

ALVERNO COLLEGE
BELLIN COLLEGE
BELOIT COLLEGE
CARDINAL STRITCH UNIVERSITY
CARROLL UNIVERSITY
CARTHAGE COLLEGE
COLUMBIA COLLEGE OF NURSING
CONCORDIA UNIVERSITY
EDGEWOOD COLLEGE
LAKELAND COLLEGE
LAWRENCE UNIVERSITY
MARIAN UNIVERSITY



WISCONSIN'S PRIVATE, NONPROFIT COLLEGES AND UNIVERSITIES
WORKING TOGETHER FOR EDUCATIONAL OPPORTUNITY

MARQUETTE UNIVERSITY
MEDICAL COLLEGE OF WISCONSIN
MILWAUKEE INSTITUTE OF ART & DESIGN
MILWAUKEE SCHOOL OF ENGINEERING
MOUNT MARY UNIVERSITY
NASHOTAH HOUSE
NORTHLAND COLLEGE
RIPON COLLEGE
ST. NORBERT COLLEGE
SILVER LAKE COLLEGE
VITERBO UNIVERSITY
WISCONSIN LUTHERAN COLLEGE

TESTIMONY

by

**Dr. Rolf Wegenke, President
Wisconsin Association of Independent Colleges and Universities (WAICU)**

on

Assembly Bill 739

to

Assembly Committee on Colleges and Universities

January 21, 2016

Chair Murphy and members of the Committee, thank you for holding this hearing today and for your attention to the important issue of college access and affordability.

My name is Rolf Wegenke. I am President of the Wisconsin Association of Independent Colleges and Universities, or WAICU, the official organization representing Wisconsin's 24 private, nonprofit colleges and universities and their nearly 60,000 students.

Assembly Bill 739, creating an individual income tax deduction for interest on student loans will be an important benefit to WAICU students after graduation. The average debt for Wisconsin students in the public and private sectors graduating in four years is \$28,810. The default rate among WAICU-member colleges and universities is among the lowest at 4.4 percent, much lower than the Wisconsin default rate of 9.2 percent and the National average of 11.8 percent. These statistics are reflective of the fact that the majority of our students have jobs and of the fact that WAICU institutions work closely with students to inform them about the cost of attendance and the importance of repaying debt.

Our institutions are also promoting the income-based repayment option available to graduates known as pay-as-you-earn, a program with roots in Wisconsin, authored by former U.S. Representative Tom Petri, and supported by President Obama. This is an important tool for students as they can make payments that match their ability to pay.



JOHN J. MACCO

STATE REPRESENTATIVE • 88TH ASSEMBLY DISTRICT

Chairman Murphy and members of the Colleges and Universities Committee, thank you for holding this hearing and allowing me to speak to you today.

Wisconsin continues to make progress in the smart, efficient and effective management of our finances. Through difficult decision making and prudent stewardship, we've put forward balanced budgets, lived within our means and caught up with old debts.

In the last six years we've permanently filled the funding gap in k-12 education, filled the gap in the physicians fund, filled the gap in the Unemployment Insurance fund, and put more money in the rainy day fund. We have even paid our debts to the state of Minnesota.

The debtor truly is slave to the lender, and the first step in reducing debt is to not have it in the first place. The four year tuition freeze has certainly been a step in the right direction. As Wisconsin lives with her means and has slowly and steadily paid off her credit cards, we are now able to help hard working middle income families and students with their debt.

Mr. Chairman, I along with Senator Marklein are proud to present to you AB 739, the student interest loan deductibility bill. Our bill will remove the current \$2500 interest deductibility cap for state income tax while keeping income phase-outs for high earners.

By doing so, this bill will directly help Wisconsinites who need it most. In other words, middle income tax payers with school loan debt. They will now be in an optimal position to take better advantage of the deductibility of their school loan interest.

This provision, along with the other parts of this initiative you heard about Tuesday night and will hear testimony on today, will go a long way in continuing to make Wisconsin a leader in affordable post-secondary education as we work hard to create the next generation of career and community ready leaders.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Macco", written over a large, stylized, light-colored graphic element that resembles a signature or a decorative flourish.

John J Macco
Representative
88th Assembly District



Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

January 21, 2015

**Testimony to the Assembly Committee on Colleges and Universities on
Assembly Bill 739**

Chairman Murphy and members of the committee, thank you for the opportunity to testify in favor of Assembly Bill 739, which increases the individual income tax deduction for certain interest paid on qualified education loans.

This bill creates an individual income tax subtraction for interest paid by a claimant on certain qualified education loans, to the extent that the claimant has not already deducted such interest from his federal adjusted gross income. Under federal law, a deduction for qualified education loan interest exists but the deduction is capped at \$2,500 per year, and the maximum deduction amount is phased down to zero as the claimant's income rises to the annual income limit that is set under federal law.

