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UNITED States**Abstract:** The article looks at how U.S. higher education experienced economic improvements in the 2013-2014 academic year due in part to an increase in endowments and donations. Information is provided on the average state higher-education spending rate as well as average tuition increases at both public and private colleges. The article also notes that foundations, alumni, and corporations were among the largest donation sources.**Full Text Word Count:** 1033**ISSN:** 0009-5982**Accession Number:** 97598356**Database:** Academic Search Complete**Aided by Donors, Colleges Continue Their Slow Recovery**

FINANCE

HIGHER EDUCATION continued to show signs of economic improvement in the 2013-14 academic year. As in the preceding few years, that recovery was sluggish, marked by a modest increase in tuition revenue. Colleges also welcomed reports of increased revenues from endowments and donations.

While total state spending for higher education showed positive growth for the first time in four years, researchers at Illinois State University and the State Higher Education Executive Officers said those results masked a more varied picture.

Total state higher-education spending rose by 5.7 percent from the 2013 to the 2014 fiscal year, after declines of 0.4 percent in 2013 and 7.5 percent in 2012. Forty states increased their higher-education appropriations from 2013 to 2014.

But even with the increases, overall state support for higher education did not match pre-recession levels. In the 2014 fiscal year, higher-education spending by states was 4 percent below that at the beginning of the recent recession, in 2007. And excluding large increases in support from California, Florida, and Illinois, three of the most populous states, state spending on higher education increased by 3.6 percent in 2014.

LIMITED TUITION INCREASE

On the tuition front, prices for in-state students at four-year public colleges rose by 2.9 percent, the smallest increase in three decades, according to the College Board. For the 2013-14 academic year, that average sticker price rose to \$8,893 at four-year public colleges, up from \$8,646 the year before, as measured in current dollars.

At private colleges, the average sticker price rose by 3.8 percent, from \$28,989 to \$30,094. In 2013-14, 167 of more than 3,100 colleges surveyed by the College Board charged more than \$50,000 a year for tuition, fees, and room and board. The previous year, 149 charged that much.

Sarah Lawrence College remained at the top of the list, with a sticker price this past academic year of \$63,200.

But that growth in sticker prices occurred amid a period of steep discounting of private-college tuition around the country. In an annual survey of private, nonprofit, four-year colleges, the National Association of College and University Business Officers found that discount rates for first-time, full-time freshmen reached a record average, 46.4 percent in 2013-14.

The rising cost of institutional aid is nothing new for private colleges, which continue to feel the economic effects of discounting. The 401 colleges that responded to the survey have seen just a 1.1-percent increase in net tuition revenue since 2013. The survey also found that, on average, those colleges have seen no net revenue growth, adjusted for inflation, in more than a decade. Such a business model is clearly not sustainable, said John D. Walda, president of Nacubo.

What's more, lowering discount rates "doesn't necessarily change the outcome in terms of net tuition," Mr. Walda said. A number of colleges are committing to not raise their discount rates, he added. Any revenue growth there will have to be achieved by "increasing enrollment and managing costs."

BRIGHT SPOT: DONORS

The most positive financial news for colleges in the past year came from endowments and donations. Both benefited from a robust stock market, which bolstered investment returns on endowments and encouraged donors to give more freely.

College endowments posted returns of 11.7 percent, on average, in the 2013 fiscal year, according to a survey by Nacubo and the Commonfund Institute, the education-and-research arm of the institutional-investment firm Commonfund. The survey calculates the endowment assets of more than 800 North American education institutions, with collective assets totaling \$448.6-billion.

Like many other investors, college endowments were beneficiaries of the Federal Reserve's quantitative-easing program in 2013. Under the program, the Fed purchases billions of dollars in bonds to support the economy and inject easy credit into the market. At one point, the Fed was buying up \$85-billion in bonds a month, but it has since scaled back.

Some large endowments increased substantially from July 1, 2012, to June 30, 2013. Ohio State University, for instance, saw an increase of 33.1 percent over that period, and the University of Arkansas at Fayetteville an increase of 30.8 percent.

Six endowments exceed \$10-billion. They are those of Harvard University, Yale University, the University of Texas system, Stanford University, Princeton University, and the Massachusetts Institute of Technology.

Donors were also generous to colleges and universities in 2013. A study by the Council for Aid to Education found that colleges received nearly \$34-billion in charitable contributions in the 2013 fiscal year, a record for the sector.

Donations increased by nearly 10 percent from 2012. The most generous group of donors were foundations, which gave \$10-billion, followed by alumni (\$9-billion), nonalumni individuals (\$6.2-billion), and corporations (\$5.1-billion). Among private institutions, Stanford raised the largest amount in charitable gifts of any individual institution, \$931.6-million. Among public university systems, the University of California raised the most, \$1.6-billion.

The largest gift to a college over the past year was \$250-million given to Yale University. The donor, Charles B. Johnson, a 1954 graduate of Yale College, retired in 2012 as chairman of Franklin Resources. Yale expected to put the money toward two new residential colleges.

Mr. Johnson has been a longtime donor to Yale, supporting, among other things, the establishment of the Johnson Center for the Study of American Diplomacy.

Eager to benefit from the increased willingness to give in the past year, several colleges have begun multibillion-dollar giving campaigns. In May the University of California at Los Angeles announced a \$4.2-billion effort, the largest to date of any public university. It hopes to reach the goal by 2019. At the University of Michigan at Ann Arbor, fund raisers hope to generate \$4-billion in gifts by 2018.

Among private nonprofit institutions, Columbia University announced in January that it had collected \$6.1-billion in a seven-year capital campaign. It was one of the most successful ever in higher education, second only to the Stanford University campaign that raised \$6.2-billion by 2011. Harvard University, meanwhile, announced last fall that it planned to raise \$6.5-billion by 2018.

Students take a class outside at Sarah Lawrence College, the nation's most expensive private four-year institution. In 2013-14, its sticker price was \$63,200.

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By DAN BAUMAN

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