

March 2008

ADDENDUM to

Select Government Matching Fund Programs: An Examination of Characteristics and Effectiveness

Since CASE published this report for the Sutton Trust in December 2004, more countries have explored or introduced new government matching fund programs. Below are summaries of two such programs and two established programs not included in the original report.

This addendum does not represent the extent of matching fund activity worldwide but instead summarizes efforts for which CASE has details. Additional efforts have been reported in countries including Ireland and Germany. The CASE InfoCenter welcomes further information and corrections. Please contact us at infocenter@case.org.

In the 2004 report, CASE cited the [State Matching Funds Study](#) on programs in the United States, which was issued by the Association of Governing Boards of Universities and Colleges. AGB has not since updated the study, which remains available online.

Australia

The Group of Eight, a coalition of Australian research universities, recommended in fall 2006 that the Minister of Education and the Business Industry Higher Education Collaboration Council consider a government matching fund program at the state or federal level in a proposal paper titled [Encouraging Philanthropy in the Australian Higher Education Sector](#). Later that year, the Business/Higher Education Round Table – representing Australian universities, corporations, professional associations, and public research organizations – made a similar proposal in a position paper titled [Increasing Private Support for Australian Universities](#). In 2007, the BIHECC was planning to conduct a study of philanthropy in higher education to assist the government in considering such a program.

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New Zealand

In 2002, the New Zealand government established a Partnerships for Excellence program through which it aims to strengthen ties between educational institutions and the private sector. The program has allocated NZ\$20 million annually, generally matching private-sector donations at a 1-to-1 ratio. Institutions must submit proposals for the government's matching agreement. Proposals must be for self-sustaining projects of at least NZ\$5 million and meet other assessment criteria that change with each funding cycle. While the program was initially focused on encouraging and matching gifts from business and industry, the program has matched funds from other sources as long as they were "non-government," including individuals, community trusts, and local bodies. In 2008, the government commission administering the program had no plans for another funding round.

For more information: New Zealand's Tertiary Education Commission, www.tec.govt.nz/funding/strategic/p4excellence/p4excellence.htm, info@tec.govt.nz

Norway

The Norwegian Parliament adopted in June 2005 a Donation Reinforcement Initiative through which the government matches donations for research of at least 5 million NOK at a ratio of .25-to-1 (that is, one quarter of a Norwegian krone in government funds to one krone in private funds). The measure was effective in Norway's 2006 budget. The Research Council of Norway distributes the matching funds. To qualify, donations must be for long-term basic research and cannot fund efforts directly benefiting a donor's business. Donations from businesses and private individuals were eligible starting in 2006; donations from foundations and charities were eligible starting in 2007. Institutions eligible for the donations and reinforcements are universities, university colleges that award doctorates, the Norwegian Academy of Science and Letters, and the Research Council of Norway.

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United Kingdom

In February 2007, the English government announced a matching gift scheme through which it will provide £200 million over three years. The plan was established in response to recommendations from the Voluntary Giving Task Force, which was charged in 2003 with recommending ways the government could encourage giving to higher education. Under the plan, the government will match private donations to higher education at a .50-to-1 ratio (that is, one half of a British pound in government funds to one pound in private funds). To be eligible, gifts must be received between August 2008 and July 2011. The plan will set caps on the amounts it will match and the amount of contributions to individual institutions to ensure funding is not concentrated at a few universities.

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**Select Government
Matching Fund Programs:**
*An Examination of
Characteristics and Effectiveness*

Prepared by the
Council for Advancement and Support of Education
for the
Sutton Trust
December 2004



