

# 2004 Voluntary Support of Education



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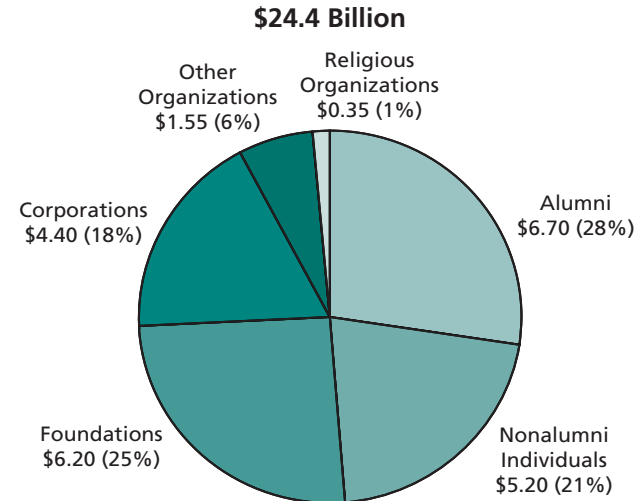
# 2004 National Estimates and Trends for Higher Education

## General Findings

Contributions to colleges and universities in the United States increased 3.4 percent in 2004, buoyed by a spike in gifts made by individuals, according to the 2004 Voluntary Support of Education (VSE) survey. Nearly half of the \$24.4 billion raised in 2004 came directly from individuals, a 9.7 percent increase over the year before. Though alumni giving is the traditional base of higher education giving, representing between a quarter to almost a third of all voluntary support, alumni giving only grew 2.0 percent in 2004. Individuals other than alumni drove personal giving

**Figure 1**

**Voluntary Support of Higher Education by Source, 2004**



(Figures in parentheses are percentages of total and may not add to 100% due to rounding.)

**Table 1**

**Estimated Voluntary Support of Higher Education by Source and Purpose, 2004**

	2003		2004		Percentage Change 2003 to 2004	
	Dollars	(%)	Dollars	(%)	Current \$	Adj. for CPI
<b>Total Voluntary Support</b>	\$23,600	(100%)	\$24,400	(100%)	3.4	0.7
<b>Sources</b>						
Alumni	\$6,570	(27.8%)	\$6,700	(27.5%)	2.0	-0.7
Nonalumni Individuals	4,280	(18.1)	5,200	(21.3)	21.5	18.3
Corporations	4,250	(18.0)	4,400	(18.0)	3.5	0.8
Foundations	6,600	(28.0)	6,200	(25.4)	-6.1	-8.5
Religious Organizations	360	(1.5)	350	(1.4)	-2.8	-5.3
Other Organizations	1,540	(6.5)	1,550	(6.4)	0.6	-2.0
<b>Purposes</b>						
Current Operations	\$12,900	(54.0%)	\$13,600	(55.7%)	5.4	2.7
Capital Purposes	10,700	(46.0)	10,800	(44.3)	0.9	-1.7
<b>Price Indices</b>						
Consumer (CPI)	97.4		100.0		2.7	
Higher Education (HEPI)	95.6		100.0		4.7	

(Figures in parentheses are percentages of total and may not add to 100% due to rounding.)

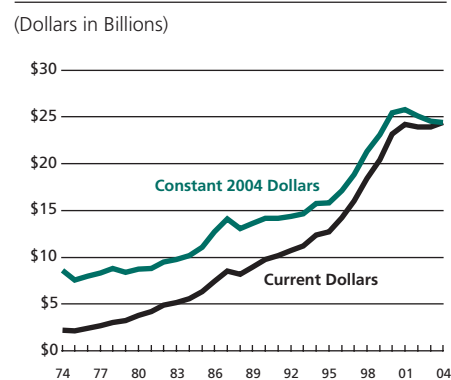
Alumni, Nonalumni, and Capital Purpose estimates were revised from 2003 to account for the present value of deferred gifts and permit a valid year-to-year comparison.

up. Gifts from nonalumni individuals increased 21.5 percent. Gifts for capital purposes such as endowments, buildings, and equipment declined in 2002 and 2003 but increased almost 1 percent in 2004. Giving for current operations fared much better. Such contributions, which have increased every year over the past three decades, increased 5.4 percent, compared with 4 percent the previous year. (See *Table 1* and *Figures 1* and *2*.)

