This report examines trends in voluntary support for higher education between 1980 and 1994 based on analysis of the Council for Aid to Education's annual survey on voluntary support of education. It reviews how philanthropic support for higher education compared with support for other charities and how this level of support changed over time. It also identifies categories of major donors and how the philanthropic dollars were used by higher education institutions. All figures are presented in constant 1994 dollars. It was found that 1994 contributions to higher education total $12.4 billion; 9.5 percent of all tax deductible contributions for the year. Between 1980 and 1994, general charitable giving increased by 26 percent; for institutions of higher education, a 55-percent increase was found; this outpaced inflation. Since 1989, higher education increases have averaged only 2 percent per year. In 1994, 28 percent of voluntary, higher education contributions came from alumni, followed by nonalumni (23 percent), foundations (21 percent), and corporations (20 percent). In 1994, 72 percent of higher education support was used by institutions of higher education for current operating expenses such as salaries and student financial aid. It is concluded that individual donors are a major source of support that must be cultivated in the currently graduating generations. (Contains 11 references.) (NAV)
Philanthropic Support for Higher Education

NANCY I. HORTON
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Philanthropic gifts are an important source of income for colleges and universities, accounting for nearly 7 percent of their annual revenues. Between 1980 and 1994, philanthropic support for higher education grew from $3.8 billion to $12.4 billion, at an average annual rate more than 4 percentage points higher than inflation (8.8 percent versus 4.3 percent). When adjusted for inflation, support for higher education increased by 55 percent, from $8 billion in 1980 to $12.4 billion in 1994.

This brief examines the trend of voluntary support for higher education between 1980 and 1994. How does philanthropic support for colleges and universities compare with support for other charities? How has the level of support changed over time? Who are the major donors? How are philanthropic dollars used by higher education institutions?

This brief uses national estimates of philanthropic support for higher education that are based on data from the Council for Aid to Education (CAE) annual survey, Voluntary Support of Education. CAE estimates that its annual survey collects data on about 85 percent of the total voluntary support received by colleges and universities in a given year. National estimates of philanthropic support for all other sectors (except higher education) are derived from data presented in Giving USA 1995, an annual publication of the American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy.

All figures for the philanthropic support for higher education are in constant 1994 dollars, having been deflated by the Higher Education Price Index (HEPI). HEPI measures average price changes in higher education compared to the national economy.

HIGHLIGHTS

- Higher education institutions received $12.4 billion in charitable donations from individuals, foundations, corporations, and other nongovernmental organizations in the United States in 1994. This accounted for approximately 9.5 percent of all tax deductible contributions, which totaled $129.9 billion that year.

- Between 1980 and 1994, total charitable giving increased by 26 percent in inflation-adjusted dollars, from $103.2 billion to $129.9 billion. During the same period, charitable support for the nation's colleges and universities increased by 55 percent, from $8 billion to $12.4 billion (constant dollars).

- Adjusted for inflation, philanthropic support for higher education grew by an average of 5 percent per year from 1980 to 1987, then dropped by 7 percent in 1988. Since 1989, increases in giving levels have averaged only 2 percent per year.

- Voluntary contributions to higher education in 1994 came from the following sources: alumni (28 percent), nonalumni (23 percent), foundations (21 percent), corporations (20 percent), and religious and other organizations (9 percent).

- Almost three-quarters (72 percent) of the 1994 support for higher education went to current operating expenses such as salaries and financial aid.
changes in the costs of goods and services that colleges and universities purchase. Figures would be slightly higher if deflated by the Consumer Price Index (CPI).

Trends in Philanthropic Giving

In 1994, American individuals, foundations, corporations, and other nongovernmental organizations donated an estimated $129.9 billion to organizations for which contributions are tax deductible. Approximately 9.5 percent of these donations ($12.4 billion) were given to higher education institutions.

- Religious organizations received the largest share of charitable gifts (45 percent), followed by education groups (13 percent), human services entities (9 percent), and health organizations (9 percent) (Figure 1).

- Nearly three-quarters (74 percent) of the charitable gifts to education were given to colleges and universities ($12.4 billion out of $16.7 billion).

Between 1980 and 1994, total charitable giving increased by 26 percent in constant dollar terms, from $103.2 billion to $129.9 billion. During the same period, support for higher education grew more rapidly, rising by 55 percent, from $8 billion to $12.4 billion (Table I).

Voluntary Support for Higher Education

In 1994, colleges and universities received $12.4 billion in philanthropic support from individuals, corporations, foundations, and other nongovernmental sources.

- Between 1993 and 1994, voluntary support for higher education (in constant 1994 dollars) increased by nearly 7 percent, from $11.6 billion to $12.4 billion, during a period when institutional expenses rose by 3 percent and enrollment (full- and part-time) increased by 1 percent.

When adjusted for inflation, voluntary support for higher education grew by an average of 5 percent per year between 1980 and 1987 — from $8 billion to $11.5 billion.

