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ABSTRACT

Patterns of corporate voluntary gift and tax support to colleges and universities are examined for 1965-1984, based on data from the Council for Financial Aid to Education. Growth in corporate gifts are compared with changes occurring simultaneously in tax-generated corporate support. Also considered are differences in corporate funding patterns between public and private institutions, growth of corporate gift support to public institutions, and changes in the share of corporate funding that goes to higher education indirectly through state and local government funding. Policy implications related to the rise of corporate support to higher education are also addressed. Findings indicate that corporate gifts are growing at a quicker pace than either corporate tax of foundation gift support. At the same time, taxes still make up the largest share (about 89%) of total corporate support. Of the total $4.7 billion in voluntary gift support to colleges and universities in 1983-1984, $1.1 billion, or 22.7%, was corporate giving. In 1983-1984, corporate gifts surpassed foundation gifts for the first time. Data are provided on: voluntary support as a percentage of institutional expenditures, 1965-1984; corporate and foundation voluntary support per headcount student; and corporate support per full-time equivalent student. (Author/SW)

TRENDS IN CORPORATE
VOLUNTARY GIFT AND TAX SUPPORT
TO HIGHER EDUCATION

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Abstract

Paper looks at patterns of corporate voluntary gift and tax support to higher education. It compares growth in corporate gifts with changes occurring simultaneously in tax-generated corporate support. Findings indicate that corporate gifts are growing at a quicker pace than either corporate tax or foundation gift support. At the same time, taxes still make up the lion's share (about 89 percent) of total corporate support. Study also contrasts differences in corporate funding patterns between public and private institutions, and growth of corporate gift support to public institutions.

Acknowledgement

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Introduction

Corporate philanthropy/1 to higher education has come a long way since the 1950's when courts upheld the validity of corporate gifts (Payton, 1985). Although some still question its appropriateness (Friedman, 1970; Clark, 1984), corporate largesse in the spirit of "enlightened self-interest" has become increasingly prevalent. At the same time, changes in state and federal tax law have enhanced incentives to give. For example, the 1981 Economic Recovery Tax Act (ERTA) includes several provisions that encourage corporate contributions (Smith, 1981)./2

This strengthening of ties has re-stirred policy questions about the proper relationship between business and academe (Johnson, 1984; Fowler, 1983)./3 Some express concern about its potential undue influence (Evangelauf, 1985), while others welcome the trend and see it as a way to replace waring government support (Bok, 1982; BHEF, 1984; Fey, 1983). For example, more public institutions including community colleges are fundraising in order to obtain a share of corporate philanthropy (Angel and Gares, 1981; Ballard, 1981; Danbury, 1981).

1/The terms philanthropy, voluntary support and gifts are used interchangably in this paper.
2/Recent changes in federal patent law that make it easier for universities to retain research invention rights also have strengthen university-industry ties (Smith, 1982).
3/See Veblin (1957) and Veysey (1965) for historical perspective on business-university relations.

This paper looks at patterns of corporate voluntary gift and tax support to higher education. First, it compares growth in corporate gift with changes occurring simultaneously in tax-generated corporate support. By combining tax and gifts, it expands on other studies which have focused only on philanthropy (BHEF, 1984; CFAE, 1985a; CFAE, 1985b; Lord, 1984). Thus, the paper identifies patterns of giving within the broader context of corporate state and local tax support.

Second, it compares trends in corporate tax and gift funding between public and private institutions. It looks to see whether increased corporate fundraising by public institutions has eroded the traditionally larger proportion of gift support received by private institutions. Meanwhile, on the tax side, it assesses changes in that share of corporate funding which goes to higher education indirectly through state and local government funding.

Finally, it discusses several policy implications related to the rise of corporate support to higher education.

Methodology

This paper relies on voluntary support data from the Council for Financial Aid to Education (CFAE). In addition to several of its published reports (1975, 1985a, 1985b and 1986), CFAE provided data tapes for the last five years (1979-80 to 1983-84). Tapes were analyzed by the National Institute of Independent Colleges and Universities (NIICU) to determine voluntary support by state and by institutional control (public, private).

Corporate tax support is estimated from state and local appropriations to higher education. Appropriations for public institutions come from Kent Halstead's annual statewide comparisons (1985), while for private higher education it is derived from two sources. Student aid data are from the Annual Surveys of the National Association of State Scholarship and Grant Programs, while funding for institutional-based programs are from Legislative Activity surveys collected by the State-National Information Network, a joint research body of NIICU and the State Association Executive's Council.

