

An Economic Ranking of State Public Higher Education Systems: 2019-2020

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Key Points

- There is wide variation in the performance of public higher education systems, with the percentage of students attending a program that passes a debt-to-earnings test ranging from 45 to 89 percent.
- Texas' public higher education does well, coming in #8.
- Coming in #8 means there is still room for improvement.

The Texas Public Policy Foundation is pleased to release its first annual ranking of public higher education systems based on a debt-to-earnings test.

A state's ranking is determined by the percentage of its college graduates who complete their degrees at programs that pass a debt-to-earnings test. This test measures post-college earnings versus student loan debt to help distinguish college programs that are sound economic investments for their students from those that leave their students too heavily burdened with student loans. Over 5,000 programs at public universities do not pass this debt-to-earnings test, indicating that around 500,000 graduates per year are using federal financial aid to attend financially risky programs. While there is, no doubt, much more to college quality than the economic return, the economic return shouldn't be ignored by the students, parents, and taxpayers funding a state's colleges.

These rankings reveal a wide range of performance of public higher education systems. In some states, most students graduate from programs that pass the debt-to-earnings test, indicating that their post-graduation income is high enough to enable them to repay their student loans. But in other states, many students are attending programs that fail the debt-to-earnings test, indicating that students' post-graduate earnings are not high enough to allow them to realistically repay their student loans.

Figure 1 shows each states' ranking based on all public colleges.

Rankings for four-year and above colleges are shown in **Figure 2**.

Figure 3 focuses on community colleges only. Note that there are only 48 states ranked, as neither Alaska nor Delaware had any programs with data at the community college level.

Data

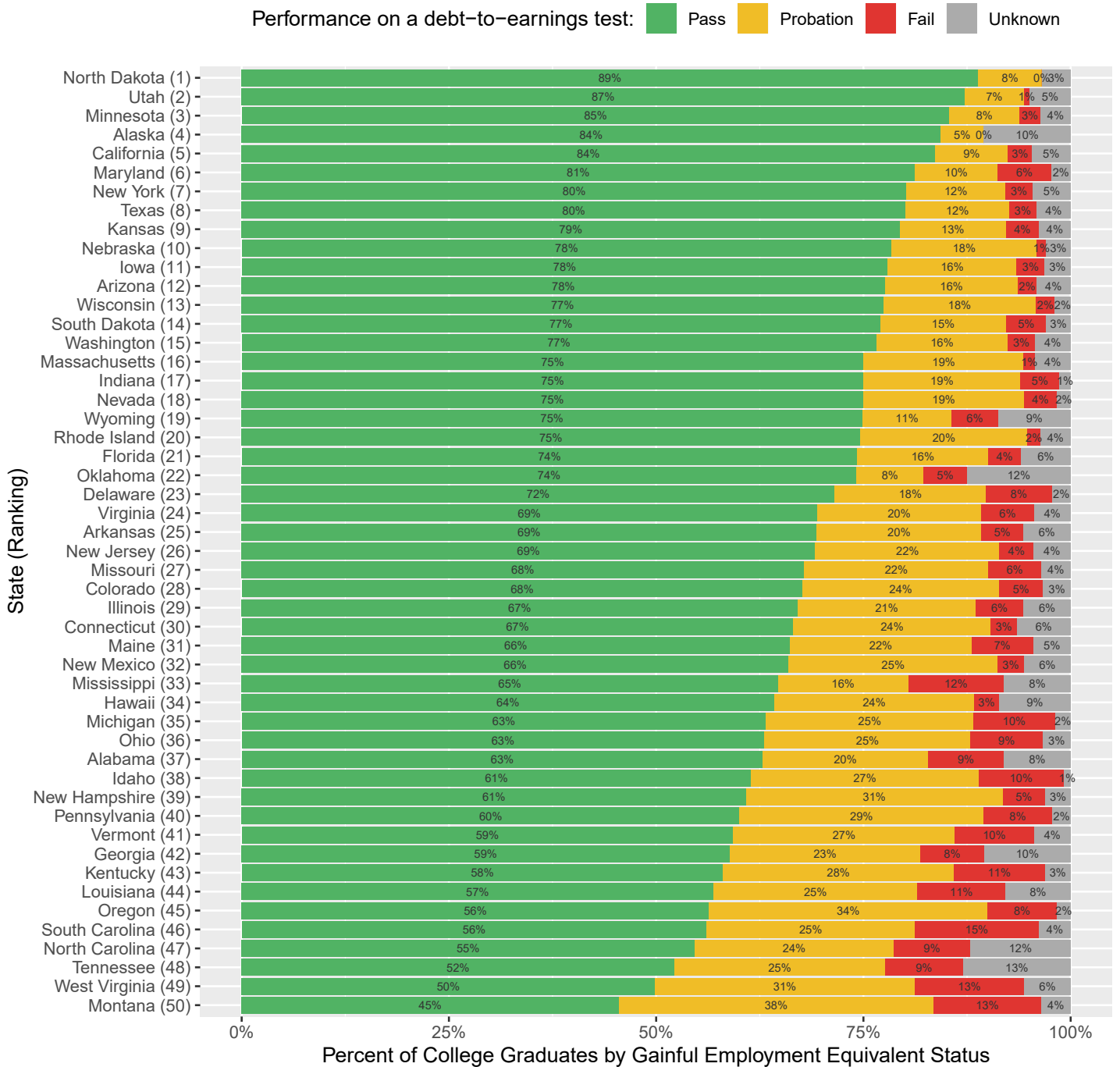
These rankings are based on the U.S. Department of Education's Colleges Scorecard data from 2019, available at <https://collegescorecard.ed.gov/data/>, supplemented with data from the U.S. Department of Education's Integrated Post-secondary Education Data System (IPEDS).

