

Discussant Comments for:

**“Examining the Effects of Tuition Reset Policies on Enrollment and Institutional Finances
at Minority Serving Institutions”**

Bridget Long

Harvard University and NBER

September 2024

Introduction

First, I want to commend the organizers of this book for focusing on an important, but relatively overlooked, set of research questions. The higher education sector plays a meaningful role in the economy at both the individual level and in shaping the well-being of communities and the nation at large. Yet, colleges and universities, most of which are non-profit in the U.S., function in ways that differ distinctly from the traditional for-profit firms and organizations that are the focus of most study in economics. By seeking to investigate the financial circumstances, pressures, and strategies of higher education institutions, this book expands our understanding of this important segment of society.

I was especially delighted to see a focus on minority-serving institutions (MSIs), including Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Enrollment-Based MSIs. To varying degrees, these colleges and universities have the distinct mission to serve specific student populations, and within this category, the HBCUs have a history of offering access to underserved students and producing Black college graduates, especially in STEM and professional fields, at disproportionately higher

levels than their share of the postsecondary market. In recent years, MSIs have received increasing attention given their historic and potentially future role in serving students. At the federal level, the government allocated more than \$16 billion in funding to HBCUs from fiscal years 2021 to 2024, a dramatic increase over previous years.¹ As noted by the authors, these institutions warrant further study, and hopefully, this paper will be one of many to take a closer look at this part of higher education.

While I applaud the paper's attention on MSIs, my comments focus on several issues that have important implications for how one might approach the task of estimating the impact of tuition reset policies. The first point is to note that many of the characteristics of MSIs that the authors highlight are not unique to these institutions, which leads to questions about the degree to which this study reflects the specific experience of MSIs as opposed to something broader or defined differently. I then remark on the incredible diversity of MSIs. Many differences between MSIs are pointed out by the authors, but there are additional distinctions that are meaningful when considering the impact of a tuition policy change; they should be taken into account when designing the analytical strategy. Finally, I elaborate on the factors that drive an institution's tuition-setting behavior, which should also be incorporated into the analysis so that the researchers are better able to isolate the effects of being an MSI.

What is Distinctive about an MSI?

The paper begins with a historical overview and discussion of the policy context for MSIs, and the authors highlight important features that make MSIs unique, which I would

¹ Source: White House statement May 16, 2024. "FACT SHEET: Biden-Harris Administration Announces Record Over \$16 Billion in Support for Historically Black Colleges and Universities (HBCUs)." Accessed September 4, 2024 at <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/16/fact-sheet-biden-harris-administration-announces-record-over-16-billion-in-support-for-historically-black-colleges-and-universities-hbcus/>.

summarize into four main points. First, these institutions focus on race, with either a historical race-based purpose or by meeting an enrollment threshold for a racial group. Second, the authors emphasize that MSIs have a distinct mission as “they collectively seek to educate large concentrations of underrepresented students...” (p. 3). The focus on this mission could result in decision-making and reforms that prioritize student access and success. The third distinction is that these institutions receive special federal funding, and a fourth feature is that MSIs, HBCUs in particular, have had outside success in producing graduates in fields such as engineering, medicine, and law.

Looking closely at the indicators the authors use to define how MSIs are unique, it is clear that the sample constructed in the paper contains institutions that vary in how closely they fit the MSI description. For example, there are reasons to question whether all MSI’s are committed to the stated mission. The authors are forthcoming that enrollment-based MSIs may not actually perceive themselves as having a special mission related to race, though it is important to note that the vast majority of the sample the authors label as MSIs fall into this enrollment-based category. In 2023, according to their data, there were 539 Hispanic Serving Institutions (HSIs) and 65 Predominantly Black Institutions relative to only 101 HBCUs and 35 TCUs (i.e., the categories of institutions that were created with an explicit race-based purpose). This suggests that the study’s results are largely driven by the behavior of a set of institutions for whom their missions are unknown. We do not know whether these schools truly embrace their distinctive role through their priorities or actions, which is partly what motivated the focus of the paper and assertion that these institutions are unique. At a more basic level, as shown in Table 2, “statutory” versus “formula-driven” MSIs differ in their characteristics and state locations, which

prompts questions about how they might differ from institutions with an explicit race-based purpose.

