COMPOUNDING INEQUITIES
HOW BARRIERS TO ACCESS, AFFORDABILITY AND INSTITUTIONAL SUPPORT ARE Crippling THE ECONOMIC FUTURES OF MINORITIZED STUDENTS, AND WHAT INSTITUTIONS CAN DO TO SAVE STUDENTS AND THEMSELVES.
A report by members of the Higher Education Equity Network’s Affordability & Equitable Investment Task Group.

Co-Authored By:

Kristin McGuire, Executive Director, Young Invincibles
Charles Ansell, Vice President for Research, Policy & Advocacy, Complete College America
Satra Taylor, Director of Higher Education & Workforce Policy & Advocacy, Young Invincibles

With Support from the following members of the Higher Education Equity Network Equitable Investment and Affordability Task Force:

Eleanor Eckerson Peters, Director of Research and Policy, Institute for Higher Education Policy
Erica Romero, Vice President of Education Policy and Advocacy
Dr. Vikash Reddy, Vice President of Research, Campaign for College Opportunity
Economic inequities continue to widen by race, and higher educational attainment is both affected by and exacerbates these disparities. Despite the intention of the higher education sector to serve as an engine for economic mobility, the status quo in admissions policies, financial aid, and institutional support harms more than helps minoritized student populations, preventing meaningful upward mobility and trapping students in harmful economic cycles. Combined, these factors have created an unproductive and unsustainable future for our institutions and the students they exist to serve. By implementing alternative approaches in these interrelated areas - with a focus on economic impacts - institutions can support positive, sustainable economic futures for Black, Indigenous, and Latino/a/x students and more equitable outcomes for students overall.

Disclaimer: The Higher Education Equity Network comprises more than 30 organizations working to improve postsecondary education with a focus on eliminating racial inequities. While we are unified in our mission, our diverse member organizations represent many viewpoints on how to achieve a more just and equitable future. The views expressed in this report are those of the authors and do not necessarily reflect the specific views of each member organization.
HIGHER EDUCATION & THE RACIAL WEALTH GAP

America continues to suffer from racial disparities in wealth, power, and opportunity that date back to our nation’s inception. Systemic injustices continue to serve as barriers to success for Black, Indigenous, and Latino/a/x communities on a variety of welfare dimensions; of particular concern are economic outcomes and the widening gap in wealth when compared with white individuals. For decades, educational attainment has been viewed as the remedy for lower wealth, since college graduates on average earn approximately $1.2 million more over their lifetimes, are half as likely to be unemployed, and earn 84% higher wages than non-degree holders. However, despite increases in the number of college degrees earned by minoritized groups each year, the racial wealth gap has worsened with each passing decade. While higher education is not the sole culprit - the racial wealth gap is impacted by a variety of social, political, and economic factors - it is clear that the fruits of educational attainment are not being equally distributed and, despite their best efforts, minoritized students continue to get the short end of the stick.
COMPOUNDING FACTORS

A set of interrelated issues are making higher education inaccessible, unaffordable, and unsustainable for minoritized students, exacerbating America’s already widening racial wealth gap:

1. Biased admissions exclude minoritized students from top-tier institutions.
2. Complex financial aid practices contribute to cycles of student debt.
3. Inequitable investment in colleges and universities - and the resulting lack of sufficient institutional support - leaves many students in debt and without a degree.

As a result, instead of catalyzing economic mobility for all, higher education instead prevents it for some and continues to widen wealth disparities based on race and class. Research and conversation across the higher education sector have repeatedly highlighted inequities present in admissions, financial aid, and institutional support practices. However, less attention has been given to the ways in which these factors interact to compound barriers for Black, Latino/a/x, Indigenous, and other students who are harmed by persistent, systemic barriers linked to their racial and ethnic identities. At each successive step of their higher education experience, these students face even greater obstacles to their success, preventing them from accessing the bright futures a college degree should promise.

