

INVESTING IN ECONOMIC MOBILITY

THE IMPORTANT ROLE OF HBCUs, TCUs,
AND MSIs IN CLOSING RACIAL AND
WEALTH GAPS IN HIGHER EDUCATION

SEPTEMBER 2019





In previous reauthorizations of the *Higher Education Act* (HEA), the federal government recognized the historic inequitable funding of Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority Serving Institutions (MSIs). Specifically, the law has been amended to authorize several institutional aid programs to expand the academic and institutional capabilities of these institutions.

However, funding levels have consistently fallen short of what is needed to accomplish this fundamental mission.

To fulfill the promise of the HEA, Congress must provide the resources and support necessary to ensure historically underserved students access and complete college.

This will require a greater federal investment in the institutions that are serving these students – HBCUs, TCUs, and MSIs.



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EXECUTIVE SUMMARY

To fulfill the promise of the HEA, Congress must provide the resources and support necessary to ensure historically underserved students access and complete college.

Until the passage of the *Servicemen's Readjustment Act of 1944* (known as the GI Bill), higher education in the United States had been mostly reserved for white men from affluent families.¹ Although the GI Bill opened the door to hundreds of thousands of servicemembers who were returning to civilian life, the average person was still unable to afford college.² Further, many others were barred from the benefits of the GI Bill due to widespread segregationist policies around the country.³

In 1965, as part of the War on Poverty, President Lyndon B. Johnson sought to widely expand postsecondary opportunities to low-income students through the *Higher Education Act* (HEA). He knew that jobs were continuously shifting from manual labor to knowledge-based work, and that higher education was the key to economic prosperity. As it was true then and is true today, President Johnson stated at the signing of the HEA "...education is no longer a luxury. Education in this day and age is a necessity."⁴

Today, there are more low-income students and students of color enrolling in college than ever before. This is because a college degree remains the most certain path to upward mobility. Students who earn a college degree experience substantial financial benefits over their lifetimes. Those who earn a bachelor's degree earn, on average, \$1 million more than high school graduates over their lifetime. Students who earn an associate's degree earn about \$400,000 more than high school graduates.⁵ The economic benefits of a college degree are even greater for historically underserved students, such as students of color, low-income students, and first-generation students.⁶

**ON AVERAGE, THOSE WITH
BACHELOR'S DEGREES EARN**

\$1 MILLION

**MORE THAN HIGH SCHOOL
GRADUATES OVER A LIFETIME**

For these students, Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority Serving Institutions (MSIs) represent an opportunity to enter a system that supports their success. Unlike mainstream institutions, HBCUs, TCUs, and MSIs are centered around the idea that all students can succeed in higher education if the institution meets students where they are.ⁱ

ⁱ In this paper, the term "mainstream institution" refers to all institutions of higher education that are not HBCUs, TCUs, or MSIs.

The role of these institutions has become even more important as our nation and our postsecondary education landscape have diversified. For example, after half a decade of declining enrollment, HBCUs experienced an uptick in applications and first-year enrollment following the contentious 2016 presidential election.⁷ HBCUs saw an increase of more than 6,000 enrolled students in fall 2017, a significant amount given that there are only 101 HBCUs total.⁸

HBCUs, TCUs, and MSIs embrace students' cultural backgrounds and varied experiences, which makes students feel connected to campus, in contrast to the reported experiences of students of color at mainstream institutions. Additionally, HBCUs, TCUs, and MSIs can typically provide a low-cost and high-quality postsecondary experience close to home.⁹ This unique setting prepares many students for success during college and upon graduation.¹⁰

In fact, research has found that HBCUs and MSIs are more successful at boosting students from families in the lowest income quintiles to the top of the income distribution than mainstream institutions.¹¹ This is demonstrated by the significant contribution these institutions make to the American workforce. For example, HBCUs graduate almost a quarter of all STEM degrees earned by Black students and TCUs and MSIs also enroll high proportions of historically underrepresented students in STEM fields.¹²

Despite the high-quality collegiate experience that helps students thrive once they complete their degrees, HBCUs, TCUs, and MSIs receive less state funding and resources than mainstream institutions. This means that these institutions do more for their students with less funds.

The majority of HBCUs and MSIs are public and thus rely heavily on state funding.¹³ Although the majority of TCUs are also public, states are not required to fund TCUs.¹⁴ A lack of political leverage and smaller enrollment sizes often hinder the ability of such institutions to secure more equitable funding from state governments. Additionally, the use of performance-based funding (PBF) in most states has exacerbated inequities in state funding of HBCUs and MSIs.¹⁵ In states with PBF, HBCUs and MSIs receive about \$750 less per student than such institutions in non-PBF states.¹⁶

Moreover, HBCUs, TCUs, and MSIs lack access to alternate funding sources, such as tuition increases, private gifts, or endowments, which other institutions can use to offset funding cuts. It is then not surprising that, collectively, our nation's institutions spend \$5 billion more each year on white students than students of color.¹⁷

As a result of inadequate funding, HBCUs, TCUs, and MSIs are limited in their ability to fully support their students, many of whom are more likely to enter college underprepared due to poverty and the persistent inequities in the K-12 system.¹⁸ Although a cursory glance at the data may lead an uninformed observer to conclude that HBCUs and MSIs have low completion rates compared to mainstream institutions, careful examination debunks that assertion.¹⁹ A thorough review of the evidence reveals that these institutions are more successful at graduating historically underserved students compared to institutions that enroll a similar number of students of color and low-income students.²⁰

To increase the number of individuals with a college credential, the federal government must devote additional resources to the institutions that are serving a disproportionate share of historically underserved students.

