

## HBCUs May Not Survive Without Sufficient Federal and State Funding

One needs to look no further than Missouri's Lincoln University to see the impact of inequitable funding practices on the nation's HBCUs.<sup>8</sup> Lincoln has, since 2000, been shifting funds in its own budget to cover part of the non-federal match so that it can receive federal land grant funds. From 2000 to 2017, the federal appropriation awarded to Lincoln was \$103.3 million, which would require a match of \$91 million to receive. The state only appropriated \$10.6 million – 11 percent of the amount needed. The university has made up \$42.9 million of the gap by moving money in its own budget, but the waiver formula has led to a loss of \$11.3 million in federal funds in this time period.

Lincoln has now reached the point where it can no longer afford to keep making up for what the state government is unwilling to do – provide the funding necessary for HBCUs to receive all of the federal land grant funds they are allocated. In contrast, the necessary state matching funds for the non-HBCU University of Missouri are part of its core budget, shielding it from annual concern about whether it will be able to reach a full match.

Lincoln is not the only HBCU in this position – in some states, HBCUs have turned to the court system to compel state governments to eliminate the inequities between HBCU and non-HBCU land-grant institutions.<sup>9</sup> For example, a federal court recently upheld a ruling that the state of Maryland's higher education policies were in violation of the 14th Amendment because they deprive its HBCUs (one of which – University of Maryland Eastern Shore – is an 1890 land grant institution) of the same high-quality academic programs as its non-HBCUs.<sup>10</sup>

There is a preponderance of evidence to support the notion that while a number of HBCUs struggle financially, their challenges are not entirely of their own making. Specifically, 1890 land grant universities were created via legislation that was not intended to provide equitable resources to educate their students. Further, some states are reluctant to remedy the disparities they continue to perpetuate, in spite of court rulings that have substantiated their discriminatory practices.

Significant strides must be made to change existing policies or create legislation that will both provide equitable resources for HBCUs in the future, and remedy the long-term effects of the current discriminatory funding system. As the example of Lincoln University shows, some HBCUs cannot survive without immediate action.

<sup>8</sup> The story of Lincoln University is drawn from Watson, B. 2017. "LU can't continue to subsidize land grant match." *Fulton Sun*, February 26. <http://www.fultonsun.com/news/local/story/2017/feb/26/lu-cant-continue-subsidize-land-grant-match/663280/>

<sup>9</sup> See: <http://www.npr.org/sections/codeswitch/2013/10/10/230986039/judge-says-maryland-promoted-separate-but-equal-colleges> and <https://www.carolinaclassaction.com/wp-content/uploads/2015/02/Coalition-Complaint.pdf>

<sup>10</sup> See: [https://www.gpo.gov/fdsys/pkg/USCOURTS-mdd-1\\_06-cv-02773](https://www.gpo.gov/fdsys/pkg/USCOURTS-mdd-1_06-cv-02773)

## 1890 LAND GRANT UNIVERSITIES (HBCUs)

Alabama A&M University  
 Alcorn State University (MS)  
 Central State University (OH)  
 Delaware State University  
 Florida A&M University  
 Fort Valley State University (GA)  
 Kentucky State University  
 Langston University (OK)  
 Lincoln University (MO)  
 North Carolina A&T State University  
 Prairie View A&M University (TX)  
 South Carolina State University  
 Southern University System (LA)  
 Tennessee State University  
 Tuskegee University (AL)  
 University of Arkansas, Pine Bluff  
 University of Maryland Eastern Shore  
 Virginia State University  
 West Virginia State University

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# A LOOMING CRISIS FOR HBCUs?

## AN ANALYSIS OF FUNDING SOURCES FOR LAND GRANT UNIVERSITIES

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While there are 21 historically black colleges and universities (HBCUs), 25 tribal colleges, and 53 non-HBCU and non-tribal institutions under the 'land grant university' banner, these sets of schools were launched under different federal funding systems and requirements. This brief explores the differences between HBCUs and those universities that are neither HBCUs nor tribal colleges (referred to here as 'non-HBCUs').<sup>1,2</sup>

Formed in 1862, the non-HBCU land grant institutions were originally granted land by the federal government; institutions could sell the land to raise funds to endow the institution, or use it to expand their current infrastructure/campus. In contrast, when HBCU funding started in 1890, these institutions were provided cash for their establishment instead of land, although they were granted the same legal, land grant status as the non-HBCU land grant colleges. Resulting from their land grant status, both HBCU and non-HBCU land grant universities include in their mission a commitment to offering educational programs in practical fields such as agriculture, science, and engineering.<sup>3</sup>

Over the years, more than two dozen pieces of federal legislation have been passed regarding the funding of land grant institutions. Many of these acts provide federal funding to eligible institutions, and some require states to provide matching funds. Currently, four major acts work together to provide funds to support research in agriculture and food production to the 1862 non-HBCU land grants and the 1890 HBCU land grants: the Hatch Act and Smith-Lever Act for non-HBCUs, and the Evans-Allen Act and the National Agriculture Research, Extension and Teaching Policy Act (NARETPA) for HBCUs.

