



UW–Madison’s In-State Tuition Is Too Damn Low*

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**The views expressed herein are those of the authors and not necessarily those of the Center for Research on the Wisconsin Economy, the Department of Economics, or the University of Wisconsin – Madison.*

Executive Summary

- Today, the Universities of Wisconsin Board of Regents is scheduled to vote on raising UW–Madison’s resident undergraduate tuition by 2 percent (about \$210), the fourth increase since a decade-long freeze ended in 2023. The debate treats this as a hardship; the data show the opposite. The resident price is too low, a legacy of political price control rather than market value.
- A UW–Madison degree is both an investment good, returning roughly \$760,000 over a resident’s career, and a high-amenity consumption good that families actively shop for. Politics nonetheless prices it as a bargain.
- At \$12,166, resident tuition and fees are the 12th-lowest of the 38 public members of the Association of American Universities (AAU) and well below the median of \$14,726, even though U.S. News ranks UW–Madison 12th among public universities. Its research peers charge residents 51 to 73 percent more.
- Nonresident tuition of \$44,191 carries no taxpayer subsidy and is the closest available market price; residents pay just 28 cents on the dollar, the fourth-lowest share in the group and a discount near \$32,000 a year. Willingness to pay is revealed next door: about 3,200 Minnesota students pay \$5,400 more than Wisconsin residents to enroll.
- The low price is self-inflicted: a 2013–2022 freeze held resident tuition flat while peers raised theirs, so UW–Madison’s rose just 17 percent over 13 years, barely half the peer median and a near-20 percent real cut after inflation.
- The Wisconsin taxpayer is not stingy: UW–Madison’s state appropriations per student exceed the Big Ten and AAU-public medians.
- Because the return is large and private, a below-market price is regressive, subsidizing well-off families at the expense of taxpayers whose children do not attend. The remedy is to let market forces set resident tuition: benchmark it to peers and the nonresident price, index it to inflation, and pair higher tuition with need-based aid.

1 Introduction

Today, the Universities of Wisconsin Board of Regents is scheduled to vote on raising UW–Madison’s resident undergraduate tuition by 2 percent for 2026–27, an increase of roughly \$210 in tuition; with an average 3.5 percent rise in segregated fees, the total cost would rise about 2.5 percent (Casey, 2026). It would be the fourth consecutive increase since a decade-long tuition freeze ended in 2023, and the System describes it as a modest, below-inflation adjustment. The debate that surrounds it treats even this as a hardship.

This paper argues the reverse. The striking fact about UW–Madison’s resident tuition is not that it is rising but how far below its peers it sits, and why. From the 2013–14 academic year through 2022–23, Wisconsin held resident undergraduate tuition flat by political decision (Casey, 2026). The recent thaw has recovered only a fraction of the lost ground while peer institutions raised prices throughout.

We make the case with data on all 38 public AAU universities, in three steps. First, UW–Madison’s resident tuition and fees are low relative to public AAU peers (Section 2). Second, the gap between UW–Madison’s resident and nonresident prices is among the largest in the group, and the nonresident price, because it carries no taxpayer subsidy, is the closest available market benchmark (Section 3). Third, that low price is not longstanding frugality but the legacy of a decade-long tuition freeze (Section 4). Section 5 shows that the Wisconsin taxpayer is not stingy, and Section 6 draws the policy conclusion: because the private return to a bachelor’s degree from UW–Madison is high, it makes more sense for students to pay for that education than to shift the burden onto the taxpayer, so resident tuition should be governed by market forces, not by recurring political control.

2 UW–Madison’s resident tuition is low among public AAU peers

We collected official published 2025–26 tuition and required fees for every public AAU university from each institution’s bursar or registrar, on a consistent full-time, standard-program basis. UW–Madison’s resident tuition and fees are \$12,166 (tuition of \$10,506 plus segregated fees of about \$1,660) (University of Wisconsin–Madison Bursar’s Office, 2025). That figure ranks 12th-lowest of the 38 public AAU universities and sits well below the group median of \$14,726. Figure 1 ranks the 38 universities two ways: by their resident tuition and fees (panel a) and by their 2026 U.S. News national rank (panel b). UW–Madison (in red) sits near the inexpensive end of the first, 12th-lowest of the 38, yet near the top of the second, the 12th-best ranked: it charges like one of the cheapest schools in the group while ranking among the strongest.