In previous reauthorizations of the HEA, the federal government recognized the historic inequitable funding of HBCUs, TCUs, and MSIs. Specifically, the law has been amended to authorize several institutional aid programs to expand the academic and institutional capabilities of these institutions. However, funding levels have consistently fallen short of what is needed to accomplish this fundamental mission. To fulfill the promise of the HEA, Congress must provide the resources and support necessary to ensure historically underserved students access and complete college. This will require a greater federal investment in the institutions that are serving these students – HBCUs, TCUs, and MSIs.

INVESTING IN ECONOMIC MOBILITY:

THE IMPORTANT ROLE OF HBCUs, TCUs, AND MSIs IN CLOSING RACIAL AND WEALTH GAPS IN HIGHER EDUCATION

A college degree carries with it substantial financial and non-monetary benefits. On average, individuals with bachelor's degrees earn \$1 million more than high school graduates over a lifetime, and associate's degree holders earn \$400,000 more.²¹ Furthermore, college degree holders also benefit from greater health outcomes and job satisfaction.²²

The benefits of a postsecondary education are particularly pronounced for historically underserved students: **students of color, low-income, and first-generation students. An individual raised in one of the country's poorest households has a 90 percent chance of moving up the income ladder upon obtaining a college degree.**²³ Without a degree, their chances of climbing the income ladder drop by nearly 40 percentage points to just 53 percent.

On the other hand, for those born in the country's richest households, the chances of falling to the bottom of the income ladder are extremely low with or without a college degree.²⁴ The data show that for these individuals, the chances of ending up at the bottom are just 13 percent without a college degree and 4 percent with a degree. This is to say that for those born in the country's richest households, the difference between earning and not earning a college degree is negligible.

Despite the indisputable value of a postsecondary education, **historically underserved students who have the most to gain from a college degree continue to be left behind.**



In 2015, high school graduates from the lowest income quintile enrolled in institutions of higher education (herein referred to as institutions) at rates 20 percentage points lower than graduates from the highest income quintile (63 compared with 83 percent, respectively).²⁵

Gaps also persist between students of color and their white peers. In 2017, 58 percent of Black graduates enrolled in college compared with 69 percent of white high school graduates.²⁶ And although Latinx high school graduates enroll at similar rates as their white peers, both Black and Latinx students graduate high school at significantly lower rates than white students.²⁷ This means that many students of color never even get the chance to pursue a postsecondary

education. **To close the college opportunity gap for historically underserved students, it is critical to expand access to well-funded institutions where students feel welcome.**

Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority Serving Institutions (MSIs) vary greatly by sector (i.e., two- or four-year), control (i.e., public or private), geographic area, and student enrollment but have a shared goal of educating historically underserved students who have long dealt with inequitable access to higher education. This is in contrast to wealthy and highly selective institutions that are designed to serve a very narrow segment of students.

In turn, HBCUs and TCUs were established specifically in response to racial injustice. **These institutions opened the door to college for Black and Native students who had been intentionally shut out of higher education.** Through the *Higher Education Act* (HEA), Congress has recognized HBCUs as having had a major role in “the effort to attain equal opportunity through postsecondary education for Black, low-income, and educationally disadvantaged Americans.”²⁸ The HEA also acknowledges the longstanding discrimination in federal resources given to HBCUs compared with mainstream institutions.²⁹

The Native movement for self-determination led to the establishment of TCUs after a long history of Native students being forcibly separated from their families and cultures to attend boarding schools.³⁰ The federal government recognized the importance of, and recommended, tribal control in educating Native students through the 1969 Senate Committee report, “Indian Education: A National Tragedy- A National Challenge” (also known as the Kennedy Report).³¹

Nine years later, the *Tribally Controlled Colleges and Universities Assistance Act* (TCCUAA) authorized federal funding to “insure continued and expanded educational opportunities” for Native students attending TCUs.³²

The MSI designations were created to help under-resourced institutions enrolling high rates of students of color and low-income students better serve students. In designating under-resourced institutions that serve large proportions of historically underserved students and making such institutions eligible for unique federal funding sources, the federal government recognized MSIs as providing a critical access point for historically underrepresented students. For example, Hispanic-serving institutions (HSIs), which was the first MSI designation, was created because Congress recognized that colleges and universities enrolling a sizeable percentage of Latinx and low-income students were underfunded, compared with other institutions, and that dedicated grants would help support HSIs in graduating more Latinx and low-income students.³³

**HBCUs, TCUs, AND MSIs
ENROLLED MORE THAN
6 MILLION
UNDERGRADUATE STUDENTS
IN FALL 2017**

Ultimately, HBCUs, TCUs, and MSIs all provide access to affordable college degrees within the communities of the students they serve.³⁴ Collectively, these institutions enrolled more than 6 million undergraduate students in fall 2017, of which approximately two out of three are

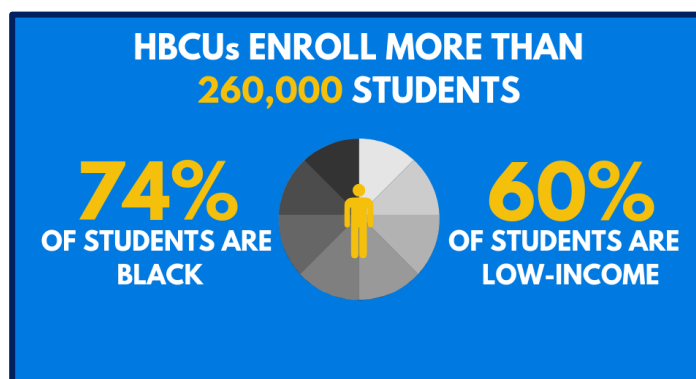
students of color.³⁵ Many of these students are also from low-income families.³⁶