**Table 1** provides a comparative look at these four federal funding sources. A key difference to note is in the 'Match' column. While states are required to provide a dollar-for-dollar match for non-HBCU land grants, they are not required to do so for HBCUs unless the funds to be matched are from non-federal sources. Consequently, HBCUs may apply for a waiver if funds cannot be secured.<sup>4</sup>

- 1 Tribal colleges are not included in this analysis as they receive the vast majority of their funding from the federal government.
- 2 Two HBCUs – University of the District of Columbia and University of the Virgin Islands – receive support under the Morrill Act of 1862. All remaining HBCUs were established under the 1890 Morrill Act.
- 3 Matching funds include only cash contributions, no in-kind contributions.

- Non-federal funds are those made available by the state either through direct appropriation or under any authority (other than authority to charge tuition and fees) provided by the state to an eligible institution to raise revenue, such as gift acceptance authority.
- <sup>4</sup> If waivers are not filed, the institution may have to forfeit the federal funding portion as well.

**TABLE 1. Comparison of Land Grant University Federal Funding Acts**

		Intent	Funding	Match
1862 Non-HBCU Land Grants	Hatch Act	Provides federal appropriations for the establishment and support of agriculture experiment stations to advance research in the areas of farming, ranching, and food production.	Determined by a set formula based on the number of small farmers in each state; varies annually.	Requires states to provide dollar-for-dollar matching funds.
	Smith-Lever Act	Mandates the dissemination of research conducted by the agriculture experiment stations through a cooperative extension service.	Similar to the Hatch Act.	Requires states to provide dollar-for-dollar matching funds.
1890 HBCU Land Grants	Evans-Allen Act	Provides 1890 HBCU land grants to support agriculture research.	Funds are required to be at least 15 percent of the Hatch Act appropriation.	Requires one-to-one matching from non-federal sources. <sup>2</sup> Waivers may be granted if non-federal funds cannot be procured. <sup>3</sup>
	NARETPA	Provides 1890 HBCUs with federal funds to support agriculture extension programs.	Funding for research awards through a combination of formula funding, non-competitive and competitive grants.	

## HBCUs Rely More Heavily on Federal and State Funding, Particularly Land Grant Sources

Financing of the 1862 non-HBCU land grants and 1890 HBCU land grants differs significantly, as shown in Figure 1. Although both sectors are similarly dependent on tuition and fees revenue (23 and 21 percent total revenues, respectively), the revenue streams from other sources differ. About 60 percent of the 1890 HBCU's revenue streams are from federal and state sources, split almost evenly between appropriations and grants/contracts – these are the revenue streams where the land grant funds occur. In comparison, these two sources comprise only one-third of the 1862 non-HBCU land grants' revenues, again, split evenly between appropriations and grants/contracts.

Another third of 1862 land grants' revenues and almost 20 percent of HBCUs' funding are from other sources, which include:

- ★ **Auxiliary enterprises**, such as residence halls, college unions, and student health services (Note: This comprises 60 percent of "other" for 1890 HBCUs, but only 30 percent of 1862 land grants.)
- ★ **Hospitals** (Note: Hospital revenue is the largest component of "other revenue" for 1862 land grants at 31 percent.)
- ★ **Educational activities** such as university presses, publications, and testing services
- ★ **Independent operations** such as federally-funded research centers that are independent of the primary mission of the institutions (Note: This is a small source, about 1 percent in both sectors.)
- ★ **Endowment income**
- ★ **Other sources**

Private gifts, grants, contracts and contributions comprise a relatively large share of 1862 non-HBCU land grants' total revenue (9 percent) but are not a significant revenue source at the 1890 HBCUs.

Not only do HBCUs rely more on federal and state money overall, they also receive a greater proportion of their funding from land grant appropriations than non-HBCUs. Land grant funds represent 2 percent of the 1862 non-HBCU institutions' total revenues but 10 percent of funding for HBCUs.



## Declining Federal Appropriations Have Hit HBCUs Particularly Hard

In fiscal year 2017, \$549 million was authorized for the country's land grant institutions via the four land grant acts, which represents a three percent decline from the \$566 million appropriated in 2014. How this decline broke down among the four acts is displayed in Figure 2.

