UNDERGRADUATE STUDENT DEBT LEVELS IN KENTUCKY

Five- and Ten-Year Trends for Undergraduate Degree and Credential Completers at Public Universities and KCTCS

April 2024

About the Council

The Council on Postsecondary Education (CPE) is Kentucky's higher education coordinating agency committed to strengthening our workforce, economy and quality of life. The Council achieves this by guiding the continuous improvement and efficient operation of a high-quality, diverse and accessible system of postsecondary education.

Key responsibilities include:

- Developing and implementing a strategic agenda for postsecondary education that includes measures of progress.
- Producing and submitting a biennial budget request for adequate public funding of postsecondary education.
- Determining tuition rates and admission criteria at public postsecondary institutions.
- Collecting and distributing data about postsecondary education performance.
- Ensuring the coordination and connectivity of technology among public institutions.
- Licensing non-public postsecondary institutions to operate in the Commonwealth.

TEAM KENTUCKY

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Introduction

Ensuring postsecondary education is affordable for Kentuckians is a top priority of the Council on Postsecondary Education (CPE) and higher education institutions. Maintaining access to life-changing postsecondary credentials benefits both individuals and the state alike. When students complete college, they are more likely to enjoy increased economic mobility and career advancement. Moreover, states with highly educated workforces experience more robust job growth, higher tax revenues, and increased service provision.

This inaugural report on undergraduate student debt demonstrates that Kentucky is making progress toward a more accessible and affordable postsecondary system. Last year, CPE published **research** showing that average unmet financial need among first-time undergraduate students is declining, and the number of students with no unmet need has grown over time. This study builds on that work by investigating the proportion of students who graduate with debt and the average amount owed upon completion of their highest credential.

"Average undergraduate debt has decreased significantly over the decade. A lower proportion of students are graduating with debt, and average debt levels have diminished."

Using Kentucky's nationally-recognized state longitudinal data system, CPE investigated undergraduate debt levels over the past decade at both two- and four-year public colleges and universities. A major finding of this analysis is that average undergraduate debt has decreased significantly over the decade. A lower proportion of students are graduating with debt, and average debt levels have diminished. This is generally true regardless of postsecondary sector, student demographics, or credential earned.

While CPE's goal is to lower student loan debt, it is important to note that not all debt is bad; in fact, it can be positive if properly managed. Student loans help individuals who would not otherwise be able to afford college earn degrees, build credit, and obtain good credit scores. However, students and families must be equipped with as much information as possible to avoid excessive or unwise borrowing. For example, students should take advantage of more favorable interest rates and terms provided by federal student loan programs and limit private loans if possible. Filing a FAFSA (Free Application for Federal Student Aid) is the first step to unlocking grants, scholarships, and government loans.

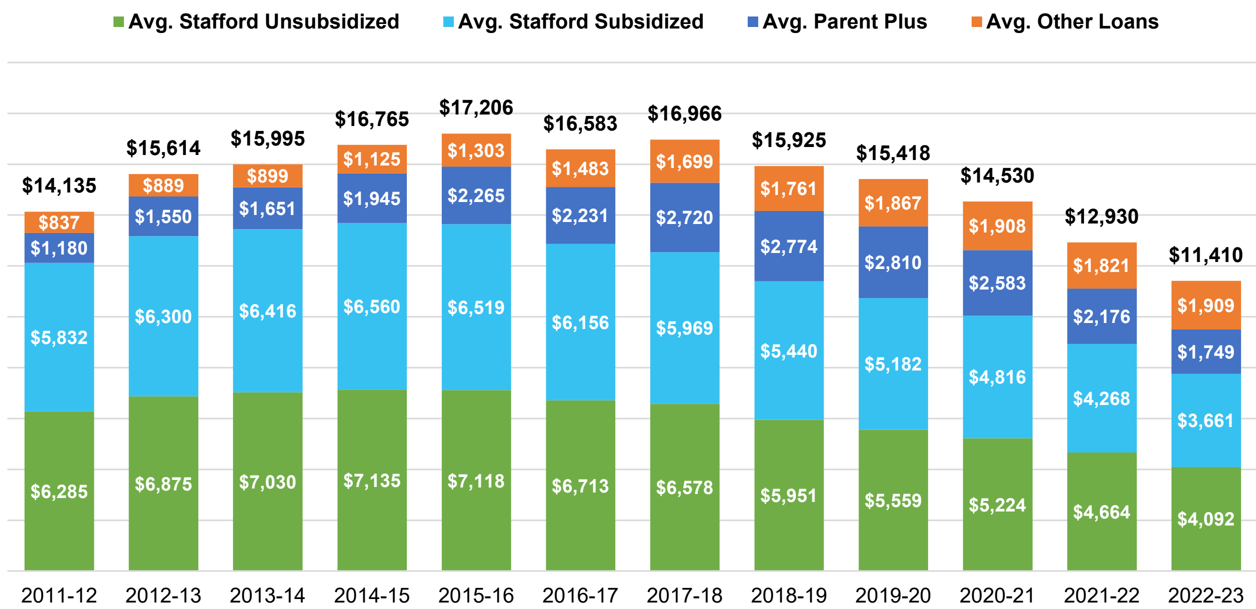
There are a number of statewide and campus actions that have contributed to this downward trend. At the state level, CPE and policymakers have worked dilligently to keep annual tuition increases low and invest more public dollars in higher education. At the campus level, institutions are awarding more financial aid, and student support staff are working with students to reduce their time to degree and promote financial literacy and responsibility.

Cumulatively, these initiatives are making a meaningful difference in students' bottom line. This report refutes the popular notion that recent college graduates are drowning in debt, a misperception that discourages individuals, particularly those of limited means, from pursuing their college dreams. Declining debt levels should provide some reassurance to aspiring postsecondary students and their families that a college education remains within reach.

Statewide Trends

The average loan debt of public undergraduate completers (including students with no debt) has declined.

Figure 1. Average federal and private loan balances of undergraduate completers at two- and four-year public institutions (including students with zero debt)



In the first half of the decade, the average student loan amount of all undergraduate credential completers (at both two- and four-year institutions) was climbing. However, since 2017-18, it has fallen from $16,966 to $11,410, a decrease of $5,556 or 32.7%. A primary reason for this trend is that more students are graduating from college debt free, as illustrated on the following page.

This amount reflects the loan balances of all public undergraduate credential completers (certificate, diploma, associate, and bachelor's) in an academic year, even if they had no loan debt. If a student earned more than one credential, we used the debt amount owed upon completion of the highest award. Because many students in this calculation have no debt, these average loan amounts are lower than in Figures 3-7, which focus only on students with loan balances.

Types of Loan Debt

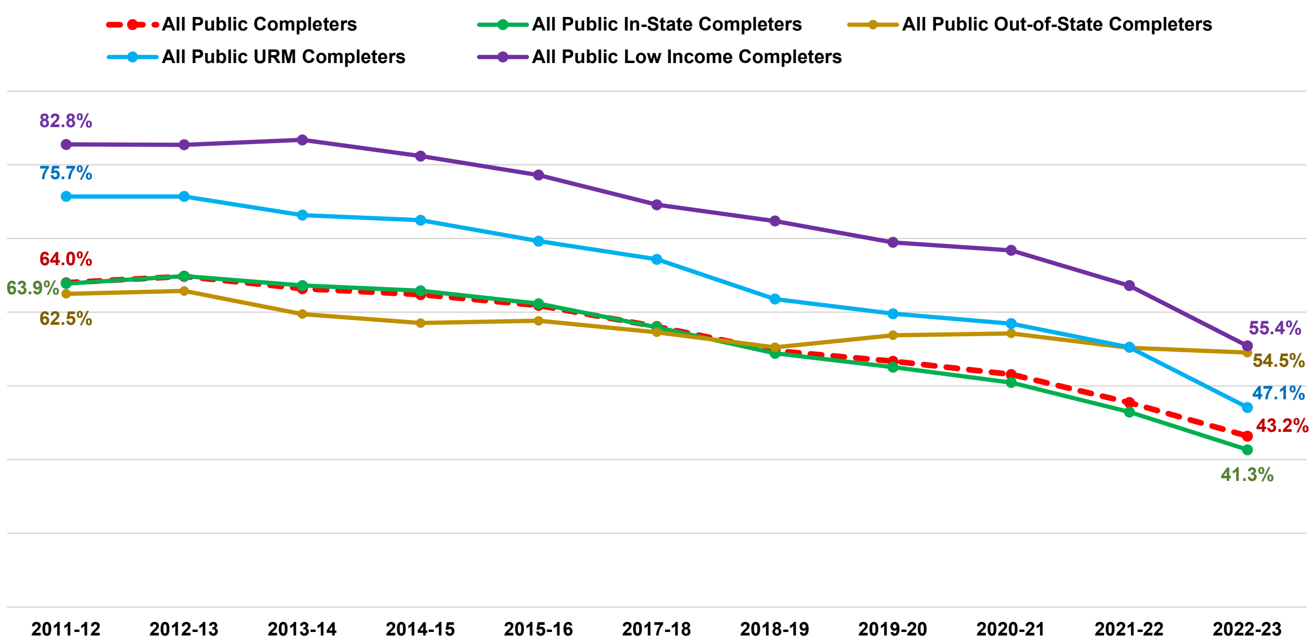
Stafford Loan - A loan provided directly to students through the federal government. Students with financial need may qualify for a subsidized loan, where interest is paid by the government. In unsubsidized loans, students pay the interest accrued.

