

GREATER FUNDING, GREATER NEEDS:

A REPORT ON FUNDING FOR HBCUs

July 2022



UNCF

A mind is a terrible
thing to waste®



Table of Contents

- 2 Foreword
- 3 HBCUs at a glance
- 5 2022 HBCU survey results
- 9 Overcoming entrenched barriers to funding
- 12 UNCF: A champion for private HBCUs

Foreword

Historically Black colleges and universities (HBCUs) have distinguished themselves over the past two years in the face of uncertainty and difficulty. They innovated to embrace remote learning and redirected funds to provide their students with much-needed support. And they received an outpouring of funding; the federal government has allocated more than \$6.5 billion to HBCUs over the past two years,¹ and private donors have significantly stepped up their giving. As a result, HBCUs have gained a renewed sense of optimism and hard-won resilience.

That said, the structural fiscal challenges HBCUs faced before the pandemic remain. To gain a better understanding of their needs, we surveyed our member institutions. The findings presented in this report make a compelling case for increased funding to support the long-standing needs of HBCUs and to enable these institutions to fulfill their missions.

We note in this report that the uptick in funding over the past two years doesn't begin to make up for decades of neglect. In particular, the federal government, for decades, has ignored its legally mandated obligations to allocate funding at prescribed levels. There's an inherent immorality that underpins this pattern: HBCUs are the institutions that perform the best for Black students, yet they remain chronically underfunded. What's more, this cycle feeds the perception that they aren't worthy of support.

HBCUs also face challenges stemming from hostility toward their historical role in lifting up Black students. Since the beginning of 2022 alone, these institutions have received more than 50 bomb threats intended to disrupt operations and instill terror among the student population. As of this publication, no arrests have been made, and HBCUs have had to commit additional resources to safeguarding their campuses.

Black professionals have relied on HBCUs more than any other higher education institutions in America for more than 180 years. Our nation's elected officials, policy makers, and business leaders cannot afford to neglect the students and communities served by these historic schools.

I remain optimistic. The events of the past two years, including a period of racial reckoning in our country, have raised awareness about the role and mission of HBCUs, offering a unique opportunity to establish a new, more equitable trajectory for these institutions. My hope is that policy makers, elected representatives and private donors use this fact base to inform their funding decisions and redouble their support for HBCUs.

Lodriguez Murray

Senior Vice President, Public Policy and Government
UNCF

¹ Bobby Scott, "Finally, HBCUs' time has come: Biden's 'Build Back Better' provides historic funding," TheGrio, October 29, 2021.

HBCUs at a glance

By the numbers

HBCUs serve more economically disenfranchised students than most U.S. institutions, and they do so successfully, facilitating the upward mobility of the majority of their students.

- The U.S. has 101 accredited public and private HBCUs located in 19 states, the District of Columbia and the U.S. Virgin Islands.
- HBCUs provide an average of 6,385 jobs in each state and territory and generate an average of \$704.7 million a year in total economic impact.
- HBCUs make up just 3% of higher education institutions in the country, but they educate 10% of all Black college students.
- More than 70% of HBCU students are eligible for Pell Grants.
- First-generation college students make up 39% of HBCU enrollment.
- HBCUs graduate 80% of Black judges, 50% of Black doctors, and 50% of Black lawyers.
- HBCUs award 24% of all bachelor's degrees received by African Americans in science, technology, engineering and mathematics (STEM) fields
- HBCUs have a 34% mobility rate of moving their students from the bottom 40% in household income into the top 60%. That is double the national average and five times more than Ivy institutions.²

Know Your Institutions: Definitions You Can Use

Historically Black colleges and universities (private and public)

HBCUs are institutions that were established prior to the Civil Rights Act of 1964 with the primary mission of educating and providing access to higher education opportunities for African Americans.

Special-mission institutions

Special-mission institutions are organizations founded to serve unique and specific populations and to assist these populations in overcoming the injustices and biases they face. Special-mission institutions include historically Black colleges and universities, Tribal colleges and universities (TCUs) and women's colleges.

