

Historically Black, Historically Underfunded **Investing in HBCUs**



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The Bigger Picture is a publication series from Goldman Sachs Global Investment Research devoted to longer-term economic and policy issues, which complements our more market-focused analysis. For other important disclosures, see the Disclosure Appendix.

Executive Summary¹

- 1. Historically Black Colleges and Universities (HBCUs) have played a prominent role in the education and equality of Black Americans.** Prior to the Civil War, college education for Black Americans was rare and in many Southern states illegal. This study examines the role of HBCUs in the economic progress of Black Americans and identifies actions that policymakers and corporate leaders can take to support these institutions that continue to contribute significantly to narrowing the large and persistent income and wealth gap for Black Americans.
- 2. HBCUs remain a pathway to equality for Black Americans.** College education remains a viable path to economic mobility but racial disparities in educational achievement persist across the US. While there have been significant gains for Black Americans in higher education, Black students' graduation rates remain lower than the national average. HBCUs offer affordable education for low-income Americans—HBCU students often come from less advantaged backgrounds, live in poorer neighborhoods, and often do not graduate from high schools that offer the necessary college preparation. HBCUs are often near communities with a high proportion of low-income Black families and are important to the economic well-being of these broader communities. For instance, the share of Black Americans with college degrees increases with proximity to Black colleges and universities.
- 3. HBCUs advance social and economic mobility.** Academic research finds that although college enrollment of low-income students has increased significantly over the last 20 years, access to colleges that offer the highest mobility success has largely stalled for low-income students. Schools that enroll high numbers of low-income students provide a scalable model for advancing upward mobility for a greater number of students. HBCUs advance students from lower-income families to higher incomes at roughly twice the rate of non-minority serving institutions.
- 4. HBCUs continue their important mission of educating Black Americans.** For generations, HBCUs have educated and produced numerous Black leaders in various industries including Thurgood Marshall (Lincoln University and Howard University), Katherine Johnson (West Virginia State University), Dr. Martin Luther King Jr. (Morehouse College), Dr. Ruth Simmons (Dillard University), Rosalind Brewer (Spelman College), and Kamala Harris (Howard University). Today, HBCUs make up less than 3% of colleges in the US but are responsible for 13% of Black American Bachelor's degrees, over 20% of Black STEM graduates and importantly, make an outsized contribution in preparing Black students for medical school.
- 5. HBCUs provide a safe racial environment for students.** Campuses with greater representation of students of color have fewer reports of race-based crimes. HBCUs serve as safe learning environments for students of color. Faculty, staff, and administrators at HBCUs view student engagement as critical to their work and

¹ We are grateful to Jan Hatzius, our Chief Economist and Head of Global Investment Research, and our colleagues Joseph Briggs and Daan Struyven for their guidance, support, and feedback throughout the project. We also thank Erika Coleman, Jennifer Kopylov, Sharon Bell, and Ingrid Tierens for their helpful comments.

create a safe space for Black students who are often victims of stereotypes that influence professors' assumptions about their potential, intellect, and ability to succeed. Black HBCU graduates are almost twice as likely as Black non-HBCU graduates to strongly agree that their universities adequately prepared them for life beyond college.

- 6. HBCUs are systemically underfunded.** HBCUs, and especially public HBCUs in the South, have a long history of fighting for equity in state funding. In 1986, Congress amended the Higher Education Act of 1965 to increase funding for HBCUs in response to their finding that state and federal institutions had engaged in discriminatory practices that had financially disadvantaged HBCUs. This included unfair distribution of funds to HBCUs versus non-HBCUs, including significant delays in the granting of federal funds to HBCUs and a lack of federally funded programs that had been established at primarily white institutions (PWIs). This deficit in financial resources impacted the growth and development of HBCUs. Several steps have been taken to redress past discriminatory practices, but funding disparities on a state and federal level still exist.
- 7. HBCUs receive fewer private donations and have more limited endowments.** Although many HBCUs have seen an increase in private donations since the first quarter of 2020, partially driven by greater financial need during the pandemic and the growing prominence of the Black Lives Matter movement, endowments have traditionally been much smaller at these institutions versus their predominantly white peers and large gaps continue to exist today. Public HBCUs have 54% less in assets per student than public non-HBCUs, while private HBCUs have 79% less than private non-HBCUs. Academic research finds that while HBCUs are on average efficient organizations, they are under-funded and under-resourced.
- 8. Investing in HBCUs.** HBCUs have played a pivotal role in the education and equality of Black Americans for almost two centuries. However, for these important institutions to thrive, financial commitments need to be broad, intentional, and sustainable. Proposed actions for the public sector include upholding laws that mandate HBCU support and create access to Federal resources, ongoing financial assistance for lower-income families, increasing Pell Grant recipients and dollar amounts, and equitably allocating federal and state funding. The private sector can also continue to play an active and powerful role in driving progress toward equality for Black communities. They can help progress racial economic parity by creating pathways for students at HBCUs to support college attendance and graduation, making donations without restrictions so HBCUs can direct funding to the initiatives and programs where it's most needed, and setting aspirational goals for hiring HBCU interns and graduates. The case for investing in HBCUs centers on their unique position to help reduce racial, education, and economic inequities experienced by Black Americans which will improve Black communities and by extension, the broader country. One of the key tenets of our inclusive growth research is that equity makes for not only a fairer, but also a richer society.

Historically Black

Historically Black Colleges and Universities (HBCUs)² have played a prominent role in the education and equality of Black Americans for over 185 years.³ Prior to the Civil War, college education for Black Americans was rare and in many Southern states illegal.⁴

Many HBCUs were founded by Black churches with the support of the American Missionary Association, a protestant abolitionist group, and the Freedmen's Bureau, a government agency, to serve Black Americans marginalized from mainstream post-secondary education, navigating an environment of economic, legal, political, and social discrimination. During the Reconstruction Era, when many HBCUs were established, education was viewed as a pathway to political and social equality for Black Americans freed from slavery.⁵ Gasman and Nguyen note that many Black colleges were launched in church basements and small schoolhouses as limited funding was allocated for the education of Black students.⁶ In fact, there was massive resistance from segments of the population opposed to this advancement. For instance, a review in the Journal of the Civil War Era finds that 631 Black American schools—at least one school in twenty—were destroyed in Southern states between 1864 and 1876 in opposition of Black education.⁷ The study notes that this number is likely significantly understated given historical record-keeping limitations.

In 1896, the Supreme Court ruled in a pivotal case, Plessy vs. Ferguson, that racially separated facilities were not unconstitutional if they were deemed equal. Starting in the 1930s and for several decades following, Black lawyers from the National Association for the Advancement of Colored People (NAACP) argued in courts that schools within the segregated system were not comparable, and consequently, not equal. They contended that every child deserved a good education.

The 1954 Supreme Court ruling in Brown vs. Board of Education introduced the process of desegregating the school system and allowed for Black students to begin to integrate into previously all-white schools. A decade later, the Civil Rights Act of 1964 advanced the desegregation process. According to the National Center of Education Statistics, in 1961, only 17% of white public colleges in the South admitted Black students. In 1965, a year after the enactment of the Civil Rights Act, Black students' enrollment had progressed to 25% of white institutions and to 40% by 1970.

² The Higher Education Act of 1965 defines an "HBCU" as "...any historically Black college or university that was established prior to 1964, whose principal mission was, and is, the education of Black Americans, and that is accredited by a nationally recognized accrediting agency or association...".

³ See Hill, Susan T. "The traditionally Black institutions of higher education, 1860 to 1982." National Center of Education Statistics. <https://nces.ed.gov/pubs84/84308.pdf>

⁴ See Dougal, C., Pengjie, G., Mayew, W. J. and Parsons, C. A. (2019). "What's in a (school) name? Racial discrimination in higher education bond markets." Journal of Finance Economics, 134: 570-590

⁵ See Scribner, C. F. (2020). "Surveying the destruction of African American schoolhouses in the South, 1864-1876". The Journal of the Civil War Era. 10 (4), 469-494

⁶ See Gasman, M. and Nguyen, T. (2019). "Making Black scientists: A call to action." Harvard University Press.

⁷ See Scribner, C. F. (2020). "Surveying the destruction of African American schoolhouses in the South, 1864-1876". The Journal of the Civil War Era. 10 (4), 469-494

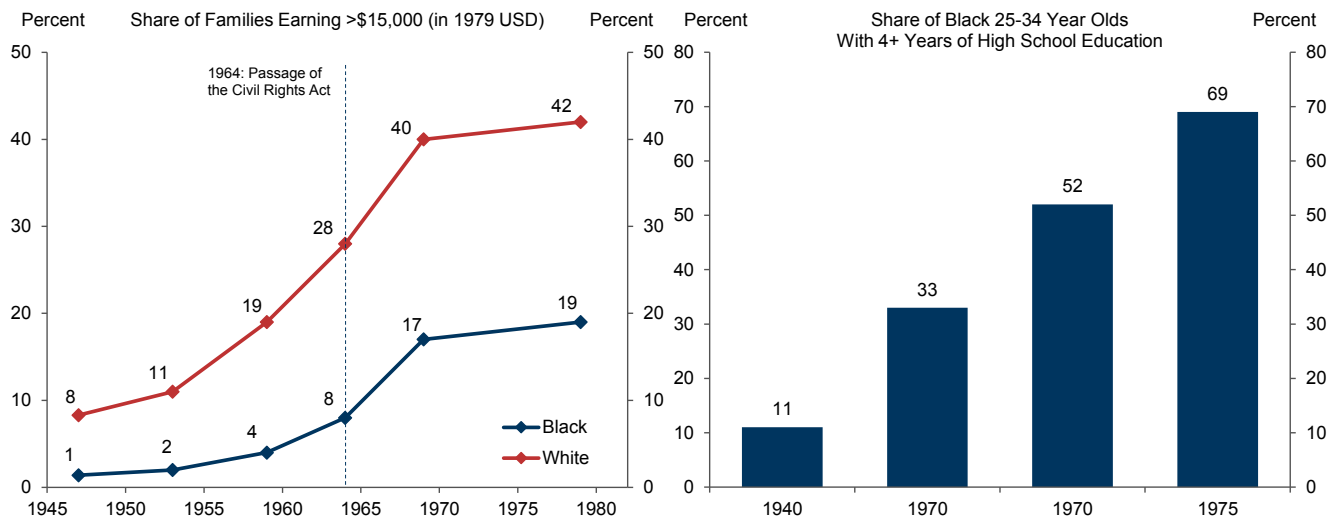
Yet, the increase in Black students’ enrollment at traditionally white colleges did not initially decrease enrollment at Black colleges for three main reasons.⁸

First, with the passing of the Civil Rights Act, Black students access to financial resources expanded. The left panel in Exhibit 1 shows the growth in real income among Black families in the South from 1964 to 1974. Black families with annual incomes of \$15,000 rose from 4% in 1964 to 19% in 1980.

