

# Voluntary Support of Education

Trends in Alumni Giving



RESEARCH BRIEF



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# CONTENTS

Introduction.....	3
The State of Alumni Giving in 2018.....	3
What Do Alumni Support?.....	4
Historical Trends in Alumni Giving.....	6
Three Decades of Data Show Total Giving Mirrors Alumni Giving.....	8
How Alumni Participation Was Defined.....	8
A Better Way to Measure Alumni Engagement.....	10
Summary.....	10
Methodology.....	11
References.....	12

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## Introduction

Philanthropic support of higher education comes from a range of sources, including corporations, foundations, religious organizations, parents of former and current students, friends of the institutions and, of course, alumni. Attachment to alma mater can run deep. Many Americans gained and refined skills, knowledge, cultural awareness, and intellectual curiosity during their college years. Lifelong interpersonal relationships developed then, too. These factors all contribute to attachment to one's alma mater. After graduation, colleges and universities continue to communicate with graduates, and this communication supports and maintains this attachment.

According to 2018 research conducted by APM Research Lab, the research arm of the nonprofit public radio organization American Public Media, most Americans believe that government funding for higher education has increased or at least held firm over the last ten years.<sup>1</sup>

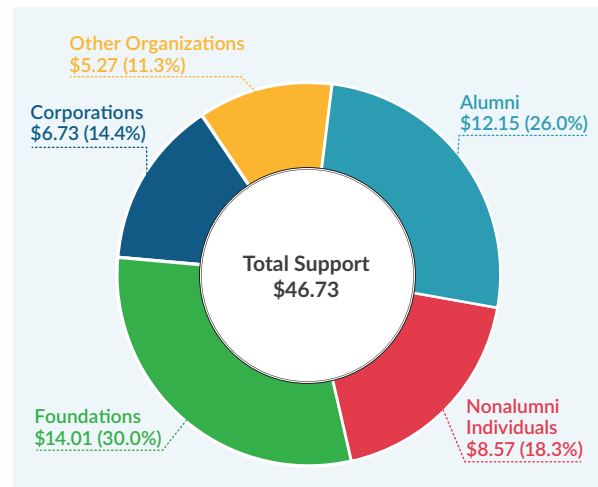
That is not the case, however. According to the Center on Budget and Policy Priorities (CBPP), inflation-adjusted state funding of higher education declined \$9 billion over the past decade.<sup>2</sup>

Giving to higher education institutions by any source is increasingly important given declines in funding from other sources, such as from states as outlined above. This brief specifically examines alumni giving. It is part of a series based on data collected in CASE's Voluntary Support of Education (VSE) survey for fiscal 2018—the 2017–18 academic year.

## The State of Alumni Giving in 2018

In fiscal 2018, alumni contributed \$12.15 billion—26 percent of the \$46.73 billion raised by U.S. colleges and universities that year. That is 6.9 percent more than the previous year.

Voluntary Support of Higher Education by Source, 2018  
(Dollars in Billions)

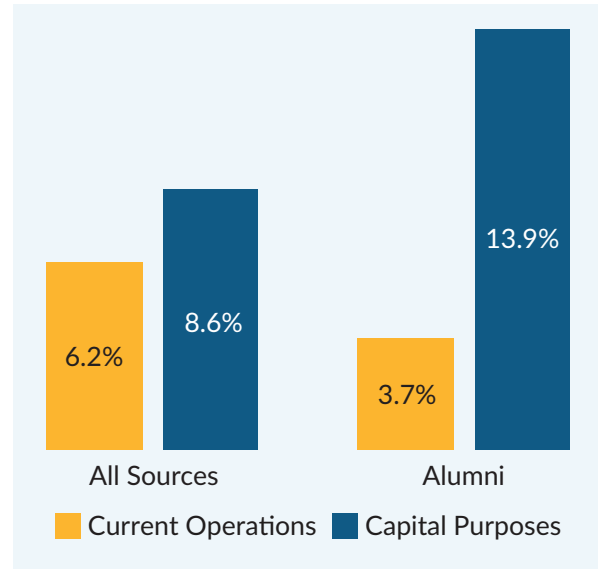


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## What Do Alumni Support?

