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ISSUE BRIEF

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Government Investment in Public Hispanic-Serving Institutions

by Christopher J. Nellum and Katherine Valle

Hispanic-serving institutions (HSIs) are defined generally as "accredited, degree-granting, public or private, nonprofit colleges and universities with 25 percent or more total undergraduate Hispanic full-time enrollment (FTE)." (U.S. Department of Education 2015)

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EXECUTIVE SUMMARY

As the United States looks to the future, current demographic trends indicate that Latinos represent the nation's largest minority group and will continue to be the fastest-growing segment of society (Motel and Patten 2013). Moreover, Latino enrollment in postsecondary education has doubled in the last decade. Our ability to provide quality education to this growing demographic is not related to meeting a special interest, but serves all Americans if we are to ensure that the United States remains an effective democracy and economically competitive in a global market place (Ortega, Frye, Nellum, Kamimura, and Vidal-Rodriguez 2013).

While all colleges and universities have a responsibility to educate these students, Hispanic-serving institutions (HSIs) play a distinctive role. HSIs constitute 12 percent of all U.S. colleges and universities, but they educate 60 percent of enrolled Latino students in higher education (*Excelencia* in Education 2015) . Our research, summarized below, suggests that HSIs face unique funding challenges relative to other colleges and universities.

This issue brief provides an overview of a pattern of historic inequities in funding that led to federal recognition and support for HSIs, explains the current revenue streams available to these institutions, and examines trends in government investment during and immediately following the recent recession that could threaten their long-term viability.

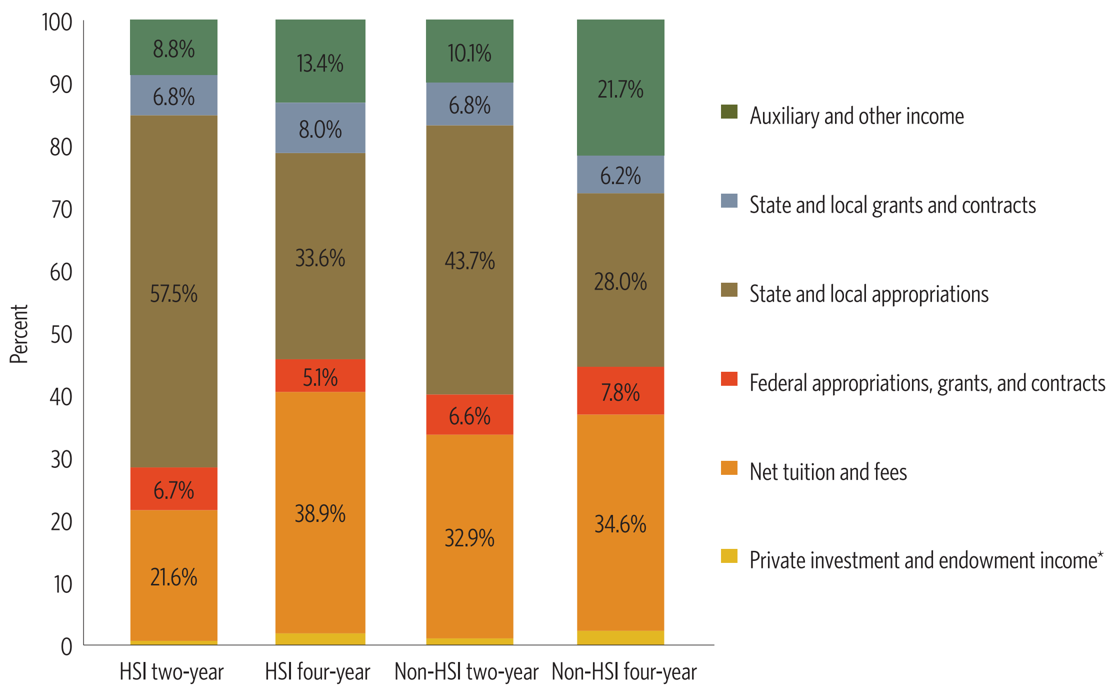
HOW ARE HISPANIC-SERVING INSTITUTIONS (HSIs) FUNDED?

