the institute for college access & success

INEQUITABLE FUNDING, INEQUITABLE RESULTS

RACIAL DISPARITIES AT PUBLIC COLLEGES

MAY 2019

INTRODUCTION

Race remains a dividing line in college opportunity. More than half of young white adults hold at least a two-year college degree, but only about a third of young Black and Latino adults do.[1] Native Americans and some Asian populations are also less likely to hold college degrees.

Stark racial disparities in college completion result in part from the fact that underfunded colleges with lower graduation rates disproportionately enroll underrepresented students of color. Half of these students enroll at community colleges, which receive less than $9,000 in state and tuition revenue per student and collectively have a graduation rate of 25 percent. A quarter of underrepresented students of color enroll at public doctoral institutions, which receive over $22,000 in state and tuition revenue and graduate two-thirds of their students.[2]

With evidence mounting that resources matter for student success, these funding disparities contribute to large gaps in college completion. After presenting new information on the problem, this issue brief recommends steps state and federal policymakers should take to close inequities in college funding.

STUDENTS OF COLOR DISPROPORTIONATELY ATTEND UNDERFUNDED PUBLIC COLLEGES

For decades, declining state funding for higher education has driven up tuition and student debt and cut the classes and services students need to graduate.[3] Because the remaining funding is distributed inequitably, underrepresented students of color bear the brunt of these cuts. Public colleges with the fewest resources are serving the most vulnerable students, driving persistent gaps in educational attainment by race and income.[4]

Selective public colleges serving more affluent students both receive higher per-student funding and have a greater ability to collect tuition, including by recruiting out-of-state students.[5] In contrast, community colleges and regional universities – which are less selective or open access – both receive less state funding and charge lower tuition.[6]

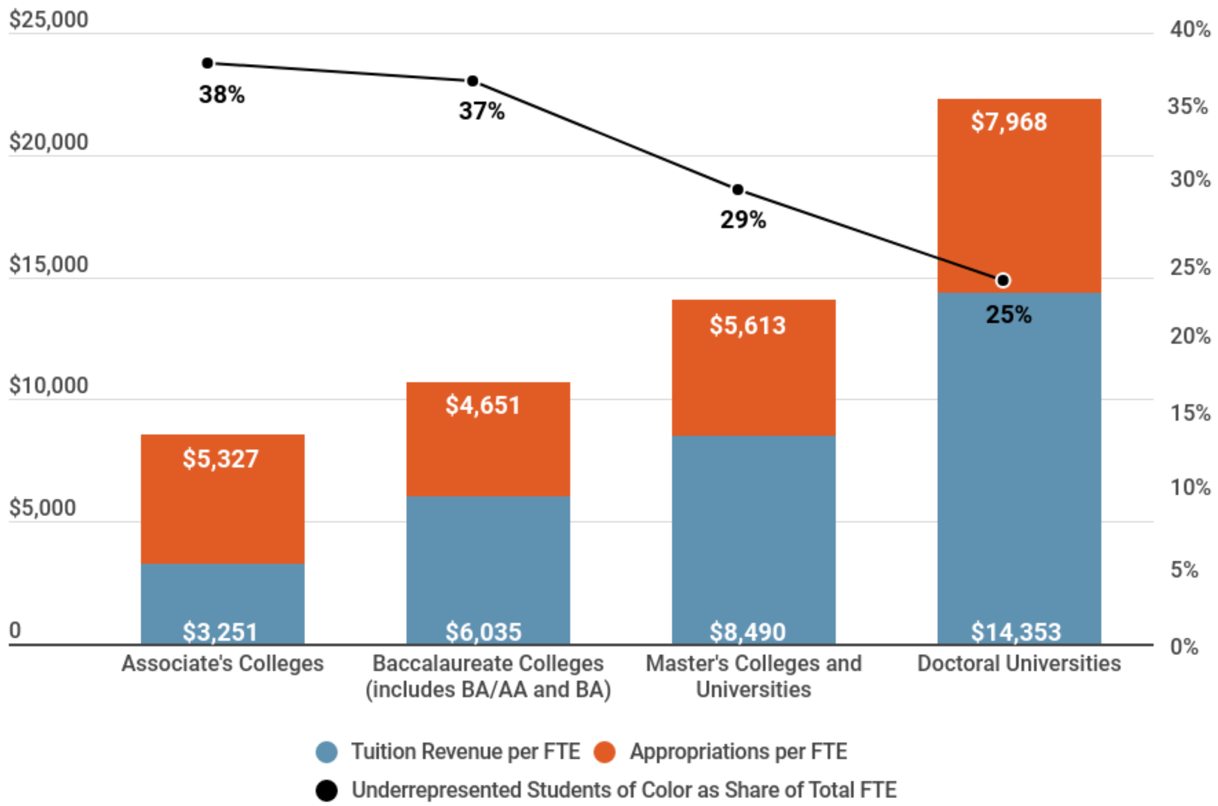
The result: public colleges serving lower shares of underrepresented students of color have the most resources to spend per student.[7] As shown on the following page, Doctoral Universities receive the most from both tuition and state appropriations, but only a quarter of their enrollment is underrepresented students of color (who, for the purposes of this report, include Black, Latino, American Indian/Alaskan Native, Native Hawaiian and other Pacific Island students). This category of schools includes many well-known universities like the University of Michigan and the University of Virginia.

