

A Looming Crisis for HBCUs? An Analysis of Funding Sources for Land Grant Universities

While there are 19 historically Black colleges and universities (HBCUs), 35 tribal colleges, and 58 non-HBCU and non-tribal institutions under the “land grant university” banner, these postsecondary institutions were launched under different federal funding systems and requirements. This brief explores the funding differences between HBCUs and universities that are neither HBCUs nor tribal colleges (referred to here as “non-HBCUs”).^{1,2}

Formed in 1862, the non-HBCU land grant institutions were originally granted land and/or funding 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, the 1890 HBCU funding provided these institutions with funds for their establishment instead of land, even though 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.

Over the years, more than two dozen pieces of federal legislation have passed regarding the funding of land grant institutions. Many of these acts provide federal funding to eligible institutions, and some require states to match 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:

- For non-HBCUs,
 - The Hatch Act of 1887; and
 - The Smith-Lever Act of 1914.
- For HBCUs,
 - The Evans-Allen Act of 1977; and
 - The National Agricultural Research, Extension, and Teaching Policy Act (NARETPA) of 1977.

Table 1 provides a comparative look at these four federal funding sources. A key difference to note is in the “Match” row: While states are required to provide a dollar-for-dollar match of federal land grant funds allocated through the Hatch and Smith-Lever Acts, they are not required to do so for HBCUs unless the funds are from non-federal sources. Consequently, HBCUs must look to additional sources for matching funds (state-level appropriations) or apply for a waiver if the funds cannot be secured.³

Table 1. Comparison of Land Grant University Federal Funding Acts

	1862 Non-HBCU Land Grants		1890 HBCU Land Grants	
	Hatch Act of 1887	Smith-Lever Act of 1914	Evans-Allen Act of 1977	NARETPA of 1977
Intent	Authorizes federal appropriations for the establishment and support of agriculture experiment stations to advance research in the areas of farming, ranching, and food production.	Created and authorizes annual appropriations for cooperative extension services.	Authorizes annual appropriations to 1890 HBCU land grants to support agriculture research.	Authorizes annual federal appropriations to support agriculture extension programs. ⁴
Funding	Determined by a set formula based on the number of small farmers and rural population in each state; varies annually.	Determined by a formula that includes increased allocations based on the rural population and total number of farmers in each state.	Funding methodology similar to the Hatch Act; but does not include funds for research activities to solve problems that impact more than one state. Funds are required to be at least 30 percent of the Hatch Act appropriation. ⁵	Funding methodology is similar to the Evans-Allen Act; allocations are required to be at least 20 percent of the Smith-Lever Act. ⁶
Match	Requires states to provide dollar-for-dollar matching funds.		Requires one-to-one matching from non-federal sources. Waivers may be granted if non-federal funds above the 50 percent level ⁷ cannot be procured. ⁸	

Figure 1. Average Distribution of Revenue Sources, 2019–2020



Source: ASA Analysis of U.S. Department of Education, IPEDS Finance Survey data, FY 2020.

THE 1890 HBCU LAND GRANTS 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 (see [Figure 1](#)). The 1862 non-HBCU land grants are more heavily dependent on tuition and fees revenue than the 1890 HBCU land grants (25 and 19 percent, respectively). In contrast, the 1890 HBCU land grants rely much more heavily on federal and state funding streams—comprising nearly two-thirds of their revenues—than do the 1862 non-HBCU land grants, where 44 percent of revenues comes from federal and state sources.

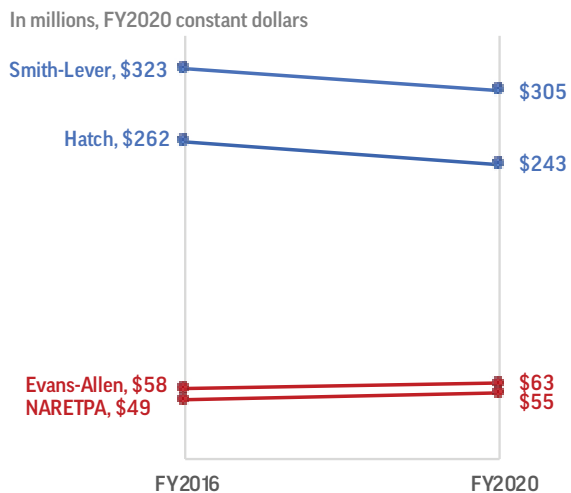
Another quarter of 1862 non-HBCU land grants’ revenues and 16 percent of 1890 HBCU land grants’ funding are from other sources, which include:

- **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 non-HBCU land grants.)
- **Hospitals** (Note: Hospital revenue is the largest component of “other revenue” for 1862 non-HBCU 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 7 percent of 1862 non-HBCU land grants’ total revenue but are not a significant revenue source at the 1890 HBCU land grants (about 1 percent).