Methodology

Each program at a public university is evaluated using a debt-to-earnings test called *Gainful Employment Equivalent*, and the results are then aggregated at the state level by the number of graduates from each program. The ranking is then based on the percent of the state's public university graduates who completed programs that would pass the Gainful Employment Equivalent test.

A program is defined as a unique combination of 1) a university, 2) a degree level, and 3) a four-digit Classification of Instructional Programs (CIP) code. These can generally be thought of as a major and degree combination at a particular university (e.g., a bachelor's degree in accounting at Texas A&M), but there

Figure 1. State ranking of public higher education systems.
Based on a debt-to-earnings test for graduates who borrowed.



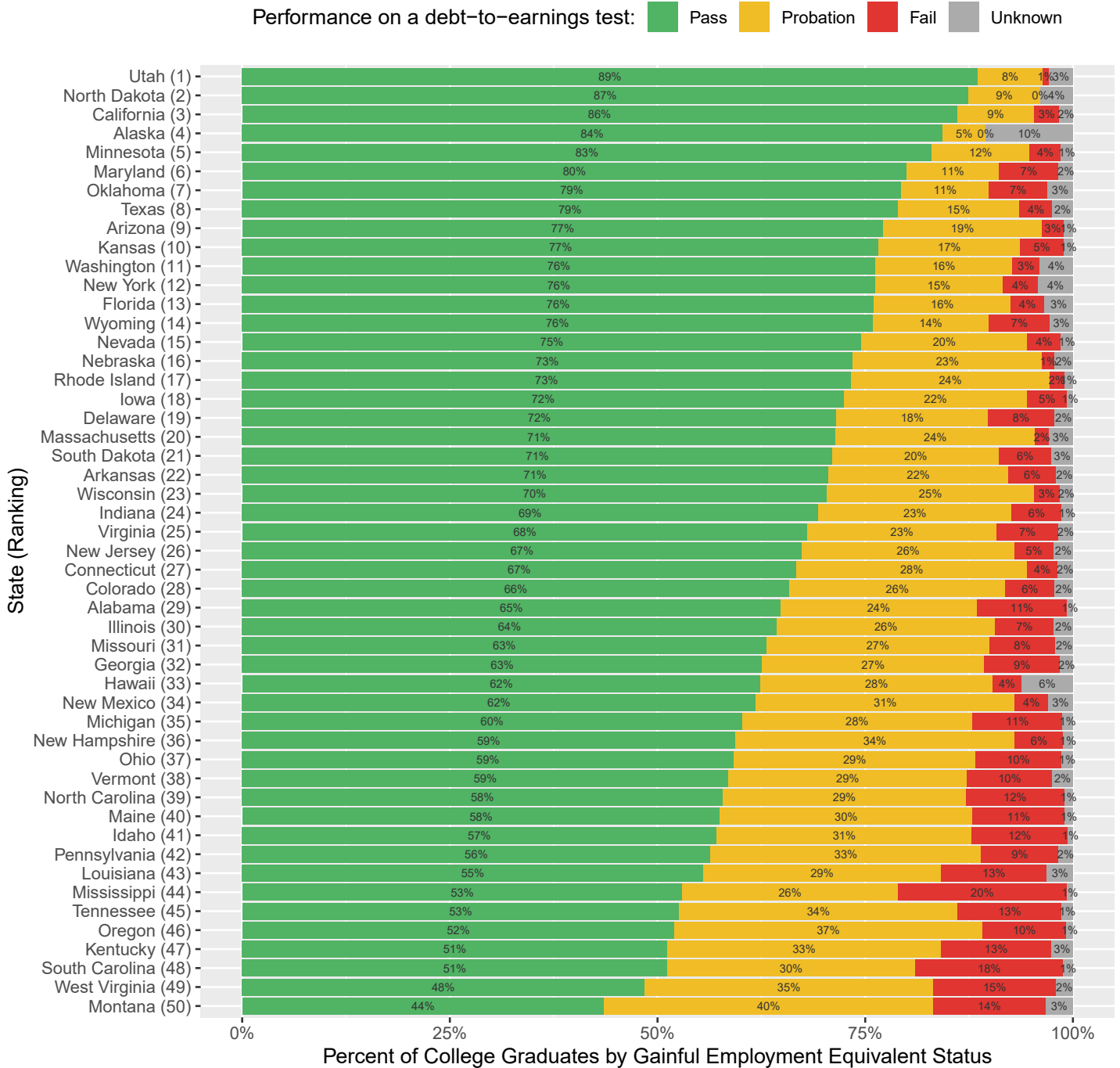
is some aggregation across both CIP codes and multi-branch campuses.

“Earnings” are median earnings of a program’s graduates from 2014-15 or 2015-16 in the first year after graduation. Earnings are compiled by the U.S. Department of the Treasury and are in 2018 inflation-adjusted dollars. Note that to be included, students had to graduate and receive federal financial aid. Students who enrolled in another program

after graduation or who didn’t work after graduation were excluded.

“Debt” is the mean or median debt of graduates who borrowed (this includes Subsidized and Unsubsidized Stafford Loans and Graduate PLUS Loans but excludes Parent PLUS loans and Perkins Loans). The data are compiled from the National Student Loan Data System and are for the 2015-16 and 2016-17 academic year cohorts.

Figure 2. State ranking of public higher education systems (four-year colleges).
Based on a debt-to-earnings test for graduates who borrowed.

