



DAVE HEATON

STATE REPRESENTATIVE • 85TH ASSEMBLY DISTRICT

Testimony of Representative Dave Heaton on AB 740 **Assembly Committee on Colleges and Universities** *Thursday January 21, 2016*

Mr. Chairman, members of the Committee, thank you for holding this public hearing today and for giving me an opportunity to speak to you in support of Assembly Bill (AB) 740. I want to thank Senator Harsdorf and her staff for their hard work on this legislation.

The Wisconsin Grant is a financial aid program that provides need-based grants to resident technical college students who are enrolled at least half-time. Students who are eligible may receive anywhere from \$500 to \$1,084 in awards to assist with tuition costs. Approximately 24,000 technical college students were awarded a grant in the last biennia, with the average award being \$802. However, the amount of funding for the grant program was not enough to meet demand and there were eligible students who did not receive aid and were placed on a waiting list.

As written, AB 740 would provide an additional \$1 million in matching funds to the Wisconsin Grant program for technical colleges over the biennia. Following the circulation of this proposal, concerns were raised by stakeholders regarding the matching funds requirement. After discussions with stakeholders, Senator Harsdorf and I proposed an amendment to address any concerns.

Under the amendment, the matching fund requirement is eliminated, an additional \$500,000 in funding is provided in fiscal year 2015-16 and an additional \$500,000 in funding is provided in in fiscal year 2016-17.

AB 740 will help strengthen the Wisconsin Grant program and allow it to better fulfill its mission of providing need-based financial aid to Wisconsin technical college students. The additional funding provided by this legislation will reduce the number of students on the waiting list by providing financial assistance to more Wisconsin students.

Mr. Chairman and committee members, I ask for your support of AB 740, and thank you again for the opportunity to testify before you today.



State Senator Sheila Harsdorf

Date: January 21, 2016

To: Assembly Committee on Colleges and Universities

From: Senator Sheila Harsdorf

RE: Assembly Bill 740 - Wisconsin Grants for Technical Colleges

Dear Committee Members:

Thank you for your consideration of Assembly Bill 740 (AB 740) which proposes to provide an additional \$1 million in matching funds over the biennia to the Wisconsin Grant for technical colleges.

The Wisconsin Grant provides need-based grants to resident undergraduate students enrolled at least half-time at a Wisconsin technical college. Eligible students may receive anywhere from \$500 to \$1,084 in awards. In the last biennia some 24,000 technical college students received an average of \$802 to assist with tuition costs. Given that the need exceeded available funding, eligible students not receiving aid were put on a waiting list. This additional funding will help aid additional students and reduce the wait list.

Following introduction of AB 740, stakeholders brought forth concerns regarding the matching funds requirement. Given these concerns, we have drafted a substitute amendment with a number of changes. These changes include: eliminating the matching fund requirement, providing an additional \$1 million in funding in this biennium, and increasing base funding for the technical college Wisconsin Grant by \$500,000.

The Wisconsin Grant is key in our effort to helping students seek a career in a technical field and this legislation will help additional students achieve their career goals and address our workforce needs.

Thank you for your consideration of AB 740. I urge your support of this legislation.

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 740 and 741

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.

WAICU respects and works closely with our partners in the University of Wisconsin System and the Wisconsin Technical College System. Ordinarily, we do not take positions on legislation that concerns only one sector, but today (a man-bites-dog story) – perhaps to the surprise of some – I am here to support Assembly Bill 740 relating to Wisconsin Grants for technical college students. WAICU's top legislative priority is student aid for all Wisconsin students who have demonstrated need and are qualified to attend a Wisconsin college or university. As a supporter of ALL students, I support this bill as a reflection of our support for the students in WTCS. It is important to note that fully qualified Wisconsin students attending Wisconsin private nonprofit colleges and universities also face a waiting list created by insufficient funds. WAICU members enroll and graduate a larger percentage of low income students, 31 percent as compared to 28 percent at the public four-year campuses in Wisconsin.

I also support Assembly Bill 741, emergency grants for technical college students and students at UW colleges. Again, as a supporter of ALL students, I support this bill. Students at WAICU institutions face similar challenges. 36 percent of WAICU students are over the age of 25 and 31 percent are low income students – a profile significant but second only to the percentages at the technical colleges. Within privacy constraints, I can describe a real situation of a single mother who was a student at a Milwaukee – area WAICU member who was living in her car at Christmas when college administrators “passed the hat” to provide resources to help. This type of assistance could make a difference in a student continuing on their educational path or having to drop out. I hope this program will be expanded in the future to assist all students.



**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.”