Much of the growth in alumni giving has been in the form of capital-purpose gifts, which are gifts for endowment, property, buildings, equipment, and loan funds. This contrasts with the overall findings in the VSE survey, which show giving from all sources (including other individuals, corporations, foundations, and other organizations) was more evenly divided between capital-purpose and current-operations gifts.

Percentage Increase in Giving 2017–2018

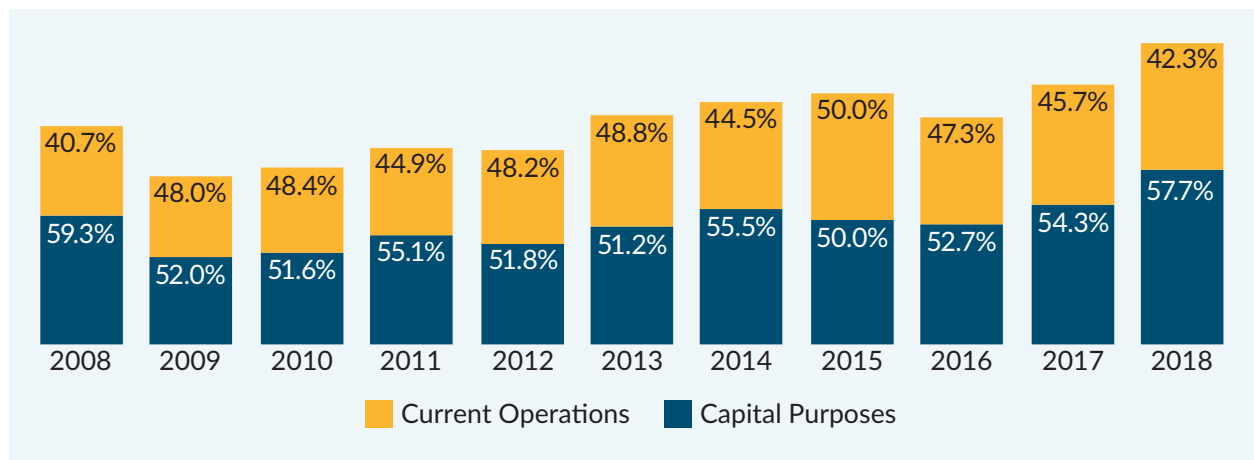


In the past decade, at least half of all hard-credit gifts from alumni were earmarked for capital purposes. Capital-purpose gifts tend to be larger gifts

than current operations gifts and are the result of both donors' capacity to contribute and the relationship between the donor and the institution.

### Alumni Support for Current Operations and Capital Purposes, 2008–2018

(549 Respondents)