The two panels make the gap concrete. If resident price tracked academic standing, a university ranked 12th-best of the 38 would sit near the 12th-most *expensive*; instead

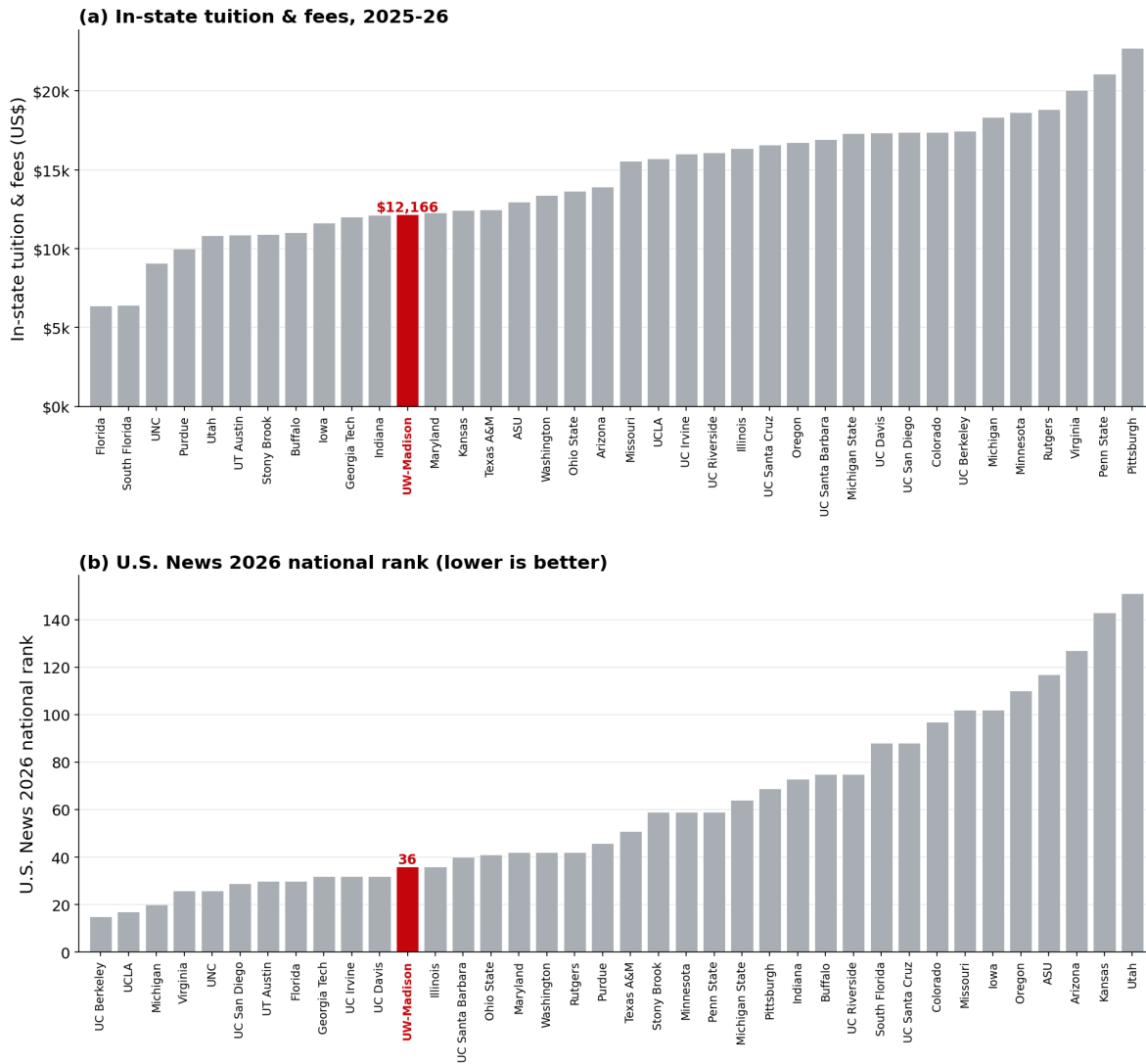


Figure 1: Resident tuition and fees (panel a) and U.S. News 2026 national rank (panel b), 2025–26, for the 38 public AAU universities, each sorted low to high (UW–Madison in red; a lower rank number is better).

UW–Madison is the 12th-*least* expensive. The misalignment is not subtle: of the 38 public AAU universities, 18 are ranked *below* UW–Madison yet charge their residents *more*, among them Penn State (59th nationally), Minnesota (59th), and Michigan State (64th). Even UW–Madison’s nearest research peer, Michigan (sixteen places higher in the national ranking), charges residents 51 percent more.

The few universities that are both better ranked and cheaper (North Carolina, Texas, and Florida among them) mostly hold resident tuition down through legislative caps or freezes of their own. Florida law requires the Legislature to approve any base-tuition increase, and it has authorized none for more than a decade; the University of North Carolina system has frozen in-state undergraduate tuition since 2016, with several campuses cut to \$500 a semester under the statutory NC Promise program; and Texas funded a two-year tuition freeze at its public universities in 2023. In each case the low resident price reflects a political ceiling, not a market verdict.

A 2 percent increase does not change this picture. It moves UW–Madison about \$210 (roughly three percent of the gap to Michigan alone) and leaves it essentially where Figure 1 places it: a top-ranked public university priced as if it were a middling one.

3 The natural benchmark is the unsubsidized price