Tribal colleges and universities

TCUs are educational institutions designated to serve the higher education needs of American Indians and Alaska Natives in geographically isolated populations as defined in the Higher Education Act of 1965.

² Hammond, M., Owens, L. & Gulko, B. (2021). HBCUs Transforming Generations: Social Mobility Outcomes for HBCU Alumni. Washington, DC: UNCF.

Minority-serving institutions

Minority-serving institution is the umbrella term for institutions of higher education that serve students who have been historically excluded from higher education and minoritized at historically white institutions (TWI). Some examples are Hispanic-serving institutions and Asian American and Native American Pacific Islander-serving institutions.

Hispanic-serving institutions

HSIs—a category under the umbrella of minority-serving institutions—are accredited institutions of higher education in which Hispanic undergraduate students represent at least 25% of total full-time enrollment. These institutions are given this designation based on criteria defined by the U.S. Department of Education.

Asian American and Native American Pacific Islander-serving institutions

AANAPISIs are similarly defined by the U.S. Department of Education; they are accredited institutions of higher education in which Asian American and Pacific Islander students make up at least 10% of enrollment.

Historically Black Colleges and Universities: Building on a Broad Legacy

HBCUs are both federally designated institutions that serve Black students *and* special-mission institutions founded to give access to this historically excluded student population. In contrast, minority-serving institutions—such as HSIs and predominantly Black institutions—are federally designated but not “special mission serving” as defined by the Higher Education Act of 1965, as HBCUs are. Some MSIs are large and highly resourced institutions. For example, Azusa Pacific University, designated as both an HSI and an AANAPSI, has a \$100 million endowment.³

It is important to make this distinction because designating HBCUs as merely MSIs erases their historical context and minimizes their unique institutional needs in comparison with MSIs that have far more financial resources.

FOR EVERY
DOLLAR HBCUs
SPEND,

73.8 CENTS

SUPPORT BLACK STUDENTS—A FAR
HIGHER PERCENTAGE THAN AT HSIs, TCUs,
AND AANAPISIs.

³ “Azusa Pacific University 2021-22 Fact Sheet,” Azusa Pacific University.

2022 HBCU survey results

The Frederick D. Patterson Institute, the research arm of UNCF, conducted a survey of the UNCF's member-institution HBCUs in January and February 2022. The goal was to better understand each responding institution's ability to gain access to federal funds and increased philanthropic donations during the COVID-19 pandemic. The survey also highlighted the fiscal condition of HBCUs, their funding needs and their top priorities for the coming year. In all, executive leaders from 31 HBCUs participated.

The onset of the COVID-19 pandemic forced HBCUs to adapt their operations quickly as they shifted to remote learning—safeguarding students and faculty—and reassessed their administrative priorities. While leaders had to manage already-stressed operating budgets, they benefited from two funding sources: federal funding and private donations.

Rising federal funding over the past two years

All responding institutions reported receiving federal funds from the CARES Act (signed into law in March 2020), the stimulus and Consolidated Appropriations Act, 2021 (December 2020), and the American Rescue Plan Act (March 2021). In all, the CARES Act allocated approximately \$925 million to 101 HBCUs. As Figure 1 demonstrates, most institutions used this funding to invest in technology to support distance and remote learning, compensate for lost revenue, and reimburse expenses already incurred (for example, student tuition relief).

One respondent noted, "Funds were used to implement and upgrade technology on campus to better assist students and faculty with delivering and accessing remote instruction." Another explained, "We used funds to stabilize operations through covering payroll expenses; for improvements to technology, such as giving all students laptop computers; and for student support and aid, such as relieving student debt."