DEFINITION OF PHILANTHROPIC SUPPORT FOR HIGHER EDUCATION

In this report, "philanthropic support for higher education" includes all private gifts, grants, and bequests received by higher education institutions. This support includes gifts of cash, securities, real estate, and company products from individuals (alumni and nonalumni), corporations, foundations, and religious and other nongovernmental organizations. It excludes income from the institution's own endowments and other invested funds; support received from federal, state, and local governments and their agencies; and all contract research.


NOTE: "Other" includes International Affairs (1.7%), Environment/Wildlife (2.7%), and Unclassified (7.4%). "Education" includes contributions to public and private colleges and universities, elementary and secondary schools, alumni associations, special scholarship funds, nonprofit trade schools, and other educational institutions. About 74 percent of those funds were for higher education.
and then dropped by 7 percent in 1988 to $10.7 billion. Since 1989, increases in giving levels have averaged only 2 percent per year (Figure 2).

Giving levels soared in 1986, in part because changes in tax law increased the cost of individual gifts to charities. For example, a $1 gift that had a real cost of only 50 cents to donors in the highest tax bracket in 1986 cost 67 cents in 1987 (Worth, 1993).

- The performance of the stock market, as measured by the New York Stock Exchange Index, is a short-term predictor of voluntary support. A 1988 drop in support has been attributed in part to the October 1987 stock market crash (Corporate Support of Education, 1993).

Table 1
Growth of Philanthropic Support by Use, 1980–1994
Total Support (in billions)

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1994</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$10.51</td>
<td>$16.71</td>
<td>59.06</td>
</tr>
<tr>
<td>Higher Education</td>
<td>8.01</td>
<td>12.35</td>
<td>54.18</td>
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<tr>
<td>Religion</td>
<td>47.08</td>
<td>58.87</td>
<td>25.03</td>
</tr>
<tr>
<td>Health</td>
<td>11.31</td>
<td>11.53</td>
<td>1.94</td>
</tr>
<tr>
<td>Human Services</td>
<td>10.40</td>
<td>11.71</td>
<td>12.60</td>
</tr>
<tr>
<td>Arts/Culture</td>
<td>6.67</td>
<td>9.68</td>
<td>45.09</td>
</tr>
<tr>
<td>Public/Society Benefit</td>
<td>3.09</td>
<td>6.05</td>
<td>95.65</td>
</tr>
<tr>
<td>Other</td>
<td>14.15</td>
<td>15.33</td>
<td>8.35</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$103.21</td>
<td>$129.88</td>
<td>25.84</td>
</tr>
</tbody>
</table>


**NOTE:** Data are adjusted for inflation using the Higher Education Price Index.
Sources of Donations

Individuals contributed the largest share of support to higher education (51 percent) in 1994, followed by foundations (21 percent); corporations (20 percent); other organizations, such as fund-raising consortia, clubs, and unions (7 percent); and religious organizations (2 percent) (Figure 3).

Individuals (alumni and nonalumni)
In 1994, alumni contributed more than 28 percent of the total support for higher education, while nonalumni contributed 23 percent. Alumni have given more philanthropic support than nonalumni every year since 1980 (except in 1984).

- Of the total individual gifts of $6.2 billion given in 1994, alumni contributed 55 percent ($3.4 billion), while nonalumni contributed the remaining portion (45 percent, or $2.8 billion). These percentages are roughly the same as they were in 1980.

- Between 1990 and 1994, alumni giving in constant dollar terms increased by an average of 4 percent per year, while nonalumni giving grew by only 2 percent per year.

- Over the 1980-1994 period, alumni giving increased by an average of 4 percent per year in constant dollar terms, from $1.9 billion to $3.4 billion (Figure 4).

Corporate Giving
Contributions (in constant 1994 dollars) to higher education by corporations and their foundations increased by 1 percent in 1994 to an estimated $2.15 billion. Estimates of corporate contributions to higher education include those made by companies to their own foundations as well as those made by companies directly to charitable organizations. This small increase followed a 2 percent decline in 1992 and a 3 percent increase in 1993, and continued a pattern of slow growth in corporate charitable contributions that began in the mid-1980s (Figure 4).

- Between 1980 and 1994, corporate donations to higher education barely kept pace with inflation, increasing in constant dollar terms by an average of only 0.5 percent per year. This pattern stands in marked contrast to the unprecedented average annual increase of 10 percent that was posted between 1980 and 1985.
Over the entire 1980-1994 period, corporate contributions to higher education (in constant dollars) grew by an average of 3.9 percent per year. This rate of growth exceeded that for all other donor groups with the exception of alumni contributions, which grew on average of 4.2 percent per year.

The share of corporate support provided by matching-gift programs was 8 percent in 1993 and 1994. The average match increased slightly, from $308 in 1993 to $317 in 1994.

Independent institutions receive a higher percentage of corporate matching dollars than public institutions because matching dollars are driven by individual gifts, which are much greater to independent institutions. Matching gift dollars are particularly important to independent liberal arts colleges, accounting for 35 percent of corporate gifts to them in 1994.

Over the 1980-1994 period, corporate voluntary support for public institutions increased by a yearly average of 13 percent while support for independent institutions increased by an average of 7 percent per year.