As HEEN network member Complete College America points out, “higher education has a choice: to continue to reflect the racial, social, and economic injustice in society—or reimagine our systems to be engines of equity, prosperity, and hope.” With this report, we aim to continue the conversation started by organizations such as the Postsecondary Value Commission by underscoring the magnitude and interconnectedness of these issues, clearly outlining their relationship to the racial wealth gap, providing an overview of current research, and, where available, highlighting promising practices already in place across the sector. Our hope is that this knowledge can help network members, institutional leaders, policymakers, and funders catalyze and sustain further efforts for meaningful change. Only then can we ensure that they can equitably access, afford, and receive support on their journey toward higher educational attainment.
A CLOSER LOOK AT RACIAL WEALTH DISPARITIES

Student Debt Reduces Wealth for Families of Color
In 2019, the median wealth of Black households was $24,100 compared to $189,100 for white households, and in the first quarter of 2023, the Federal Reserve Bank of St. Louis found that Black and Latino/a/x families had less than 25 cents for every $1 of white families’ wealth. This lack of wealth accumulation for Black and Latino/a/x households incentivizes people to pursue higher education as a means to increase household wealth but also makes it much more challenging to finance college independently. As a result, student debt is one of the most significant contributors to indebtedness for people of color, leading to a reduction in wealth overall. In a recent report, HEEN network member Young Invincibles points out that, as of 2019, more than 41 percent of young adult households held education debt, with Black households even more likely to have debt and carry larger balances than other groups.

Unequal Time to Completion Drives Inequitable Debt
On average, 86% of Black students take out student loans in comparison to only 68% of white students. Further, Black college graduates owe an average of $25,000 more in student loan debt than white college graduates. The difference in the debt burden is partially due to disparate times to complete degrees. For example, the five-year graduation rate for white students is 25 percentage points higher than for Black students, and white graduates take an average of four years to complete their degree programs, in comparison to five years and four months for Black graduates and four years and eight months for Latino/a/x graduates. As a consequence of spending more time in school, Black and Latino/a/x graduates will earn less wages and take on higher debt overall.

The Return on a College Degree Is Lowest for Those Who Need It Most
Black and Latino/a/x graduates also earn less than their white peers. College educated Black and Latino men earn about 80% of the earnings of their white male counterparts and college educated Black and Latina women earn about 70% of the wages of similarly educated white men. The combination of these factors makes the return on a college degree alarmingly lower for minoritized students. In fact, in 2019, the median wealth for Black households whose highest level of education was a bachelor’s degree was less than that of white households whose highest level of education was a high school diploma. So while Black households with college degrees are better off
than Black households without them, they are still not making the inroads necessary to ensure economic success relative to other Americans. This data illustrates the compounding effect of economic disadvantage facing Black and other minoritized students pursuing higher education in an environment that sometimes requires significant financial sacrifices but does not always guarantee commensurate rewards.

**Meaningful Reforms Must Target Wealth Building**

It is clear that the racial wealth gap persists in spite of higher education. Though educational attainment has the potential to create opportunity en masse, institutional challenges related to admissions, financial aid, funding, and student support actually result in higher education institutions reinforcing racial and economic inequalities. For higher education to fully realize its potential to promote both racial equity and upward economic mobility, it must place a greater emphasis on wealth building. This shift will enable institutions to most meaningfully address how disparities in wealth affect access to and achievement in colleges, as well as how higher education can lead to wealth accumulation for Black, Indigenous, and Latino/a/x students.
Consider the situation of a student of color from a low-income background...

Despite widespread awareness of the high cost of college, the potential burden of student debt, and the stagnant wages waiting for degree holders on the other side of graduation, you believe in the promise of higher education. You have been encouraged - even urged - to see a college degree as the best way to move up the economic and social ladder.

What you might not be aware of are a set of systemic factors that will make it even more challenging for you to realize the benefits of a college education.

First, accessing college can be more difficult than you imagine - especially at the most prestigious universities where you’ll have the highest chance of gaining the knowledge, skills, and social capital that could catapult you to success.

Second, affording college is challenging. While there are many funding sources that might help you pay for tuition and living expenses, many are hard to find and difficult to secure.

Third, due to declining state and federal investment in many colleges and universities, you may not receive the support you need to successfully complete your degree. Having overcome the first two hurdles, the journey to graduation is still full of challenges.

