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Upset about veterinary debt? Don’t blame the students

Veterinary students in general are managing their debt within reason; solutions to this massive problem will have to come from elsewhere.

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During the past couple of years, the American Veterinary Medical Association (AVMA) has conducted a number of focus groups at various professional venues, and two economic topics continue to be of concern. AVMA members want the association to take action on (1) student debt and (2) the problem of “too many veterinarians.”

I have already written extensively about the “too many veterinarians” topic, but I have only provided measures of student debt because we need to gather more information. That additional information will arm us with a better understanding of student debt that will, in turn, help guide the profession in developing appropriate strategies to improve its economics.

Factors affecting student debt

In a recent analysis of veterinary college student debt from 2001 to 2014, Williams and co-authors[1] examined a set of demographic factors that might help explain the variation in debt among graduating veterinary students. In short, they found that 36 percent of the variation in the level of debt among veterinary graduates from 2001 to 2014 can be explained by the year of graduation (greater debt over time), age at graduation (more debt with age), marital status (less debt if married), gender (less debt for males) and college attended. When controlling for all of these variables except the college attended and comparing that result to the reported tuition cost per seat for the class of 2014, we found that, in fact, 51 percent of the variation in student debt could be explained. That left 49 percent that could not.

Given this large amount of variation that cannot be explained by available demographic variables, we attempted a different approach to understanding the factors affecting student debt. Our senior survey data includes the debt level reported by all respondents from U.S. colleges when they graduate and also specifies their college and residency status. We separated the residents and nonresidents and then compared tuition costs to debt for each student.

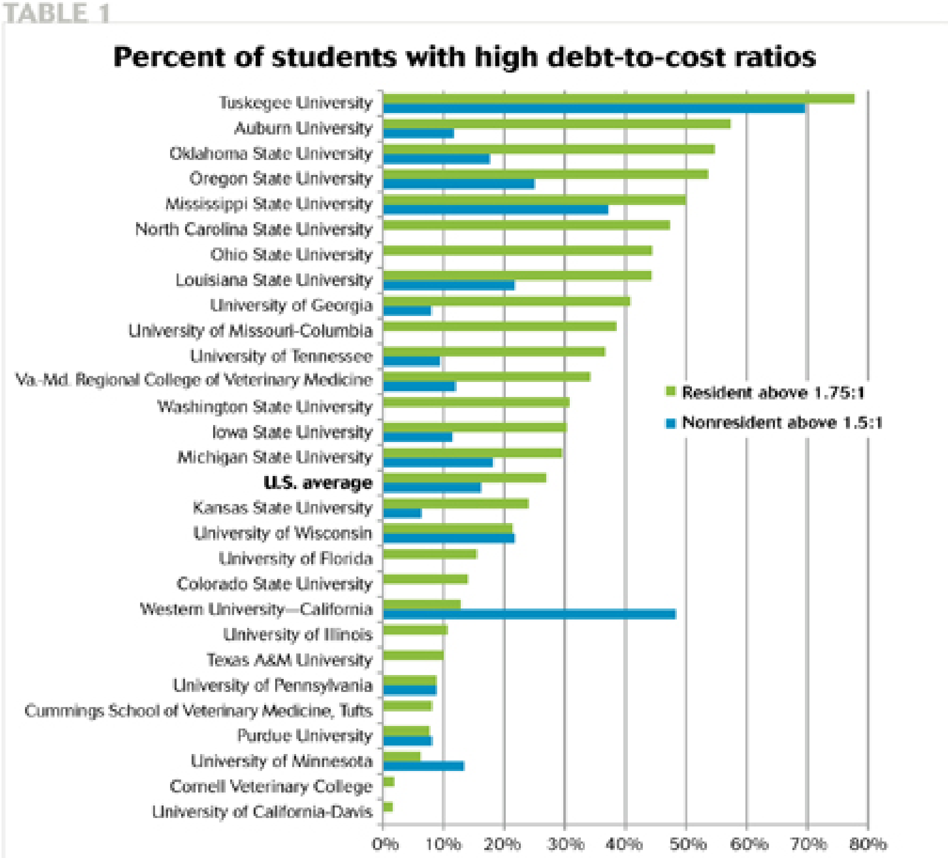
Of course, students must pay for tuition and living costs, and living costs may be highly variable. This can be the result of geographical differences in cost of living as well as differences in individual situations—students may have medical problems, special dietary needs and so on. In order to provide a margin for living costs that would separate those with “acceptable” levels of debt from those with “excessive” levels of debt, we used the ratios of 1.5 times the nonresident tuition rate and 1.75 times the resident tuition rate to arrive at a maximum “acceptable” level of expenditures.