Parent Plus Loan - A federal loan for biological and adoptive parents to help cover their child's college costs.

Other Loans - Non-federal loans made by a bank, credit union, state agency or a school, typically with less favorable interest rates and terms than federal government loans.

The proportion of undergraduate completers with loan debt has decreased.

Figure 2. Percentage of undergraduate completers at two- and four-year public institutions with debt, overall and for select student populations

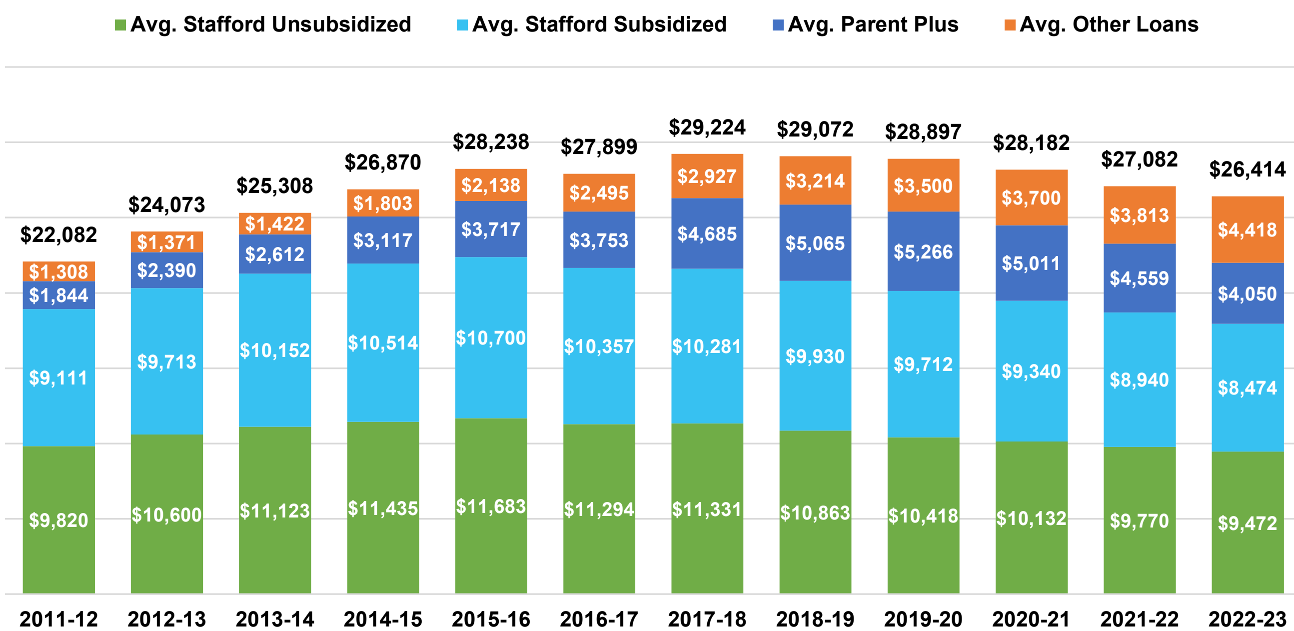


Fewer undergraduate students are graduating with loan debt, regardless of their residency (in state or out of state), underrepresented minority (URM), or low-income status. In the last five years, the proportion of undergraduate credential completers with student loan debt fell nearly 15 percentage points, from 58.1% in 2017-18 to 43.2% in 2022-23. This decline was even more pronounced over the decade, falling 20.8 percentage points since 2011-12.

In 2011-12, the percentage of low-income (82.8%) and URM (75.7%) completers with loan debt was significantly higher than completers overall (64.0%). By 2022-23, however, gaps between student populations had signficantly narrowed. CPE defines underrepresented minority as Black, Hispanic or Latinx, American Indian or Alaskan native, native Hawaiian or other Pacific Islander, or two or more races. Low-income students are defined as Pell grant recipients.

The average loan balance of public, undergradute completers with debt decreased 9.6% in the last five years.

Figure 3. Average loan balances of all public, two- and four-year completers with debt (excluding completers with zero debt)



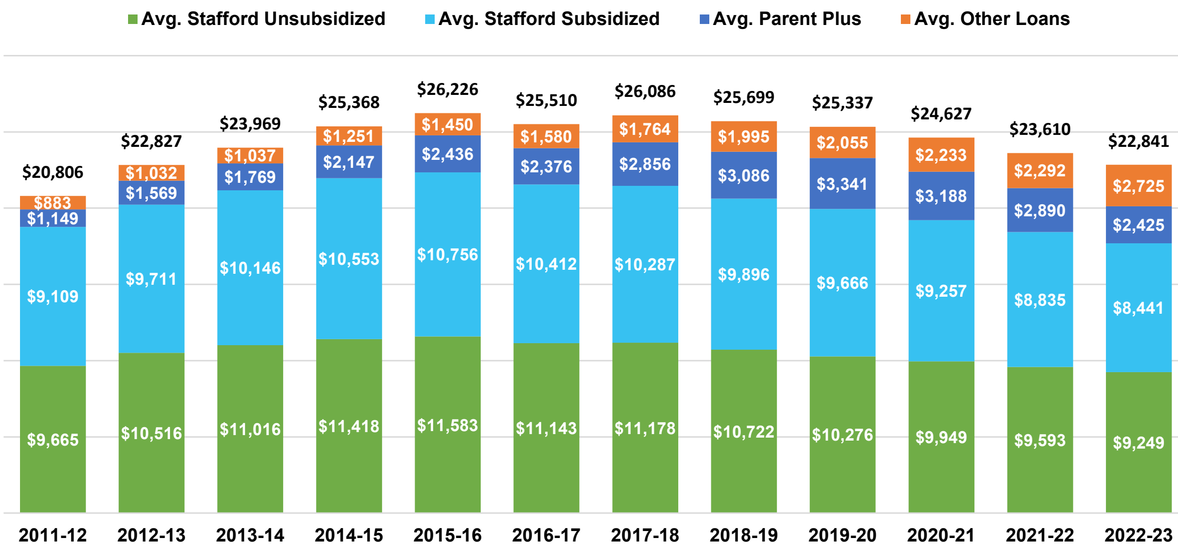
Another factor driving down average debt loads is receding debt levels among those who graduate with debt. Among all public undergraduate completers with some debt, average debt levels fell from $29,224 to $26,414, a decline of $2,810 or 9.6%, between 2017-18 and 2022-23.

Average Stafford (unsubsidized) loan debt dropped 16.4%, while subsidized loan debt fell 17.5%. The decline in Parent Plus loan debt was less dramatic, decreasing 13.5%. An exception to this trend is other (non-federal) loan debt, which has increased 51% over the last five years and 238% over the decade. This trend warrants further scrutiny, as this category is generally comprised of private loans with less favorable terms.

As depicted on the following pages, this downward trend in debt is fairly consistent among various student populations. On average, loan debt has declined around $3,000 for in-state, out-of-state, URM, and low-income undergraduate completers with debt over the last five years.

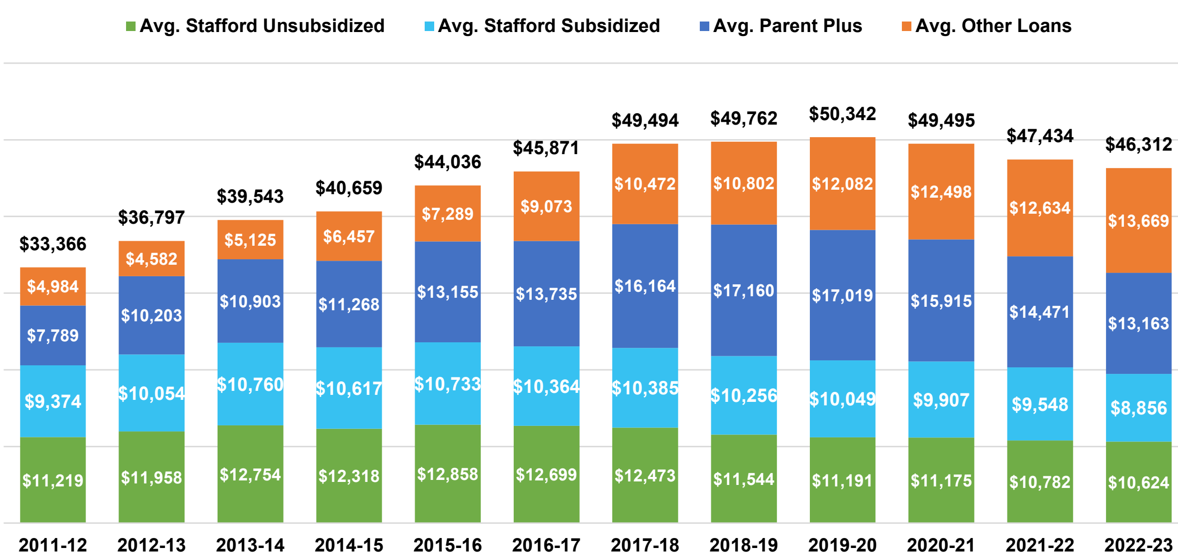
The average debt of undergraduate completers fell across demographic groups.

