

HBCUs Have the Best Return on Investment



Much of the current conversation in the higher education community is focused on value and the return on investment (ROI) that students obtain as a result of pursuing higher education. But while the nation seems to be reconsidering whether a college education is worth the cost, not enough attention is being paid to how individual institutions manage to provide a high ROI to students.

One category of institution that delivers tremendous value to their students is Historically Black Colleges and Universities (HBCUs). Multiple studies indicate that HBCUs provide a comparatively high ROI, including metrics related to post-college employment and graduate school outcomes, for example. That they are able to deliver such high value despite a history of underfunding is a testament to their commitment to their historic mission; and, at the same time, these metrics are helpful when advocating for more equitable policies and funding formulas so that HBCUs can thrive.

One particularly useful metric is how HBCUs compare to other types of institutions when it comes to investment in instruction. While a number of non-HBCU institutions claim to more effectively serve the same students as HBCUs, their tuition and spending picture differs greatly from that of HBCUs. For instance, some of those institutions' budgets prioritize advertising and recruitment over instruction and student support.

In contrast, HBCUs have punched above their weight for over a century, focusing on their missions to serve their students with fewer resources. When a student enrolls at an HBCU and pays tuition and fees, all of that money—and more—goes into supporting that student's education. For example, finance data from Benedict College indicates that students pay, on average, about \$10,000 in tuition per year. Meanwhile, the institution spends about \$4,500 per student for "instruction," another \$4,500 or so per student in the "student services" category, and an additional \$4,000 on academic support and other categories per year. This means that Benedict uses additional revenue sources outside of tuition to provide the funds needed to educate each student.

Examples such as Benedict College inspire curiosity about how HBCUs choose to spend their limited resources and how they compare to other institutions when it comes to the percentage of revenue spent on their core function, teaching and learning. Do they spend a greater percentage than other, similar institutions? And is this part of the reason they deliver such high ROI?

The Data Speak: Instructional Spending at HBCUs Supports the Student

To answer the question of whether HBCUs spend more on instruction than other institutions, two of the authors of this commentary—as part of a recent analysis commissioned by Wesley Peachtree Group, Wesley Peachtree Institute, and Genesis Ed Solutions used provisional 2021–22 data from the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) survey to compare instructional spending to tuition revenue for all 2,334 U.S. bachelor-degree granting institutions. The data reveal a compelling story: Despite well-documented historical and chronic underfunding, HBCUs as a

group invest a greater percentage of their revenue into instruction than comparable non-HBCU institutions. These findings hold true at the national, institutional, and student levels, indicating that HBCUs present a best-in-class value for higher education consumers and public investment.

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While the authors detailed multiple national-, institutional-, and student-level findings in their white paper, the following are particularly noteworthy in light of efforts to assess higher education institutions using “education for the dollar” metrics. First, the analysis found that public HBCUs spend more on instruction, relative to revenue, than any other institution type. At the national level, when the IPEDs “instruction” category is compared with the total tuition, fees, and estimated education share of revenue from local and state appropriations, the calculated ratio for public HBCUs (1.20) is higher than that for private, nonprofit, non-HBCU institutions (0.78), public non-HBCUs and private HBCUs (both 0.7), and private for-profit institutions (0.26). This finding suggests that, as a group, not only are public HBCUs effectively focusing tuition and tax revenue on instruction, they are leveraging additional resources to funnel into student learning.

A second finding of note is that, at the national level, when instructional spending and other education-related expenses, such as student service, research opportunities, and public service, are factored into the calculation, private and public HBCUs still spend more on instruction than the corresponding non-HBCU institutions (as shown in Figure 1). Assessed using this calculation, which includes all education-related spending—not just the figures reported in the IPEDS instruction category—private non-profit HBCUs as a group spend more of their revenue on instructional functions than do all other institution types.

FIGURE 1

Finally, student-level data reveal that the median student at a public HBCU experiences a greater proportion of their school’s revenues spent on their instruction, relative to tuition, than the median student at comparable non-HBCU institutions. Figure 2, below, visualizes this finding, making it apparent that public and private non-profit HBCUs have higher student-level instructional spending ratios (1.2 and 0.6, respectively) compared to their peer non-HBCU institutions (0.93 and 0.59, respectively). Public HBCUs have the highest median student-level instructional spending ratio of any institution type. Of note, the student-level instructional spending ratio achieved by for-profit institutions (0.31) ranks far below that of all other institution types.