The rest of this report presents a closer look at each of these issues and highlights the ways in which they interact to exacerbate - rather than overcome - the racial wealth gap. As stated in the introduction, our goal is to highlight the compounding effect of these issues on the racial wealth gap as well the related challenges associated with each. Where available, we highlight promising practices for addressing these identified challenges. It should be noted that there are many issues related to each of the factors that are not discussed here; we view this report as a way of framing the issues and suggesting promising steps forward with the goal of expanding our field’s understanding of both the challenges and opportunities through subsequent work.
A majority of US jobs today require some form of postsecondary credential.\textsuperscript{10} As the gateway to programs providing these credentials, college admissions serve as the first stepping stone toward the family-sustaining wages and stable economic future a degree or other certification offers. Particularly at our nation’s most highly selective institutions - where graduation rates hover above 95 percent and a diploma is all but a guarantee of top-tier employment - admissions offices hold enormous power in determining students’ future economic success. \textbf{Unfortunately, college admissions practices are far from equitable and have always favored affluent white populations, even when, prior to the 2023 Supreme Court ruling banning race-conscious admissions, institutions were free to consider race as a factor in evaluating applicants.}

To ensure that all students can experience the economic benefits of a postsecondary education, institutions must first provide fair and equitable access to students of all backgrounds by eliminating biased policies that create barriers for minoritized populations.

\section*{CHALLENGES}

\textbf{Application Requirements Favor Students with Privilege}

Many established admissions practices disadvantage minoritized students. Standardized entrance exams like the SAT and ACT, intended to objectively measure students’ academic readiness for college, have been shown to contain significant bias against Black and Latino/a students.\textsuperscript{11} Entrance exams also favor students from affluent backgrounds who often have stronger academic preparation, greater access to test prep resources, and the means to take the expensive tests multiple times. A study of applicants to University of California campuses found a growing association between race and standardized test scores; combined, race and class explained nearly one third of the variance in scores among applicant groups.\textsuperscript{12}

\textbf{Admissions Criteria Disadvantage Low-Income and First-Generation Students}

Beyond basic practices like entrance exams, other longstanding admissions policies threaten the candidacy of Black, Indigenous, and Latino/a/x students. A \textit{series of briefs} published by the Campaign for College Opportunity, a
member of the Higher Education Equity Network, details the ways in which common admissions practices at selective public and private institutions favor students attending well-resourced high schools whose family members have attended college and are familiar with the application process:

- **Legacy admissions** give preference to students whose parents attended a university, automatically disadvantaging first-generation students.

- **Demonstrated interest policies** favor students with the time and financial resources to engage with colleges through activities such as on-campus visits.

- **Early decision admissions** are most accessible to students receiving guidance from adults who are knowledgeable about the admissions process, and who are able to commit to attending a school before receiving information about financial aid.

- **Recruiting** for top institutions has historically targeted schools in higher-income areas, leaving out minoritized student groups.\(^ {13}\)

Together, these practices create a college admissions landscape that counts out minoritized students before they even submit their applications.

**Removal of Race-Conscious Admissions Has Immediate Effects**

For decades, affirmative action allowed higher education institutions to consider race in their admissions decisions, opening an avenue for counteracting biased admissions practices and working toward equity for minoritized students. While affirmative action stopped far short of eradicating inequity in the college admissions process, race-conscious practices provided at least some opportunity to offset systemic disparities. The US Supreme Court’s recent ruling barring colleges from considering race in admissions decisions removes this critical lever for racial equity. Data from California, where affirmative action was eliminated in 1996 indicate that this change will negatively impact the diversity of student bodies - particularly at the most selective institutions - and ultimately decrease the earning potential of minoritized students. In the year immediately following California’s ban, enrollment among Black and Latino/a/x students at the state’s two most competitive public campuses - Berkeley and UCLA - decreased by 40%, as those students instead enrolled at less selective public and private universities. Over the several decades since California’s decision, admissions shifts have had significant cumulative impacts on economic mobility for young graduates in underrepresented minority groups, decreasing their overall earning potential.\(^ {14}\)
Audit & Reform Biased Practices
The Supreme Court decision is a call to action for higher education institutions to reform a set of practices that has always disadvantaged students without economic means. Leaders of these institutions must urgently reassess policies and establish new ways to equitably admit and support students - not just at the most highly selective schools with the most resources, but broadly across the sector. In addition to disaggregating data and critically examining the impacts of admissions policies, institutions should reconsider myriad other policies proven to favor students with economic advantage. As a first step, colleges should eliminate bias-ridden practices including demonstrated interest, early decision, and legacy admissions. They should also rethink their approaches to recruitment, ensuring ample opportunities for exposure in areas and schools with greater populations of Black, Indigenous, and Latino/a/x students.

Some institutions have already begun the process of rethinking these practices and can serve as models for others to follow. The University of Virginia recently announced its decision to remove reviewers’ access to applicants’ “checkbox” information regarding legacy status. Similarly, leaders at Virginia Tech opted for the first time to remove its early decision admissions option as well as remove legacy status as a decision factor.