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Executive Summary

1. Government matching fund programs are state-based initiatives that encourage private donations to colleges and universities by matching them with public funds. They have proved themselves effective strategies to strengthen the capacity for raising independent income of colleges and universities, contribute to the development of a philanthropic culture that is supportive of higher education and its broader underpinning of economic development and social inclusion, and are persuasive examples of public-private partnerships, which contribute significantly to the development of innovative funding models for post-secondary institutions.
2. These programs are widespread. They have been implemented in at least 24 states of the United States, in addition to provinces in Canada, other countries, and Hong Kong and Singapore.
3. Matching grants schemes have been implemented to good effect both in settings where philanthropic culture and practice is reasonably mature (as is the case in some states of the United States) and to kick-start changes in individual support for education (as is the case in various provinces of Canada and in Singapore and Hong Kong).
4. In locations where fund raising for higher education is a novel concept, matching grant schemes have been given extra impetus by additional government investment in institutional capacity for fund raising, as is the case in Hong Kong, and by associated tax changes supporting philanthropy to education, as is the case in Hong Kong and Singapore.
5. These schemes are not a substitute for public funding, nor does evidence suggest they lead to a diminished need for public funding, at least in the short term.

They are, however, an effective use of public funds to lever in and increase private support and to build strategic links between universities and their constituencies.

6. It is possible to structure schemes in ways that provide incentives for institutions of various kinds, both large and small, and with varying missions. Such schemes do not inevitably favor the biggest, oldest, or most prestigious institutions. Rather, they can be used to target particular priorities at particular times by applying selective ratios, as is the case in Singapore.
7. Matching fund schemes have generated significant sums for higher education, as evidenced by programs overall in the United States, and have provided rewarding returns on government investment.
8. They have enabled universities to exceed their fund raising goals (as is the case in Kentucky), to improve dramatically their fund raising success (in Connecticut), and to greatly increase the number of donors, both from alumni and other constituencies (in Hong Kong).
9. They tend to be characterized by relatively short time scales (although some state legislatures have extended program timelines) and involve detailed specifications of eligibility, minimum and maximum levels of matching, and matching ratios.
10. The focus has often been on building endowment, although this goal is increasingly challenging in today's philanthropic environment, especially in relatively "immature" contexts, and on developing or increasing scholarship funds.
11. The schemes are most effective where there are adequate state funds to underpin the process, where the contextual economy is robust, and where institutional capacity to rise to the challenge is reasonably developed.

Recommendations

1. The United Kingdom government would be well-advised to introduce a matched grants scheme as a way to build the capacity of colleges and universities to professionalize their ability to raise independent funds and to continue the development of a philanthropic culture that is more overtly supportive of higher education.
2. The matching of donations should be preceded by a scheme through which higher education institutions are encouraged to invest in development

infrastructure (through staffing, staff training, improved databases) to strengthen the platform on which matched donations can be implemented with the greatest effectiveness.

3. The matched donations scheme should be structured to stimulate giving to universities that are new to fund raising and to challenge more established development offices to raise their sights. Doing so ensures that both equity and best practice will be well-served. A model such as the one developed in Hong Kong with its “floor” and “ceiling,” is one structure. A sliding scale of matching grants is another.
4. It is feasible to encourage donations to target areas according to the structure of the scheme; the government might wish to emphasize the value of gifts to scholarships or science, for example, by applying a higher ratio of matched funding to certain categories. It is recommended, however, that the scheme is not limited to gifts treated as endowments in the technical sense, that is, where only the interest on the capital may be disbursed. In the current philanthropic climate and for young fund raising offices in particular, that limitation would erect a formidable barrier.
5. The scheme should be restricted to gifts of cash and listed shares received (that is, not pledges) and it should be for a designated period of time. A pilot period of two years in the first instance is suggested, with a projected second phase immediately following. That timeframe implies a review process towards the end of the first phase.
6. To administer the scheme equitably, the reporting standards that categorize what counts as a gift—as distinct from a research contract, for example—should be adopted from those agreed upon for the “Survey of Gift Revenue and Fundraising Costs” project, now in its fourth year and carried out by the Ad Hoc Group of Vice-Chancellors, the Ross Group of Development Directors, and the Council for Advancement and Support of Education (CASE). Completing this annual survey would be an effective means of ensuring that participating universities are being held accountable to their donors and to government for use of public funds. It is anticipated that introducing a matched gifts scheme would have the side effect of adding clarity and robustness to universities’ managerial processes for “donor stewardship.”
7. A matched grants scheme will be more energetically entered into by universities if it can be accompanied by assurances about such a scheme not leading to a moderation in other government support.

