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Successful Financial Models at HBCUs

Dr. Sydney Freeman, Jr.
Dr. John M. Lee, Jr.
Successful Financial Models at HBCUs

Sydney Freeman, Jr., Ph.D., CFD
University of Idaho

John Michael Lee, Jr., Ph.D.
Florida Agricultural & Mechanical University
Presentation Outline

• Introduction
• History of Philanthropy and Funding
• Budgetary Models in Higher Education
• Developing Successful Financial Model(s) for HBCUs
• Discussion and Conclusion
How Philanthropy Created HBCUs

- The majority of HBCUs were funded without state government support (Reed, 1998).
- American Missionary Association (AMA) established 7 Black colleges and 13 normal schools between 1861 and 1870.
The Beginning of Public Underfunding for HBCUs

- Morrill Act of 1862
- Morrill Act of 1890 - helped established 19 public land-grant colleges.
- Much of the funding that was promised from states were withheld.
Declining Enrollments at HBCUs

- 2010 HBCU collective Enrollment: 391,217
- 2012 HBCU collective Enrollment: 311,619
- Factors: Parent Plus Loan, Hurricane Accountability
- Sure up current student market.
- Outdated recruitment practices
- Inefficient admissions and enrollment practices.
- Facilities and amenities
Government Support & Funding

- Higher Education Act of 1965
- Non-competitive grants
- Disparity between student per student allocation
- Examples: North Carolina & Maryland
Types of Budgets in Higher Education

- Operating Budgets
- Capital Budgets
- Auxiliary Budgets
- Special Fund Budgets
Budgetary Models in Higher Education

- Responsibility Centered Management (RCM)
- Incentive Based Budgeting (IBB)
- Incremental Revenue Budgeting (IRB)
- Zero-Based Budgeting (ZBB)
Developing Successful Financial Model(s) for HBCUs

- Elitely Endowed Institutions
- Nimble Institutions
- At-Risk Institutions
Discussion and Conclusion

- Professional Development
- Transparency
- Create Culture of Giving
- Traditional Models may Prove to have Limited Success
- No Silver Bullet
The Myth of about HBCU Alumni Giving

Table 1: Top 10 Historically Black Colleges Where Alumni Give the Most, 2014

<table>
<thead>
<tr>
<th>School name (state)</th>
<th>Average Percentage of Alumni who Donate</th>
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<tbody>
<tr>
<td>Claflin University (SC)</td>
<td>43.0%</td>
</tr>
<tr>
<td>Spelman College (GA)</td>
<td>37.3%</td>
</tr>
<tr>
<td>Morehouse College (GA)</td>
<td>29.3%</td>
</tr>
<tr>
<td>Tuskegee University (AL)</td>
<td>23.0%</td>
</tr>
<tr>
<td>Livingstone College (NC)</td>
<td>21.4%</td>
</tr>
<tr>
<td>Central State University (OH)</td>
<td>19.8%</td>
</tr>
<tr>
<td>Fort Valley State University (GA)</td>
<td>17.2%</td>
</tr>
<tr>
<td>University of Arkansas—Pine Bluff</td>
<td>13.6%</td>
</tr>
<tr>
<td>Johnson C. Smith University (NC)</td>
<td>13.5%</td>
</tr>
<tr>
<td>Tougaloo College (MS)</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

Source: US. News and World Report, 10 Historically Black Colleges Where Alumni Give the Most, 2014
HBCU Alumni Giving

Giving is necessary because:
1. Quality and reputation of degrees.
2. Strengthens institution for current and future students.
3. Current and future corporate funders
Bad Experiences

- Financial Aid
- Poor Customer Service
A Failure to Ask
A Fear of the Use of Funds

Secure ways of giving back

• Planned Gift (Life Insurance, etc.)
• Endowed Scholarships
• Endowed Professorships
• General Scholarship Funds
• College & University Foundation
Dissatisfaction with the Perceived Direction of the Institution

• Become active in alumni association

• Contribute to the institution before you distribute your opinions
Get Rich, or Die Trying