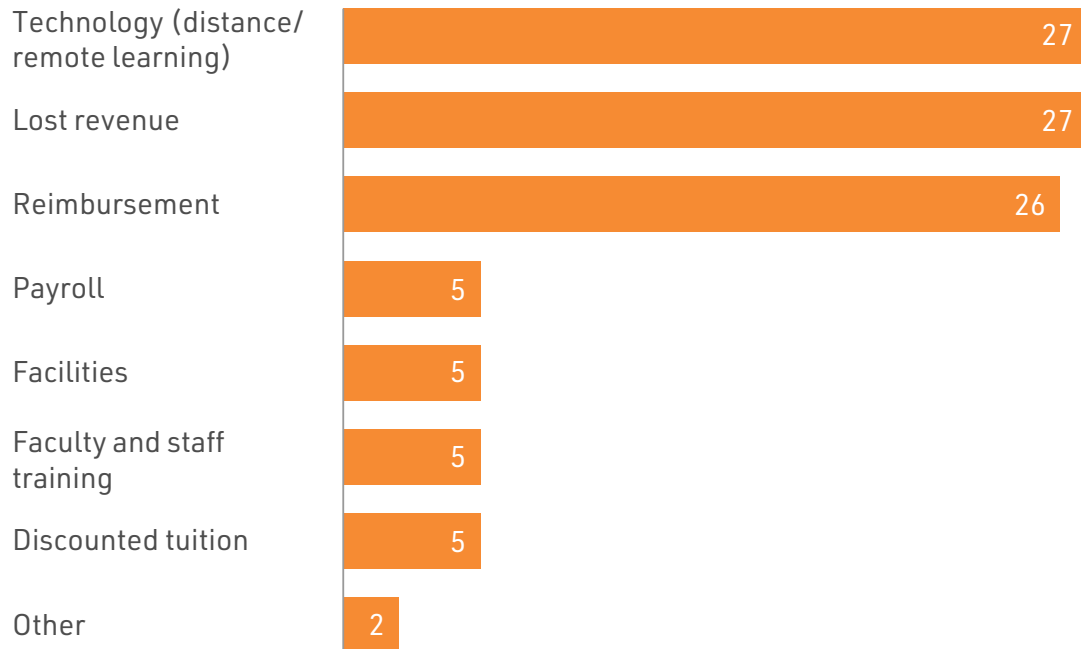
OVER THE PAST TWO YEARS, THE FEDERAL GOVERNMENT HAS ALLOCATED MORE THAN

\$6.5 TO **101**
BILLION **HBCUs**

THOUGH THIS FIGURE IS IMPRESSIVE, IT DOES NOT MAKE UP FOR DECADES OF UNDERFUNDING.

Figure 1: Institutional priorities for CARES Act funding

Categories ranked among top three priorities for institutional use of CARES Act funding, number of respondents (n = 34)



Private donations increased for most—but not all—HBCUs

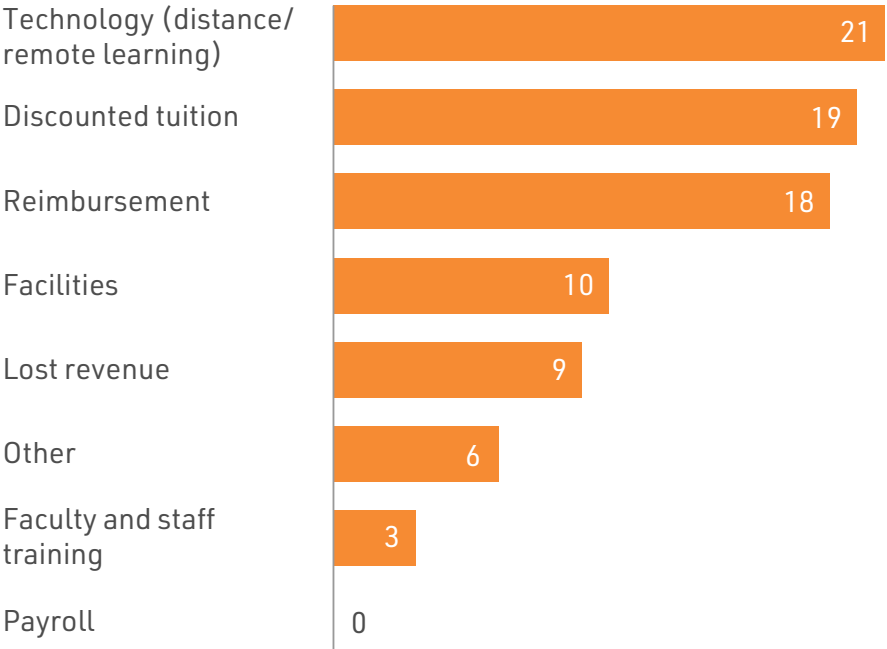
More than 80% of respondents have reported a rise in private donations since March 2020. Growing awareness among donors of the greater need for support during the pandemic, coupled with George Floyd's death and the rise of the Black Lives Matter movement, unleashed a wave of contributions. HBCUs also directed this spike in philanthropic donations to immediate needs, including tuition relief for students and investments in technology (Figure 2).