Select Government Matching Fund Programs:

An Examination of Characteristics and Effectiveness

Background

IN MAY 2004, the task force report titled “Increasing voluntary giving to higher education” was published and presented to the United Kingdom government. The task force was chaired by Professor Eric Thomas, vice-chancellor of the University of Bristol. The report has stimulated considerable discussion within universities, among policymakers and in the media and its practical and strongly argued conclusions generally have been well received. Among its recommendations is this: “There should be a matched funding scheme to support institutions’ capacity building for effective fundraising. Consideration should be given to following this with a matched funding scheme for donations.”

In the aftermath of the report’s publication, the Sutton Trust (whose chairman, Sir Peter Lampl, was one of the four task force members) commissioned the Council for Advancement and Support of Education (CASE) to research matched grant schemes as they have been implemented using government funds in other parts of the world to help inform consideration of any such scheme in the United Kingdom.

The Sutton Trust discussion paper of March 2003, comparing university endowments in the United States and the United Kingdom, provides additional background. That paper suggests further ways in which lessons could be studied from the U.S. experience of private giving to higher education.

Introduction

GOVERNMENT MATCHING FUND PROGRAMS, at their most fundamental level, are state-based initiatives that match private donations to colleges and universities with public funds. These programs have proven to be effective methods of improving public colleges and universities and successful examples of public-private partnerships, which are key components of new funding models for education not only in the United

States, but also elsewhere around the world. These programs supply public funds that supplement state-provided resources in support of public colleges and universities in general.

According to research conducted in 2002 by the Association of Governing Boards of Universities and Colleges (AGB) in Washington, DC, 24 states in the United States have created government matching fund programs. Some 75 percent support endowments and endowed chairs and professorships; about 21 percent help fund student scholarships, capital projects, and technology efforts; and about 4 percent are designed to provide resources for research initiatives. Most government matching fund programs in the United States are targeted to two-year and four-year public institutions exclusively, but a few states operate programs that also are open to private colleges and universities.

While such programs take many forms, have varying levels of success, and are implemented in a host of ways (given significant differences among institutions, higher education systems, and social structures), the fundamental concept and purpose of the vast majority are remarkably similar: to leverage private funds, enhance the quality of teaching and learning, and increase access to higher education, thus strengthening the core missions of post-secondary education institutions.

This report and the research it reflects focus on government matching fund programs in the United States, Canada, Singapore, and Hong Kong—all of which have documented histories of such initiatives. In Singapore and Hong Kong, where post-secondary institutions are relatively few in number and generally similar in organization and structure, public matching fund programs have been developed and implemented at the federal levels of government. In the United States and Canada, where higher education institutions are numerous and highly diverse, government matching fund programs have been designed and carried out at state and province levels. Consequently, programs in the United States and Canada differ greatly in their design, implementation, and oversight.

General Program Characteristics

TYPICALLY, government matching fund programs are designed to operate for short periods of time, usually two to five years (although some are extended beyond their announced end date) and for specific purposes. Nearly all of the initiatives researched for this report are guided by highly detailed regulation (usually developed in collaboration between presiding government agencies and higher education leaders) that specifies such program features as institutional eligibility requirements, minimum

and maximum levels, matching ratios, start and end dates, conditions for matching pledges of gifts (in addition to outright gifts), procedures for handling withdrawn pledges and contributions, periodic reporting, and an applications process, among other characteristics. Programs offer matching ratios that range from a ratio of .5-to-1 (that is, one-half a unit of currency in government funds to 1 unit of currency in private funds) in Connecticut and Massachusetts to 3-to-1 in Singapore.