It is also the case that many non-MSIs exhibit the features termed as “unique” in the paper. First, as described by the authors, obtaining the MSI designation for enrollment-based institutions is cumbersome—it requires completing complex forms and submitting extensive data. Some applicants are not successful, and some who would qualify based on demographics do not apply. Due to the bureaucratic process, there are institutions defined as non-MSIs that are actually quite similar to colleges with the MSI designation. Putting aside the focus on race, there are also many predominantly white institutions (PWIs) that emphasize the mission of creating access and supporting success for underserved students. Examples range from the University of Massachusetts Boston to Western Governors University² to basically all community colleges.

Finally, while the eligibility for special federal funding is truly unique to MSIs, these funds have traditionally been relatively small, so it is not clear that MSI’s have reaped large benefits relative to institutions without the special designation. Additionally, the authors note that public MSIs receive comparatively less in state funding than their PWI counterparts, and so the federal aid may just help to address inequities in the public sector and not actually result in serving as additional funds. For these two reasons, the financial circumstances of many MSIs are not that distinctive from some non-MSIs. Numerous institutions are struggling financially, so many of the concerns of MSIs discussed in the paper also apply more broadly for all higher education institutions and especially schools with fewer resources.

Altogether, these observations call into question what the group of institutions defined as MSIs in the paper truly represent. As defined in the paper, it includes some schools that may not

² WGU states: “Our mission is to change lives for the better by creating pathways to opportunity.” It is the largest, non-profit online university.

see themselves as “minority serving” while excluding some that fit that definition. I would urge more focused attention on the statutory MSIs, which may best fit the “unique” qualities emphasized by the authors. Additionally, it is worth looking within the group of formula-driving MSIs to distinguish between those who might truly fulfill the distinct role the authors seek versus those who only technically fit the description. For example, schools with especially large proportions of minority students (as opposed to barely making the federal cutoff) are more likely to truly see themselves as MSIs. The length of time an institution has the MSI label may also matter (i.e., getting the designation 20 years versus only 3 years ago). Such efforts could help the study to focus more clearly on institutions that truly embody the MSI distinction.

The Diversity of MSIs

As noted above, there is a great deal of variation within the group of MSIs highlighted in the paper. Even if one were to refine the definition to only focus on one type of MSI, such as HBCUs, this would still be an incredibly diverse group of colleges and universities. To illustrate some of the variation, I focused on four HBCUs—Howard University, Spelman College, Southern University, and Cheyney University—using College Rover, an online college search tool. The schools range in selectivity, with Howard and Spelman accepting only 35 and 51 percent, respectively, and Cheyney accepting 74 percent. They also vary in the percentage of their students with the Pell Grant, a proxy for being from a low-income family. Howard and Spelman are at 43 percent Pell, while Southern is at 80 percent Pell. Howard also stands out in terms of instructional expenditures (\$18,570) versus Spelman (\$13,439), Cheyney (\$9,890), and Southern (\$5,336).

There is also tremendous variation in the available financial resources of HBCUs. Looking at 2021, Howard and Spelman have endowments that exceed most American colleges (\$806 and \$571 million, respectively), while Southern's endowment was only \$12.0 million and Cheyney had \$1.7 million. These gaps are likely to grow as Spelman received a \$100 million donation in January 2024, and Howard has also received several large gifts recently. Meanwhile, the news headlines suggest that one in ten HBCUs were found to be "financially fragile" before the pandemic strained the resources of all colleges and universities.