How low is “too low”? A natural benchmark is the price the same university charges students whose education the state does not subsidize: nonresidents. Resident tuition is held down by appropriations and by political choice; nonresident tuition is set much closer to what the market will bear, disciplined by the demand of families who weigh UW–Madison against other flagships and by the supply of seats the university chooses to sell. It is not a textbook competitive price: it is set strategically and discounted with aid, and Winston (1999) notes that even nonresident sticker prices can sit below full cost. Still, it carries no Wisconsin taxpayer subsidy, which makes it the closest available market signal a public university posts.

By that benchmark UW–Madison’s resident price is a striking outlier. Figure 2 ranks the 38 public AAU universities two ways: by their nonresident price (panel a) and by what their residents pay for each dollar of it (panel b). UW–Madison’s nonresident tuition and fees of \$44,191 fall in the upper half of the group, so the market sets a high price on a year at UW–Madison; even so, Wisconsin residents pay only about 28 cents for every dollar the same university charges everyone else (the fourth-lowest such share among the 38, against a group median of 32 cents). That is a resident discount of roughly \$32,000 a year. Only three universities give residents a deeper discount — North Carolina (20 cents), Florida (21 cents), and Texas (26 cents) — and each already charges its own residents *less* than UW–Madison does; UW–Madison’s discount is so large not because it prices residents at rock bottom, but because its market price is so high. The same institution, selling the

same education, asks its own residents little more than a quarter of what it asks everyone else.