In addition, in Canada, Hong Kong, and Singapore, legislators awarded additional tax relief to donors who made gifts under the rubric of a government matching gift program in an effort to encourage greater private giving. A correlation between government matching grant programs and increased private philanthropy is clearly evident in tightly focused programs such as those introduced in Hong Kong. In the aftermath of that program's introduction (underpinned, no doubt, by more generous tax treatments of gifts, investment in infrastructure, and the professionalization of development offices), both the number of donors to universities and total giving to universities have risen. Such a correlation also has been assumed by policymakers in programs in the United States and is supported by anecdotal evidence, but there have been no extensive donor surveys that explore a direct link between the programs and increases in giving patterns.

Further, the research for this report indicates that government matching fund programs do not replace other government-based support for post-secondary institutions. In addition, no evidence exists to suggest that government matching fund programs are undermining the levels of overall public support of state-funded institutions.

Program Effectiveness

ACCORDING TO THE aforementioned AGB study, government matching fund programs yield a substantial return on investment. From 1999 to 2002, for example, the government matching fund programs AGB studied helped to generate \$363 million for higher education institutions, of which \$276 million came from private donors and only \$87 million from states, resulting in a return on investment of more than 317 percent.

A selection of programs are described in the following brief profiles.

☛ Connecticut

State lawmakers first enacted legislation to create state matching fund programs in 1995, which then were funded at \$20 million, according to the previously mentioned AGB study. Legislators subsequently extended the legislation twice—first in 1998 with an increased commitment to \$42 million, and again in 2001, for an additional \$115 million and with an extension to 2014. The program is aimed at building endowment funds to support faculty and academic improvements. Although college and university officials are not required to apply for the matching funds (first matched at a ratio of 1-to-1 and later at .5-to-1), they are required to provide annual reports to the state and to certify that all gifts for which they are requesting matching funds fall within program parameters. The funds are distributed to the University of Connecticut, Connecticut State University, the 12 institutions that compose the Community-Technical College System, and Charter Oak State College.

IMPACT. The University of Connecticut’s comprehensive fund-raising campaign—only the second in the university’s 123-year history—exceeded the original \$300 million goal by more than 150 percent when it concluded in June 2004 with a reported total of \$471.1 million (excluding state matched funds). The university’s first campaign, which was conducted a decade before the state matching fund program was developed, raised \$55 million. During the most recent campaign, the university established 415 new endowed programs, including those to fund scholarships, fellowships and awards, chairs, professorships, and academic initiatives.

☛ Florida

In July 1985, the Florida legislature created the Trust Fund for University Major Gifts and the Eminent Scholars Chairs to support libraries, teaching, and research programs. The initial effort matched individual gifts starting at a minimum of \$600,000 in both programs; that minimum now is in effect only for the Eminent Scholars Chairs program. In February 2004, standards for the Trust Fund for University Major Gifts were revised as follows: Gifts between \$100,000 and \$599,999 are matched at 50 percent; gifts from \$600,000 to \$1 million are matched at 70 percent; those from \$1 million to \$1.5 million are matched at 75 percent; those between \$1.5 million and \$2 million are matched at 80 percent; and gifts greater than \$2 million are matched at 100 percent. There have been, however, some complications affecting state revenues (see “Robust Economies” in this presentation’s section titled “Challenges and Opportunities.”)

IMPACT. The University of Florida’s fund-raising campaign that ran from 1995 to 2000 (operated and managed through the university’s foundation) raised more than \$700.6 million. Of that total, state matching gifts amounted to \$149 million. Currently, the university is conducting a fund-raising effort with a goal of \$150 million to enhance the classroom environment and support faculty members’ research efforts. Private gifts in support of these efforts are eligible for state matching funds. In addition the university president has created a program to match gifts of \$1 million and greater with \$250,000 from a university discretionary fund of private donations that are specifically targeted for faculty support.

• Kentucky

The state’s Council on Postsecondary Education established two major matching fund programs in 1997. The Research Challenge Trust Fund was created to provide matching funds at a ratio of 1-to-1 in support of research at the state’s two largest public universities—the University of Kentucky, which receives two-thirds of the funds, and the University of Louisville, which receives the remaining one-third. For fiscal year 2003-04, \$100 million has been earmarked for these two universities. Also in 1997, legislators created the Regional University Excellence Trust Fund to provide support for the state’s six smaller and regional universities to encourage them to develop “Programs of Distinction,” which the state defines as a minimum of one academic program or research initiative worthy of national distinction at each institution.

