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# HOWARD MARKLEIN

STATE SENATOR • 17<sup>TH</sup> SENATE DISTRICT

February 17, 2016

## TESTIMONY ON SENATE BILLS 622, 592, 593, 594, 595

Thank you to Chairwoman Harsdorf and the rest of the Senate Committee on Universities & Technical Colleges for the opportunity to voice my support for Senate Bills 622, 592, 593, 594, and 595, 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.

I worked with a group of my colleagues on the introduction of the *College Affordability Legislative Package*, which includes common sense changes to alleviate the financial burden on Wisconsin students and graduates. 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.

### **SENATE BILL 622: 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. The Department of Revenue has prepared a distributional analysis to reflect the impact of this bill.

### **SENATE BILL 592: 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.

**SENATE BILL 594: 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.

**SENATE BILL 593: 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.

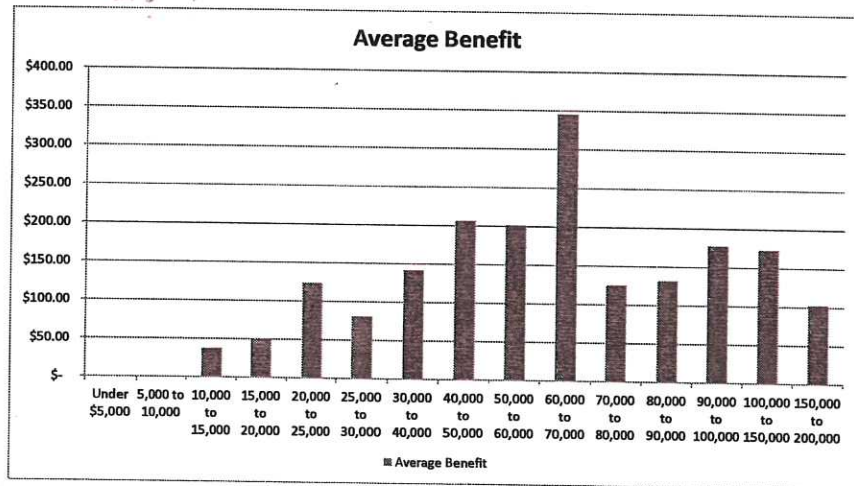
**SENATE BILL 595: Financial Literacy Letters**

Generally, 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.

Fiscal Effect of Eliminating \$2,500 Cap on the Student Loan Interest Deduction										
Wisconsin Income Category	Returns	Wisconsin Income	Net Tax		Difference		Additional Calculations			
			Count	Amount	Count	Amount	Average Benefit	% of Filers With Tax Benefiting	% of Total Benefit	Cumulative %
Under \$5,000	397,190	-3,092,500,000	38,860	4,294,000	0	0				
5,000 to 10,000	251,110	1,833,000,000	25,820	6,246,000	0	0				
10,000 to 15,000	205,590	2,541,400,000	79,520	10,585,000	580	21,720	\$ 37.448	0.73%	0.42%	0.42%
15,000 to 20,000	191,540	3,345,200,000	126,180	29,507,000	1,030	51,940	\$ 50.427	0.82%	0.99%	1.41%
20,000 to 25,000	170,870	3,839,000,000	142,950	58,731,000	1,270	157,440	\$ 123.969	0.89%	3.01%	4.42%
25,000 to 30,000	155,900	4,297,200,000	142,030	84,896,000	1,160	94,250	\$ 81.250	0.82%	1.80%	6.22%
30,000 to 40,000	288,560	10,037,600,000	282,660	274,050,000	3,800	538,270	\$ 141.650	1.34%	10.30%	16.52%
40,000 to 50,000	223,600	10,026,700,000	222,780	345,857,000	4,140	853,900	\$ 206.256	1.86%	16.34%	32.86%
50,000 to 60,000	172,190	9,423,300,000	171,420	369,697,000	2,750	552,990	\$ 201.087	1.60%	10.58%	43.44%
60,000 to 70,000	148,560	9,632,500,000	148,080	400,601,000	1,830	632,170	\$ 345.448	1.24%	12.09%	55.53%
70,000 to 80,000	130,190	9,749,800,000	129,820	422,425,000	1,460	183,040	\$ 125.370	1.12%	3.50%	59.03%
80,000 to 90,000	88,450	7,527,900,000	87,940	337,306,000	1,690	222,440	\$ 131.621	1.92%	4.26%	63.29%
90,000 to 100,000	94,800	9,010,600,000	94,600	418,552,000	1,670	296,870	\$ 177.766	1.77%	5.68%	68.97%
100,000 to 150,000	256,920	31,083,400,000	256,260	1,518,259,000	8,030	1,389,140	\$ 172.994	3.13%	26.58%	95.54%
150,000 to 200,000	95,210	16,175,800,000	94,880	827,071,000	2,270	232,980	\$ 102.634	2.39%	4.46%	100.00%
200,000 to 250,000	33,060	7,291,600,000	32,960	388,645,000	0	0				
250,000 to 300,000	15,970	4,352,900,000	15,900	236,009,000	0	0				
300,000 to 500,000	24,980	9,371,200,000	24,750	556,316,000	0	0				
500,000 to 1,000,000	11,880	7,961,300,000	11,750	507,277,000	0	0				
1,000,000 and over	6,550	19,702,400,000	6,530	1,272,455,000	0	0				
<b>Total</b>	<b>2,963,110</b>	<b>174,110,200,000</b>	<b>2,135,770</b>	<b>8,068,779,000</b>	<b>31,680</b>	<b>5,227,130</b>	<b>\$165.00</b>	<b>1.48%</b>		