Introduce Equitable Alternatives
In addition to removing biased practices, admissions offices should consider implementing more equitable alternatives that offer all students a fair chance at admission:

- **Increase transparency around selection criteria** to ensure that all students, regardless of the guidance and resources they receive at school and at home, understand how to strengthen their applications.
- **Employ test-free policies** to reduce race and class disparities influenced by standardized testing.
- **Adopt holistic application review practices**, which consider factors outside of academic achievement when evaluating an applicant.
Minnesota’s Direct Admission initiative serves as one example of how institutions are beginning to explore greater transparency in the admissions process. Through Direct Admission, students at participating high schools receive information about colleges and trade schools where they meet the admissions criteria, helping to reduce confusion, simplify the application process, and encourage them to apply.\textsuperscript{17}

Since 2020, University of California schools no longer consider students’ standardized test scores or require their submission as part of the application process.\textsuperscript{18} As a result of concerted efforts to expand admissions opportunities through this policy and others, the UC system admitted a record number of minoritized students to its freshman class in 2023.\textsuperscript{19}

Holistic review places greater emphasis on factors that may be helpful to students from minoritized backgrounds, including recent improvements in academic performance, non-athletic extracurricular activities and special projects, as well as, notably, life experience/ circumstances and the location of a student’s home and school. Numerous institutions across the sector have already begun implementing forms of holistic review in their admissions processes. Brigham Young University requires at least two highly trained reviewers to evaluate each application, including a student’s essays, activities, recommendations, and educational history.\textsuperscript{20} Similarly, the University of California system requires at least two reviewers to rate each application according to a set of 13 factors. At University of California campuses, the use of holistic application review resulted in a seven percent increase in the number of underrepresented students of color admitted when the policy was first implemented in 2002.\textsuperscript{21}

Our students deserve fair and equitable access to institutions that can help them thrive, and an overhaul of college admissions practices at selective institutions is long overdue. By ensuring that minoritized students are afforded access to these institutions and degree programs, higher education leaders can take the first step toward ensuring a more equitable system that supports students’ economic mobility. The strategies outlined above can support the beginning of a productive era of reform in college admissions practices; we hope that as the conversation around higher education equity evolves, research will help identify additional strategies to support students’ access and success.
Achieving true equity in higher education requires reaching far beyond admissions. To help close the racial wealth gap, colleges and universities must ensure that their financial aid policies and practices help students access economic mobility instead of pushing it further out of their reach. Over the past two decades, tuition increases have far outpaced average wage growth, resulting in rising student debt across the board. Tuition for public four-year institutions has grown by 50% and public two-year tuition by 25%, with the student share of public institutional revenue doubling as well. In the same timeframe, student loan growth has more than quadrupled. A lack of household wealth among Black and Latino/a/x families results in additional debt burdens for students in these groups, further compounding racial wealth disparities. The combination of these factors has had the effect of decreasing the return on investment a college education provides for minoritized students. In order to ensure that a college education can be a worthwhile investment for all students, higher education leaders must urgently reevaluate and reform financial aid practices on their campuses.

**CHALLENGES**

**Financial Aid Information is Unclear to Students**

In 2012, 95 percent of high schoolers surveyed said costs were “somewhat important” or “very important” in their decision to pursue college. College costs have only continued to climb in the interim, as has the importance they play in students’ decision-making. Unfortunately, reporting of financial aid information during the admissions and enrollment process is rarely transparent or standardized, making it difficult for students to make well-informed decisions. This problem stems in part from the voluntary nature of the Department of Education (ED)’s guidance on presenting financial aid packages to students; the US Government Accountability Office estimates only three percent of colleges use ED’s recommended format for their official financial aid offer letters. A lack of standardized financial aid letters and confusing language around “net price” forces students to seek information on direct costs like tuition and fees to make more informed comparisons. With incomplete
and sometimes inaccurate information, students are left to make ill-informed decisions that produce drastic consequences for their financial futures.

**Students Struggle to Find and Apply for Aid**

Identifying and applying for aid introduces further difficulties, particularly for first-generation students. Without access to family members or other adults who are knowledgeable about the college process, many students are unaware of possible sources of outside aid available to them or how to maximize the aid they receive. A 2022 study found that nearly half of students and families were unaware that all students are eligible to complete the Free Application for Federal Student Aid (FAFSA), and 75 percent were unaware of when the application window opens. In a separate study, 37 percent of adults surveyed reported that the application contained confusing or unfamiliar terms. As a result of confusing and inaccessible financial aid information, more than $2 billion in federal education grants goes unclaimed by students each year. These missed opportunities for financial support lead students to overpay for college, placing unnecessary strain on students from low-income families.