Figure 4. Average loan balances of all public, two- and four-year, in-state completers with debt (excluding completers with zero debt)



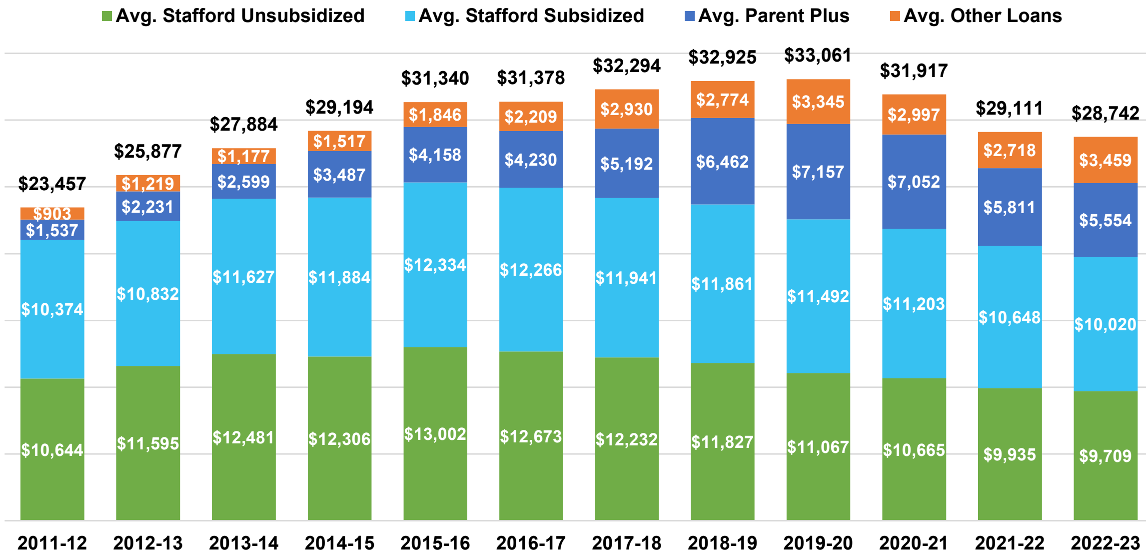
The average loan balance of in-state undergraduate completers with debt has declined by 12.4% or $3,245 from 2017-18 to 2022-23.

Figure 5. Average loan balances of all public, two- and four-year, out-of-state completers with debt (excluding completers with zero debt)



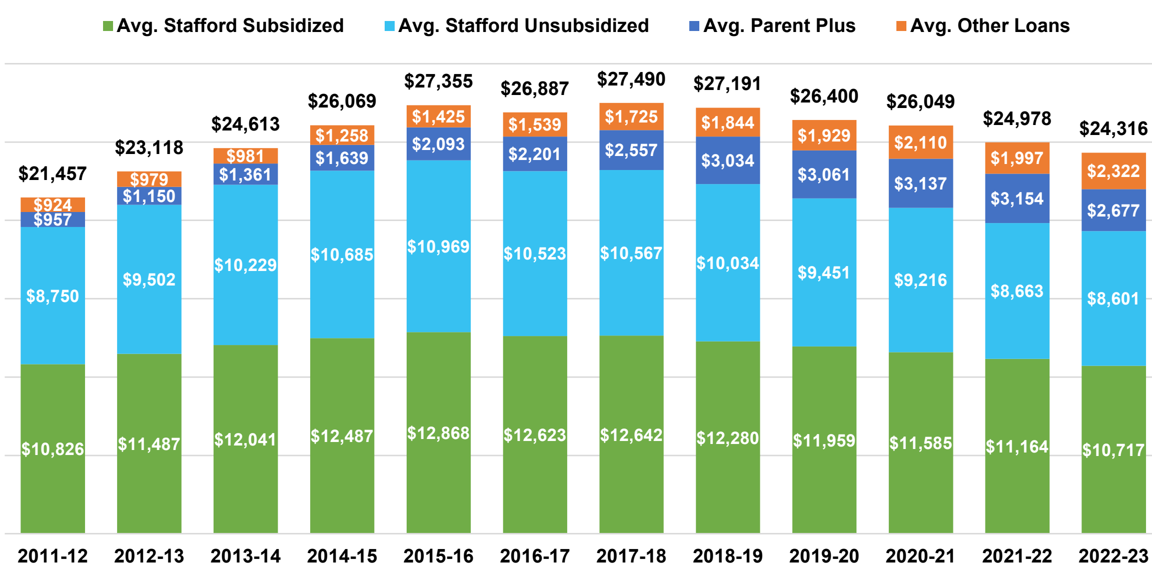
The average loan balance of non-resident undergraduate completers with debt has declined by 6.4% or $3,182 from 2017-18 to 2022-23.

Figure 6. Average loan balances of all public, two- and four-year, URM completers with debt (excluding completers with zero debt)



The average loan balance of underrepresented, minority undergraduate completers with debt has declined by 6.4% or $3,182 from 2017-18 to 2022-23.

Figure 7. Average loan balances of all public, two- and four-year, low-income completers with debt (excluding completers with zero debt)

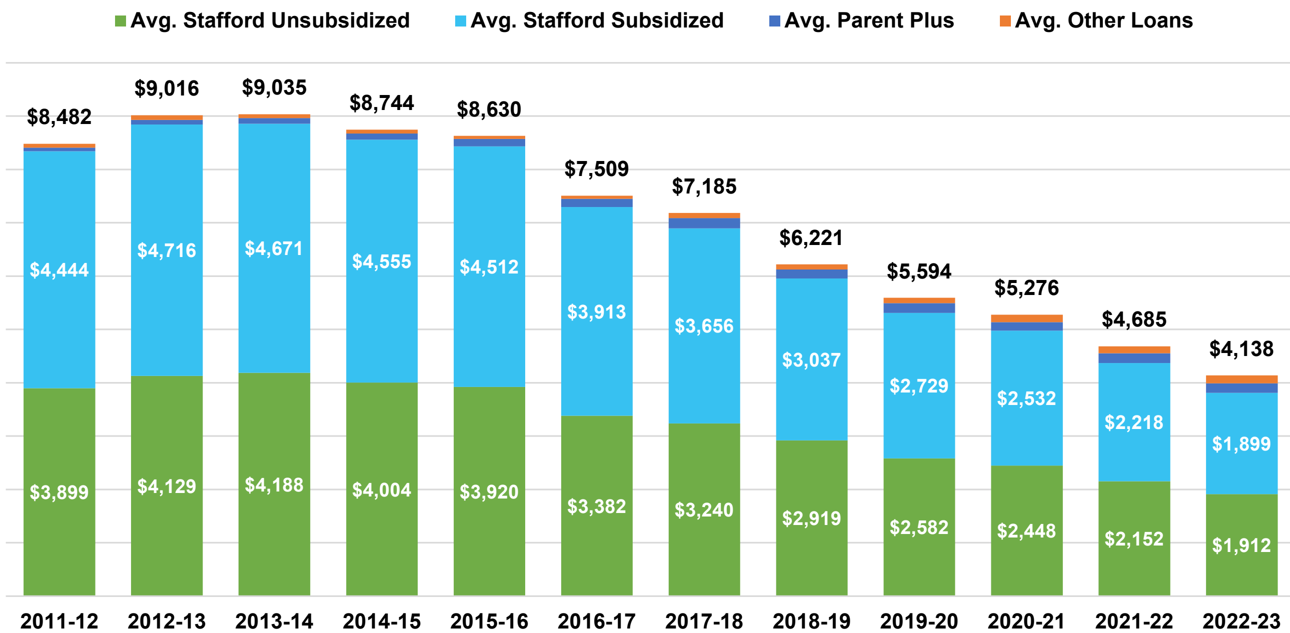


The average loan amount of low-income undergraduate completers with debt has declined by 11.5% or $3,174 from 2017-18 to 2022-23.

Two-Year Institution Trends

The average debt of KCTCS completers (including students with no debt) fell 42.0% in the last five years.