The portion of higher education appropriations paid by corporations is based on a corporate tax rate of 31.4 percent which is held constant over the five-year period studied. This tax rate from a U.S. Advisory Commission on Intergovernmental Relations study (1983) with a tax rate methodology developed by the Joint Center for Urban Studies of MIT and Harvard University. Corporate tax rate is held constant because more recent data were unavailable.

Note that this study focuses only on state and local tax support and therefore does not account for federal corporate tax support. Also headcount enrollment data are used to assess trends between 1965-66 and 1983-84. This is because Full-Time Equivalent enrollment data were not collected until later.

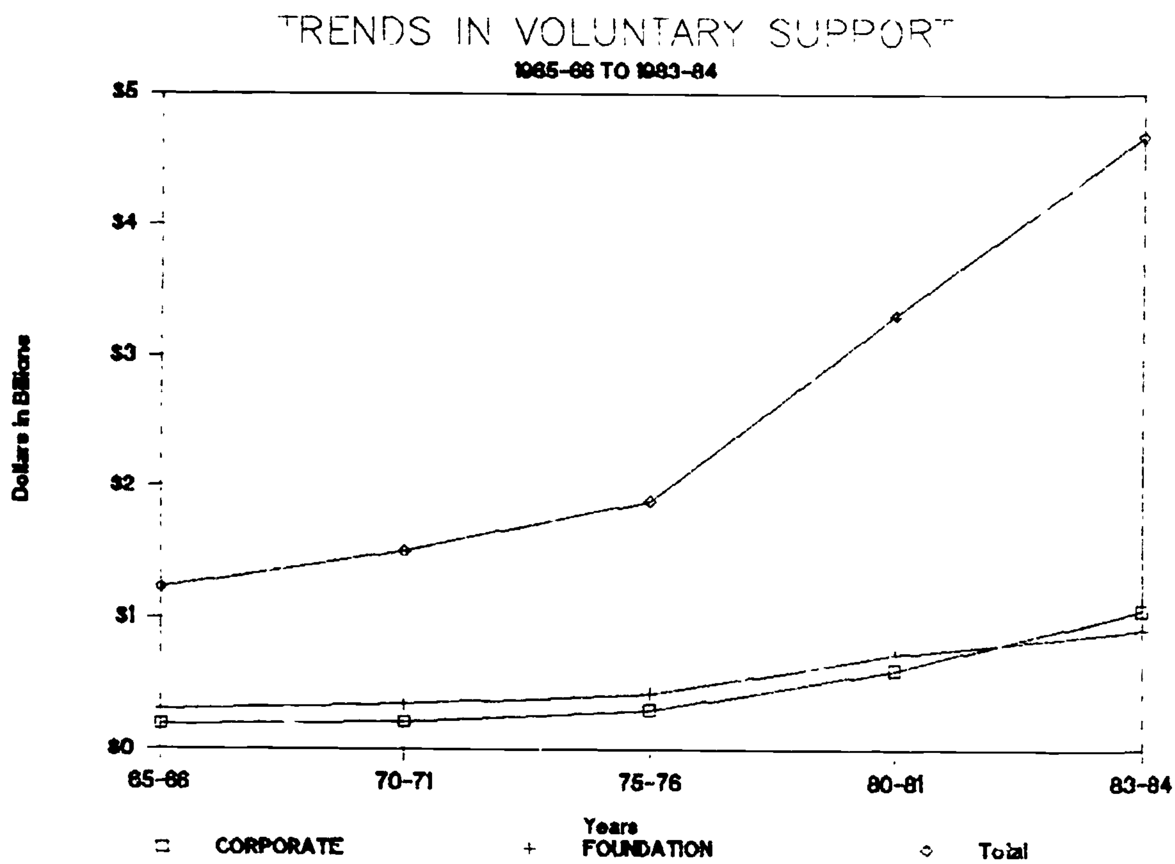
Findings

<u>Trends in Corporate Gifts</u> Colleges and universities reported a new record high of $4.7 billion in voluntary gift support in 1983-84. Of this, corporate giving totaled $1.1 billion, or 22.7 percent. Figure 1 shows growth in voluntary support from 1965-66 to 1983-84.