FIGURE 2

Implications for Policy, Practice, and Research

The findings above have implications for higher education policy, practice, and research.

Policy Implications

On the policy side, these findings make a strong business case for entrusting HBCUs with increased levels of both public and private investment. Compared with their non-HBCU peer institutions, HBCUs spend more of every dollar they receive on their core function of teaching and student learning. On one hand, this is evidence of fiscal responsibility. On the other hand, the combination of higher instructional spending ratios, higher percentages of students from vulnerable groups with unique needs, and historical underfunding means that a disproportionate share of higher education's financial burden is being borne by the students, families, and institutions that have the least financial resources. This inequity often reveals itself in ways that are detrimental to these same families and communities: higher student loan debt upon graduation, deferred facility maintenance resulting in student health hazards and neighborhood blight, and an inability to afford the information technology infrastructure upgrades needed to ease administrative functions and compete successfully with online and for-profit institutions. While some cite these challenges to argue that HBCUs are less worthy of investment than other institutions, the instructional spending analysis cited above clarifies that the opposite is actually the case: HBCUs are successfully maintaining their academic mission as the highest priority, even in the face of resource inequities that endanger their fiscal stability.

Another consideration for policymakers is to find ways to evaluate, positively influence, and reward institutions' degree of success in facilitating economic mobility and post-college success among underserved student populations. These students' unique attributes, resilience, and perspectives bring exceptional value to the higher education experience for all students; at the same time, students from vulnerable groups may be more likely to experience food insecurity, housing insecurity, health disparities, and economic pressures that necessitate additional supports from their colleges. Higher education accountability, accreditation, and funding policies must recognize the fact that these supports may increase institutions' costs and that subsidizing these costs yields public benefits in the form of expanded economic mobility and post-college success for all.

Practice Implications

The current composition of IPEDS finance survey variables presents a challenge and limitation for practitioners, researchers, and policymakers. Reporting categories combine expenditures directly related to instruction with others that relate indirectly, if at all, to the teaching and learning function. We propose development and evaluation of new IPEDS financial reporting models that refine existing variables and separate out, for instance, marketing, recruiting, and other expenditures that may artificially inflate reported instructional spending, particularly among for-profit institutions and those with large percentages of online-only students.

Additionally, this analysis suggests the wisdom of tracking and reporting instructional spending ratios annually to analyze trends over time as well as evaluate the influence of higher education policies and institutional practices. In particular, these data can help policymakers and practitioners better understand the influence of targeted public investments on instructional expenditures for various institution types.

Finally, any discussion of instructional spending must acknowledge that faculty are the front line for ensuring the efficacy of instructional spending. Targeting investment in HBCUs to support faculty and staff in the form of salary enhancement, professional development, and talent acquisition and retention will help ensure innovation and sustainability where it matters most—in the classroom.

Research Implications

This research is a first step toward examining how HBCUs invest their dollars into the teaching and support of their students. While this report unveils the impressive bang-for-the-buck that HBCUs provide students, there is a need for additional qualitative and quantitative research that examines value, in terms of what consumers receive for their spend—during and after their college experience—as well as how institutions utilize their instructional dollars to advance their core function of teaching and learning. We propose a research agenda that combines evaluation of financial accountability with other measures to tell the story of how HBCUs and other institutions cost-effectively facilitate upward socioeconomic mobility for students from vulnerable groups, particularly first-generation college students, Black students, and other students of color. Promising directions for future research include:

- *The impact of state funding on public HBCUs.* Informed and equitable spending of taxpayer dollars is a potential lever state legislators can use to increase the positive impact of higher education on their states' economies.
- *Post-college outcomes for HBCU graduates.* Analyzing rates of graduate education and job placement, as well as business creation, household wealth, and post-graduation health and wellbeing may provide insights into what consumers “get” for what they pay.
- *Cost-effectiveness of instructional strategies.* Comparing cost to outcomes for instructional strategies can help institutional leaders identify “smart buys,” the most cost-effective interventions to improve student learning.

