UNDERGRADUATE STUDENT DEBT LEVELS IN KENTUCKY

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

JANUARY 2026

Table of Contents

From the President

CPE's latest report examines college affordability through the lens of student loan debt. It examines both the share of students graduating with loans and the average balance owed at credential completion. While other factors, such as net price and financial aid availability, affect affordability, unmanageable debt can curtail graduates' ability to meet their financial obligations for years to come.

Fortunately, the news is positive. Kentucky's public higher education system has significantly lowered debt levels among undergraduate completers over the last five years. Nearly two-thirds (60.6%) of students graduate from KCTCS and public universities with no loan debt. Among those who do borrow, the average loan balance has fallen 10.7%—from $28,897 in 2019-20 to $25,799 in 2024-25.

This is not occurring because students are wealthier; enrollment of low-income students during the same period increased 7.9%. Rather, several statewide and campus initiatives are contributing to this trend. CPE and state policymakers are moderating tuition increases and investing more heavily in grants and scholarships. Institutions, especially, are offering more financial aid and better financial literacy instruction. The tremendous growth in dual credit is shortening time-to-degree, which lowers the overall cost of a postsecondary credential.

Together, these efforts are substantially reducing student debt levels. I'm hopeful that this report reassures Kentucky families that a quality postsecondary education remains within reach.

Executive Summary

This report illustrates Kentucky's progress in reducing student loan debt among undergraduate degree and credential completers at public postsecondary institutions over the last five years. Not only are more students graduating debt-free, but average loan balances are also decreasing.

Percentage of graduates from Kentucky public institutions with zero debt

All Graduates (KCTCS and Four-Year)

Up 14.0 percentage points

KCTCS Graduates

Up 13.4 percentage points

Four-Year Public University Graduates

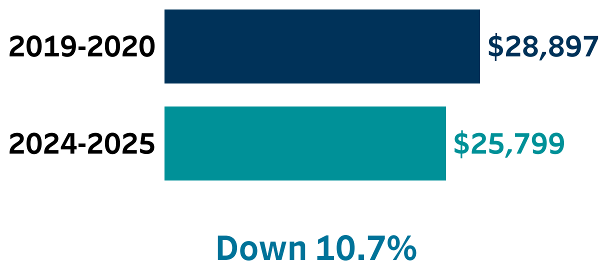
Up 7.9 percentage points

Executive Summary (continued)

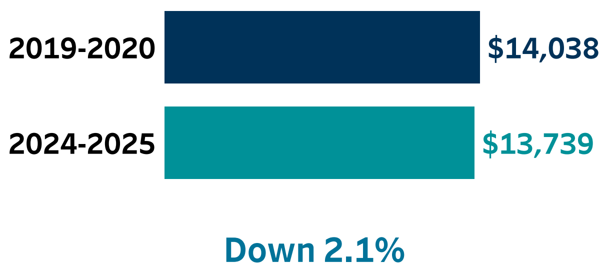
The average loan balance accrued at graduation is declining across all postsecondary sectors. Increased investment in student financial aid, reduced time to degree (due in part to a rise in dual credit course completion), and enhanced financial literacy efforts are contributing to this trend.

Average loan balance of public undergraduate borrowers at completion

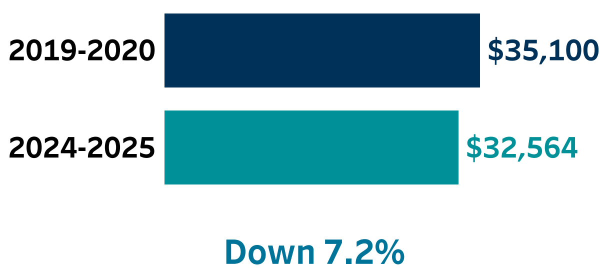
All borrowers (KCTCS and Four-Year)



KCTCS borrowers

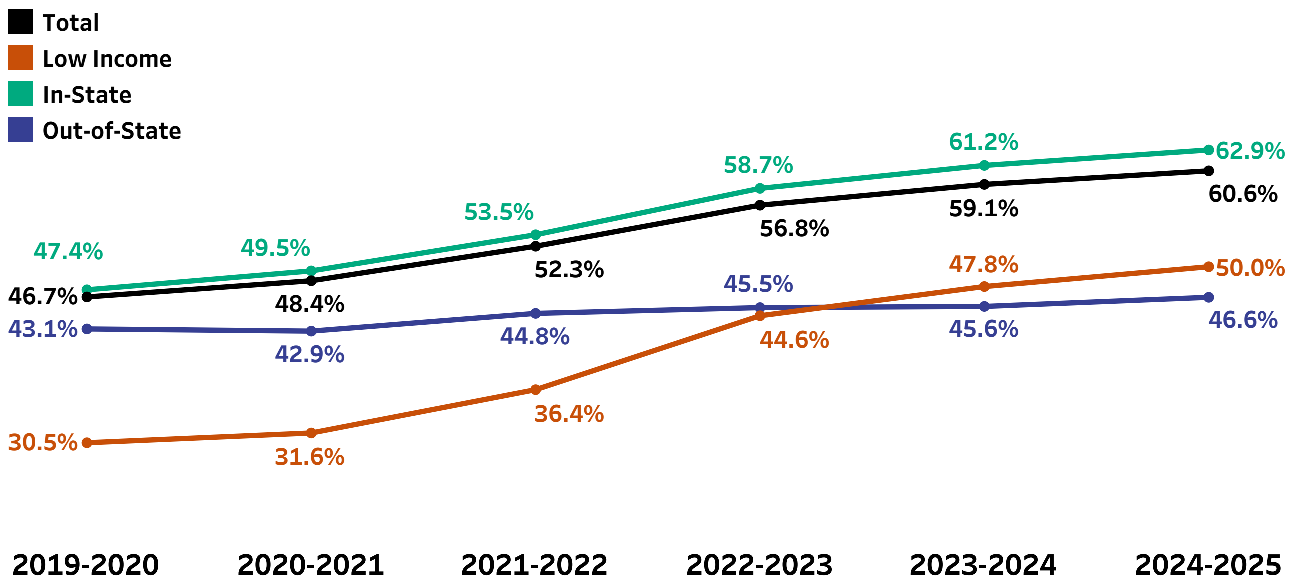


Public university borrowers



Statewide Trends

Figure 1. Percent of all undergraduate completers (from two-year and four-year public institutions) who graduate debt-free, by student type



In the 2024-25 academic year, 60.6% of all Kentucky undergraduates (about 22,000 students) graduated with no student loan debt. This includes both in-state and out-of-state students at KCTCS and four-year public universities who borrowed both federal and private loans. The share of debt-free students increased 1.5 percentage points over the previous year and 14.0 percentage points over the last five years.

