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Successful Financial Models at HBCUs

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Successful Financial Models at HBCUs

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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- Outdated recruitment practices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

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

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