Taking a broader view of all HBCUs, which are defined by their historical purpose to serve African Americans, it is clear that they vary in their level of racial diversity. According to IPEDS data (the source used by the authors), the student bodies at public four-year HBCUs were 8.0 percent White and 3.0 percent international. Meanwhile, public two-year HBCUs were only 45.0 percent Black, with White students making up 34.3 percent of the student body and Hispanic students making up 14.7 percent.

Such differences and even the racial diversity found within HBCUs prompts the question of whether "MSI" is a meaningful category to use to analyze higher education finances. My answer continues to be an emphatic "yes," but these observations about the range of characteristics of MSIs should be recognized and discussed as part of the motivation for studying them. Their diversity should also influence how such research is approached. MSIs are not monolithic; they exhibit the incredible diversity found throughout American higher education. As such, the MSI label does not mean the institutions have similar circumstances and student bodies, and studies of their behavior and impact should consider the specific resources, student bodies, and competition different kinds of MSIs face. Grouping MSIs together without attention to these differences could mask important behavior and trends. Additionally, the variation within MSIs

could be useful in developing empirical strategies that exploit such differences to estimate effects.

What Drives an Institution's Tuition Policy

The attention the paper gives to special categories of colleges and universities sheds light on aspects of higher education that are often ignored. Still, given the focus of the paper on tuition resets, much more could be said about the specific financial circumstances of the institutions being studied and how these details relate to tuition policy. Regardless of their missions or student body composition, tuition decisions and their effects will be driven by these other institutional factors, but little attention is given to these specifics. For example, the paper refers to the general financial concerns among MSIs, but given the diversity of these institutions (as discussed above), the colleges and universities in the sample do not face the same pressures or constraints. This is at least partly due to differences in funding sources, which range from federal and state appropriations to charitable gifts and endowment returns. They also differ in the freedom they have to alter—or reset—their tuition, due to the legislative oversight some public colleges and universities must contend with.

The enrollment context of each institution also matters when considering tuition policies and the impact of a reset. Students vary considerably in terms of their achievement levels, family resources, preferences, and needs, and different institutions attract different kinds of students. Moreover, as colleges and universities seek to enroll students, each institution must also take into account its competitive environment and the alternatives potential students might be considering. For instance, some MSIs attract more academically competitive students, draw applications from across the country, and are in direct competition with other selective MSIs and PWIs; facing such

competitors influences their decisions and student reactions. At the other end of the spectrum, there are MSIs that have open admissions, draw primarily from local populations, and are being compared to the alternative of not attending any college. Many institutions are somewhere in the middle, exercising minimum standards for admissions and drawing applicants regionally.

The details about an institution's financial circumstances, potential student population, and competitive environment help to determine an institution's decisions about their list tuition price and a host of other things, such as financial aid awards, which are likely to be very important in determining future enrollment. Unfortunately, the paper does little to explore these specifics and consider how variation in institutional finances and the admissions context might result in a tuition reset having very different effects. There is acknowledgement that students' perception of a tuition reset is complex, with some equating price with quality and judging a tuition reduction as a negative while others may see a tuition cut as positively addressing concerns about affordability. The authors are correct in noting that a student's perception is likely related to their background and academic standing, though this important fact is not incorporated into the design of the study.

In summary, the analysis treats all institutions similarly, aside from their MSI designation and sector, and the paper does little to consider how the effects of a tuition reset might relate to the types of students the institution attracts or their specific competitive (or non-competitive) environment. If one considers how this study might be approached if MSI status were not the focus, it is highly unlikely given the current state of the research literature that one would include selective and non-selective institutions in the same model. It is also unlikely that a study would group public and private institutions together given the differences in subsidies and governance that strongly impact the setting of tuition. This study would be strengthened by accounting for

these kinds of factors in the research design and empirical strategy. Stated another way, future research should try to better account for other important differences between institutions so that the analysis can get closer to estimating an “apples to apples” comparison that varies only in terms of MSI status.