Some of the largest revenue sources for public HSIs are federal, state, and local allocations to postsecondary education (Figure 1). On average in 2012, public investment in the form of combined revenue from federal and state grants, contracts, and appropriations represented roughly less than half of all revenue shares at public four-year HSIs (46 percent), two-year HSIs (71 percent), and two-year non-HSIs (57 percent). The shares of revenue from these sources were slightly lower at public four-year non-HSIs, yet still accounted for 42 percent of all operating funds.

During times of economic uncertainty, such as the recent recession, many institutions were required to supplement decreases in government revenue with income from tuition and fees and, when available, through private sources and endowments. At HSIs, revenues from tuition and fees constituted 22 and 39 percent of the typical institutional budget at two- and four-year colleges and universities respectively, compared with 33 percent and 35 percent at two- and four-year non-HSIs respectively. Income from private giving and endowments represented a smaller percentage of revenue raised by HSIs than it did at other institutions. The remaining shares of the budget come from auxiliary enterprise operations and from state and local government agencies for training programs.

While these data are important for understanding HSIs' sources of revenue, they do mask per-student inequities that make the financial profiles of HSIs unique when compared with other institutions. For example, the ability of HSIs to raise tuition and endowment revenue is constrained somewhat by the financial circumstances of the communities and students they serve. As a result, these institutions depend on government support for their social and academic programs. This dependency makes them especially vulnerable to continual declines in state and federal investment in higher education. It also raises concerns about whether HSIs have the fiscal resilience to overcome sustained periods of constrained resources while continuing to serve the growing number of Latino students demanding access to postsecondary education.

Figure 1: Revenue Shares at All Public HSIs and Non-HSIs, 2012



Source: National Forum on Higher Education for the Public Good analysis of Delta Cost Project Database, 2012.
*All data below 3%.

FEDERAL INVESTMENT IN HSIs

Three decades ago, Latino leaders and the federal government recognized that state governments allocated fewer funds to institutions that served a significant portion of Latino undergraduates. In response, the 1992 reauthorization of the Higher Education Act (HEA) provided a formal method for HSIs to receive direct federal aid like other minority-serving institutions, such as Historically Black Colleges and Universities (HBCUs). However, it was not until 1995 that HSIs were funded under Title III of the HEA. The rationale for these funds was simple: More equitable funding of HSIs would enable them to acquire the necessary resources to meet the growing educational demands of Latino students. Following the 1998 reauthorization of the HEA, the federal government enacted efforts to further level the playing field by amending the HEA to include funding for HSIs under Title V, Part A.

Thus, it seems the problem of inequitable funding of HSIs is not a recent development. Despite the commitment by the federal government to invest in HSIs, demographics have changed such that enrollment growth challenges the ability of federal appropriations to keep pace with the rapidly increasing number of eligible institutions. For example, during fiscal 2008–09 there were 280 HSIs and federal appropriations were $227 million, but during fiscal 2013–14 there were 409 HSIs and federal appropriations slipped to $216 million (Figures 2 and 3).