HBCUs

HBCUs are public or private nonprofit institutions established prior to 1964 whose principal mission is the education of Black Americans.³⁷ Although the first HBCU dates back to 1837, many private HBCUs were founded by northern missionaries during the Reconstruction era – the time period immediately following the Civil War and the abolition of slavery.³⁸ The majority of public HBCUs, on the other hand, were established in the latter half of the nineteenth century following the passage of the Morrill Act of 1890. This legislation required states to either integrate their mainstream institutions or educate students of color in separate but equitably-funded institutions to continue receiving federal funding.³⁹ However, these newly founded HBCUs received considerably less funding than white land-grant institutions, a pattern that continues to this day in many states.⁴⁰

With the passage of the HEA, HBCUs became eligible to compete for institutional aid with other under-resourced institutions. However, it was not until the 1986 reauthorization of the HEA that HBCUs received federal designation. That reauthorization established the definition of HBCUs as “any...college or university that was established prior to 1964, whose principal mission was, and is, the education of black Americans,”⁴¹ and dedicated specific federal funds to HBCUs.⁴² Today, there are 101 HBCUs located primarily in the South and Southeast.⁴³

HBCUs enroll more than 260,000 students – 74 percent of whom are Black and 60 percent of whom are low-income.ⁱⁱ



TCUs

TCUs are public or private nonprofit institutions that exist to educate Native students as well as preserve and advance Native culture, language, and traditions through programs that are “locally- and culturally-based, holistic, and supportive.”⁴⁴ The first tribally-controlled college dates back to 1968, when the Navajo Nation established Diné College following a political and social movement to regain self-determination and tribal control over education in the aftermath of forced assimilation.⁴⁵ TCUs received federal recognition through the TCCUAA in 1978, which authorized federal funding for Native American students attending TCUs.⁴⁶ In 1998, TCUs were recognized in the HEA.⁴⁷

Today, there are 34 TCUs located primarily in the Midwest and Southwest.⁴⁸ TCUs enroll about 16,000 students – 78 percent of whom are American Indian and Alaska Native.⁴⁹ In line with the mission of serving Native students, TCUs are open access institutions, meaning TCUs typically admit any student who seeks enrollment. TCUs

ⁱⁱ The analyses completed by the Congressional Research Service authored by Joselynn Fountain for purposes of this report does not include graduate-only institutions. Thus, the Interdenominational Theological Center, Morehouse School of Medicine, and Meharry Medical College were not included in the HBCU analyses.

provide critical higher education opportunities for the many students living in remote and rural areas across the country.⁵⁰ Unlike other institutions, TCUs face unique funding challenges as most state governments do not provide funding to institutions on reservations or tribally-controlled lands.⁵¹

added recognition for Asian American and Native American Pacific Islander-serving institutions (AANAPISIs), Predominantly Black institutions (PBIs), and Native American-serving nontribal institutions (NASNTIs).⁵⁴

To receive one of the five MSI designations an institution must enroll a substantial percentage of both students of color and low-income students. The enrollment threshold for students of color varies for each MSI designation as detailed below. Additionally, HSIs, ANNHSIs, AANAPISIs, and NASNTIs must enroll “needy students” defined as either 50 percent of students receiving need-based financial aid or that the percentage of students receiving Pell at the institution exceeds the median percentage of similar institutions.ⁱⁱⁱ PBIs must meet a different requirement for the enrollment of needy students under which at least 50 percent of the undergraduate enrollment must be either low-income or a first-generation college student.^{iv} Additionally, these institutions must have substantially lower institutional resources than mainstream institutions.^v Figure 1 details the eligibility requirements for each MSI designation.

Because each MSI designation of an institution is determined by enrollment characteristics that may fluctuate year to year, the number of institutions within each MSI designation may change annually. Thus, as more students of color enroll in college, the number of MSIs will likely increase. Today, there are more than 600 MSIs located across the U.S. and in seven territories.⁵⁵

“My main reasons for attending a tribal college...were *more personal*. It was the first time I was surrounded by peers with a similar background in an educational setting. *No one asked me if Indians still hunt buffalo or live in tipis or felt the need to talk slowly to me*. It was the first time I heard an instructor discuss my community without relegating it to a myth or classifying it as a historical relic. *Native culture lives, breathes, and thrives at tribal colleges.*”

ROBIN MÁXKII

GRADUATE OF DINÉ COLLEGE AND SALISH KOOTENAI COLLEGE

Excerpt from the article “Why I Attended Tribal College”
The Chronicle of Higher Education

MSIs

Following the federal recognition of HBCUs in the reauthorization of the HEA in 1986 and TCUs in the TCCUAA of 1978, the federal government acted to formally recognize five additional types of institutions serving high proportions of students of color and low-income students.⁵² In 1992, the HEA was updated to recognize HSIs and in 1998 to recognize Alaska Native-serving institutions and Native Hawaiian-serving institutions (ANNHSIs).⁵³ The *College Cost Reduction and Access Act* (CCRAA) of 2007

ⁱⁱⁱ See section 312(b) of the HEA for additional details on the definition of enrollment of needy students for HSIs, ANNHSIs, AANAPISIs, and NASNTIs.

^{iv} See section 318 of the HEA for additional details on the definition of the enrollment of needy students for PBIs.

^v In this paper, the term “low institutional resources” refers to the definition established under Sec. 312(a) of the HEA for low “educational and general expenditures,” which is as follows “the total amount expended by an institution of higher education for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation and maintenance expenditures for the physical plant, and any mandatory transfers which the institution is required to pay by law the average educational and general expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction.”

