Project Overview

Individual-Level ROI

The lifetime earnings premium for college graduates allows students, especially individuals from disadvantaged backgrounds, to change the trajectory of their lives. Although the economic benefits of going to college vary by major, previous research has shown that college graduates earn between $700,000 and $1.5 million more in their lifetime when compared to high school graduates (Webber, 2014). The economic benefits of college attainment are clear and convincing, but we know less about the ROI of going to college for Black students, in particular.

As of 2020, only 28% of Black individuals aged 25 to 29 in the U.S. have a bachelor's degree, compared to 45% of white individuals in the same age group. Part of the gap is explained by differences in college enrollment rates but part is also explained by differences in college completion rates. Racial gaps in college attendance and attainment contribute to other documented racial disparities, including earnings, credit scores, and the ability to repay student loans (e.g., Hillman, 2015; Daly et al., 2017; Choi et al. 2021). Even among college graduates, Black job applicants are more likely to face discrimination in the labor market relative to their white peers who graduated from a similar college or university (Gaddis, 2015). These types of complexities reveal the need for more research on the ROI at the individual level for historically underserved subgroups, such as Black individuals.

A major issue when considering the ROI associated with going to college is whether the type of college can make important differences when seeking to close racial gaps in degree attainment and labor market outcomes. For the first phase of the proposed project, we will focus specifically on Black high school students in Florida who attend HBCUs. In the state of Florida, roughly 18% of Black college students enrolled at one of the HBCUs (authors' calculations). In addition to serving Black students, HBCUs appear to be effective in positioning Black students to earn well-paying jobs. HBCU graduates represent 50% of Black lawyers, 80% of Black judges, 40% of Black engineers, 40% of Black Congressmembers, and 50% of Black faculty at predominantly white research universities. HBCUs also supply more Black applicants to medical schools than non-HBCU institutions (Robinson & Albert, 2008; United Negro College Fund, 2005). The impact of HBCUs across the nation appears to be oversized, but we know very little about the economic return of attending an HBCU for Black students in the state of Florida.

For the second phase of the proposed project, we will widen the scope of our analyses beyond HBCUs and consider the ROI for Black high school students in the state of Florida who enroll at *any* two-year or four-year institution. Moving forward, it will be critical to understand the ROI of Black students across institutional contexts, including both two-year and four-year institutions. Nationally, two-year institutions receive about $8,800 less in education revenue per student when compared to four-year institutions (Yuen, 2020). In the state of Florida, two-year institutions are underfunded relative to four-year institutions, but two-year institutions can play a major role in reducing attainment gaps within the state because they serve a disproportionate share of racially minoritized, low-income, and academically underprepared students.

State-Level ROI

Increasing college attainment can also make economic sense at the state level. In a recent report focused specifically on the state of California, researchers showed that targeted investments in increasing college attainment for Black and Latino/a/x individuals would increase the average income of Black and Latino/a/x Californians in the workforce, and those investments would yield a considerable return for the state. The authors claimed that state investments toward Black and Latino/a/x college attainment were projected to substantially increase net revenue for the state over the next 10 years (after accounting for taxes). In addition to college-educated workers paying more in taxes, California would be projected to yield considerable savings to the state in health and criminal justice expenditures over that same time period (Reddy & Dow, 2021). Additional work focused on the state of Georgia has shown that investing in increasing college attainment can allow states to break even in the short term and increase net revenue in the longer run (Smith et al., 2020). Despite some evidence of the economic returns of college-going at the state level, studies focused on California or Georgia do not offer much-needed evidence of the economic implications of improving college attainment among Black students in the state of Florida.

For the proposed two-part project, we will address the following two research questions:

1) **What is the ROI for college attendance among Black high school students in the state of Florida who enroll at HBCUs?**

2) **What is the ROI for college attendance among Black high school students in the state of Florida who enroll at *any* two-year or four-year college or university?**

To answer these questions, we propose to form a collaborative between the University of Florida's Institute of Higher Education and two leading economists who study ROI for college students, with a particular focus on Black students' labor market outcomes. Specifically, our research team will be comprised of **Dr. Justin C. Ortagus**, Director of the Institute of Higher Education at the University of Florida (Principal Investigator), **Dr. Jonathan Smith**, Associate Professor of Economics at Georgia State University (Co- Principal Investigator), and **Dr. Andria Smythe**, Assistant Professor of Economics at Howard University (Co-Principal Investigator). Importantly, the project team will work collaboratively with Dr. Paul Perrault and Ms. Kimberly Lent Morales of the Helios Education Foundation when crafting and disseminating the deliverables to be outlined below.

Data and Methods

The project team will leverage rich data and a rigorous research design to show the economic impact of going to HBCUs and any college or university among Black high school students in the state of Florida. A major challenge associated with measuring ROI in the way we outline is the difficulty of securing data that allows researchers to consider variations of ROI according to students' race/ethnicity. To address this challenge, the proposed project (and research design) will make use of one of the largest and richest student-level datasets in the U.S., following

students throughout the state of Florida from high school, through college, and tracking their financial outcomes at age 30.

The base data obtained from the College Board will consist of the millions of Black students who took the SAT between 2004 to 2010 across the U.S., but we will narrow the scope of our analyses to focus on Black high school students in the state of Florida. These data include test scores, high schools enrolled, basic demographics (including socioeconomic status), and a measure of each college application. These data are merged to National Student Clearinghouse, which contain information about college enrollment spells, any degrees earned and the types of degrees earned. Finally, the data are merged to TransUnion credit bureau data, which has hundreds of financial variables for the students in a single cross-section when the former students are around age 30, including an estimated household income, credit score, student loan balance and repayment, default, credit card debt, mortgages, and zip code of residence. The subsequent analyses will focus specifically on otherwise-similar Black high school students in Florida by accounting for their interest in the institution attended (we will know where they applied) and a host of background characteristics.

At the individual level, we will focus on four outcomes for which there are racial disparities: bachelor's degree completion, student loan balance (and default), estimated household earnings, and credit scores. We will also be able to examine whether effects vary according to the family income of Black high school students in Florida. At the state level, we will follow prior work by Co-PI Smith by including state-level measures of the economic returns of going to HBCUs and any college or university, focusing specifically on the increased expenditures associated with educating Black students in Florida relative to the anticipated increases in tax expenditures and decreases in other government spending (e.g., health and criminal justice).

Deliverables:
The proposed project will include the follow deliverables:

- **Research brief** (1-2 pages) providing a non-technical summary of the core research findings pertaining specifically to the ROI for college attendance among Black high school students in the state of Florida who enroll at HBCUs (Research Question 1)
- **Full-length report** (15-20 pages), including a technical appendix, providing research findings focused on the ROI for college attendance among Black high school students in the state of Florida who enroll at HBCUs (Research Question 1)
- **Research brief** (1-2 pages) providing a non-technical summary of the core research findings pertaining specifically to the ROI for college attendance among Black high school students in the state of Florida who enroll at *any* two-year or four-year college or university (Research Question 2)
- **Full-length report** (15-20 pages), including a technical appendix, providing research findings focused on the ROI for college attendance among Black high school students in the state of Florida who enroll at *any* two-year or four-year college or university (Research Question 2)

The Institute of Higher Education will work directly with a web design specialist to format, produce, and disseminate all deliverables derived from the proposed project.