Public Associate's Colleges (community colleges) receive the lowest revenue per student but serve a much higher share underrepresented students of color (38%).[8] Public colleges that offer BA and MA degrees but no doctoral degrees also serve a higher share of underrepresented students of color than public doctoral universities (37% and 29%, respectively), with less revenue per student.

Yet despite these and other legitimate reasons for some differences in revenue levels across institutions, research focusing on overall college spending on instruction and student services, and on which students are impacted the most, underscores an alarming reality.

Georgetown University's Center for Education and the Workforce found that selective public colleges in many states spend nearly three times as much per student each year than their open access counterparts, and that the overall spending gap between selective and open access colleges across the country has actually grown over time.[10] Another analysis from the Center for American Progress estimates that, in one year, the United States spends $5 billion less educating students of color at public colleges than their white peers.[11] And after years of careful study, the Century Foundation Working Group on Community College Financial Resource concluded that policymakers "systematically shortchange community colleges financially, giving

Per Student Revenue and Enrollment of Underrepresented Students of Color at Public Colleges, by Carnegie Classification[9]



States allocate funds to public colleges to support a range of goals, and some of the variation in funding levels by type of college are attributable to differences in their sizes and missions. For example, differences in resources available may stem from whether a school serves 5,000 or 30,000 students; whether its faculty perform both teaching and research duties or focus primarily on teaching; and the size, age and location of facilities. And while student revenue data are unable to isolate resources dedicated to undergraduate students specifically, the mix of programs can play a role in differential revenue by college type.

two-year institutions the fewest resources to educate those students who tend to have the greatest needs."[12]

Affordability remains a challenge, even at colleges with relatively lower tuition costs. The full cost of college includes books, supplies, and living expenses, costs which are similar at all colleges. Many students are low-income working adults who face instable jobs, family demands, and emergency expenses.[13] In California, for example, students attending community colleges receive far less state financial aid than their peers at four-year colleges, which means that attending a community college in California is more expensive than attending a UC, despite their low or even no tuition charges.[14] The costs of attendance matters for student success: A long line of research concludes that each additional $1,000 in cost reduces enrollment by 3 to 5 percentage points and also impacts student completion and success.[15]

Colleges cannot spend resources they do not have, and schools with the least resources and lowest rates of success for undergraduate students disproportionately serve underrepresented students of color.