**Financial Aid is Inequitably Distributed**

Even for students who manage to navigate the unnecessarily complex financial aid application process, institutional financial support is often wholly inadequate to meet their needs in light of skyrocketing costs. In 2023, the average cost of college per year for a full-time student is $36,436; despite this ever-increasing expense, states spend an average of only $1,051 per full-time student in financial aid. Moreover, current statistics indicate that “a higher number of White or Caucasian students receive student financial aid than all other races and ethnicities combined” illustrating the failure of institutional financial aid practices to target students in ways that alleviate racial wealth disparities. Merit-based aid awards are one culprit; merit is often determined using racially biased metrics, and merit-based aid practices tend to work in favor of students with less financial need. As a consequence, these practices redirect scholarship dollars away from the students whom they would benefit most and leave many minoritized students unable to afford the growing expense of higher education.
PROMISING PRACTICES & MODELS

Improve Transparency & Accessibility

To fulfill their roles as agents of economic promise, higher education leaders must put students in the best position to make informed financial decisions that precipitate future economic mobility. Several strategies can help simplify the process of understanding and applying for financial aid:

- Engage in more transparent and standardized information sharing practices, including utilizing the ED’s recommended format for financial aid offer letters.
- Make more resources regarding outside aid readily available to both incoming and matriculated students to help them better identify available sources of financial support.
- Provide one-on-one financial aid application counseling to incoming students and ensure that they continue to receive financial counseling and understand their access to resources throughout their time in school.

In an effort to improve transparency, the College Cost Transparency Initiative (CCT), whose task force includes representatives from several HEEN member organizations, has encouraged higher education institutions to follow a set of standards for sharing financial aid offers with students. In 2023, CCT announced that more than 360 organizations had voluntarily committed to following these guidelines, offering students a more equitable and accessible way of understanding college costs. Several institutions and states are also taking steps to help students navigate financial aid applications, including statewide FAFSA application counseling events and increased outreach to low-income students.

Expand & Redistribute Aid

Additionally, to best support enrolled students in affording their chosen degree programs, higher education providers should expand and redistribute institutional aid, intentionally directing more dollars to underrepresented student populations and those with the greatest financial need. Programs including work-based financial aid (work study programs, co-ops, and internships) can be expanded to allow more students to earn money while working toward their degrees. These programs help lower the debt burden students face upon graduation, while, in many cases, offering the added benefit of resume-building work experience. To further offset student loan burdens,

COMPOUNDING INEQUITIES • 12
Institutions can also offer more targeted financial aid in the form of grants and scholarships for Black, Indigenous, Latino/a/x, and other minoritized student populations with greater need. Importantly, institutions should also critically evaluate their financial aid practices to ensure they best position minoritized students for success. In particular, financial aid decision-makers should reevaluate the practice of merit-based scholarships and instead rely solely on need-based determinants, concentrating aid in the hands of students whose attendance depends on it. The Postsecondary Value Commission’s 2021 Action Agenda suggests that such aid should prioritize fully funding the cost of attendance for any student with unmet financial need.

Numerous institutions have already taken steps toward the expansion of need-based financial aid. At Colby College, students from families with less than $75,000 in annual income now qualify for a $0 contribution. The University of Pennsylvania has also increased supports for families at this same income threshold by providing laptops and funding for summer courses and internships in addition to covering tuition and living expenses.

Other institutions are focusing on providing additional need-based aid to nontraditional students. In 2022, the State of New York’s higher education system expanded its Tuition Assistance Program by $150 million to offer financial support to part-time students.

By taking such steps to ensure that students are informed and supported, institutions can best position their students to take advantage of the economic opportunities afforded by a college degree.
Factor Three: Institutional Support & Student Success

While institutional policy reforms show great potential to improve financial equity and sustainability in higher education, many of these reforms remain impossible without adequate funding. Presently, insufficient funding to schools is responsible for producing tuition increases as well as limiting the supports that institutions can provide; resulting in 1) additional debt burdens, decreasing the return on investment in college for economically disadvantaged students; and 2) a struggle for college completion, preventing students from enjoying the economic benefits of a college education. The issue of college completion is further exacerbated by unequal progress along racial lines: nearly one in two white adults hold a postsecondary credential, compared to one in three Black adults and roughly one in four Latino/a/x adults. Without credentials to fast-track their earning potential, many remain trapped by low incomes and unable to repay student debt. To best position students for economic success, institutions must not only receive increased financial support, but they must also focus their support for students on equitably improving college completion.

