New Strategies for Funding Minority-Serving Institutions

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New Strategies for Funding Minority-Serving Institutions

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The Second Morrill Act of 1890 established African-American land grant colleges. Most Black colleges were started before 1910; they were underfunded in part because of the relative closeness to slavery (Marable, 1983, How Capitalism Underdeveloped Black America, South End Press, p. 216). Many of the college founders were white, and enriched themselves at the expense of the schools. This unequal situation lasted for decades:

“Until the quota system of the 1960-70’s few Blacks could afford to attend college. As Blacks began to graduate and infiltrate jobs, whites began to rebel to what they called this “quota system.” By the late 1970’s President Nixon opposed busing to achieve desegregation and the Bakke case June, 1978, against the State of California ended the demand for proportional representation in state Universities.” (Marable, 219)

In 1981, President Reagan, under Executive Order 12320, established the White House Initiative on Historically Black Colleges and Universities (HCBU), expanding the previous program and setting into motion a government-wide effort to “strengthen our nation’s historically black colleges and universities” (Spellings report on HBCU’s, p.21). An immediate result was the 1990 Adams case in Mississippi, leading to an agreement to increase HBCU funding. On February 12, 2002, President George W. Bush signed Executive Order 13256. This Executive Order transferred the White House Initiative on Historically Black Colleges and Universities to the Office of the Secretary of Education.

HCBU’s award 24% of all degrees received by Blacks (Measuring Up, the 2006 National Report Card on Higher Education from the National Center for Public Policy and Higher Education, the American Council on Education). This is partly because Black students often feel that faculty in mainstream institutions have low expectations. HCBU’s therefore offer these students a more comfortable learning environment (Schmidt, June 2007, “What Color is an A.” Chronicle of Higher Education, p. A25).

Expectations for completion of college degrees by African-Americans are going down. While plenty of minority students begin college, the percentage that remain consistently declines. The Department of Education under Spellings targeted drop-out rates. Spellings’ goal was to retain 66% of minority students entering college in 2005 for 2006; that goal was not met. The target was reduced to 64% for 2007; again the goal was missed (see http://www.ed.gov/about/reports/annual/2007report/report.pdf).
“The high drop out rates means that blacks don’t get the jobs that allow them to contribute to their institutions. Additionally, many HBCU’s suffer from heavy percentages of defaults on student loans which means that they are not as able to get new loans for incoming students” (Reaves, 2006, “African American Alumni Perceptions Regarding Giving to Historically Black Colleges and Universities,” dissertation, North Carolina State University).

The percentage of retention for Black males is even lower than the average for African-Americans. We now find more young Black males in prison than in college.

**2007 Data**

<table>
<thead>
<tr>
<th>Race</th>
<th>Age</th>
<th>% with BA</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>25-29</td>
<td>34%</td>
</tr>
<tr>
<td>African Americans</td>
<td>25-29</td>
<td>18%</td>
</tr>
<tr>
<td>Hispanics</td>
<td>25-29</td>
<td>10%</td>
</tr>
</tbody>
</table>

Spellings, Department of Education Data for 2007, p. 18

The U.S. ranks 7th behind Canada in the number of people 25-34 with degrees, but second in those 35 and above. According to the Pew Report, the U.S. is first in the number of people incarcerated: 1 of 100 Americans is in jail, and 1 of 9 black men aged 20-34. One-third of all school suspensions are for Blacks although they make up one-fifth of the population (Carrol, “Education Beats Incarceration,” March 26, 2008, Education Week).

“The average cost for inmates is: $23,876, $8,701 k-12 students and $10,674 for average in state college tuition for the year. Increase in graduation rates reduces incarceration rate. Cost of increase in prisons is 6 times the rate of increase for college” (Carrol).

Additionally, USA Today reports that one out of eight army recruits require waivers to join because of past criminal activity; this is double the rate since 2004 (Michaels, April 7, 2008, “More Army recruits require waivers Percentage with conduct history doubles since ’04,” USA Today, p.1). The U.S. is neither penny-wise nor pound-wise. Teacher drop-out rates are greater than student drop-out rates in minority-serving schools. As Presidential candidate Barack Obama suggests, there should be additional funds for teaching well in difficult areas.

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“New financing, like new stereotypes, replaces the old financing of institutions but still leaves African American and other minority institutions lacking in opportunities. “ (Marable, 219)

Sallie Mae provides 90% of private loans; they have been accused of discriminating against minority borrowers. Sallie Mae announced that they will stop lending money to students at colleges with low graduation rates, a veiled threat to stop financing the minority institutions whose graduation rates are low. At our joint AFT/NEA Higher Education conference held last week, the JP Assistant to Senator Ted Kennedy said that an official from a HBCU in Tennessee requested money. When the official left they checked the school’s graduation rate: it was 6%. Two minority students have sued Sallie Mae saying that
they charged higher interest rates and fees to minority students (January 23 and 24, 2008, Inside Higher Education: URL: /news/2008/01/23/credit; URL:/news/2008/01/24/qt).

The Inside Higher Education edition of February 1, 2008 reflects the thoughts of many in suggesting that colleges spend 5% of their endowments. The top-ranked 130 schools with endowments above $500 million might be required to spend 5% of those funds, plus the tax-free funds for building. I suggest that 5% of those funds be given to minority-serving institutions in proportion to the percentage of minorities served as related to the U.S. census.

In 2007, the wealthiest colleges increased their endowments by an average of 17.2%; they were led by Yale, with a 28% return, and Notre Dame at 27%. All colleges have total assets of $411.2 billion, most at top institutions; schools such as Harvard, Yale, Princeton, and Stanford have 20% more than 765 other institutions. Those schools with more funds have more diversified investments, further increasing their returns (Blumenstyk, February 1, 2008, “Endowments Savor Big Gains but Lower Their Sights,” Chronicle of Higher Education). Despite these rising returns, spending from endowments decreased in 2007 to 4.6%. As the endowments have become so lucrative, institutions now let donors invest their money with their endowments; the IRS agreed to this plan because when donors die the school is the sole beneficiary (Blumenstyk, 2008).

Meanwhile, Fisk was driven to sell its Georgia O'Keefe paintings to survive financially. Combined HBCU endowments total a billion dollars less than that of the University of Virginia (National Journal 32, Dec. 2, 2000). They also have far less technology in an era that demands more. Minorities are expected to make up one third of the U.S. population within the next ten years; to avoid further entrenching the financial gap within a racial gap, we must forge plans to assist higher education institutions devoted to educating minority Americans.

I suggest the following way to revamp funding for HBCU’s:

- 5% from colleges with $500 million-plus in endowments and building funds should go to the nations’ HBCU’s in proportion to their minority numbers in the population (e.g. African-American, Hispanic, Tribal colleges).

- HBCU’s should then have the option of keeping those funds invested with endowment funding in those schools, because the larger endowments of these schools allows for less-risky investment diversification.

- No less than 5% of all minority students at HBCU’s should be allowed to have dual degrees from their home institutions and the top majority schools at the same rate of tuition paid to the HBCU’s. Credits toward graduation in the mainstream institutions could be obtained through summer courses or on-line class enrollment. 5% of mainstream schools would allow the same for majority students to have dual degrees with minority institutions.

- 20% of federal research grant funds given to mainstream institutions should be directly tied to partnering with HBCU faculty and institutions as direct partners, with 20% of the total overhead from the grants.

- Art should be shared between HBCU’s and majority institutions, allowing each to showcase the art through private showings.

The Department of Education must begin to investigate ways to bring minority students into the mainstream of America. An investment in minority human capital is the best way to advance the United States as a world power in the coming generations.