Despite occasional setbacks, voluntary support of education has grown substantially over the past three decades. Even accounting for inflation, over the past 30 years such support has grown more than Gross Domestic Product (GDP). Except during the peak

**Figure 2**

**Estimated Voluntary Support of Higher Education**

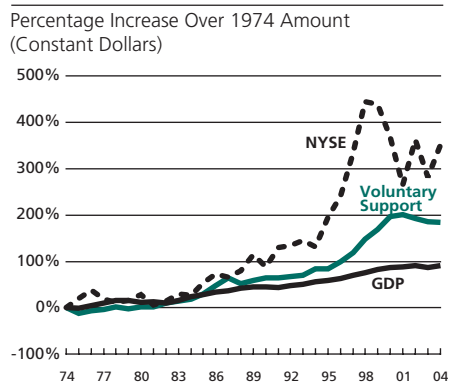


performance of the stock market in the late 1990s, the rate of growth of voluntary support of higher education institutions has been faster than the New York Stock Exchange (NYSE) composite index. However, voluntary support is vulnerable to downturns in the stock market and the economy in general. (See *Figure 3*.)

Historically, alumni and foundations are the biggest sources of voluntary support of higher education. In 2002, foundation giving surpassed alumni giving for the first time in 25 years, but last year both sources were on an equal footing. In 2004, foundation giving dropped 6.1 percent, and alumni giving increased 2.0 percent. So, alumni giving again represents the largest share of higher

**Figure 3**

**Estimated Voluntary Support and the Economy**

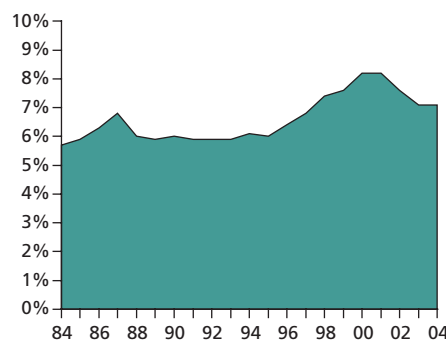


education support. Alumni gave \$6.7 billion, or 27.5 percent, of total voluntary support of higher education. At \$6.2 billion, foundation support represented 25.4 percent of the total. (See *Table 1* and *Figures 9* and *10*.)

Corporate support of higher education increased 3.5 percent in 2004, to \$4.4 billion. Over the past three years, corporate pretax income has been increasing. In addition, a large part of corporate support of higher education is not “charitable” in nature and is not reported on the VSE survey. Examples of such support are clinical trials, contracted sponsored research, and certain partnership programs in which corporations and institutions work together without direct contributions changing hands.

**Figure 4**

**Voluntary Support as a Percentage of Expenditures, 1984–2004**



**Voluntary Support and Expenditures**

Voluntary support is an important component of higher education funding, but it accounts for a small percentage of total institutional expenditures. Voluntary support as a percentage of expenditures began to rise above 6 percent in 1996 and increased to its high point of 8.2 percent in 2001. In both 2003 and 2004, giving brought in 7.1 percent of institutional expenditures. However, among some types of institutions, voluntary support plays a bigger role. As an example, private liberal arts institutions that responded to the 2004 survey raised 21.5 percent of expenditures from voluntary support. Overall, the data suggest that voluntary support is not likely to offset declines in other funding sources. (See *Table 2* and *Figure 4*.)

