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A series from the Southern Regional Education Board on the 2022 Higher Education Leadership Foundation Conference

Innovating the Business and Finance Model at HBCUs

About

Historically Black college and university leaders from across the country met in Charlotte, North Carolina, in 2022 to imagine the future of the HBCU sector. The Higher Education Leadership Foundation hosted the inaugural Ideation, Innovation & Collaboration: The Future of HBCUs conference, or IIC 2022, to discuss successes, challenges, threats and opportunities facing HBCUs today. The IIC 2022 conference served as a clarion call for institution leaders, administrators, funders and change agents to step up at this critical juncture and address HBCU’s role, viability and sustainability within higher education.

Conference sessions provided an opportunity to share promising practices and solutions. As a conference partner, the Southern Regional Education Board has created this series of briefs to present information from the conference’s five tracks.



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The business and finance track focused on the challenges and opportunities that HBCUs encountered in these areas and looked for creative ways to strengthen the financial stability of these institutions. Research from these track sessions reveals the critical needs, innovative solutions and effective financial and business strategies for HBCUs.

Business and Finance at HBCUs

Since their founding in the 19th century, HBCUs have played a crucial role in offering higher education to the Black community and are an essential part of American higher education. Despite their historical relevance, HBCUs confront various difficulties in the 21st century, such as dwindling enrollment, a lack of funding and a shifting educational environment. HBCUs have experienced financial inequities and persistent underfunding due to a history of systemic racism. This is evident from HBCUs' greater reliance on public funding sources than their non-HBCU peers, which accounts for a bigger share of their overall revenue.

HBCUs have struggled financially over the years due to funding inequities, state budget cuts and lower endowment levels. In addition, numerous campus buildings at HBCUs need to be renovated or replaced. According to a 2019 issue brief by the American Council on Education and UNCF, less than half of HBCUs have access to funding sources that would enable them to satisfy these demands, making the cost of maintenance daunting.

Financial difficulties affect HBCU students as well as the entire institution. Compared to white students, Black students are more likely to accumulate student loan debt and have lower payback rates, according to a 2016 report by UNCF. This debt burden can limit HBCU graduates' ability to invest in their futures, give back to their communities and contribute to HBCU endowments. According to a 2015 Gallup report, despite these difficulties, HBCUs continue to excel and provide their students with excellent educational opportunities.

IIC 2022 Addresses Key Business and Finance Issues

A key concept discussed during IIC 2022 was the need for HBCUs to increase revenue streams. Participants emphasized the importance of diversifying revenue sources to ensure financial stability. Many conference participants mentioned that HBCUs need to upgrade and invest in their technology infrastructure. HBCUs are well-positioned to offer cutting-edge services to underrepresented students and correct inequitable college access by tackling the financial challenges that HBCUs face and developing novel solutions to improve their financial stability.

The conference yielded critical insights on fiscal management for HBCUs. Key performance indicators were identified as essential for measuring progress and success and making informed and data-driven decisions. In addition, budgeting initiatives and strategies were highlighted as a way for institutions to prioritize and allocate resources. Innovation, as well as sustainable and transparent funding through grants or investments, is another way to grow institutional budgets.

Risk management emerged as a constant challenge given the financial struggles many institutions face, making it essential to prepare for and control potential risks and crises. Collaboration and resource sharing across HBCUs were identified as ways to improve productivity, lower costs and exchange best practices, and institutions were encouraged to pursue shared objectives with an eye toward these advantages. The conference underscored the significant financial difficulties HBCUs face, but also highlighted the potential for development and innovation. By practicing informed and proactive fiscal management, HBCU business and finance leaders can help ensure the long-term success and sustainability of their institutions.

“Institutions should improve their use of technology for budget and fiscal management. Process and technology improvements can help mitigate the loss of intuitional knowledge caused by staff turnover.”

— Conference attendee

As higher education institutions face numerous challenges and opportunities in the 21st century, it is important to embrace innovative thinking to drive positive change and progress. In the context of business and finance, this means taking bold and creative steps to address issues related to budgeting, resource allocation and risk management. Conference discussions examined the innovative concepts and leading strategies influencing the direction of business and finance in higher education at HBCUs.

Participants at IIC 2022 were asked to consider three frameworks for approaching HBCU business and finance: ideation, innovation and collaboration. Those discussions are outlined below.

Ideation

During ideation sessions, participants brainstormed innovative ways to address HBCUs’ financial challenges while staying true to the institutions’ mission and values. Some of these ideas included boosting retention, filling gaps, expanding programs, diversifying learning experiences and streamlining academic progress. Participants also expressed a desire for HBCUs to position themselves as an essential provider of information and education for the Black community, particularly regarding the significance of and impact on Black historical events like the Civil Rights Movement.

“[We] can’t rely on tuition-driven revenue. Hit the trail with corporate partnerships. Find a vehicle partner... create a profit center.”