Figure 8. Average amount of federal and private loans for all KCTCS undergraduate completers (including students with zero debt)



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Parent Plus	$64	$85	$103	$115	$139	$154	$194	$169	$182	$157	$182	$181
Other	$75	$86	$73	$70	$59	$60	$95	$96	$101	$139	$133	$146

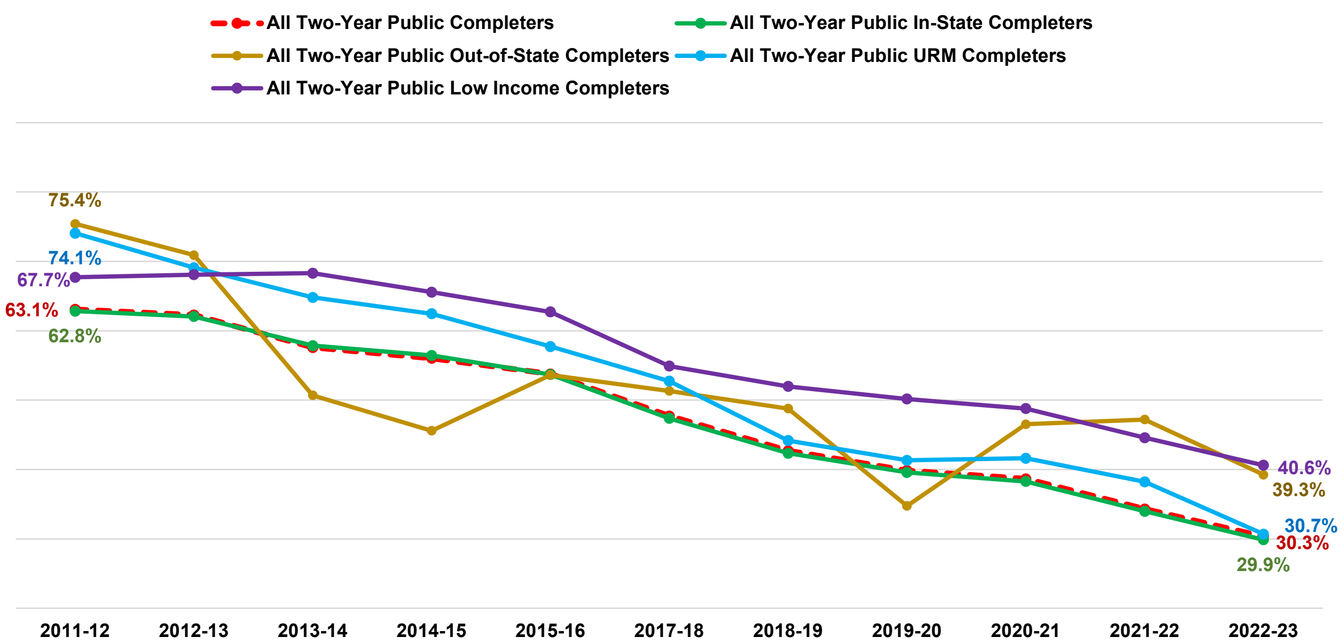
At two-year public (KCTCS) institutions, average debt peaked in 2013-14 before beginning a steady decline. Since 2013-14, the average loan balance has fallen from $9,035 to $4,138, a decrease of $4,897 or 54.2%. Over the last five years, student debt has declined by 42.4% or $3,047.

Unlike at public universities, where nearly all undergraduate students complete bachelor's degrees, KCTCS completers receive certificates, diplomas, and associate degrees. Interestingly, debt levels have receded across all these credential types. Average debt has decreased by $2,386 (28.2%) for associate completers, $4,470 (35.3%) for diploma completers, and $2,277 (48.4%) for certificate completers since 2017-18.

Because a higher proportion of KCTCS students are low-income and/or financially independent, the majority of loan debt in the sector is comprised of Stafford unsubsidized and subsidized loans. Over the last five years, unsubsidized Stafford debt has decreased by $1,328 (41.0%), and subsidized Stafford debt has decreased by $1,757 (48.0%).

The proportion of KCTCS completers with debt declined across demographic groups.

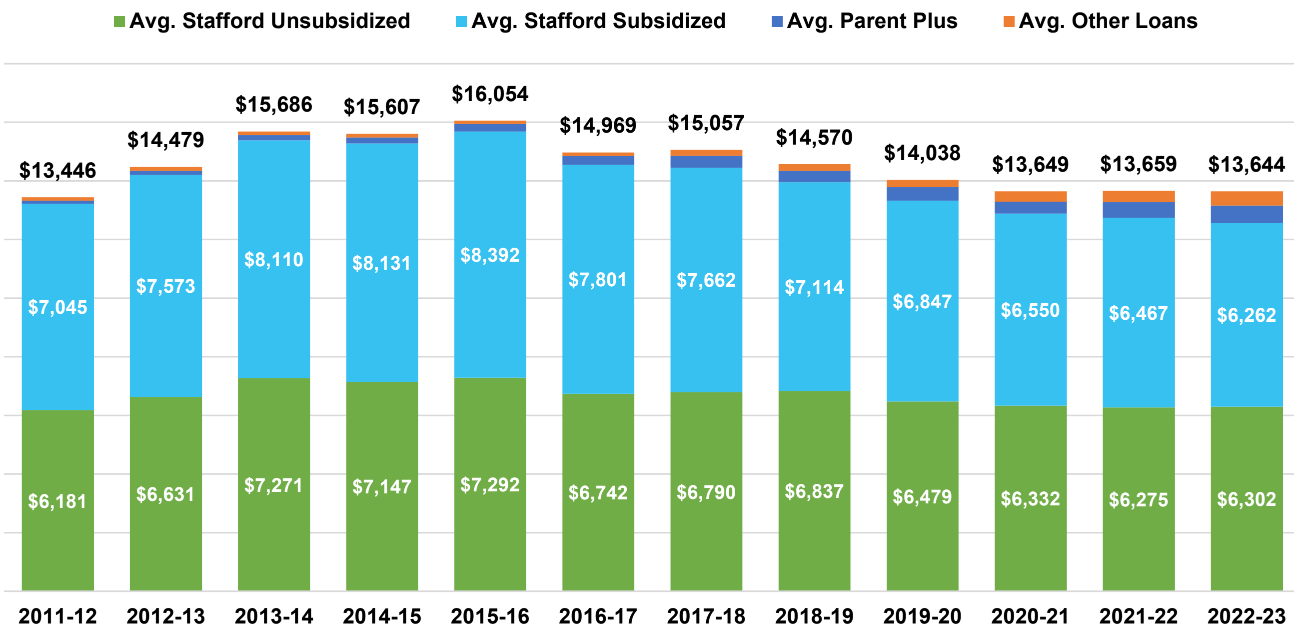
Figure 9. Percentage of KCTCS completers with loan debt (including completers with zero debt), overall and for select student populations



At two-year institutions, the proportion of all credential completers with debt has fallen 32.8 percentage points over the past decade and 17.4 percentage points since 2017-18. Importantly, the proportion of graduates with debt also is falling across key demographic groups. Since 2017-18, the proportion of in-state, out-of-state, URM, and low-income graduates with debt has fallen by 17.5, 12.1, 22.1 and 14.3 percentage points, respectively. With the exception of low-income and out-of-state completers, gaps in loan debt between population subgroups have essentially closed since the beginning of the decade. Note that the low number of out-of-state students in the sample accounts for greater variability in this trend and makes comparisons less reliable.

The average loan amount of KCTCS completers with debt has decreased by 9.4% in the last five years.

Figure 10. Average loan balances of KCTCS completers with debt (excluding students with zero debt) by loan type

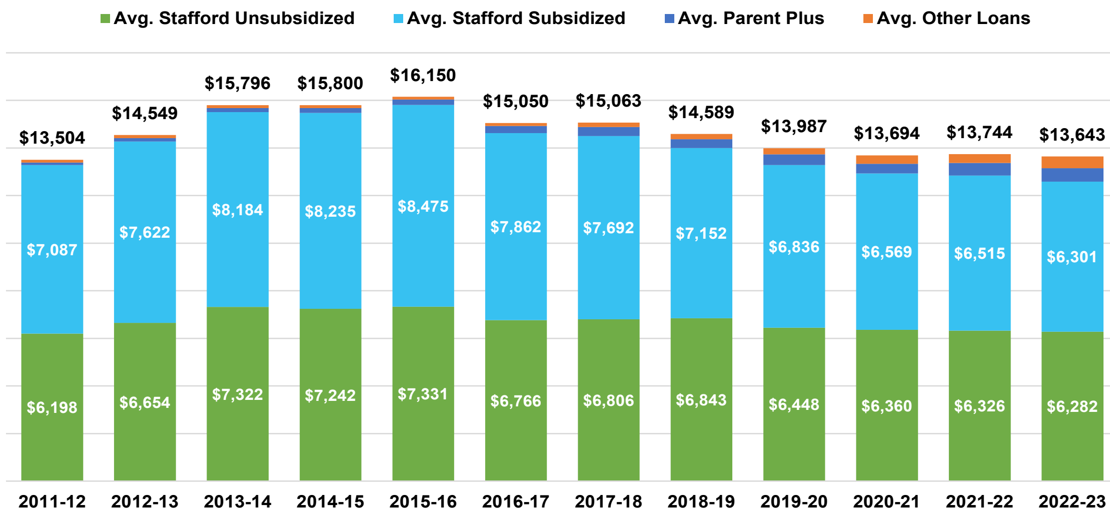


	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Parent Plus	$102	$136	$179	$205	$258	$306	$406	$396	$457	$407	$531	$597
Other	$118	$139	$126	$124	$112	$120	$199	$223	$255	$360	$386	$483

Falling loan balances among those with debt are lowering total debt amounts at KCTCS institutions. The average loan balance has fallen from $15,057 to $13,644, a decline of $1,413 or 9.4%, since 2017-18.

