

# UNDERSTANDING COLLEGE AFFORDABILITY

By Michael Itzkowitz

For years, the number one reason why students choose to attend college is for greater employability and to obtain a financially secure future. However, the number one reason why they don't?

Affordability.<sup>1</sup>

In this paper, we examine how much college costs students at institutions across the United States. Beyond the average student, we also look at the out-of-pocket costs for low- and moderate-income students, specifically those from families with incomes below \$75,000 per year.

## How much does it cost to attend college?

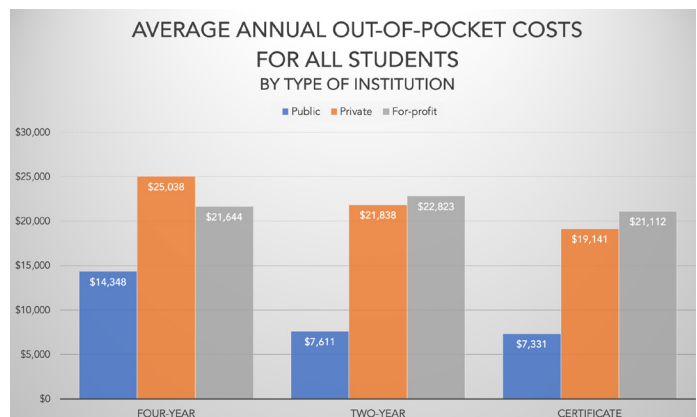
The cost of college often depends on which type of institution you attend. For the typical student, four-year colleges come with the highest price tag, costing students an average of nearly \$19,000 per year, even after all grants and scholarships are deducted. Less than four-year institutions cost less, but differ on the type of credential that an institution most often awards. While associate's granting-institutions cost the least—\$8,528 on average—certificate-granting institutions cost nearly as much—\$16,190—as a four-year college on a year-to-year basis.<sup>2</sup>

AVERAGE ANNUAL OUT-OF-POCKET COSTS FOR ALL STUDENTS



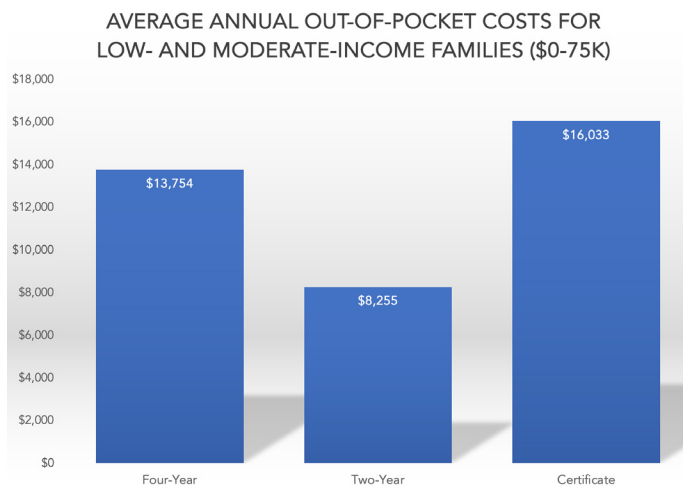
Beyond the type of degree students wish to pursue, the educational sector that offers it also affects the amount that students can expect to pay out-of-pocket. For example, public institutions cost substantially less than private or for-profit institutions, on average. While students at public institutions pay \$14,348 per year at public four-year institutions, private and for-profit schools average over \$20,000 each. Similarly, public colleges cost about a third of the out-of-pocket costs at less than four-year schools, in comparison to their private and for-profit counterparts.<sup>3</sup>

AVERAGE ANNUAL OUT-OF-POCKET COSTS FOR ALL STUDENTS BY TYPE OF INSTITUTION



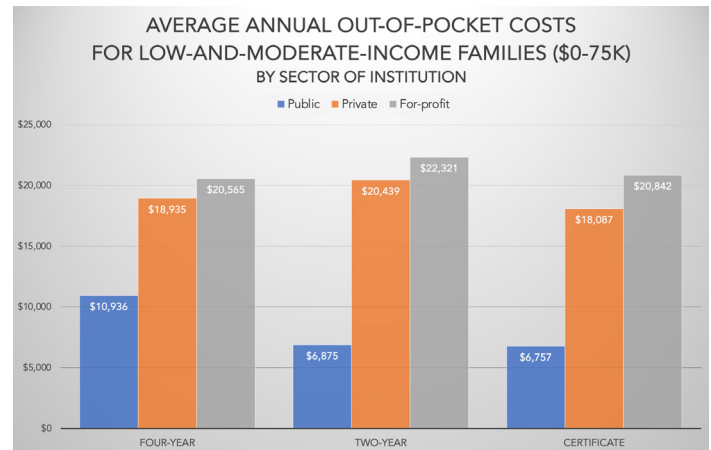
### How much does it cost low- and moderate-income students to attend college?

Lower- and moderate-income students are eligible to receive need-based grant aid—mainly in the form of a Pell Grant through the federal government—often causing their out-of-pocket costs to be different than the typical college student. This is most notable at four-year institutions where the cost differential is highest (~\$5,000) between these two groups of students. The difference in cost is much less pronounced at less than four-year institutions (~\$500), where low- and moderate-income students pay a similar amount to the typical college student.



Most of the cost savings to low- and moderate-income students come through public and private four-year institutions. For example, while the average student pays upwards of \$14,000 to attend a four-year public institution, those from more modest backgrounds pay around \$11,000 per year. Private four-year colleges also show their low- and moderate-income students paying substantially less (~\$19,000) than the typical college student (~\$25,000) who attends this type of institution. Less than four-year institutions show less of a cost differential, especially within the for-profit sector.

At certificate-granting institutions, where most for-profit institutions are concentrated, there's hardly any difference in the out-of-pocket costs that low- and moderate-income students pay (\$20,842) in comparison to the typical college student (\$21,112).



### Are there data missing on college affordability?

There are several data points from the federal government on college access that are unavailable on college affordability. Most notably, there is no information about the differences that men or women pay for college, nor is there information on how much students from different racial or ethnic backgrounds pay to attend. This lack of information prevents researchers and policy analysts from evaluating the return on investment that these different groups obtain from attending institutions from across the US.

## Conclusion

College comes with many benefits, including a greater likelihood to become financially secure, have a higher life expectancy, and be a more civically engaged citizen. However, many avoid enrolling in a postsecondary institution because they perceive it as being unaffordable. While federal Pell Grants assist in

college affordability for low- and moderate-income students, this appears most pronounced for those who pursue a four-year degree. At less than four-year colleges, low- and moderate-income pay similar amounts to their wealthier peers, even though they are less likely to be able to pay the out-of-pocket costs.

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<sup>1</sup> <https://www.pewresearch.org/short-reads/2021/11/08/whats-behind-the-growing-gap-between-men-and-women-in-college-completion/>

<sup>2</sup> US Department of Education's College Scorecard. Analysis uses "net cost," which are the out-of-pocket costs remaining after all grants and scholarships are deducted.

<sup>3</sup> Net price for low- and moderate-income students come from author's calculations using College Scorecard data.