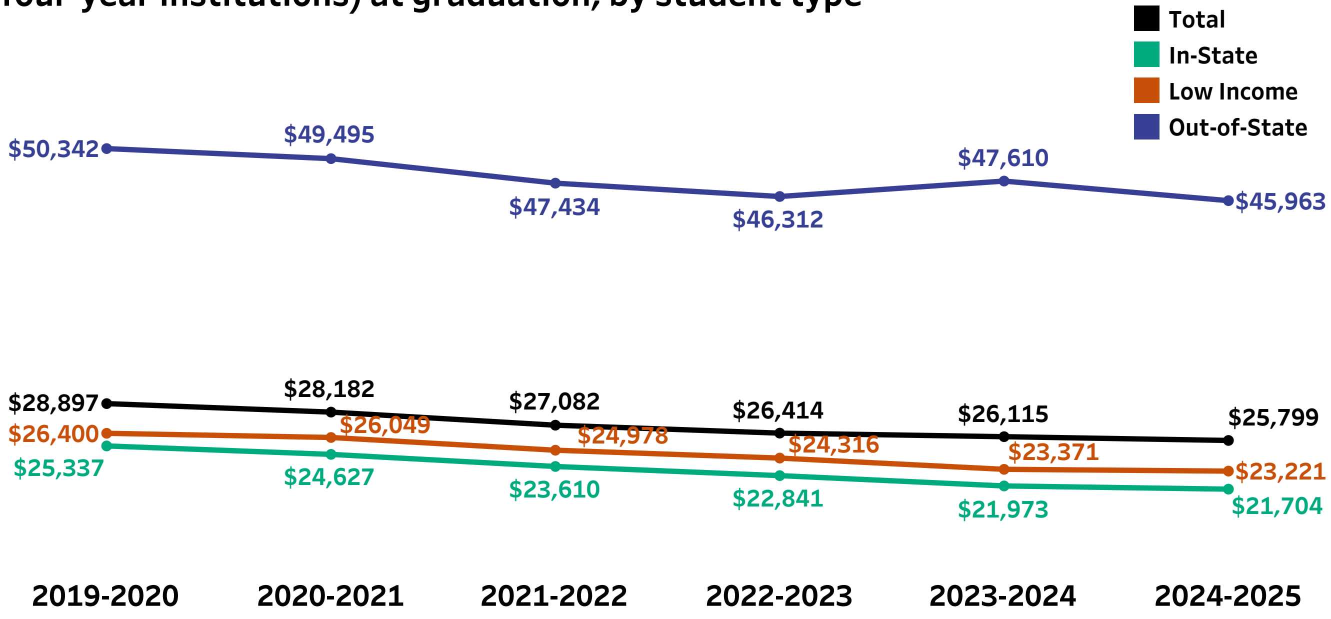
An even bigger increase occurred for low-income students, defined as individuals who received a federal Pell grant at any point during their academic career. In 2019-20, just 30.5% of low-income students graduated debt-free. Now, 50.0% complete a credential without incurring debt, a 19.5 percentage point increase.

The percentage of in-state completers graduating debt-free increased from 47.4% five years ago to 62.9% in 2024-25 (up 15.5 percentage points). Increased investment in state grants, institutional grants, and scholarships (e.g., KEES, CAP, KY Work Ready Scholarship) enabled many students to avoid taking out loans. CPE and institutional efforts to moderate tuition rate increases and educate families about responsible borrowing are also factors.

By design, out-of-state students pay higher tuition rates at public colleges and universities, which subsidizes lower rates for Kentucky residents. Nevertheless, nearly half (46.6%) of out-of-state students graduated debt-free, up 3.5 percentage points from five years ago.

Note: This report categorizes loans into three types: **Stafford loans** (subsidized or unsubsidized); **Parent Plus loans** (for parents covering college costs), and; **other loans** (all other federal loans and private loans, such as those issued by a bank or credit union).

Figure 2. Average loan balance of all public undergraduate borrowers (at two- and four-year institutions) at graduation, by student type



Not only are fewer students incurring debt; loan balances, on average, are declining. **Over the last five years, there has been a 10.7% reduction in the average student loan balance of undergraduate borrowers at completion. In 2019-20, the average balance owed at graduation was $28,897; by 2024-25, it had fallen to $25,799.**