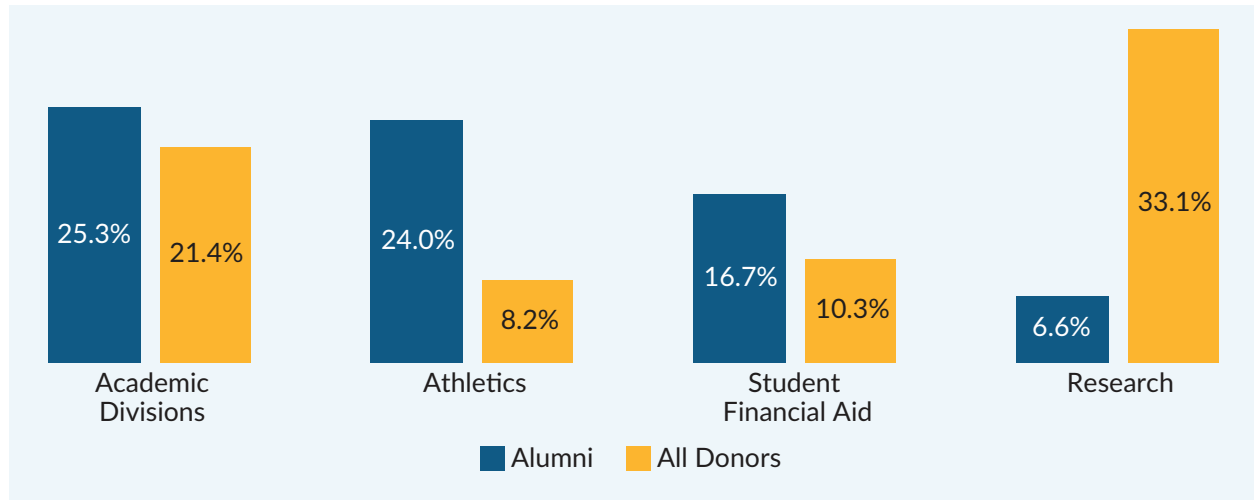


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Alumni do give to current operations, despite the small increase in such gifts from 2017 to 2018. A quarter of those current-use gifts were completely unrestricted in 2018. When alumni restricted their current operations gifts, the distribution often

resembled the average distribution from all types of contributors. However, in four areas, the designations of alumni contributions diverged from those of all donors.

**Distribution of Gifts to Current Operations, Restricted from Alumni and All Donors, 2018**



The term current operations often is used as a proxy for the annual fund. So, these percentages reveal where donors direct their restricted annual-fund contributions. Alumni primarily direct them to academic divisions—departments of study within a university—athletics, and student financial aid.

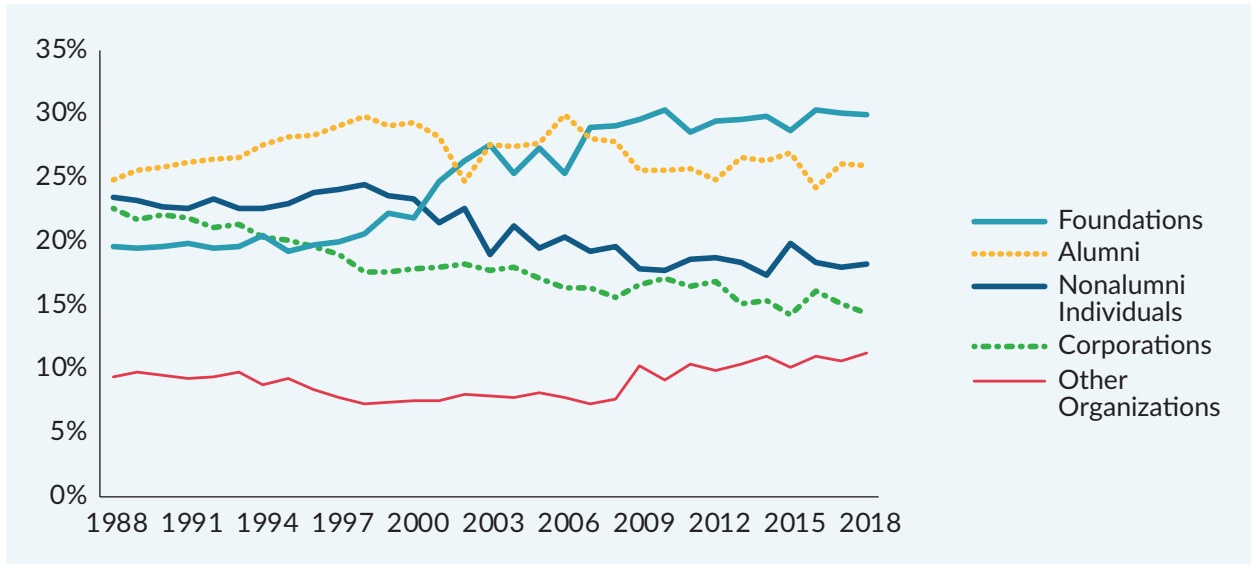
While alumni contribute less to research than most other donors, research receives the most

current operations funding from donors overall. Foundations, corporations, and non-alumni individuals tend to contribute more toward research than do alumni. Also, research dollars are usually outright, current-use gifts as they fund discrete research projects with finite timelines.

