Brief: Understanding Tuition Discounting at Public Institutions

Every year, a common refrain is heard when students and families look at postsecondary education: "Why is college so expensive?"

With "high sticker price" and tuition discounting practices at play, what postsecondary education actually costs is increasingly unclear to students and families.

Over the past decade, policy changes and market dynamics have led to a substantial shift in how public universities approach tuition pricing. Once based on a low-tuition, low-aid model funded by strong state support, public institutions increasingly are adopting the high-tuition, high-aid model long favored by private institutions.

Tuition discounting, which is advertising a high price and then offering targeted substantial discounts to incentivize enrollment, has become central to hitting enrollment and revenue targets.

Tuition discounting, put simply, is the practice of of offering targeted grants and scholarships that reduce costs for some students, even though the published price remains higher for others. In public institutions, these strategies often support various enrollment goals, such as attracting academically strong out-of-state students or enrolling underrepresented populations, while maintaining financial stability. These practices also leave students, families, and citizens confused and without a transparent understanding of the cost of higher education.

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Why it's Happening

As mandated tuition freezes, state budget cuts, and enrollment fluctuations affect the budgets of public universities, those institutions must pursue options to maintain their revenues. Institutions rely on tuition discounting because, of all revenue streams, only tuition and state appropriations are truly flexible – unlike philanthropic support, grants, or auxiliary income.

The need for flexible revenue streams that institutions directly can influence has led to an increase in strategic tuition discounting. Between 2014-15 and 2021-22, the share of first-time, full-time undergraduates receiving institutional grant aid at public four-year institutions rose from 49 percent to 62 percent. Average discount rates over the same period increased from 24 percent to 31 percent.

With state funding stagnating over time – as well as possible tuition increase caps – tuition discounting has become one of the few methods for institutions to balance affordability, access, enrollment, and revenue goals.

State postsecondary budgets soon may face new strains stemming from federal actions, demographic shifts, and broader fiscal pressures.

Without intentional alignment between states and institutions, this environment could drive even more aggressive tuition discounting in the years ahead – further complicating cost transparency for students, public missions, and the perceived value of education.

	Before: Low tuition, low aid	Now: High tuition, high aid
Tuition	Low published tuition	Higher published tuition and fees, particularly for certain segments of students such as out-of-state or international students
State funding	Strong state funding keeps prices affordable	State funding that doesn't keep up with the cost of providing an education, making institutions more reliant on net tuition revenue
Institutional aid	Fewer scholarships and discounts	Heavy use of aid, tuition discounting, and non-need-based scholarships
Student experience	Transparent knowledge of cost	Larger gaps in published tuition versus actual student cost that is highly variable

Why it Matters

Price confusion:
Listed tuition prices and net prices differ widely, making it difficult for families – especially low-income and first-generation students – to know what they'll actually pay.

Access concerns:
As merit aid grows, it often can favor wealthier or out-of-state students, at the expense of low-income, in-state residents.

Public mission:
Revenue and recruitment strategies designed to attract full-pay or out-of-state students can conflict with the public mission of serving state residents and expanding access.

