

ABSTRACT

A study on analysis of endowment in higher education institutions

Ji-Ha Kim(KEDI)
DoHee Kwon(Yonsung Univ.)
Yong-Nam Kim(KEDI)
BoEun Moon(Kyunghee Univ.)
Byung-Shik Rhee(Yonsei Univ.)
Hoo-Nam Lim(KEDI)

This study aims to provide improvement recommendations for higher education institutions and policy implications for the government to reinforce fundraising by analyzing the current status of the size and formation of private endowment and fundraising activities. The main research questions of this study are as follow: First, what are the changes in the trend and the size of private endowment? Second, what are the factors which affect the current status of fundraising infra structure and fundraising activities and the size of endowment? Third, what is the current status of endowment income in foreign higher education institutions and which cases are applicable to Korea? Forth, what are the improvement recommendations for higher education institutions and policy implications of the government to expand endowment? The main results of these questions are as follows.

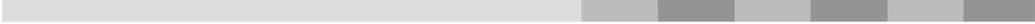
▣ The analysis of the size and trend of endowment in domestic higher education institutions



In order to figure out the size and trend of Korean higher education institutions, 2004~2012 data was analysed based on the fiscal data of development fund of national and public universities and operating statements of private universities. The main results of analysis can be summarized as follows: First, the size of endowment of overall higher education institutions had been decreasing since 2004. The size of total endowment, which had been above 1.1 trillion won in 2004, fell to the size of 500 billion won in 2012. The endowment continued to fluctuate slightly because of its liquidity, however, the decreasing trend was obvious. The same trend was observed in both of the results of analysis of universities and colleges.

Second, the endowment of universities, which had been increased depending on universities in capital areas and large universities, fell to 2.5%, the ratio of the average endowment compared to total operation revenues of universities in 2012. In spite of the meager effects of endowment on the expansion of university funds, it is encouraging that the effects of endowment in small universities were obvious. By the size of endowment, the ratio of the universities which raised below 1 billion won was the largest. By the type of accounting, the endowment of corporate accounting in private universities was increased and by the sources, individual endowment was increased. By the purpose of endowment, the size of restricted endowment was the largest. In the operation of endowment in national and public universities, the percentage of balance carried forward and purpose business were high and the continuous increase in reserve funds was observed.

In Colleges, the size of the average endowment was higher in colleges in capital areas and large colleges, compared with colleges in suburban areas and small colleges. The same trend was observed regardless of the type of accounting and companies, organizations and institutions which made relatively large amounts of contribution also preferred colleges in capital areas and large colleges. In private colleges, the percentage of restricted endowment was high. In the operation of



endowment in national and public colleges, the sizes of spending of balance carried forward and endowment increase were much larger than the sizes of purpose business and operation expenses.

■ **The analysis of size of endowment, fundraising activities, and current status of operation in domestic higher education institutions.**

The staffs in the office of relations and the office of Planning and Budgeting in 346 universities and colleges were surveyed about the fundraising activities and endowment operation, and 165 (47%) were returned. The main results of analysis can be summarized as follows.

First, for creating fundraising infrastructure, only 48.2% of the universities had the department in charge of fundraising, and 70.7% of these schools established Organization after 2000. The staff number was 5.43 in national universities, 3.46 in private universities, and 1.96 in private colleges.

Second, the fundraising activities were planning the operation of endowment, the formation, developing and managing DB of donors, providing feedbacks about endowment spending and increasing the professionalism of the staffs. For donors recognition, while all national universities answered that they had recognition programs, 89.2% of private universities and 50.7% of private colleges answered that they had recognition programs.

Third, for the factors which affected the increase and decrease of endowment focusing on endowment management, in-school factors of the increase of endowment were the operation of fundraising programs in school, the new presidency, and university honoring events, and out-of-school factors was the increase of donation from individuals, alumni, and cooperations. The decrease of the endowment was caused by the lack of systems for fundraising and endowment management and economic depression. The domain of restricted endowment and



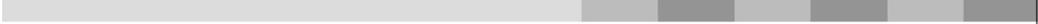
future priorities were scholarship(39.4%), facilities and building fund(18.7%), educational support(15.5%). The schools focused mainly on corporate donors and there were efforts to encourage donation from alumni.

Forth, for the strategies of higher education institutions to promote fundraising, the development of corporate donation, the placement of professional staffs and the establishment of department in charge, the marketing and campaigning, the reinforcement of alumni relationship, and the extension of tax benefits for donors were provided. For the improvement of government policies and systems, the reinforcement of tax-benefits for individual and corporate donors, the implementation of fundraising systems, and the creation of culture of giving and the change of view on donation were suggested.

■ The analysis of donors of higher education institutions

The 「GivingKorea 2012」 from the beautifulfund was analyzed to figure out the characteristics of donors of higher education institutions. The data, which has a strength in providing the information about the characteristics of donors of education institutions, was collected from the survey of individual acts and awareness of donation and the respondents were 1,000 adults(above 19 years old).

Individual donation was divided into 3 categories, donation for education institutions, donation for other institutions, and no donation and then analyzed by multi nominal regression method. First, for the factors which affected the donation for education institutions and other institutions, the gender(female), the age above 60, the high level of education(including college education), the employment(except for primary industries) was significant. For the regions, the probabilities of the residents in Busan, Gyeong-nam, and Ulsan to make donation were significantly high. Second, the female, the 60s, and the employed(except for primary industries) showed higher probabilities to make



donation. These results implies that universities need to develop endowment options and donor recognition programs focused on individuals with high level of education, women, and people in their 60s.