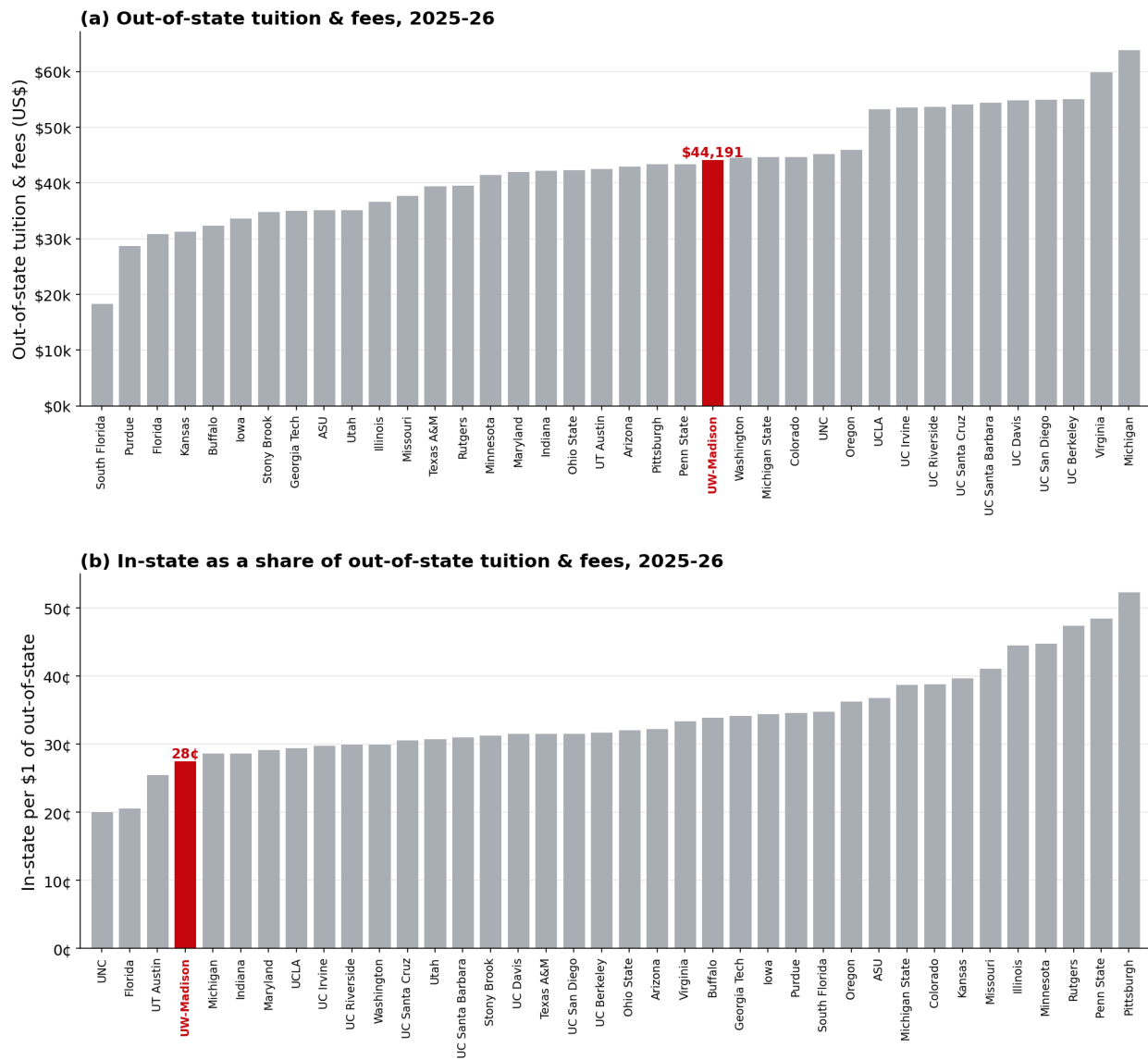


Figure 2: Out-of-state tuition and fees (panel a) and in-state tuition and fees as a share of out-of-state (panel b), 2025–26, for the 38 public AAU universities, each sorted low to high (UW–Madison in red).