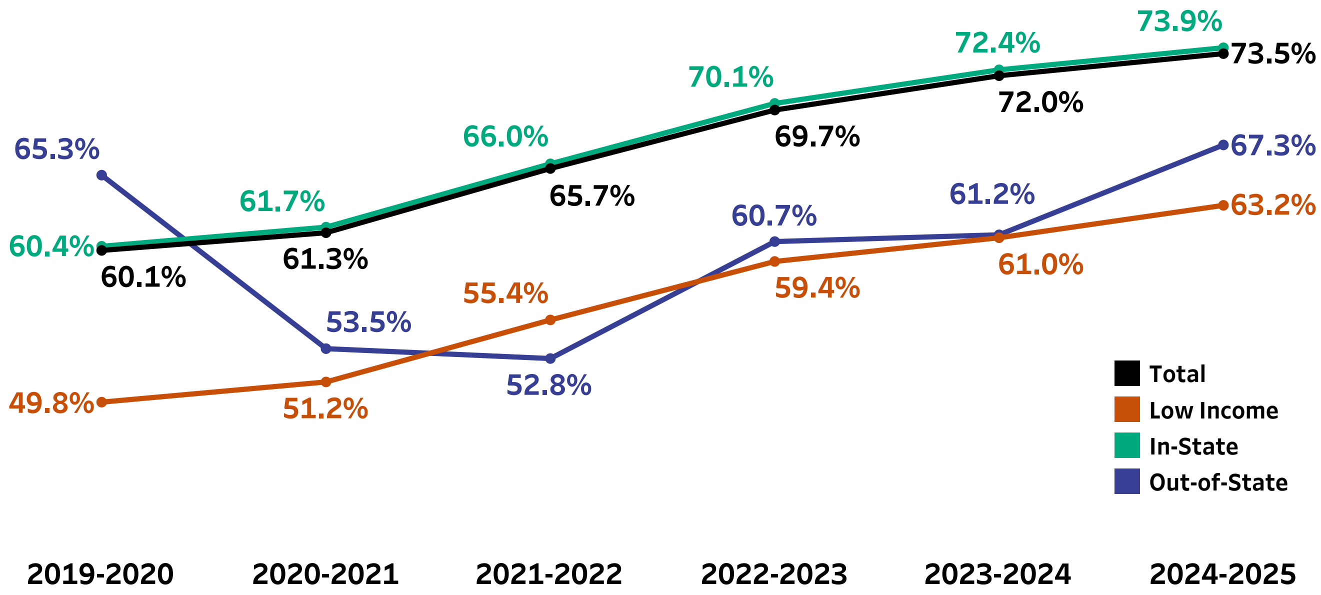
Reductions have been especially pronounced for low-income students. The average loan balance for low-income graduates declined 12.0% over five years, from $26,400 to $23,221, exceeding the overall decline. This trend, coupled with the rise of low-income students without debt, suggests that targeted financial aid, such as the state's need-based grant (CAP), and institutional aid, are effectively reducing debt loads for our neediest students.

Resident students saw their average loan balances decrease by 14.3%, from $25,337 to $21,704 over the last five years. In addition to state and institutional financial aid, CPE and legislative efforts to moderate tuition increases are likely contributing to this trend.

Overall, non-resident students borrow more due to higher tuition costs. Still, their average loan balance declined 8.7%, from $50,342 to $45,963 over the same period.


KCTCS Trends

Figure 3. Percent of KCTCS completers who graduate debt-free, by student type



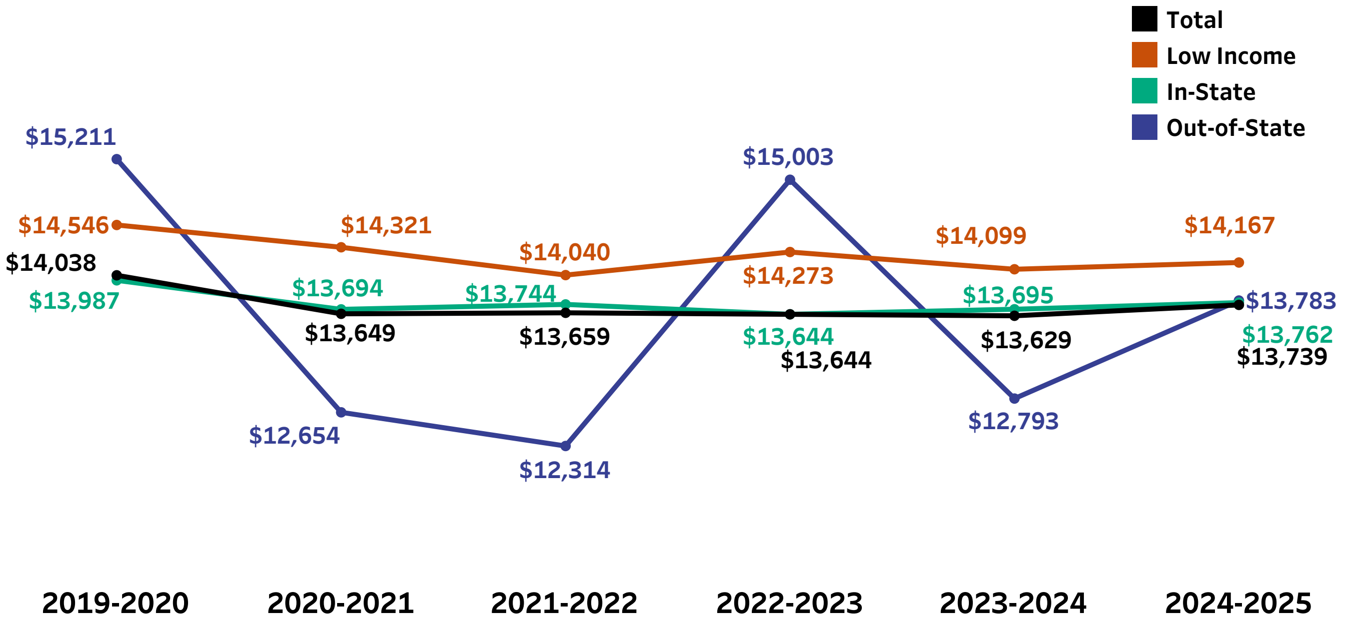
From 2019-20 to 2024-25, the share of KCTCS completers graduating debt-free increased 13.4 percentage points, from 60.1% to 73.5%. Regardless of residency or income status, an increasing share of KCTCS graduates are not incurring student loan debt.

Mirroring the overall trend, the proportion of low-income KCTCS graduates without loan debt also increased by 13.4 percentage points, from 49.8% five years ago to 63.2% in the previous academic year. Because KCTCS serves a higher proportion of low-income students relative to other postsecondary sectors, the difference in the proportion without loan debt between all students and low-income students is narrower.

Similarly, the percentage of resident students graduating from KCTCS debt-free increased 13.5 percentage points over the same period—from 60.4% to 73.9%. Because nearly all KCTCS graduates are Kentucky residents, there is little difference in the percentages for in-state graduates and total graduates.

The low number of out-of-state KCTCS graduates accounts for the volatility in this trend line, which fell sharply in 2020-21 and spiked in 2022-23. Compared to 2019-20, the share of non-resident KCTCS completers graduating debt-free was about 2.1 percentage points higher in 2024-25, increasing from 65.3% to 67.3%.

Figure 4. Average loan balance of all KCTCS borrowers at graduation, by student type



Across all KCTCS borrowers at graduation, the average loan balance decreased from $14,038 in 2019-20 to $13,739 in 2024-25, a 2.1% reduction.