Below is additional information on each MSI designation, in order of size.^{vi}

HSIs. To qualify as an HSI, an institution must enroll an undergraduate full-time equivalent (FTE) student body that is at least 25 percent Latinx and a substantial percentage of needy students. HSIs play an important role in educating a large number of the nation's students of color and are likely to continue playing an outsized role in future years. Latinx people are projected to continue to be one of the fastest-growing segments of society over the next 40 years.⁵⁶ Today, there are 381 HSIs mostly concentrated in California, Texas, New York, and Puerto Rico.⁵⁷

HSIs ENROLL OVER
1.8 MILLION
LATINX STUDENTS, WHICH IS
MORE THAN HALF OF ALL LATINX
UNDERGRADUATES.

Even though HSIs make up only nine percent of all degree-granting U.S. colleges and universities, HSIs enroll over 1.8 million Latinx undergraduate students, which is more than half (54 percent) of all Latinx undergraduates.⁵⁸

AANAPISIs. To qualify as an AANAPISI, an institution must enroll an undergraduate student body that is at least 10 percent Asian American Pacific Islander (AAPI) and a substantial percentage of needy students. Although the

AAPI population is often treated as a monolithic group, the AAPI community is incredibly diverse, representing individuals of more than 48 ethnicities with varying language, religious, and educational backgrounds.⁵⁹ AANAPISIs play a pivotal role in providing access to postsecondary education for AAPI subgroups that have lower degree attainment, such as students of Vietnamese, Laotian, Cambodian, Hmong, and Pacific Islander descent.⁶⁰ Today, there are 161 AANAPISIs mostly concentrated in California, Hawaii, New York, Texas, and Washington.⁶¹ Even though AANAPISIs make up less than four percent of all degree-granting U.S. colleges and universities, these institutions enroll approximately 350,000 AAPI undergraduate students, which is one in three AAPI undergraduates.⁶²

PBIs. To qualify as a PBI, an institution must have at least 1,000 undergraduate students, enroll an undergraduate student body that is at least 40 percent Black and a substantial percentage of needy students. Like HBCUs, these institutions provide access to higher education for many low-income and first-generation Black students.⁶³ Today, there are 65 PBIs concentrated in the Southern, Midwestern, and Eastern regions of the U.S.⁶⁴ Although PBIs make up only two percent of institutions, these institutions enroll about 150,000 Black undergraduate students, which is seven percent of all Black undergraduates.⁶⁵

NASNTIs. To qualify as an NASNTI, an institution must enroll an undergraduate student body that is at least 10 percent Native American and a substantial percentage of needy students. NASNTIs play a critical role in educating

^{vi} Grants for HBCUs, TCUs, and eligible MSIs are found in HEA Title III and in Title V. Title III-A authorizes grants to TCUs and eligible ANNHSIs, PBIs, NASNTIs, and AANAPISIs and Title III-B authorizes grants for HBCUs. Title V authorizes grants for eligible HSIs. Institutions may be eligible to apply for multiple HEA Title III and Title V grants; however, there are certain restrictions on institutions simultaneously receiving grants under multiple programs. See the Congressional Research Service report titled *Programs for Minority-Serving Institutions Under the Higher Education Act* for restrictions of each MSI program.

American Indian and Alaska Native (AIAN) students.⁶⁶ Today, there are 23 NASNTIs, located in Southwestern and Southeastern rural areas of the country.⁶⁷ Even though NASNTIs make up less than one percent of all U.S. colleges and universities, these institutions enroll almost 12,000 AIAN students, about 10 percent of the total AIAN student undergraduate enrollment.⁶⁸

ANNHSIs: The ANNHSI designation refers to two types of institutions: Alaska Native serving institutions and Native Hawaiian serving institutions. To qualify as an ANNHSI, an Alaska Native serving institution must enroll an undergraduate student body that is at least 20 percent Alaska Native and a substantial percentage of needy students. Native Hawaiian serving institutions must have an undergraduate student body that is at least 10 percent Native

Hawaiian and a substantial percentage of needy students. Today, there are 15 ANNHSIs, concentrated in Alaska and Hawaii.⁶⁹ ANNHSIs enroll almost 4,000 Alaska Native and Native Hawaiian students.⁷⁰

The Important Role of HBCUs, TCUs, and MSIs

HBCUs, TCUs, and MSIs combine low tuition with a unique and culturally relevant collegiate experience that sets students up for success upon graduation.

At HBCUs and TCUs, 61 and 54 percent of students receive Pell grants, respectively.

NET PRICE OF COLLEGE ATTENDANCE FOR LOW-INCOME STUDENTS



**FOUR-YEAR
HBCUs, TCUs, MSIs**



**MAINSTREAM
INSTITUTIONS**

At MSIs, about 40 percent of students receive Pell grants.⁷¹ To ensure that historically underserved students are able to access higher education, HBCUs, TCUs, and MSIs on average provide significantly lower net prices for low-income students than mainstream institutions.

The average net price for low-income students attending four-year HBCUs, TCUs, and MSIs is \$10,548, compared with \$15,735 at mainstream institutions.^{vii}

Along with the low cost of attendance, HBCUs, TCUs, and MSIs often provide culturally-relevant educational experiences and a supportive learning environment. For example, the College of Menominee Nation (CMN) – a TCU in Wisconsin – has established a STEM program where students meet regularly with faculty mentors and engage with tribal elders on how STEM skills can be of use to their community.⁷² Furthermore, CMN students are required to attend, present research to, and network with professionals at Native STEM conferences, which makes them feel a part of a larger community of Native professionals.

In addition to providing culturally relevant experiences, HBCUs, TCUs, and MSIs provide students with comprehensive support programs and extensive interaction with faculty.

