

COVER STORY

# We're drowning in DEBT

## STUDENTS AT N.C.'S HISTORICALLY BLACK COLLEGES AND UNIVERSITIES SCRAMBLE TO PAY FOR SCHOOL, PAY OFF DEBT

BY DANIELLE CHEMTOB  
dchemtob@bizjournals.com

When 22-year-old Makayla Gilmore graduated from high school with just a 1.2 GPA, college was never in the picture.

But after a semester at a community college, she knew she had to leave the poverty of her hometown of Marston, a small town in Richmond County housing some 1,500 people. "A lot of people don't make it," she says. "Everybody is getting killed, everybody is doing drugs on the streets. I knew that's not what I wanted."

The only college that accepted her was Saint Augustine's University, a private historically black college in Raleigh. Now a junior, Gilmore manages the expenses with some financial aid, student loans, and works three jobs in retail to come up with the rest of the money.

But making close to \$9 per hour at her jobs isn't enough to cover Saint Augustine's rising costs. When she started as a freshman, she didn't have to take out

any loans, but her financial aid decreased as the years went on, and she now owes \$35,000. And she has yet to finance her senior year.

Gilmore's story increasingly is familiar to historically black colleges and universities. North Carolina has a rich tradition of HBCUs, whose graduates provide a diverse workforce for the state's employers.

But HBCUs now face significant headwinds, with their students often coming from less-advantaged backgrounds and struggling to handle the increasing economic burdens of school – with higher tuition fees and lower financial aid and grants.

Students are often taking longer than six years to graduate – and what's worse, more of them are dropping out of schools. Schools, for their part, are facing their own financial doomsday scenarios as government resources dwindle and enrollment continues to drop.

"The vast majority of students have jobs while they're in school," says Tashni-Ann Dubroy, president of Shaw University. "They have extended work hours

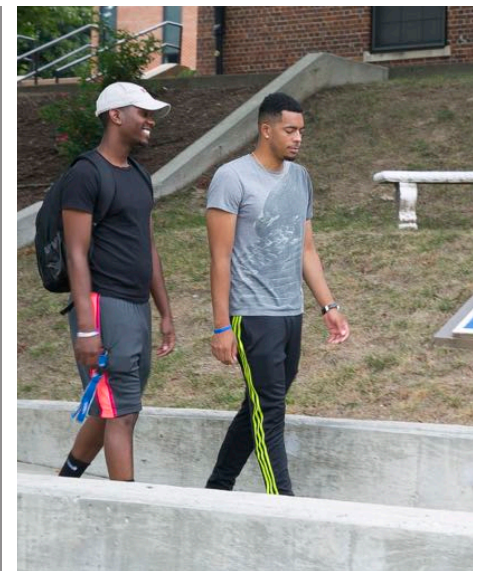
and they need to study hard in order to be successful. It's very difficult for students to do both, especially when they come in unprepared for college."

### As costs rise, graduation falls

Challenges are nothing new at historically black schools, many of which were established in the turbulent decades after the Civil War.

Saint Augustine's turns 150 this year, and President Everett Ward's office is adorned with photographs depicting moments in its long, storied history in the face of racial discrimination. He says the photos keep him resilient despite the challenges.

"When I sit in this chair and look at those images, I am reminded daily that if they could make it in 1912 and 1914, 1924, there's no reason we should not achieve our desired goals in 2017," he says. "Because just imagine the extremely limited resources they had, both financially as well as legally and culturally, and even with those limitations they always