— Conference attendee

Another main discussion topic focused on creating a viable financial model that didn’t rely so heavily on tuition revenue. Corporate and community partnerships, investment in macroeconomies and collaborating with businesses and organizations could help HBCUs find new revenue streams and reduce program costs.

Using technology to reach new customers and sell HBCU programs and services was presented as another innovative way to develop new revenue sources. This entails investigating alternative revenue streams such as cryptocurrencies, selling online courses outside of

the classroom by hosting online master classes like those through Udemy or Teachable, becoming proficient in adaptable online courses that are offered globally and ensuring that modern technology is used in budget and finance practices to streamline accounting. Positioning these institutions as technological hubs inevitably increases revenue streams.

Developing new, cutting-edge academic programs and initiatives to draw more students to HBCUs and generate more revenue was discussed by participants. Concerns were also raised about the revenue potential of faculty positions. Participants emphasized the shared responsibility of all institution stakeholders and inquired how everyone, including faculty positions, could contribute to revenue.

Modernizing HBCU academic offerings to include courses on artificial intelligence, cryptocurrencies, nanotechnology, environmental and space technology will attract a diverse student body. Students who work in these potentially high-paying, high-tech fields can afford to donate back to their schools and boost endowments.

Overall, the thought-provoking discussions resulted in innovative ideas and a renewed sense of how to tackle the business and financial challenges facing HBCUs. While many participants are aware of the structural barriers that have traditionally kept Black communities and HBCUs from experiencing economic vibrancy, participants urged that aggressive action must be taken to remove these barriers. Session participants agreed that promoting policies that support equitable access to capital, markets and resources will help, as is taking steps to address discrimination and bias in funding practices.

Innovation


Business and finance innovation conversations focused on how technology is advancing HBCU missions. Participants discussed the need for HBCUs to embrace technology to remain relevant in a rapidly changing educational landscape. They also discussed how HBCUs can use technology to improve their educational offerings, such as online and blended learning, and how data can be used to inform decision making. One example of HBCU innovation is the shift to online learning and course sharing. The COVID-19 pandemic hastened the trend toward online education, and HBCUs have not been immune. Course sharing between HBCUs has become increasingly important to allow students flexibility in learning options and expanding course availability.

The importance of collaboration among HBCUs and the possible advantages that might be realized via such collaboration are key takeaways. HBCUs can cooperate to create economies of scale, pool resources and provide their students with more complete services. For instance, course-sharing consortiums can assist students in getting the courses they require while saving money for institutions. An example is SREB's HBCU-MSI Course-Sharing Consortium, which partners with Acadeum as its technology partner. Students from institutions who are consortium members have been provided access to courses online from member institutions and are able to

pay their home institution tuition without the need to transfer courses. This affords students the ability to graduate on time. Students can take a course even when their home institution does not offer the courses they need during a particular semester. Additionally, institutions that provide courses to the consortium have been able to earn additional revenue.

Cooperation does not always require mergers, and non-HBCUs can work with HBCUs to access shared resources. Conference attendees mentioned that collaboration and communication among HBCUs could help create understanding of what each institution is doing and how they might support one another. Benedict College is an example of an HBCU that has saved money by collaborating with other colleges for maintenance, security and food service.

The speakers also emphasized the importance of diversity of partnerships and the ability to provide students with flexible start dates and access to courses they need. An example of such a partnership is between Edward Waters University, an HBCU, and the University of Florida. According to the article titled *New partnership allows historically Black university students a pathway to earn UF nursing degree* by the University of Florida Health, the two universities entered a partnership allowing Edward Waters University students the ability to enroll in the University of Florida's nursing program. This type of collaboration benefits HBCU students by providing valuable educational and the local health care system by creating a pipeline of qualified nursing professionals.



“Financial expenditures should be linked to an institution’s mission and strategic goals. There needs to be increased monitoring and management of budgets and expenditures by HBCU [leadership]. Such a shift will likely result in pushback, but this pushback is worth overcoming.”


— Conference attendee

The business and finance track focused on the need for innovation in HBCUs’ financial practices. Attendees noted that HBCUs must embrace innovative technologies and techniques to stay ahead of the curve in the fast-paced world of finance. HBCUs must start to investigate new funding options including venture capital and crowdfunding. Crowdfunding campaigns have been instrumental in preventing campus closures according to the Thurgood Marshall College Fund. This type of innovative strategy allows HBCUs to tap into new sources of capital, which can help them to address funding shortfalls and support critical initiatives.

HBCUs can adapt and find innovative solutions to current challenges, resulting in novel approaches that will assist HBCUs in addressing funding shortfalls, declining enrollment and other critical issues. As the higher education landscape evolves, HBCUs will continue to play a vital role in providing marginalized communities with access to education and economic opportunity.

Collaboration

The business and finance sessions placed a high focus on collaboration. Participants emphasized the importance of HBCUs cooperating to pool resources and share best practices. Working with businesses that support the university was recommended by one conference attendee as a best practice. The attendee stressed the significance of businesses giving back to the institution to contribute to its success. This guidance emphasized the need for HBCUs to build connections with organizations that share their values and are dedicated to their mission. Real economic transformation for HBCUs can be achieved through developing community-based partnerships and thinking creatively about non-traditional relationships.



