



ILLINOIS' TRUTH-IN-TUITION LAW: TUITION PREDICTABILITY AND PITFALLS

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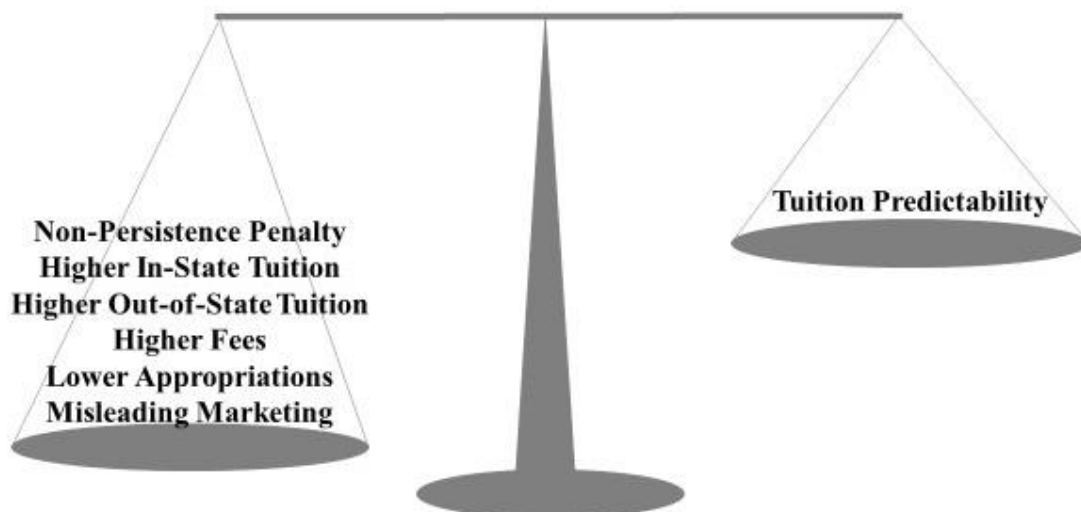
In Illinois in fall 2004, students enrolled in college under the first state-level guaranteed tuition law. The "Truth-in-Tuition" law affects all incoming resident students at public four-year institutions. Illinois' law requires that "the tuition charged an undergraduate student who is an Illinois resident shall not exceed the amount that the student was charged at the time he or she first enrolled in the University" (Illinois Public Act 093-0228). This IBHE Data Points summarizes a series of research projects that considered the impact of this law.

Guaranteed tuition laws are important to consider since predictability is an increasingly important component of college finances. Illinois, Oklahoma, and Texas have all enacted state-level guaranteed tuition laws requiring institutions to offer at least the option of fixed-rate pricing to their students. A defining attribute of guaranteed tuition policies is that they provide students and families with information about the predictability of tuition levels throughout a student's expected time to degree. However, policies like Illinois' "Truth-in-Tuition" law should be distinguished from tuition caps, freezes, and other tuition policies that do not provide the same type of tuition predictability.

Guaranteed tuition plans offer students a flat rate of tuition over their entire college career such that students do not experience annual increases in tuition. These laws protect students from the potential shocks of significant and unexpected increases in the price of their education. While guaranteed tuition addresses tuition predictability, these policies often have pitfalls. How each program is structured matters for the extent to which the program addresses either tuition predictability or tuition levels.

Our research on guaranteed tuition plans has shown that the benefits of predictability are likely outweighed by the negative impacts of these programs. As shown in Figure 1, these are the non-persistence penalty (with the frontloading inherent in a guaranteed tuition plan, students would overpay if they do not complete their degrees), higher in-state and out-of-state tuition levels, higher required fees, lower state appropriations, and misleading marketing that the guaranteed tuition rate is in fact more economical. In addition, these programs add complexity to the tuition environment and make comparing tuition levels between institutions difficult.

Figure 1: Scales Weighing the Drawbacks and Benefits of Guaranteed Tuition Plans



Source: Delaney, Kearney, & Hemenway (2016).

Using a national panel dataset and a quasi-experimental difference-in-difference methodological approach, we investigated the impact of Illinois' "Truth-in-Tuition" law. We found that, institutions subject to this law increased annual tuition by approximately 26-30%, on average. In addition when testing the total amount of tuition that students paid over four-years, we found an increase in tuition of approximately 6-7% in excess of the amount predicted by the trend for institutions not subject to the law, on average. Our findings indicate that state-level guaranteed tuition laws encourage large tuition increases.

In addition, state appropriations significantly decreased for institutions in Illinois following the introduction of the guaranteed tuition law compared to the secular trend. In our baseline model, the magnitude of the cut to higher education appropriations is \$29.6 million, or approximately 20%, compared to the 2004 mean as compared to institutions that were not subject to guaranteed tuition laws, on average.

Finally, following the introduction of Illinois' "Truth-in-Tuition" law, required fees and out-of-state tuition increased significantly at institutions subject to the law. However, we did not find a significant change in the number or percent of out-of-state students following the implementation of guaranteed tuition.

With evidence that these programs are linked to higher tuition and fees, as well as lower state appropriations, it is not clear that they are beneficial to either students or higher education institutions. For more details on the research summarized here, please use the list of additional resources below:

Full academic articles based on this research:

- Delaney, J. A. & Kearney, T. D. (2016). Alternative student-based revenue streams for higher education institutions: A difference-in-difference analysis using guaranteed tuition policies. *Journal of Higher Education*, 87(5). <http://muse.jhu.edu/article/628418>
- Delaney, J. A. & Kearney, T. D. (2015). Guaranteed Tuition Policies and State General Appropriations for Higher Education: A Difference-in-Difference Analysis. *Journal of Education Finance*, 40(4), 359-390. <https://muse.jhu.edu/article/596195>
- Delaney, J. A. & Kearney, T. D. (2015). The impact of guaranteed tuition policies on postsecondary tuition levels: A difference-in-difference approach. *Economics of Education Review*, 47, 80-99. <http://www.sciencedirect.com/science/article/pii/S0272775715000515>

A 5-minute audio slide presentation explaining the tuition paper:

- <http://audioslides.elsevier.com//ViewerLarge.aspx?source=1&doi=10.1016/j.econedurev.2015.04.003>

A policy-oriented discussion of guaranteed tuition plans:

- Delaney, J. A., Kearney, T. D. & Hemenway, B. (2016). Balancing Tuition Predictability and Affordability: The Pitfalls of Guaranteed Tuition Plans, *Change: The Magazine of Higher Learning*, 48(2), 59-66. <http://www.tandfonline.com/doi/full/10.1080/00091383.2016.1167568#.V6NlkfrJD8>

A media summary of this research:

- Illinois' guaranteed-tuition law making college less affordable. *UIUC News Bureau*. http://news.illinois.edu/news/15/0526tuition_JenniferDelaney.html