## Historical Trends in Alumni Giving

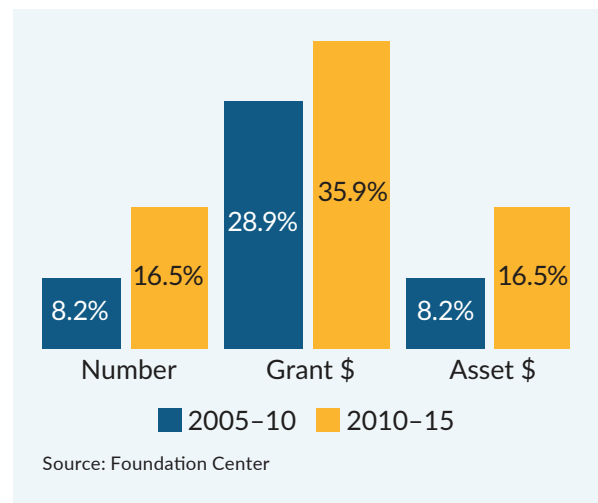
Historically, alumni have been either the largest or the second-largest source of voluntary support of higher education institutions.

Voluntary Support by Source as a Percentage of Total Voluntary Support, 1988–2018



In 2007, foundation support exceeded alumni support of colleges for the first time. Data from the Foundation Center for the period 2005 to 2015 show that the number of independent foundations, their grantmaking dollars, and their assets grew more in the second half of that time frame than in the first half, which partially explains the trend.<sup>3</sup>

Percentage Change in Number, Grants, and Assets of Independent Foundations

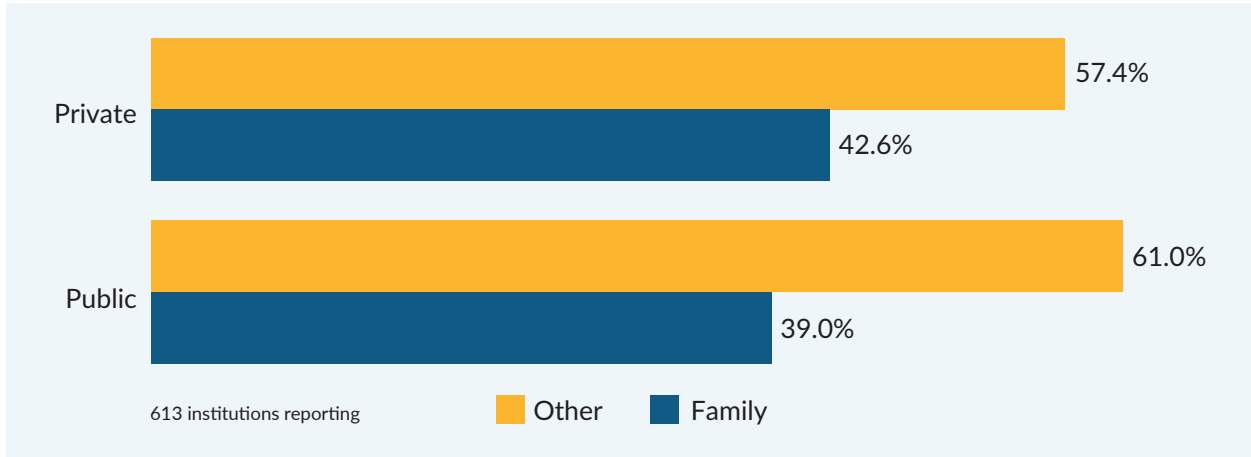


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Another reason for the trend is that alumni and other individuals increasingly make gifts through organizations. For example, gifts from family foundations are credited to foundations, and gifts made through donor-advised funds are credited to “other organizations” in the VSE survey.