Yet colleges cannot spend resources they do not have, and schools with the least resources and lowest rates of success for undergraduate students disproportionately serve underrepresented students of color. Fully half of these undergraduates attend associate's colleges, where the average graduation rate is just 25 percent. At the same time, about a quarter of undergraduate underrepresented students of color attend Doctoral Universities where the graduation rate is 65 percent.

Graduation Rates and Student Enrollment, by Carnegie Classification[19]

Carnegie Classification	150% Graduation Rate (first-time full-time UG)	Share of Underrepresented Students of Color (UG FTE)	Share of Other Students (UG FTE)
Associate's Colleges	25%	50%	41%
Baccalaureate Colleges (includes BA/AA and BA)	33%	9%	7%
Master's Colleges and Universities	50%	16%	18%
Doctoral Universities	65%	24%	33%

Spending on students is directly related to student success, with more spending leading to higher rates of degree completion.[16] A recent summary of the evidence by two prominent economists who chaired the Council of Economic Advisers for a Democratic and a Republican president, respectively, concluded that additional investments in student support can substantially improve student graduation rates.[17] The evaluation of City University of New York's Accelerated Study in Associate Programs (ASAP) is a compelling example of how connected, increased investments in advising, and instruction, and financial aid can significantly improve graduation rates.[18]

POLICY RECOMMENDATIONS TO PROMOTE EQUITY IN HIGHER EDUCATION

Better Data Will Facilitate Tracking and Assessing State Equity Gaps in College Funding

Inequitable funding of public colleges within states fuels the education attainment gaps by income and race that states are eager to close. Yet these trends remain largely hidden and not well understood. Better data and the ability to track changes over time are necessary first steps to more effectively closing equity gaps.

Congress should require states to annually analyze spending and attainment patterns for students of color and other disadvantaged students. Where any economic or racial disparities are uncovered, states should be required to provide a plan for addressing them, subject to approval by the Secretary.

States Can Start Now to Better Target State Funds Based on Need

In addition to direct funds to institutions, financial aid spending can also exacerbate attainment inequities. More than half of underrepresented students of color come from families earning less than $30,000 a year.[20] To pay for college without loans, these students would have to dedicate half their income to pay to attend a community college even after receiving grant aid. An average public university would take 77 percent of their income.[21]

States could immediately better support students, increase attainment, and close equity gaps in post-college outcomes by allocating all available student grant aid based on financial need. While need-based state grant aid is one key to reducing students' need to borrow, in 2016-17, 24 percent of state grant aid dollars were allocated to undergraduate students without regard to their financial circumstances.[22]

A New Federal State Partnership Is Necessary to Increase Affordability, Attainment, and Equity

All public colleges have been affected by the downward spiral of state support. Even as state revenues have rebounded following the Great Recession, average state funding per student at public institutions remains about $1,000 below its pre-recession level.[23] Recognizing the importance of this trend in driving increasing public colleges costs, recent proposals from policymakers and advocates to make public college more affordable or even debt-free have been built around a new federal investment in higher education that would require states to maintain or increase their own investment.[24]

Congress should take steps to leverage new investments in higher education to ensure that states maintain and increase their own investment in public colleges, with a particular focus on maintaining or lowering the net price of public college for low- and moderate-income students. By increasing affordability at the colleges where most students enroll, including 78 percent of underrepresented students of color, a well-designed and adequately funded federal-state partnership could reduce inequities in college access and success.

To accomplish this, any new federal-state relationship must pursue four key goals:

1. Provide adequate, stable federal funding to states to help them weather economic cycles without steep cuts to education funding.

2. Require that states maintain or increase their own investment.

3. Require that states assess and address funding inequities for colleges serving large numbers of low-income students and students of color.

4. Promote the development of statewide, longitudinal data to inform policy decisions.

CONCLUSION

Underrepresented students of color are more likely to enroll in underfunded public colleges than other public institutions, where they are less likely to graduate. State and federal policymakers need to recognize these systemic barriers to equal opportunity and immediately act to address the inequitable funding of America's public colleges and universities.