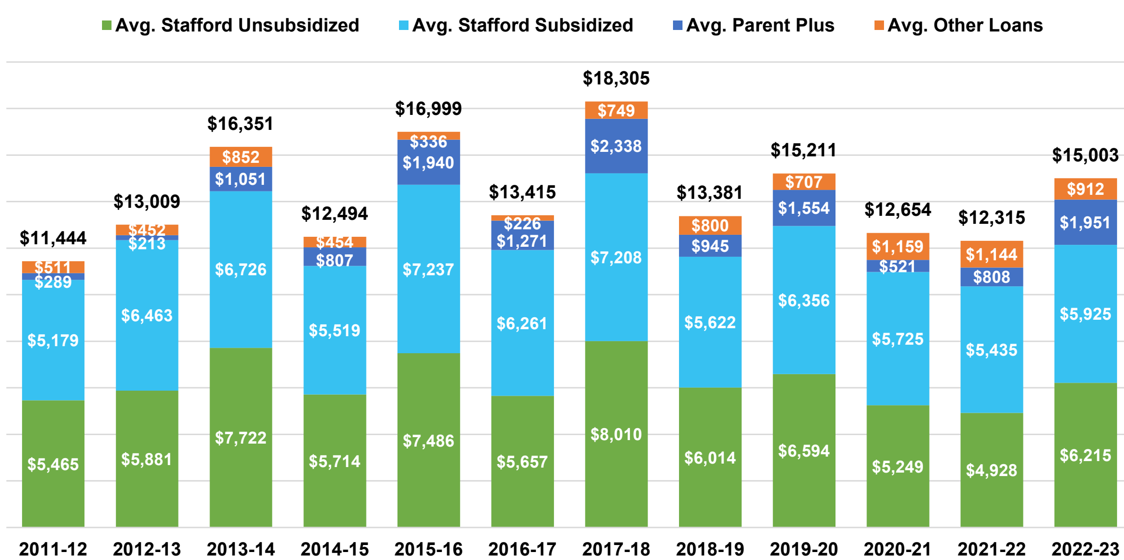
Student debt declines at KCTCS are consistent among demographic groups.

Figure 11. Average loan balances of KCTCS, in-state completers with debt (excluding students with zero debt) by loan type.



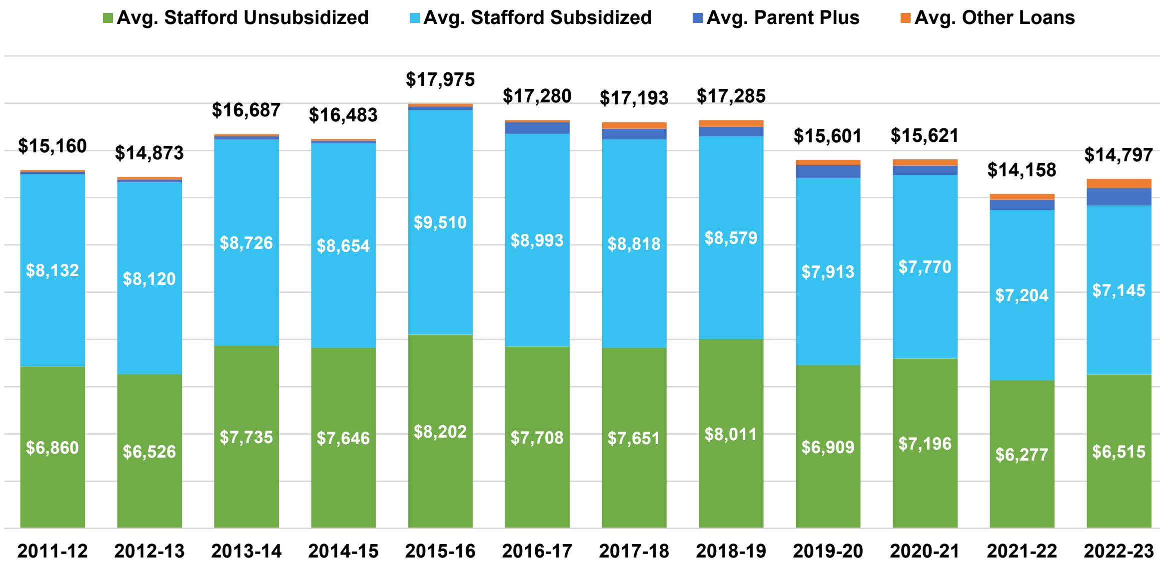
Over the last five years, the average loan balance of in-state KCTCS completers with debt has fallen from $15,063 to $13,643, a decline of $1,420 or 9.4%.

Figure 12. Average loan balances of KCTCS, out-of-state completers with debt (excluding students with zero debt) by loan type



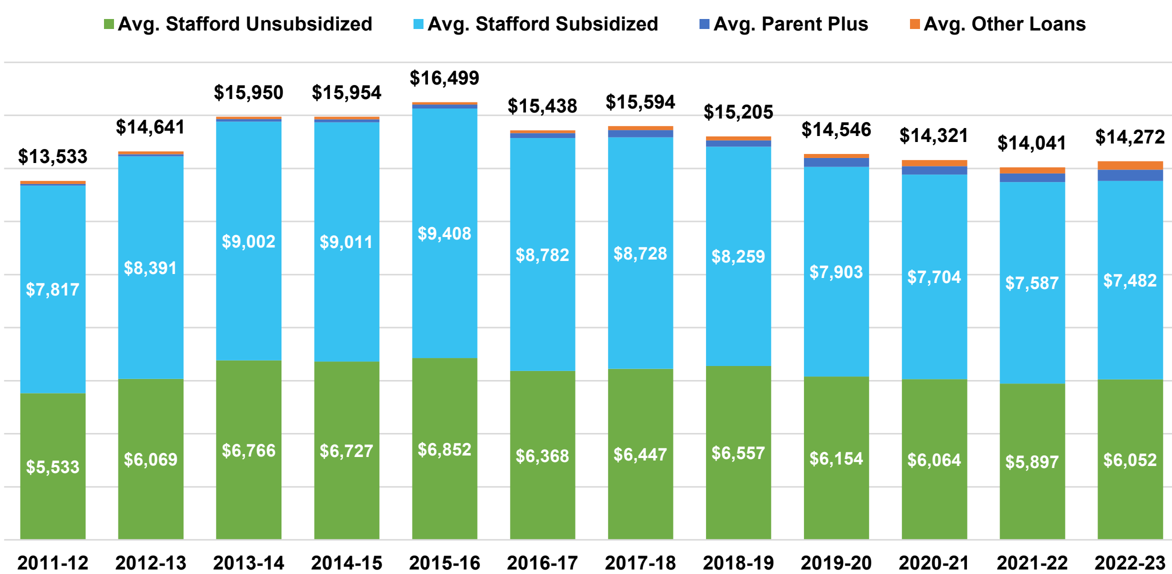
Debt loads for out-of-state completers with loan balances exhibited much greater variability over time due to the small population of students attending two-year institutions from other states.

Figure 13. Average loan balances of KCTCS, URM completers with debt (excluding students with zero debt) by loan type



Among URM completers with debt, the average loan balance fell from $17,193 to $14,797, a decline of $2,396 or 13.9%, between 2017-18 and 2022-23.

Figure 14. Average loan balances of KCTCS low-income completers with debt (excluding students with zero debt) by loan type

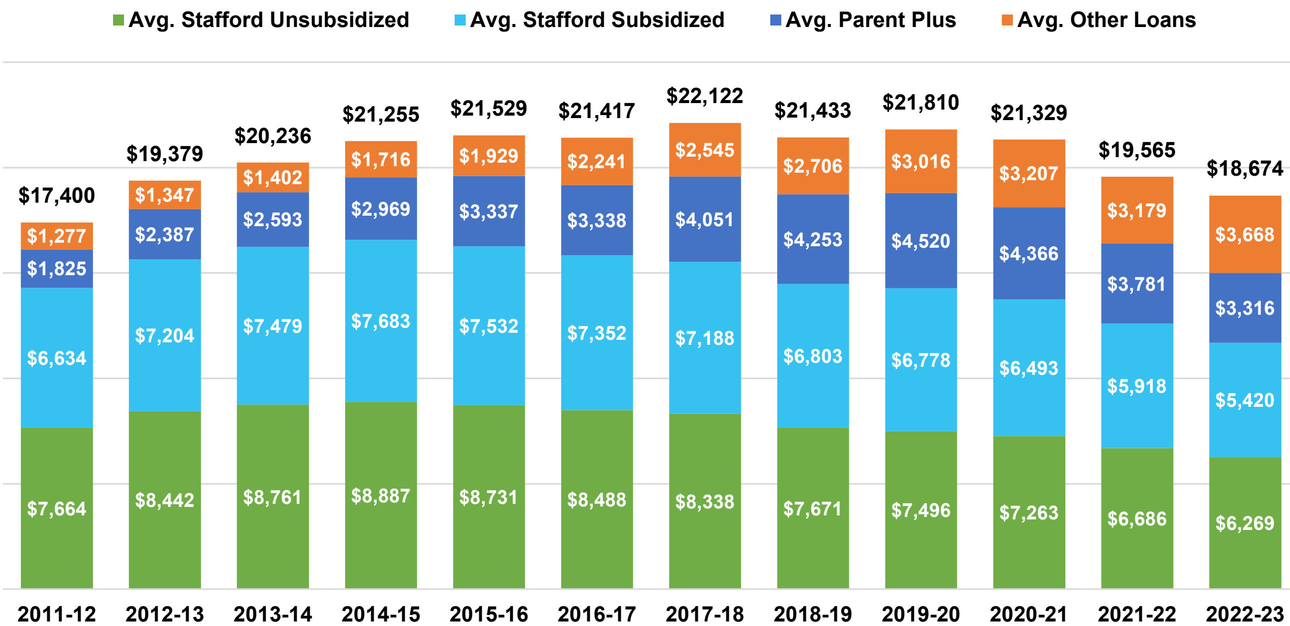


Average loan balances for low-income completers with debt has fallen from $15,594 to $14,272, a decrease of $1,322 or 8.5%, from 2017-18 to 2022-23.