To illustrate, in 2018, 613 institutions recorded the percentage of gifts they received from family foundations and the percentage from traditional foundations. In that group of colleges and universities, gifts from family foundations represented about 40 percent of all gifts received from foundations.

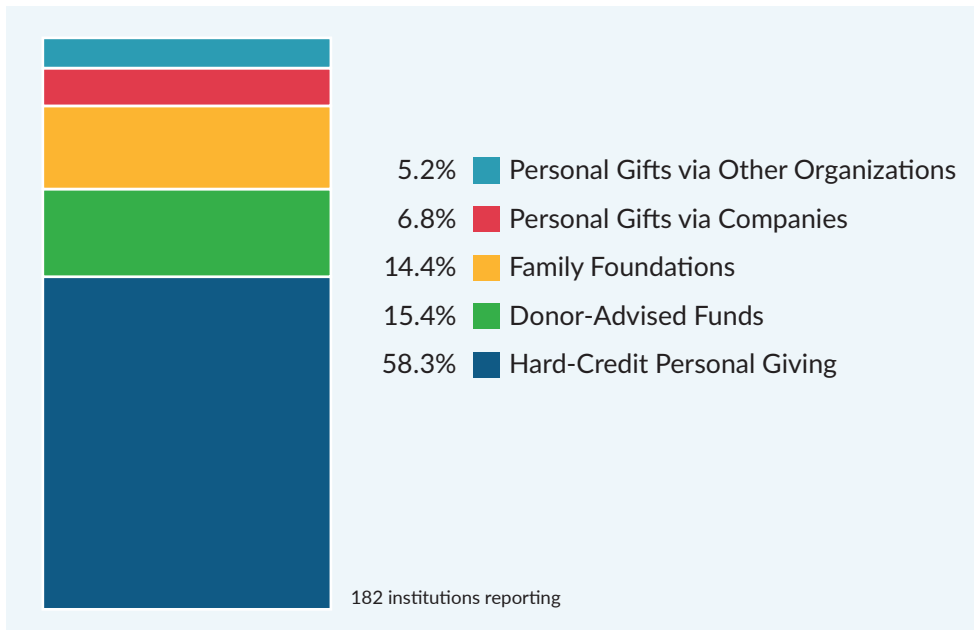
**Voluntary Support to Types of Institutions by Type of Foundation, 2018**



A smaller sample of 182 institutions reported on contributions from several types of organizations, including family foundations, that were soft-

credited to individuals. In that group of institutions nearly half the contributions individual donors influenced were credited to organizations.