Approximately 32,000 taxpayers with student loan debt will see tax relief totaling over \$5 million. This proposal provides real money in the pockets of taxpayers that are working hard to pay off student loan debt. This tax deduction would be the most generous of any state in the Midwest with an income tax. This deduction directly benefits middle-class Wisconsinites with an average benefit of more than \$200 annually for those making between \$30,000 and \$70,000.

The average Wisconsin college student graduates with around \$30,000 in student loan debt. If they pursue graduate education, that debt load can skyrocket. Under current law, thousands of dollars of student loan interest paid by these graduates every year is unclaimable. This bill provides real relief to thousands of Wisconsinites.

Thank you again for the opportunity to discuss AB 739.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

January 21, 2016

TESTIMONY ON ASSEMBLY BILLS 739, 741, 742, 743, & 744

Thank you to Chairman Murphy and the rest of the Assembly Committee on Colleges & Universities for the opportunity to voice my support for Assembly Bills 739, 741, 742, 743, and 744, otherwise known as the *College Affordability Legislative Package*.

In Wisconsin, we value the importance of a good education. The higher education system in Wisconsin is a shining example of the investment that our state makes in education. The rising cost of higher education, the growing levels of student debt, and the ability to connect education with gainful employment are important issues that impact many Wisconsin families.

Managing student debt while finding and keeping gainful employment has become a major issue for many Wisconsinites and their families. Too many college students take on too much debt without fully understanding how much they will be obligated to pay and whether or not their future occupation will support their debt after graduation.

In order to help future and current students, as well as graduates, manage these issues, I have been working with several of my colleagues to introduce a set of bills we are calling *The College Affordability Legislative Package*.

I worked with a group of my colleagues in the introduction of the *College Affordability Legislative Package*, which includes common sense changes to alleviate the financial burden on Wisconsin students. These bills are common sense reforms that address a range of issues facing students in higher education. We want students to be more informed regarding their investment in education and create resources for success when they graduate.

ASSEMBLY BILL 739: Deducting All Student Loan Interest

According to the Institute for College Access & Success, student loan debt averages \$28,810 per student in Wisconsin. Under current law, the cap for interest loan deduction is \$2,500. This bill eliminates the cap on the tax deduction for student loan interest. This would save student loan debt payers \$5.2 million annually statewide. This change is estimated to benefit roughly 32,000 married and single tax filers. The average benefit per filer is approximately \$165. Wisconsin would be the only state in the Midwest to allow all interest deductible for student loans.

ASSEMBLY BILL 741: Micro-grant Program

A micro-grant is a small emergency grant to cover an unplanned expense for a college student to

prevent them from dropping out of school. Unfortunately, these financial emergencies can cause a student to drop out of school, especially when they are a non-traditional student who works while they attend school. Small grants of under \$500 would be awarded to Tech College and two-year college students with an unplanned financial emergency, using an application-based system. A similar grant program was implemented for the Technical College System and they reported a 28% increase in retention among students receiving the grants.

ASSEMBLY BILL 742: Internship Coordinators for the Department of Workforce Development (DWD)

At the state level, we should be utilizing resources to develop our workforce and keep Wisconsin students in Wisconsin. This bill would create two internship coordinator positions at the Department of Workforce Development (DWD) to connect employers with the universities and colleges and create internship opportunities.

ASSEMBLY BILL 743: Internship Coordinators for the UW Schools

After students graduate, we should encourage a smooth transition from their studies to gainful employment. Often times, I hear that employers have openings but students are ill-trained or do not apply for the jobs. This bill that would provide funding for the UW System schools to create internship opportunities by connecting employers with potential employees.

ASSEMBLY BILL 744: Financial Literacy Letters

Often times, many students are unaware of the payments and burden when they take on student loan debts for school. This bill requires that all higher education institutions send their students a letter with information about their loans, monthly payments, and loan interest rates so that they can be better informed when making financial decisions as they progress through school. The best way to reduce student loan interest is to reduce student loan debt.

The provisions in these bills will provide students with: additional information about their student loans so they can make smart financial decisions; emergency assistance so they can stay in school; tax breaks when paying back their student loans; and internship opportunities to connect students with Wisconsin employers to help students get better jobs and reduce the brain-drain.



**ONE WISCONSIN NOW WRITTEN TESTIMONY
ASSEMBLY COMMITTEE ON COLLEGES AND UNIVERSITIES
ASSEMBLY BILLS 739, 740, 741, 742, 743, 744
JANUARY 21, 2016**

Members of the committee, as one of the nation's leading organizations fighting against the economic crisis of student loan debt with over 80,000 online supporters, I submit the following remarks in opposition to Assembly Bills 739, 740, 741, 742, 743 and 744, which the majority is touting as a solution, but provides no real help to the state's student loan borrowers.