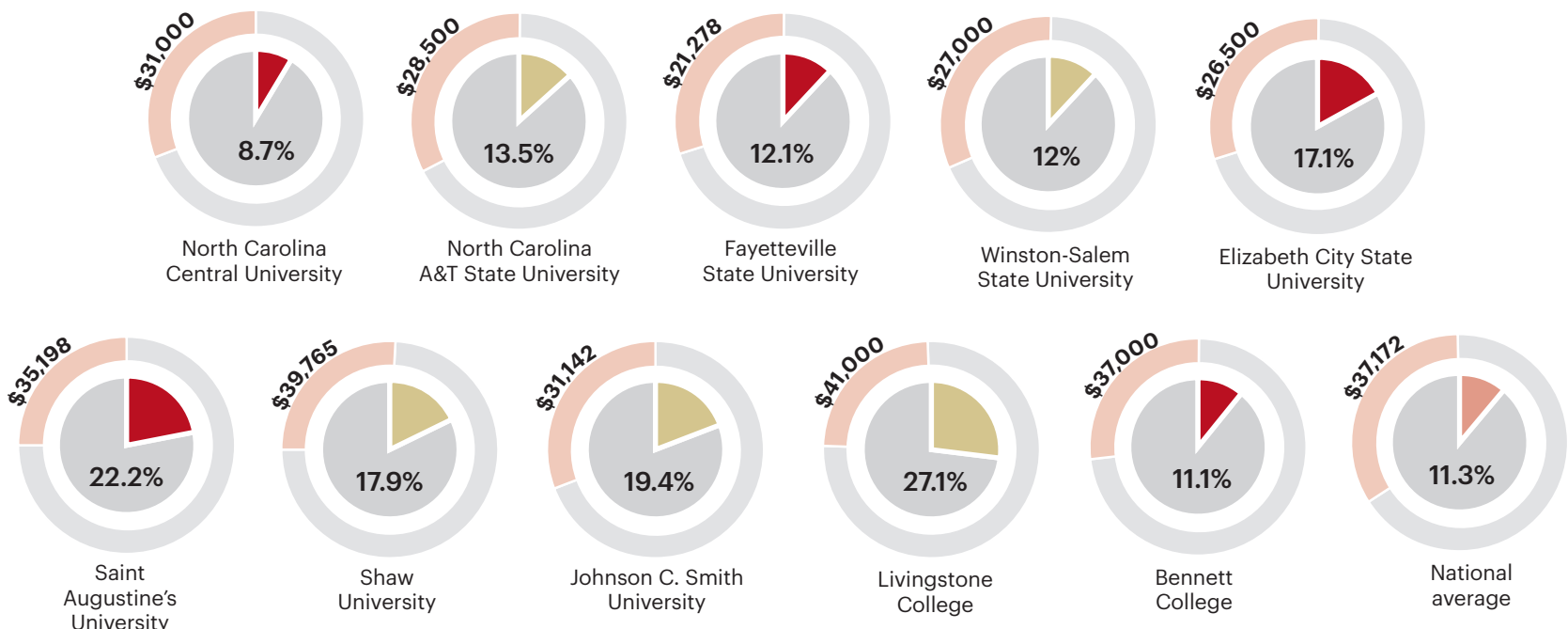


TAYLOR MCDONALD

Students at N.C. Central University earn a median wage of \$31,600 – 10 years after entering school.

## How the state's HBCUs rank on defaults and debts

The pie charts in the middle of the circles below show the three-year default rates for the North Carolina HBCUs for the cohort that graduated in 2013. The outside circles show the median federal debt of borrowers the school's graduates. Public schools are on the first row and private schools on the second.



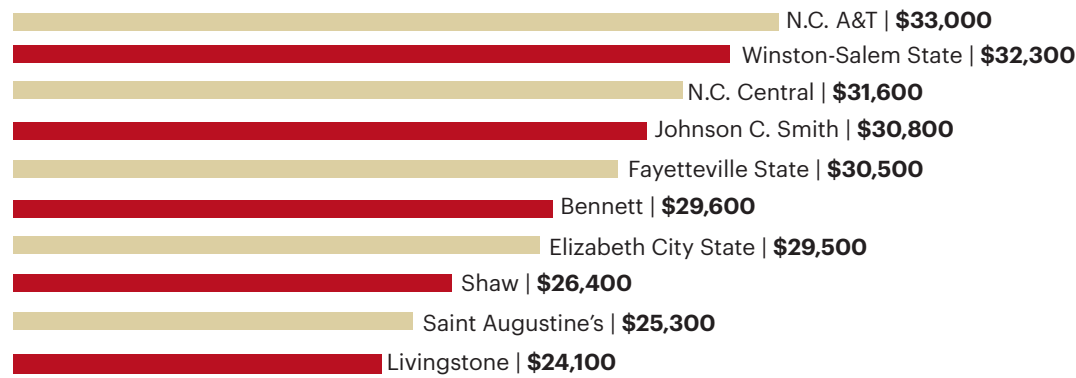
SOURCE: NCES AND COLLEGE SCORECARD

## HOW THE COLLEGES COMPARE

Here's a look at how North Carolina's 10 HBCUs compare when it comes to earnings, graduation rates and school revenue.