**Hard-Credit and Soft-Credit Contributions from Individuals, 2018**



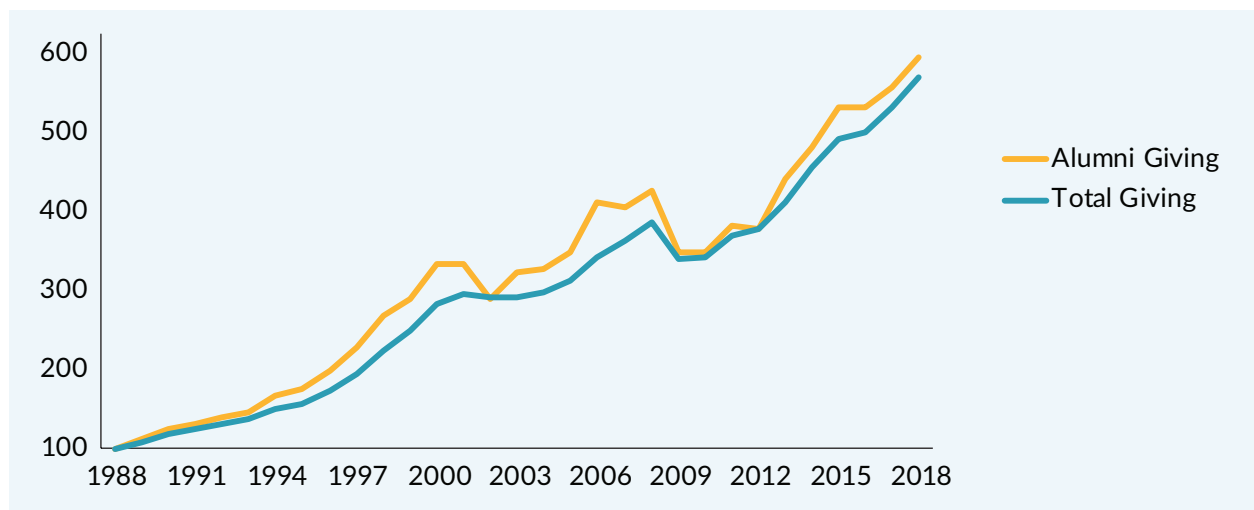
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## Three Decades of Data Show Total Giving Mirrors Alumni Giving

Some contributions alumni influence are credited to organizations, and yet, even when considering only their hard-credit contributions, alumni remain key supporters of their alma maters. Total support

of colleges and universities ebbs and flows with alumni support. Between 1988 and 2018, alumni support grew 495 percent, and total support rose 470 percent. The fact that the growth in hard-credit support from alumni exceeds overall growth in giving demonstrates that the rise in alumni support is outpacing the increase from several other types of donors.

**Growth in Total Giving and Alumni Giving, 1988–2018**  
(1988=100)



## How Alumni Participation Was Defined

Alumni participation is defined as the percentage of contactable alumni from whom an institution has received a hard-credit contribution. It is calculated as # of Alumni Donors/# Alumni of Record. At one time, this was a reasonable, if imperfect, measure of alumni engagement or satisfaction. As shown in the charts below, the measure has lost validity over the years. There are several reasons for this.

First, the number of contactable alumni has soared, predominantly due to advances in technology and the efforts of advancement professionals to make use of them. The increase in the number of alumni of record is also due to advancement offices augmenting practices that ensure they have complete and accurate alumni contact information.

In addition, more students today than in the past attend more than one institution, making them alumni of two or more colleges. Another factor is that people can be contacted in many ways in modern society. Finally, the mortality rate has declined, meaning records are retained longer.

The effect of all this is clear. Between 1988 and 2018, the average number of alumni of record per student enrolled rose 66.7 percent—from about four to seven. Many institutions have far more complete records than the average suggests.

In the meantime, the number of hard-credit donors has grown quite slowly, not only because cultivating a relationship with a donor is more difficult than merely finding a means of contact. As noted earlier, alumni are using more indirect payment vehicles for their gifts. These include donor-advised funds (DAFs), family foundations,