ENDNOTES

1. TICAS calculations on Current Population Survey data. Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 Annual Social and Economic Supplement. Minneapolis, MN: IPUMS, 2018. http://bit.ly/2WJdPFa.
2. Calculations by TICAS using data from the Integrated Postsecondary Education Data System (IPEDS) 2016-17 year, including the Finance and Graduation Rate Surveys. Revenue figures include average tuition revenue and appropriations per full-time equivalent (FTE) enrollment of both graduate and undergraduate students. Graduation rates are for first-time, full-time undergraduates who complete a degree/certificate within 150% of normal time. Enrollment shares refer to undergraduate students only.
3. Webber, Doug. "Fancy Dorms Aren't The Main Reason Tuition Is Skyrocketing." *FiveThirtyEight*. 13 September, 2016. https://53eig.ht/30p4DrG. David Deming and Christopher Walters. *The Impact of State Budget Cuts on U.S. Postsecondary Attainment*. Harvard Web Publishing. February 2018. http://bit.ly/2Q50Taa; Michael Mitchell. "A Lost Decade in Higher Education Funding." *Center on Budget and Policy Priorities*. 23 August, 2017. http://bit.ly/30o1Wa0.
4. Garcia, Sara. "Gaps in College Spending Shortchange Students of Color." *Center for American Progress*, 5 April 2018, https://ampr.gs/2JkvW1b.
5. Han, Crystal, Ozan Jacquette, and Karina Salazar. *Recruiting the Out-of-State University: Off Campus Recruiting by Public Research Universities*. The Joyce Foundation. March 2019. http://bit.ly/2HlrKvS.
6. Even with lower tuition, the total cost of attendance typically exceeds low-income students' available financial resources for many. TICAS. "College Costs in Context: A State-by-State Look at College (Un)Affordability." April 2017. http://bit.ly/2YxNZ7D.
7. See also Andrew Nichols and J. Oliver Schak. *Broken Mirrors*. The Education Trust. 6 March, 2019, http://bit.ly/2VoHpys; Christopher Mullin. *Doing More With Less: The Inequitable Funding of Community Colleges*. American Association of Community Colleges. September 2010. http://bit.ly/2YtVRXJ.
8. FTE revenue used in this analysis may furthermore understate institutional differences in resources, particularly for institutions serving large shares of part-time students who may enroll in less classes but still require similar if not more levels of institutional support. For more discussion, see Matt Reed. "Counting." *Inside Higher Ed*. 29 April, 2019. http://bit.ly/2Q6H9Tq.
9. Calculations by TICAS using data from the Integrated Postsecondary Education Data System (IPEDS) 2016-17 year, including the Finance, 12-month Enrollment, and Fall Enrollment Surveys. Revenue figures include average tuition revenue and appropriations per full-time equivalent (FTE) graduate and undergraduate student enrollment for public 2-year and 4-year institutions (excluding Special Focus and Tribal schools) in the 50 states (not DC). Revenue is inclusive of both tuition revenue and state and local appropriation revenue at GASB and FASB schools, using the Delta Cost Project methodology for use of FASB and GASB accounting methods. See http://bit.ly/2YwfqyQ. Share of enrollment figures include both undergraduate and graduate student full-time equivalent (FTE) enrollment, using a conversion factor for part-time students. Carnegie Classification groupings are based on the Basic Classification by the Carnegie Foundation for the Advancement of Teaching. See http://bit.ly/2YB8q3H. This analysis was modeled on Stata code written by the Center for American Progress for an analysis on gaps in college spending for students of color https://ampr.gs/2JkvW1b.
10. Carnevale, Anthony P., Martin Van Der Werf, Michael C. Quinn, Jeff Strohl, and Dmitri Repnikov. *Our Separate & Unequal Public Colleges: How Public Colleges Reinforce White Racial Privilege and Marginalize Black and Latino Students*. Georgetown University Center for Education and the Workforce. 2018. http://bit.ly/2W3uRkb.
