*** Special Data Analysis ***

Student Debt in South Dakota

In December 2013, the Institute for College Access and Success (TICAS) issued a report on the educational indebtedness of graduates from American four-year institutions.[1] This report, which is updated annually, indicates that 68 percent of students completing four-year degrees in the United States in 2012 graduated with debt, with an average debt load of $27,850 for those with loans.[2] For students graduating from South Dakota institutions, these figures were 78 percent and $25,121, respectively. South Dakota's percent-with-debt figure was higher than those of all other US states. This analysis provides a closer examination of student debt data used in the TICAS report.

Background

College affordability is among the hottest issues in today's education marketplace. Rising college sticker prices and a fiercely competitive job market for recent graduates have combined to place a great deal of attention on the costs shouldered by students at all postsecondary levels. At the same time, the goal of boosting educational attainment in the United States has become a significant policy focus of the current presidential administration. Altogether then, US postsecondary institutions face pressures to enroll and graduate more students than ever before, but with the lowest possible financial burden. A key corollary of this situation is that student loans – and by association, student debt – have become especially salient topics in the public square. In this context, several recent articles of major federal policy have affected the way students receive loan support to attend college:

- ***Student Loan Direct Lending***

  Title II of the *Health Care and Education Reconciliation Act of 2010 (Public Law 115-152)* – sometimes referred to as the *Student Aid and Fiscal Responsibility Act* – eliminated the former practice of bank-based lending for student loans.[3] Federally guaranteed student loans now are originated and administered directly by the US Department of Education. The Congressional Budget Office (CBO) estimated that this measure would reduce the federal deficit by approximately $40 billion by 2020; a portion of these savings were rerouted to supplement other student loan programs.[4]

[1] The 2012 TICAS report is available at http://projectonstudentdebt.org/files/pub/classof2012.pdf. The Institute for College Access and Success is an independent, nonpartisan, nonprofit organization that conducts policy analysis and advocacy work in higher education. See http://www.ticas.org for more information.

[2] Figures include bachelor's degree completers at public or private nonprofit four-year institutions only.

[3] Text of Public Law 115-152 is available at http://www.gpo.gov/fdsys/pkg/PLAW-111publ152/pdf/PLAW-111publ152.pdf

[4] A summary of the CBO estimate is available at http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/113xx/doc11343/03-15-student_loan_letter.pdf

Pell Grant Maximum

The federal Pell Grant program provides need-based aid to undergraduate students with limited financial means. A portion of the funds saved through the elimination of bank-based lending was redirected to raise the annual maximum Pell Grant award. The bill also established that the annual maximum award would be indexed to inflation in subsequent years as a means to maintain equivalent purchasing power. As of the 2013-2014 award year, the annual maximum Pell award was $5,645.

- ***Income-Based Repayment and General Loan Forgiveness***

The above legislation also established new operating rules for federal income-based loan repayment and forgiveness programs. Previously, student borrowers demonstrating financial hardship held the option to cap monthly student loan payments at 15 percent of *discretionary income* (i.e., adjusted gross income minus 150 percent of the federal poverty level). Under this system, any unpaid federal loan principal remaining after 25 years of on-time payments was forgiven. The 2010 law modified these criteria to 10 percent and 20 years, respectively. Subsequently, an executive order enacted by the Obama administration in June 2014 further expanded the number of students who qualify for income-based repayment by removing date-of-borrowing restrictions that previously had limited the program to those taking out loans after 2007.

- ***Public Service Loan Forgiveness Provisions***

The *College Cost Reduction and Access Act of 2007 (Public Law 110-84)* established a new loan forgiveness program under which public service employees may have all federal loans forgiven after ten years of on-time payments under an eligible repayment plan.[5] Under this program, borrowers must maintain continuous employment in the public sector during the initial ten-year repayment period, after which all remaining principal and interest on federal loans are discharged.

A number of other field- or circumstance-specific federal loan forgiveness plans are currently in force. For example, loan cancellation or repayment programs are available to Peace Corps and AmeriCorps volunteers, military service members, teachers, legal and medical workers, and some federal employees. Both the federal government and most state governments offer a variety of loan forgiveness programs. Such programs typically involve particular eligibility conditions, such as working in high-need locales and/or committing to a specific duration of service. See this site for an overview of major federal programs. See this site for an example of a current state program for South Dakota.