A focus on strong student and faculty interaction is a critical component of the success of HBCUs, TCUs, and MSIs. A small qualitative study revealed the array of programs that exist at these institutions to support students to completion.⁷³

For example, at Chief Dull Knife College (CDKC) – a TCU in Montana – faculty worked to overhaul the remedial math curriculum to improve completion rates.⁷⁴ Recognizing the important building block of math to degree completion, CDKC faculty designed a “hybrid math course” where students have strong individualized interaction with a professor but use a computer program to move through math lessons.⁷⁵ In order to make the course relevant for students, faculty use Native American cultural artifacts to teach number theory.

At Norfolk State University (NSU) – an HBCU in Virginia – incoming freshmen who have lower SAT scores and GPAs than their peers can take classes during the summer to acclimate to college level coursework and earn college credit before the fall semester.⁷⁶ Furthermore, **students establish relationships with faculty and a cohort of students early on, which helps them build a support network on campus.**⁷⁷

“As an undergraduate at the University of Texas Rio Grande Valley (UTRGV) ... I also had the opportunity to do undergraduate science education research with one of my professors. **Being part of this research community helped me feel welcome** and that I belonged here among the university's faculty. ...Because of this **encouragement**, I am planning to pursue my doctorate with the goal of becoming a faculty member someday.

...Knowing that the school and its faculty care about my culture and background and want to include that in their classes gives me a **great sense of pride** that I did not have before.

ARIANA GARZA
GRADUATE OF UTRGV

^{vii} According to the Institute for Higher Education Policy's 2014 report titled *Minority-Serving Institutions: Doing More with Less*, average net price for low-income students is also significantly lower for two-year HBCUs, TCUs, and MSIs compared to two-year mainstream institutions. See Table 2. This report excludes ANNHISIs and NASNTIs.

At El Paso Community College (EPCC) – an HSI in Texas – a successful support program transitions new students into postsecondary education by exposing students to the college enrollment process while in high school and using clear roadmaps that guide each student to completion.⁷⁸ The program establishes a multistep pathway for students to learn about enrollment, costs, and placement exams. Student success is widely attributed to the program staff and advisors who work individually with students to ensure they are enrolling in the right classes and act as a dependable source of information, guidance, and shared experiences.⁷⁹

What unites HBCUs, TCUs, and MSIs is an emphasis on a student’s sense of belonging and the philosophy that all students can succeed while embracing their cultural backgrounds.⁸⁰

HBCUs, TCUs, and MSIs propel graduates to economic success.

This rich collegiate experience at HBCUs, TCUs, and MSIs translates into economic success for students. A study from the American Council on Education quantified economic mobility rates for different types of institutions by multiplying the share of students who came from families in the bottom quintile of the income distribution by the share of those students who moved to the top income quintile by age 30.⁸¹ **The analysis found that the economic mobility rate at HBCUs, AANAPISIs, and PBIs was double that of mainstream institutions, while HSIs were even more likely to move students up the income ladder with an average economic mobility rate three times that of mainstream institutions.**⁸² In other words, HBCUs and MSIs enroll more low-income students and catapult more of those students to the highest income quintile than mainstream institutions.

Qualitative data further demonstrate the long-lasting and far-reaching impact of HBCUs and MSIs. For example, surveys indicate that HBCU graduates are greatly satisfied with their experiences, in large part due to the personal interactions with and mentoring from faculty members who are reflective of the students they serve.⁸³ A 2015 Gallup study also found that Black HBCU graduates had a deeper sense of community and higher rates of social, physical, and financial well-being than Black students who attended mainstream institutions.⁸⁴

“It is very empowering to find yourself in a situation where **you are in the majority**. All of a sudden, you are no longer a Black person, **you are a person**. You do not question whether or not the treatment you received and/or the grade you were given were a result of race because **race becomes a non-issue**. You are exposed to a spectrum of **people of color who are successful**, which is contrary to the portrayal of minorities, specifically African-Americans, in the mainstream media...You find yourself surrounded by professional, credentialed people of color, Ph.D.s, professors, deans, administrators, scholars, etc., who are **brilliant and worldly**.”

HOLLY GRANT JONES
HOWARD UNIVERSITY GRADUATE

Excerpt from blog post “Myths about Attending a Historically Black College”
SchoolGuides

The unique college experience at HBCUs, TCUs, and MSIs sets up graduates for economic success after graduation. While completion in postsecondary education must be improved across all sectors, HBCUs, TCUs, and MSIs should be celebrated for serving a high-need student population, graduating students at higher rates than similar mainstream institutions, and propelling students from low-income families up the income ladder. However, deep resource inequities – driven largely by persistent disparities in state funding – hamper the ability of these institutions to provide more robust supports and further advance student success.

The Chronic Underfunding of HBCUs, TCUs, and MSIs

Public HBCUs, TCUs, and MSIs receive less state funding than mainstream institutions.

Institutions receive funding from a variety of sources, which may vary depending on whether an institution is public or private. Although both public and private institutions raise funds from tuition paid by students, public institutions receive direct funding from state and local governments.⁸⁵ Over half of the revenue used to fund teaching and instruction at public institutions came from state and local sources in 2017.⁸⁶ Private institutions, on the other hand, rarely receive state funding and instead depend on private donations and endowments for revenue.⁸⁷

Public institutions (which make up the majority of HBCUs, TCUs, and MSIs)⁸⁸ faced deep cuts during the Great Recession.