Second, high school graduation rates of Black students in the South, where the majority of HBCUs are located, grew from 11% in 1940 to 69% in 1975 (right panel, Exhibit 1) and created an expanded pipeline of college students.

Third, Federal funding for college education increased, particularly for low-income students.

Exhibit 1: During the Civil Rights Era, Black Income Growth Accelerated and High School Graduation Rates Rose

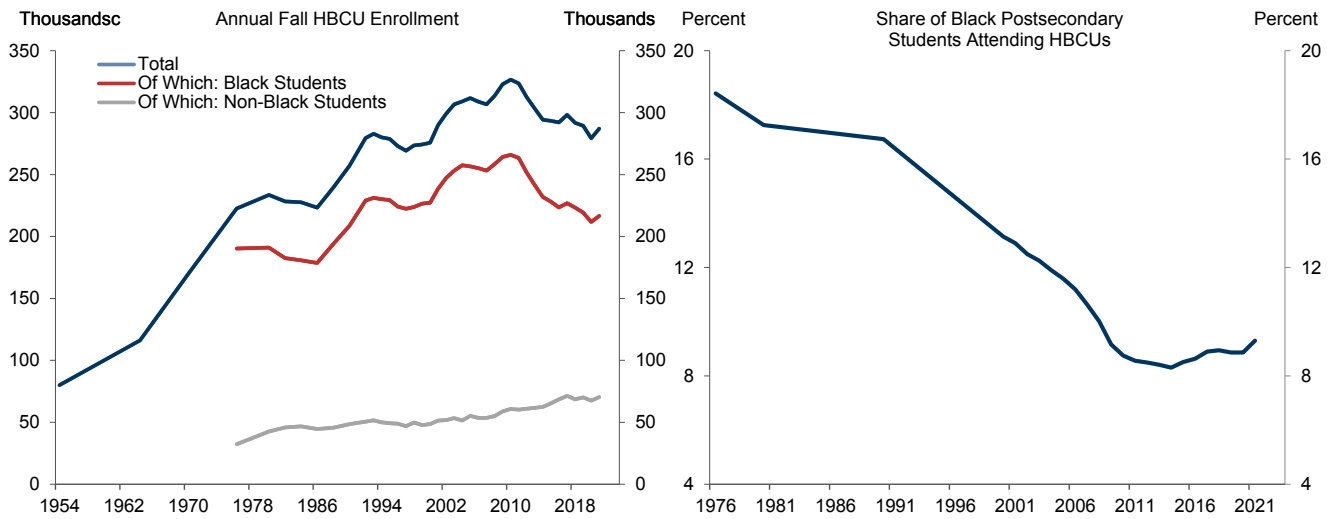


Source: National Center for Education Statistics, Census Bureau, Goldman Sachs Global Investment Research

As the left panel of Exhibit 2 shows, from 1954—the year of the Brown vs. Board decision—to 1980, enrollment at traditionally Black colleges more than tripled, before leveling off and then increasing again from the late 1980s onward.

⁸ See Hill, Susan T. “The traditionally Black institutions of higher education, 1860 to 1982.” National Center of Education Statistics. <https://nces.ed.gov/pubs84/84308.pdf>

Exhibit 2: The Share of Black Students Attending HBCUs Has Steadily Declined Since the Civil Rights Era, but Overall Enrollment Has Still Risen

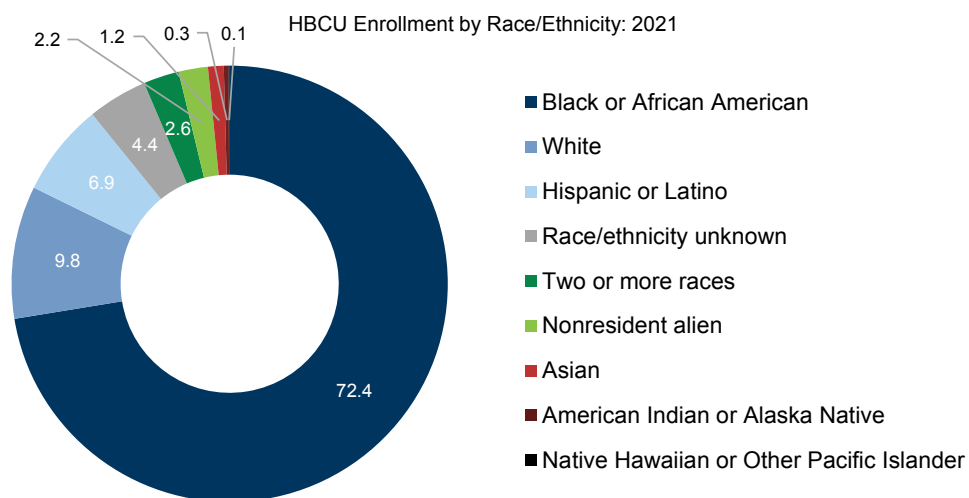


Source: National Center for Education Statistics, Goldman Sachs Global Investment Research

In parallel, however, admissions of Black students at HBCUs started to decline beginning in 1982, partly because historically white colleges had begun to admit Black students in greater numbers and Black colleges were unable to compete with the scholarships, facilities, or variety of academic programs offered by white colleges.⁹ The decrease in Black students was offset by the enrollment of non-Black students. According to the U.S. Department of Education Black students’ enrollment at HBCUs increased by 14% between 1976 and 2021; however, as the overall college enrollment of Black students more than doubled during that period, the share of Black students enrolled at HBCUs decreased from 18 percent in 1976 to just over 9 percent in 2021 (right panel, Exhibit 2). Today, non-Black students comprise a little over a quarter of HBCU enrollments (Exhibit 3).

⁹ See Gasman, M. and Drezner, Noah D. (2008). “White corporate philanthropy and its support of private Black colleges in the 1960s and 1970s.” International Journal of Educational Advancement. 8 (2) 79–92

Exhibit 3: More Than ¼ of HBCU Students Are Non-Black



Source: National Center for Education Statistics, Goldman Sachs Global Investment Research

The Demographics of HBCUs

While HBCUs are often perceived as a singular group and share the same mission, there is immense diversity among the institutions. HBCUs are located in 19 states but are clustered primarily in the south and southeast regions where 88% are based. The highest number of schools are in Alabama where there are 14 HBCUs in the state. Beyond the South, HBCUs are located in Ohio, Pennsylvania, Delaware, Maryland, District of Columbia, and the US Virgin Islands. There is almost an equal split between public (50) and private institutions (49) and 89% are four-year programs.

North Carolina Agricultural and Technical State University is the largest HBCU in the US with close to 12,000 undergraduate enrollments in 2021. Southwestern University, the smallest, had only 84 undergraduates enroll in the fall of 2020.

Cheyney University, founded in 1837, is the oldest HBCU. American Baptist College, founded in 1924, is the most recently designated HBCU. The US Department of Education approved their bid for the designation in 2013.

Source: National Center for Education Statistics, US Census Bureau, and US News

HBCUs Today: Still a Pathway to Equality for Black Americans

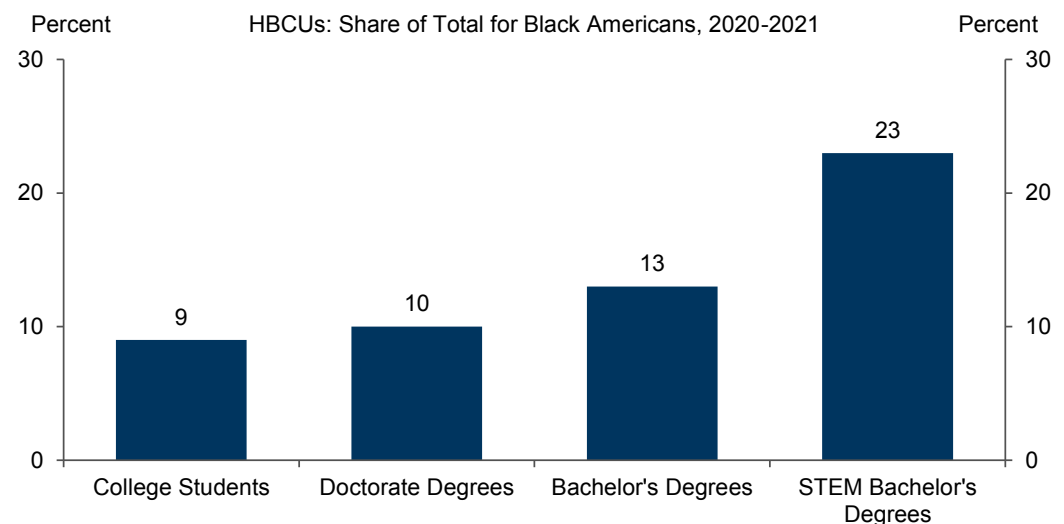
College education remains a viable path to economic mobility¹⁰, but racial disparities in educational achievement persist across the US. HBCUs remain a valuable contributor to the academic progress of Black Americans. We highlight four rationales for why these institutions continue to play a key role in leveling the racial education and economic gap in the US.

1. HBCUs continue the mission of educating Black Americans.

For generations, HBCUs have educated and produced numerous Black leaders in various industries including Thurgood Marshall (Lincoln University and Howard University), Katherine Johnson (West Virginia State University), Dr. Martin Luther King Jr. (Morehouse College), Dr. Ruth Simmons (Dillard University), Rosalind Brewer (Spelman College), and Kamala Harris (Howard University).

At the start of the 2020-21 academic year, data from the US Department of Education show that 3,892 colleges granted post-secondary degrees in the United States. Among them, 99 HBCUs (i.e., 2.5% of colleges) were responsible for 10% of Black American doctorate degrees, 13% of bachelor's degrees, and 23% of STEM degrees (Exhibit 4).

Exhibit 4: HBCUs Contribute Disproportionately to Black American Degree Completion



Source: National Center for Education Statistics, IPEDS, Goldman Sachs Global Investment Research

Moreover, Capers and Way highlight that while HBCUs accept more students who are less academically prepared for college than primarily white institutions (PWIs), they play an important role in preparing Black students for medical school. For instance, HBCUs make up 17% of the colleges supplying the highest numbers of Black applicants to

¹⁰ See Espinosa, L. L., Kelchen, R. and Taylor, M. (2018). "Minority serving institutions as engines of upward mobility." American Council on Education, Center for Policy Research and Strategy. <https://www.acenet.edu/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf>

medical school.¹¹ The researchers note the importance of this, as increasing diversity among physicians in the US could contribute to reducing racial gaps in healthcare, particularly as Black doctors are more likely to service disadvantaged populations compared to majority physicians. They suggest that HBCUs can serve as an important pipeline for recruiting Black medical students.