The student loan debt crisis is a \$19 billion nightmare for one million Wisconsinites and their families. Our research shows it prevents them from purchasing new cars and a home of their own. It stymies consumer spending and stifles new job creation.

Make no mistake none of these bills will reduce by one cent the monthly student loan payments of any of Wisconsin's one million student loan borrowers.

Counseling will not reduce student loan payments for the one million Wisconsinites with student loan debt.

Having student loan borrowers become free labor for businesses will not reduce student loan payments for the one million Wisconsinites with student loan debt.

A handful of emergency payments will not reduce student loan payments for the one million Wisconsinites with student loan debt.

Nothing in any of these six bills will reduce student loan payments for the one million Wisconsinites with student loan debt.

Even your alleged tax deduction would provide more than 97 percent of the state's student loan borrowers with no help whatsoever.

But what will reduce monthly student payments? Allowing student loan borrowers the chance to refinance their student loans, just like you can a mortgage or a car provided for in the "Higher Ed, Lower Debt" bill. A report by the White House on a federal student loan refinancing plan showed that 515,000 of the current 812,000 Wisconsinites with just federal student loan debt would immediately see lower interest rates, reducing their monthly payments. In addition, student loan refinancing in Wisconsin would not cost taxpayers a penny.

Wisconsin's one million student loan borrowers have done the right thing. They are hardworking and have taken on the personal responsibility for paying for their university education and technical college training. They are not asking for a handout, they just want to be treated fairly in a system that is leaving them behind economically.



So why does Gov. Walker oppose letting student loan borrowers refinance their student loans, just like you can a mortgage?

When asked by the media, Gov. Walker claimed there is a refinancing plan in Connecticut, which he also claims has higher rates than all current federal student loans. We contacted the chair of the House Banking Committee in Connecticut, Rep. Matthew Lesser. He informed us, quote, "Our new program isn't scheduled to release its first rates until late spring." He did note that Connecticut has a direct-lending program, whose rates are comparable to the current 4.29 percent federal subsidized and unsubsidized undergraduate student loan rate.

Neither Gov. Walker, nor numerous legislative Republicans who have repeated this dishonest misrepresentation, apologized to the people of Wisconsin for their dissembling of the facts.

Quite the opposite, you are promoting these bills as a solution, while you are leaving Wisconsin's one million student loan borrowers with no help in reducing their monthly burden.

STUDENT LOAN DEBT IN WISCONSIN

Over 43 million Americans collectively hold in excess of \$1.3 trillion in student loan debt. These hard-working borrowers have done the right thing, getting an education and taking on the personal responsibility to pay for it. But instead of their education helping to pave the way to the middle class, they are trapped in a system that doesn't treat them fairly.

The crisis didn't emerge out of thin air, it was created with a toxic combination of declining public investment in higher education and skyrocketing tuition, the failure of financial aid to keep up with the number and the need of eligible students and profiteering by big banks and even the federal government.

Original research conducted in 2011 by One Wisconsin Institute found that, on average, Wisconsin student loan borrowers were paying \$388 per month on their loans and taking nearly nineteen years to retire their debt. The economic consequences of this debt are profound - over \$200 million in new vehicle sales are lost on an annual basis directly attributable to student loan debt. And borrowers are much more likely to rent versus own their home.

In collaboration with the national think tank Demos, we examined how declining financial support for higher education by the state of Wisconsin has shifted costs onto consumers, increased student loan debt and decreased the affordability of higher education. The results endanger the quality of institutions of higher learning and threaten the state's economic competitiveness and the future of its young people."

Despite the demonstrably widespread and negative impact of the student loan debt crisis Wisconsin Governor Scott Walker and the Republican-controlled legislature have been indifferent if not outright hostile to common sense solutions. In fact, Gov. Walker has pursued the same toxic policies



that underlie the exponential growth of the student loan crisis - cuts to funding for higher education, tuition increases and underfunding of financial aid.

It is then no surprise then under Gov. Walker Wisconsin went from 10th in 2011 in the nation to 3rd for percentage of students graduating with debt, at 70 percent, and the average amount of debt now is around \$29,000.

THE CRISIS NATIONALLY AND IN WISCONSIN

Since 2000, student loan debt has grown exponentially, from \$200 billion to an estimated \$1.3 trillion today.

Student loan debt is now the 2nd largest consumer debt — more than credit cards or auto loans, exceeded only by home mortgage debt.