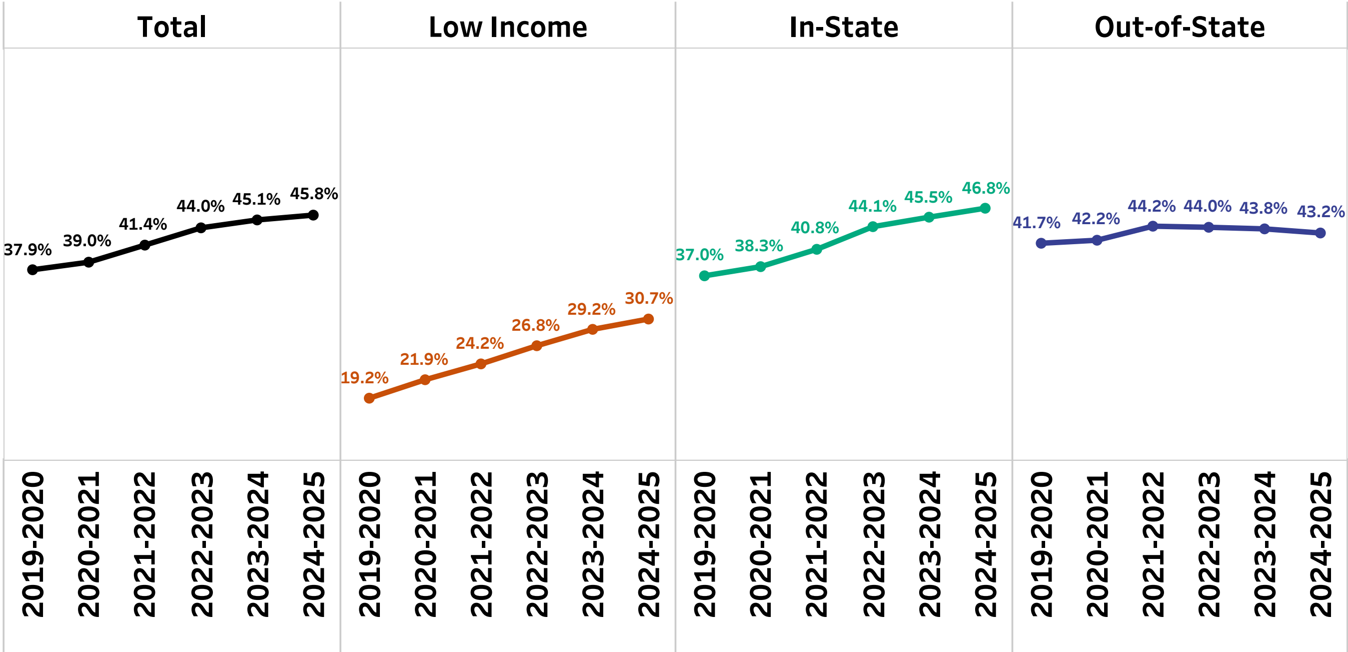
This reduction was even more pronounced for low-income borrowers at KCTCS. Their average loan balance at graduation declined by 2.6% — from $14,546 five years ago to $14,167 the previous academic year.

The average loan balance for in-state KCTCS borrowers at graduation declined more modestly (by 1.6%), falling from $13,987 to $13,762 over the same period.

Because of the small number of out-of-state graduates at KCTCS, this trendline is more volatile. Still, the average loan balance for this cohort is moving in the right direction, falling from $15,211 in 2019-20 to $13,783 in 2024-25.

Four-Year Public Institution Trends

Figure 5. Percent of public university borrowers who graduate debt-free, by student type



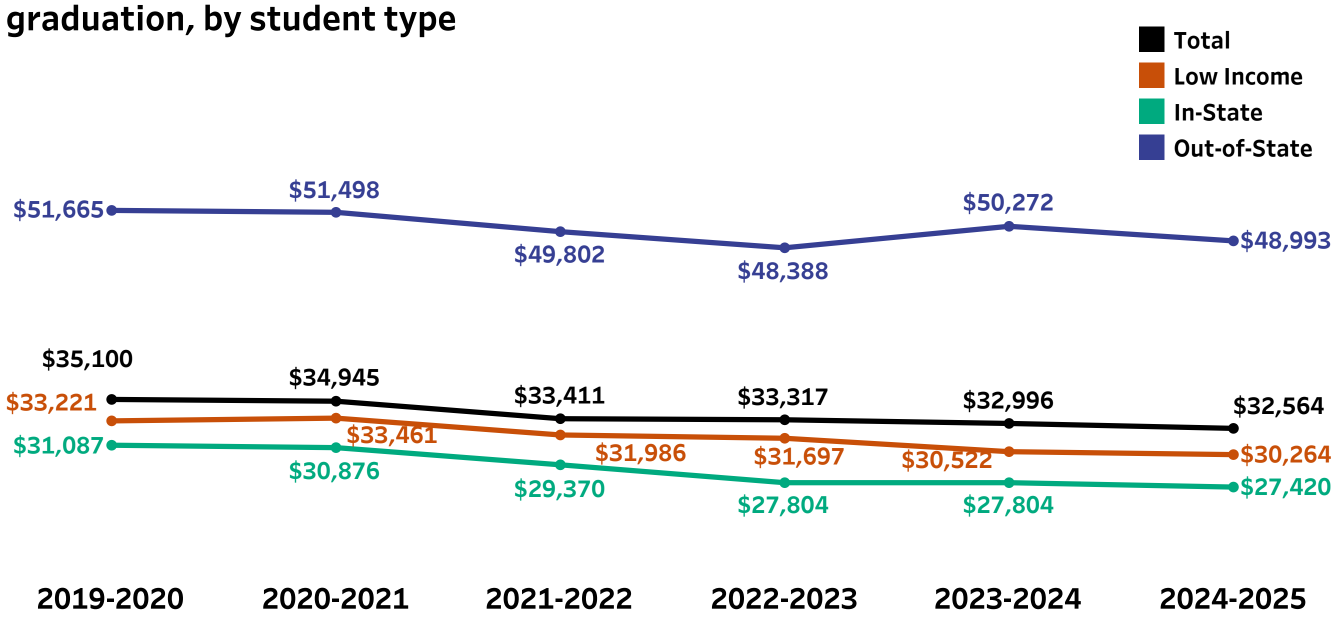
The percentage of undergraduate degree completers at public universities graduating debt-free has increased 7.9 percentage points, moving from 37.9% in 2019-20 to 45.8% in 2024-25. Nearly half of all public university borrowers complete a degree without accruing student loan debt, regardless of resident or income status.

