Fiscal Justice Investment and Historically Black Colleges and Universities (HBCUs): Executive Summary and Action Items

Overview

At a moment of demographic contraction in American higher education, growing uncertainty in federal financing, and intensifying global competition for talent, HBCUs still face an existential threat. Historically Black Colleges and Universities are vital American institutions. They carry the cultural and intellectual legacy of Black America, they create massive economic benefits for their communities, and they have done this with a fraction of the financial resources their predominantly white counterparts have had. This summary sets out the key themes for their thriving in the coming generations, and the actions the document points to.

Key Findings

HBCUs are a primary channel for advancing Black American prosperity.

- There are 101 public and private HBCUs across the US, with 19 of them being public land grant institutions.
- HBCU enrollment was 289,000 in 2022, and 117,000 of those students are in public land-grant universities.
- HBCUs generate $16.5 billion in economic impact each year, 65% of it from the public HBCUs. North Carolina A&T alone contributes more than $2b annually to the state's economy.
- HBCUs are *contemporary* Black institutions. There is not another similar class of institutions leveraging this kind of comprehensive Black cultural and economic power in America.

The inequity in finances is stark. Harvard University's endowment is $56.9B, while the largest HBCU endowment, Howard University's, is $1.12B.

Public HBCUs are underfunded by their states.

- Since the 1890s the public HBCUs have been legislated to receive equal federal and state investments to those made in predominantly white land grant universities. States are not meeting the 1:1 match "requirement" established by the Evans-Allen Act in 1977, and they can request a waiver for this 100% match.
- The enabling federal legislation is actually a mandatory match for the white schools and an opt-out for the HBCUs.

- North Carolina is at a $2.6 billion underfunding of HBCUs over 1987-2020. The shortfalls total $12.6 billion nationally, ranging from $2.1 billion (Tennessee) to $172 million (Kentucky).
- Even if the annual 1:1 is met 100%, the massive imbalance inherited from past decades is not addressed.

Federal support is uncertain. Tuition is the primary revenue source for HBCUs, and HBCU students are 80% eligible for federal aid and Pell Grants. The 2025 cut of $350m in federal grants to HBCUs and the 2026 Parent PLUS cap of $20,000 per year and $65,000 per academic career illustrate that uncertainty.

HBCUs issue debt in a hostile environment. Controlling for credit ratings, HBCUs face higher interest rates and as much as three times the underwriting fees that similarly-rated predominantly white universities do. If the terms aren't just right, the financing just isn't accessible.

HBCUs matter for fiscal justice. Activest's core thesis is that racism is costly and inequity is expensive. Accountability, impact, and reduction of harm are typically higher-scoring categories for a bond-issuing HBCU, so HBCUs offer one of the few consistent avenues for fixed-income investment that resonates with the terms of fiscal justice.

The Next World Assets Approach

Next World Assets has made significant investments in HBCUs, particularly Spelman College (lead investor in a debt issuance supporting a $64 million Center for Innovation & the Arts) and North Carolina A&T (short-term funding for the Bluefield Residence Hall project). It applies its AIR framework—Accountability, Impact, and Harm Reduction/Reparation—to a three-tiered framework for scaling HBCU institutional sovereignty:

- **Level 1: Catalytic Single-Bond Project Financings (Proof of Concept).** Examples include Spelman College, the Provident Group - Bison Properties transaction at Howard University (up to $460 million), and the Bluefield Residence Hall at North Carolina A&T.
- **Level 2: Regional HBCU Separately Managed Account (SMA).** Capital aggregated across public and private HBCUs in the American South, with credit diversification, blended tax-exempt and taxable tranches, and bridge capital.
- **Level 3: Pan-HBCU National Sovereign SMA.** A centrally managed HBCU bond fund backed by pooled philanthropic first-loss guarantees, uniting all 101 public and private HBCUs.

Action Items

For states and organizing networks

1. Establish equity of future allocations in full daylight across land grant schools, correcting the annual inequality of matched state and federal allocations to land grant HBCUs.
2. Have states pay out the shortfalls. Repair has to be made of the systemic damages induced by generations of intentional disinvestment.

3. Build organizing networks in each state to get started campaigning for what is due, using the $12.6 billion financial gap as enough daylight to begin.

For philanthropic foundations

4. Pivot out of one-time gifts to HBCUs and go big on underwriting a transformation to self-determination.
5. Strengthen and prioritize enrollment: underwrite student lending by pooling first-loss capital and guarantees at UNCF and the Thurgood Marshall College Fund, or other "specialized diaspora lenders and organizations."
6. "Position HBCUs as anchors of a pan-African intellectual economy" through joint degree pathways, co-located research institutes, shared faculty appointments, and coordinated exchange programs.
7. Transform campuses into community engines for equity by seeding revenue-generating structures, such as real estate opportunities that retain and advance HBCU ownership and revenue streams.

For impact investors and fiscal justice investment advisors

8. Watch the issuances of HBCUs, and assess the accountability, impact, and reduction of harm accomplished by a given bond's use of funds.
9. Pursue the potential for centrally-managed HBCU bond investments to unify philanthropic and private investors, de-risk HBCUs, influence pricing, and reduce reliance on bond insurance.
10. Convene a broad array of impact investors around the vision of this network of more than 100 institutions as a force for the future.

For HBCUs

11. Continue the pursuit of R1 status through the Association of HBCU Research Institutions, a collaboration of 15 HBCUs, as a key pathway toward sustainability through both collaboration and financial security.

Conclusion

With pooled capital and leverage enhancing both enrollment support and facilities development, this essential class of economically, culturally and intellectually vital Black institutions could advance beyond the strictures of perpetually doing more with less. Persistent confrontation of the inequitable inheritance of government disinvestment is cultural and political community work, including everyone who can participate.

For more detail on this strategy visit Activest.org where our full report *Fiscal Justice Investment and Historically Black Colleges and Universities (HBCUs)* can be found.