Corporate giving is growing faster than other sources of voluntary support to higher education. In fact, as an indication of this growth, corporate gifts in 1983-84 surpassed foundation gifts for the first time ever (See Figure 1). Corporate support grew from 15.9 percent of total voluntary support in 1965-66 to 22.7 percent in 1983-84. At the same time, foundation support declined from 24.7 to 19.5 percent.

Despite this growth, total voluntary giving has not kept pace with rising college and university costs. Table 1 shows that voluntary support as a percentage of institutional expenditures fell from 8.1 percent to 5.2 percent between 1965-66 and 1983-84.

FIGURE 1



Source: See Table A-1.

Note: Total includes alumni, nonalumni individuals, business, foundations, religious organizations and other.

TABLE 1. VOLUNTARY SUPPORT TO HIGHER EDUCATION AS A PERCENTAGE OF INSTITUTIONAL EXPENDITURES, 1965-66 TO 1983-84

	As % of Institutional Expenditures		
Year	Foundation	Corporation	Total
1965-66	2.0%	1.3%	8.1%
1970-71	1.3%	0.8%	5.6%
1975-76	1.0%	0.7%	4.4%
1980-81	1.0%	0.9%	4.7%
1983-84	1.0%	1.2%	5.2%
Change			
65-66 to 83-84	-1.0%	-0.1%	-2.9%
80-81 to 83-84	0.0%	0.3%	0.5%

Source: Table A-1.

While corporate giving also declined slightly during this period (from 1.3 to 1.2 percent), it gained strength relative to other sources because of its steady growth since the mid-1970's. By contrast, foundation support dropped sharply--from 2 percent to 1 percent of institutional expenditures.

Nor has voluntary giving kept pace with inflation. Table 2 shows that while total giving increased 159.4 percent in current dollars (from $33 per headcount student to $85) between 1965-66 and 1983-84, it actually declined by 18.4 percent (from $34 to $28 per student) when inflation is factored in. But here again corporate philanthropy outpaced both foundation and total voluntary giving. Consider that between 1980-81 and 1983-84 corporate gift support per student, when deflated by the Consumer Price Index (CPI), rose 43.3 percent (from $16 per student to $28). Meanwhile, foundation support showed no virtually no change--rising from $23 to $24 per headcount student during the same five year period.

Corporate State and Local Tax Support How does this growth in corporate gifts compare with changes in the level of corporate tax-generated support? Here less attention as been paid. In part this is because state and local business taxes are more difficult to analyze. Tax policy is complex and varies by state. Also because certain taxes are levied on individuals as well

TABLE 2. VOLUNTARY SUPPORT TO HIGHER EDUCATION PER STUDENT, 1965-66 TO 1983-84

		Per Headcount Student					
		Foundation		Corporate		Total	
Year	CPI*	(Current)	(CPI)	(Current	(CPI)	(Current)	(CPI)
1965-66	95.9	$51	$53	$33	$34	$189	$197
1970-71	118.8	40	33	25	21	175	148
1975-76	165.9	39	23	27	16	169	102
1980-81	259.6	60	23	51	19	274	106
1983-84	304.8	73	24	85	28	375	123
% Change							
65-66 to 83-84		43.2%	-54.9%	159.4%	-18.4%	98.2%	-37.6%
80-81 to 83-84		21.8%	3.7%	68.2%	43.3%	36.8%	16.5%

Sources: Same as table 1.

*Consumer Price Index (CPI) 1967=100.

as business (e.g., property and sales taxes), it is more difficult to ascertain the corporate share.

