

Risky Business: Hispanic-Serving Institutions and the future of the U.S.

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I'm a sociologist and I work in southern Colorado at a small teaching university named Adams State. I spend a great deal of my time studying social issues with the hope of contributing to a better future by teaching others about the nuances of our society. I dedicate the majority of my time to the classroom but I also spend a fair amount of time analyzing numbers with fancy statistical models. One model I use is called the proportional hazard model, which is a type of survival model. The hazard model examines rare events, such as car thefts, homicides, and suicides. Insurance companies use this model to assess risk in their clients. For example, hazard models consistently predict that drivers under the age of 25 are far more likely to get into accidents. For this reason, insurance companies charge younger drivers more money to insure their cars. They're risky business, and thus, insurance companies compensate their risk by charging higher rates.

Hazard models are all around us. Loan officers use them to assess credit risk, doctors use them to calculate heart attack rates, and transnational companies use them to evaluate whether or not investing in developing countries is worth the gamble. In capitalist societies like the U.S. hazard models have even crept into the realm of education.

Given my line of work, I was not particularly surprised when I recently read a press release by Moody's Investors Service titled, "Moody's downgrades Adams State University (CO)'s to A3; outlook negative." Moody's rating outlook read,

"The negative outlook reflects uncertainty in the university's ability to successfully balance operating performance in the face of variable state operating support and declining enrollment. A high need student population and ongoing tuition increases, as well as a planned guaranteed tuition pricing program, could potentially hinder longer term enrollment growth and intensify top line pressure."

Adams State is a Hispanic-Serving Institution (HSI) that attends large populations of first-generation minority students, and under the new credit rating, if the university wants to access credit they will do so at a higher rate than in years past.

Adams State's credit downgrade is not an isolated event. In recent years public universities across the country have suffered a similar fate. This is particularly true at institutions like Adams State that serve minority and first-generation students, and I must admit, from a financial standpoint, this makes sense. As public funding for higher education continues to fall, private investors want to know which institutions are most at risk as a means of evaluating the stability of their investments.

And the numbers don't lie. Public education is a risky venture.

In recent decades the U.S. government—i.e., you, me, and the rest of the voting public—has systematically divested in education. Between 2008 and 2014 state funding for higher education fell in all but Alaska and North Dakota. And in the vast majority of states funding fell by double digits. In Colorado funding was down nearly 28% over this same period. At Adams State, public funding went from covering around 65% of costs in 1999 to covering just 35% by 2014.

The result of steep funding cuts has been equally extreme increases in tuition, which are often not enough to keep up with the cost of inflation. As Moody's senior analyst, Karen Kadem, noted in a 2013 press release,

“Anemic tuition revenue growth has spread to a larger share of the higher education industry, infecting public universities for the first time in decades. At this pace, tuition-dependent colleges and universities will be challenged to make necessary investments in personnel, programs, and facilities to remain competitive over the longer term.”

Essentially, we've passed the cost of our nation's future on to those least prepared to pay for it, and the long-term effects will be devastating if we don't turn things around.

Moody's got it right when they labeled Adam State's student population “high need.” Where I work we provide education to those who truly need it. At Adams there's not a day that goes by that I don't have the opportunity to really make a difference in a young individual's life. Nearly 90% of my students receive financial aid, and many are the first in their family to set foot on a college campus. Over 40% of my students are Latinos, and if it weren't for our institution, many of my students would never even pursue a higher education at all. Still, less than 25% of Adam's students finish in 4 years, and many drop out. Some return, others don't. True to Moody's rating, my students are risky business.

The investment landscape looks remarkably different on private campuses. Private colleges are the equivalent of blue chip stocks. In my ten years of teaching, I've worked with students from private colleges in Colorado and beyond, and I've yet to meet one that I wouldn't invest my money in. Every single one of them has what it takes to succeed economically, regardless of whether they finish college. They've gone to all the right prep schools, dedicated their summers to all the right internships, and most importantly, they've nearly all had the privilege of growing up with highly educated parents who are financially stable.

Still, despite their ability, our nation's future is not in the hands of this privileged group of students. On the contrary, the fate of this nation is deeply intertwined with the education of our least privileged students. At 18% of the U.S. population, Latinos make up the fastest growing demographic in America. Between 2000 and 2010 the group grew by more than 40% and by 2060, Latinos are predicted to make up more than 30% of the nation's population. They are also the nation's youngest demographic group. They are, in short, the future of the country, but per Moody's standards, they are not worth investing in.

Latinos, relative to the White majority, face steeper barriers when it comes to succeeding in college. They are less likely to be encouraged to go to college, less likely to gain access to financial aid, and over time, they are more likely to drop out if they do end up on campus. The same is true for African-American students, and although to a lesser degree, first-generation White students. And although many would like to believe these outcomes have nothing to do with the color of one's skin, rigorous studies demonstrate that one's likelihood of educational failure increases as the shade of one's skin gets darker (See Murguia and Telles 1996).

Still, despite their humble beginnings, students like mine are the face of this country's future, and if we place their fate in the hands of the hazard models that discipline the market, as we have done for

the last several decades, their talents will be lost. Hobbled with student debt and structural disadvantages, their fertile minds will never have the opportunity to contribute to the public good.

So, while Moody's may have nailed the short-term financial reality facing public education in the U.S. on the head, they missed the mark when it comes to the long-term wellbeing of our country.

The problem lies in the fact that hazard models predict outcomes, not causes. Like other small public institutions, at Adams State we are currently facing tough financial times but this has little to do with how hard we work. Our professors, staff, and students are among the hardest working people I know. There's always room for improvement, and as an institution we're working hard to address our own shortcomings, but like other public institutions of higher education that serve the traditionally underserved, we face a bleak future if state and federal funding continues to decline. Our student body may have many virtues, but wealth is not one of them. An overwhelming 90% of Adam's students are eligible for financial aid. And like the rest of America's working class, our students cannot continue to foot the bill for the future of this nation.

Education may be risky business, but it is the cornerstone of democracy. Around the world investments in higher education correlate with increases in electoral participation, reduced unemployment, civic engagement, higher rates of empathy, lower levels of corruption, and reductions in crime. In turn, decreases in education funding are associated with the exact opposite.

Ironically, Adam Smith, who most remember for his staunch support of free-market capitalism, might have put it best when he wrote,

“The education of the common people requires, perhaps, in a civilized and commercial society the attention of the public more than that of people of some rank and fortune.”

Perhaps it was bound to come to this in a nation that has long been blind to the pernicious effects of excessive inequality, but unless we come to terms with the perilous state of education in this country, and make real efforts to increase funding for public education, things are set to get much worse. Educating the less-fortunate may be a risky investment, but as overwhelming evidence reveals, not investing in education is a far more hazardous venture. If we hope to right the ship, the time is now, for while campuses like Adams State may be in risk of financial trouble, our nation is in peril of falling into a much deeper abyss.