



## Educational Advancement and Endowments

### Big Picture

- Education transforms lives and society. Endowments—permanent funds from charitable gifts—offer our colleges and universities the enduring ability to empower generations of students and shape our world’s future.

### Charitable Giving and Endowment Management

- Charitable gifts are the primary source of funds for endowments. Donors typically make endowed gifts for specific purposes such as establishing student scholarships, creating professorships, instituting new programs, or constructing new facilities.
- An institution’s “endowment” is a collection of hundreds to thousands of funds set up through the generous charitable gifts of donors so that institutions can fulfill their missions of life-changing learning and life-saving research.
- Endowments provide financial stability and certainty. Colleges and universities spend a percentage of their endowment each year to meet current teaching and learning needs. The remainder is invested to ensure that resources are available for a particular charitable purpose in the future. Schools must have the flexibility to determine an appropriate spending rate to ensure that their endowments will continue to provide long-term, stable support for their institutions.

### The Importance of Endowments

- College and university endowments help institutions increase access and improve educational quality and experience.
- Endowments help institutions maintain educational quality. Institutions with healthy and growing endowments can better manage temporary financial challenges such as economic recessions or unpredictable state funding and still provide a quality academic experience for students.
- Endowments provide vital support for student aid and scholarships, helping increase access and affordability. According to the 2018 Voluntary Support of Education Survey, a plurality of restricted gifts to endowments (38 percent) went to support student financial aid.<sup>i</sup>
- While endowed funds support student financial aid, they also support other purposes that contribute to a student’s educational experience, including faculty, academic programs and facilities. Endowments also fund ground-breaking research, medical technology and facilities and public service programs.

### Taxing Generosity

- The Tax Cuts and Jobs Act of 2017 included a 1.4 percent excise tax on the net investment income of private colleges and universities with 1) more than 500 students and 2) an endowment per student ration of greater than \$500,000.
- An endowment excise tax is a tax on the endowed charitable gifts of donors. This misguided tax redirects charitable gift funds away from supporting students, research and academic programs. Our tax policy should encourage donor generosity, not penalize it.
- We urge lawmakers to support the Don’t Tax Higher Education Act ([H.R. 4438](#)), which repeals the endowment excise tax.

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<sup>i</sup> 2018 Council for Advancement and Support of Education Voluntary Support of Education Survey  
<https://www.case.org/resources/2018-voluntary-support-education>