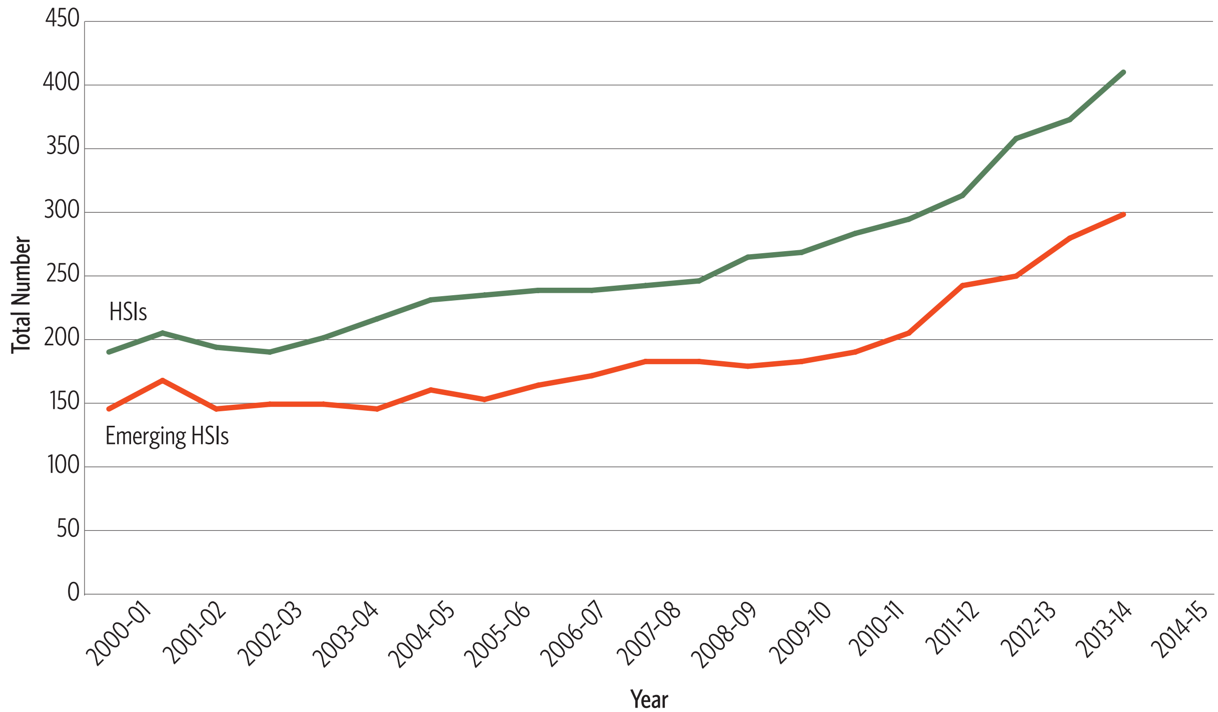
In other words, the available federal funding has declined in recent years as the number of institutions competing for dollars has grown steadily. The downward trend in federal funding will likely continue given that the administration requested $203 million in funding for HSIs, down from just a few years prior. This is troubling not only because the number of HSIs continues to grow, but also because the number of emerging HSIs is on the rise. Federal support of HSIs has certainly improved the situation of the institutions that are granted awards, but it seems that the attempts by the federal government to remedy historic neglect of HSIs by state governments have reached practical limits given current approaches to funding these institutions.

U.S. Department of Education Funding Opportunities for HSIs*

1. Developing HSIs - Title V (Part A)
2. Promoting Postbaccalaureate Opportunities for Hispanic Americans – Title V (Part B)
3. HSI STEM and Articulation Programs – Title III (Part F)