That the market would bear more is not merely implied by what UW–Madison posts; it is revealed next door, in the reciprocity arrangement with Minnesota that has been in force since 1968. Under its higher-of-two rule, Minnesota residents at UW–Madison pay the (higher) Minnesota rate, roughly \$5,400 more than a Wisconsin resident in 2025–26. Some 3,200 Minnesota students enroll on those terms anyway, about 9 percent of the undergraduate body. The willingness to pay is revealed, not assumed: a comparable flagship’s students value a UW–Madison education at thousands of dollars above what

Wisconsin charges its own. Because Minnesota's resident rate is itself subsidized, this is a lower bound on the market value rather than the ceiling. It also disarms the natural brain-drain objection. Since the reciprocity charge is the higher of the two states' resident rates, Wisconsin could raise its resident tuition by roughly the \$5,400 gap without changing what a single Minnesota student pays; only increases beyond Minnesota's own rate would, and UW–Madison's revealed market value lies higher still.

4 The low price is a legacy of the tuition freeze

UW–Madison's low resident price is neither longstanding nor accidental; it has a specific cause. The Legislature froze resident undergraduate tuition in the 2013–15 state budget, after a controversy over roughly \$650 million in unspent program-revenue balances the System had accumulated, and renewed the freeze in every budget through 2020–21. When the statutory freeze lapsed in 2021, the Board of Regents chose to hold tuition flat for two further years, so the resident price did not move until the 2023–24 increase. A control prompted by a one-time reserve balance thus ran for a full decade and outlived the statute that created it, a disproportionate response that hardened into the status quo. Tuition was not cut; it simply stopped moving while the rest of the country kept raising prices. Figure 3 shows the consequence. It ranks the 38 universities two ways: by their 2012–13 resident price (panel a) and by how much that price rose through 2025–26 (panel b).

Two facts stand out, and together they pin the low price on the freeze. First, UW–Madison did not start out cheap: in 2012–13 its resident tuition and fees of \$10,378 sat *above* the group median, 21st-lowest of the 38 and squarely mid-pack. Second, over the next thirteen years that figure rose just 17 percent, the seventh-smallest increase in the group and barely half the median increase of 32 percent. Peers that began right around UW–Madison raised their prices far more and pulled away: Michigan by 41 percent, Minnesota by 38, Virginia by 64. UW–Madison did not become a low-price university by charging little to begin with; it became one by standing still while everyone else moved.

Isolating tuition, the charge the freeze actually capped, sharpens the picture. Where 2025–26 tuition can be separated from required fees (35 of the 38 universities; Michigan, South Florida, and Texas publish only a combined figure, which is why Figure 3 uses tuition and fees throughout), UW–Madison's resident tuition rose just 13 percent over the period, less than half the 28 percent median for those schools. Its required fees, which the freeze never covered, rose by roughly half, so part of even the modest combined increase reflects fee growth rather than tuition. The component the Legislature actually froze barely moved.

And a nominal freeze is a real cut. Consumer prices rose about 40 percent from 2012 to 2025 (U.S. Bureau of Labor Statistics, 2026), so UW–Madison's 17 percent increase in tuition and fees (and its 13 percent increase in tuition alone) left the resident price lower