In many cases, these funds enabled students from low-income backgrounds to continue their education amid economic disruption. According to one respondent, "Funding was used to retain student enrollment by offering tuition waivers and discounts and paying outstanding balances."

To enable distance learning, many students needed computers, access to Wi-Fi and other support. One HBCU leader described the support his institution provided to students: "The university implemented new software; issued hot spots, laptops, and digital library resources; and assisted with student account balances."

Figure 2: Funding priorities for private donations

Categories ranked among top three priorities for institutional use of philanthropic donations during the COVID-19 pandemic,¹ number of respondents (n = 29)



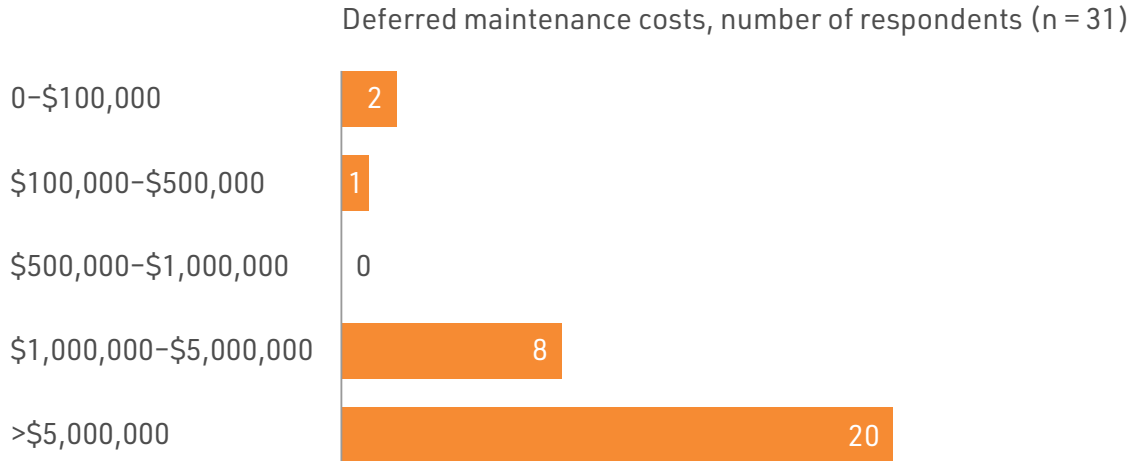
¹From March 2020 to March 2022. In most instances, restrictions on use of donations influenced the institutions' choices.

Growing funding needs for infrastructure and maintenance

As HBCUs were forced to shift their focus virtually overnight to address immediate needs, investments in physical infrastructure and facilities became a lower priority. The survey found spending federal funds or philanthropic donations on facilities, both for maintenance and operations, was at the bottom of the priority list. The focus on short-term needs meant that institutions had less money to invest in existing infrastructure. In all, nearly two-thirds of participating institutions indicated they had more than \$5 million in deferred maintenance (Figure 3).