Gasman and Nguyen suggest that HBCUs have seen a renewal in the enrollment of Black students as PWIs have seen growing campus unrest and Black students have felt more isolated in recent years.¹² Exhibit 2 (right panel) corroborates that the share of Black students attending HBCUs has started to trend back up since 2014.

More broadly, Mykerezzi and Mills note that HBCUs are often near communities with a high proportion of low income Black families and are important to the economic well-being of these broader communities.¹³ For example, they find that greater proximity to HBCUs increases the share of adult Black Americans in a given community with college degrees, which in turn contributes to higher local income growth for the general population.

2. HBCUs offer affordable education for low-income Americans.

Morgan and co-authors suggest that while there have been significant gains for Black Americans in higher education, Black students' graduation rates remain lower than the national average.¹⁴ Exhibit 5 shows that although college completion rates for Black Americans, particularly Black women, continue to rise, the share of individuals aged 25-54 with at least a bachelor's degree remains lower for both Black men and women relative to white Americans.

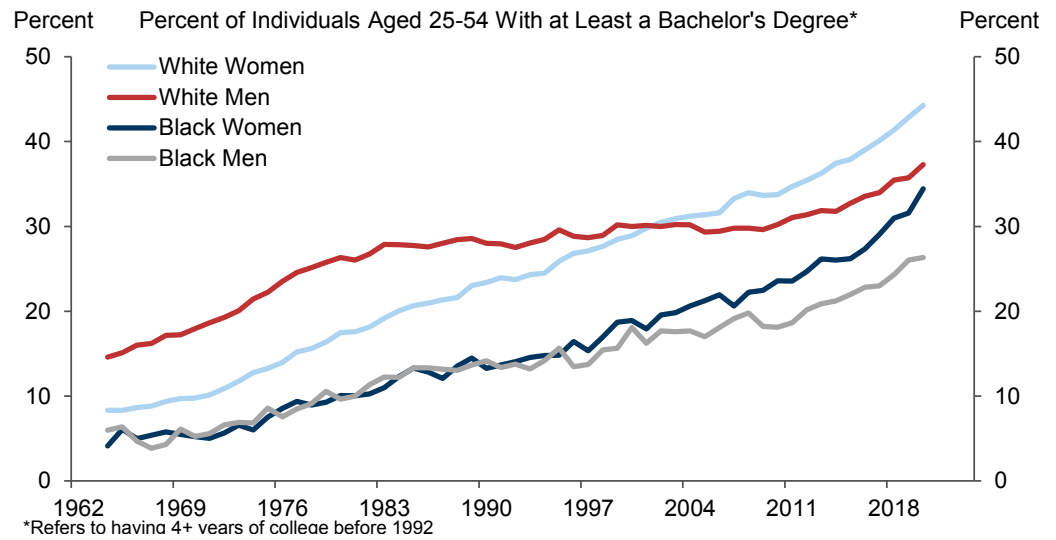
¹¹ See Capers, Q. and Way, D. (2015). "Academic and post-graduate performance of African American medical students by category of premed institution: Historically Black vs. Predominantly White Institutions." *Journal of Health Care for the Poor and Underserved*, 26: 617-630

¹² See Gasman, M. and Nguyen, T. (2019). "Making Black scientists: A call to action." Harvard University Press.

¹³ See Mykerezzi, E. and Mills, B. F. (2004). "Education and economic well-being in racially diverse rural counties: The role of Historically Black Colleges and Universities." *The Review of Regional Studies*, 34(3), 303-319

¹⁴ Morgan, K., Lane, T.B., Hutchful, J., Willis, S. Y. and Clarke Jr., L. (2020). "Transition, belonging and the Black student experience: A phenomenological study." *The Journal of College Orientation, Transition and Retention*, 27 (1)

Exhibit 5: The Racial College Completion Gap Remains Large



Source: Current Population Survey, Goldman Sachs Global Investment Research

Minority serving institutions (MSIs), including HBCUs, are essential in the education of low-income students in the U.S.¹⁵ HBCUs provide college access to many students with limited financial resources and educate a high percentage of first-generation students (for instance, first generation students make up 45% of the student body at four-year HBCUs).¹⁶ Mykerezzi and Mills find that HBCU students come from less advantaged backgrounds and live in poorer neighborhoods.¹⁷ Black households receive 40% less total income and own 90% less net wealth than white households. Except for a temporary improvement during the late 1990s labor market boom, these disadvantages have persisted over time—in the case of the household income gap, since at least 1967 (Exhibit 6).¹⁸ Access to college, in turn, is impacted to a great extent by income.¹⁹

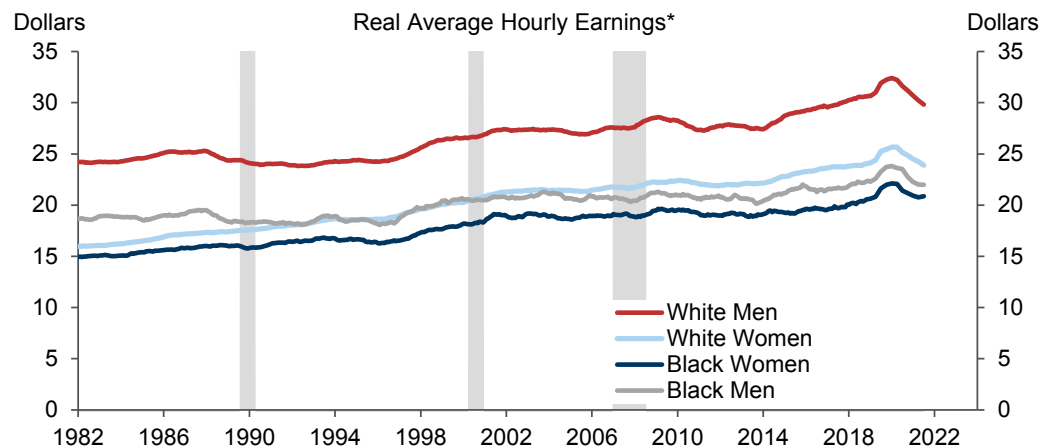
¹⁵ See Espinosa, L. L., Kelchen, R. and Taylor, M. (2018). “Minority serving institutions as engines of upward mobility.” American Council on Education, Center for Policy Research and Strategy. <https://www.acenet.edu/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf>

¹⁶ See Espinosa, L. L., Kelchen, R. and Taylor, M. (2018). “Minority serving institutions as engines of upward mobility.” American Council on Education, Center for Policy Research and Strategy. <https://www.acenet.edu/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf>

¹⁷ See Mykerezzi, E. and Mills, Bradford, F. (2008). The wage earnings impact of Historically Black Colleges and Universities.” Southern Economic Journal. 75(1), 173-187

¹⁸ This discussion is from Jan Hatzius. “Reducing racial gaps earlier is better,” Goldman Sachs, Global Investment Research, Top of Mind, July 16, 2020

¹⁹ See Chetty, R., Friedman, J., Saez, E., Turner, N., & Yagan, D. (2017). Mobility report cards: The role of colleges in intergenerational mobility. NBER Working Paper 23618. Cambridge, MA: National Bureau of Economic Research

Exhibit 6: The Racial Income Gap Has Proven Persistent Over Time

*12-month moving average deflated using the CPI-U-RS to October 2020 dollars.

**2020-present data is interpolated using the 4-quarter moving average of median weekly wages due to large pandemic-related composition distortions to average hourly earnings.

Grey bars indicate US recession.

Source: Current Population Survey, US Bureau of Labor Statistics, Goldman Sachs Global Investment Research

Moreover, Black students often do not graduate from high schools that offer the necessary college preparation.²⁰ Gasman and Nguyen suggest that this discrepancy results in many students beginning college on unequal footing.²¹ This partially explains the large gap between the national college graduation rate (61%) and that of HBCUs (38%). Gordon and co-authors find that graduation rates can be influenced by a myriad of factors including the financial status of the college and the socioeconomic levels and academic preparedness of students.²² For instance, schools with high rates of Pell Grant²³ recipients per full-time student tend to have lower graduation rates. The left panel of Exhibit 7 shows that 59% of students at HBCUs receive Pell Grants compared to 31% at non-HBCUs. Moreover, 61% of HBCU students leverage Federal loans versus 40% of students at non-HBCUs (right panel, Exhibit 7). When some of these factors are controlled for, HBCUs have a higher graduation rate for Black college students than non-HBCUs.²⁴

²⁰ See Mykerezzi, E. and Mills, B. F. (2004). "Education and economic well-being in racially diverse rural counties: The role of Historically Black Colleges and Universities." *The Review of Regional Studies*, 34(3), 303-319

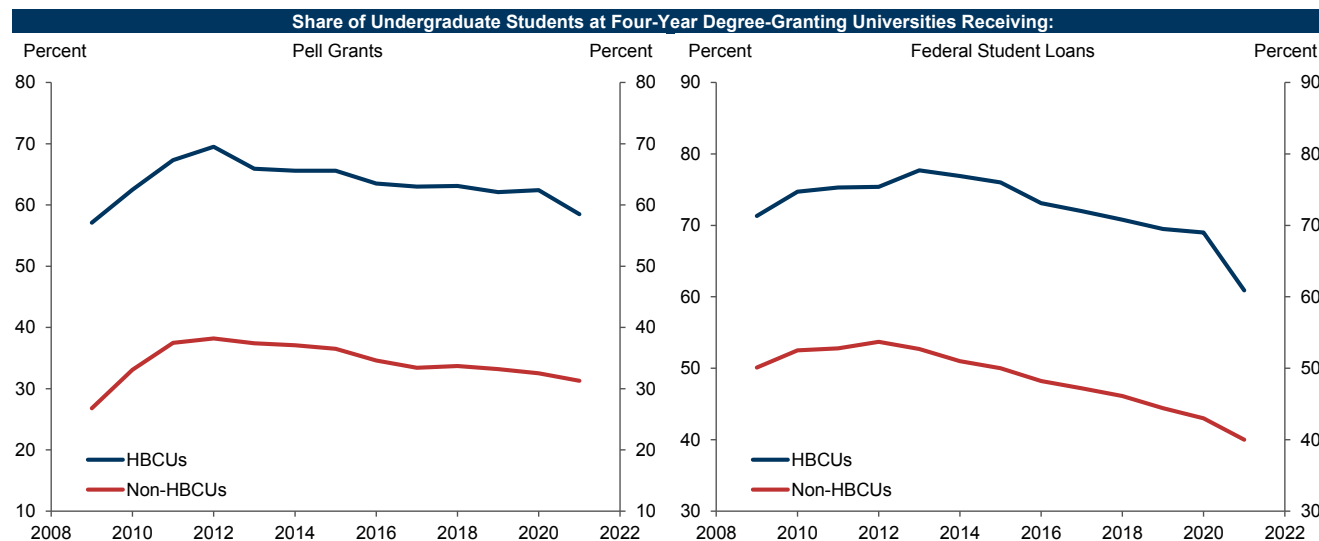
²¹ See Gasman, M. and Nguyen, T. (2019). "Making Black scientists: A call to action." Harvard University Press.