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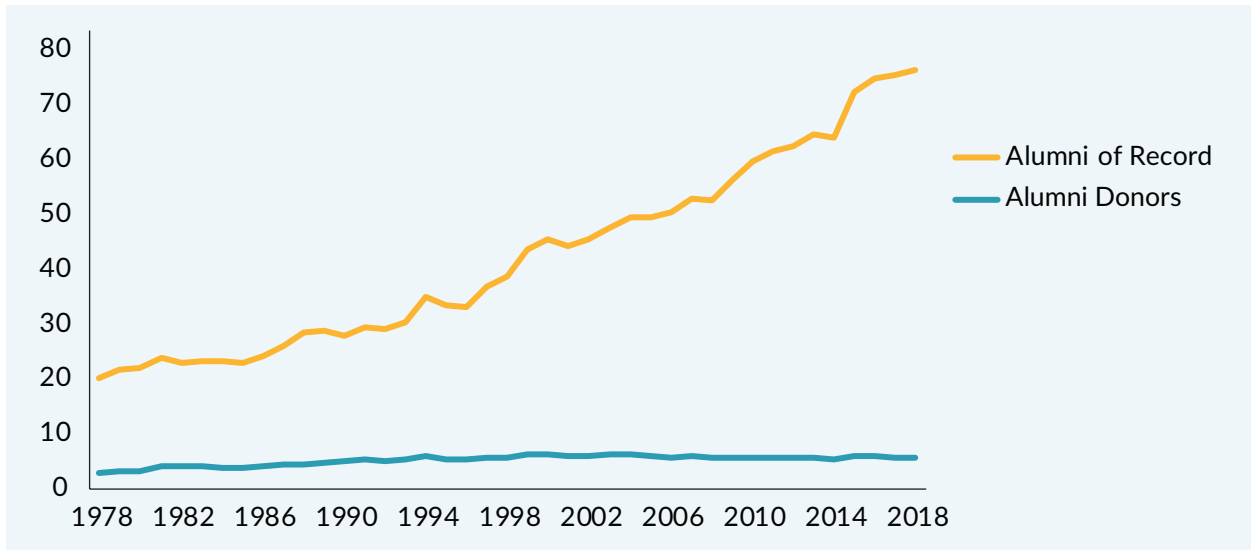


and private businesses. Gifts made that way are only soft-credited to the alumnus and are not included in the number of donors in the equation.

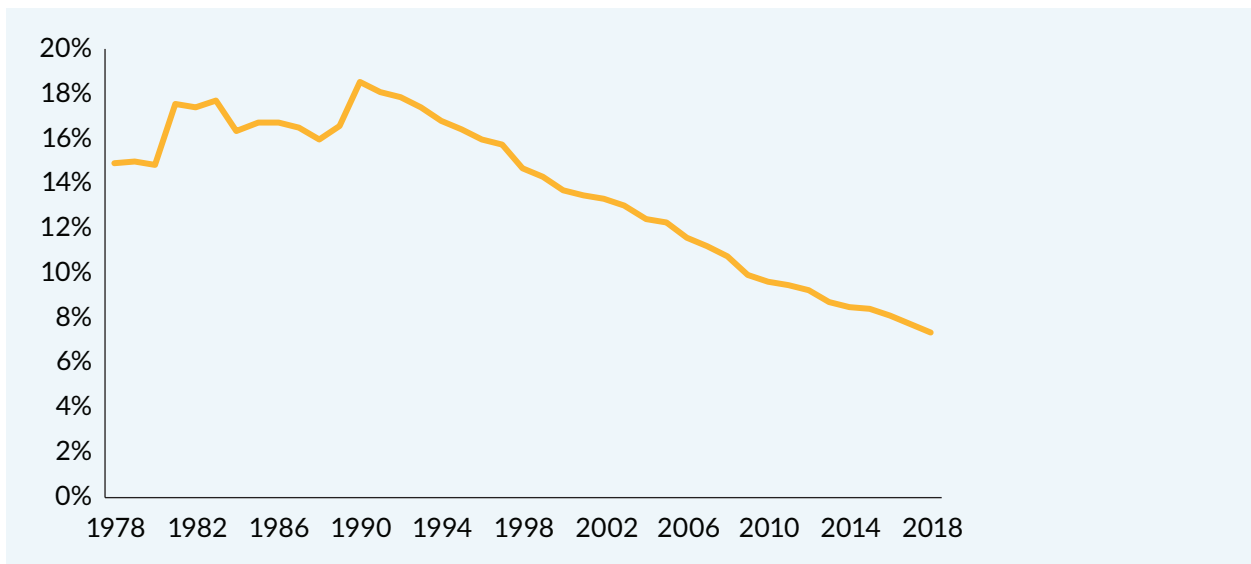
And most important, monetary gifts are only one way a person can engage with his or her alma mater. The classic formula does not account for non-monetary engagement.