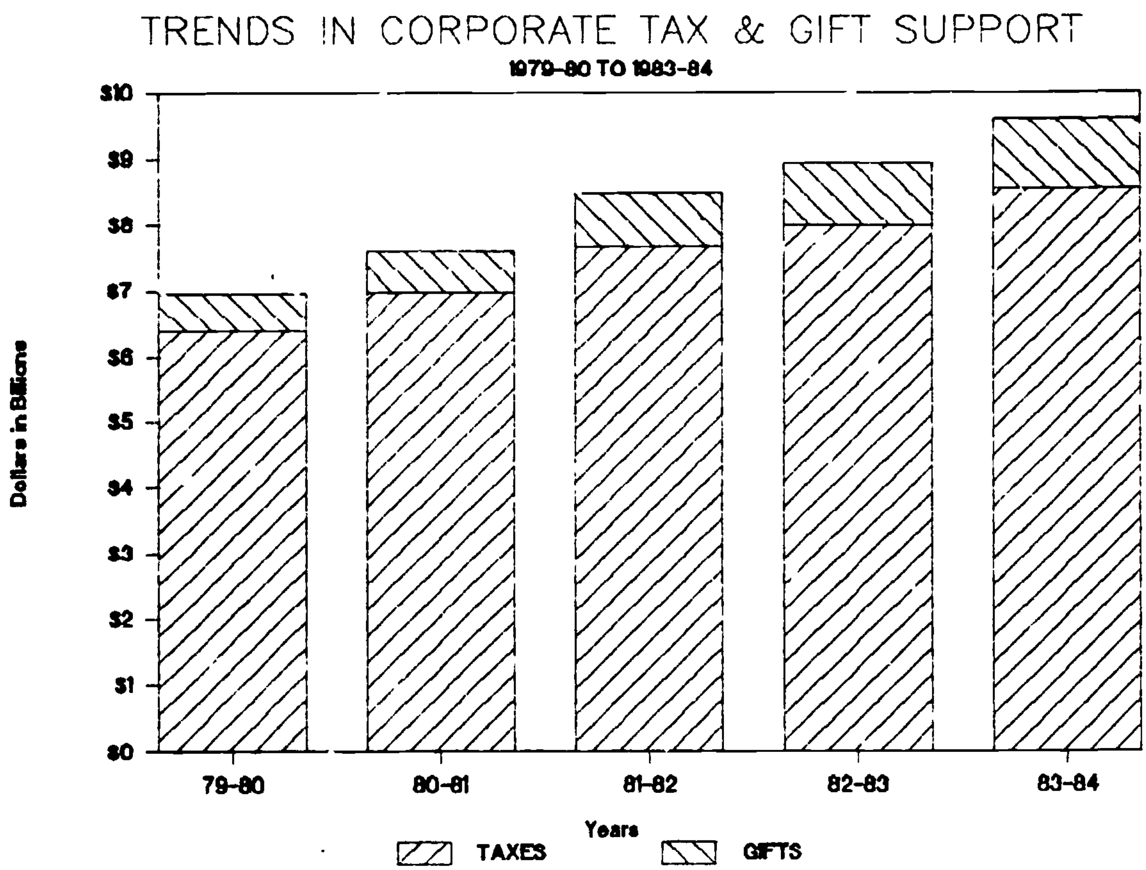
When corporate taxes and gifts are combined, the level of corporate support jumps markedly. Figure 2 shows that in 1983-84 corporate tax and gift support to higher education totaled $9.6 billion. Of this, the lion's share ($8.5 billion or 89 percent) comes from taxes. This increase reflects the large level of state higher education appropriations of which corporate taxes represent about one third (31.4 percent).

Despite this large tax component, trends indicate a shift toward more corporate gift support. Consider that, between 1979-80 and 1983-84, corporate gifts as a percentage of total corporate support to higher education rose from 8 percent to 11 percent.

Figure 3 illustrates changes in corporate tax and gift support per Full-Time Equivalent (FTE) student. Note that between 1979-80 and 1983-84 gift support per student increased 79.8 percent (from $67 per FTE student to $120). This compares to a 25.4 percent increase in tax support (from $768 per FTE student to $967).