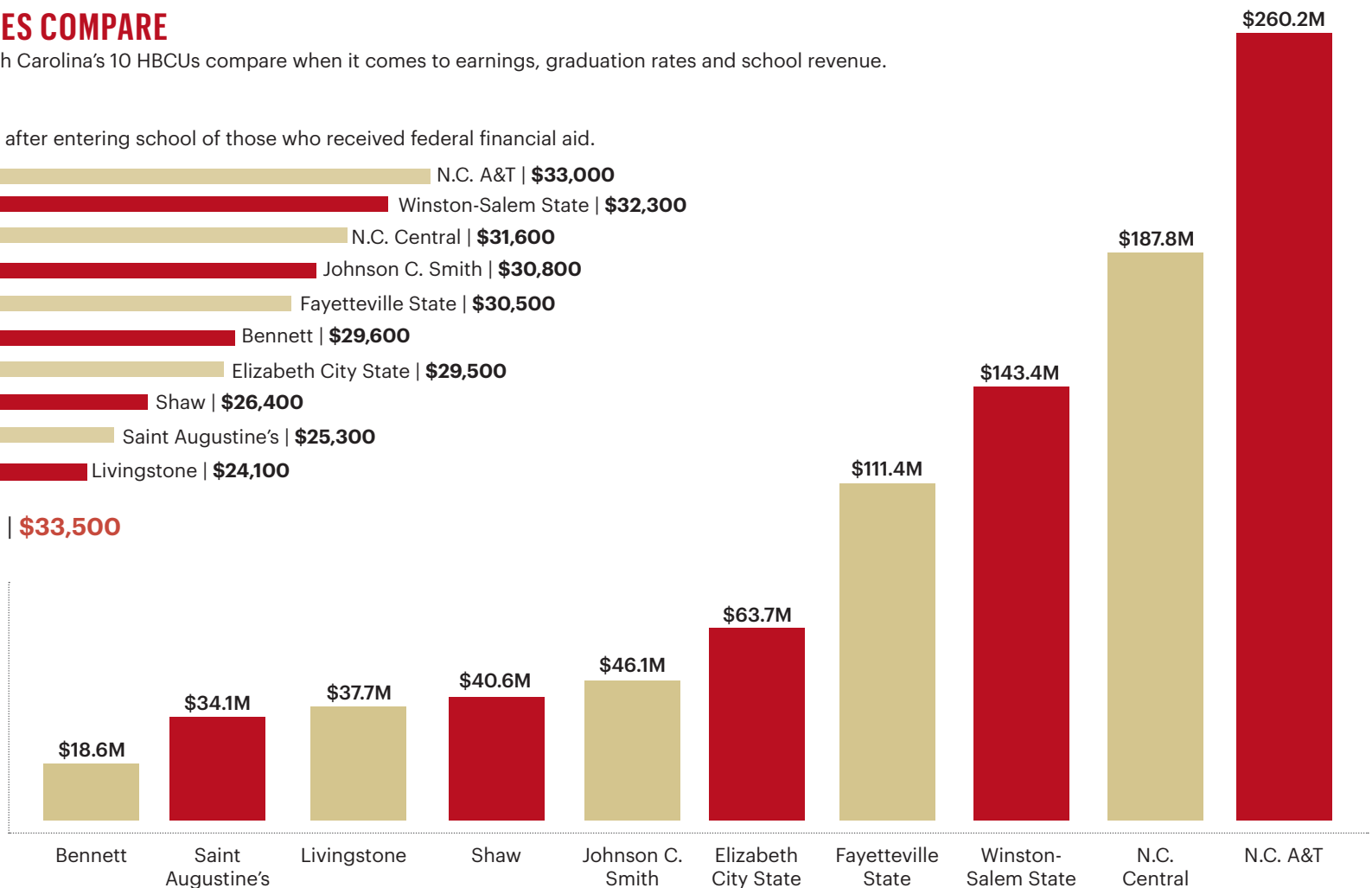
### THE PAYOFF

Median earnings 10 years after entering school of those who received federal financial aid.