Research shows that state funding for higher education decreased by as much as 25 percent during the recession.⁸⁹ Although states have started to reinvest in higher education in recent years, funding is still far below pre-recession levels. On average, states spent almost \$1,500 (16 percent) less per student in 2018 than in 2008 after adjusting for inflation.⁹⁰

Changes in state funding for higher education often have a disproportionate impact on institutions serving large shares of low-income students and students of color. The University of Pennsylvania's Center for MSIs

A RECENT STUDY ESTIMATED THAT INSTITUTIONS SPEND \$1,000 LESS PER YEAR ON EACH STUDENT OF COLOR THAN ON WHITE STUDENTS.



examined funding for mainstream institutions and HBCUs in Alabama, Louisiana, Mississippi, and North Carolina in 2007 and 2012.⁹¹ Although researchers found that three out of four states saw decreased overall state allocations for higher education, HBCUs faced the deepest cuts. For example, funding for Louisiana's largest public university decreased from \$200 million in 2007 to about \$150 million in 2012 – a 25 percent cut – while funding for two of Louisiana's public HBCUs, Southern A&M University and Grambling State University, experienced cuts of 45 and 36 percent over the same period, respectively.⁹²

Disparities in funding are partly attributable to the fact that states tend to prioritize flagships and large research institutions over other institutions such as regional comprehensive universities.⁹³ The most vivid example is the funding pattern at HBCUs where inequities trace back over a century. Although several federal laws require state governments to match 100 percent of federal dollars going to land-grant universities, the Morrill Act of 1890 allows states to opt-out of their responsibility to provide the required dollar-for-dollar match to public land-grant HBCUs.⁹⁴ In fact, public HBCU land-grant institutions lost out on approximately \$57 million of state funding between 2010 and 2012. In some cases, the very states that fail to match federal dollars for public

land-grant HBCUs exceed the required match for mainstream land-grant institutions.⁹⁵

Additionally, **HBCUs, TCUs, and MSIs often lack the resources and political capital to effectively advocate for more funding from state governments.** A case study examined the influence of political capital on Colorado's postsecondary budget process.⁹⁶ The researcher found that institutions with larger resources had the ability to hire lobbyists who were well connected to lawmakers and who had previously worked in the Colorado Department of Higher

Education.⁹⁷ The findings of the research illustrate how budgets are heavily influenced by stakeholders, which can be disadvantageous for under-resourced institutions like HBCUs, TCUs, and MSIs that are unable to spend limited resources on expensive, well-connected lobbyists. These funding disparities have significant consequences for students of color.

A recent report estimated that higher education institutions spend \$1,000 less per year on each student of color than they do on their white peers. Nationally, this adds up to a \$5 billion

FUNDING CUTS TO MAINSTREAM INSTITUTIONS vs. HBCUs

LOUISIANA
2007-2012

LOUISIANA STATE
UNIVERSITY
FLAGSHIP

\$
25%

GRAMBLING STATE
UNIVERSITY
HBCU

\$
36%

SOUTHERN A&M
UNIVERSITY
HBCU

\$
45%

spending gap in higher education between students of color and their white counterparts each year.⁹⁸

HBCUs and MSIs fare worse in states that use performance-based funding.

The proliferation of performance-based funding (PBF) has compounded funding inequity for HBCUs and MSIs. Performance-based funding is a policy that ties state funding to institutional outcomes, such as student retention and graduation rates, with the goal of encouraging institutions to graduate more students. PBF has grown in popularity as state lawmakers look to condense budgets and encourage accountability.⁹⁹ Approximately 30 states are currently implementing some form of PBF.¹⁰⁰

Contrary to its aim to increase institutional performance, PBF has been shown to have either negligible or negative effects.¹⁰¹ National studies show that in states using PBF, public institutions either experienced drops in graduation rates or failed to outperform non-PBF states in degree completion.¹⁰² Additionally, some studies found that institutions responded to PBF by enrolling fewer low-income students and spending more on wealthier students.¹⁰³

In addition to not producing desired results, PBF can directly harm HBCUs and MSIs. Research has shown that on average, HBCUs and MSIs in states with PBF lose more per student funding compared to mainstream institutions in the same PBF state and compared to HBCUs and MSIs in non-PBF states.¹⁰⁴ In states with PBF, HBCUs and MSIs receive about \$750 less per FTE than HBCUs MSIs in non-PBF states.¹⁰⁵ **As HBCUs and MSIs lose funding, it becomes more difficult for these institutions to meet future performance goals and hampers the ability of these**

institutions to serve students who need additional support. In fact, a research study on the impact of PBF on public institutions in Indiana found that the enrollment of students of color at these institutions decreased after PBF was implemented.¹⁰⁶

HBCUs, TCUs, and MSIs are limited in their ability to offset decreases in state funding through increased tuition or alternate funding sources.

As a result of state disinvestment in higher education and the adoption of PBF in several states across the country, HBCUs, TCUs, and MSIs have suffered deep cuts in funding. This has left HBCUs, TCUs, and MSIs in a difficult position as these institutions have few options to offset such cuts. In the face of state disinvestment, many public institutions have significantly raised tuition to collect more funds from students and stay afloat. Since the 2008 recession, average annual tuition at public four-year institutions across the country has risen by 36 percent (\$2,651).¹⁰⁷ However, HBCUs, TCUs, and MSIs are limited in their ability to raise tuition given that the students they serve, most of whom come from low-income backgrounds, are unable to afford more expensive tuition.¹⁰⁸

HBCUs, TCUs, and MSIs also lack access to the alternate funding sources on which mainstream institutions rely on during times of budget cuts. HBCUs and MSIs have smaller endowments than mainstream institutions. Research shows that, adjusted for the number of FTE students, the endowment for public and private HBCUs was one-fifth (20 percent) and about one-quarter (27 percent) of the endowment size at public and private non-HBCUs, respectively.¹⁰⁹ Endowments at MSIs are

also considerably smaller compared to mainstream institutions.¹¹⁰ Research has found that the per FTE endowment value at mainstream institutions was \$27,858 compared to HSIs (\$4,694), AANAPISIs (\$4,548), and PBIs (\$2,813).^{viii}