²² See Gordon, E. K., Hawley, Z.B., Kobler, R.C. and Rork, J.C. (2021). "The paradox of HBCU graduation rates." *Research in Higher Education*. 62 (3), 332 – 358

²³ The Congressional Research Service defines Pell Grants as "need-based aid that is intended to be the foundation for all need-based federal student aid awarded to undergraduates."

²⁴ See Gordon, E. K., Hawley, Z.B., Kobler, R.C. and Rork, J.C. (2021). "The paradox of HBCU graduation rates." *Research in Higher Education*. 62 (3), 332 – 358

Exhibit 7: Almost Twice as Many Students at HBCUs Receive Pell Grants Compared to Students at Non-HBCUs



Source: National Center for Education Statistics, IPEDS, Goldman Sachs Global Investment Research

HBCUs and Graduation Rates

The low aggregate graduation rate for HBCUs hides a great deal of variation. At one end of the spectrum, St. Phillips College, a medium-sized two-year HBCU in San Antonio, Texas, has a graduation rate of 16% compared to the national median of 32% for all two-year colleges. 87% of the students at St. Phillips are part-time, and 65% of all students receive income-based Federal Pell Grants. Notably, this historically Black college serves primarily Hispanic students (65%), with 18% and 11% shares of white and Black students, respectively. The acceptance rate of the school is 100 percent—all students who apply are accepted.

At the other end of the spectrum, Spelman College, a medium-sized four-year HBCU for women, has a graduation rate of 77% compared to the national rate of 56% for all 4-year colleges. 98% of students are full-time, and 43% receive Pell Grants. 97% of the student body is Black. The school has an acceptance rate of 51% but does not require admission test scores.

Source: US Department of Education College Scorecard

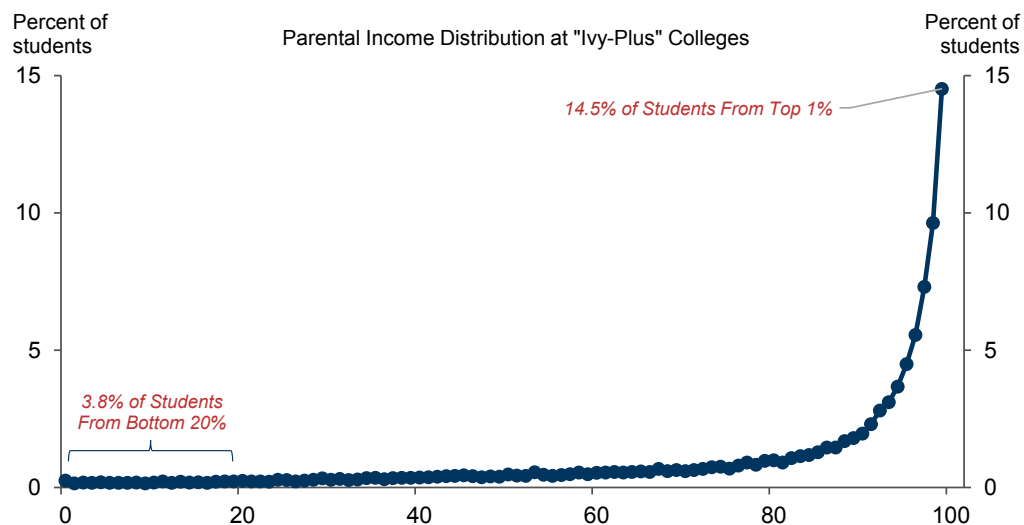
3. HBCUs advance social mobility.

A groundbreaking [study](#) by Raj Chetty and co-authors suggests that schools that enroll high numbers of low-income students provide a scalable model for advancing upward mobility for a greater number of students. The researchers leverage data from the US Department of Education and tax records—encapsulating all college students in the US from 1999 to 2013—to assess how college students of different economic backgrounds progress economically in their early thirties. The authors find four salient takeaways.²⁵

²⁵ See Mykerezzi, E. and Mills, Bradford, F. (2008). The wage earnings impact of Historically Black Colleges and Universities." Southern Economic Journal. 75(1), 173-187

First, the earnings distribution tremendously impacts access to college. For example, less than 4% of students at “Ivy Plus” colleges (the eight Ivy League colleges plus the University of Chicago, Stanford, MIT, and Duke) come from the bottom quintile of the income distribution (Exhibit 8).

Exhibit 8: Less Than 4 Percent of Students at “Ivy Plus” Colleges Come from the Bottom Quintile of the Income Distribution



Source: Chetty et al. (2017), Goldman Sachs Global Investment Research

Second, low-income students appear to have similar economic outcomes as high-income peers at selective colleges. The authors suggest that the small earnings variance between economically diverse students indicate that most colleges are able to “level the playing field” for students from low-income families in part because college provides a larger value-add for these students.

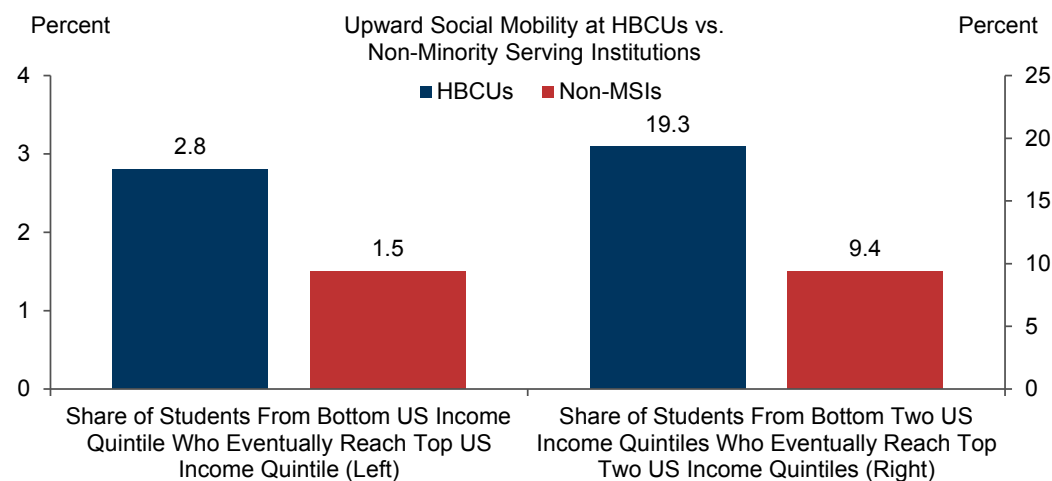
Third, the researchers assign an upward *mobility rate* to each college—the share of students from each school who enrolled at the bottom quintile of the income distribution and end up in the top quintile in their early thirties. While Ivy League Schools have the highest success rate—that is, a higher fraction of their low-income students makes it to the top quintile—the researchers find that some less selective colleges have similar success outcomes and simultaneously provide much greater access to low-income students. Indeed, just 5% of students from low-income families who move to the top 1% come from Ivy-Plus schools.

Lastly, the study finds that although enrollment of low-income students has increased significantly over the last 20 years, access to colleges that best promote mobility has largely stalled for low-income students.

Building on the detailed data from this study, the American Council of Education (ACE) Center for Policy Research and Strategy suggests that HBCUs advance students from lower-income families to higher incomes at a significantly higher rate than non-minority

serving institutions.²⁶ ACE adopts an extended view of mobility to include the bottom two income quintiles and marks progress as reaching the top two quintiles (compared to Chetty et al.'s respective bottom and top quintiles). The four-year extended mobility rate was 19.4% for HBCUs versus 9.4% for non-minority serving institutions (Exhibit 9).

Exhibit 9: The Extended Mobility Rate at Four-Year HBCUs is More Than Double That of Non-Minority Serving Institutions



Source: Espinosa, Kelchen, and Taylor (2018), Goldman Sachs Global Investment Research

Mykerezi and Mills suggests that HBCUs are particularly effective at inspiring college persistence among Black men and, consequently, at helping them mobilize from disadvantaged backgrounds by providing the required skill set to succeed in the labor market.²⁷

These studies suggest that HBCUs play an important role in advancing upward mobility for lower-income Black students and their families.

4. HBCUs provide a safe racial environment for students.

There is copious evidence that bias and stereotypes have adverse impact on mental and physical health. According to researchers at the London School of Economics, discrimination has an adverse effect on young people, especially minority students, and can lead to academic withdrawal, lower success rates, and isolation.²⁸ A study by Cogburn and co-authors underscores that even when discrimination happens infrequently, it can impact psychological and academic outcomes.²⁹

²⁶ See Espinosa, L. L., Kelchen, R. and Taylor, M. (2018). "Minority serving institutions as engines of upward mobility." American Council on Education, Center for Policy Research and Strategy. <https://www.acenet.edu/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf>

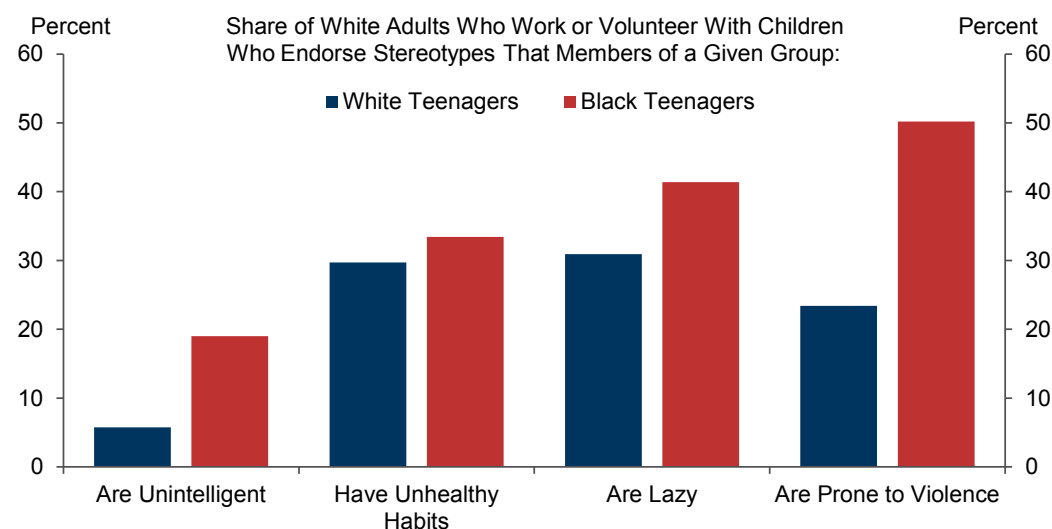
²⁷ See Mykerezi, E. and Mills, B. F. (2004). "Education and economic well-being in racially diverse rural counties: The role of Historically Black Colleges and Universities." *The Review of Regional Studies*, 34(3), 303-319

²⁸ Howarth, C. and Andreouli, E. (2015). "'Changing the context': Tackling discrimination at school and in society." *International Journal of Educational Development*, 41, 184-191

²⁹ Cogburn C.D., Chavous T.M., and Griffin T.M. (2011). "School-based racial and gender discrimination

Consistent with other academic research, Priest and co-authors [find](#) that Black Americans, including young Black children, are negatively stereotyped (e.g. as unintelligent or lazy) and that this outlook is also evident in White adults working and volunteering with Black children.³⁰ For instance, Black teens are more than twice as likely to be rated by white adults who work or volunteer with children as unintelligent or violent-prone compared to their white peers ([Exhibit 10](#)). The researchers highlight that this can influence service providers' behavior and lead to poorer consequences for marginalized groups including in healthcare, education, and employment.