Banks are profiting tens of billions a year from interest charged on student loan borrowers and the federal government earned over \$51 billion in profit on student loans in fiscal year 2013. For comparison, only Exxon Mobil and Apple reported corporate profits that exceeded what the federal government earned from student loan interest.

Data released by the White House, based on 2014 Department of Education statistics, reveal Wisconsin's share of the \$1.3 trillion student loan debt crisis. According to the data there are 812,000 state residents with over \$18.2 billion in outstanding federal student loan debt alone.

The most recent data reports the average borrower in Wisconsin today has an average debt of over \$28,000.

And the problem continues to get worse, according to a Pew Research study borrowers are taking on twice as much debt today as they were 20 years ago.

The national think tank DEMOS conducted research that found that, "\$1 trillion in outstanding student loan debt will lead to total lifetime wealth loss of \$4 trillion for indebted households, not even accounting for the heavy impact of defaults."

Confirming the research conducted by One Wisconsin Institute, a study from a home building industry consulting firm estimates student loan debt is costing the U.S. housing market \$83 billion annually in lost home sales. According to the report, every \$250 in monthly household student loan debt payments reduces that household's home buying purchasing power by \$44,000.

Recent graduates are obviously feeling the impact of the unprecedented levels of debt they are forced to incur to finance their education or job training. Student loan debt now accounts for nearly 37% of the total debt for those aged 20–29, and other debt like mortgage debt is correspondingly decreasing.

But student loan debt is not just for young people. Since 2005, the student loan debt held by people over the age of 50 has tripled from \$8 billion to \$43 billion. Of this debt, 27 percent was for the financing of a child's education, but 73 percent was for their own education or job training.

In fact, the Social Security benefits of 155,000 Americans were garnished in 2013 to pay back student loan debt. Over 700,000 households over the age of 65 owe over \$18 billion in student loan debt, according to the federal Government Accountability Office.

A report from the Consumer Financial Protection Bureau also pointed to significant challenges for borrowers not just with federal student loans, but with the private student loan market. Most notably, private lenders showed significant resistance to attempts by borrowers to modify the terms of their repayments.

ONE WISCONSIN INSTITUTE RESEARCH SHOWS NEGATIVE ECONOMIC IMPACT OF STUDENT LOAN DEBT

One Wisconsin Institute conducted comprehensive research of the impact of student loan debt in Wisconsin.

Among the findings were:

- Individuals with bachelor's degrees reported making an average monthly student loan payments of \$350 and those with graduate or professional degrees made an average payment of \$448;
- The length of student loan debt was nearly 19 years for persons with bachelor's degrees and over 22 years for those with graduate or professional degrees;
- An increasing reliance on private student loans versus government loans and an increasing number of individuals consolidating their loans, therefore extending the repayment period and total amount paid, post-1996 Student Loan Marketing Association Reorganization Act;
- Individuals paying on a student loan are more than twice as likely to purchase a used versus new automobile;
- Annual aggregate new vehicle spending may be reduced in Wisconsin by up to \$201.8 million;
- A strong correlation between student loan debt and renting with 85.6% of renters with household incomes between \$50,000 and \$75,000 currently paying on a student loan.

WALKER AND THE REPUBLICAN LEGISLATURE'S POLICIES HAVE INCREASED STUDENT LOAN DEBT

Increasing tuition

Gov. Walker signed a UW tuition increase of 11%, or \$107 million, over the two years of the 2011 budget.

Cutting state support for public universities

Scott Walker gutted the University of Wisconsin (UW) and Wisconsin Technical College System by nearly \$1 billion in his three state budgets. The latest \$250 million cut to the UW signed into law this summer by Walker makes Wisconsin unique as one of the only states in the country still cutting higher education investments.



While most other states were increasing funding for higher education, Wisconsin in 2015 was one of the few states still considering funding cuts for its state university system.

Underfunding financial aid for eligible students

Under the Walker administration an average of 40,000 eligible students received no financial aid because of a lack of funding, forcing them to make choices like taking on more student loan debt or delaying their studies.

In his 2011 state budget, Walker proposed and signed in to law the phase out of the Wisconsin Covenant program that guaranteed assistance for Wisconsin high school students who maintained a “B” average to attend the UW school of their choice. The result is a \$38 million reduction in state financial aid for college students.

Walker repealed the Wisconsin version of the state higher education dreamer law, that charged in-state tuition at the University of Wisconsin to the children of undocumented parents who graduated from Wisconsin high schools.

Reducing oversight of private, for-profit colleges

In his 2015 budget, Walker proposed eliminating the state Educational Approval Board that oversees the regulation of private, for profit colleges in Wisconsin. His plan would have left Wisconsin as, “ ... the only state without oversight of for-profit colleges, at a time when many others are ramping up their level of supervision over colleges that face heavy scrutiny throughout the nation.”