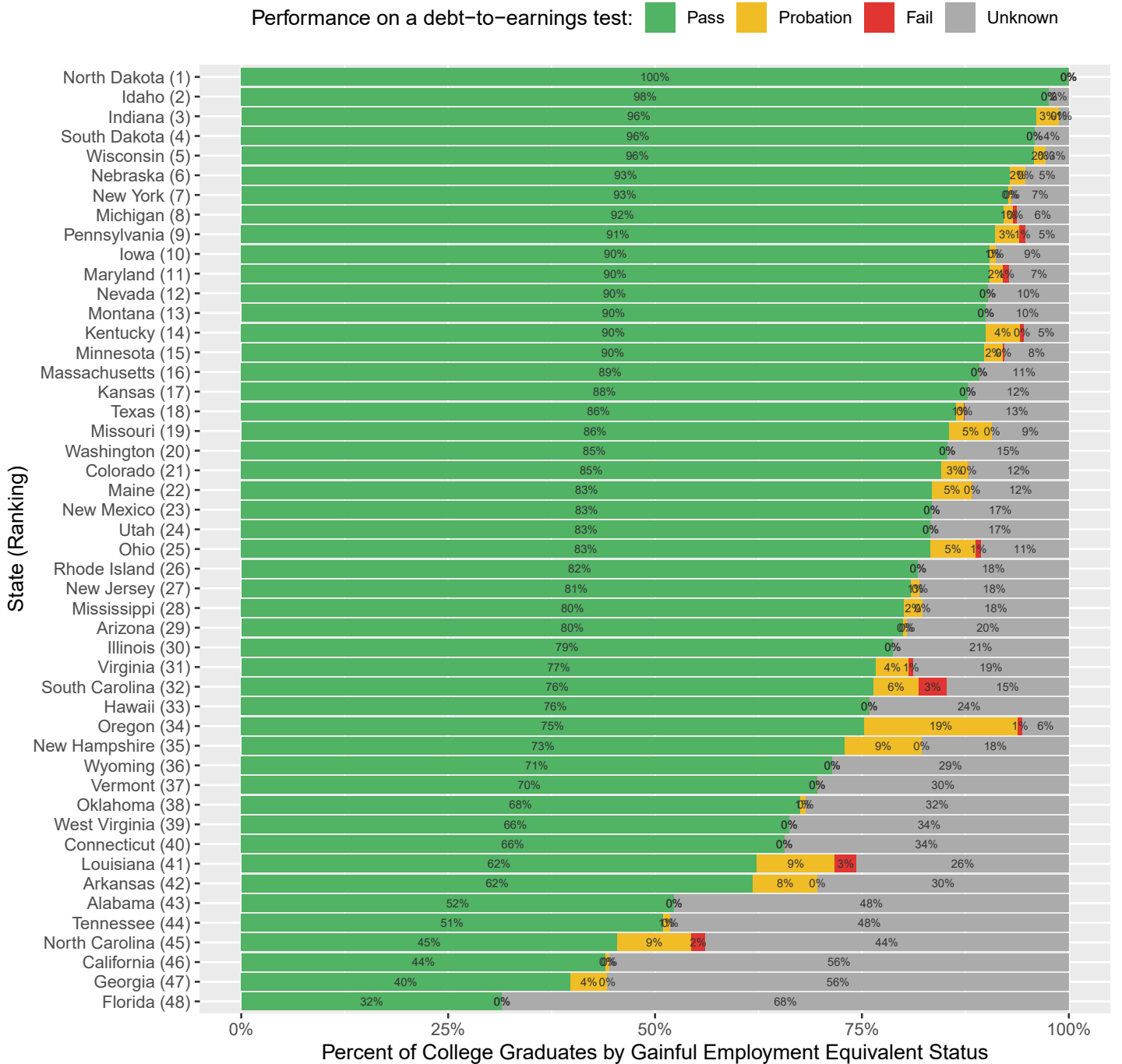


Source: Texas Public Policy Foundation

Gainful Employment Equivalent (GEE) was created by the Texas Public Policy Foundation as an update of the old U.S. Department of Education Gainful Employment (GE) regulations introduced by the Obama administration. Programs that failed the GE debt-to-earnings tests would be cut off from federal financial aid. GE was applied primarily to for-profit programs, but GEE is applied to all programs. Thus, GEE essentially asks, “Had this program been at a for-profit college, would the Obama administration have tried to shut it down?”

Like GE, GEE subjects college programs to two debt-to-earnings tests: the Annual Earnings Rate (AER) and the Discretionary Income Rate (DIR). AER is the annual loan payment divided by annual earnings. DIR is the annual loan payment divided by annual earnings minus the poverty line. GEE status is determined as the best performance on the two tests, with an AER < 8.6 or a DIR < 21.4 considered passing, an AER > 12.8 or a DIR > 32.1 considered failing, and everything else considered probation.

Figure 3. State ranking of public higher education systems (four-year colleges).
Based on a debt-to-earnings test for graduates who borrowed.



Source: Texas Public Policy Foundation

For more information on the parameters used in the Gainful Employment Equivalent test, see <https://www.andrew-jgillen.com/?p=594>.

If a program had few graduates, the Department of Education suppressed the program's data to protect student privacy. These programs are classified as "Unknown" in the charts.

Additional Resources

The Texas Public Policy Foundation has created a web tool at <https://www.texaspolicy.com/college-earnings-and-debt> that allows users to look up specific colleges and programs. The tool also allows users to conduct alternative GEE calculations using different thresholds for the AER and DIR. ★