CHALLENGES

Increased Access Requires Increased Investment

Although higher education has always been viewed as an engine for social and economic mobility, for many years, these benefits were only accessible to a small, privileged subset of Americans. In the past few decades, the acknowledgement that all Americans deserve access to these institutions has opened the doors to diverse student populations, including many with greater economic need. Today’s “traditional” students - 18-to-22-year-olds attending four-year colleges - are more likely to be impacted by systemic injustices than students of the past, with nonwhite student enrollment increasing 125% since 1976. Higher education also now serves a much larger population of nontraditional students, including students with children and those pursuing education independent of family support.
As student populations have diversified and the financial needs of today’s students have increased, support from institutions has not kept pace. As discussed in the Financial Aid & Affordability section of this report, institutional financial aid is insufficient to meet the needs of today’s students, especially in light of rising tuition. Further, when calculating the cost of attendance, colleges typically do not include expenses for basic needs such as additional living costs, childcare, and transportation. Lack of access to basic needs creates a barrier to completion for these students, perpetuating economic and social inequity.

**Funding Allocations Undervalue Student Needs**

State funding strategies aim to optimize resources in constantly changing economic, political, and enrollment conditions. However, funding allocations at the state level are often determined without proper consideration to actual institutional costs or the needs of the students they serve. This problem produces the most significant negative impacts for community colleges, Historically Black Colleges & Universities (HBCUs), and other minority-serving institutions (MSIs), which have historically been underfunded compared to private universities and state flagship institutions (source). By failing to adequately fund the schools that serve minoritized students, states not only underserve their institutions, but they also underserve the students most in need of support, thereby perpetuating disparities in opportunities and outcomes by race.

In addition to preventing institutions from lowering or offsetting the cost of tuition for students who need it, inadequate funding also prevents schools from providing the services and resources required to create an equitable path to educational attainment. In the absence of sufficient investment in advising, data tracking and monitoring, and basic needs support, even the best efforts have resulted in an increase in the number of students with student loan debt and no credential. Without the income necessary to pay back this fruitless investment, a third of white students who took loans but did not complete their studies defaulted on them, a rate that increases to 41% for Latino/a/x students and 55% for Black students.38
Redesigning the funding models for higher education to ensure adequate institutional support is pivotal to addressing this issue, and envisioning a new funding model begins with the acknowledgment that public investment in higher education must increase. Additional funding will be required across the sector, with particular emphasis given to historically underfunded institutions. However, states cannot simply fund institutions at an ever-increasing rate in the hope that completion improves. Instead, institutional funding must be closely and carefully tied to programs with a direct impact on college completion. An effective funding model would allocate resources not just based on the number of students enrolled, but also considering the institutional support needed to help students graduate.

A more equitable, completion-based approach to institutional funding likely means starting at the state-level, funding for all students to complete programs of economic and ongoing educational value. In order to make this new model a reality, schools must first conduct a thorough audit of internal spending needs, identifying funding gaps with significant impacts on degree completion. They must then engage stakeholders, including students, faculty, employers, and community members, in advocating for sufficient funding to meet these identified costs, emphasizing that higher education represents an investment in economic prosperity and should not be subjected to arbitrary budget limitations.

Both schools and funders must also work together to tie increases in funding to specific, measurable self-evaluation and accountability practices and ensure that the utilization of funds is closely monitored, with a focus on closing achievement gaps and minimizing student debt. Unlike previous attempts at performance-based funding, these efforts must importantly incorporate equity considerations. There is belief across the sector that considering institutional context and disaggregating data by race may be helpful in allocating funding more equitably. New funding models should also establish transparent reporting mechanisms to allow for public accountability. By incorporating these considerations, higher education institutions can create an ecosystem that promotes accessibility, equity, student success, and accountability, while also ensuring efficient utilization of funds.
Expand Targeted Completion Supports

Even as we increase investment in institutions, it’s imperative that those funds are used to expand student supports that address the barriers faced by minoritized students and are directly correlated to increased student success. Over the past decade, many models and strategies have emerged with the aim of better supporting students’ academic attainment; in order for funding to produce the desired impacts on student success, institutions should direct resources toward fully funding support services with a strong chance of increasing degree completion and closing the racial wealth gap:

- **Early-stage academic advising (including major selection):** By assisting students with career planning and major selection early in their academic journeys, schools can help strengthen the connection between college and career choices. The Ask-Connect-Inspire-Plan framework developed by the Community College Research Center, a HEEN network member, suggests targeted onboarding practices to help students better understand the relationship between their major and career outcomes and make informed decisions for their futures.

