The Cost of Disinvestment:
A Brief on HSI Defunding

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The Policy Change:

HSIs lost **$507.9 million** in promised funds due to the September 10, 2025, ED decision to terminate Title III and Title V grants, issued soon after applications were submitted and accepted in a new round.

The cancellation of these grants marked a radical departure from decades of bipartisan federal support for HSIs. Congress had previously established these capacity-building grants to strengthen institutions and expand educational opportunities for Latine, low-income, and other underserved students.

Immediate Impact:

16%
reported grant activities stopped within the same week

63%
reported grant activities would end within 12 months

Because grants were terminated mid-cycle, institutions had little time to plan, communicate, or transition programs and personnel.

Title III and Title V grants supported:

- Student services
- Tutoring and mentoring
- Transfer support
- Curriculum investments
- Faculty development
- Infrastructure investments

What We Did:

We surveyed current and former HSI stakeholders, including:

- Program directors
- Faculty
- Staff
- Students

Final Sample:
73 respondents across 12 states

The damage and speed of the cancellations stemmed from their mid-cycle timing. Institutions were making plans around these promised funds, counting on the opportunity for continued support. The rug was pulled out from under them. A system that supported HSIs and the students they served for decades was withdrawn in a way that did not allow for proper planning or effective institutional support. Our findings systematically documented the effects of MSI grant cancellations at HSIs. The consequences are layered and still unfolding.

> **"Giving students resources should never be controversial for the wealthiest nation in the world. These grants were transformational for institutions, and now nothing is in place for all of us to continue to work forward."**
>
> — Grant director, HSI in California

Effects on Personnel

- 70% (51) reported experiencing emotional strain
- 70% (51) reported people at their institution lost a source of income
- 47% (34) reported professional derailment or uncertainty

This policy choice jeopardized people's professional and financial footing, with some losing their jobs or part of their wages and others forced to take lower paying positions. Even those who did not personally experience economic hardship saw their colleagues adversely affected by it.

Effects on Students and Programs

- 73% (53) reported that students lost academic support or services
- 59% (43) reported that students lost employment opportunities

Some students lost contract renewals or had their hours reduced. Defunded initiatives included success coaching and mentorship, career development, internships, transfer support, and beyond.

> **"Students are hearing the message; 'You don't matter'."**
>
> — Grant director, HSI in California

Effects on Institutions

- 89% (65) reported a loss of momentum in HSI initiatives
- 81% (59) reported a decline in morale
- 67% (49) reported a de-prioritization of HSI-serving efforts on campus

The damage came from the simultaneous collapse of supports, staffing, programs, and the capacity that took years to build.

> **"These grants are not ancillary funding; they support core infrastructure such as personnel, data systems, student services, and outreach pipelines that institutions rely on to improve retention, completion, and workforce alignment."**
>
> — Grant director, HSI in Texas

Recommendations

Eliminate Mid-Cycle Terminations

Prohibit mid-cycle terminations except under extraordinary circumstances. If unavoidable, require transition plans, closeout guidance, and clear communication.

Replace Before Removing

Create and implement alternative funding streams to fill gaps and support students before removing programs.

Create Non-Competitive Support

Establish and fund stable, mandatory, non-competitive grants for institutions enrolling high concentrations of underserved students to support degree completion and

Work Across Levels

Strengthen coordination between federal and state governments when making higher education funding decisions.

Invest in Tracking

Track the effects of federal higher education funding policy changes on staffing, student services, completion, morale, and institutional capacity.