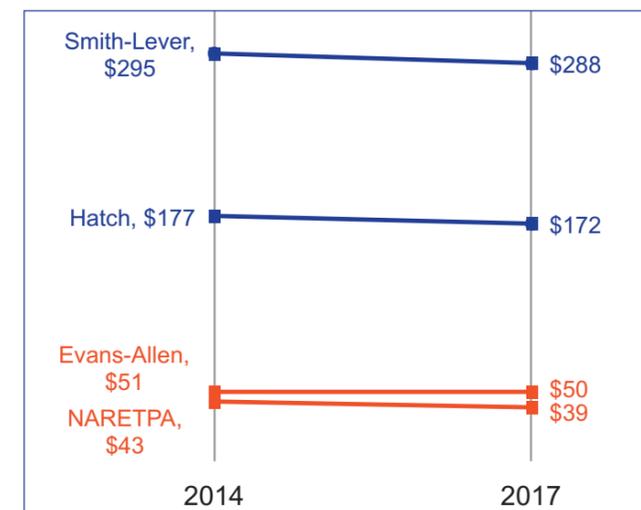
Figure 3 takes a different look at the change in appropriations by showing percent declines. The 1862 non-HBCU land grants' funding streams – the Hatch and Smith-Lever Acts – experienced small declines in funding, three and two percent, respectively. The 1890 HBCU land grants' Evans-Allen Act declined similarly, by two percent.

However, NARETPA allocations for HBCUs declined by an alarming 11 percent over the three years. Overall, federal land grant appropriations for non-HBCUs went down by 2.6 percent, while for HBCUs the decline was more than double at 5.8 percent.



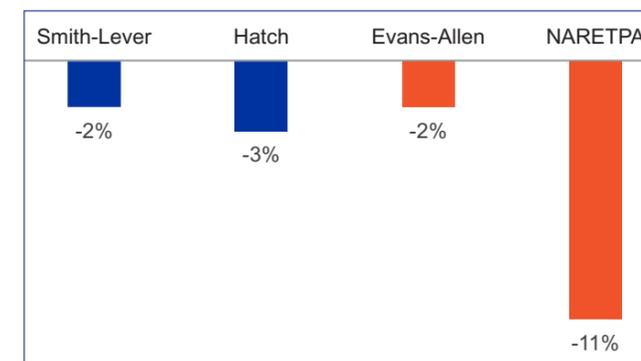
**FIGURE 2. Change in Federal Land Grant Appropriations for Non-HBCUs and HBCUs, 2014 to 2017**

(Amounts in millions using constant 2017 dollars)



\*Not included in Figure 2 are the required non-federal match amounts, the Hatch Act Multistate Formula Program allocations, as these are joint grants, or the Smith-Level Special Needs allocations, which are for a small set of institutions.

**FIGURE 3. Percent Change in Land Grant Appropriations for Non-HBCUs and HBCUs, 2014 to 2017**



## Some HBCUs Struggle to Raise Non-Federal Matching Funds

It is important to note that, as mentioned above, each of the four acts requires the state to match all formula-based funding received from federal funds on a dollar-to-dollar basis.<sup>5</sup> For non-HBCUs, the state must provide a full match. In contrast, HBCUs are able to request a waiver for non-federal dollars that cannot be raised for the required match; if the request for waiver is accepted, the institution receives the full federal amount plus the non-waived portion of the non-federal amount. However, waivers are not always granted, and the institution is required to come up with at least 50 percent of the match, or the institution loses a portion of the federal allocation.<sup>6</sup>

In 2017, about \$50 million was earmarked for appropriations from federal funds under the Evans-Allen Act, and as such, HBCUs needed \$50 million to be matched by non-federal sources. However, nine of the 19 1890 HBCUs filed waivers in 2017, indicating that they were unable to secure a full funding match. These nine institutions were able to raise between 52 and 87 percent of their required non-federal match. Combined, they lost nearly \$10 million in funds due to the matching fund shortage. Kentucky State University lost the largest percent of its land grant appropriation at 52 percent, while Prairie View A&M University in Texas lost the most money at \$1.95 million.

Six of the 19 institutions also applied for a waiver in 2016, showing that for some HBCUs, falling short on matching funds is not a rare occurrence. Similarly, a study by Association of Public Land-Grant Universities<sup>7</sup> found that between 2010 and 2012, 61 percent of the 18 HBCUs studied had not received a full match, resulting in a total loss of \$57 million to these institutions. In contrast, during this period states either met or exceeded the matching fund requirements for their non-HBCU land grant universities.

<sup>5</sup> Land grant institutions operating in U.S. territories are required to secure only 50 cents on the dollar from non-federal sources.

<sup>6</sup> For additional discussion see: Lee, J.M., Jr., and S.W. Keys. 2013. "Land-Grant but Unequal: State One-to-One Match Funding for 1890 Land-Grant Universities." Association of Public Land-Grant Universities. <http://www.aplu.org/library/land-grant-but-unequal-state-one-to-one-match-funding-for-1890-land-grant-universities/file>

<sup>7</sup> Ibid.