11. Garcia, Sara. *Gaps in College Spending Shortchange Students of Color*. Center for American Progress, 5 April, 2018, https://ampr.gs/2JkvW1b; See also David Tandberg. *Response to Senators Doug Jones, Elizabeth Warren, Kamala Harris, and Catherine Cortez Masto's Student Borrow of Color Solicitation Letter*, State Higher Education Executive Officers Association, 15 January, 2019. http://bit.ly/2EbXnWO.
12. The Century Foundation Working Group on Community College Financial Resources. *Recommendations for Providing Community Colleges with the Resources They Need*. April 2019. http://bit.ly/2EaZjyF.
13. TICAS. "The Road Less Fragile: First Steps for Helping Financially Vulnerable Students Succeed." February 2019. http://bit.ly/2Q2c6rW.
14. TICAS. "What College Costs for Low-Income Californians." January 2019. http://bit.ly/2HWdY4g.
15. TICAS. "Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success." February 2013. http://bit.ly/2JmBHeU. David S. Mundel. "What Do We Know About the Impact of Grants to College Students?" The Effectiveness of Student Aid Policies: What the Research Tells Us. Sandy Baum and Michael McPherson, editors. The College Board. 2008. https://bit.ly/2J4zzJq. Susan Dynarski and Judith Scott-Clayton. "Financial Aid Policy: Lessons from Research." NBER Working Paper No. 18710. January 2013. https://bit.ly/2Tu1mYB.
16. For example, see David J. Deming and Christopher R. Walters, "The Impact of Price Caps and Spending Cuts on U.S. Postsecondary Attainment," National Bureau of Economic Research, Working Paper 23736, August, 2017 http://bit.ly/2YwFQQY.
17. Goolsbee, Austan, Glen Hubbard, and Amy Ganz. *A Policy Agenda to Develop Human Capital for the Modern Economy*. February, 2019. http://bit.ly/2Q813Og.
18. MDRC. "Evaluation of Accelerated Study in Associate Programs (ASAP) for Developmental Education Students." Ongoing Project. http://bit.ly/2WJF5Ud.
19. Calculations by TICAS using data from the Integrated Postsecondary Education Data System (IPEDS) 2016-17 year, including the Graduation Rates, 12-month Enrollment, and Fall Enrollment Surveys. Figures include public 2-year and 4-year institutions (excluding Special Focus and Tribal schools) in the 50 states (no DC). Graduation rates are for first-time, full-time undergraduates who complete a degree/certificate within 150% of normal time. Share enrollment figures include only undergraduate student full time equivalent (FTE) enrollment, using a conversion factor for part-time students. Underrepresented students of color include students who identify as Black, Latino, American Indian/Alaskan Native, and Native Hawaiian or Other Pacific Islander. Other students includes students who identify as White, Asian, Two or more races, and Unknown.
20. Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2015-16.
21. TICAS. "College Costs in Context: A State-By-State Look at College (Un)Affordability." April 2017. https://bit.ly/2krAm7K.
22. National Association of State Student Grant and Aid Programs (NASSGAP). *48th Annual Survey Report on State-Sponsored Student Financial Aid, 2016-17 Academic Year*. http://bit.ly/2LLmI09.
23. State Higher Education Executive Officers Association (2019). State Higher Education Finance: FY 2018. Boulder, CO. http://bit.ly/2JHTTyX.
24. Kreighbaum, Andrew. "Senator Pushes 'Debt-Free' as Solution for College Costs." *Inside Higher Ed*, 7 March, 2019, http://bit.ly/2Vru2NG; David Tandberg et al. *A Federal-State Partnership for True College Affordability*. State Higher Education Executive Officers Association. June, 2017. http://bit.ly/2JGNpQJ; Education Commission of the States. *State-Federal Partnerships in Postsecondary Education*. http://bit.ly/2LGFp4S.