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Sticker shock and discounts

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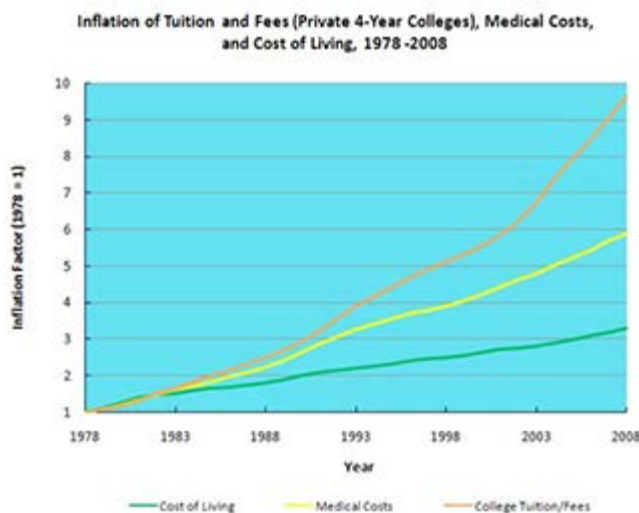
Quad 136

Sticker Shock and Discounts

[Previous](#) [Next](#)

Sticker Shock and Discounts

One of the most pressing issues on the higher education agenda is the cost of college. For nearly four decades, the costs of college have risen faster than inflation, rising even faster than health care costs, as this chart from the [Freakonomics blog](#) attests:



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The annual *Chronicle of Higher Education* compilation of tuition data has recently come out and it has led to the usual articles and blog posts with titles such as, “[Cost of College Crosses \\$260,000 Threshold](#),” based on scary charts like this:

The Priciest 4-Year Institutions, 2014-15

	In-state tuition, fees, room, and board	Out-of-state tuition, fees, room, and board		Tuition, fees, room, and board
Public			Private	
U. of Pittsburgh	\$26,572	\$38,808	Spauldine University College	\$65,680
U. of California at Berkeley	\$26,420	\$51,268	Harvey Mudd College	\$64,627
U. of California at Riverside	\$26,207	\$51,260	Columbia U.	\$63,490
New Jersey Institute of Technology	\$26,262	\$41,950	New York U.	\$62,890
U. of California at Merced	\$26,230	\$51,070	U. of Chicago	\$62,458
U. of California at Davis	\$26,114	\$50,987	Emory University College	\$62,218
Pennsylvania State U. Berks campus	\$26,020	\$40,870	Bard College	\$62,012
College of William & Mary	\$26,260	\$49,704	Kenyon College	\$61,940
U. of California at Santa Barbara	\$27,688	\$50,888	Barnard College	\$61,807
U. of California at Santa Cruz	\$27,620	\$50,710	Franklin & Oberlin College of Engineering	\$61,680

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Those of us in higher education and our students and their families are painfully aware of this reality. There are understandable and perfectly reasonable explanations for this growth in tuition (the labor intensive nature of our industry,

technological changes, improvements in the quality of the educational experience, etc.) that I won't detail here.

What is too often missing in the simplistic version of this story, like the chart above, is something that should be obvious: financial aid. Unlike health care, our customers typically get a means tested price and many of those students then get a further “merit-based” discount after the means testing. Virtually every mainstream institution of higher education offers need based aid to its students.

Families are asked to submit financial data which is used to determine an expected family contribution and then schools, subject to their resources, put together a financial aid package consisting of grants (free money), work study jobs and loans. In addition, many schools, save the most elite, then offer additional merit based aid to attract strong students to their institution. Merit is typically academically determined—using grades and test scores—but it can also include musical or artistic abilities or volunteer service. (Athletic ability can come into play at schools that have athletic scholarships, but that is not permitted at Division III institutions like Saint John's and the College of Saint Benedict.)

The dollar amounts of merit aid are not trivial. At CSB and SJU the top merit scholarship, a Trustees Scholarship, is worth about half the price of tuition. Financial aid and increased discounting has actually kept the cost of education down in ways that are rarely noted in the press. For the 17 schools that make up the Minnesota Private College Council, average inflation-adjusted tuition paid by entering students has been flat for a decade, even as the average sticker price for tuition has risen by about 50%.

Interestingly, the Department of Education, not always viewed as the most helpful bureaucracy, recognizes this reality and provides a “Scorecard” to help students and families get a more accurate picture of true costs of education at different institutions. The Saint John's score card at Department of Education's College Scorecard site is [here](#).

Most agree that need based aid is essential in higher education and while one might legitimately debate the pros and cons of merit aid, the important reality in discussions of tuition costs and inflation is that many if not most students get a significant discount from the sticker price. At many tuition driven schools that provide significant merit aid, the discount on tuition is 50% or above.

So a more legitimate headline should read something like, “Average Cost of College Crosses \$160,000.” (Room and board are not typically discounted in the same way tuition is.) Certainly this is still very real money for most families, but it has the benefit of being more accurate and helpful to students and families who are making decisions about the most important investment most of them will ever make.

By [Michael Hemesath](#) | December 8th, 2014 | Categories: [Economics](#), [Higher Education](#) | [0 Comments](#)

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).