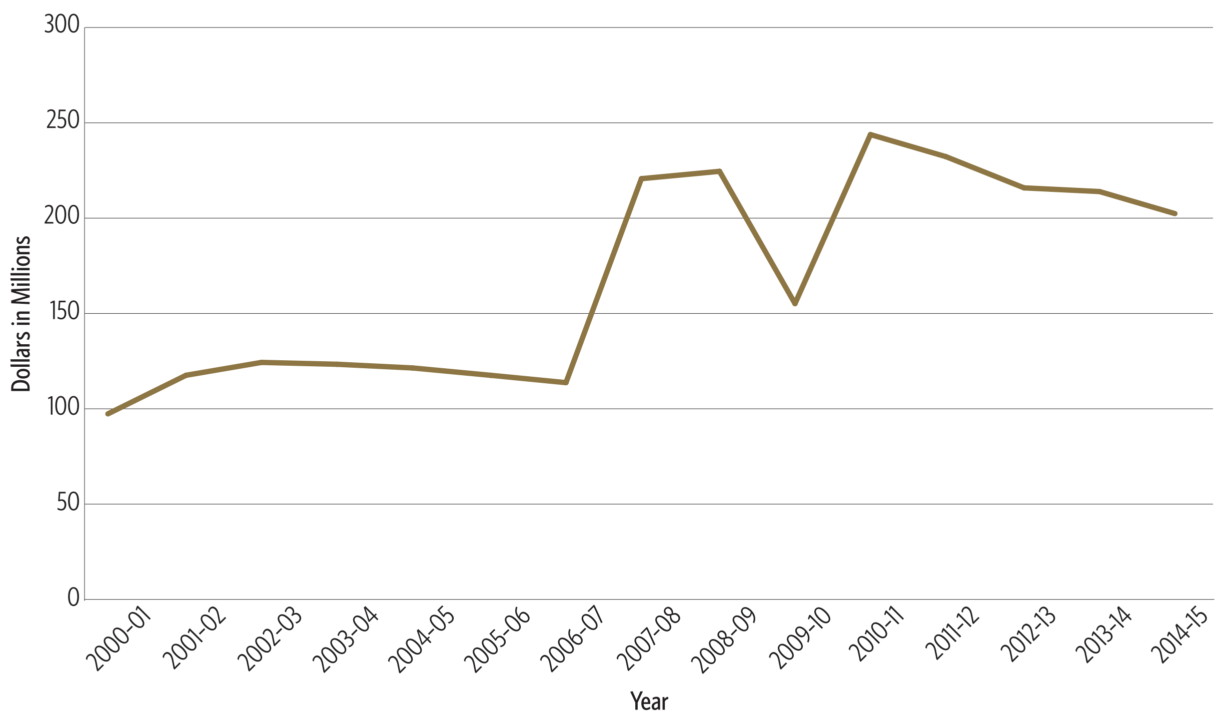
* Other federal funding opportunities for HSIs are available (e.g., U.S. Department of Agriculture HSIs Education Grants Program).

Figure 2: Count of HSIs and Emerging HSIs,* 2000–14



Sources: *Excelencia* in Education. 2015. *HSIs, 1994–5 to 2013–14* and *Emerging HSIs, 1994–5 to 2013–14*. Washington, DC: *Excelencia* in Education.
Note: 2014–15 data to be determined.

Figure 3: Total Federal Aid for HSIs [adjusted for inflation] (Title V, Part A and Title III, Part F), 2000–15



Source: U.S. Department of Education Budget Tables, 2000–15.

* There is currently no federal definition for emerging HSIs, but *Excelencia* in Education identifies emerging HSIs as institutions with an undergraduate FTE Hispanic enrollment between 15 and 24 percent.