Not only do 1890 HBCU land grants rely more on federal and state money overall, but they also receive a greater proportion of their funding from land grant appropriations than 1862 non-HBCUs. In fiscal year 2020, federal land grant funds represented 1 percent of the 1862 non-HBCU institutions’ total revenues but 8 percent of revenues for 1890 HBCU land grants. Moreover, the land grant funds represent only 3 percent of federal and state contracts and appropriations for the 1862 land grants compared with 13 percent at 1890 HBCU land grant institutions. This is significant given their strong dependence on federal and state funds.

Figure 2. Change in Purchasing Power of Federal Appropriations, Non-HBCUs and HBCUs, 2016 to 2020



Source: U.S. Department of Agriculture, National Institute of Food and Agriculture. (August 27, 2021) *FY 2020 Allocation and Matching; FY 2016 Allocation and Matching*. <https://nifa.usda.gov/resource/fy-2020-allocation-and-matching>.

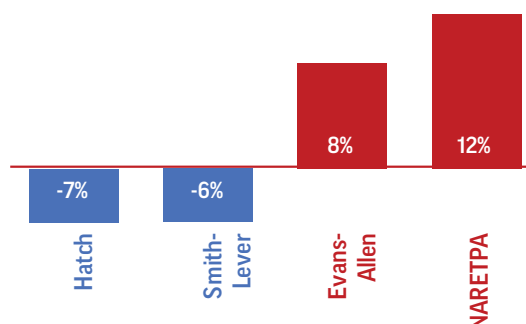
WHILE FEDERAL APPROPRIATIONS DECLINED OVERALL, 1890 HBCU LAND GRANTS SAW SMALL INCREASES

In fiscal year 2020, \$665.6 million was authorized for the country’s land grant institutions via the four land grant acts, which is a 4 percent decline in purchasing power since the \$692.3 million appropriated in 2016 (in constant fiscal year 2020 dollars).

Notably, the purchasing power of appropriations made to the 1862 non-HBCU land grants declined slightly between 2015 and 2019 but increased at the 1890 HBCU land grants (see [Figure 2](#)).

[Figure 3](#) illustrates the percent change in appropriation levels for each of the four acts. The 1862 non-HBCU land grants’ funding streams—the Hatch and Smith-Lever Acts—experienced small declines in funding, 7 and 6 percent, respectively. The 1890 HBCU land grants’ Evans-Allen Act and NARETPA allocations for HBCUs increased 8 and 12 percent over the five years.

Figure 3. Percent Change in Federal Appropriations, Non-HBCUs and HBCUs, 2016 to 2020



Source: U.S. Department of Agriculture, National Institute of Food and Agriculture. (August 27, 2021) *FY 2020 Allocation and Matching; FY 2016 Allocation and Matching*. <https://nifa.usda.gov/resource/fy-2020-allocation-and-matching>.

SOME 1890 HBCU LAND GRANTS STRUGGLE TO RAISE NON-FEDERAL MATCHING FUNDS

It is important to reiterate that the Hatch and Smith-Lever Acts require the state to match formula-based funding received from federal funds on a dollar-to-dollar basis.⁹ Therefore, for 1862 non-HBCUs, the state must provide a full 100 percent match. In contrast, states are not required to provide the same match for 1890 HBCUs and seldom provide full funding for these institutions. Further, 1890 HBCUs are required to provide at least 50 percent in matching funds from non-federal sources as a condition of receiving full federal funding. While they are able to request a waiver for non-federal dollars that allows them to receive some federal funding if the required matching funds cannot be raised, waivers are not always accepted and the institution loses a portion of the federal allocation.¹⁰ In 2020, about \$117 million was earmarked for 1890 HBCU federal appropriations, and as such, HBCUs needed \$117 million to be matched by non-federal sources. Nine of the 19 HBCU land grants did not receive 100 percent matching funds from their states. Through a combination of state and other non-federal sources, including reallocating their own institutional budgets, these nine institutions were able to raise between 50 and 87 percent of their required non-federal match. Combined, these nine institutions had over \$21 million of unrealized funds due to matching shortfalls. Lincoln University (Missouri), Langston University, and Prairie View A&M University saw the largest percentage of unfunded matches, 50 percent, and Prairie View A&M University forewent the largest unmatched amount, losing nearly \$6 million.

1890 HBCU LAND GRANTS ADVOCATE FOR EQUITABLE FUNDING UNDER THE LAW

HBCUs are beginning to see a turnaround in funding with federal increases, but many continue to struggle to receive matching funds from the states, and progress has been slow to come. For example, Lincoln University (Missouri) has struggled for years due to inequitable funding practices despite filing waivers consistently and shifting funds in its own budget to cover part of the non-federal match required to receive federal land grant funds.¹¹ Between 2000 and 2017, Lincoln was eligible for \$103.3 million in federal appropriations if it secured \$91 million in matching funds—an amount that was already lowered due to approved waivers. However, the state only appropriated \$10.6 million, or 11 percent of the amount needed. The university made up \$42.9 million of the gap by moving money in its own budget, but the waiver formula led to a loss of \$11.3 million in federal funds over this period.