The most dramatic increase was seen among low-income borrowers. While just 19.2% of low-income borrowers graduated debt-free five years ago, in 2024-25, that percentage rose to 30.7% (an 11.5 percentage point increase). **In other words, about a third of low-income students graduate from a Kentucky public university without incurring any student loan debt,** a testament to increased efforts by the state and institutions to support under-resourced students.

The percentage of Kentucky resident borrowers graduating debt-free also had notable growth, rising from 37.0% in 2019-20 to 46.8% in 2024-25 (a 9.8 percentage point increase).

The proportion of out-of-state borrowers graduating debt-free increased only marginally over the same period, rising from 41.7% to 43.2%, a 1.5 percentage point gain.

Figure 6. Average loan balance of public university undergraduate borrowers at graduation, by student type



In 2024-25, the average loan balance of public university undergraduate borrowers at graduation was $32,564, falling from $35,100 in 2019-20 (a 7.2% decrease). Nearly all these students earned bachelor's degrees.

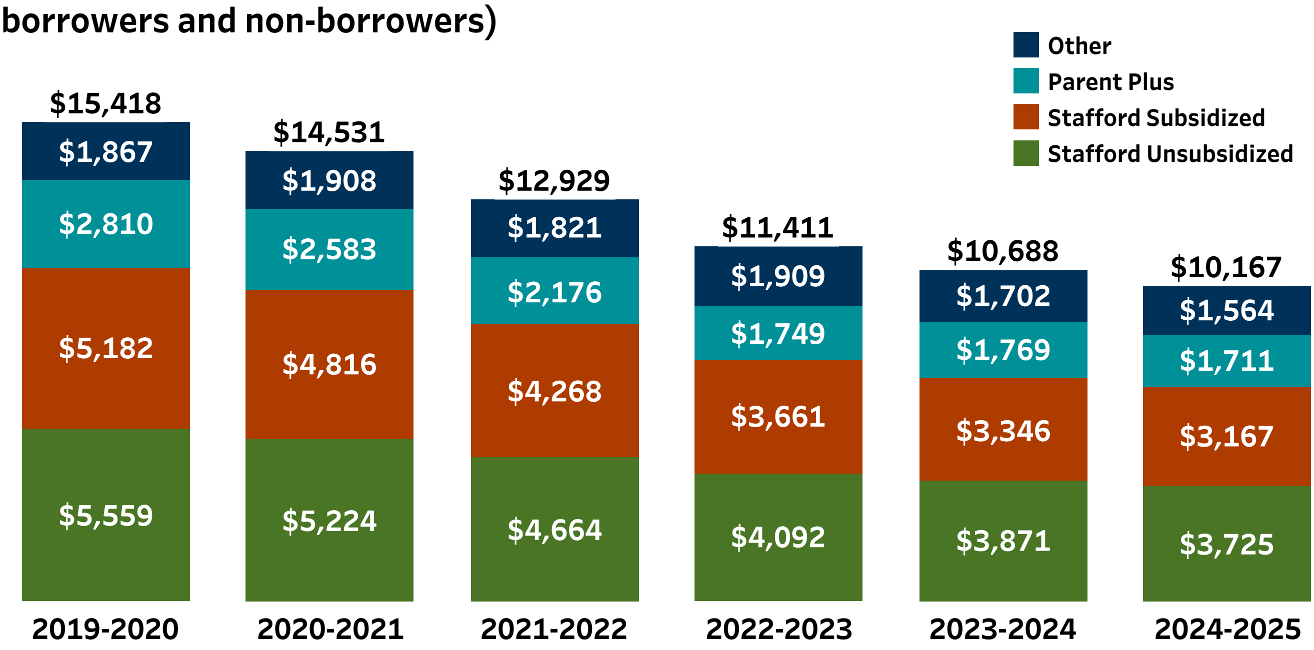
One might expect that low-income undergraduates would incur more loan debt than students overall; however, their average balance at graduation was $30,264, down from $33,221 five years earlier. This reflects the system's progress in targeting aid to the neediest students, who also benefit from federal Pell grants.

The average loan balance for in-state undergraduates at completion was $27,420 in the previous academic year, down from $31,087 five years earlier (an 11.8% decrease).

As expected, out-of-state undergraduates, who face higher tuition rates and have limited access to state financial aid, saw smaller decreases in their average debt at graduation. Their average loan balance declined 5.2%, from $51,665 to $48,993 over the same period.

Average Debt Burden

Figure 7. Average debt burden across all undergraduate completers (including borrowers and non-borrowers)