**Table 2**
**All Higher Education—Voluntary Support in Relation to Enrollment, Inflation, and Expenditures**

Year	Total* Enrollment (thousands)	CPI (2004=100)	Institutional Expenditures			Estimated Voluntary Support			
			Total** (billions \$)	\$ Per Student		Total (billions \$)	\$ Per Student		As % of Inst. Expenditures
				Current	Constant		Current	Constant	
1983-84	12,249	55.0	98.26	8,022	14,584	5.600	457	831	5.7%
1984-85	12,272	57.0	107.69	8,775	15,405	6.320	515	904	5.9%
1985-86	12,247	58.0	116.77	9,535	16,434	7.400	604	1,041	6.3%
1986-87	12,046	60.1	125.38	10,408	17,307	8.500	706	1,173	6.8%
1987-88	13,055	62.6	137.51	10,533	16,819	8.200	628	1,003	6.0%
1988-89	13,539	65.6	150.56	11,120	16,940	8.925	659	1,004	5.9%
1989-90	13,819	69.2	163.72	11,848	17,123	9.800	709	1,025	6.0%
1990-91	14,359	72.1	171.73	11,960	16,588	10.200	710	985	5.9%
1991-92	14,486	74.3	181.74	12,546	16,891	10.700	739	994	5.9%
1992-93	14,305	76.5	189.73	13,263	17,339	11.200	783	1,024	5.9%
1993-94	14,279	78.5	201.53	14,113	17,989	12.350	865	1,102	6.1%
1994-95	14,262	80.7	211.35	14,819	18,368	12.750	894	1,108	6.0%
1995-96	14,368	83.1	223.72	15,571	18,746	14.250	992	1,194	6.4%
1996-97	14,502	85.0	236.13	16,283	19,164	16.000	1,103	1,299	6.8%
1997-98	14,507	86.3	249.49	17,198	19,931	18.400	1,268	1,470	7.4%
1998-99	14,791	88.2	266.97	18,049	20,465	20.400	1,379	1,564	7.6%
1999-00	15,312	91.2	283.80	18,534	20,332	23.200	1,515	1,662	8.2%
2000-01	15,442	93.8	294.99	19,103	20,376	24.200	1,567	1,672	8.2%
2001-02	15,608	95.2	313.16	20,064	21,068	23.900	1,531	1,608	7.6%
2002-03	15,756	97.4	338.84	21,506	22,078	23.900	1,517	1,557	7.1%
2003-04	15,947	100.0	345.96	21,694	21,694	24.400	1,530	1,530	7.1%
<b>Percentage Change Over Prior Year</b>									
1984-85	0.2%	3.6%	9.6%	9.4%	5.6%	12.9%	12.6%	8.8%	3.0%
1985-86	-0.2%	1.9%	8.4%	8.7%	6.7%	17.1%	17.3%	15.2%	8.0%
1986-87	-1.6%	3.6%	7.4%	9.2%	5.3%	14.9%	16.8%	12.7%	7.0%
1987-88	8.4%	4.1%	9.7%	1.2%	-2.8%	-3.5%	-11.0%	-14.5%	-12.0%
1988-89	3.7%	4.8%	9.5%	5.6%	0.7%	8.8%	5.0%	0.1%	-0.6%
1989-90	2.1%	5.4%	8.7%	6.5%	1.1%	9.8%	7.6%	2.1%	1.0%
1990-91	3.9%	4.2%	4.9%	0.9%	-3.1%	4.1%	0.2%	-3.9%	-0.8%
1991-92	0.9%	3.0%	5.8%	4.9%	1.8%	4.9%	4.0%	0.9%	-0.9%
1992-93	-1.2%	3.0%	4.4%	5.7%	2.6%	4.7%	6.0%	2.9%	0.3%
1993-94	-0.2%	2.6%	6.2%	6.4%	3.8%	10.3%	10.5%	7.7%	3.8%
1994-95	-0.1%	2.8%	4.9%	5.0%	2.1%	3.2%	3.4%	0.5%	-1.6%
1995-96	0.7%	3.0%	5.9%	5.1%	2.1%	11.8%	10.9%	7.8%	5.6%
1996-97	0.9%	2.3%	5.5%	4.6%	2.2%	12.3%	11.2%	8.7%	6.4%
1997-98	0.0%	1.6%	5.7%	5.6%	4.0%	15.0%	15.0%	13.2%	8.8%
1998-99	2.0%	2.2%	7.0%	4.9%	2.7%	10.9%	8.7%	6.4%	3.6%
1999-00	3.5%	3.4%	6.3%	2.7%	-0.7%	13.7%	9.9%	6.3%	7.0%
2000-01	0.8%	2.8%	3.9%	3.1%	0.2%	4.3%	3.4%	0.6%	0.4%
2001-02	1.1%	1.6%	6.2%	5.0%	3.4%	-1.2%	-2.3%	-3.8%	-7.0%
2002-03	0.9%	2.3%	8.2%	7.2%	4.8%	0.0%	-0.9%	-3.1%	-7.6%
2003-04	1.2%	2.7%	2.1%	0.9%	-1.7%	2.1%	0.9%	-1.7%	0.0%