- **Communication and guidance around career pathways:** In order for students to remain on track toward degree attainment, they must have a clear sense of direction and the ability to self-monitor their progress. Institutions should invest sufficient resources in designing clear, accessible academic pathways that include course roadmaps and milestones for student reference. Schools should supplement these resources with strong, consistent academic support and coaching for all students throughout their academic careers.

- **Data collection and progress monitoring:** Higher education institutions can best support students toward degree completion when they are able to track and monitor progress and provide real-time interventions. Institutional leaders should therefore invest in improving systems for collecting and monitoring student data so that they can quickly course-correct when necessary and ensure all students remain on track to earning a degree.

- **Holistic student supports:** Any number of personal challenges can pose obstacles to a student’s degree completion. To best ensure that all students, regardless of their personal situations, have the best chance at college completion, schools should fully fund holistic student supports and including both academic and nonacademic counseling as well as basic needs support such as food, housing, transportation, mental health wellness, and childcare. In its Action Agenda, the Postsecondary Value Commission points to strategies including offering direct support for basic needs on college campuses, providing vouchers to students for food and transportation, and guiding students through the process of accessing government-funded assistance programs.
Colleges across the country are already employing their own versions of these strategies to support degree completion. Florida State University has expanded its targeted advising to include sophomores as well as freshmen and implemented required advising for all sophomores enrolled through its Center for Academic Retention and Enhancement (CARE), which serves first generation, socioeconomically disadvantaged students. Gettysburg College recently opened its Guided Pathways program to all incoming students, helping students connect their academic pursuits to specific career outcomes.

Many have also expanded basic needs supports. In 2023, the State University of New York made historic investments including $10 million for expanded mental health counseling, the addition of a housing liaison at every campus, and increased support for food pantries and SNAP enrollment. Across the state of Oregon, community and public colleges have hired Benefits Navigators to help students apply for and obtain assistance from public and school-based programs. In another example, Fort Lewis College has leveraged nonprofit and community partnerships to support its new rapid rehousing program, which helps housing insecure students locate stable housing.

By ensuring that state-allocated funding is sufficient to meet institutional needs - especially the needs of historically underfunded institutions - and is directed toward these high-return completion strategies, higher education leaders can best position their students and themselves for future economic success.
Conclusion

A FORMULA FOR SUCCESS

Despite the potential for higher education to catalyze economic success for students of all backgrounds, an entangled web of inequities across admissions, financial aid, and institutional support has created an unsustainable reality that disadvantages minoritized students and perpetuates racial and economic inequity.

• In order to reverse course and reshape a higher education sector that fosters equitable economic outcomes, particularly for Black, Indigenous, and Latino/a/x students, higher education leaders, funders, and their institutions must urgently undertake an integrated set of reforms across all stages of the student experience:

  • **End biased admissions practices** including legacy admissions, demonstrated interest, and early decision, and introduce equity-informed practices such as test-free admissions and holistic application review.

  • **Improve transparency and consistency** in reporting of financial aid information to students, including clarifying language around net price/cost of attendance and providing better channels for students to access information and support related to financial aid applications.

  • **Eliminate biased merit-based aid practices** in favor of bolstering need-based direct financial aid, particularly for students with the most financial need. This includes expanding work-based aid such as work-study funding, co-ops, and internships.

  • **Increase funding to institutions** in accordance with program needs, giving particular attention to historically underfunded institutions such as community colleges, HBCUs, and other MSIs.

  • **Ensure that additional funding is allocated** to expand completion supports, focusing on early-stage academic advising, career guidance, data collection and progress monitoring, and holistic student support.
Access to the economic mobility that higher education can provide should be equally available to all individuals irrespective of background and circumstances, and by employing the appropriate strategies, institutions across the country can make it so. A higher education sector that practices fair and equitable admissions, provides sufficient financial support in response to student need, and applies funding to support degree completion will help put all students, and particularly minoritized students, on the path to economic success and preserve the value of a college degree for future generations.