Four-Year Institution Trends

The average debt of public university undergraduate completers (including students with no debt) has fallen 15.6% since 2017-18.

Figure 15. Average federal and private loan balances of undergraduate completers at four-year public universities (including students with zero debt)

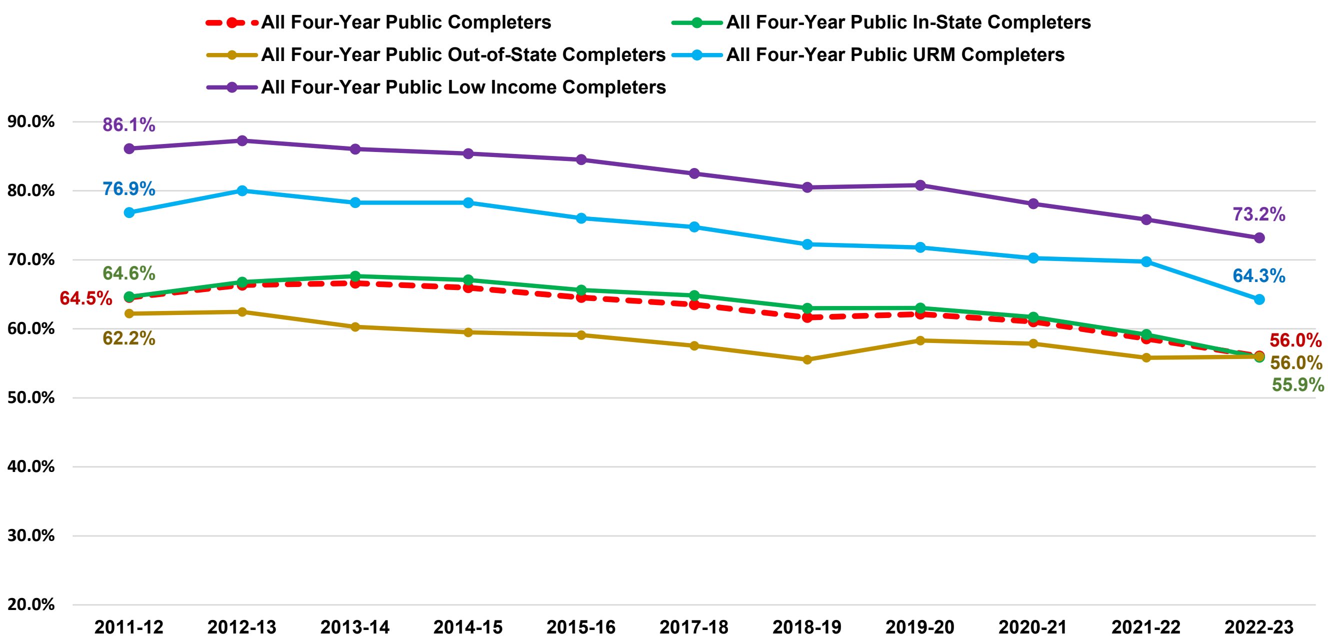


Completers at four-year public institutions in this study are overwhelmingly students completing bachelor's degrees. In contrast to the two-year analysis, which included several other credential types (i.e., certificates, diplomas, and associate degrees), 95.9% of undergraduate credentials completed at four-year public institutions in 2022-23 were baccalaureate degrees. Overall, average debt increased between 2011-12 and 2017-18 before beginning to decline. Since 2017-18, average undergraduate debt has fallen from $22,122 to $18,674, a decrease of $3,448 or 15.6%.

In the same period, all major types of loan debt declined with the exception of private loans, which have increased $1,123 or 44% since 2017-18. Stafford unsubsized loan debt has fallen 24.8%, Stafford subsidized loan debt has fallen 24.6%, and Parent Plus loan debt has fallen 18.1%.

The proportion of public university undergraduate completers with debt has declined across student populations.

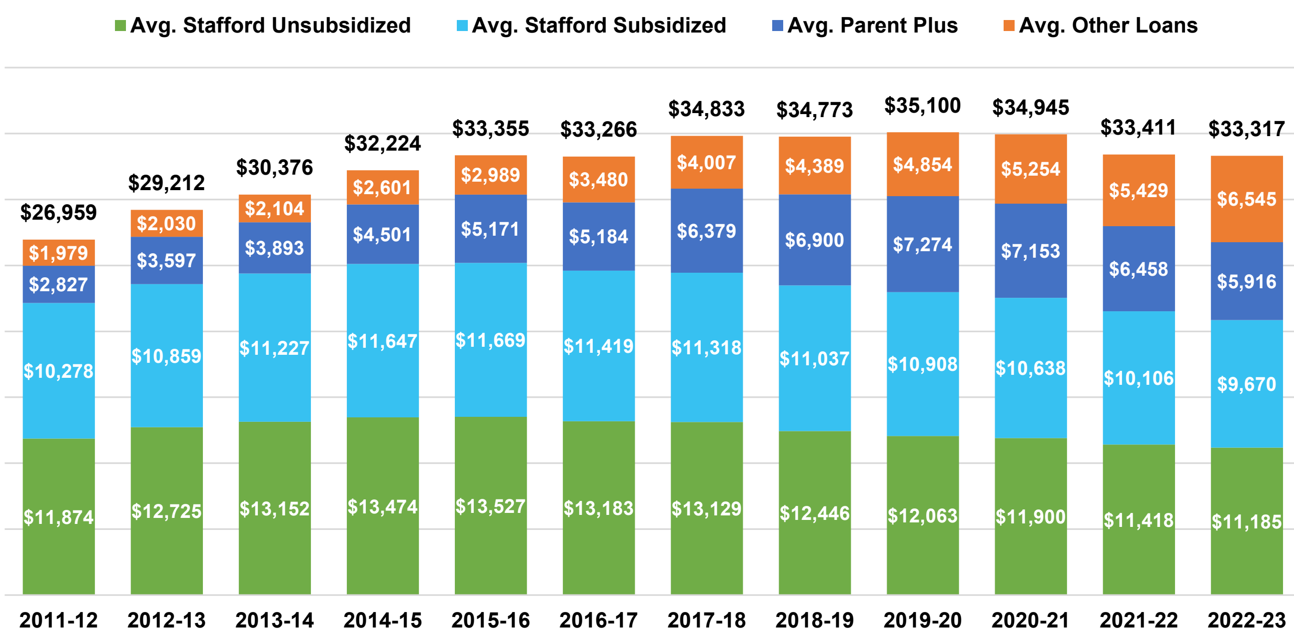
Figure 16. Percentage of public university baccalaureate completers with loan debt (including completers with zero debt), overall and for select student populations



At four-year public universities, the proportion of graduates with debt has fallen 8.5 percentage points over the past decade and 7.5 points since 2017-18. As with two-year public institutions, the proportion of completers with debt is falling among key demographic groups. Over the past five years, the proportion of completers with debt declined by 8.9 percentage points for in-state sudents, 1.6 points for out-of-state students, 10.5 points for URM students, and 9.3 points for low-income students. While gaps have narrowed, a greater percentage of URM and low-income students carry debt as compared to the overall student population. This is largely explained by the greater levels of financial need typically experienced by these student populations.

The average loan balance of undergraduate public university completers with debt decreased by 4.4% over the last five years.

Figure 17. Average loan balances of public university completers with debt (excluding students with zero debt) by loan type

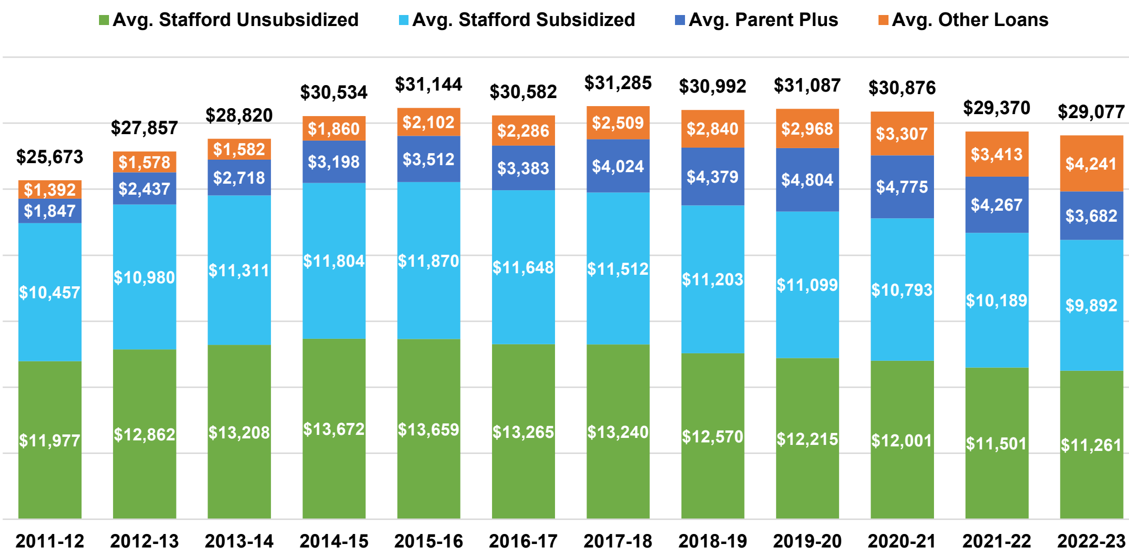


Shrinking loan balances among those who have debt are contributing to overall declines at four-year public institutions. For all university undergraduate completers with debt, the average loan balance has decreased from $34,833 to $33,317, a decline of $1,516 or 4.4%, since 2017-18.