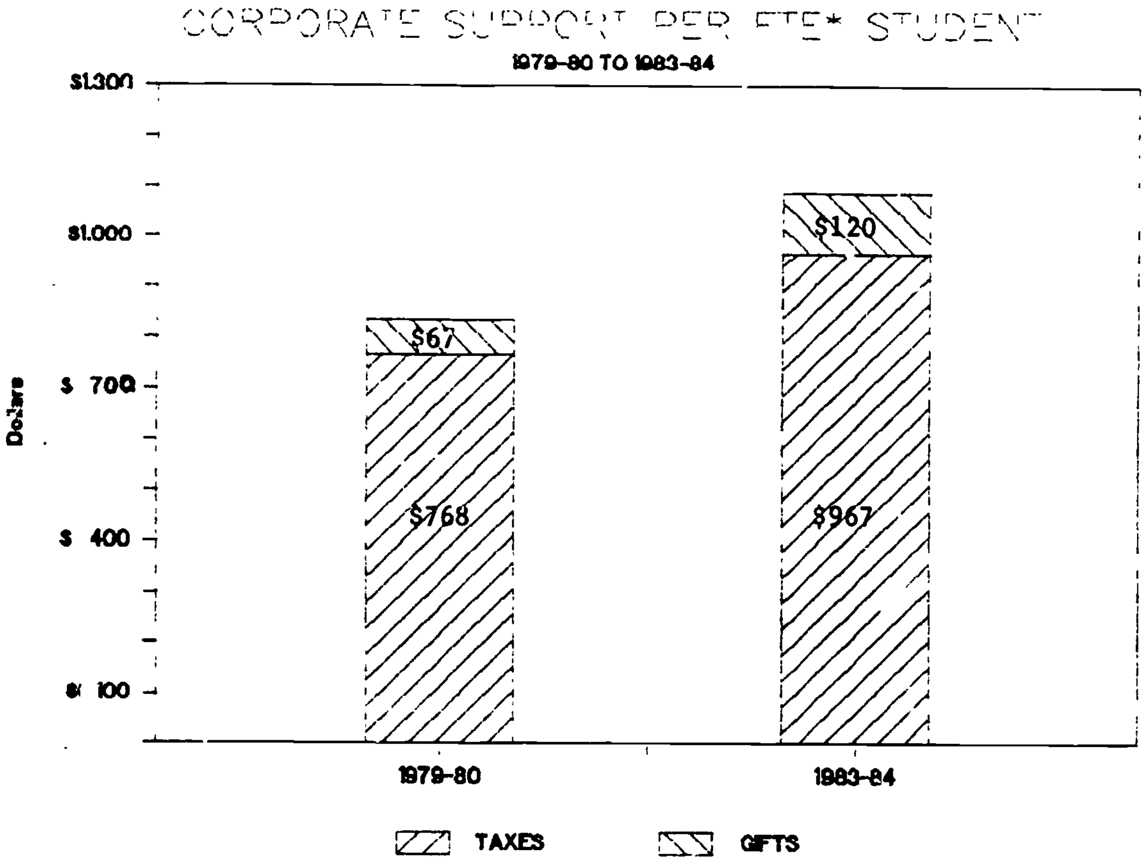
<u>Public-Private Comparisons</u> The distribution of tax and gift support varies markedly between public and private

FIGURE 2



Source: See Table A-2.

FIGURE 3



Source: See Table A-2.

* Full-Time Equivalent

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institutions. Figure 4 shows that corporate support is about three times higher per student at public institutions compared to private institutions. In 1983-84, public institutions received an average of $1,295 per FTE student, while private institutions received $411 per student. This gap reflects the larger amount of state and local tax funds appropriated to public colleges and universities.