Exhibit 10: Black Teens are More Than Twice as Likely to be Rated by White Adults who Work or Volunteer with Children as Unintelligent or Violent-Prone Compared to Their White Peers



Source: Priest et al. (2018), Goldman Sachs Global Investment Research

Researchers at Vanderbilt University [document](#) that Black students are less likely to be assigned to gifted services in both math and reading when taught by non-Black teachers, even when controlling for standardized test scores, health, socioeconomic, and school characteristics.³¹ A Georgetown study [finds](#) that surveyed adults are significantly more likely to engage in the “adultification” of Black girls—the perception of Black girls as less innocent and more adult-like than white girls of the same age—and that these attitudes are associated with disproportionate rates of school discipline and suspension, which are in turn connected to higher dropout rates.^{32 33}

Black college students have more negative assessments of campus climate than

among African American adolescents: Exploring gender variation in frequency and implications for adjustment.” *Race and Social Problems*. 3(1):25-37

³⁰ Priest, N., Slopen, N., Woolford, S., Phillip, J. T., Singer, D., Kauffman, A. D., Mosely, K., Davis, M., Ransome, Y., Williams, D. (2018). “Stereotyping across intersections of race and age: Racial stereotyping among white adults working with children.” *PLoS ONE*. 13(9)

³¹ Grissom, J. A., and Redding, C. (2015). “Discretion and disproportionality: Explaining the underrepresentation of high-achieving students of color in gifted programs.” *Aera Open* 2(1)

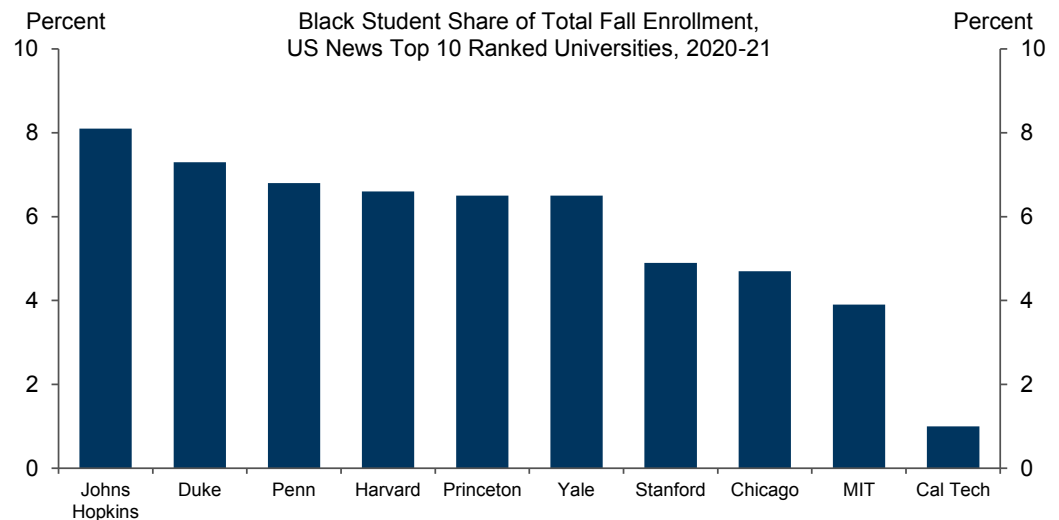
³² Epstein, R., Blake, J. J., Gonzalez, T. (2015). “Girlhood interrupted: The erasure of Black girls’ childhood.” *Georgetown Law, Center on Poverty and Inequality*

³³ This discussion is from Daan Struyven, Gizelle George-Joseph and Dan Milo, *Black Womenomics: Investing in the Underinvested*, Goldman Sachs Global Investment Research, March 9, 2021

students from other races, which has implications for persistence and retention.³⁴ Multiple studies document that campus climate for Black students at predominantly white institutions (PWIs) can include a range of experiences from microaggressions to explicit racism.³⁵ Moreover, some Black students at PWIs find it difficult to separate their campus experience from the racism that persists in broader society and note that some PWIs are not adequately preparing students of color to navigate them.³⁶

Almost 60% of reported on-campus hate crimes³⁷ in 2019 were driven by race. Evidence suggests that campuses with greater representation of students of color have fewer reports of race-based hate crimes.³⁸ Gasman and Nguyen note that while most Black students attend PWIs today, most four-year PWIs have relatively few Black students, usually below the 13% US representation of Black Americans.³⁹ As Exhibit 11 shows, none of the top ten ranked universities in the US enrolled more than 8% Black students in the 2020-2021 academic year.

Exhibit 11: Top Primarily White Institutions in the US Have Modest Black Representation, Below the 13% US Representation



Source: DataUSA, IPEDS, Goldman Sachs Global Investment Research

Baker and Britton find that Black students enroll at HBCUs at a greater rate when the

³⁴ George Mwangi, C. A., Thelamour, B., Ezeofor, I., and Carpenter, A. (2018). ““Black elephant in the room”: Black students contextualizing campus racial climate within U.S. racial climate.” *Journal of College Student Development*. 59:4, 456-474

³⁵ Jones, S. M. and Phillips, G. A. (2020). “Reimagining campus climate assessment at HBCUs.” *Research and Practice in Assessment*. 15 (2)

³⁶ Howarth, C. and Andreouli, E. (2015). “‘Changing the context’: Tackling discrimination at school and in society.” *International Journal of Educational Development*, 41, 184-191

³⁷ The US Department of Education defines hate crime as “a criminal offense that is motivated, in whole or in part, by the perpetrator’s bias against the victim(s) based on their race, ethnicity, religion, sexual orientation, gender, gender identity, or disability.”

³⁸ Baker, D.J., and Britton, T. (2021). “Hate crimes and Black college student enrollment.” (CEPA Working Paper No.21-01). Retrieved from Stanford Center for Education Policy Analysis: <http://cepa.stanford.edu/wp21-01>

³⁹ See Gasman, M. and Nguyen, T. (2019). “Making Black scientists: A call to action.” Harvard University Press.

number of reported hate crimes increase.⁴⁰ At the height of the Black Lives Matter movement in 2020, some HBCUs saw significant increases in undergraduate applications. For example, Data USA documents that in 2020, applications to Morehouse College increased by 61% year-over-year. At Morgan State University and Howard University, applications also grew by 18% and 16%, respectively.

These data suggest that discrimination remains costly for Black Americans. Consequently, racial climate on campus remains materially important to students.

Faculty, staff, and administrators at HBCUs often know their students by their names and view student engagement as critical to their work, creating a safe space for Black students who are often victims of stereotypes that influence professors' assumptions about their potential, intelligence, and ability to thrive.⁴¹ In a seminal study, Steele and Aronson introduced the concept of stereotype threat—"the risk of confirming, as self-characteristic, a negative stereotype about one's group."⁴² The researchers assert that anxiety about negative stereotypes related to intellectual capabilities can restrict performance. For instance, in one experiment Black and white students at Stanford were tested with a standard set of Graduate Record Examination (GRE) questions. Students were placed into either a threat condition (where the stereotype related to intellectual ability was subtly highlighted to participants) or a non-threat group (where the test was presented as non-diagnostic). The researchers find that Black students in the threat condition performed more poorly than their Black peers in the non-threat condition (the experiment controlled for prior SAT scores). Put simply, Black students can be influenced by the expectations or perceptions of negative stereotypes.

In a recent study, Alston and co-authors replicate the basic design and procedure of Steele's and Aronson's work at a historically Black university and suggest that Black students at HBCUs may be less susceptible to stereotype threat.⁴³

Multiple studies document that HBCUs serve as safe learning environments for students of color. For instance, a study by Berger and Milem analyzes three measures of self-concept in Black college students—psychological wellness, academic ability, and achievement orientation—and finds that students at HBCUs develop higher levels of self-concept four years after attending school versus their peers at PWIs. This is attributed primarily to differences in the educational environment between HBCUs and PWIs, including support from faculty and peers which enables the development of higher levels of self-confidence in Black students and likely encourages more positive academic outcomes.⁴⁴

⁴⁰ Baker, D.J., and Britton, T. (2021). "Hate crimes and Black college student enrollment." (CEPA Working Paper No.21-01). Retrieved from Stanford Center for Education Policy Analysis: <http://cepa.stanford.edu/wp21-01>

⁴¹ See Gasman, M. and Nguyen, T. (2019). "Making Black scientists: A call to action." Harvard University Press.

⁴² Steele, C. M., Aronson, J. (1995). "Stereotype Threat and the intellectual test performance of African Americans." *Journal of Personality and Social Psychology*. 69(5): 797-811

⁴³ Alston, M., Darity, W. A., Eckel, C. C., McNeil, L. and Sharpe, R. (2022). "The effects of stereotypes on Black college test scores at a historically Black university." *Journal of Economic Behavior and Organization*. 194, 408-424

⁴⁴ Berger, J. B. and Milem, Jeffrey F. (2000). "Exploring the impact of Historically Black Colleges in promoting

A joint research project by Gallup and USA Funds strengthens the case for the importance of a welcoming college environment and the impact on long-term well-being.⁴⁵ The study surveyed over 55,000 adults who completed bachelor's degrees between 1940 and 2015 and finds that Black graduates from HBCUs are more likely to thrive on a wide range of self-reported measures than their non-HBCU counterparts, especially on financial and purpose well-being measures (Exhibit 12).

Exhibit 12: Black Graduates from HBCUs are More Likely to Thrive on Various Self-Reported Measures of Well-Being Than Black Non-HBCU Graduates

Percent of Black College Graduates Who Self-Report Thriving in Each Element of Well-Being (Gallup-Purdue Survey, 2014-2015)			
Well-Being Area	HBCU Students	Non-HBCU Students	Difference (pp)
Purpose	51%	43%	+8
Social	54%	48%	+6
Financial	40%	29%	+11
Community	42%	38%	+4
Physical	33%	28%	+5

Source: Gallup, USA Today, Goldman Sachs Global Investment Research

We highlight two additional salient findings from the study. First, Black students at HBCUs report higher levels of support from professors and mentors than Black students at non-HBCUs. Second, Black HBCU graduates are almost twice as likely to strongly agree that their universities adequately prepared them for life beyond college (Exhibit 13).