[5] Text of Public Law 110-84 is available at http://www.gpo.gov/fdsys/pkg/PLAW-110publ84/pdf/PLAW-110publ84.pdf

Analysis

The above points provide context for TICAS's analysis of student debt. However, it is important to note that the data used in the TICAS report reflect only a portion of all colleges and universities in the United States. TICAS uses unaudited student debt data voluntarily supplied by postsecondary institutions to *Peterson's Undergraduate Financial Aid and Undergraduate Database*, a group that in 2012 amounted to n=1,075 institutions. Further, only public and private nonprofit four-year institutions granting bachelor's degrees in 2011-12 are included in the state averages reported by TICAS. The South Dakota averages, for example, reflect data for only eight institutions (Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, the University of South Dakota, Augustana College, Dakota Wesleyan University, and Mount Marty College). Graduates from these institutions accounted for 81 percent of the state's total bachelor's degree recipients in 2012. With this caveat in mind, Table 1 depicts basic student debt data as presented in the 2013 TICAS report:

Table 1.
Basic Student Debt Data for South Dakota, Class of 2012

Average debt of students with loans:	$25,121
National Rank:	28
Percent of graduates with debt:	78%
National Rank:	1
Total BA-granting institutions:	13
BA-granting institutions submitting data:	8

That South Dakota is depicted as having the highest rate of graduate debt in the nation is unsettling. It is important to note, however, that the state's student debt indicators have improved considerably since 2005, when TICAS issued its first annual report on the topic of student debt. Table 2 shows historical data for average debt load, debt rate, and respective state ranks, as summarized in each edition of the TICAS annual report.[6] These data indicate that the state gradually has repositioned itself from being among the highest-debt states (no. 8 in 2005) to a more moderate position (no. 28 in 2012). South Dakota's persistently high percentage of graduates with debt likely owes to the state's historic lack of a need-based scholarship program. With the establishment of a modest need-based aid program during the 2013 legislative session, these figures are expected to improve somewhat in coming years.

Table 2.
Average Debt and Percentage of Graduates with Debt, SD Averages

Year	***Average Debt***	***Nat. Rank***	***Percent with Debt***	***Nat. Rank***
2005	$19,724	8	82	1
2006	$21,103	11	84	1
2007	$22,254	10	81	1
2008	$22,486	17	79	1
2009	$23,581	17	78	1
2010	$23,171	25	75	1
2011	$24,232	25	76	2
2012	$25,121	28	78	1

Note: Values as given in TICAS Annual Report documents. For both "rank" columns, high ranks are preferred to low ranks.

[6] TICAS cautions against comparing year-to-year figures directly, as institutional comparison groups or methodological technicalities may change from year to year. Figures are presented here simply to highlight the state's relative performance in each of TICAS's annual reports.

Additional data help to place the performance of South Dakota's institutions in a richer analytic context by providing information about several relevant comparison groups.[7] First, Figures 1 and 2 provide average debt and percent-with-debt indicators for three institutional sectors in South Dakota: 1) all four-year institutions, 2) public four-year institutions, and 3) private (nonprofit) four-year institutions. It can be seen here that – after adjusting for inflation – the state's public four-year sector has produced a relatively flat trend line with respect to average debt. In addition, this sector also currently outperforms the state's private (nonprofit) four-year institutions with respect to both average debt and percentage of graduates with debt. *Note: Average debt figures are presented in constant 2005 dollars*.

Figure 1. Average Debt, SD Sectors (Inflation Adjusted)