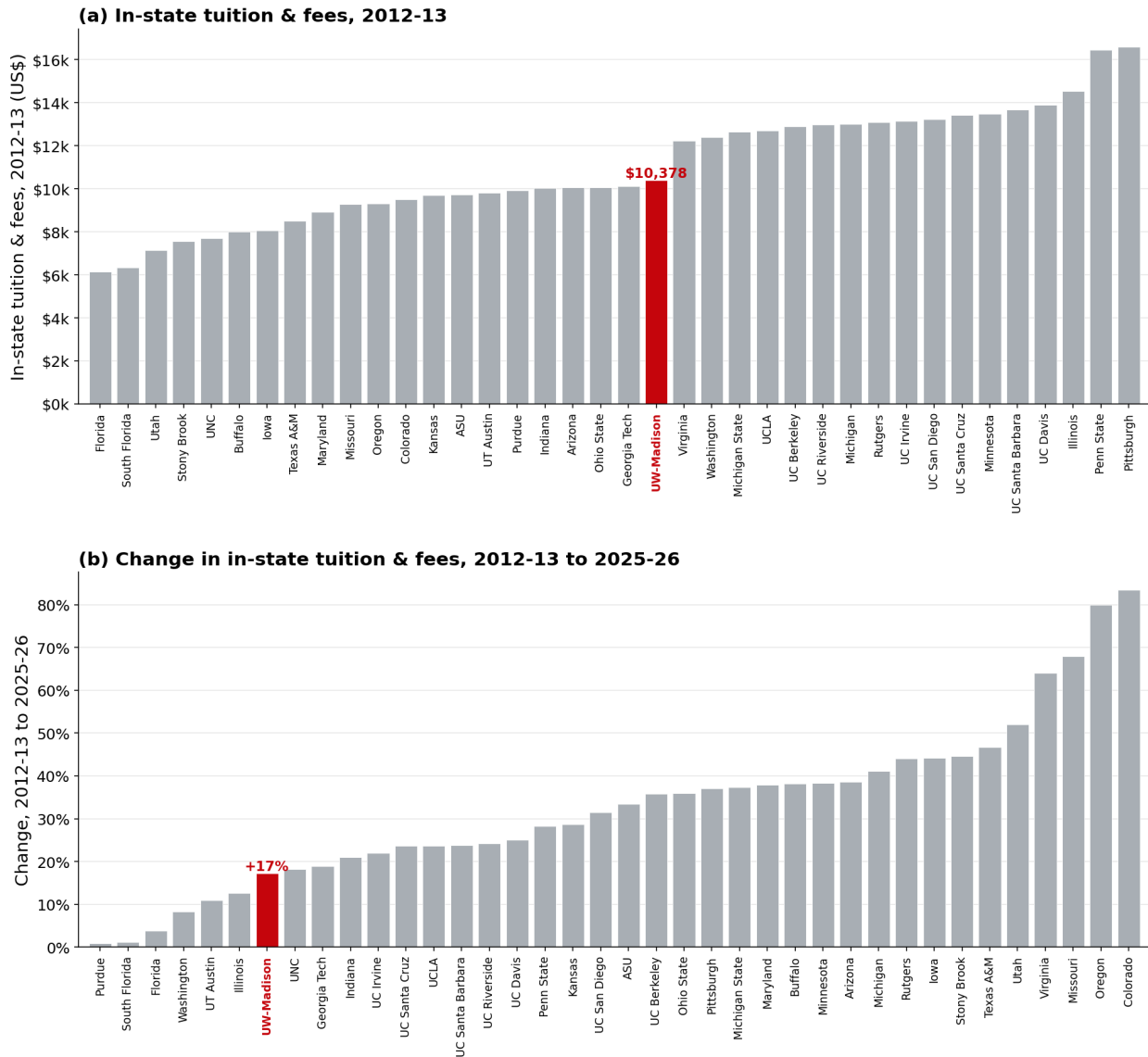


Figure 3: In-state tuition and fees in 2012–13 (panel a) and the percentage change in in-state tuition and fees from 2012–13 to 2025–26 (panel b), for the 38 public AAU universities, each sorted low to high (UW–Madison in red). 2012–13 figures are from IPEDS; 2025–26 from institutional sources.

in inflation-adjusted terms than before the freeze began; tuition by itself is down nearly 20 percent in real terms, and the modest increases since 2023 have recovered little of that ground. This is the textbook signature of a binding price ceiling: held below the level that would track its peers, the resident price did not adjust, and the gap documented in Sections 2 and 3 widened year by year. UW–Madison’s low price is not evidence of frugality or of a stingy state. It is the residue of a decade-long political decision to stop the price from moving.

5 The Wisconsin taxpayer is not stingy

The instinctive response is that the fix is more state money, not higher tuition. The evidence makes that position hard to sustain (Guo, Ruhl and Seshadri, 2024a). After adjusting for state income, Wisconsin’s appropriations per student are above the national average. More to the point for the peer comparison, state appropriations per full-time student at UW–Madison exceed the median of other Big Ten universities and of public AAU members, and as a share of revenue they sit near the peer median. Critics often counter with state-level rankings that place Wisconsin near the bottom in support per student, but those pool every campus in the system; the right comparison for a flagship is UW–Madison against other flagships, and on that basis its appropriations are at or above the median. The state is not shortchanging UW–Madison relative to peer states.