Corporate voluntary support of public institutions increased significantly in the 1980s, as public institutions began to compete for nontraditional sources of revenue in response to diminished state and federal funding.

Foundation Giving

Foundation support (in constant 1994 dollars) rose by about 9 percent between 1993 and 1994, climbing from $2.3 billion in 1993 to $2.5 billion in 1994. Over the entire 1980-1994 period, foundation giving rose by 32 percent, from $1.9 billion to $2.5 billion (Figure 4).

Foundation support for higher education dropped off suddenly in the early 1980s, when government cuts in social programs increased the demand for private funding for social-service projects (Worth, 1993). But that trend was short-lived, as foundation giving to higher education revived and grew steadily.

Figure 4

![Graph showing voluntary support for higher education by donor type from 1980 to 1994, with categories for alumni, other individuals, corporations, foundations, other, and religious organizations.](chart)


Note: All data are in constant 1994 dollars, data are adjusted for inflation using the Higher Education Price Index. “Other” includes fund-raising consortia, clubs, and unions.
from 1984 to 1994, averaging an increase of 4 percent per year in constant 1994 dollars.

**Religious and Other Organizations**

In comparison with the other sources of higher education support, donations from religious and other organizations (such as clubs, unions, and fund-raising consortia) remained relatively flat in constant dollar terms over the 1980-1994 period, reflecting two countervailing trends (Figure 4).

- Donations from religious organizations declined by 27 percent in constant dollar terms, from $327 million in 1980 to $240 million in 1994. Since 1980, donations have declined by an average of 2 percent per year (in constant dollars).
- Giving by other organizations climbed by 40 percent, from $609 million in 1980 to $850 million in 1994 (constant dollars). This represents an average increase of 2 percent per year in constant dollar terms.

**Distribution of Contributions**

In 1994, 72 percent of the philanthropic support for higher education was earmarked for current operating expenses such as salaries and financial aid. The remaining portion was earmarked for capital purposes, which include endowments, buildings, property, and equipment (Figure 5).

- The share of restricted gifts for current operations exceeded the share of gifts for unrestricted current operations by about nine to one (65 percent versus 7 percent). Restricted gifts are donations in which the donor specifies how the gift must be used by the college or university.
- The most popular designations for restricted current operation donations were academic divisions, financial aid, and research.

Over the 1980-1994 period, the percentage of gifts used for capital purposes (in constant 1994 dollars) climbed, from 41 percent in 1980 to 46 percent in 1994.

- Gifts made for capital purposes in 1994 increased by 10 percent in constant dollar terms over 1993, from $5.1 billion to $5.6 billion. This is compared to a 3 percent increase in gifts for current operations (from $6.5 billion to $6.7 billion).
- Over the entire 1980-1994 period, gifts for capital purposes increased by 70 percent in inflation-adjusted dollars (from $3.3 billion to $5.6 billion), while gifts for current operations increased by 43 percent (from $4.7 billion to $6.7 billion).
- Since 1980, increases in gifts for capital purposes have mirrored increases in the New York Stock Exchange Index, while gifts for current operations have followed changes in the Gross Domestic Product (Voluntary Support of Education, 1993).

**Conclusion**

Between 1980 and 1994, voluntary support for higher education rose nearly every year, outpacing both inflation and the growth in charitable contributions to most other sectors of the nonprofit community. More than one-half of this charitable
support was provided by individual alumni and nonalumni contributors, making them the largest supporters of higher education. The likely continuation of recent trends will make individuals a very important source of charitable support for colleges and universities in the years to come.

Over the next 20 years, our nation will undergo the single largest transfer of wealth in its history, as an estimated $8 trillion is transferred from parents’ estates to their adult children (Giving USA, 1994). In light of this unprecedented event, one of the biggest challenges for college and university fund-raisers in the coming decades will be to cultivate relationships with this new generation of donors and to encourage them to include higher education institutions in their giving.

Resources

1. The American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy publishes Giving USA, an annual report on philanthropic giving. Each report examines data on the growth of philanthropy and changes in the sources and uses of charitable contributions over time. For additional information, contact the AAFRC Trust for Philanthropy, 25 West 43rd St., New York, New York 10036, (212) 354-5799.

2. The Council for Aid to Education (CAE), formerly the Council for Financial Aid to Education, conducts an annual survey of elementary, secondary, and higher education institutions to obtain information on the amounts, sources, and purposes of private gifts, grants, and bequests they receive. The survey has been conducted since 1954-55 and is estimated to collect data on an average of 85 percent of the total voluntary support received by all colleges and universities each year. A total of 992 public and independent institutions responded to the 1994 survey. Prior to 1989-90, the report was a single volume. In 1989-90, it was divided into two volumes: (1) Institutional Data, which contains 29 data elements on each participating school, college, or university; and (2) National Trends, which contains national estimates of charitable support for higher education and an analysis of the survey results. For further information, contact the Council for Aid to Education, 342 Madison Ave., Suite 1532, New York, New York 10017, (212) 661-5800.

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