The mean resident tuition paid by 2014 graduates (based on rates provided by each school) was $103,327 for residents and $191,710 for nonresidents. This computation gave us a ratio we could then use to delineate between acceptable and excessive debt. That provided us with a living expense buffer of nearly $75,000 for residents and $95,000 for nonresidents over their four-year college stay.

Excessive student debt

The results indicate that 27.2 percent of residents and 16.1 percent of nonresidents have excessive debt. Even more telling is that those with excessive debt are not uniformly distributed through the 28 colleges that graduated students in 2015. There are 15 colleges with greater than 27 percent of their resident students with excessive debt and eight colleges with greater than 16 percent of their nonresident students with excessive debt (see Table 1).

TABLE 1



Source: AVMA Veterinary Economics Division

Of course, this analysis includes some assumptions, as every analysis does. One major one is that the resident and nonresident tuition rates are an accurate portrayal of the net tuition cost for each student. Because the tuition cost is the denominator in our debt-to-cost ratio, overestimating this cost will reduce the number of students that have excessive debt, while underestimating the cost will increase it.

We have likely done some of both. Contract students were aggregated with resident students under the assumption that the entire cost of the nonresident portion of tuition is not paid by these nonresident students. In addition, there has been no adjustment for scholarships, stipends or other external support. Lastly, several schools/states allow for nonresidents to be considered residents after the first year, and this has not been captured in the data.

As an example, the veterinary colleges at both Ohio State University and North Carolina State University have provisions that allow nonresidents to be considered residents after the first year. For Ohio State, this reduces the nonresident cost from more than 2.2 times the cost of resident tuition to just 1.3 times the resident cost. At North Carolina State the change is reduced from 2.4 to 1.3. And, as illustrated below, both of these schools show no nonresidents with excessive debt.

On the other hand, the five veterinary colleges that are members of the Western Interstate Commission on Higher Education (WICHE) accept more than 40 students per year (42 in 2015) who receive nonresident tuition assistance from the WICHE member states. We included these students as well as other "contract" nonresident students as resident when we estimated excessive debt. To the extent that their contract value does not cover the nonresident portion of tuition and fees, we have likely overestimated the number of students with excessive debt.

Whether we have overestimated or underestimated the number of students with excessive debt, the number is small and the message is unchanged. In general, the 2014 graduates from the 28 U.S. veterinary colleges are managing their finances within reason. Those that are not appear to be concentrated in specific schools. Knowing the exact net cost per student would help target resources to reduce excessive debt.

Strategies to reduce debt

The important takeaway here is that veterinary education debt is not specifically a student problem but a problem with the cost of education in general, and the root cause of the problem is shared by the colleges of veterinary medicine, the university as a whole and the general public. More importantly, the excessive debt problem can be readily solved through better financial education for a target group of students, placing borrowing limits on veterinary education loans, or both.

Controlling the cost of education in the face of declining public support will require a Herculean effort. Common strategies of cost reduction for other businesses include capturing economies of size, specialization and outsourcing. Before any of these strategies is considered, the profession will need to agree on what societal role it wants the veterinary medical profession to play in the future. By identifying this objective and taking into consideration the educational resources currently available, the profession can then begin a dialogue on how to more efficiently use available educational resources to meet future needs, reduce costs and minimize the debt of veterinary college graduates.

Reference

1. Williams R, Benson A, Bain B and Dicks M. Factors affecting student load debt accrued by graduates of U.S. veterinary medical colleges. Working paper, 2015.

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