

# GAO Highlights

Highlights of [GAO-18-455](#), a report to congressional requesters

## Why GAO Did This Study

HBCUs play a prominent role in our nation's higher education system. For example, about one-third of African-Americans receiving a doctorate in science, technology, engineering, or mathematics received undergraduate degrees from HBCUs. To help HBCUs facing challenges accessing funding for capital projects, in 1992, federal law created the HBCU Capital Financing Program, administered by Education, to provide HBCUs with access to low-cost loans. GAO was asked to review the program.

This report examines HBCUs' capital project needs and their funding sources, and Education's efforts to help HBCUs access and participate in the HBCU Capital Financing Program. GAO surveyed all 101 accredited HBCUs and 79 responded, representing a substantial, but nongeneralizable, portion of HBCUs. GAO analyzed the most recent program participation data (1996-2017) and finance data (2015-16 school year); reviewed available HBCU master plans; visited nine HBCUs of different sizes and sectors (public and private); and interviewed Education officials and other stakeholders.

## What GAO Recommends

GAO recommends Education (1) include direct outreach to individual HBCUs and steps to address participation challenges for some public HBCUs in its outreach plan, and (2) analyze the potential benefits and costs of offering loan modifications in the program. Education outlined plans to address the first recommendation, and partially agreed with the second. GAO continues to believe both recommendations are warranted.

View [GAO-18-455](#). For more information, contact Melissa Emrey-Arras at (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov).

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# HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

## Action Needed to Improve Participation in Education's HBCU Capital Financing Program

## What GAO Found

Historically Black Colleges and Universities (HBCUs), stakeholders, and planning documents identified extensive and diverse capital project needs at HBCUs and GAO found HBCUs rely on a few funding sources—such as state appropriations and tuition and fees—to address those needs. HBCUs responding to GAO's survey reported that 46 percent of their building space, on average, needs repair or replacement. Based on a review of master plans—which assess the condition of HBCU facilities—and visits to nine HBCUs, GAO identified significant capital project needs in the areas of deferred maintenance, facilities modernization, and preservation of historic buildings. The Department of Education's (Education) HBCU Capital Financing Program has provided access to needed funding for some HBCUs and has helped modernize their facilities to improve student recruitment. However, fewer than half of HBCUs have used the program, according to Education data, which was specifically designed to help them address capital project needs (see figure).

### Capital Projects at Historically Black Colleges and Universities (HBCUs)



Residence hall with deferred maintenance need



Residence hall constructed with HBCU Capital Financing loan

Source: GAO photographs of buildings on two HBCU campuses. | GAO-18-455

Note: The Department of Education's HBCU Capital Financing program provides low-cost loans to eligible HBCUs.

Education has undertaken several efforts to help HBCUs access and participate in the HBCU Capital Financing Program. For example, Education conducts outreach through attending conferences. However, some HBCUs in GAO's survey and interviews were unaware of the program. Moreover, public HBCUs in four states reported facing participation challenges due to state laws or policies that conflict with program requirements. For example, participants are required to provide collateral, but public HBCUs in two states reported they cannot use state property for that purpose. In March 2018, a federal law was enacted requiring Education to develop an outreach plan to improve program participation. An outreach plan that includes direct outreach to individual HBCUs and states to help address these issues could help increase participation. Without direct outreach, HBCUs may continue to face participation challenges. In addition, two HBCUs recently defaulted on their program loans and 29 percent of loan payments were delinquent in 2017. Education modified a few loans in 2013 and was recently authorized to offer loan deferment, but has no plans to analyze the potential benefits to HBCUs and the program's cost of offering such modifications in the future. Until Education conducts such analyses, policymakers will lack key information on potential options to assist HBCUs.