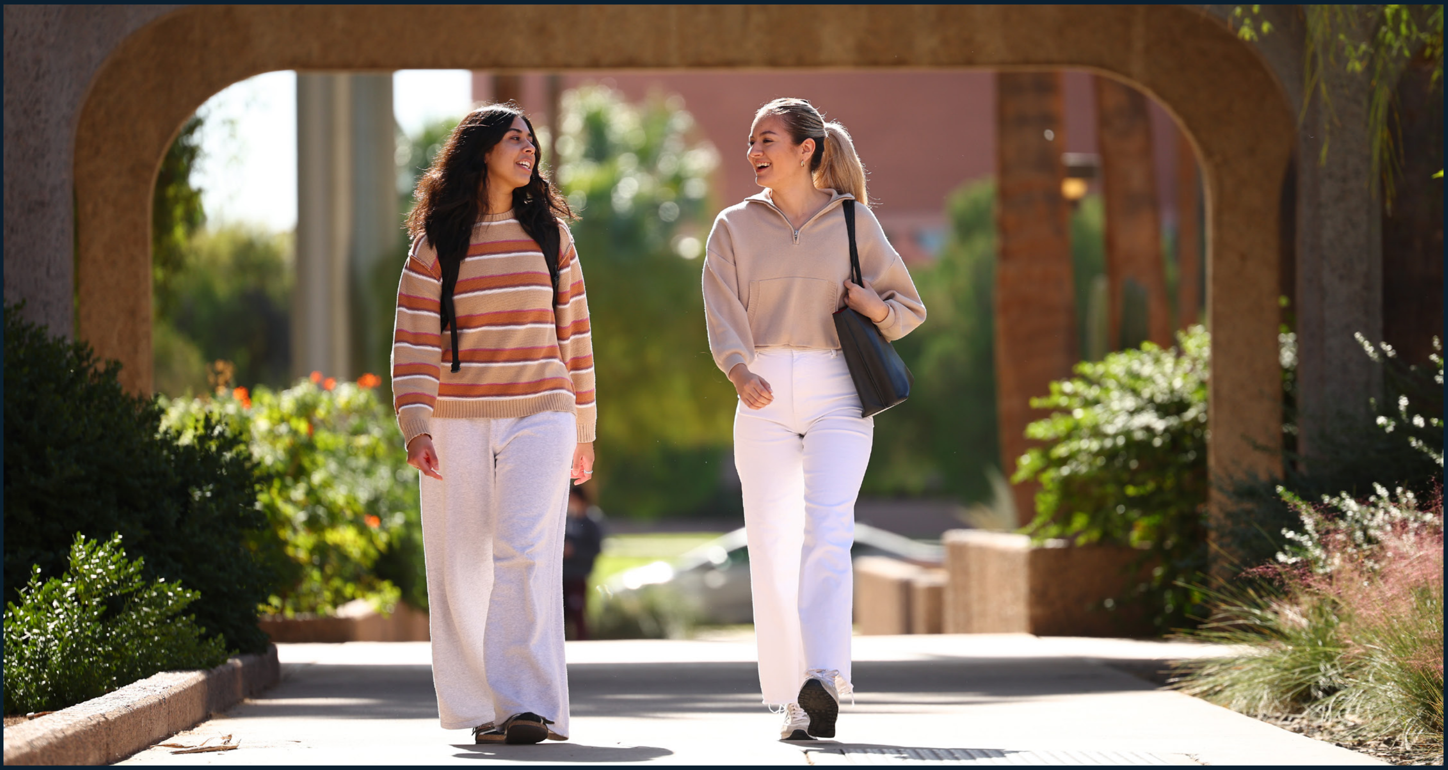
Postsecondary reputation and value:
As the debate over the value of postsecondary education continues, exaggerated prices and confusion over actual costs weigh heavily on public trust and whether "college is worth it."

No One-Size-Fits-All

Discounting methods vary widely by institution type and the context and challenges they face.

Differences in selectivity, geography, enrollment pressures, and other institutional variables across highly selective publics, flagships, and regional institutions mean that one-size-fits-all policy solutions are unlikely to succeed.

For example, a less selective flagship state university may offer substantial merit aid to attract high-paying out-of-state students while a small, regional university may offer heavy discounts to combat enrollment losses.



The Path Forward: Guiding Principles

States and institutions face tremendous fiscal pressures and each situation is unique. The postsecondary education field can work together around shared principles.

1. **Transparency and clarity for families**
   Make costs and aid understandable to reduce confusion.

2. **Alignment between state and institutional aid**
   Coordinate policies to improve impact and efficiency.

3. **Regular assessment of aid strategies**
   Ensure discounting supports public mission and access goals, not just revenue.

4. **Tailored approaches based on context**
   Recognize that state and institutional differences require unique approaches; avoid blunt, one-size-fits-all approaches.