■ **The analysis of best practices for fundraising in domestic higher education institutions**

Staffs in charge of development fund and deans of the office of planning and coordination of 10 universities and 3 colleges which secure endowment stably in 2010~2012 were interviewed about the main factors for the success of fundraising activities, deterrent factors and suggestions for improving government policies.

For the main factors of success of fundraising activities, the structure of organization in charge of fundraising, the development of unique giving programs and fundraising activities, the distinguished donors recognition programs were investigated separately and the restraints of the work and policy recommendations for the government were summarized. First, for the structure of organization, the division of fundraising administration(planning and fundraising activities) and support(donors recognition and follow-up management) ensured professional and specialized operation of the department. In private universities, alumni services were the main function of the department, along with fundraising activities. Second, the fundraising methods were divided into internal members and external members of the school. For fundraising activities focused on internal members, small scholarship project with alumni, staff giving(fixed amount of salary), payment of credit card points associated with banks were general. For fundraising activities focused on external members, fundraising from parents, the house of support focused on corporations and businesses close to the campus, the recruitment of telemarketers to expand the pool of potential givers.



For donor recognition and follow-up management, available resources inside and outside of school were utilized, and president association, medical services, campus art center and museum admissions, sports facilities, accommodations, and appointment as members of university committee were provided as benefits, exclusively for major donors. Recently, the system was being established for donors to check the expenses even if the amount of their contribution was small, in order to reinforce the transparency of endowment operation.

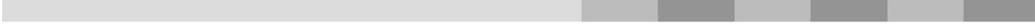
For the restraints of staffs in charge, (1) difficulty of utilization of phone number and email address after the personal information protection law had been enforced and of developing DB, (2) reduced benefits for major donors caused by the change of tax benefits of donation into the way of tax deduction were pointed out.

For the suggestions to the government, (1) reinforcing professionalism of the staffs and ensuring business continuity, (2) raising awareness of the importance of small donation, (3) implementing and vitalizing various endowment options including endowment insurance and trust by revising the trust act, (4) opening fundraising seminar and lecture courses for presidents during vacations were proposed.

■ The analysis of endowment in higher education institutions of major countries.

The results of analysis of endowment in education institutions in United States, United Kingdom, and Japan are as follows.

First, for the fundraising activities in major private universities in U.S., there were common characteristics of managing endowment with designated purposes to secure investment return and offering endowment options and items effectively for fundraising. In addition, for the support of policies and systems, the tax benefits for inheritance, capital gain and real estate, the 50% of tax



deduction of income tax, corporate matching gift programs applied to individual donations, reinforcement of tax benefits for vitalizing planned giving options were distinguished.

Second, higher education institutions in U.K. were reinforcing fundraising activities highlighting characteristics and strengths of universities. For example, the London School of Economics and Political Science raised large amount of gifts from corporations and banks in relation with characteristics of the school and University of Manchester issued public bonds and collected ancient documents and pieces of art for endowment(School of Oriental and African Studies).

In order to encourage for universities to secure their own financial sources, matching gift programs were implemented and operated by the government, which added 100~300% of original gift to increase the value of contribution, depending on the amount of the gift which universities had raised.

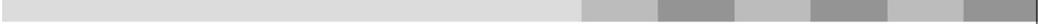
Third, the characteristics of higher education institutions in Japan were the bonds issued for parents and fundraising lecture series in the context of industry–university cooperation. In addition, for donor recognition, correspondence materials were sent and benefits in stores locate in campus were provided.

For governmental supports, the tax deduction system was implemented and the number of universities benefited from tax deduction was increased to vitalize fundraising. In addition, the system of endowment with designated benefactors for small universities, which was supported by the website for private education support run by the Promotion and Mutual Aid Corporation for Private Schools of Japan, was designed to lessen the burden of operating an independent organization and encourage corporate giving to higher education institutions.

■ Reinforcing endowment in higher education institutions

The suggestions for vitalizing endowment in higher education institutions were divided into two dimensions of the government and higher education institutions, and were made in the context of expansion, allocation, management and operation of the endowment. The suggestions for the government to encourage the expansion of endowment were 1) providing incentives for the efforts of universities to diversify financial sources, based on the degree of contribution which the endowment had made to the overall budget, 2) financial aid to universities by implementing matching fund systems, 3) providing options of tax benefits for donors, 4) developing and publishing DB of current status of university endowment, 5) reinforcing obligations of universities for reporting the operating status of endowment to donors, 6) encouraging corporate matching gift programs. For the distribution and management of endowment, 1) implementing endowment systems where the donors could decide benefactors and types of benefits, which enabled the allocation of endowment by market mechanism, 2) differential allocation of undesignated endowment by endowment management companies with operation of trust fund were required, under the operation of nation-wide support organization. For the management and operation of endowment by the government, 1) clarifying the division of expenditure items related to the revenues from endowment, 2) reinforcing educational purposes for the operation of corporate endowment were suggested.

For the expansion of endowment by higher educational institutions, 1) creating their own bases by developing fundraising systems, 2) strategies to secure endowment based on characteristics and demands of higher education institutions, 3) increasing operation revenues of endowment, 4) investigating the possibilities of issuing bonds for the expansion of university endowment were suggested.



For the allocation of endowment, 1) fundraising activities of universities to lessen the gap of endowment revenues across colleges, 2) reinforcing cooperation of university–college–department for fundraising activities were proposed. For the management and operation of endowment, 1) reinforcing reporting of expenditures of endowment and enhancing transparency, 2) strategic approaches to donor recognition and follow–up management, 3) utilizing various resources of universities for donor recognition programs were suggested.