One respondent indicated that additional federal funds “would be used to improve infrastructure (for example, to reduce deferred maintenance) along with enhancing classrooms and labs.”

Figure 3: Deferred maintenance costs



Spending priorities in the coming years

The influx of funding over the past two years helped HBCUs address unforeseen needs that arose from the pandemic. HBCU leaders are once again turning their attention to continuing support for students as well as longer-term priorities. Respondents indicated additional funding would be directed to technology, deferred maintenance and infrastructure, among other priorities. For example, research facilities are particularly important because federal agencies and private donors use them as a metric by which to gauge an institution's capabilities and readiness to use funding.

One respondent stated, "We would improve facilities, increase student financial aid and seed fund programs that will strengthen the institution, improve student outcomes and serve our traditionally underserved community."

Another respondent clearly laid out their institution's priorities: "More funding is needed to both purchase and manage technology and the virtual delivery of classes. Funding is also needed to stay abreast of 'best practices' technology that supports major programs—for example, the technology for STEM-related programs."

Overcoming entrenched barriers to funding

Thanks to the massive influx of funding and private donations, HBCUs entered 2022 in a much stronger position than before the start of the pandemic. HBCUs now run the risk of losing out on funding from stakeholders who may erroneously believe the need has lessened. Now, a critical challenge for HBCUs will be overcoming common myths about these institutions.

Consistent budget shortfalls



Myth: The spike in federal funding and private donations over the past couple of years has resolved long-standing budget shortfalls.



Reality: The fiscal challenges HBCUs face have developed over decades and will require additional funding over a sustained period to properly address them. The influx from the past two years is not enough.

The federal government has consistently fallen short of mandated funding levels for HBCUs. For example, from 2003 to 2015, both public and private HBCUs experienced the steepest declines in federal funding per full-time-equivalent student among all institutions.⁴ Private HBCUs endured a 42% reduction—the largest decrease among every category of higher-education institutions. HBCUs have always been a top investor in education for Black students, so denying HBCUs of critical funding essentially deprives Black students of the opportunities they deserve.

One result of recurring budget shortfalls is that institutions have been forced to delay spending on infrastructure, such as student dorms, recreation buildings and research facilities. Many HBCUs face a large and growing backlog of deferred maintenance projects. According to the U.S. Government Accountability Office (GAO), public HBCUs, on average, have total deferred maintenance of more than \$60 million.⁵ Deferred maintenance results in obsolete facilities, issues with student housing and the inability to operate some buildings. Federal spending bills such as Build Back Better and the IGNITE HBCU Excellence Act would allocate significant levels of funding to HBCUs, but they are currently stalled in Congress. Furthermore, Congress allocated more funding to a single HBCU, Howard University, for fiscal year 2022 than to all other HBCUs combined.



Call to action: Commit to fund HBCUs, collectively, at federally mandated levels going forward while providing extra funds to address the deferred maintenance backlog.

⁴ Krystal L. Williams and BreAnna L. Davis, "Public and Private Investments and Divestments in Historically Black Colleges and Universities," American Council on Education and UNCF, January 2019.

⁵ Lauren Lumpkin, Nick Anderson, and Danielle Douglas-Gabriel, "Amid nationwide enrollment drops, some HBCUs are growing. So are threats," *Washington Post*, February 11, 2022.

Endowments at HBCUs



Myth: HBCUs have ample endowments that provide a much-needed funding cushion.



Reality: The endowments of HBCUs are just a fraction of their non-HBCU counterparts.