Note that while debt levels for most loan types are falling, other (non-federal) loan debt increased from $4,007 to $6,545, a 63.3% jump.

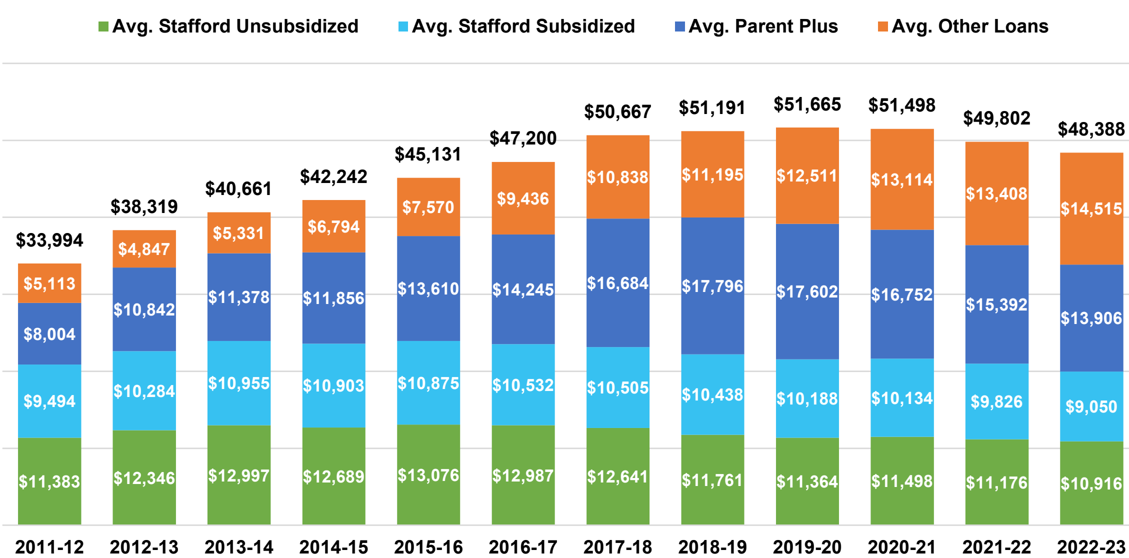
Student debt at public universities has declined around $2,000 for select populations.

Figure 18. Average loan balances of public university in-state completers with debt (excluding students with zero debt) by loan type



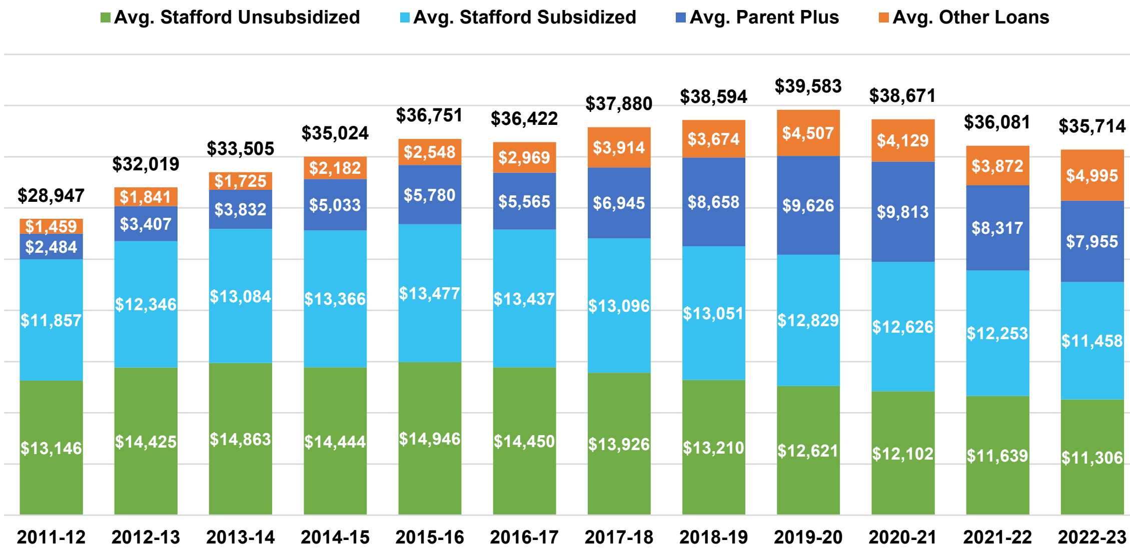
Over the last five years, the average loan balance of in-state completers with debt has fallen from $31,285 to $29,077, a decline of $2,208 or 7.1%.

Figure 19. Average loan balances of public university out-of-state completers with debt (excluding students with zero debt) by loan type



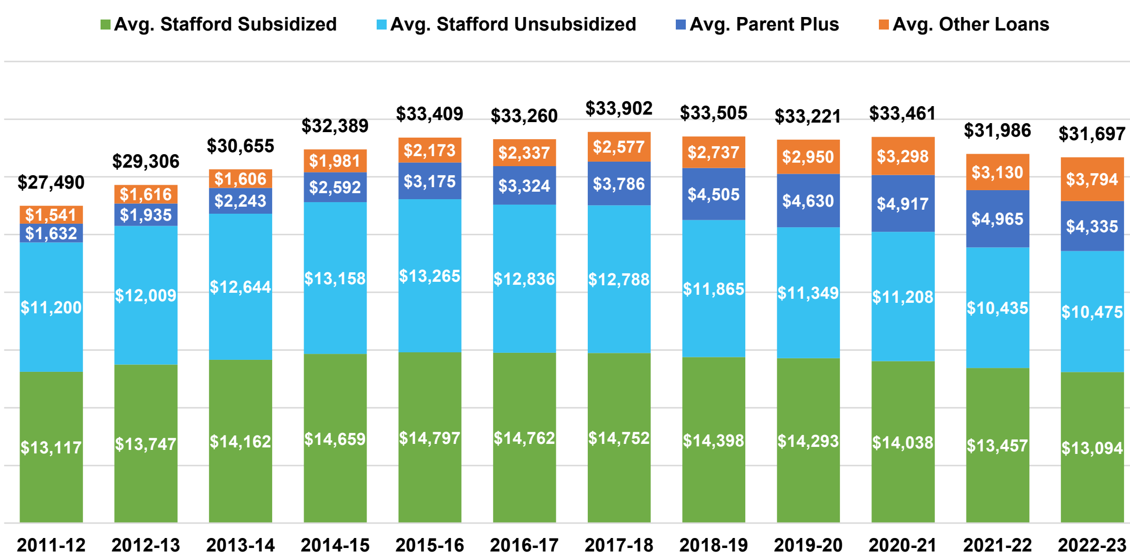
For out-of-state completers with debt, the average loan balance has fallen from $50,667 to $48,388, a decrease of $2,279 or 4.5%, since 2017-18.

Figure 20. Average loan balances of public university URM completers with debt (excluding students with zero debt) by loan type



Among URM completers with debt, the average loan balance has fallen from $37,880 to $35,710, a decrease of $2,166 or 5.7%, over the past five years.

Figure 21. Average loan balances of public university low-income completers with debt (excluding students with zero debt) by loan type



Over the same period, the average loan balance of public university low-income completers has fallen from $33,902 to $31,697, a decline of $2,205 or 6.5%.

Contributing Factors

Factors Contributing to Student Debt Declines in Kentucky

With so much attention focused on rising college costs, why are debt levels decreasing for Kentucky undergraduates at public institutions? There are three primary factors that are likely contributing to this phenomenon:

- increases in institutional and state grant aid awards;
- a commitment from the Council on Postsecondary Education (CPE) to curb tuition increases, and;
- statewide initiatives to increase financial literacy among students and their families.

Financial Aid Trends

Average state aid to KCTCS completers increased from $2,530 to $3,454 ($924 or 36.5%) during the same five-year period as average debt decreased. Average institutional aid to graduates at four-year institutions grew from $17,094 to $22,527 (about $5,433 or 31.8%). The considerable growth in institutional and state aid awards lowered financial need among graduates, which translated into lower loan amounts.

One opportunity for improvement is increasing FAFSA completion rates, which have declined from 71.2% to 61.6% among graduating high school seniors since 2015. Even for wealthy families, FAFSA completion often is required for institutional and other scholarships. CPE endorses state and/or institutional policies that increase completion rates and help ensure the maximum number of students access critical aid dollars.