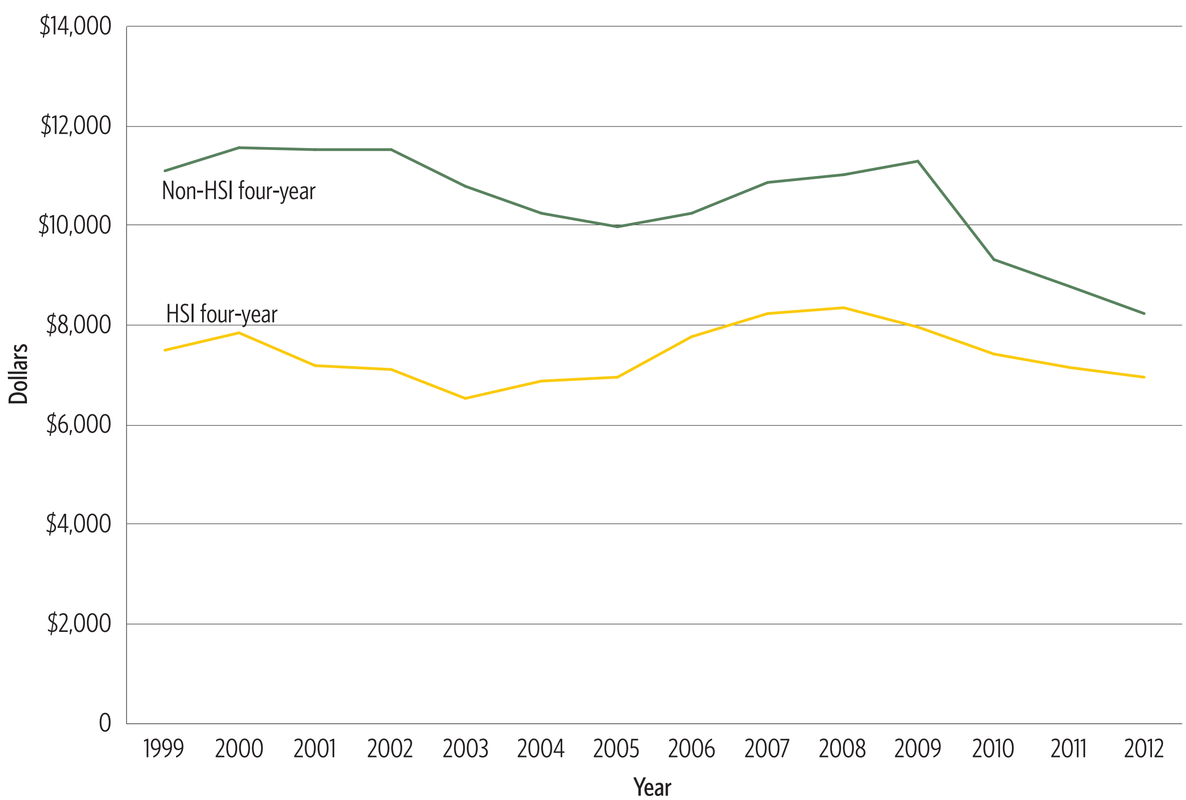
STATE AND LOCAL FUNDING FOR HSIs

The concerns over the inequitable distribution of state funding that led to the federal recognition of HSIs persist today (MacDonald, Botti, and Clark 2007; Villarreal and Santiago 2012). State and local appropriations remain the primary source of revenue at all public colleges and universities, particularly at HSIs. However, two trends highlight the unique disadvantage HSIs face when legislatively allocated state and local appropriations are examined:

Decreased State and Local Investment in Higher Education: Between 1999 and 2012, state and local funding for higher education declined (Figures 4 and 5).[†] Consistent reductions in state and local funding for postsecondary education signal a move toward state-assisted rather than state-supported public higher education. This new trend is particularly dangerous for HSIs because they are typically unable to generate enough supplemental revenue (i.e., endowments) to offset losses in government support.