Exhibit 13: Black HBCU Students Are More Than Twice as Likely to Recall That Professors Cared About Them as People, and Nearly Twice as Likely to Feel Prepared for Post-College Life, as Their Non-HBCU Peers

Percent of Black College Graduates Who Agree With Statements Related to Support and Preparation (Gallup-Purdue Survey, 2014-2015)			
Survey Question	HBCU Students	Non-HBCU Students	Difference (pp)
My professors at my university cared about me as a person.	58%	25%	+33
I had at least one professor at my university who made me excited about learning.	74%	62%	+12
While attending my university, I had a mentor who encouraged me to pursue my goals and dreams.	42%	23%	+19
My university prepared me well for life outside of college.	55%	29%	+26

Source: Gallup, USA Today, Goldman Sachs Global Investment Research

Moreover, academic research shows that exposure to same-race teachers may have long-run positive effects on Black students. Gershenson and co-authors find that Black students who have at least one Black teacher during elementary school are 13% more likely to enroll in college compared to Black peers with no exposure to Black teachers.⁴⁶

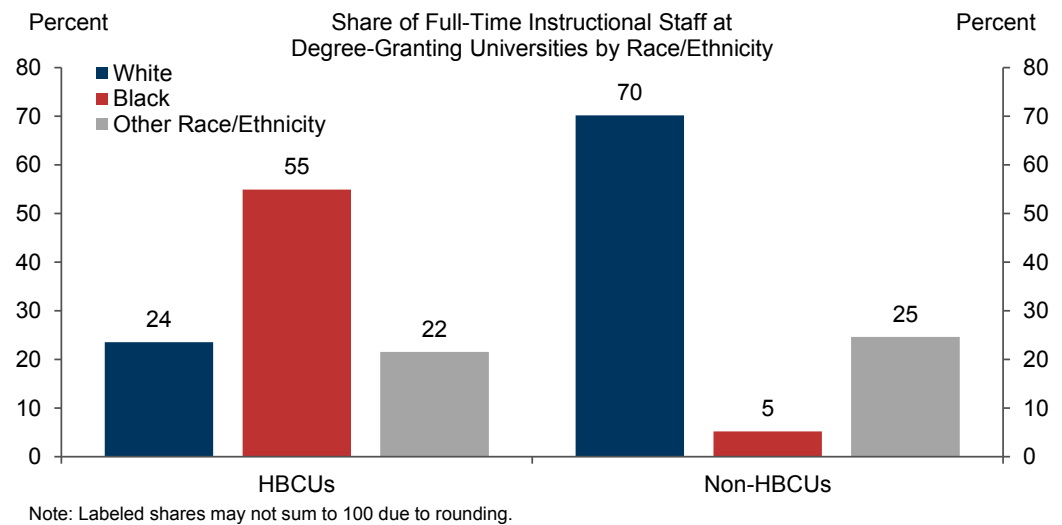
the development of undergraduates' self-concept." *Journal of College Student Development*. 41(4)

⁴⁵ Gallup and USA Today. (2015). "Gallup-USA Funds Minority College Graduates Report." <https://www.gallup.com/services/186359/gallup-usa-funds-minority-college-graduates-report-pdf.aspx>

⁴⁶ Gershenson, S., Hart, C. M. D., Hyman, J., Lindsay, C. and Papageorge, N. W. (2021). "The Long-Run Impacts of Same Race Teachers." NBER Working Paper

Redding corroborates these results and adds that this exposure improves long-term educational outcomes for Black students, particularly across gender, i.e., that the effects on Black male students who are assigned Black male teachers and Black female students having exposure to Black female teachers are even greater.⁴⁷ The researcher finds that Black students paired with Black teachers are less likely to drop out of school and are more likely to have their academic capabilities rated more positively and be assigned to a gifted program. For instance, Black teachers tend to describe Black students as less disruptive in class versus non-Black teachers, validating other studies that find that the actions of Black students are depicted more positively when these students are assigned to a Black teacher. The author notes that these results may be impacted by contextual factors; for example, the largest effects are observed in the South. According to the National Center for Education Statistics, in 2021, Black Americans represented 55% of full-time instructional staff at degree granting HBCUs compared to 5% at non-HBCUs (Exhibit 14).

Exhibit 14: Black Faculty Are Underrepresented at Non-HBCUs



Source: National Center for Educational Statistics, Goldman Sachs Global Investment Research

⁴⁷ Redding, C. (2019). "A Teacher Like Me: A Review of the Effect of Student-Teacher Racial/Ethnic Matching on Teacher Perceptions of Students and Student Academic and Behavioral Outcomes." *Review of Educational Research*. 89:4, 499-535

HBCUs and Multiculturalism

We previously established that the composition of HBCUs has evolved over time (Exhibits 2 and 3). For instance, according to the US Department of Education, non-Black students make up more than a quarter of HBCUs today, compared to 15% in 1976. In the [study](#) “Framing the Effect of Multiculturalism on Diversity Outcomes Among Students at Historically Black Colleges and Universities”, Dwyer notes that due to the increasing diversity at these institutions and ongoing discussions on desegregation in the US education system, the role of HBCUs can be controversial. The researcher documents the value of interactions between students from different backgrounds including cognitive flexibility, cultural awareness and acceptance, prejudice reduction (“strategies that can be used to enhance democratic values among students”), and increased preparation for a diverse workplace and society, and underlines that the growing diversity at HBCUs supports efforts toward increased multiculturalism in post-secondary education.

Source: National Center for Education Statistics, Brigid and Dwyer (2006)

Historically Underfunded

Black colleges and universities, particularly public institutions, have traditionally had modest budgets.² While the issues that have contributed to this gap are complex, we highlight two important factors.

1. HBCUs are systemically underfunded.

HBCUs, and especially public HBCUs in the south, have a long history of fighting for equity in state funding, in some states receiving half of what their PWI peers in the same states received.⁴⁸

In 1986, Congress amended the Higher Education Act of 1965, a federal law enacted to support the attainment of college education, to include increased funding for HBCUs. Congress' efforts to strengthen HBCU support was driven by their finding that while HBCUs have contributed meaningfully to the federal mission of equalizing educational opportunity for Black and low-income Americans, state and federal institutions had engaged in two principal discriminatory practices that had financially disadvantaged HBCUs. First, they failed to support Black public institutions under the Morrill Act of 1862 which allocated federal land for the creation of agricultural and mechanical colleges. Second, they under-delivered federal grants, contracts and associated relevant resources under this Act to public and private HBCUs.

A report by the Economic Research Service of the US Department of Agriculture (USDA) corroborates this finding and suggests that the lack of financial resources impacted the growth and development of many HBCUs, particularly those established under the Morrill Act of 1890. The Second Morrill Act prohibited discrimination in the enrollment of Black students at land-grant colleges but allowed states the option of establishing separate colleges for Black and white students. While the act guided to fair distribution of funds to these HBCUs, it did not mandate *equal* distribution.⁴⁹ This inequity was multifaceted. First, federal funds were not granted until 1967. Second, some of the legislative-mandated funding was not initially allotted. Third, some federally funded programs were never established at HBCUs. For instance, direct funding for research was established at land grant HBCUs in 1977, 90 years after primarily white land grant institutions had begun receiving funding.

2. HBCUs receive fewer private donations and have more limited endowments.

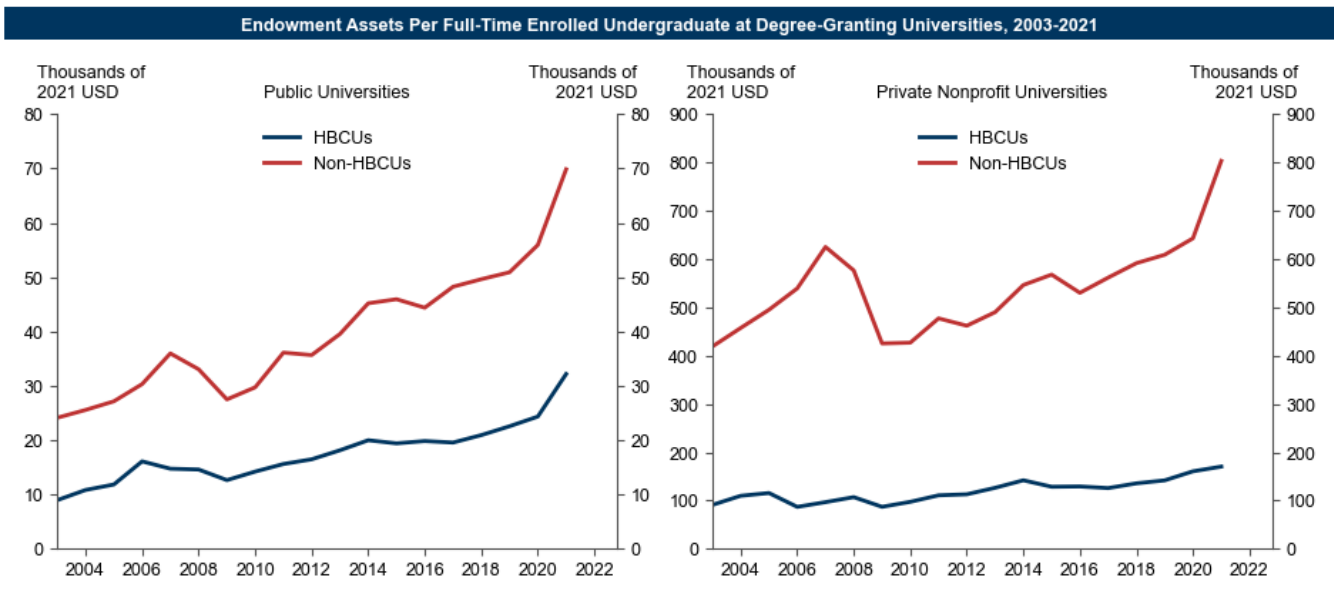
College endowments consist of numerous individual donations that are accrued to support the educational and research mission of these institutions over a long-term

⁴⁸ See Gasman, M. and Nguyen, T. (2019). "Making Black scientists: A call to action." Harvard University Press.