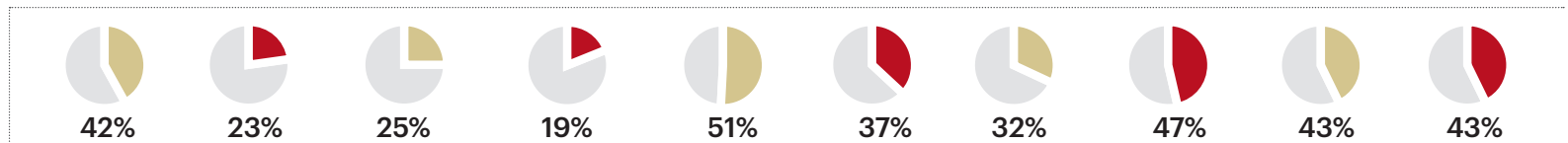


NATIONAL AVERAGE | **\$33,500**

Fiscal year 2015 total revenue taken from 990s forms and state financial audit reports.



Six-year graduation rate as of 2016\*



\*For full-time, first-time students who began their studies in 2010 who are pursuing bachelor's degrees. SOURCES: COLLEGE SCORECARD FROM THE U.S. DEPARTMENT OF EDUCATION AND NATIONAL CENTER FOR EDUCATION STATISTICS

plotted forward to make things better.”

But what is new is that the rising cost of college is hitting HBCU students especially hard, as financial aid programs such as the Pell Grant fail to keep pace.

Tuition and fees at North Carolina HBCUs have increased by about 19 percent since the 2010-11 school year, in line with the 21 percent increase at other North Carolina colleges. For example, at Saint Augustine's, yearly tuition, fees, room and board total more than \$25,000. Shaw's total cost is just shy of that, at \$24,638.

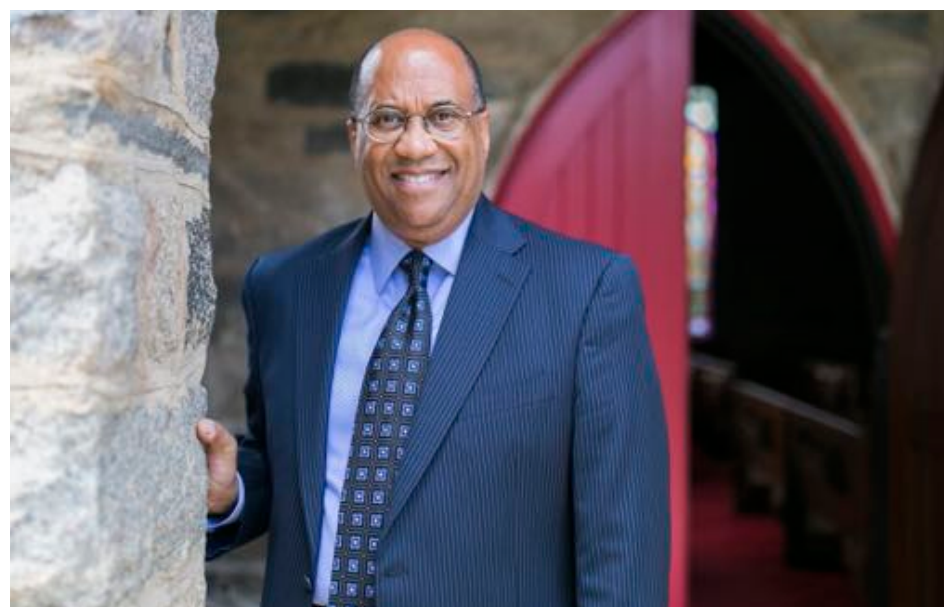
But across the board, grants and aids have not been able to keep pace to offset these tuition increases, sending many students into a financial hole that kept getting bigger with every college year. And things are about to get worse.

The recently proposed U.S. House of Representatives' budget cuts \$3.3 billion from the Pell reserves, on top of a \$1.3 billion cut from the 2017 spending agreement. And after 2017-18, the maximum award will no longer be tied to inflation.

### Debt-laden graduates

When Elliot Jackson, the student body president at Fayetteville State University, saw the balance on his account for his sophomore year, he scrambled to find a way to pay it off, ultimately taking on debt. He says small changes in a financial aid package or family situation can be the tipping point for low-income students on the verge of dropping out.