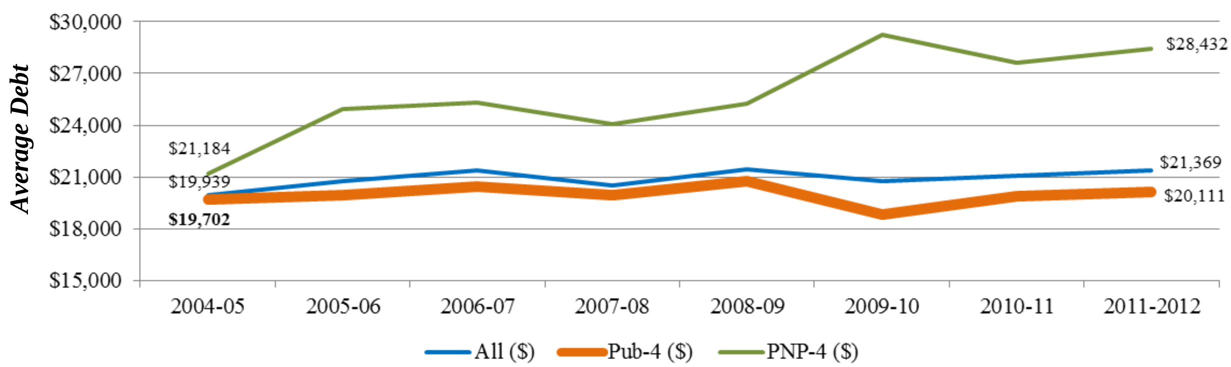
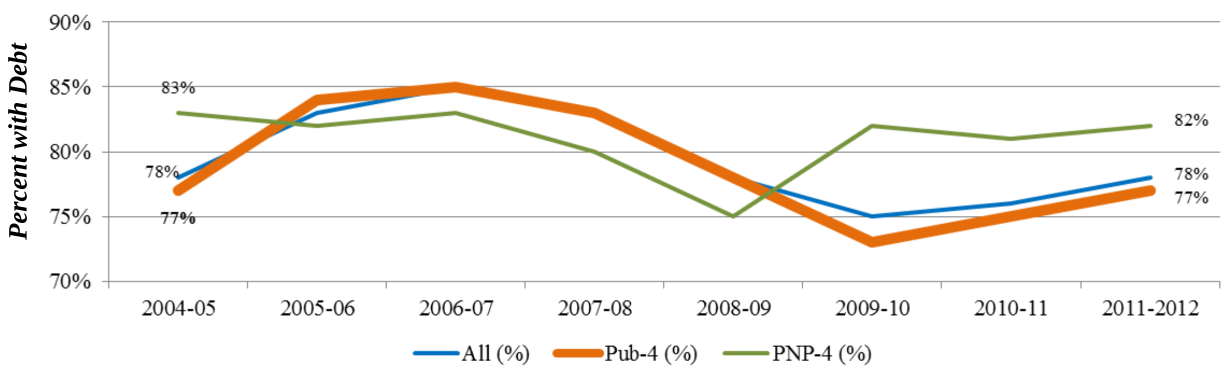


Figure 2. Percent with Debt, SD Sectors



[7] All data presented in the following tables were generated from queries of the TICAS data system, accessible at http://college-insight.org/#explore/go.

Figures 3 and 4 below depict data with respect to South Dakota and its neighboring states. For each figure, data are summarized for public four-year institutions in three-year average format. Figure 3 indicates a slight descending trend in average debt among graduates from South Dakota institutions, in contrast to a marked climbing trend in most neighboring states. Figure 4 is suggestive of a high rate of debt among in-state graduates, but notes a distinct fall in these figures over the last half-decade.

Figure 3. Average Debt Three-Year Averages by State, Public 4-Year Institutions (Inflation-Adjusted)

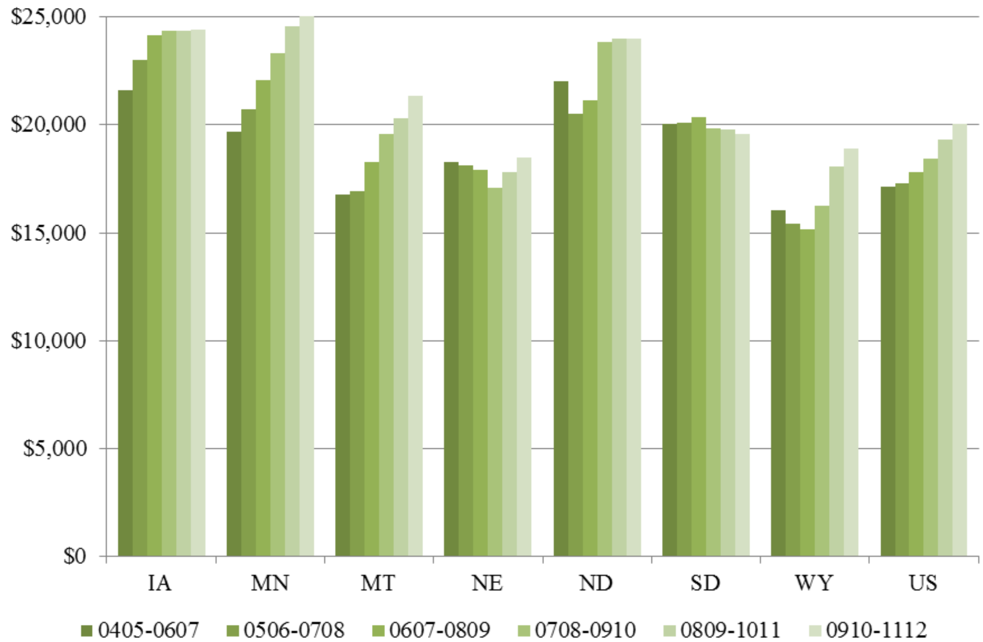
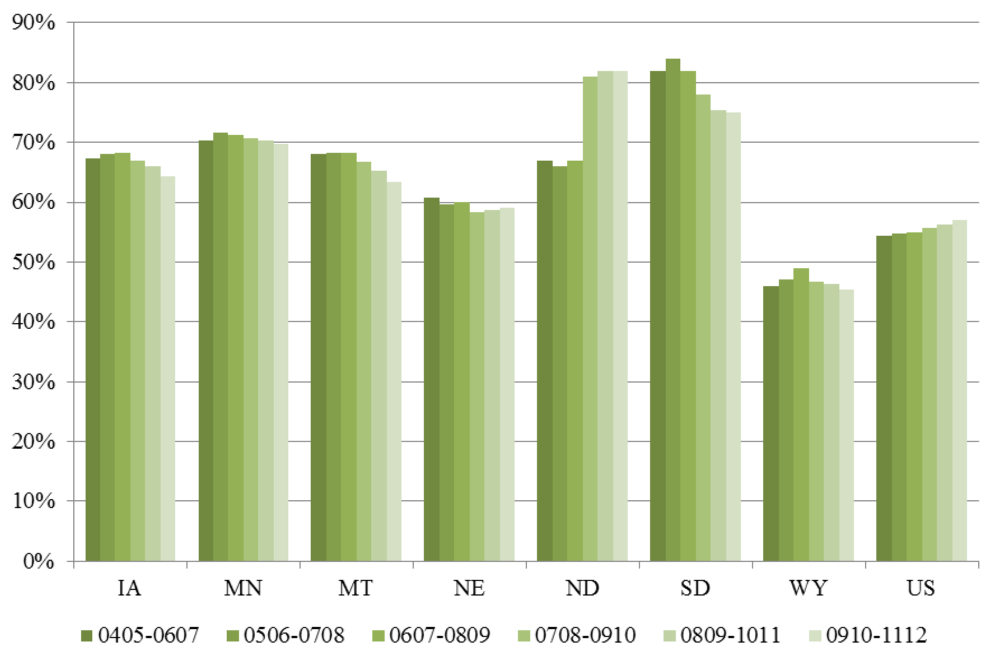