\* The enrollment figures reflect full- and part-time students, not FTE.

\*\*SOURCE: U.S. Department of Education.

## Endowments

Endowment income is another source of funding for higher education. In recent past years, endowments grew slowly or declined at most institutions. In 2003, survey respondents reported a 4.3 percent average increase in the market value of their endowments. However, in 2004, endowments of survey respondents increased 18.7 percent.

**Figure 5**
**Current Operations vs. Capital Purposes Giving, 2000–2004**

(Dollars in Billions)



## Capital Purpose Giving vs. Current Operations Giving

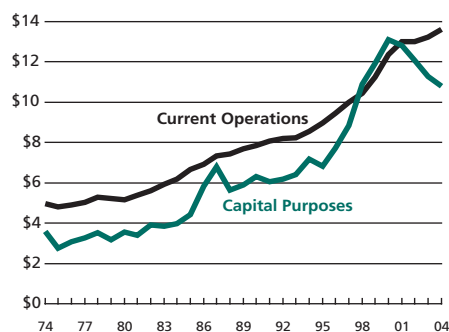
Over the past three decades, current operations giving has accounted for slightly more of the contribution revenue than capital support, with the exceptions of 1998, 1999, and 2000, when stock values were increasing rapidly. (See *Figure 5*.)

In 2004, the increase in voluntary support of higher education was caused almost entirely by an increase in gifts for current operations. While capital purpose giving stabilized, its share of total support declined to 44.3 percent. Current operations contributions increased and currently represent 55.7 percent of the total.

**Figure 6**

### Estimated Support by Major Purpose

Billions of Constant 2004 Dollars



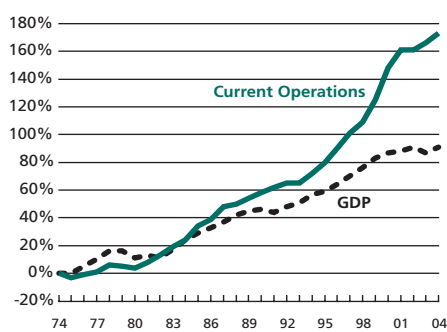
The New York Stock Exchange (NYSE) composite index increased in 2004 but declined in 2003. Stock market performance for both years contributes to capital purpose contributions for the academic year 2004, which extends from July 1, 2003, to June 30, 2004. (See *Table 1* and *Figures 5, 6, 7, and 8*.)

The effect of the stock market on contributions is reflected particularly in data on gifts of securities. These gifts are important because they are among the largest gifts an institution receives. In 2003, such contributions declined in both number and value, though the rate of decline was steeper in 2002. The number of such gifts declined 17.3 percent in 2003 and 20 percent in 2002. Their value declined 21.2 percent in 2003 and 35 percent

**Figure 7**

### Current Operations Giving vs. GDP

Percentage Increase Over 1974 Amount (Constant Dollars)



in 2002. However, the trend reversed in 2004. The average number of securities gifts reported on the survey was up 15.7 percent, and the value of those gifts was up 25 percent. In 2004, the average gift of stock reported on the survey was \$36,660. In 2000, the average value of reported securities gifts reached a high point of \$42,066.