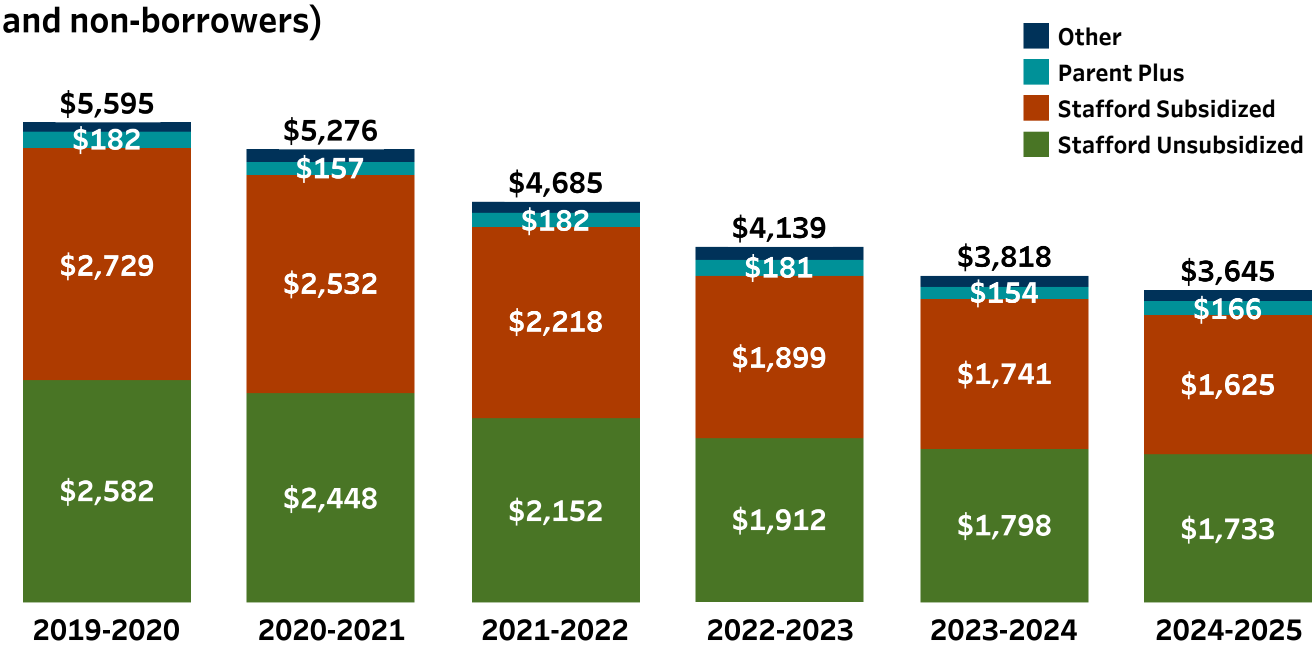
"Average debt burden" differs from "average loan balance" because it includes both borrowers and non-borrowers in the calculation. The inclusion of debt-free students in this metric reflects the significant portion of undergraduate completers with zero debt, roughly two-thirds of all graduates. This all-inclusive metric reveals the mean debt level across the entire cohort—useful for policymakers because it doesn't inflate average financial liability by ignoring students with zero debt.

When non-borrowers are taken into account, the average loan debt burden fell from $15,418 in 2019-20 to $10,168 in 2024-25, a decrease of 34.1%. The cohort includes students at two- and four-year institutions who earned certificates, associate and bachelor's degrees.

Types of loans include:

- **Stafford:** Loans provided directly to students from the federal government. Students with financial need may qualify for a subsidized loan, where interest is paid by the government. With unsubsidized loans, students pay the interest accrued.
- **Parent Plus:** Federal loans for biological and adoptive parents to help cover their child's college costs.
- **Other:** Include all other government loans, as well as private loans issued by a bank, credit union, state agency, or school. Private loans typically have less favorable interest rates and terms than federal goverment loans.

Figure 8. Average debt burden across all KCTCS completers (including borrowers and non-borrowers)



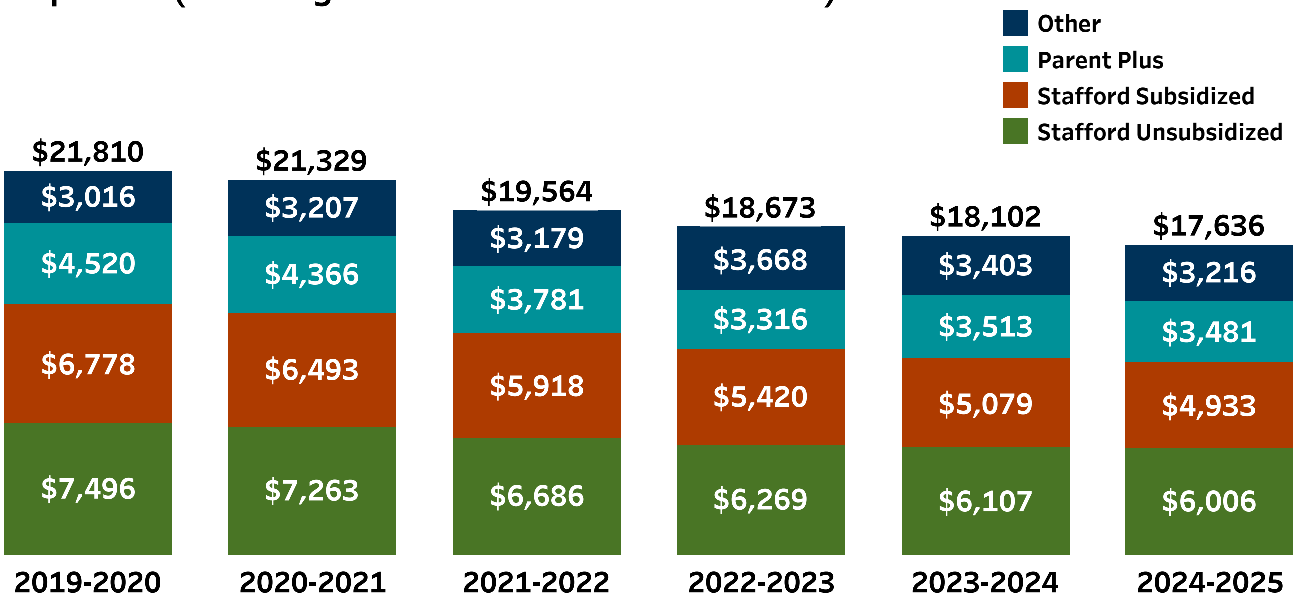
Note: Values for the "Other" category are not displayed on the chart due to spacing. The values are: 2019-2020 - $102; 2020-2021 - $139; 2021-2022 - $133; 2022-2023 - $147; 2023-2024 - $125; 2024-2025 - $121.

At Kentucky's two-year public institutions (KCTCS), the average debt burden has fallen from $5,594 in 2019-20 to $3,645 in 2024-25, a 34.8% decline.

This metric differs from "average loan balance" because it includes both borrowers and non-borrowers in the calculation. This all-inclusive measure reveals the mean debt level across the entire KCTCS cohort—useful for policymakers because it reflects the significant portion of debt-free graduates and doesn't inflate average financial liability.

This trend reflects the borrowing patterns of the KCTCS student population. Because a larger share of these students have low incomes or are financially independent (i.e., adult learners over the age of 25), borrowing is concentrated in federal subsidized and unsubsidized loans, which are subject to strict borrowing limits.