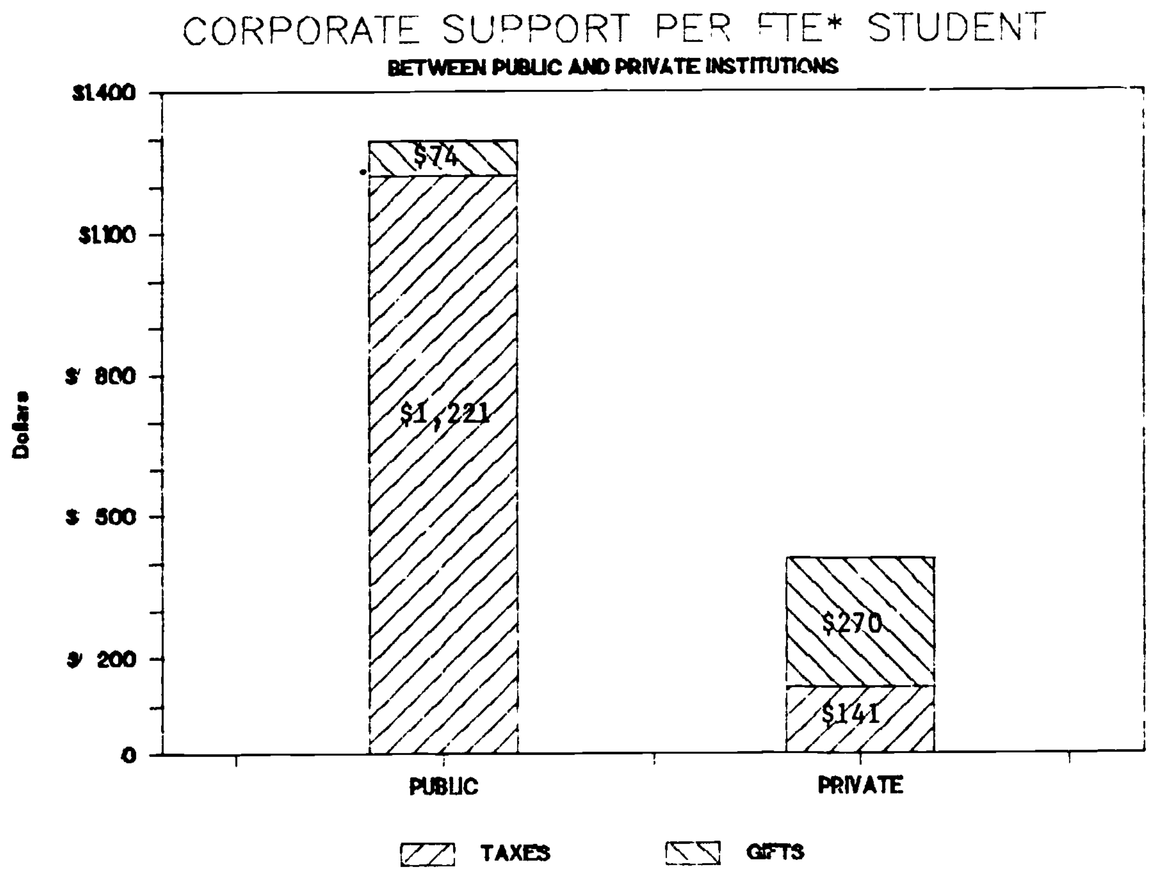
As indicated in Figure 4, private institutions do receive a greater share of corporate gifts funding. Corporate gift support per student in 1983-84 totaled $270 per FTE student at private institutions compared to $74 per student for public institutions.

However, this gap in corporate gift support is narrowing. Corporate giving is rising at a faster rate at public institutions than private institutions. Figure 5 shows that although private colleges and universities received 58.5 percent of all corporate gifts to higher education in 1979-80, this proportion decreased to 52.9 percent by 1983-84.

Discussion

A recent article in Change magazine profiling foundations began by asking why educators paid so much attention to foundations (Sleeper, 1985)? The same might be asked of corporate gifts.

