

## Uses of College and University Endowments

**Student Financial Aid:** A typical college or university endowment includes many individual funds that are restricted (most often by donors, but also by the institution) to student financial aid. Donor support and strong investment performance in recent years have led many institutions to increase their investment in student financial assistance. According to the College Board, the amount of institutional (i.e., non-governmental) grant aid that colleges and universities provided to their students in 2007-08 was \$29.1 billion, which is \$12.8 billion or 78 percent more than they provided in 1997-98. Such institutional grant aid significantly reduces the actual amount students pay in tuition and reduces student loan debt. For example, institutions that offer so-called “no loan” student assistance programs generally rely on endowment income to provide grants to low- and middle-income students who qualify.

**Teaching:** Faculty chairs and professorships are another leading purpose for which individual endowment funds are dedicated. Like endowment funds for student scholarships, investment income earned by faculty endowment funds is used annually to support the professorships. Endowed professorships are often awarded to leading scientists and scholars who are contributing significantly to teaching and research in their respective disciplines. Endowed professorships provide a significant source of some institutions’ operating budgets and free up tuition dollars or state funds for other academic purposes.

**Research and Innovation:** Another purpose for which endowment funds are restricted is scientific and scholarly research. Colleges and universities are increasingly relying on their own resources to assist new faculty in developing their research programs because federal funds have lagged. Institutions sometimes receive large gifts to construct and sustain new medical, scientific, engineering, and other academic facilities, and endowment support is particularly important for the support of research programs housed in such facilities. Donors also make gifts to establish long-term funds to support areas of medical research such as cancer, diabetes, and Parkinson's and Alzheimer's diseases, as well as research in areas such as chemistry, physics, and engineering. All contribute to the American innovation system that supports our nation's economic competitiveness.

**Health Care:** University hospitals and medical centers provide a full range of health care services in their communities and serve millions of patients each year, the majority of whom are not students. University medical centers house world-class scientific research on disease and treatments, and they educate the next generation of health professionals and medical scientists. University medical centers are sites for developing and testing new diagnostic and therapeutic techniques for cancer, Parkinson's, AIDS, and other diseases and illnesses. They are closely tied to the medical schools that educate and train our nation's doctors, nurses, and medical specialists and technicians. All of these activities are in part supported by income generated from a university or its medical center's endowment.

**Public Service:** College and university endowments often have some portion dedicated to public service programs and activities. Investment income from these endowments supports such endeavors as campus centers for public service, which match the talents, research, and know-how of faculty and students with challenges and service opportunities in the community or state in which the institution is located. Endowment returns also help support the public service missions of institutes and academic units within a college or university, providing important financial stability for their programs and outreach activities with the local community. Endowments also provide the financial

cushion that enables colleges and universities to work with their towns and cities to improve the quality of local schools and to revitalize neighborhoods.

**Libraries and Museums:** Universities are home to many of the nation's largest libraries and some of its finest museums. These repositories of knowledge and culture are generally open to the public and benefit the community as a whole. They are a source of educational information, programs, and experiences for school children and other residents. University libraries and museums use endowment income to support their operations, as well as to acquire and preserve art, books, periodicals, journals, rare publications and manuscripts, artifacts, and digital collections of information that may be accessed around the world.

**Athletics:** Some alumni and donors make charitable endowment gifts for the restricted purpose of supporting intercollegiate athletics. Colleges and universities use investment income from such gifts to fund athletic scholarships, facilities, salaries, and equipment.

*Association of American Universities – January 2009*