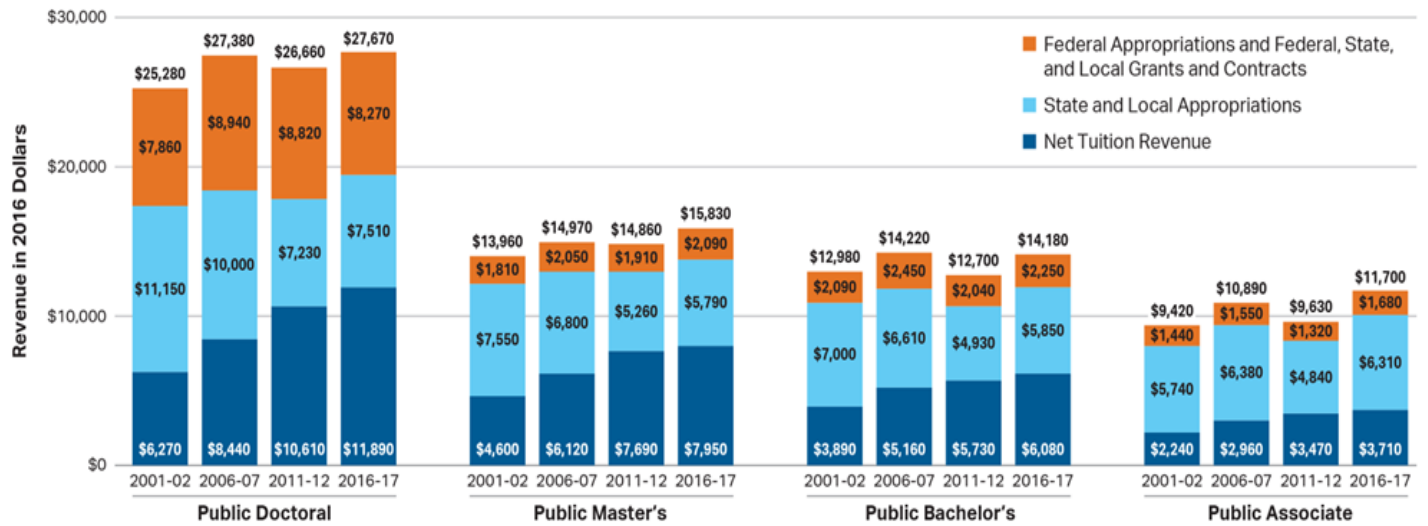
What resources do institutions use to cover the expense of delivering higher education?

For public and private institutions, endowment earnings, government grants, and gifts from foundations and private donors help subsidize the price of a degree. At many colleges, net revenue from auxiliary services (e.g., housing, dining, bookstores, parking) supports the institution’s general operating or educational budget, helping to subsidize the price of tuition for all students.

For public institutions, state appropriations are an additional source of support.

Every college or university relies on various forms of additional support to widely varying levels. Some rely heavily on tuition, while others rely more heavily on endowments or revenue from other operations (e.g., auxiliaries).

The chart below illustrates the major institutional revenues per full-time equivalent (FTE) student at public institutions.



Institutional Revenues per Full-Time Equivalent (FTE) Student in 2016 Dollars at Public Institutions, 2001-02, 2006-07, 2011-12, and 2016-17

Source: The College Board, Trends in College Pricing 2019, Figure 17

What role does my college's endowment play?

While some endowment earnings and alumni donations are earmarked for scholarships and other financial aid to students, endowment funds are also used to support an institution's general operating budget, helping to keep the sticker price down for all students. For example, endowments might support a faculty member's salary, library operations, or research laboratories.

How does COVID-19 affect budgets?

Early on in the crisis, as many students moved off campuses, they requested refunds for housing, dining, and parking—services they would no longer be using for the semester.

The refunds many schools offered to students represents lost revenue to colleges and universities. Most schools budgeted their operations based on the revenue they had been anticipating. Those colleges and universities must still find a way to cover the costs affiliated with building and facility maintenance, security, and more.

I'm now learning online. Aren't colleges saving money, and shouldn't I get a refund?

Some students argue they are not receiving the comprehensive education they paid for and have requested partial tuition refunds or an adjustment to the price they are paying.

Some institutions have refunded students for services they can no longer access (e.g. housing, dining, and parking). Because many institutions use revenue from those auxiliary sources to supplement their general operating budget (keeping the tuition price lower than it might otherwise be), this means general operating funds may already be tight for some institutions.

In addition, for many institutions that primarily provided instruction face-to-face, the shift to emergency online instruction increased costs for technology and student and faculty support (e.g. purchase of new software licenses, training, equipment). This means many institutions are spending more, not less, to provide instruction right now, from already constrained budgets.

What does this mean for my college's budget outlook?

Looking into the future, the situation for both students and institutions is likely to remain constrained. If we enter into a recession, families may consider the price of a degree (even the net price) as an unrealistic stretch.

Institutional leaders will want to keep the price as affordable as possible, but they will still need to meet the cost of providing an education. And the other sources that collectively cover the full cost of a high-quality postsecondary education likely will be strained as well, including probable decreases in state appropriations, endowment investment earnings, and annual giving, at least in the short term.

Why can't my college's endowment just cover more of the costs?

Please read our FAQ on college endowments

(<https://www.nacubo.org/Management-and-Campus-Security/Emergency-Preparedness/Coronavirus-Relief-AdvocacyEndowments>)

for details on endowment uses and restrictions.

Contact

Liz Clark

Vice President, Policy and Research

202.861.2553

Contact Consulting

Jim Hundrieser

Vice President, Consulting and Business Development

(202) 861-2539

Contact

Sue Menditto

Senior Director, Accounting Policy

202.861.2542

Contact

Katy McCreary

Director, Public Relations

202.861.2503

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Contact Us

📍 1110 Vermont Avenue, NW
Suite 800
Washington, DC 20005

📞 **Phone:** 202.861.2500

📞 **Customer Service:** 202.861.2560

✉️ **Email:** support@nacubo.org

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