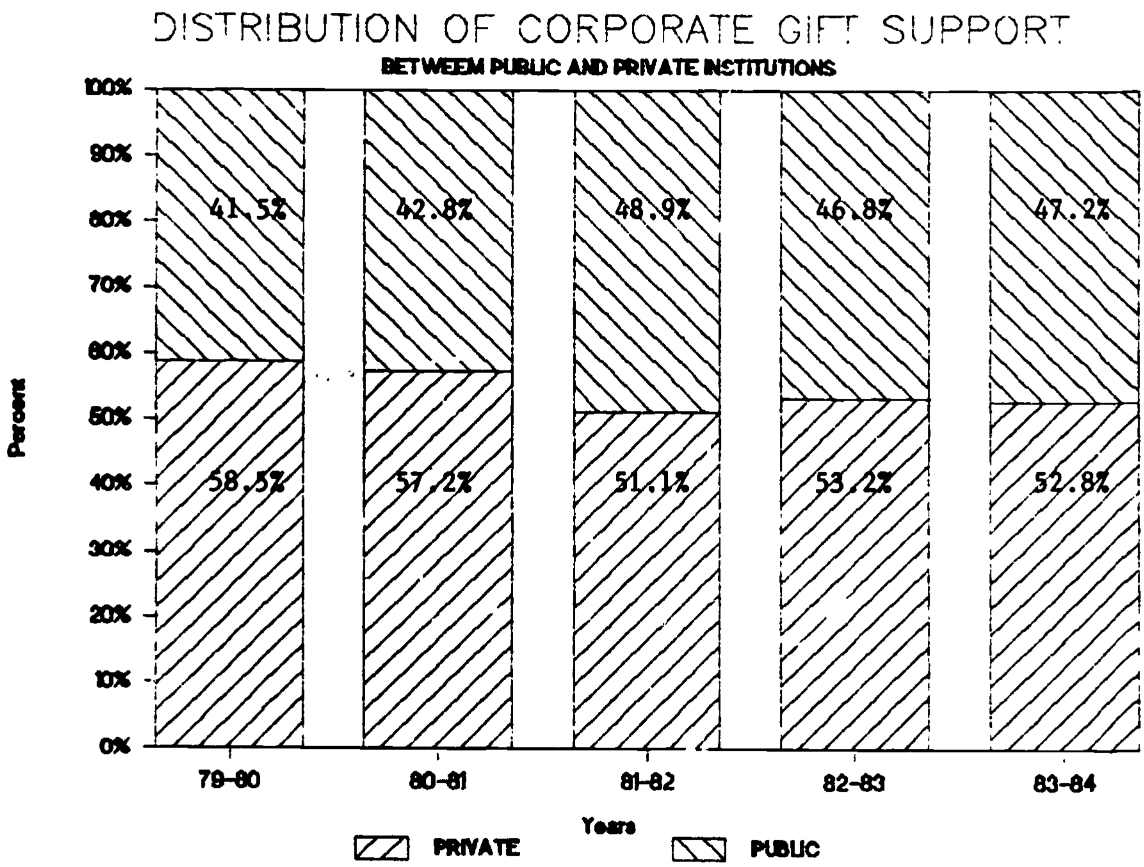
FIGURE 4



Source: See Table A-2.

* Full-Time Equivalent

FIGURE 5



Source: See Table A-2.

They too represent only about one percent of higher education expenditures. Also, as indicated in this paper, a much larger share of corporate support to higher education (89 percent) goes through taxes and therefore is beyond the direct discretionary control of corporate board rooms.

Yet closer ties with business obviously raises special policy concerns not usually associated with foundations. Foremost, the proprietary nature of business is more likely to lead to conflicting goals and priorities. This bottom line orientation raises the question of the proper balance of funding. That is, to what extent might such financial links begin to influence institutional autonomy in areas such as in academic curriculum and research decisions?

Second, whereas foundation support has fallen off, corporate gifts are on the rise and expected to continue (Lord, 1984; Payton, 1985). This is likely to leverage any influence, especially if funding from government and other sources continues to decrease.

Third, looking just at the $1.1 billion figure of corporate gifts does not tell the whole story. A more appropriate gauge may be to consider corporate philanthropy within the larger context of academic-business relations--current as well as potential. Unlike foundations, here ties are less clearly defined, more dynamic and likely to intervene. For example, joint interests might cover contractual research agreements, consulting relations, cooperative education and cultural enrichment. This potential for closer ties is perhaps the best illustrated by considering the large amount spent annually by corporations on in-house education--a figure estimated at upward of $40 billion (Eurich, 1985). Thus, looking at corporate gifts alone may understate the array of mutual interests and potential linkages.

Finally, what are the policy implications of growing corporate tax gifts to higher education? Aside from increased attention to questions of the proper balance of business-university funding, at least three policy considerations may arise.

First, to what extent might growth of fundraising by public higher education affect legislative budgeting and policy decisions? An example of this is the way state legislatures increasingly are building in matching-grant components that require institutions to seek outside sources before they can become eligible to receive funds. For example, in Michigan a recent gubernatorial research initiative recommended a $15 million state-match to endow faculty positions at public universities. Meanwhile, in Illinois, a new minority scholarship program includes an institutional matching component. As legislators come to view private gift support at public institutions as an expected revenue source. examples of legislatively mandated fundraising may become even more widespread. State policy makers, for instance, may begin factoring in gift resources when they determine institutional budgets and appropriation levels.

Second, to what extent will increased fundraising by public institutions erode the private college fundraising base? Public community colleges, for example, may be extremely well-positioned to gain a larger share of corporate support because of their focus on vocational education and job training. On the other hand, small private colleges may have a tougher time persuading business of the benefits of liberal arts education.

Finally, what affect might increased growth in corporate giving have on tax policy? As Congress turns to tax reform as one way to address budget deficits, Washington higher education associations have directed increased attention on tax matters. For example, colleges are concerned about revisions in charitable contribution tax laws such as the treatment of appreciated property. Meanwhile, research universities in particular are taking the lead in efforts to retain tax benefits on donated equipment. They recommend that such provisions be made a permanent part of the tax code, and that they be expanded to include other equipment such as computer software and spare parts (AAU, 1985, p11-12).

States too are experimenting with tax policy to foster academic research and modernization of research equipment.