Colleges and universities use endowments to support several priorities, such as scholarships, upgraded facilities and faculty hiring. However, endowments at HBCUs currently trail those of other institutions by at least 70%.⁶ A U.S. GAO study found HBCUs have an average of \$15,000 in endowment per student, compared with \$410,000 at comparable non-HBCUs.⁷

	ALL HBCUs	NON-HBCUs	81 MOST SELECTIVE INSTITUTIONS IN THE COUNTRY
MEDIAN ENDOWMENT	\$13.7 MILLION	\$36.7 MILLION	\$1.6 BILLION

NO HBCU ENDOWMENT RANKS IN THE TOP 100

Smaller endowments mean less money for faculty salaries, scholarships, research, program expansions and, perhaps most important, day-to-day operations. This disparity has a domino effect on other spending.



Call to action: Rally public- and private-sector donors to help HBCUs attain unrestricted funds to obtain parity in their endowments.

⁶ Williams and Davis, "Investments and Divestments."

⁷ Jazmin Goodwin, "HBCUs are missing an investment opportunity reserved for predominately White universities," *CNN*, October 8, 2020.

Private donations



Myth: Private donations are sufficient to fill gaps in operating budgets.



Reality: While private donations have increased, much more support is necessary.

Private gifts, grants and contracts are an important source of funding for all institutions of higher education. This category accounts for a smaller portion of total revenue at private HBCUs compared with non-HBCU institutions—17% versus 25%.⁸ In addition, since some private donations are restricted, these limitations often mean HBCUs don't have the flexibility to address the most pressing needs. That makes gifts such as MacKenzie Scott's \$560 million in unrestricted donations all the more valuable and necessary.

When HBCUs turn to other funding sources, they face additional obstacles. For example, it costs Black minority-serving institutions more to borrow money compared with white institutions.⁹ According to a 2018 research paper, a Black minority-serving institution would have to pay underwriters \$35,000 more for a \$30 million bond than a white university.¹⁰ This tendency is three times greater in the Deep South due to a historical pattern of racism.



Call to action: Capitalize on the greater awareness of HBCUs to attract a higher level of contributions from private donors and reinforce the importance of unrestricted gifts.

⁸ Williams and Davis, "Investments and Divestments."

⁹ Susan Adams and Hank Tucker, "For HBCUs Cheated Out Of Billions, Bomb Threats Are The Latest Indignity," *Forbes*, February 1, 2022.

¹⁰ Casey Dougal, Pengjie Gao, William J. Mayew and Christopher A. Parsons, "What's in a (School) Name? Racial Discrimination in Higher Education Bond Markets," *Journal of Financial Economics* 134, no. 3 (December 2019).

UNCF: A champion for private HBCUs

For 78 years, UNCF has been an unwavering champion for the Black community, helping promising Black scholars to reach their potential. UNCF engages in a range of activities to promote the interests of Black students and member HBCUs.

Lobby and advocate for policies and funding. Over the past two years, UNCF's engagement has helped to direct the bulk of \$6 billion in additional federal funding to HBCUs. At a time when the federal government consistently falls short of legally mandated funding levels for these institutions, UNCF's lobbying is critical to hold elected officials accountable.

Attract and distribute funds to member institutions. Since its inception, UNCF has received more than \$5 billion in donations. In 2020, UNCF raised more than \$257 million, which supported students and provided additional resources to our member HBCUs.

Support Black students with scholarships and other resources. Each year, UNCF awards more than \$100 million in scholarships to students attending more than 1,100 schools across the country, including our network of 37 HBCUs.

UNCF is committed to ensuring Black students and HBCUs have the resources they need to thrive. Congress must significantly increase funding—and in a sustained fashion—to address historical shortfalls in support. Please join us in encouraging elected officials to meet funding obligations. Together, we can create the next generation of Black leaders.





Contacts

Lodriguez Murray

Senior Vice President, Public Policy and Government, UNCF

Lodriguez.Murray@uncf.org

Nadrea R. Njoku, PhD

Director, Frederick D. Patterson Research Institute, UNCF

Nadrea.Njoku@uncf.org

Suggested citation: Murray, L., Njoku, N. & Davis, R. (2022).
Greater funding, greater needs: A report on funding for HBCUs.
Washington, DC: UNCF.