## Personal Giving

Alumni giving is the traditional foundation of higher education support, representing up to about a quarter of charitable receipts until the late 1980s, when it began to inch above that level. Alumni contributions' share of total support for higher education reached a high of nearly 30 percent in 1998 and then began to taper off in relative

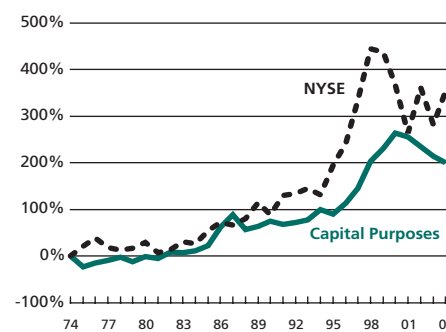
significance. By 2002, alumni support was back to its 1988 level of almost a quarter of voluntary support. In 2004, alumni support rebounded further, reaching 27.5 percent of total support. (See *Figures 9 and 10*.)

The sum of alumni giving and giving from other individuals typically represents about half of all giving to higher education. In 2004, personal giving represented 48.8 percent of all contributions. In addition, individuals may support an institution through a family foundation, donor-advised fund, or private business. These gifts are considered contributions from organizations, not personal gifts, but they are given because of a personal relationship with an institution. With that in mind, personal relationships with colleges and universities can be said to account the majority of contributions.

**Figure 8**

### Capital Purposes Giving vs. NYSE

Percentage Increase Over 1974 Amount (Constant Dollars)



## Organization Giving

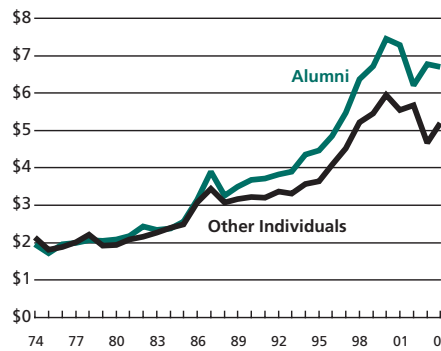
Gifts and grants from organizations decreased 2.0 percent, mostly driven by a 6.1 percent decline in foundation giving. Since foundation grants are typically based upon previous years' assets, the foundation giving picture should improve as foundation assets rebound in a more robust investment environment. Corporate support of higher education institutions increased 3.5 percent, and, as noted earlier, charitable giving represents a fraction of the corporate support of higher education institutions. (See Figures 11 and 12.)

While foundations and corporations account for most of the organization dollars that go to higher education, religious organizations and other organizations, such as some donor-advised funds and fundraising consortia (including United Way, UNCF, and other combined-fund drives), also make significant contributions. These contributions increased just over a half a percent, or \$10,000. Religious organization giving declined 2.8 percent, also representing \$10,000. (See Table 1.)

**Figure 9**

### Estimated Support by Individuals

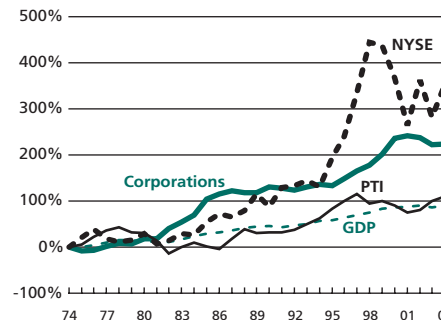
Billions of Constant 2004 Dollars



**Figure 11**

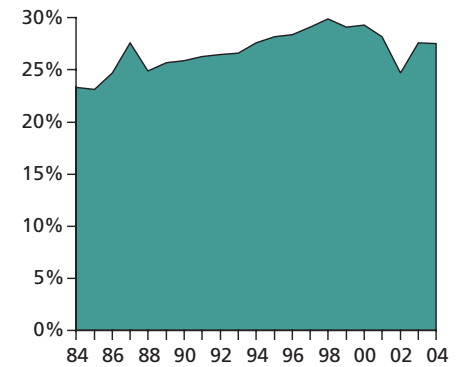
### Corporate Support vs. Economic Indicators

Percentage Increase Over 1974 Amount (Constant Dollars)



**Figure 10**

### Alumni Support as a Percentage of Total Giving to Higher Education



**Figure 12**

### Foundation Support vs. Economic Indicators

Percentage Increase Over 1974 Amount (Constant Dollars)