HBCUs and MSIs have smaller endowments for a variety of reasons, including a limited ability to bolster endowments from student and alumni populations that have faced historically inequitable access to wealth that persists today. White families have a median wealth eight times (\$171,000) that of Latinx families (\$20,700) and Black families (\$17,600).¹¹¹ While average wealth for Asian families is similar to that of white families, given the ethnic diversity among the Asian American population, there is still large wealth inequality across Asian households.¹¹² Furthermore, labor market discrimination and a growing income gap continues to perpetuate wealth inequality between white and Black families.¹¹³

In addition to smaller endowments, HBCUs, TCUs, and MSIs face challenges in securing private financing. While data are limited on TCUs and MSIs, research on HBCUs found that due to investor racism in the bond market, HBCUs are limited in their ability to raise capital.¹¹⁴ As a result, there is a critical need for investment in HBCU infrastructure improvements. A 2018 report by the Government Accountability Office (GAO) surveyed all 101 HBCUs on capital financing needs.¹¹⁵ The majority of HBCUs indicated almost half of “building space needed to be repaired or replaced.” Furthermore, all the officials from the public HBCUs surveyed said that state appropriations were not enough to cover necessary repairs.¹¹⁶

^{viii} According to the American Council on Education report titled *Minority Serving Institutions as Engines of Upward Mobility*, per student endowment values for two-year institutions are also significantly lower compared to two-year mainstream institutions. See Table 5. This report excludes TCUs, ANNHSIs, and NASNTIs.

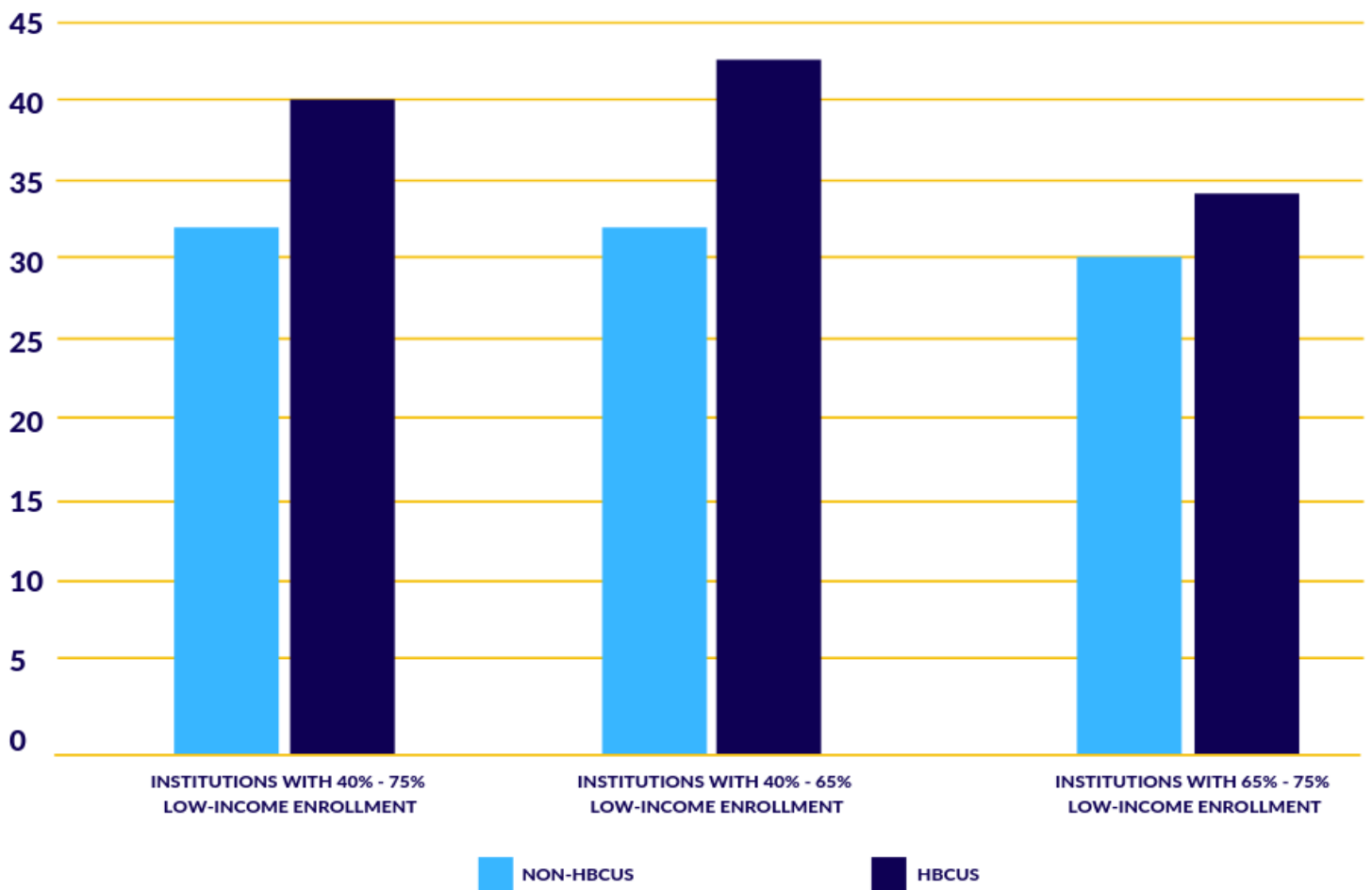
CONCLUSION

The Benefits of Investing in HBCUs, TCUs, and MSIs

HBCUs, TCUs, and MSIs disproportionately enroll students who have been historically underserved in K-12 education and long shut-out of higher education: students of color, low-income students, and first-generation students. Many of these students come to college without the social and academic preparedness to successfully navigate the postsecondary system and struggle to complete their degrees.¹¹⁷

