

## Student Loan Debt in Wisconsin

—Dale Knapp, Director of Research & Analysis, Wisconsin Counties Association

For at least the past two decades, student loan debt has been a growing problem in the United States. In 2019, 45 million Americans owed \$1.5 trillion in student loans, up from just under \$250 billion in 2003. Student loans are now the second largest type of consumer debt behind mortgages (\$9.6 trillion) and ahead of auto (\$1.3 trillion) and credit card debt (\$0.9 trillion).

In many ways, Wisconsin’s experience has been similar to other states. In 2003, 62% of

resident students earning an undergraduate degree from one of the UW System’s four-year campuses had student loan debt. The average amount was \$16,538. In 2018, 71% of graduates had debt averaging \$30,724.

To put those numbers in perspective, during 2003-2018, the average Wisconsin wage rose 43%, median household income climbed 38%, inflation was 36%, and average student loan debt increased 86%, more than twice the increase in household income.

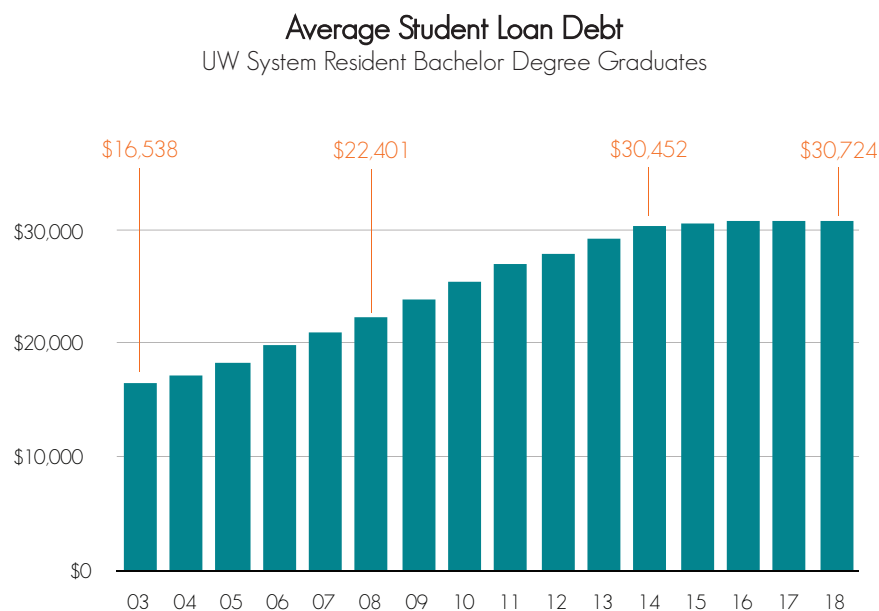
The good news is that since 2014 average debt has remained essentially unchanged and the percentage graduating with debt has fallen.

Many factors contributed to the rising and then stabilization of student loan debt in Wisconsin, but state policies were at the forefront. State aid to the UW System has not kept pace with rising costs, leading to large tuition hikes from 1998 to 2013, adding to the debt burden. A tuition freeze beginning in 2013-2014 and an increased focus on graduating in less time has helped stem debt.

**Tuition Hikes and Rising Debt**  
The instructional cost for resident undergraduates at Wisconsin’s four-year campuses is funded with a combination of state aid and tuition. Historically, the state paid most of this cost. For example, in 1998-1999 the state picked up 64% of instructional costs, with tuition covering the remaining 36%.

From 1998-1999 through 2012-2013, average instructional

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Data Source: UW System Accountability Dashboard

costs rose 49% (less than 3% per year) and the number of resident undergraduates increased 11%. Thus, the total cost to educate resident undergraduates climbed 66%.

At the same time, state aid to the system rose just 21%. With costs outpacing aid, tuition had to cover a growing share of instruction costs; it rose an average of 8% per year.<sup>1</sup> By 2012-13, the state paid 30% of instructional costs, with students picking up 70%.

The impact of the tuition increases was significant. For new enrollees in 1998, tuition was a little over 6% of median household income during the student’s time in school. For 2013 graduates, these costs were over 13% of median household income. As a result, students borrowed more to finance their education. By 2013, 73% of graduates left school with debt averaging \$29,219.

### Tuition Freeze & Faster Graduation

Since 2013, the story has changed. In response to several reports on large fund balances at UW System campuses, a tuition freeze was inserted into the 2013-2015 state budget. The initial freeze was for the 2013-2014 and 2014-2015 school years, but it has been included in each subsequent state budget since 2013.

With rising household incomes and frozen tuition, a college education became more affordable. Tuition has fallen to under 12% of median household income today, helping students limit the amount of debt they accumulate.

UW campuses have also made strides in shortening the time to earn a degree, which has also helped reduce debt burdens. In 2002-2003, bachelor’s degree recipients averaged 9.5 semesters in school. By 2012-2013, that number had declined slightly to 9.3. Since then, it has fallen more than 4% to 8.9 semesters.

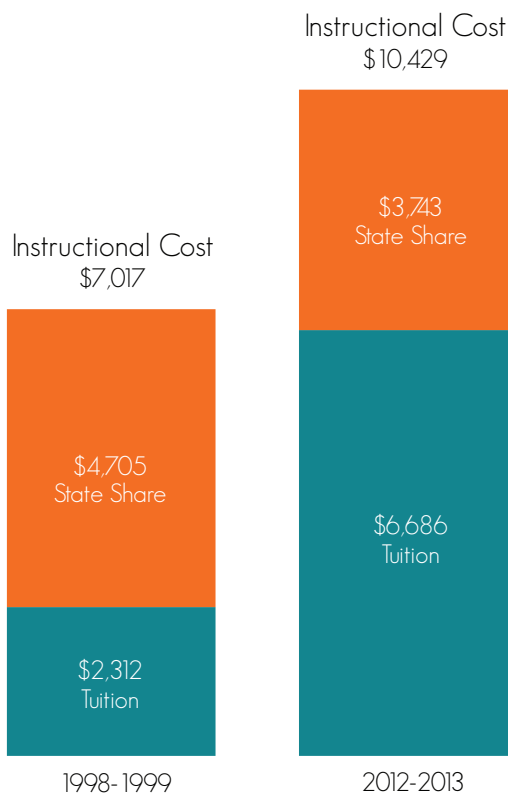
### What’s Next?

State action on tuition and University action on improving time to graduation have helped stem rising student loan debt over the past five years. The question remains: Is this a long-term solution to the college debt problem? While tuition has been unchanged in Wisconsin since 2013, per student costs have risen more than 8%.

This is a challenge that higher education institutions are facing across the country. How do they educate a growing share of the population without those students graduating with burdensome amounts of debt? ♦

<sup>1</sup> This analysis does not include the cost of books or mandatory student fees.

### Student Share of Instructional Costs Rise



Data Source: Legislative Fiscal Bureau – University of Wisconsin Tuition informational paper; various years.