An Overview of Tuition Reset Policies in the United States

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College affordability is a growing concern for students and families across the United States (U.S.), as recent decades have seen the cost of attendance increase dramatically. Arguably, this concern is most pressing for students considering attending a private baccalaureate-granting college. As tuition increases, students face financial barriers that hinder access to these institutions and contribute to the growing student loan debt problem. Institutions, in turn, struggle to balance their revenue needs and attract and enroll a student body representative of their respective missions.

Tuition reset policies represent a recent and popular approach to these interconnected challenges. By reducing an institution's sticker price from the onset, resets may provide a more accessible pathway to postsecondary education for students and allow institutions to reposition themselves within the higher education landscape. This policy brief will introduce what tuition resets are, describe their goals, and review recent research on this innovative strategy and its potential role in shaping the future of U.S. higher education.

What are tuition resets?

Tuition resets refer to cuts to a college or university's published sticker price from the previous year. While there is no formally designated cutoff, previous research has used a five percent cut as the threshold[i] for considering a price change as a reset; however, the reduction in sticker price can often be much more. For example, Central College (Pella, Iowa) reset tuition in the 2020-2021 academic year by 52% from $38,600 to $18,600. Important to note, sticker price differs from net price, or the price students pay after grants, scholarships, or other allowances institutions apply to students' tuition bills. To illustrate, if a college charges $50,000 in tuition and fees and Student A receives a $50,000 grant, Student B gets a $25,000 scholarship, and Student C receives no financial aid, these students are facing very different net prices despite experiencing the same sticker price when they submitted their application.

Tuition resets have become increasingly common. Our research[ii] shows that among private nonprofit institutions, at least 63 institutions have reduced tuition by five percent or more between 2012 and 2018 based on their sticker price reported to the U.S. Department of Education's National Center for Education Statistics. Moreover, during the Covid-19 pandemic, there has been an uptick in institutions engaging in resets.

What are the goals of resets?

Institutions typically engage in tuition resets for two reasons: 1) to increase enrollment and 2) to signal a commitment to affordability. College pricing could be clearer for all students. Students rarely pay the published sticker price; however, many do not realize this when considering which institutions they will apply to. Private colleges often boast about how many students receive scholarships and grants, but that does not provide detailed insight into the net price students will pay. Although students may ultimately make enrollment decisions by comparing net prices, among other attributes, a high sticker price may dissuade students from considering a college altogether. This is known to scholars as "sticker shock" and prevents many students from applying in the first place. Given this context, colleges use a tuition reset to help demystify college pricing. Rather than discounting tuition after admission by giving each student a unique financial aid offer, as shown in the example above, a tuition reset allows an institution to discount upfront and thus make the sticker price closer in amount to the net price the average student pays. In this way, a tuition reset can work as a marketing and recruitment tool that reduces sticker shock and increases applications.

Colleges also use tuition resets to signal a commitment to affordability. Institutional leaders have signaled this in media interviews and press releases announcing resets.[iii] By demystifying the pricing process and reducing sticker shock, colleges use resets to showcase a lower price tag, which may be enhanced by comparing the new sticker price to the average tuition of peer institutions. As a result, resets are still likely to have helpful marketing implications. Nevertheless, the explicit messaging about affordability may also be related to other institutional initiatives seeking to increase economic diversity on campus.

Are tuition resets effective?

Our research[iv] suggests that overall enrollment may increase slightly, but our results are inconclusive. When disaggregating enrollment by income, we find that colleges experience increased enrollment of Pell recipients by roughly seven percent following a reset. In this way, tuition resets may effectively convey affordability to lower-income students who are particularly susceptible to sticker shock. Although research shows that Black and Latinx students are sensitive to sticker shock, we do not find strong evidence of increased enrollment among these groups. This may be because institutional messaging regarding tuition resets focuses on affordability instead of increasing racial and ethnic diversity.

While we do not find strong evidence that tuition resets increase enrollment overall, we do find evidence that colleges adjust their institutional finances as part of the reset initiative. As expected, colleges decrease financial aid expenditures, in total and on a per-student basis, following a reset. Tuition resets partially shift the discounting process from the back- to the front-end, which may bring more clarity to students regarding college prices. We also find that net tuition revenue appears unchanged, which suggests that, on average, colleges' financial circumstances do not appear to improve following a reset, on average.

Resets represent a shift from a high tuition/high aid towards a low tuition/low aid model, which may signal affordability but does not necessarily mean a decrease in net price for students. As mentioned above, institutions experience unchanged levels of net tuition revenue. We do find that institution-reported total net price of attendance decreases. However, reductions in the estimated non-tuition elements of the total cost of attendance drive these declines. Moreover, when deconstructing these effects by family income, we see relatively proportionate declines in net price across all income categories. Taken together, our findings do not suggest an improvement in actual affordability, including among lower-income students, regardless of whether these are changes in perceived affordability.

Finally, our findings point to the potential for heterogeneous effects. We specifically analyzed how estimates vary with the size of the reset, given the variation in resets in our sample. Previous descriptive research[v] shows that some colleges experience significant increases in applications and enrollment following a reset, while others experience nearly no changes. Just as the size of resets differ significantly across colleges, the institutional contexts likely moderate student enrollment outcomes.

Based on our research, we have three critical takeaways for institutional leaders and stakeholders:

1. On average, tuition resets do not appear to increase enrollment or net tuition revenue. While some colleges may see a reset as a marketing tool to address flagging enrollments or falling revenues, we do not have evidence that resets are effective solutions for these problems in the long run.
2. Resets are likely to lower perceived costs for lower-income students and can be a useful messaging tool to signal affordability. A reset may be valuable for institutions to meet mission-oriented goals, such as increasing Pell enrollments. Of course, this tactic is likely only to be as successful as the commitment to specific objectives, and leaders must be mindful that the approach used is congruent with the target population.
3. Not all resets appear to be created equally. While our findings show average effects across our sample, individual colleges will likely see unique results. As descriptive evidence has shown, some colleges see success with resets, and specific design elements and institutional context likely drive this.

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