“By sharing cost, colleges can provide more services and instruction than trying to go solo.”

— Conference attendee

Conference attendees noted that success is determined by depending heavily on collaboration, both between and within institutions and partners. Conference participants discussed the benefits of teamwork, including shared services and initiatives, and the significance of fostering honest communication, close bonds and inclusive decision-making. Strong emphasis was placed on the requirement that HBCUs work more regularly and innovatively together as well as with external partners. In addition to shared service agreements and academic program collaboration, ideas for frequent contact and exchange were addressed. Participants talked about working with non-HBCUs and how HBCUs can engage with a global network of supporters.

Collaboration between HBCUs and other institutions, as well as collaboration within the HBCU community itself, is seen as a key strategy for overcoming institutional challenges. Conference participants emphasized the importance of sharing resources and working together to access funding and support. One attendee noted the value of partnerships between HBCUs and other institutions, stating, “HBCUs can benefit from collaboration, grouping together to achieve economies of scale.”

In addition to sharing resources, respondents also stressed the importance of HBCUs working together to advocate for their shared interests. Collaboration is an effective strategy for overcoming the challenges faced by HBCUs. By working together and sharing resources, HBCUs can increase their chances of success and secure the funding and support they need to continue serving their communities.

The conclusions drawn from the data gathered at the conference highlight the value of relationships and collaboration between HBCUs and other postsecondary institutions. By collaborating, HBCUs may pool their resources, address the issues they have in common, and get the funding and assistance they need to keep serving their communities.

Final Takeaways in Business and Finance for HBCUs

Based on the conversations and information gathered at the conference, the following key ideas emerged:

Current Issues and Topics of Importance. New market tax credits, the value of land acquisition and facilities maintenance, and the need for staff involvement in revenue efforts emerged as important topics. The importance of data and technology in the success of the institution and students was also emphasized.

Challenges to Address. Challenges that need to be addressed in the future include evolving student preferences and continuing efforts to recover from the COVID-19 pandemic. Also important are collaboration and partnerships across HBCUs and with other partners.

Budget Management. The importance of linking financial expenditures to an institution's mission and strategic goals was highlighted at the conference. Increased monitoring and management of budgets and expenditures by HBCU faculty and staff was emphasized. Additionally, data analytics was noted as an important part of budget management.

Land Acquisition. Institutions must own and control land, and any vacant property adjacent to an HBCU campus should be considered for acquisition for investment purposes.

Revenue Generation. Conversations highlighted the importance of generating revenue and involving faculty and staff as a part of the revenue generation strategies.

Identifying Needs. It is important for HBCUs to clearly identify and articulate their financial strategy and vision to be better able to identify needs.

New Market Tax Credits. New market tax credits can offer new revenue generating facilities and services, such as a HBCU-owned state of the art technology and innovation center with equity investors supporting the project. The services provided could offer cutting-edge research, advanced technology training programs, and consultation services to local businesses and startups.

Partnerships and Collaboration. Partnerships and collaboration with local communities, including city leaders and local Black-owned businesses, are critical to stimulate the local economy of the communities HBCUs are a part of and help to empower the Black community.

Business and finance conference sessions highlighted teamwork, partnerships, data analytics and fiscal management as key to HBCU success. The sessions also emphasized the importance of resolving educational challenges that arose during COVID-19 as well as changing student career interests to ensure institutional and student success. The information implies that HBCUs can cooperate to achieve economies of scale, share resources and provide their students with more complete services. The information gathered from the conference sessions also illustrates that partnerships do not necessarily result in mergers and that non-HBCUs can work together with HBCUs to benefit from shared services and resources.

New Investment and Sound Management

The challenges facing HBCUs in the realm of business and finance are significant, but so are the opportunities for innovation and collaboration. With a deep understanding of the issues that have led to funding disparities and limited resources, leaders in this field can work together to develop and implement effective strategies that secure the future of these vital institutions.

Increased investment from both public and private sectors is critical. The federal government, state governments and private companies should recognize the value in HBCUs and invest by providing increased funding and resources to HBCUs. This will enable HBCUs to continue to modernize their facilities to meet workforce and industry demands, invest in new technology and continue to provide high-quality educational opportunities for their students. Second, HBCUs should explore alternative financing options. For example, HBCUs could take advantage of public-private partnerships, crowdfunding and other innovative financing options to access the resources they need.

HBCUs can improve their business operations by continuing to innovate and strengthen fiscal management practices, streamlining operations and implementing cost-cutting measures. HBCUs could also benefit from partnering with forward thinking financial management organizations and consulting firms to help them improve their financial stability. From optimizing the use of key performance indicators to managing risk and planning for emergencies, the challenges are complex and far-reaching. However, with creativity and determination, HBCU business and finance leaders have the power to overcome these obstacles and ensure that their institutions continue to thrive and serve for generations to come.

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