Policy Recommendation for Supporting HBCUs

HBCUs present an incredible value proposition for students, their families, the communities they serve, taxpayers, and the nation. They have played a crucial role in providing a welcoming, rigorous, and supportive academic and social experience for all their students. However, despite being vitally important educational resources for our country for over a century and a half, they have not benefited from the same levels of state, federal, and philanthropic support as other institutions of higher

education. The true worth of HBCUs remains hidden because institutional performance measures in higher education are too narrowly prescribed—a critically important problem, as these metrics drive policy and help determine funding support for schools. The Biden–Harris administration has begun the hard work of delivering more equitable funding to HBCUs by investing \$16 billion, but more is needed. The recommendations outlined below provide a clear path to ensure that HBCUs receive equitable investment, thus offering all students access to quality education.

Invest in endowments. Colleges and universities of all types emphasize the importance of endowments to sustain themselves during short-term financial crises and ensure long-term success. Institutions use their endowments in times of need to keep themselves afloat and support their students. For instance, during the COVID-19 pandemic, wealthy institutions had the flexibility to tap into their endowments to address student emergencies and cover the cost of supplies, aid, and resources to ensure students had some sense of normalcy. To tackle barriers to wealth building such as student loan debt, some propose that educational institutions should shoulder a larger portion of the burden. However, HBCUs are underfunded and require additional investments to bridge the gap between college costs and the amount of financial aid each student receives. Increasing institutional aid would help ease the financial burden and provide relief for students and parents. HBCU endowments are consistently smaller than those of predominantly white institutions. Enhancing these endowments would contribute significantly to making college more affordable for HBCU students while supporting institutions’ fiscal health.

The Century Foundation (TCF) highlighted substantial disparities in endowments among HBCUs in its report, “Achieving Financial Equity and Justice for HBCUs.” In that report, TCF recommended a new \$40 billion federal investment, \$4 billion allocated annually over the next ten years, to strengthen HBCU endowments. Previous Congressional initiatives and programs demonstrate that it is feasible to pursue federal efforts to adequately and fairly endow HBCUs. With the Biden–Harris administration’s national focus on racial equity and justice, the time is opportune to renew a federal commitment to HBCU endowments. In addition, recent philanthropic investments in HBCU endowments, including historic grants to UNCF and North Carolina A&T State University, underscore the reality that, while public funding is essential, significant private gifts also have tremendous power to help close the endowment gap.

Increase federal funding for HBCUs and provide robust technical assistance. HBCUs need more resources, including clear information about institutional grant eligibility, comprehensive guidance on grant writing, and direct alignment on programmatic goals for institutions serving large numbers of students of color and low-income students. It is imperative that these institutions receive the necessary support to apply for competitive federal grants.

Prioritize and expand state appropriations, grants, and contract funding for HBCUs. HBCUs are at the forefront of serving and graduating Black and Latino students who go on to pursue graduate education. Despite that success, the nineteen land grant HBCUs have been collectively underfunded by \$13 billion over thirty years. Hence, states should prioritize campus infrastructure, campus-based Title IV aid, Title III—B grant opportunities, and other funds for institutions and programs that serve students from vulnerable groups.

Looking Ahead

In conclusion, data from the recent instructional spending analysis summarized above make it clear: HBCUs prioritize instructional spending, investing a greater percentage of their revenue into instruction compared to non-HBCU institutions. At the national level, public HBCUs spend more on instruction relative to revenue than any other institution type. When considering all education-related expenses, HBCUs spend more on instruction than non-HBCU institutions. Further, public HBCUs have the highest median student-level instructional spending ratio compared to other institution types.

These facts serve as a clarion call to recognize and invest in HBCUs. They justify increased public and private investment in these institutions that facilitate economic mobility and post-college success among students who are also part of vulnerable groups. These students, the overwhelming majority of those served by HBCUs, need and deserve access to quality higher education. Sustained support will ensure that this nation's HBCUs continue to thrive and effectively serve the public good. It is time to stop only boasting that HBCUs do more with less but also to invest in and support them because they do.



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