For example, currently 34 states have their own tax codes set up automatically to follow federal code on deductions. Meanwhile, other states have adopted special tax benefits such as tax credits or higher deduction schedules (Ibid., p130-32). Such activity may increase, especially in light of growing statewide interest in research and economic revitalization (Lindsey, 1985).

In conclusion, corporate support is only one of several resources available to colleges and universities. Findings of this study echo what frequently has been stated elsewhere--that voluntary giving by itself is not enough to replace government support. Yet corporate giving has demonstrated a solid growth curve which clearly has outpaced tax growth. If demographic and economic constraints continue to face higher education through the 1990's, colleges and universities can be expected to pay special attention to this source. Certainly for some institutions corporate support has the potential for making the margin of difference. Thus, corporate support, particularly in light of the sensitive nature of business-university ties, is likely to be of continuing interest, not just for university fundraisers, but also for policy-makers and those concerned with the study of higher education.

APPENDIX

TABLE A-1. VOLUNTARY SUPPORT TO HIGHER EDUCATION IN RELATION TO ENROLLMENT AND INSTITUTIONAL EXPENDITURES, 1965-66 TO 1983-84

Year	Headcount Enrollment (thousands)	Institutional Expenditures (billions)	Total (in millions)		
			Foundation	Corporate	Total
1965-66	5,967	$15.2	$304	$196	$1,230
1970-71	8,581	26.9	341	211	1,504
1975-76	11,185	42.6	431	298	1,891
1980-81	12,097	70.5	725	612	3,318
1983-84	12,465	90.0	910	1,060	4,678
% Change					
65-66 to 83-84	108.9%	492.1%	199.3%	440.8%	280.3%
80-81 to 83-84	3.0%	27.7%	25.5%	73.2%	41.0%

Sources: Voluntary support data are from Council for Financial Aid to Education annual surveys (1975, table b, and 1985, p78, table e). Enrollment and institutional expenditure data are from NCES (reported by CFAE, 1985, p5, table 2).

TABLE A-2. ESTIMATED CORPORATE TAX AND VOLUNTARY GIFT SUPPORT TO PUBLIC AND PRIVATE HIGHER EDUCATION, 1979-80 TO 1983-84.

		Total (in millions)			Per FTE Student**		
	Year	Taxes*	Gifts	Total	Taxes*	Gifts	Total
PUBLIC	1979-80	$6,149.8	$230.4	$6,380.2	$973	$36	$1,010
	1980-81	6,736.7	261.7	6,998.4	1,019	40	1,059
	1981-82	7,393.3	402.1	7,795.4	1,101	60	1,161
	1982-83	7,704.7	440.3	8,145.0	1,141	65	1,207
	1983-84	8,252.7	500.7	8,753.4	1,221	74	1,295
PRIVATE	1979-80	$239.8	$325.3	$565.1	$120	$162	$282
	1980-81	255.8	349.7	605.5	125	170	295
	1981-82	271.2	420.6	691.8	131	203	333
	1982-83	282.7	500.0	782.7	137	243	380
	1983-84	292.5	559.7	852.2	141	270	411
ALL	1979-80	$6,309.6	$555.7	$6,945.3	$768	$67	$834
	1980-81	6,992.5	611.4	7,603.9	807	71	878
	1981-82	7,664.6	822.7	8,487.3	872	94	966
	1982-83	7,987.4	940.3	8,927.7	907	107	1,013
	1983-84	8,545.2	1,060.4	9,605.6	967	120	1,087

% Change

5yr.	Public	34.2%	117.3%	37.2%	25.4%	103.2%	28.3%
	Private	22.0%	72.1%	50.8%	17.9%	66.3%	45.7%
	Total	33.7%	90.8%	38.3%	26.0%	79.8%	30.3%
1yr.	Public	7.1%	13.7%	7.5%	7.0%	13.6%	7.3%
	Private	3.5%	11.9%	8.9%	2.8%	11.3%	8.2%
	Total	7.0%	12.8%	7.6%	6.7%	12.5%	7.3%

Sources: Gift data are from CFAE data tapes; state and local appropriations for public higher education are from Kent Halstead's annual surveys; private appropriations are from NASSGP annual surveys and SNIN state legislative surveys; corporate tax rate is from AICR; and enrollment are from NCES.

*Higher education appropriations times average state and local corporate tax rate (31.4%).
**Full-Time Equivalent.

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