Under \$5,000	\$	-
5,000 to 10,000	\$	-
10,000 to 15,000	\$	37.45
15,000 to 20,000	\$	50.43
20,000 to 25,000	\$	123.97
25,000 to 30,000	\$	81.25
30,000 to 40,000	\$	141.65
40,000 to 50,000	\$	206.26
50,000 to 60,000	\$	201.09
60,000 to 70,000	\$	345.45
70,000 to 80,000	\$	125.37
80,000 to 90,000	\$	131.62
90,000 to 100,000	\$	177.77
100,000 to 150,000	\$	172.99
150,000 to 200,000	\$	102.63







# DAVE MURPHY

State Representative • 56th Assembly District

TO: Members of the Senate Committee on Universities and Technical Colleges  
RE: Testimony in Support of Senate Bill 592  
DATE: February 17, 2016

Members of the Senate Committee on Universities and Technical Colleges, thank you for hearing my testimony in support of Senate Bill 592.

This bill establishes an emergency grant program at 2-year UW Colleges and Technical Colleges. \$130,000 will be provided to the 2-year UW colleges and \$320,000 will be provided to the technical colleges, for a total of \$450,000. Emergency grants assist students who are working hard to complete their degree, but experience a financial emergency that could cause them to drop out of school.

Recent research from Professor Nicholas Hillman at UW-Madison and Colleen Campbell from the Association of Community College Trustees shows that the students who struggle to pay back their student loans are students that drop out before completing their credential. Emergency grants are a proven strategy to keep students in school. Through 2012 and 2015, The Great Lakes Higher Education Guaranty Corporation provided about \$1.39 million dollars to fund the Dash Emergency Grant Program at Wisconsin technical colleges. This program was very successful:

- There were about 2,775 total awards to students over the three year period with an average award of just under \$500.
- Great Lakes reported a 28% increase in retention among those receiving the grants when compared to those who did not get grants.
- Great Lakes reported that 73% of those getting the grants graduated or stayed in school.

Because of the success of the program, Great Lakes is expanding funding to other states. This is bad news for Wisconsin Technical Colleges because they will receive \$847,000 less in the future.

This bill was created after researching existing philanthropic programs and with input from our higher education partners at the UW and Technical College System to create a program tailored to the needs of Wisconsin students.

This will be a grant program as opposed to a loan program, and the funds will be distributed to the UW System and Tech College System to be distributed to colleges based off of need and demand. There are many safeguards to ensure the money is appropriately utilized and targeted to students who need it the most. The bill expressly prohibits the funds from going to any other expense at the colleges. Colleges must create a brief application process and designate an



# DAVE MURPHY

State Representative • 56th Assembly District

employee with the authority to disburse the funds to students within five business days. To be eligible to receive a grant, a student must provide proof of an expense and the third party to whom the amount is owed. A student must also have an Expected Family Contribution under \$5000 as calculated by the FAFSA. A student can only receive two grants per academic year totaling no more than \$500. If a student makes a second request, they must have a financial counseling session with a financial aid professional. There are expenses such as tuition, textbooks, fees, and groceries etc. that are expressly prohibited, but there is also sufficient flexibility for the colleges to use their discretion to determine what an appropriate expense is. Lastly, the bill requires the colleges to collect and report data to make sure that the money is being properly distributed and that it is effective at improving the retention of students.

I hope that you support this bill that will have a real benefit for thousands of students that are working hard to stay in school to further their education. Thank you for your time and consideration of this bill.

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**ONE WISCONSIN NOW WRITTEN TESTIMONY  
SENATE COMMITTEE ON UNIVERSITIES AND TECHNICAL COLLEGES  
SENATE BILLS 592, 593, 594, 595, 622  
FEBRUARY 16, 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 Senate Bills 592, 593, 594, 595 and 622, 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 grants 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.

You are trying to pass off a scheme that denies every single person in Wisconsin with student debt any help lowering their monthly loan payment as a solution to the student loan debt crisis. It's not, and anyone voting for this plan ought to be denounced for the fraud they're trying to perpetrate on nearly one million of their fellow Wisconsinites with student loan debt.

#### **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.”