⁴⁹ Tegene, A., Efland, A., Ballenger, N., Norton, G., Essel, A., Larson, G. and Clarke, W. (2002). "Investing in people: Assessing the economic benefits of 1890 institutions." Economic Research Service, U.S. Department of Education. <https://www.ers.usda.gov/publications/pub-details/?pubid=79686>

horizon.⁵⁰ Although a 2022 United Negro College Fund (UNCF) survey of its HBCU member institutions found that more than 80% of participants had seen an increase in private donations since the first quarter of 2020, partially driven by HBCUs’ greater financial need during the pandemic and the growing prominence of the Black Lives Matter movement following the murder of George Floyd, the financial challenges that plague HBCUs are historical, and endowments have traditionally been much smaller at these institutions versus their predominantly white peers.⁵¹ For instance, Votaw and Sethi find that in 1967, on a per-student basis, corporations gave to white public institutions at more than four times the rate of Black public colleges, and foundations made gifts to PWIs that were twenty times greater than those to HBCUs.⁵² Broad discrepancies in endowments continue to exist today. As Exhibit 15 shows, public HBCUs had 54% less in assets per student than public non-HBCUs in 2021 (left panel), while private HBCUs had 79% less compared to private non-HBCUs (right panel).

Exhibit 15: The Endowment Gap Between HBCUs and Non-HBCUs is Extensive



Source: National Center for Education Statistics, IPEDS, Goldman Sachs Global Investment Research

Colleges use their endowments to subsidize operating costs, provide higher-quality services to students at a lower cost, and support initiatives that enhance the quality of their institutions, e.g. libraries and faculty positions.⁵³ Endowments provide stability and are able to help offset changes due to market and macro shifts that may impact tuition and government funding. Moreover, endowments allow institutions to take a

⁵⁰ American Council of Education. (2021). "Understanding College and Universities Endowments." <https://www.acenet.edu/Documents/Understanding-College-and-University-Endowments.pdf>

⁵¹ Murray, L., Njoku, N. and Davis, R. (2022). "Greater funding, greater needs: A report on funding for HBCUs." UNCF https://cdn.uncf.org/wp-content/uploads/UNCF-Patterson-HBCUs-funding-report_V6.pdf?_ga=2.205527056.245483450.1683666850-1802647176.1679419162

⁵² Votaw, D. and Sethi, S. P. (1970). "Some paradoxes in the support of predominantly Black colleges." *The Journal of Higher Education*, 41:9, 673-694

⁵³ Williams, K. L. and Davis, B. L. (2019). "Public and private investments and divestments in Historically Black Colleges and Universities." American Council on Education and UNCF. <https://www.acenet.edu/Documents/Public-and-Private-Investments-and-Divestments-in-HBCUs.pdf>

longer-term view on planning and foster agility and innovation in research, technology, and academia.⁵⁴ Coupet and Barnum find that colleges with larger endowments tend to be more efficient as this allows for higher levels of human and physical capital that can be mobilized operationally. The researchers highlight that while HBCUs are on average efficient organizations, they are under-funded and under-resourced.

⁵⁴ Votaw, D. and Sethi, S. P. (1970). "Some paradoxes in the support of predominantly Black colleges." *The Journal of Higher Education*, 41:9, 673-694

Investing in HBCUs

The systemic under-investment and historic inequalities that have created and reinforced the economic disadvantages that Black Americans face are complex. College education remains a viable path to economic mobility and HBCUs continue to play a prominent role in the academic achievement and equality of Black Americans, especially students from low-income families. They provide scalable, affordable education and are proven drivers of upward mobility. Moreover, HBCUs offer a safe racial environment for Black students which contributes to their persistence and success during college, and their economic and personal well-being beyond college.

Reducing the racial college educational achievement gap requires sustainable investment in HBCUs and significant commitments across the public and private sectors. The case for investing in HBCUs centers on their unique position to help reduce racial, economic, and social inequities experienced by Black Americans and consequently improve Black communities and, by extension, the country.

Public Sector

We have previously noted the critical need for the public sector to maintain a robust focus on racial inequity and, where applicable, mandate changes to laws and policies that will help close gaps over time. In the context of HBCUs, we offer several recommendations toward this end.

Uphold laws that mandate HBCU support and create access to Federal resources.

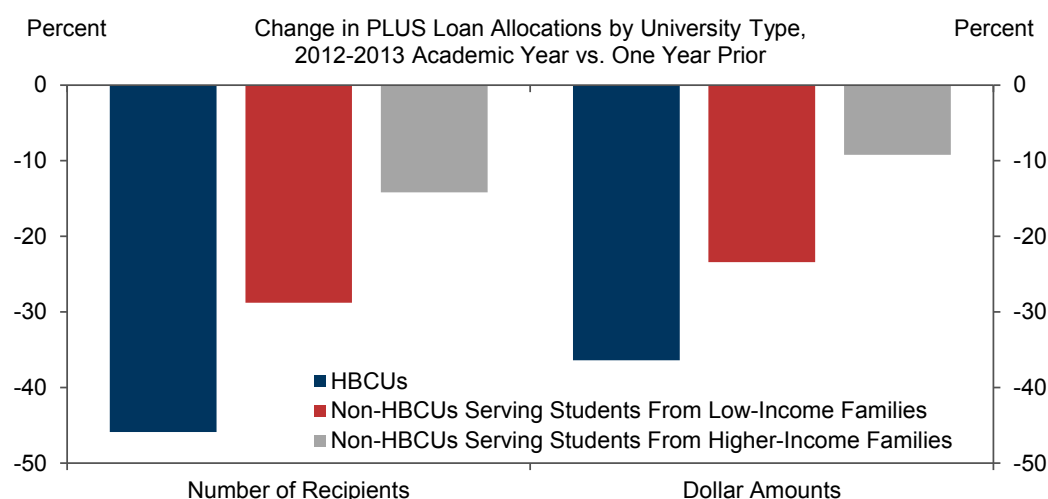
Over the last decade, there has been a refocus on enacting and enforcing laws that support HBCUs' ability to thrive. For instance, the Biden-Harris administration issued an executive order in late 2021 on the *White House Initiative on Advancing Educational, Equity, Excellence and Economic Opportunity Through Historically Black Colleges and Universities*. The initiative includes supporting implementation of the HBCU Propelling Agency Relationships Towards a New Era of Results for Students (PARTNERS) Act established to strengthen the capacity of HBCUs to "fulfill their principal mission of equalizing educational opportunity" for Black Americans and enable better access to Federal resources for these schools. The law aims to have impact in three primary ways. First, it enhances the accountability of federal agencies by requiring reports on efforts to support HBCU engagements. Second, it increases visibility by making each agency's plan publicly available online. Third, it forces action by requiring agencies to highlight initiatives (e.g., grants, contracts, cooperative agreements) where HBCUs are underrepresented, plans to improve participation, and measurements of progress made.

The immense focus on creating pathways for students and graduates is important, but just as critical is the implementation of laws and effective governance to establish and assess measures of success.

Commit to long-term financial support for lower-income families. The federal Parent Loans for Undergraduate Students (PLUS) program is an important example of the significance of sustainable aid to lower-income families and the adverse consequences

when this aid is restricted. PLUS makes loans available to parents of dependent undergraduates to fund college-related expenses and is an important source of financial aid for low-income families. In 2011, the U.S. Department of Education increased the credit history requirements for PLUS in an effort to align the program standards to that of banks, subsequently decreasing the amount of federal loans that families were able to receive.⁵⁵ Johnson and co-authors find that the result of this change disproportionately impacted enrollment at HBCUs, whose student body comprises a substantial share of low-income and Black students. Exhibit 16 shows that between 2011-12 and 2012-13, HBCUs saw a greater decline both in PLUS loan beneficiaries and dollar amounts than non-HBCUs.

Exhibit 16: Between 2011-12 and 2012-13, HBCUs Saw a Greater Decline Both in PLUS Loan Beneficiaries and Dollar Amounts Than Non-HBCUs



Note: Data visually approximated from Johnson, Bruch, and Gill (2015).

Source: Johnson, Bruch, and Gill (2015), Goldman Sachs Global Investment Research

The loss of financial aid may drive full-time students, especially in their first year, to find ways to reduce the cost of attendance including shifting to a part-time program, increasing work hours, moving to a lower-cost institution, or discontinuing school altogether.⁵⁶ Increasing financial assistance can make it easier for students to enroll in and stay in school—including (and disproportionately) at HBCUs.

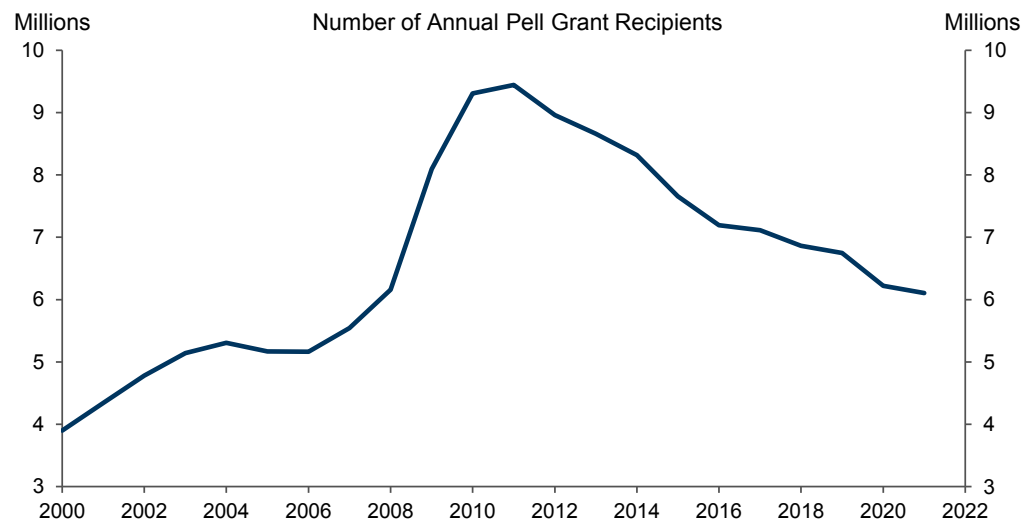
Continue to increase Pell Grant recipients and dollar amounts. Pell Grants are a key source of federal financial assistance for college students, particularly students from lower-income families. According to the Congressional Research Service, during the 2020-2021 academic year, 97 percent of students who received Pell Grants came from

⁵⁵ Johnson, M., Bruch, J., and Gill, B. (2015). "Changes in financial aid and student enrollment at historically Black colleges and universities after the tightening of PLUS credit standards." U.S. Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, Regional Educational Laboratory Mid-Atlantic. Retrieved from <http://ies.ed.gov/ncee/edlabs>

⁵⁶ Williams, K. L. and Davis, B. L. (2019). "Public and private investments and divestments in Historically Black Colleges and Universities." American Council on Education and UNCF. <https://www.acenet.edu/Documents/Public-and-Private-Investments-and-Divestments-in-HBCUs.pdf>

families with incomes at or below \$60,000.⁵⁷ The author notes that the program has a 50-year history of providing lower-income students financial aid that is portable (not aligned to any particular school), issued as grants (doesn't have to be paid back) and is awarded without consideration of other financial aid that a student might receive. A myriad of factors may impact the number of grants awarded annually including the macro environment, amendments to the Higher Education Act that result in changes to the federal government's need analysis calculation, and the Pell Grant award rules, as well as college enrollment trends.⁵⁸ From the 2011-2012 school year to the 2021-22 school year, the number of Pell Grants awarded has decreased by 35 percent (Exhibit 17).

