almost double the average gift made to baccalaureate colleges.

Gifts to the twenty largest university recipients represented 26.2 percent of gifts made to colleges and universities last year.14 That eight of these twenty are public universities shows how aggressively some public universities are seeking charitable giving to reduce their reliance on state appropriations.

Unlike strategies to increase revenue by increasing enrollment, prospects for increasing giving rates and gift sizes are not necessarily a zero-sum game throughout higher education. Most public institutions and many private colleges can do more to increase their revenue streams from donors.

**Endowment Returns**

About one-third of college and university donors end up contributing to endowment funds. Those funds are invested in a variety of assets that, during good years, generate income to fund some portion of the institution’s current-year operating expenses. (In some cases endowment funds are restricted by donors to be used for scholarships, which are an indirect source of revenue for operating expenses.) Institutions typically spend between 4 and 5 percent of the total value of their endowments to support current operations. To smooth out the effects of annual changes in endowment values, they often use a three-year moving average of endowment value in computing the revenue available for the year. In most years, the return on endowment investments is well above the spending rate, so the endowment continues to grow even as income from it funds current budgets. This growth has not occurred during the past two years.