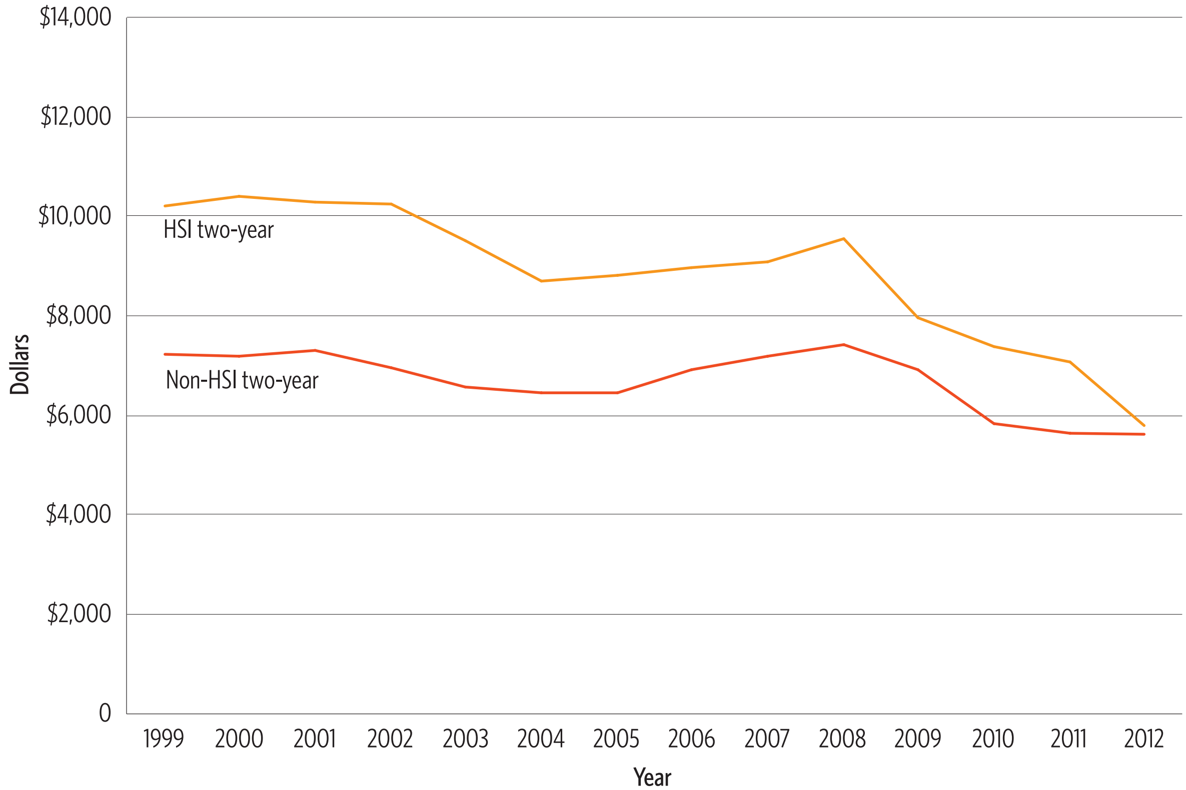
Disparity in Full-Time Equivalent (FTE) Student Funding Across Institutional Type: The funding formulas used by states suggest that policymakers value students at HSIs differently. Public four-year HSIs receive, on average, less total revenue per FTE student than public four-year institutions that are not designated as Hispanic-serving (Figure 4). This trend accelerated during the recession, particularly at four-year HSIs that were hit the hardest during that time and have not yet recovered. On top of historic state neglect of these colleges and universities, the current gap in per-FTE student funding creates a significant financial disadvantage for HSIs. While this trend was not witnessed among public two-year HSIs and non-HSIs during the same period, these already under-resourced institutions shouldn't be expected to pass the bill on to their students, many of whom are low income and first generation.

Figure 4: **State and Local Appropriations at All Four-Year HSI and Non-HSI Public Colleges and Universities, 1999–2012 (by FTE and 2012 Dollars)**



[†] In 2012 inflation-adjusted terms.

Figure 5: State and Local Appropriations at All Two-Year HSI and Non-HSI Public Colleges and Universities, 1999–2012 (by FTE and 2012 Dollars)



Source: National Forum on Higher Education for the Public Good analysis of Delta Cost Project Database, 1999–2012.

CONCLUSION

Although HSIs provide access to postsecondary education for a majority of the nation's Latino students, the absence of equitable funding forces these institutions to provide educational experiences with limited resources (Malcom, Bensimon, and Dávila 2010). To achieve the educational attainment goals outlined by the federal government and leading philanthropic foundations, HSIs should be among the colleges and universities that policymakers recognize are important to aid in the reduction of social and educational disparities.

Moreover, because Latinos are the fastest-growing demographic group in the United States, the plight of affected students and HSIs should be at the center of future legislative agendas and political debates about funds allocated to postsecondary education.

If left underfunded, HSIs will either provide lower-quality learning experiences or lose altogether the capacity to serve the students who will comprise an important segment of our future population. Given the growing number of institutions reaching HSI status, this could have significant implications for American competitiveness and democratic stability.

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