BLACK STUDENT COMPLETION RATES: FOUR-YEAR NON-HBCUs vs. HBCUs

2014



As a result, completion rates remain persistently low for HBCUs (33 percent), TCUs (17 percent), and MSIs (37 percent).¹¹⁸ However, when comparing HBCUs, TCUs, and MSIs to institutions that enroll similar student bodies, these institutions are outperforming. For example, when comparing HBCU and non-HBCU six-year graduation rates of Black students without accounting for the share of low-income students, non-HBCUs have a higher graduation rate by 13 percentage points. Yet, when comparing institutions that enroll similar shares of low-income students, HBCUs outperform non-HBCU peer institutions by six percentage points (38 percent, compared with 32 percent).¹¹⁹

To improve college completion rates, additional funding is critical. Research finds that when states provide additional funding, institutions use the money to provide academic support such as tutoring and counseling, which lead to higher graduation rates.¹²⁰ However, HBCUs, TCUs, and MSIs cannot spend money they do not have. **The lack of resources limits the ability of these institutions to make sure all students get to the finish line.**

A stronger federal investment in institutions that serve low-income students and students of color will increase degree attainment, leading to improved economic prosperity and social mobility that will pay dividends for generations to come.

To provide access to an affordable college education to more historically underserved students and to improve completion rates for students that attend institutions like HBCUs, TCUs, and MSIs, a greater federal investment in these institutions is critical.

Since the passage of the HEA in 1965, the federal government has aimed to expand access to higher education for low- and middle-income students. In subsequent reauthorizations, lawmakers have recognized the critical role that HBCUs, TCUs, and MSIs play in serving the exact students that the HEA originally intended to support. As such, the HEA authorizes several institutional aid programs to improve the academic quality, institutional management, and financial stability of HBCUs, TCUs, and MSIs. Institutions have used this funding for a variety of purposes, including to purchase laboratory equipment, implement supports for faculty development, buy new educational materials, and deliver student services that improve academic success.

Institutional aid programs are funded through the annual discretionary appropriations process and receive mandatory funding under Title III-F. Under current law, fiscal year 2019 (which ends September 30) is the last year these mandatory funds will be appropriated. Unless Congress reauthorizes these funds, institutions will experience a severe loss of federal institutional aid funds.

For these reasons, **it is important that Congress act immediately to extend mandatory funding under Title III-F until at least FY2021.** Reauthorization of Title III-F is critical to ensuring HBCUs and TCUs can continue serving historically underserved students.

When signing the HEA into law 54 years ago, President Johnson characterized the law as a promise from the nation's leaders to "provide and permit and assist" every student to receive an education.¹²¹ In the next HEA reauthorization, this promise must be fulfilled to expand educational opportunities for the students that have been historically underserved by higher education. As a college degree remains the surest road to economic upward mobility, the next HEA must look to the institutions that are disproportionately enrolling historically underserved students and equitably fund these institutions.

Congress must do better to support HBCUs, TCUs, and MSIs in any forthcoming reauthorization of the HEA by:

- **Authorizing an innovation fund for HBCUs, TCUs, and MSIs.** A new grant program would allow HBCUs, TCUs, and MSIs to invest in solutions that reduce educational costs, improve student achievement, and enhance employment outcomes.
- **Providing grants to cover tuition costs and enable more students to pursue and complete degrees at HBCUs, TCUs, and MSIs.** Eliminating or significantly reducing the cost of tuition for students who face financial barriers at community colleges, HBCUs, TCUs, and MSIs would reduce student debt, improve completion rates, and ensure that low-income students and students of color can access and succeed in college.

Figure 1

DESIGNATION	ESTABLISHED IN THE HEA	ELIGIBILITY CRITERIA
Historically Black Colleges and Universities (HBCU)	1986	HBCUs must have been established before 1964 and have a mission to educate Black Americans.
Hispanic Serving Institution (HSI)	1992	HSIs must enroll at least 25 percent Latinx undergraduate FTE students and enroll a substantial percentage of students receiving federal student aid or Pell.
Tribal Colleges and Universities (TCU)	1998	Per the TCCUAA, TCUs must be controlled, sanctioned, and chartered by an Indian tribe(s) or qualify as a 1994 land-grant institution and enroll a substantial percentage of students receiving federal student aid or Pell.
Alaska Native and Native Hawaiian Serving Institution (ANNHSI)	1998	The ANNHSI designation refers to two types of institutions: Alaska Native (AN) serving and Native Hawaiian (NH) serving institutions. AN institutions must enroll at least 20 percent of AN undergraduate students and NH institutions must enroll at least 10 percent NH undergraduate students. Both AN and NH institutions must enroll a substantial percentage of students receiving federal student aid or Pell.
Asian American and Native American Pacific Islander Serving Institution (AANAPISI)	2007	AANAPISIs must enroll at least 10 percent Asian American or Native American Pacific Islander undergraduate students and enroll a substantial percentage of students receiving federal student aid or Pell.
Predominantly Black Institution (PBI)	2007	PBIs must enroll at least 40 percent Black students, have a total enrollment of at least 1,000 undergraduate students, and at least half of students must be low-income or first-generation students.
Native American Serving, Nontribal Institution (NASNTIs)	2007	NASNTIs must enroll at least 10 percent Native American undergraduate students and enroll a substantial percentage of students receiving federal student aid or Pell. NASNTIs cannot qualify as a TCU.

Source: Higher Education Act of 1965, Pub. L. No. 89-329, 79 Stat. 1219 (codified as amended in multiple sections of 20 U.S.C.). For an unofficial statutory compilation of the Higher Education Act of 1965, see Off. Legis. Couns., U.S. House of Representatives, Compilation of Higher Education Act of 1965 (2019), <https://legcounsel.house.gov/Comps/Higher%20Education%20Act%20Of%201965.pdf>

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