IMPACT. The University of Kentucky launched its first comprehensive fund-raising campaign in 2002 with an initial goal of \$600 million, which it exceeded by \$18 million after two years, prompting university officials to increase the goal to \$1 billion (including state matched funds), which they hope to raise by 2007. University officials acknowledge the role of state matching gifts in surpassing their initial goal. They add that the university’s endowment will increase by nearly \$267 million when all campaign pledges are realized, and as a result of the campaign, the university has gained more than 400 endowed professorships, fellowships, research initiatives, and library improvements, among many other programs.

As a result of the Programs of Distinction component of the Regional University Excellence Trust Fund, Eastern Kentucky University has developed five new faculty positions in its College of Justice and Safety, and Kentucky State University conferred its first ever science-based graduate degree. In fiscal year 2002-03, all Programs of Distinction at the six participating universities were allocated more than \$6 million;

Eastern Kentucky University received more than \$1.4 million and Kentucky State University received about \$464,000.

• Louisiana

Using interest generated from \$540 million the state was awarded from a legal settlement (that is, a windfall payment), the state legislature established the Endowed Chairs for Eminent Scholars Program in 1986 and then in 1990, the Endowed Professorships Program. The programs (components of a statewide initiative to improve education, including elementary and secondary schools) are aimed at supporting carefully designed research efforts for both public and private institutions, endowed chairs, infrastructure enhancement (with the exception of athletics programs), and the recruitment of outstanding graduate students.

The Endowed Chairs for Eminent Scholars program requires institutions to raise a minimum of \$600,000, which the state will match with \$400,000, thus creating an endowed chair of \$1 million. (Institutions that wish to create a \$2 million endowed chair must follow the same funding/matching parameters.) Since 1999, “less successful” institutions have been able to invert this ratio until they create three eminent scholar chairs. The average annual support fund expenditure is \$3.2 million, which is frequently supplemented with legislative appropriations.

The Endowed Professorships Program guarantees at least two professorships a year each for public and private institutions. For this program, the institution must have a minimum of \$60,000 in nonstate funds, which the state will match with \$40,000 from the state. “Less successful” institutions may invert this ratio until they attain five professorships. The average annual support fund expenditure is \$2.6 million, again frequently supplemented with legislative appropriations.

IMPACT. In 1985-86, according to the state commissioner of higher education, the number of all endowed chairs and professorships combined at all public institutions was fewer than 100. Today, that total is nearly 1,700—with about 1,600 having been established under the matching funds programs. Further, since the programs began, state institutions have received \$203 million in private contributions to create the professorships and chairs. Specifically, as a result of the programs, the market value of Louisiana State University’s endowment increased from \$79 million in 1994 to \$417 million as of 2003.

In addition to financial gains, according to a 2000 report issued by a review panel following a comprehensive overview of the Endowed Professorships Program, the

program has numerous positive aspects: It has raised the level of aspiration and accomplishment among a large segment of the faculty, generated a strong sense of ownership on participating campuses, and heightened awareness of the importance of academic excellence. Further, the report states that the program has helped to retain some of the state's most accomplished faculty members, plus aided in the recruitment of other high-performing professors. Beyond the campus, the report states that the program has made marked contributions to the state in terms of cultural enhancement and economic development. "Clearly the program has made a positive difference," the report states.

• Massachusetts

Matching fund programs in Massachusetts are governed by a simple, direct policy statement, which is stated in legislation related to public education: "to encourage private fund raising by the state university and public colleges and to assist such fund raising through a matching program to be known as the Public Higher Education Endowment Incentive Program, which shall not result in direct or indirect reductions in the commonwealth's appropriations to such institutions for operations or for capital support." To do so, the state authorized a matching ratio of 1-to-2 (sometimes expressed as a ratio of .5-to-1), which was capped at \$25 million for the five-institution University of Massachusetts system, \$2.5 million per institution for non-system state colleges, and \$1 million each for community colleges. Further, the state stipulated that only those private contributions made in support of academic purposes—such as scholarships and endowed chairs—would be eligible for government matches. The program was originally scheduled to terminate either when the maximum matching funds had been fully subscribed or by July 2003, whichever point was reached sooner. The law has been revised to extend the termination date to July 2010 (or when the funds are fully subscribed), and to allocate additional funds to the institutions, as state funds permitted: up to \$50 million for the University of Massachusetts system, \$5 million per institution for other state colleges, and \$1 million for each community college.