Due to Lincoln’s successful advocacy, the state has maintained a 50 percent match since 2018, and the university is working with politicians to increase the match to 100 percent.¹² Yet, in sharp contrast, the University of Missouri, the state’s 1862 land grant institution, regularly receives a 100 percent match to their federal land grant funds. The matching funds for the University of Missouri are also part of the state’s core budget, shielding the university from annual concern about whether it will be able to reach its full match.

More recently, HBCUs in some states have turned to the court system to compel state governments to eliminate the inequities between HBCU and non-HBCU land grant institutions.¹³ For example, in early 2021, Maryland settled a lawsuit dating to 2006 alleging that the state persistently underfunded its HBCUs while developing academic programs at non-HBCUs that compete with and drain students from HBCUs. The settlement will pay out \$577 million to the state’s four HBCUs (three of Maryland’s four HBCUs are not funded under land grant acts, but the settlement includes all four).¹⁴ Tennessee is in the midst of a similar investigation: An analysis conducted by the Tennessee legislature shows that the state did not pay the state match to Tennessee State University between 1957 and 2007, amassing a shortfall of up to \$544 million.¹⁵

Evidence supports 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. And, even today, some politicians are reluctant to remedy the disparities they continue to perpetuate despite court rulings that substantiate 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.

Note

NEA Research would like to thank ASA Research for preparing this brief.

Endnotes

- 1 Tribal colleges are not included in this analysis because 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.

- 4 Congressional Research Service. (August 29, 2019). "The U.S. Land Grant University System: An Overview." Retrieved from sgp.fas.org/crs/misc/R45897.pdf. "Before the 2018 farm bill, 1890 institutions could carry over no more than 20 percent of their extension appropriations from one fiscal year into the next. The 1862 institutions have no such limitation. Section 7114 of the 2018 farm bill (7 U.S.C. 3221(a)) allows 1890 institutions to carry over up to 100 percent of their extension appropriations. This change may allow 1890 Institutions greater flexibility to plan long-term projects."
- 5 Congressional Research Service. (August 29, 2019). "The U.S. Land Grant University System: An Overview." Retrieved from sgp.fas.org/crs/misc/R45897.pdf. Notably, "Evans-Allen appropriations have not met this threshold. They equaled approximately 22 percent of Hatch Act appropriations in fiscal year 2019."
- 6 Congressional Research Service. (August 29, 2019). "The U.S. Land Grant University System: An Overview." Retrieved from sgp.fas.org/crs/misc/R45897.pdf. Notably, "1890 institution extension appropriations have not met this threshold. They equaled approximately 15 percent of Smith-Lever appropriations in fiscal year 2019."
- 7 Congressional Research Service. (August 29, 2019). "The U.S. Land Grant University System: An Overview." Retrieved from sgp.fas.org/crs/misc/R45897.pdf.
- 8 If waivers are not filed, the institution may have to forfeit the federal funding portion as well.
- 9 Land grant institutions operating in U.S. territories are required to secure only 50 cents on the dollar from non-federal sources.
- 10 For additional discussion see: Lee, J.M., Jr., and Keys, S.W. (2013). "Land-Grant but Unequal: State One-to-One Match Funding for 1890 Land-Grant Universities." Association of Public Land-Grant Universities. Retrieved from aplu.org/library/land-grant-but-unequal-state-one-to-one-match-funding-for-1890-land-grant-universities/file.
- 11 The story of Lincoln University is drawn from Watson, B. (February 26, 2017). "LU Can't Continue to Subsidize Land Grant Match." *Fulton Sun*. Retrieved from fultonsun.com/news/local/story/2017/feb/26/lu-cant-continue-subsidize-land-grant-match/663280.
- 12 Heuring, L. (October 1, 2021). "Ribbon Cutting Held for New Lincoln University Building." *Standard Democrat*. Retrieved from standard-democrat.com/story/2909446.html.
- 13 See npr.org/sections/codeswitch/2013/10/10/230986039/judge-says-maryland-promoted-separate-but-equal-colleges.
- 14 Witte, B. (March 25, 2021). "Maryland Governor Signs \$577M HBCU Settlement Bill." NBC News 4, Washington. Retrieved from nbcwashington.com/news/politics/first-read-dmv/maryland-governor-signs-577m-hbcu-settlement-bill/2617958.
- 15 Schwartz, N. (April 7, 2021). "Tennessee May Owe Its Public HBCU Up to \$544M." *Higher Ed Dive*, Industry Dive. Retrieved from highereddive.com/news/tennessee-may-owe-its-public-hbcu-up-to-544m-1/598009.