Figure 9. Average debt burden across all public university undergraduate completers (including borrowers and non-borrowers)



At Kentucky's public universities, the average debt burden among undergraduate completers fell from $21,810 in 2019-20 to $17,636 in 2024-25, a 19.1% decrease. While four-year students, like KCTCS students, primarily borrow Stafford loans, they are more likely to supplement their borrowing with Parent PLUS and private (other) loans. This is likely due to higher program costs and longer time-to-degree, which may exhaust annual and lifetime Stafford loan limits.

This metric differs from "average loan balance" because it includes both borrowers and non-borrowers in the calculation. This all-inclusive measure reveals the mean debt level across the entire public four-year cohort—useful for policymakers because it reflects the significant portion of debt-free graduates and doesn't inflate average financial liability.

Contributing Factors

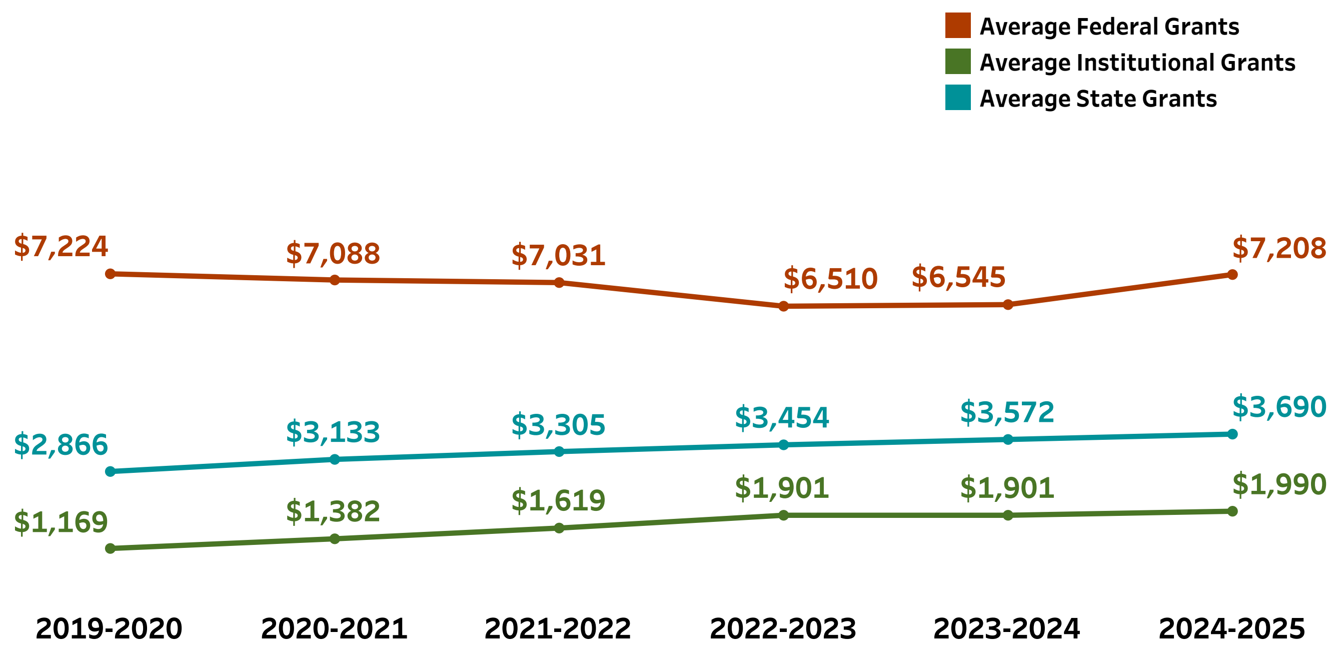
Factors Contributing to Student Debt Declines

Average student loan debt among Kentucky undergraduates at public institutions has declined due to a combination of policy, institutional, and enrollment-related factors. Key contributors include increased institutional and state financial aid; sustained efforts by CPE and campuses to limit tuition growth; exponential growth in dual credit course participation during high school; and shorter time to degree, all of which reduce overall educational costs. Statewide financial literacy initiatives have also supported more informed borrowing decisions by students and families.

Financial Aid Trends

During a period when average loan amounts were declining, grants and scholarships from state and institutional sources saw a corresponding and steady increase for KCTCS graduates. From 2019–2020 to 2024–2025, the average state grant rose from $2,866 to $3,690 — an increase of $824 or approximately 28.8%. Institutional grants saw even stronger growth, climbing from $1,169 to $1,990, a rise of $821 or about 70.2%. Federal grant awards, while fluctuating, declined overall from $7,224 to $7,208, a modest decrease of $16 or 0.2%. Despite the dip in federal aid mid-period, the combined average of state, institutional, and federal grants awarded to KCTCS graduates in 2024–2025 was higher than in 2019–2020, reflecting a net increase in total grant support.

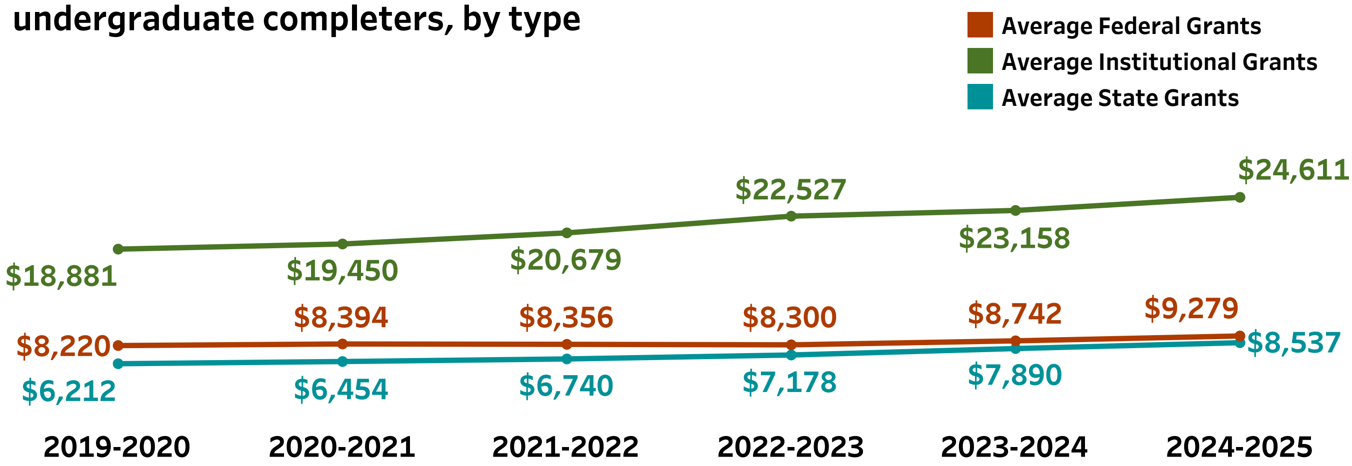
Figure 10. Average cumulative financial aid awards to KCTCS completers, by type



