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COLLEGE GIVING NEEDS A PURPOSE

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As spending on higher education has skyrocketed in recent years, the percentage of college and university budgets going to instruction has fallen. In 1980, instructional spending amounted to 35.1 percent of higher education budgets, according to the Department of Education. In 2000, that number had fallen to 30.4 percent. Today, only about 21 percent of \$364 billion is devoted to instruction.

Where is the money going? Mostly to administrative costs, plant and equipment, and athletics.

Some of this is justified, of course, since older facilities need to be updated or replaced. But a lot of the spending goes to frills. Student athletic centers at many schools now compete with expensive fitness clubs, providing equipment with personal televisions, rock climbing walls, juice bars, pools with water slides, and even masseuse services. When parents and legislators complain about rising tuition and fees, they should be aware that some educational institutions have turned into complex entertainment resorts, where instruction may no longer be the top priority.

There is nothing inherently wrong with wall climbing and water sliding. But those who want to support higher education need to realize that the check they write may be buying the school's next hot tub, not underwriting an academic endeavor.

University budgets are huge, money is fungible, and the opportunities to shift costs are legion. Even the school itself may not be entirely aware of how its money is spent.

Donors – large and small – need to understand this. With the calendar year drawing to a close, many Americans will soon be writing checks to favorite charities. Many gifts will go to higher education. And much of this money will be given without recognizing the fact that investing in higher education is not the same as giving away money to colleges and universities.

Meaningful gift giving is a tricky business. Every nonprofit prefers general support over restricted gifts, but most philanthropists want to see something tangible when they donate money.

Colleges recognize this and have created endless “naming” opportunities. For a modest gift, one can name a scholarship. A larger gift “buys” a named professorship. An even larger gift can result in an auditorium, gallery, an entire building, or even a whole school being named for the donor. Even small gifts can result in lettering on a bench or stamped into a paving stone.

In most such cases, while the gift supports the institution, it does little to affect the school's educational offerings.

How can donors make sure their gifts are used for educational purposes?

First, donors need to carefully stipulate exactly how they want their money used, and include safeguards against cost-shifting. A major donor can do this by working directly with trusted faculty in developing an academic program, with an advisory board that has budget oversight responsibilities.

Even then, they should realize that “donor intent” has a limited half-life. Imagining that university officials 50 years from now will remember, much less carry out, a deceased donor’s program is wishful thinking. It is wiser to consider funding programs that will have a bigger impact over a shorter time period, than hoping one’s gift will make a difference in perpetuity.

If the program is thriving, new donors will fund it when the original gift expires. If new donors can’t be found, that probably says something about the importance and relevance of the program - and may it rest in peace.

At first glance, going to the trouble of setting up an advisory board or working with faculty members to design a new academic program would appear to make sense only for large donors. But that’s not true. You don’t have to be rich to make a difference.

Currently, a \$1 million gift generates less than \$50,000 of available program funding at most colleges (just under a 5 percent annual return). Structured another way, a group of 25 alumni, each committing \$2,000 a year, could create a bigger program than a \$1 million endowment gift.

U.S. higher education is in trouble. Disciplined giving with a purpose provides at least a partial solution. Blindly writing checks does not. That’s worth considering next time you get together with college friends.

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