Afterword

Substantial and broad policy change among higher education institutions is long overdue and necessary to ensure future economic success for minoritized students and the institutions that serve them. However, these reforms are just the beginning of a solution that involves many other leaders and institutions beyond the higher education sector. In order to achieve their full potential for impact, these institutional reforms must work in tandem with industry reforms. Reducing disparities in employment outcomes and earning potential - as measured by metrics such as the percentage of white vs. Black, Indigenous, and Latino/a/x students hired within one year of graduation, average starting salaries by race, etc. - will require efforts toward more equitable hiring, compensation, and workplace support. It’s time we urgently prioritize the futures of our students and our nation’s economic sustainability more broadly by continuing this conversation and directing greater research and attention toward both equitable higher education policy and meaningful industry change.
Endnotes

1 Association of Public and Land Grant Universities, “How does a college degree improve graduates’ employment and earnings potential?”

2 United States Census Bureau, “Census Bureau Releases New Educational Attainment Data”

3 Federal Reserve Bank of St. Louis, “The State of U.S. Wealth Inequality”

4 Young Invincibles, “The Financial Health of Young America.”

5 The NAACP Legal Defense Fund, “How Student Loan Forgiveness Can Help Close the Racial Wealth Gap”

6 Education Data Initiative, “Student Loan Debt by Race”

7 Center for American Progress, “Black and Latinx Students Are Getting Less Bang for Their Bachelor Degrees”

8 Pew Research Center, “Racial, Gender Wage Gaps Persist in U.S. Despite Some Progress”

9 Joint Economic Committee of Democrats, “Education Can Help Narrow the Racial Wealth Gap, but Structural Solutions Are Needed to Close It”

10 Center on Education and the Workforce, Recovery: Job Growth and Education Requirements through 2020

11 National Education Association, “The Racist Beginnings of Standardized Testing”


13 Campaign for College Opportunity, “Ensuring Fairness in College Admissions”


15 USA Today, “Legacy admissions are being rolled back: Here’s which colleges have changed policies”


17 Star Tribune, “Minnesota’s Direct Admissions program is changing how students apply to college”

18 University of California, “Freshman Requirements”

19 UC Office of the President, “University of California admits record number of California residents and largest class of underrepresented freshmen in system history for fall 2023”

20 Brigham Young University, “Holistic Review”

21 Campaign for College Opportunity, “The Urgency of Fair and Equitable Holistic Review”

COMPOUNDING INEQUITIES • 21
22 College Board, “Trends in College Pricing”
24 St. Louis Fed, “Student Loans Owned and Securitized”
25 Education Data Initiative, “Student Loan Debt by Race”
26 U.S. Department of Education, “Factors that Influence Student College Choice.”
28 Sallie Mae, “How America Pays for College.”
29 EAB, “37% of adults say FAFSA jargon is confusing.”
31 National Association of Student Financial Aid Administrators, “Hundreds of Colleges and Universities Commit to Student Cost Transparency”
32 Brookings, “Improving college access through financial aid transparency and FAFSA simplification”
33 Colby College, Colby Expands $0 Contribution Policy”
34 Penn Today, “Penn expands financial aid for families earning less than $75,000 a year”
35 New York State Office of the Governor, “Governor Hochul Announces Launch of Historic $150 Million Expansion of Tuition Assistance Program to Part-Time Students”
36 Lumina Foundation, “A Stronger Nation Report”
37 Education Data Initiative, “College Enrollment by Race or Ethnicity”
38 Center for American Progress, “The Continued Student Loan Crisis for Black Borrowers.”
39 EAB, “2021 Case Study Compendium”
40 Gettysburg College, “Guided Pathways”
41 Young Invincibles, “New York’s Higher Education Basic Needs Coalition Comments Historic SUNY Investments in Student Mental Health, Housing Security, and Anti-hunger”
42 The Oregonian, “Oregon program helped 11,000 low-income college students meet basic needs last year”
43 Inside Higher Ed, “Rapid Rehousing for Housing-Insecure Students”
The Higher Ed Equity Network works to create a more equitable higher education system with an intentional, unapologetic focus on the needs of Black, Latino/a/x, Indigenous, and other students who are harmed by persistent systemic barriers linked to their racial and ethnic identities.

To learn more about the Higher Ed Equity Network, visit HigherEdEquityNetwork.org.