IMPACT. "Systemwide private giving has increased from less than \$10 million annually prior to the program inception in FY1997 to over \$25 million on average (not including state matching funds) in the past four years [from 1997 to 2000]," according to a statement issued by the Massachusetts Board of Higher Education. During FY01, the University of Massachusetts at Amherst raised \$30.2 million in private donations and received \$1.6 million in matching funds from the state. In commenting on the institution's success, Chancellor Marcellette G. Williams said, "We are grateful

especially to our alumni for increasing their support and also to the state legislature for helping us to help ourselves.”

The state’s community colleges have experienced similar success. Over the course of the program, Cape Cod Community College received more than \$900,000 matched in government funds, and Bristol Community College raised more than \$700,000 (surpassing its goal by 37 percent), and thus received \$1 million in matching funds.

• Ontario

The Ontario Student Opportunity Trust Fund was developed in 1996 by the provincial government to encourage companies and individuals to make donations to enhance or establish endowments at the province’s colleges and universities to help academically qualified, but financially needy, individuals gain access to those public institutions. The fund stated that the province will match those private donations at a ratio of 1-to-1, and it required that eligible students be residents of Ontario for at least 12 months prior to entering the college or university, among other program features. The program was designed to be implemented in two phases. Phase I was originally scheduled to operate for one year (from 1996 to 1997) but was extended to March 1998; Phase II, established in 2003, allows universities and colleges to secure outright gifts and pledges through December 31, 2005 and stipulates that the pledges will be eligible for matches until March 31, 2011.

IMPACT. During Phase I, the province’s colleges and universities cumulatively raised about CAN\$250 million—exceeding their original goal of CAN\$100 million—and received an equivalent amount in matching funds for a total of CAN\$500 million, according to the Ministry of Education. In addition, about 166,000 students will receive assistance from the fund over a ten-year period. “This program was an outstanding success,” Education and Training Minister John Snobelen said in comments during Phase I. “We believed that Ontarians would rise to the occasion, and they did that—and more. This project demonstrated how much importance the people of this province and their government place on postsecondary education.”

In addition, Robert Prichard, president of the University of Toronto from 1990 to 2000, launched the university’s campaign that ultimately resulted in the university raising CAN\$1 billion (excluding state matched funds), the largest campaign in Canada’s history. He attributes the steep trajectory of that success to a range of factors, including investment in fund-raising staff, heightened professionalism of the development operation, and the incentive of the matching gift fund.

• Hong Kong

Since 2002, the Hong Kong government has sought to diversify funding for higher education by strengthening fund-raising capabilities of institutions, particularly because cutbacks to government funding of higher education were clearly in prospect and greater differentiation within the sector was envisaged. Seed money of up to HK\$5 million for each of the eight institutions funded by the Hong Kong University Grants Committee was made available to build fund-raising capacity. Institutions applied for the funds according to their needs. Funds were consequently spent on staffing, training, consultancy, database development, and alumni relations programs. In addition, the government raised the ceiling for tax-exempt donations from 10 percent of income or profits to 25 percent to encourage private donations to education and other charitable purposes. Further, the government created a government fund of HK\$1 billion for matching grants to universities on a ratio of 1-to-1. To date, this program has run in two phases, from March 2003 to June 2004; a third phase is under consideration. The University Grants Committee, which administered the process, reports that it did not find the program complicated to manage.