It is widely accepted that the alumni participation metric is a narrowly focused method of showing alumni attachment to alma mater. “It is a blunt tool that distracts from core, mission-driven work. . . The alumni giving rate is a simplistic and inadequate measure to assess alumni engagement.”<sup>4</sup>

**Components of Alumni Participation, 1978–2018**  
(Average Number in Thousands)



**Alumni Participation, 1978–2018**



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## A Better Way to Measure Alumni Engagement

In August 2018, CASE published a white paper describing an alternative methodology for measuring alumni engagement.<sup>5</sup> That paper, developed by a global taskforce of CASE volunteer leaders in alumni relations, defines alumni engagement as “activities that are valued by alumni, build enduring and mutually beneficial relationships, inspire loyalty and financial support, strengthen the institution’s

reputation and involve alumni in meaningful activities to advance the institution’s mission.”

These activities fall into four broad categories: Philanthropic, Volunteer, Experiential, and Communication. As such, they constitute—for the first time—an industry-wide framework for measuring alumni engagement.

CASE is currently working with a group of its member institutions to refine and beta test the framework, which, when fully tested, will replace alumni participation as the standard measure of alumni engagement.

Alumni Engagement			
<p><b>Philanthropic</b></p> <p>Financial support that is meaningful to the donor and supports the institution's mission and strategic goals</p>	<p><b>Volunteer</b></p> <p>Formally defined and rewarding volunteer roles that are endorsed and valued by the institution</p>	<p><b>Experiential</b></p> <p>Meaningful experiences that inspire alumni, are valued by the institution, promote its mission, celebrate its achievements, and strengthen its reputation</p>	<p><b>Communication</b></p> <p>Interactive, meaningful, and informative communication that supports the institution's mission, strategic goals, and reputation</p>

## Summary

Long after graduation, alumni are key constituents of the institutions they attended. They stay engaged with their alma maters. This report focused on their philanthropic financial support. That support is significant. It represents more than 25 percent of

total support for higher education institutions. It is a driving force behind the increases and decreases in total philanthropic support of higher education institutions. As alumni become more financially secure, they have shown an inclination to make large capital-purpose gifts.

## Methodology

The 2018 survey collected data on charitable gifts and grants raised from private sources for the fiscal year beginning July 1, 2017, and ending June 30, 2018 (with a few institutions reporting on different fiscal calendars). Participation varied considerably by type of institution.

The number of U.S. higher education participants in 2018 was 929. They represent about a third of colleges and universities in the U.S. but raised 79.7 percent of total voluntary support of U.S. higher education institutions in the 2017–2018 academic fiscal year. Note there are key differences between the amounts reported as national estimates and those that summarize survey responses, from which the national estimates are derived. By developing national estimates each year, CASE can correct for annual differences in participation. CASE approaches the estimation process in two ways.

First, CASE considers the percentage change in support by source group and by major purpose category among institutions that participate for two consecutive years—the core group of institutions. Since the core group’s gift income typically represents more than 90 percent of all reported

gift income, the group’s data provide a robust set of benchmarks on year-to-year changes, which can be applied to the previous year’s national estimates. However, because the core-group results may be more positive than those we would get were the survey to achieve full participation, CASE adjusts the degree of change in the national estimates downward as appropriate by comparison with the core group.

Second, CASE looks at participation by Carnegie classification, which groups higher education institutions into basic types. The average total support per type of nonparticipating institution varies from 15 to 40 percent of what was reported on average by participating institutions. Nonparticipants tend to be smaller, and there is a tendency not to participate after a weak year. In addition, the response rate varies by Carnegie classification. Participation is highest among research/doctoral institutions and lowest among associate’s (two-year) institutions. CASE derives estimates of support among nonparticipants by Carnegie classification. The sum of these estimates and the survey results are generally close to the national estimates arrived at by the first method described. If not, CASE reviews and adjusts factors and weights until there is reasonable consistency across the entire model.

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