Figure 4. Percent-with-Debt Three-Year Averages by State, Public 4-Year Institutions



Figures 5 and 6 present data analogous to those depicted on the previous page, but focus instead on South Dakota institutions reporting data in 2011-2012. The top figure illustrates the disparity between the state's public and private (nonprofit) four-year institutions with respect to average debt. Whereas public institutions tend to show three-year averages that hover around the $20,000 mark, private institutions tend to be situated closer to the $25,000 level. Augustana College, in particular, has seen a pronounced rise in its average debt indictors over this period. Finally, Figure 6 indicates Regental institutions included in the TICAS study have demonstrated consistent improvement in student debt rates, particularly over the last several years. At the same time, rates have tended to occupy a range for this metric that is similar to that of the state's private institutions.

Figure 5. Average Debt Three-Year Averages by Reporting SD Institution (Inflation-Adjusted)

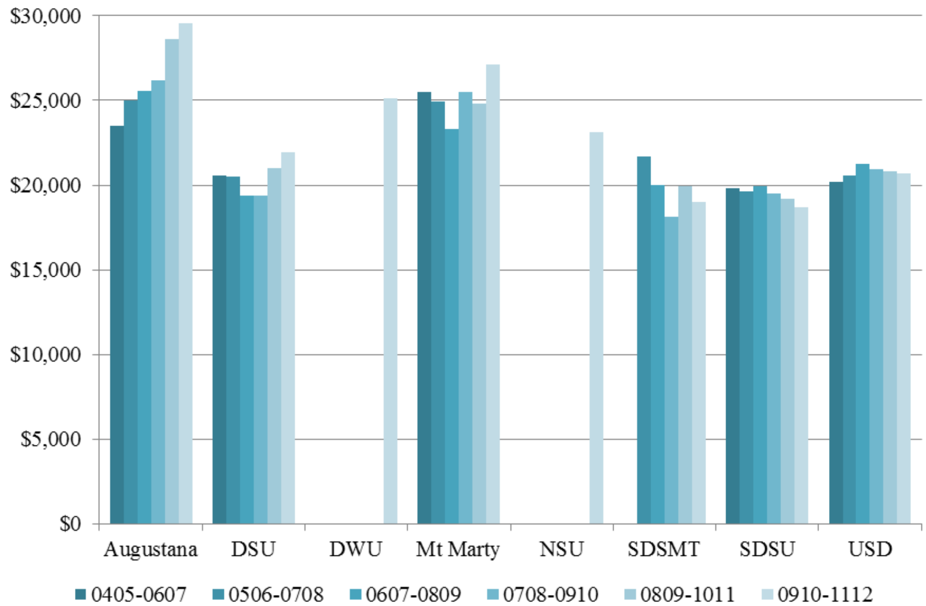


Figure 6. Percent-with-Debt Three-Year Averages by Reporting SD Institution