For both phase one and two, the scheme was cash-limited with a “floor,” amounting to HK\$45 million, as a guaranteed minimum that each institution could access by raising donations to that amount, and it had a “ceiling” of HK\$250 million, the maximum any institution could attract on a first come, first served basis. The aim of the structure was to allow smaller institutions a fair chance while encouraging healthy competition among the institutions and raising the sights of what private philanthropy could achieve. There were some limitations on what kinds of gifts were eligible for matching. Practices within each institution varied considerably, producing diverse approaches and to some extent, reflecting their differing ages, traditions, reputations, missions, and alumni constituencies.

IMPACT. By the end of the program, the eight institutions raised a total of HK\$1.3 billion, triggering the release of the entire HK\$1 billion in the matched grants allocation from the government. Per institution, the donations raised amount to an average of HK\$163 million in cash. All institutions except the Hong Kong Institute of Education achieved the floor level. Two—the University of Hong Kong and the Chinese University of Hong Kong—brought in donations higher than the ceiling level. Half of the institutions received allocations of more than HK\$100 million in matching grants. Some institution-specific measures of success include the following: Gifts to Hong Kong University increased by more than 50 percent. Gifts to Hong Kong University of Science and Technology, which had been averaging HK\$20 million a year, peaked at HK\$140 million in this period; Hong Kong Institute of Education,

a young university with an alumni population made up of modestly paid teachers, increased its fund raising total by 100 times over totals of 10 years previously, when it embarked on a development program; Polytechnic University successfully tapped in to industrial and corporate sources of support; City University achieved high levels of giving from faculty, Council and Court members, with the help of challenge grants from individual alumni that effectively turned each \$1 donated from within the institution into \$5; and Hong Kong Baptist University achieved the largest single donation, HK\$100 million from an individual previously unknown to the university.

In general, the program also is credited with generating a great deal of publicity and raising the profile of private giving to universities. “I thought it was the government’s business,” commented an HKU donor, “now I realize it is a partnership.” Donors liked the fact that their dollars had become more powerful, the institutions received donations for projects donors had not generally supported previously, and the institutions became more focused on and committed to fund-raising activities. Professional staff gained skill and experience, connections with alumni were strengthened, and some vice-chancellors/presidents became more adroit and comfortable at leading fund raising.

Government Matching Fund Programs in Hong Kong

Source: University Grants Committee

| Institution | Eligible donations received, in millions* | Matching allocation, in millions* |
|--|---|-----------------------------------|
| City University of Hong Kong | 57 | 45 |
| Hong Kong Baptist University | 186 | 79 |
| Lingnan University | 48 | 45 |
| Chinese University of Hong Kong | 273 | 228 |
| Hong Kong Institute of Education | 21 | 21 |
| Hong Kong Polytechnic University | 214 | 201 |
| Hong Kong University of Science & Technology | 140 | 131 |
| Hong Kong University | 381 | 250 |
| Totals | 1,320 | 1,000 |

*Hong Kong currency

• Singapore

Singapore's first documented government matching fund program dates to 1991, when the University Endowment Fund was developed to encourage philanthropic support of the National University of Singapore (NUS) and the Nanyang Technological University (NTU) with a matching ratio of 3-to-1. Prior to that date, the tradition in Singapore had been for particularly generous government investment in higher education, with little emphasis on the value of encouraging public or alumni support. The program was expanded in 2000 to include the then-new Singapore Management University (SMU). In addition, private donations to the AmCham Scholarship Program, developed in 2000 by the city government and the American Chamber of Commerce, were made eligible for double tax deductions. The Singapore government has adjusted the program from time to time to reflect current priorities. At present, for example, gifts to SMU are matched at 3-to-1, whereas gifts to NUS and NTU are matched at 1-to-1.

IMPACT. As of October 1995, within the first five years of the University Endowment Fund, the National University of Singapore reported having exceeded a \$50 million milestone in its early fund raising efforts, according to a report from the NUS development office. Gifts received by that point included outright contributions in excess of \$31.4 million, with additional pledge commitments of about \$3.4 million. The remainder—nearly \$28 million—was made in the form of government matching funds. In addition, the university established eight new endowed professorships between 1991 and 1996, with an additional 16 from 1997 to 2000. A 1996 report by Christopher Reaske, vice president for development at Boston University, who served as an adviser to NUS, included recommendations to allow for greater varieties of gift types and purposes, to improve overall program management (both in government and at the institutions), to strengthen accounting and reporting processes, and provide more staff training.