The same analysis isolates the diagnosis: summing tuition, fees, and appropriations, UW–Madison falls slightly below the Big Ten median. Total resources lag peers, but not because appropriations are low; they are at or above the median. They lag because tuition is low. State support already supplies only about 14 percent of UW–Madison’s roughly \$4 billion budget, with tuition supplying about 21 percent (University of Wisconsin–Madison, 2024). Much of the remainder (federal research grants, gifts, and auxiliary operations) is restricted to its purpose and cannot pay for instruction, so the fungible teaching budget is essentially state support plus tuition; with appropriations unlikely to grow enough to close a peer-sized gap, tuition is the only part of that pot that can. The conclusion is blunt: any additional support “ought to come from increases in in-state tuition and not on the backs of the Wisconsin taxpayer” (Guo, Ruhl and Seshadri, 2024a). The old implicit contract, tuition rising to offset state cuts, is broken.

6 Let market forces, not political control, set resident tuition

If appropriations are adequate, the product is in high demand, and the nonresident price, which carries no taxpayer subsidy, puts the market value of a UW–Madison education well above what residents are charged, then the resident price is not low because UW–Madison is frugal or because Wisconsin is stingy. It is low because a political process held it there. The lesson is not that the state should spend more, but that it should control the price less.

There is a further reason to prefer a market-determined price, and it is one of fairness as much as efficiency. The private return to a UW–Madison degree is large, roughly \$760,000 over a career for a resident (Guo, Ruhl and Seshadri, 2024*b*). Holding tuition far below that return, financed out of general taxation, is not the progressive policy it appears to be. Hansen and Weisbrod (1969), studying California’s then near-free public universities, argued that low public tuition transfers resources toward the families whose children attend selective universities, who are disproportionately well-off, and away from taxpayers who do not. That finding was contested at the time (Pechman, 1970), but its premise has only strengthened: students at selective public flagships still come disproportionately from the top of the income distribution (Chetty et al., 2020). Friedman (1962) and Becker (1964) reached the same conclusion from human-capital theory: when the return is large and private, blanket subsidy through an artificially low price is both inefficient and regressive, and the better instruments are a market price paired with lending or aid tied to need. That a substantial part of a college education is a consumption good — the campus, the city, the experience families actively shop for (Jacob, McCall and Stange, 2018) — only reinforces the point that demand is robust and the posted price reflects subsidy and policy, not what the market would bear (Winston, 1999).

The policy that follows is straightforward and points consistently away from government control of the price:

- **Benchmark resident tuition to the market, not to political tolerance.** Move resident tuition and fees over several years toward the level its research peers charge and its own nonresident price implies, rather than setting it by what a given year’s politics will allow.
- **Index it, and take the annual decision out of politics.** Tie resident tuition to a cost index so that it keeps pace automatically, removing the on-again, off-again freezes that reimpose a price control by other means.
- **Pair higher tuition with need-based aid and income-contingent repayment.** A higher sticker price that funds aid leaves net price for constrained students unchanged or lower while collecting from families who will earn the large private return: more resources for the university and a more progressive distribution of who pays.

7 Conclusion

UW–Madison is a top research university charging a resident price that ranks 12th-lowest of the 38 public AAU universities, because for a decade that price was frozen by political decision rather than set by the economics of the enterprise. Its appropriations are at or above the peer median; its students, and Minnesota’s, demonstrate robust willingness to

pay; and its own nonresident price marks the market value of its education well above what residents are charged. The resource gap that constrains the university is concentrated on one leg: the controlled price. A 2 percent increase does not address that; it continues the policy that created it. The Wisconsin taxpayer is not stingy. The price control is the constraint, and the remedy is to let market forces, not the Legislature's annual judgment, set what Wisconsin charges for one of its most valuable assets.

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