Financial Aid Trends (continued)

During the same period, grant aid from state and institutional sources rose significantly for public university graduates. From 2019–2020 to 2024–2025, the average state grant increased from $6,212 to $8,537—an uptick of $2,325 or approximately 37.4%. Institutional grants saw even more dramatic growth, climbing from $18,881 to $24,611, a rise of $5,730 or about 30.4%. Federal grant awards also increased, rising from $8,220 to $9,279, a gain of $1,059 or roughly 12.9%. The combined growth across all three sources reflects a substantial expansion in total grant support for public university graduates over the five-year period.

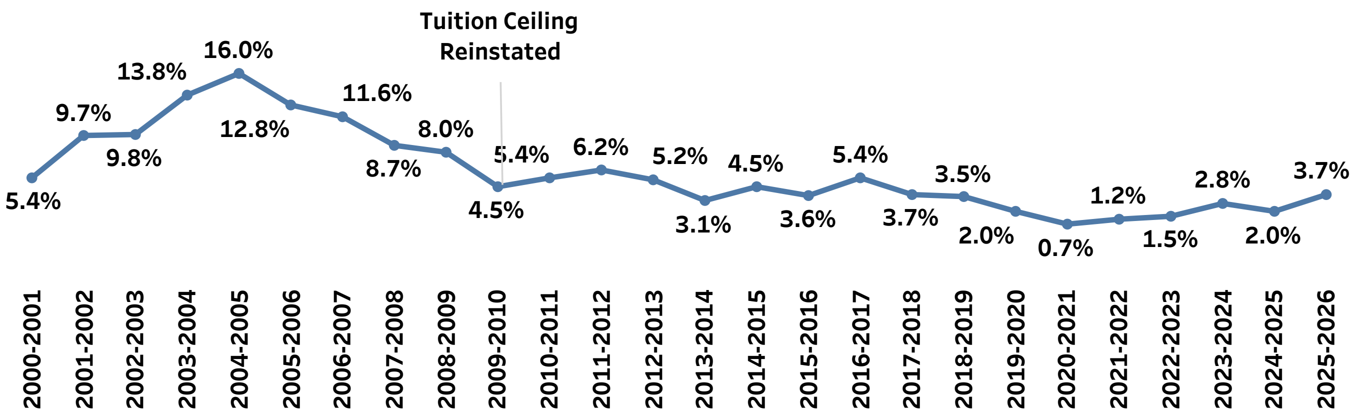
Figure 11. Average cumulative financial aid awards to public university undergraduate completers, by type



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 institutions, dramatically slowing rate increases.

Figure 12. Average annual tuition and fee increases at Kentucky public institutions



Decreased Time to Degree

Reducing the time required to complete a postsecondary credential is a powerful strategy for lowering college costs. Over the past five years, average time-to-degree has fallen from 4.22 to 4.09 for a university bachelor's degree and from 2.99 to 2.92 at KCTCS. One of the most impactful developments in this area has been the expansion of high school dual credit programs. Since the Kentucky General Assembly established the Dual Credit Scholarship in 2017 (and the Work Ready Dual Credit Scholarship in 2019), the proportion of high school graduates successfully completing a dual credit course has risen from 22.8% to 46.2%. These gains translate to more students entering college with advanced standing, shortening their time to degree and reducing overall expenses. Additionally, improved retention and graduation rates — driven by enhanced student services such as mentoring, academic advising, and holistic support — have contributed to more efficient degree completion.

Financial Literacy Initiatives

CPE, in collaboration with the Kentucky Center for Statistics (KYSTATS), institutions, and lawmakers, has prioritized financial literacy as a key component of college affordability. Educational materials and programming focus on responsible borrowing, budgeting, and understanding the long-term implications of student debt. Across the state, institutions host "FAFSA Day" events, where students and families receive hands-on assistance from financial aid counselors to maximize their eligibility for federal aid. At the state level, CPE and KYSTATS have leveraged Kentucky's nationally-recognized longitudinal data system to launch the Futuriti website, offering transparent data on college costs, degree pathways, and projected earnings. This resource empowers Kentuckians from any background to make informed decisions about their educational and career futures.

Conclusion

Kentucky has made measurable progress in improving college affordability. Increased availability of institutional and state grants, coupled with stable federal aid and low-interest loan options, has helped reduce the financial burden on students. Declining student debt at graduation, lower attendance costs at select institutions, and expanded financial literacy efforts have collectively contributed to a more accessible and affordable public postsecondary system. While continued efforts are needed to increase enrollment among low-income students, current data indicate that statewide and campus-level initiatives are having a meaningful impact on students and families across the Commonwealth.

About the Council

The Council on Postsecondary Education (CPE) is Kentucky's higher education coordinating agency and is committed to strengthening Kentucky's 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:

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

TEAM KENTUCKY

CPE Data and Advanced Analytics Team

- **Travis Muncie - Assistant Vice President**
- **Chris Ledford - Director**
- **Wayne Fielder - IT Director**
- **Sujith Kakulamarri - Systems Architect**
- **Yuva Dhanapal - Systems Architect**
- **Madalyn White - Senior Associate**
- **Daniel Nyambati - Senior Associate**
- **Cameron Martin - Associate**
- **Anushka Karki - Intern, Northern Kentucky University**
- **Patricia Juarbe Rivera - Intern, University of Kentucky**
- **Katie Black - Intern, Marshall University**

100 Airport Road, 2nd Floor
Frankfort, KY 40601
Ph: (502) 573-1555
cpe.ky.gov

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