“That \$1,000 – sometimes that's the



TAYLOR MCDONALD

St. Aug's President Everett Ward knows his school has had tough times before.

deterrent,” he says. “That \$1,000 can keep you in school, it can kick you out.”

A 2016 report from the United Negro College Fund found that HBCU bachelor's degree recipients borrowed an average of \$26,266 in federal loans throughout their education compared to \$14,881 among students at other schools.

Those HBCU graduates also have a harder time paying the loans back. The median earnings of HBCU students who received federal financial aid 10 years after starting their education at each of the 10 North Carolina HBCUs are below the national level.

For instance, the median salary of Saint Augustine's graduates is just over \$25,000 – not enough to aggressively pay down the student debt.

And that has escalated the default spiral among HBCU students. Three-year default rates on student loans at North Carolina HBCUs are significantly higher than those at predominantly white institutions. In at least two of the private HBCUs, default rates have eclipsed 20 percent. “If you think about the fact that people come from low-income homes, that they have a harder time getting a job because of racism and issues around

the quality of the institution, then they are going to be more likely to default on loans,” says Marybeth Gasman, director of the Center for Minority Serving Institutions at the University of Pennsylvania.

### Fighting low graduation rates

All but one of North Carolina's HBCUs have six-year graduation rates under 50 percent. Shaw's is just 19 percent, and Saint Augustine's 23 percent – far lower than the national average. Gasman says there's a direct correlation between income and graduation rates.

A Johns Hopkins University report found that students from the lowest socioeconomic quartile had a graduation rate of 14 percent, compared to 60 percent from the top quartile.

Thomas Conway, chancellor of Elizabeth City State University, says most of the school's 1,357 students end up taking on jobs to finance their education and often end up delaying graduation.

“If you're not careful, what winds up happening is instead of working to go to school they end up going to school while they're working,” he says. And Shaw's Dubroy says students from low socioeconomic households tend to be behind academically after attending poorly performing K-12 schools, adding another obstacle to timely graduation.

“When we get them, we are trying to remediate a lot of our students and get them to a level where they can be com-

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

petitive in their freshman year," she says.

### Schools face financial, institutional challenges

The lingering impacts of recession-era education funding cuts has left many HBCUs struggling to balance budgets.

The state funds appropriated to each of North Carolina's HBCUs in FY 2016 is still below 2008 funding levels. Although this is consistent across UNC system schools, HBCUs rely heavily on state funding for their revenues. For example, more than 40 percent of N.C. Central's \$191 million revenue stream in FY 2016 stemmed from state funds, compared to 17 percent at UNC-Chapel Hill and just over a third at N.C. State University.

Small endowments among even the highest-ranked HBCUs make it difficult for HBCUs to come up with other revenue streams. While schools like UNC-Chapel Hill have endowments totaling in the billions, North Carolina A&T State University, which has the seventh-largest endowment in the country among HBCUs, had a 2015 endowment of slightly more than \$48 million.

For private HBCUs with relatively small budgets, a revenue decline of just a few million dollars can make a big impact. Shaw's revenue in FY 2015 was \$40.7 million, a decline of \$6.5 million from the previous year. And Saint Augustine's FY 2016 revenues of \$34.6 million are \$9 million less than FY 2014.

While private HBCUs don't receive state funds, North Carolina's private HBCUs took in close to \$10 million from the federal government last year.

Proposed cuts to several federal departments could impact grants to HBCUs. The U.S. Department of Health and Human Services awards the most federal money to HBCUs after the Department of Education, but the House appropriations budget proposal cuts over \$500 million from the agency.

Shaw's Dubroy, who is moving to Howard University in Washington, D.C., says the grants are already becoming more competitive to receive, especially for smaller schools. "Larger institutions



C/O SHAW UNIVERSITY

*Shaw University was founded by a Union soldier just after the Civil War.*

that can show precedent for grant management and seasoned researchers are able to attract large volumes of funding compared to smaller schools because we automatically get outed because we do not have the infrastructure to have some of the grants that are available," she says.

Thus several North Carolina HBCUs have been crippled with financial instability. The General Assembly's latest budget includes more than \$4.8 million in stabilization funds in the next two years appropriated to Elizabeth City State, where Conway says enrollment has decreased by 50 percent in five years.