Subsequent to this 1995 initiative, NUS launched another comprehensive fund-raising campaign in 2002 with a goal of reaching \$100 million by 2005. The initial phase of the campaign has yielded \$38 million to date. NUS President and Vice Chancellor Professor Shih Choon Fong attributes this success not only to increased private giving from alumni but also to “public philanthropy” and additional support from programs and incentives described above.

Challenges and Opportunities

THE SUCCESS OF government matching fund programs varies from program to program because of their unique characteristics and implementation schemes. They include the amount of available public funds, the health of the larger economy in a particular society or community, institutional capabilities, and to lesser degrees, legislative and political climates, the state of philanthropic giving in general, and applicable tax laws. The following summarizes some crucial factors.

Sufficient government funds. In many instances, research shows, ensuring that sufficient government funds are earmarked to fulfill established, legislation-mandated commitments is the greatest factor in the long-term effectiveness of these programs. To cite one specific example of how state legislators are attempting to do so, Connecticut lawmakers averted funding shortfalls when they modified existing legislation to extend matching program timelines and increase funds for various matching fund programs. While the state lags in distributing promised state funds, members of the legislature have indicated their intent to complete all of the agreed-upon disbursements. On the whole, research indicates that setting minimum and maximum amounts—both for individual gift eligibility and for overall support per institution—is an effective tool to manage fiscal control and accountability.

Robust economies. Beginning in the late 1990s and continuing to the present, many state economies in the United States have experienced diminished tax revenues. Consequently, some state legislatures were unable to sustain their matching gift programs. (As of the end of 2003, Florida, for example, owed about \$124 million to its 11 public colleges and universities in matching funds, according to the state Department of Education. In a highly publicized case in the United States, a donor withdrew a \$750,000 gift to Florida Atlantic University in protest. Similar issues have arisen in Louisiana.) To more accurately reflect current economic circumstances, some university officials now inform prospective donors that their private gifts *might* be matched with state funds. One approach for mitigating the potential negative impact of economic downturns on government matching gift programs is for lawmakers to establish a specific timeframe for providing matching funds, coupled with the option of extending such timelines when possible and warranted.

Institutional capacity. A third factor in the success of these programs is the ability of institution professionals—especially those responsible for fund raising—to manage and maximize such initiatives. In the United States, despite the high profile of fund raising in celebrated private institutions such as Harvard and Stanford universities, many public colleges and universities are relative newcomers to fund raising, in part because

such institutions once were highly dependent on state resources. As those resources become increasingly scarce and as the number of students enrolled in those institutions climbs dramatically, public colleges and universities are under increasing pressure to raise private funds. This is a phenomenon CASE sees echoed all over the world, not least in the United Kingdom. Higher education institutions increasingly seek to professionalize their practice in the related fields of fund raising, alumni relations, communications and marketing (or “institutional advancement”). Investment in these areas is now a necessary part of a university’s effective engagement with its constituencies.

Conclusion

GOVERNMENT MATCHING FUND PROGRAMS offer great promise for strengthening the quality of higher education and improving access to colleges and universities. The most successful programs challenge institutions and their supporters and have been responsible for launching comprehensive fund-raising campaigns, for supporting existing campus programs, and for enhancing overall private giving.

As the aforementioned AGB research report states, “The history of American philanthropy suggests that donors will make private gifts to higher education without the incentive of a matching fund program. However, an opportunity to double or, in some cases, triple the dollar value of a gift provides donors with powerful incentives.” Elsewhere, in places such as Hong Kong and Singapore with different and less explicit philanthropic traditions, donors have responded to the chance to increase the impact of their money in a similar way. CASE can see no reason why the introduction of a matched grants program in the United Kingdom should not be similarly rewarding.