Figure 22. Average annual financial aid awards to KCTCS graduates by type

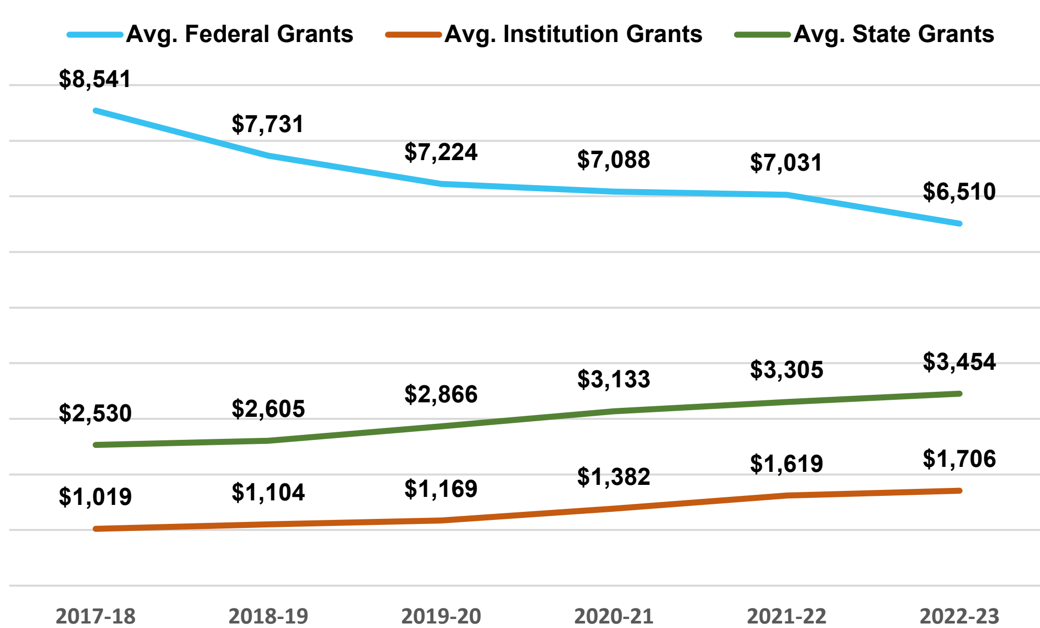
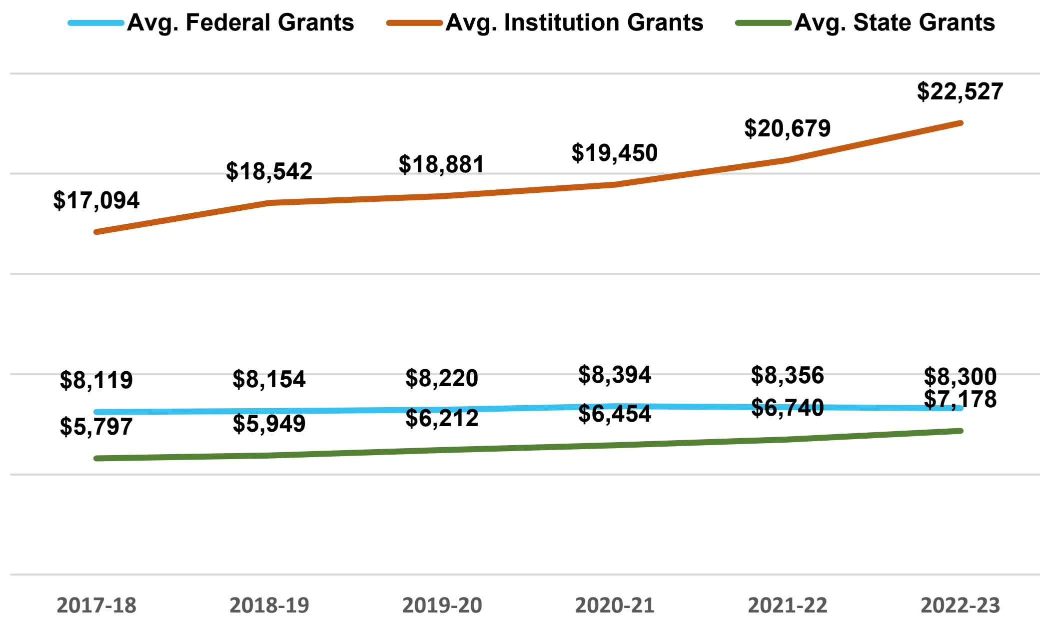


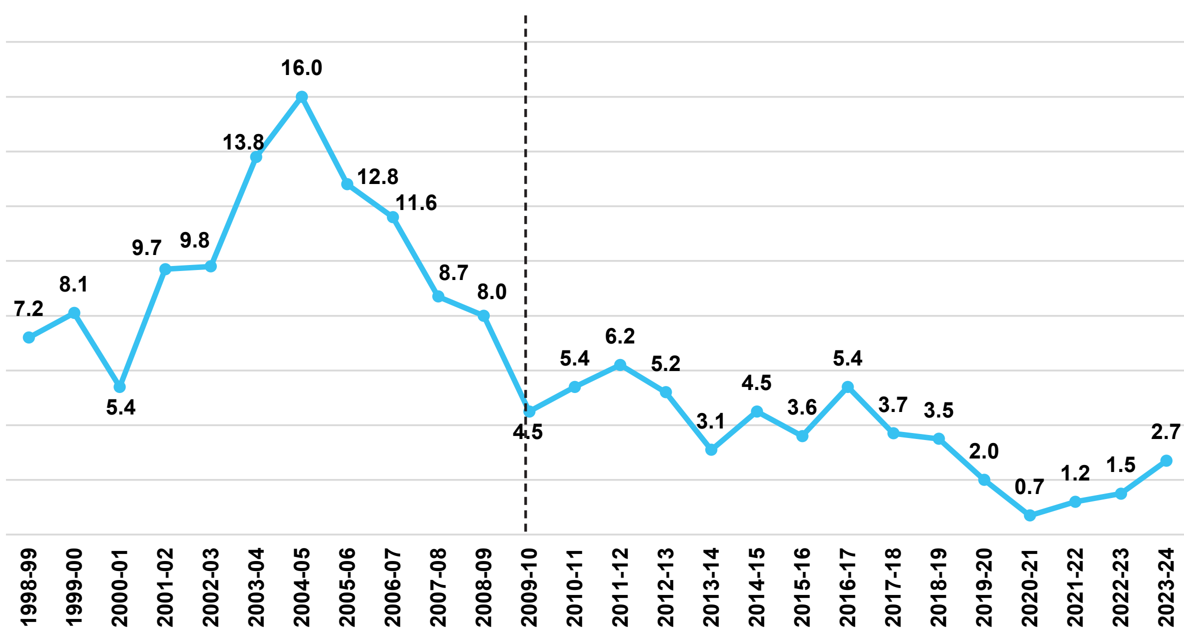
Figure 23. Average annual financial aid awards to public university graduates by type



Tuition Rate Management

Along with increases in financial aid, tuition rate management has been central to Kentucky's pursuit of affordable, accessible postsecondary education. To this end, CPE remains committed to moderating tuition increases to minimize the cost of attendance for students. In 2009-10, CPE reinstated tuition ceilings for public postsecondary institutions, dramatically slowing rate increases. Between 2019-20 and 2023-24, CPE negotiated with institutional partners to keep annual tuition and fee increases between 2.0% and 2.7% each year.

Figure 23. Annual percentage increases for tuition and fees for two- and four-year public institutions



Financial Literacy Initiatives

CPE - along with the Kentucky Center for Statistics (KYSTATS), postsecondary institutions, and other stakeholders - have invested time and resources to promote financial literacy among Kentucky students and families. Instruction and printed materials cover topics like responsible borrowing and budgeting and help students understand the monthly payments associated with student debt. Many institutions across the state hold “FAFSA Day” events where students and their parents work with financial aid counselors to file the FAFSA, ensuring they are eligible to receive financial assistance from federal, state, and institutional sources. At the state level, CPE and KYSTATS harnessed the power of the state’s robust longitudinal data system to create a Students’ Right to Know dashboard, where students, parents, and guidance counselors can use information about institutional costs, degree offerings, and projected salaries to make smart financial decisions.

Other Factors

Finally, decreasing debt levels in Kentucky also are due, in some part, to the declining number of low-income students who are matriculating. Over the last five years, enrollment of low-income students as a share of total enrollment has fallen (from 30.1% to 23.8%), and the share of unduplicated credentials earned by low-income students also has decreased (from 35.9% to 31.9%). As a postsecondary community, we must work harder to increase financial aid opportunities, financial literacy, and information exposure via the Students’ Right to Know website for our most vulnerable students.

Conclusion

The proliferation of institution and state grant aid, as well as the availability of federal financial support through both aid programs and low-rate loans, means that college debt levels have become more manageable for Kentucky students, especially in the last five years.

Decreases in student debt levels at graduation, decreased attendance costs at some institutions, and financial literacy efforts on college campuses have translated into a more accessible, affordable system of public postsecondary education. Although more work is needed to boost enrollment among students with low incomes, this study suggests that statewide and institutional affordability efforts are making a real difference to Kentucky students and their families.

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