Conway took the helm of the school after the previous chancellor resigned just 15 months after being hired to remedy its financial woes. And Elizabeth City State is far from the only HBCU with leadership turnover often spurred by financial instability.

The former president of Saint Augustine's was forced out of the school in 2014 amid a federal investigation into claims that the school provided false information on a federal grant proposal, leading to the appointment of Ward. "Most HBCUs are on a fairly tight budget, some of them have big deficits and they're cash-strapped," Penn's Gasman says.

Concerns over the financial viability of these schools have been some of the reasons cited by the Southern Association of Colleges and Schools Commission on Colleges, the primary accrediting body in the South, in placing HBCUs on

probation, including Saint Augustine's and Bennett College. And Elizabeth City State was placed on warning after an audit revealed it had violated admissions standards in accepting students who did not meet the minimum requirements.

The probation is one step short of losing accreditation, which would make the institutions ineligible for federal financial aid. Barber-Scotia College, formerly located in Concord, closed its doors in the spring of 2016 due to its loss of accreditation status in 2004, and reopened in 2016 with just 12 students.

A school, once on probation, has just two years to prove its compliance.

"In this environment, one large mistake can be fatal for a small private institution," says Donna Barrett, director of institutional finance for SACSCOC. "Very often the president that did these things is gone and you've got new people that are really desperate to save an institution, and it's heartbreaking because it's hard to fix."

### Finding solutions

Some university leaders have taken a bold approach to fixing the problems plaguing HBCUs. Dubroy is credited with increasing dwindling freshman enrollment and closing a \$4 million fundraising gap through encouraging faculty and staff to write grant proposals, engaging with the local business community and embarking on capital improvement projects to attract students. In February, Shaw opened an entrepreneurship center with help from the Carolina Small Business

Development Fund, which rolled out an incubation program this summer.

At Elizabeth City State, Conway has been charged with leading a working group of UNC system leaders hoping to preserve the school and boost its enrollment. And a bill passed by the General Assembly set to take effect in the fall of 2018 will lower tuition to \$500 per semester for in-state students and \$2,500 for out-of-state students at three UNC system schools, including Elizabeth City State.

Conway says the university will channel the recently allocated emergency funds into bolstering several core programs, including its program in aviation sciences, which is the only four-year program of its kind in the state. Penn's Gasman says specialization is the key to preserving the future of HBCUs. "You want to figure out a way to be good at three or four things and focus on that if you're a small school," she says. "If you try to be good at everything, it's not going to work."

Despite the challenges, HBCUs remain a critical pipeline for a diverse workforce, producing 27 percent of African-American STEM graduates, though they comprise just 3 percent of all universities. "I just believe that we have to move away from the conversation of why do we need HBCUs to what would we do without them?" says U.S. Rep. Alma Adams, a Democrat from Mecklenburg County who co-chairs the bipartisan Congressional HBCU Caucus.

Adams and several lawmakers in Washington are aware that things are getting tougher for the HBCUs and many of the students enrolled at these colleges.

Javonty Hunter, student body president at Winston-Salem State University, says some of his peers left their freshman year and have yet to return.

"It's very hard to put your higher education on a hiatus then come back to it," says Hunter.

"Because once you get into the workforce, you start having other responsibilities like a job, a family, a husband or wife, and 10 years fly by and you're like, 'Wow, I never went back to school.'"

TRIANGLE  
BUSINESS JOURNAL

## LEADERSHIP, KNOWLEDGE & INNOVATION

### A FAMILY BUSINESS SYMPOSIUM

Family-owned businesses face a unique set of challenges and rewards. Please join us as we explore and discuss real life situations for family owned business leaders. How do families define the vision and values of their business, create a family governance plan, manage conflicts, and transition from one generation to the next? What are the rewards and opportunities that come with leading a family-owned business?

**WEDNESDAY, AUGUST 30 | 7:30AM – 9:30AM**

The Merrimon-Wynne House | 500 North Blount Street, Raleigh

**REGISTER TODAY >> [TBEvents.com](http://TBEvents.com)**

Presenting Sponsor

**WARD AND SMITH, P.A.**  
ATTORNEYS AT LAW