

Texas' strategic goal for students' debt burden shows potential promise and pitfalls

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Credit: SMU

College students in Texas who graduated from public universities with a bachelor's degree had, on average, student loan debts that equaled 74 percent of what they earned in their first-year wages, according to a new study from SMU (Southern Methodist University).

The study, which looked at students who started college between 2004

and 2008, also shows that black and Latinx students are predicted to borrow larger amounts of college debt than [white students](#) compared to what they'll make in their first job.

The findings suggest that if public universities try to meet the goals of a Texas initiative designed to increase attainment and reduce student debt burdens, the institutions may inadvertently be discouraged from educating historically underserved students.

"Even when controlling for prior income, parental education, choice of major and the time it took to get their degree, historically underserved students are predicted to have higher debt-to-income ratios," said Dominique J. Baker, author of the study and assistant professor of education policy at SMU's Simmons School of Education and Human Development. "This means that any sanctions associated with a policy like the 'strategic goal' in Texas would likely punish state institutions simply for educating students who are predicted to have higher debt-to-income ratios."

Baker's study is the first to investigate the debt-to-income ratio in Texas since the state created the 60x30TX strategic plan. The plan calls for increased completion of undergraduate programs in shorter periods of time, as well as efforts to keep undergraduate student debt at or below 60 percent of first-year wages by 2030.

Baker's study only focuses on students who earned a bachelor's degree. The 60x30TX plan also includes students who earn a credential or associate's degree who have smaller debt-to-income ratios than bachelor's degree recipients.

The findings, which were recently published in *AERA Open*, suggest that the state of Texas may find it difficult to maintain the 60 percent goal given the demographic and borrowing trends in the state.

On average, students who graduated with a bachelor's degree after attending a public university had an average \$25,794 of undergraduate loan debt. That number jumped to \$33,255 when loans held by parents were also included.

Yet, students earned approximately \$34,132 during their first year after earning a degree, meaning that the average student's debt-to-income was 74 percent, according to the study. If you factor in the amount that parents took out in loans for their child's college education, the average debt-to-income ratio was closer to 92 percent.

In addition, the study found that black students, on average, borrowed \$7,214 more than their white peers, while Latinx students borrowed \$453 more.

The state of Texas has emphasized that debt-to-income ratios at certain institutions will not be held to the 60 percent threshold. However, conversations have begun that explore attaching sanctions to individual institution's debt-to-income ratio.

The study highlights that this could be concerning as the public universities that were shown to have the highest median debt burdens in Texas were Prairie View A&M University, Texas Southern University, Stephen F. Austin State University, Texas A&M University—Commerce and the University of North Texas at Dallas. Many of these colleges also have higher-than-average rates of Latinx and black student enrollment, Baker noted.

"So it would be inequitable to sanction institutions solely for serving certain student populations," Baker said.

The study was based on data from the Texas Higher Education Coordinating Board and the Texas Workforce Commission. Baker

merged information from both sources to determine students' debt-to-income ratios.

Only four-year [college students](#) who graduated with a bachelor's degree and worked full-time in the year immediately following graduation in Texas were included. The 40,000 students who were part of the study started undergraduate college between 2004 and 2008.

Baker said that the Texas goal of keeping the debt-to-income ratio at 60 percent or less for undergraduates is admirable. But she warned that any state looking to adopt such a model should be cautious about penalizing [public universities](#) that routinely fail to meet that target for its students because those colleges have more racial minorities, like a historically-black college.

"Future research needs to be conducted on incorporating measures of affordability in state accountability structures in ways that do not penalize underserved student populations," she said.

Student debt has become a key issue in the 2020 presidential campaign, as [college](#) tuition continues to rise and borrowers nationwide owe a total of \$1.5 trillion in federal student loan debt. Concern over students' ability to repay undergraduate debt led to the creation of goal 4 of the 60x30TX [strategic plan](#), which was developed by the Texas Higher Education Coordinating Board.

More information: Dominique J. Baker, When Average Is Not Enough: A Case Study Examining the Variation in the Influences on Undergraduate Debt Burden, *AERA Open* (2019). [DOI: 10.1177/2332858419860153](#)

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