

60x30TX: New Strategic Plan Targets Debt-to-Income Ratio

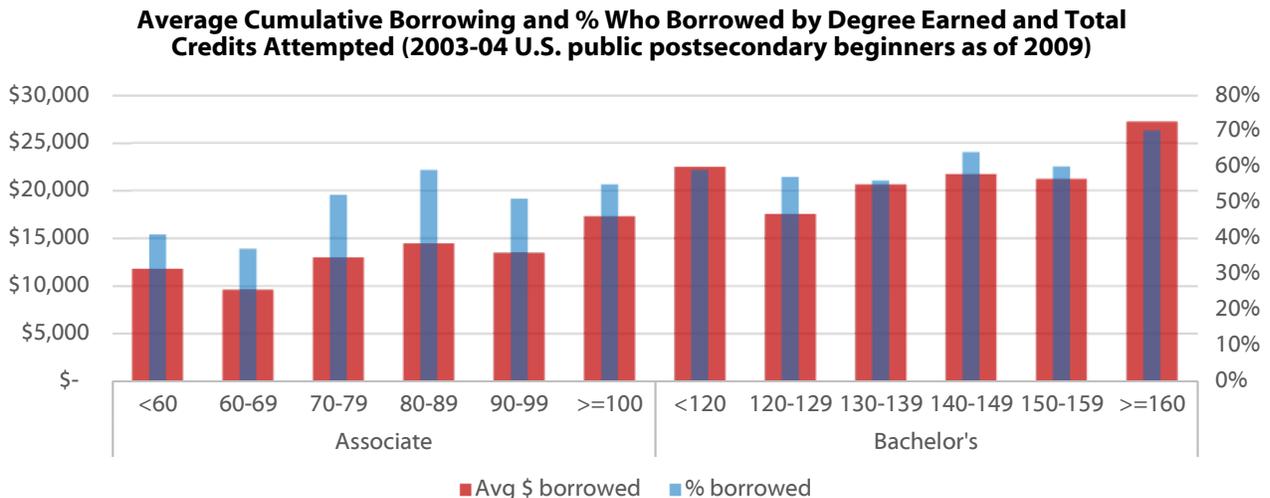
In 2016, the Texas Higher Education Coordinating Board (THECB) launched a new, 15-year strategic plan for Texas higher education: 60x30TX (“sixty by thirty Texas”). The plan establishes four core goals:

- 1) By 2030, at least 60 percent of Texans ages 25-34 will have a postsecondary credential or degree.
- 2) By 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor’s, or master’s degree from a Texas public, independent, or for-profit college or university.
- 3) By 2030, all graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.
- 4) By 2030, undergraduate student loan debt will not exceed 60 percent of first-year wage for graduates of Texas public institutions.

In focusing on student debt and workforce outcomes, goals three and four represent a new direction for the THECB. The plan has identified two key targets for containing student loan debt:

- a) Decrease the excess semester credit hours (SCH) that students attempt when completing an associate or bachelor’s degree to 12 by 2020, six by 2025, and three by 2030.
- b) Limit the need to borrow so that no more than half of all students who earn an undergraduate degree or certificate will have debt in 2030.

While excess SCH have an intuitive connection to higher borrowing – classes cost money, so taking more classes results in higher costs and therefore greater need to borrow – it is not clear to what extent excess SCH contribute to student loan debt. As shown in the chart below, the correlation between borrowing and SCH attempted is not overwhelming but does exist, especially if those who attempted fewer SCH than typically required for their degree are excluded (these students likely started postsecondary education with credit from dual enrollment or Advanced Placement courses).



While meeting the target for excess SCH will require substantial reductions, about 60 percent of undergraduate degree completers already borrow student loans. However, this is partially because students with a greater need to borrow tend to have lower odds of completing their degrees; students with more resources who do not need to borrow are overrepresented among completers. Without significant changes to students’ costs and/or resources, increasing the number of minority and low-income students who graduate (an explicit goal of 60x30) will raise the percentage of graduates who borrow. Conversely, if grant funding does not increase significantly, then increasing the rate and amount of borrowing might be necessary for financially needy students who would otherwise drop out to persist to graduation. At current prices, making progress towards completion goals while holding the borrowing rate at 60 percent *and* containing the debt burdens of graduates will likely require additional grant funding.

Sources: 60x30TX: Texas Higher Education Coordinating Board. THECB 60x30 Progress Report (<http://www.60x30tx.com/media/1186/2017-60x30tx-progress-report.pdf>); Debt by credits attempted: Analysis of US Dept of Education, National Center for Education Statistics, Beginning Postsecondary Students 2004/09 (<http://nces.ed.gov/surveys/bps/>).