Exhibit 17: The Number of Pell Grants Awarded Has Been Trending Down in Recent Years



Source: Congressional Research Service, Goldman Sachs Global Investment Research

A University of Maryland Survey finds that 70% of voters support increasing the maximum Pell Grant for low-income students to help them achieve higher education. Efforts to preserve and grow both the number of recipients and the dollar amounts granted would be very beneficial to Black college students.

Equitably allocate federal and state funding. We have already established that HBCUs have historically received inequitable funding. Several steps have been taken to redress past discriminatory practices, but funding disparities on a state and federal level still exist.⁵⁹ For instance, a joint brief by the American Council on Education and UNCF finds that while federal funding has decreased over the past decade for all institutions, the decline has been greatest for private HBCUs.⁶⁰ Exhibit 18 shows that from 2003 to

⁵⁷ Dortch, C. (2023). "Federal Pell Grant program of the Higher Education Act: Primer." Congressional Research Service. <https://crsreports.congress.gov/product/pdf/R/R45418>

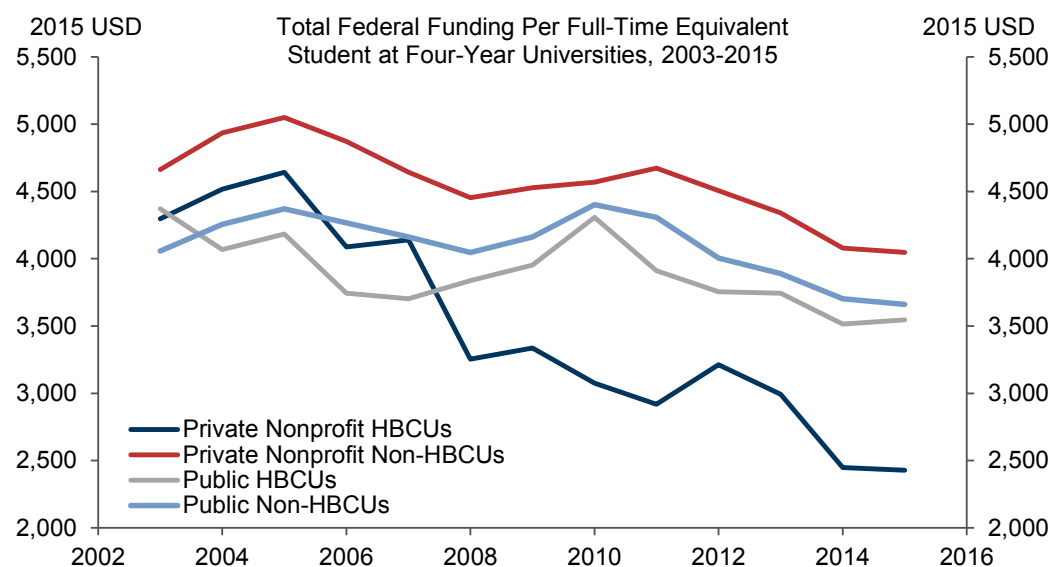
⁵⁸ Dortch, C. (2023). "Federal Pell Grant program of the Higher Education Act: Primer." Congressional Research Service. <https://crsreports.congress.gov/product/pdf/R/R45418>

⁵⁹ Gasman, M. (2010). "Comprehensive funding approaches for Historically Black Colleges and Universities." University of Pennsylvania Graduate School of Education and North Carolina Central University. Retrieved from https://repository.upenn.edu/gse_pubs/331

⁶⁰ Williams, K. L. and Davis, B. L. (2019). "Public and private investments and divestments in Historically

2015, private HBCUs experienced a 43% decline in federal funding per full-time student. Strikingly, the disparities in federal funding between private HBCUs and private non-HBCUs had narrowed in the early 2000s, but progress has since stalled. This underscores the need for governance in the distribution of funds to ensure equity.

Exhibit 18: From 2003 to 2015, Private HBCUs Experienced a 43% Decline in Federal Funding Per Full-Time Student



Source: Williams and Davis (2019), Goldman Sachs Global Investment Research

Private Sector

Further, we continue to highlight the power of private capital and corporate philanthropy in driving change and progress toward economic equality for Black families and communities. Corporations have played a key role in college fundraising, especially for private colleges, for decades.⁶¹ However, Black colleges have often experienced extensive inequities in the level of support that they received.⁶² Today, corporations continue to be well-positioned to support intentional strategies that can reduce systemic barriers to racial economic equality in the US.

Create pathways for students at HBCUs to support college attendance and graduation.

Private funding could subsidize the more limited resources at HBCUs and provide access to scholarships and other forms of financial support for low-income students to attend college. Programs that provide funding to schools and organizations that support the education of Black Americans, as well as agendas that reinforce learning and development like mentoring and coaching, can contribute significantly to amplifying the power of HBCUs and reducing the education achievement gap.

Black Colleges and Universities." American Council on Education and UNCF.
<https://www.acenet.edu/Documents/Public-and-Private-Investments-and-Divestments-in-HBCUs.pdf>

⁶¹ See Gasman, M. and Drezner, Noah D. (2008). "White corporate philanthropy and its support of private Black colleges in the 1960s and 1970s." *International Journal of Educational Advancement*. 8 (2) 79–92

⁶² Gasman, M. (2010). "Comprehensive funding approaches for Historically Black Colleges and Universities." University of Pennsylvania Graduate School of Education and North Carolina Central University. Retrieved from https://repository.upenn.edu/gse_pubs/331

Make donations flexible. HBCUs are in dire need of financial support. When donations are made to HBCUs with no restrictions, i.e., when the funds are not directed, it allows leadership to direct the funds to the initiatives and programs where they are most needed and valuable to these institutions.⁶³

Set aspirational goals for hiring HBCU interns and graduates. Black Americans are still disadvantaged in job markets. They continue to experience high levels of discrimination in the workplace, often beginning early in their career paths. Quillian and coauthors [find](#) that Black Americans are routinely disadvantaged in the resume selection process and that credentials have a statistically insignificant impact on bias in outcomes.⁶⁴ Setting and implementing aspirational goals for hiring Black interns and new graduates will hold organizations more accountable and improve workforce representation.

HBCUs

While our recommendations are broad, they are certainly not exhaustive and are presented with the recognition that leadership at HBCUs should be integral in formulating strategies and directing outcomes for these institutions. To further capitalize on opportunities to sustain progress, we offer three recommendations to HBCUs.

1. **Continue to make endowment-building and fundraising an institutional priority.** Increasing private giving is critical to growing endowments. Endowments increase institutional efficiency which can improve the appeal of an institution to donors.⁶⁵ Moreover, while some HBCUs effectively leverage their alumni network, a broader subset of HBCUs would benefit from more systemic engagement with their alumni to increase gifts and should choose board members who can lead on charitable giving.⁶⁶
2. **Identify opportunities to market achievements and highlight the central role HBCUs play in higher education** for the continued progress of underserved populations.⁶⁷
3. **Lean into transparency and accountability.** Ensure metrics that highlight the impact of donations and recurring updates on progress are offered to donors. History has shown that some corporate donors value, if not expect,

⁶³ Murray, L., Njoku, N. and Davis, R. (2022). "Greater funding, greater needs: A report on funding for HBCUs." UNCF https://cdn.uncf.org/wp-content/uploads/UNCF-Patterson-HBCUs-funding-report_V6.pdf?_ga=2.205527056.245483450.1683666850-1802647176.1679419162

⁶⁴ Quillian, L, Pager, D, Hexel, O, and Midtboen, A. H. (2017). "Meta-analysis of field experiments shows no change in racial discrimination in hiring over time." *Proceedings of the National Academy of Sciences*, 114: 41, 10870-1087. Data was analyzed from 24 field experiments, which included over 54,000 applications and 25,000 recruiting roles.

⁶⁵ Coupet, J. and Barnum, D. (2010). "HBCU efficiency and endowments: An exploratory analysis." *International Journal of Educational Advancement*, 10:3, 186–197

⁶⁶ Gasman, M. (2010). "Comprehensive funding approaches for Historically Black Colleges and Universities." University of Pennsylvania Graduate School of Education and North Carolina Central University. Retrieved from https://repository.upenn.edu/gse_pubs/331

⁶⁷ Gasman, M. (2010). "Comprehensive funding approaches for Historically Black Colleges and Universities." University of Pennsylvania Graduate School of Education and North Carolina Central University. Retrieved from https://repository.upenn.edu/gse_pubs/331

acknowledgment of their donation and a progress report on distribution and use of the funds, and subsequently are more inclined to repeat their financial support in the future.⁶⁸

Exhibit 19: Actions to Address the Economic Disadvantages of HBCUs

Actions to Enable the Success of HBCUs		
Public Sector	Private Sector	HBCUs
<ul style="list-style-type: none"> - Uphold laws that mandate HBCU support and create access to federal resources - Commit to long-term financial support for lower-income families - Increase Pell Grant recipients and dollar amounts - Equitably allocate federal and state funding 	<ul style="list-style-type: none"> - Create pathways for students at HBCUs to support college attendance and graduation - Donate and make donations flexible - Set aspirational goals for hiring HBCU interns and graduates 	<ul style="list-style-type: none"> - Continue to make endowment-building and fundraising an institutional priority - Identify opportunities to market the achievements of HBCUs and the central role they play in higher education - Lean into transparency and accountability

Source: Goldman Sachs Global Investment Research

Fairer and Richer Society

HBCUs have played a pivotal role in the education and equality of Black Americans for almost two centuries. However, for these important institutions to thrive, financial commitments need to be broad, intentional, and sustainable. A 1970 study by Votaw and Sethi noted that to allow Black colleges—responsible at the time for the education of an estimated 50-60 percent of Black college students—to diminish would perpetuate the cycle of inequality that afflicted the Black community.⁶⁹ This argument stands true today. Investing in HBCUs can help drive positive mobility and economic equality for Black Americans and consequently, provide social and fiscal benefits for the broader country. One of the key tenets of our inclusive growth research is that equity makes for not only a fairer, but also a richer society.

⁶⁸ See Gasman, M. and Drezner, Noah D. (2008). "White corporate philanthropy and its support of private Black colleges in the 1960s and 1970s." *International Journal of Educational Advancement*. 8 (2) 79–92

⁶⁹ Votaw, D. and Sethi, S. P. (1970). "Some paradoxes in the support of predominantly Black colleges." *The Journal of Higher Education*, 41:9, 673-694

Disclosure Appendix

Disclosures

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