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Public University Endowments: An Essential Tool to Advance Education, Research, and Engagement

For public universities, endowments are an important asset that supports the institution's teaching, research, and public service missions. Endowments provide institutions with stability over time, allowing campus leaders to think long-term about how best to meet the needs of their communities. At the same time, endowments are complex assets with many legal requirements stipulating how they can be used. Below are some key points to provide a better understanding of the benefits of endowments for public universities, as well as their constraints.

1. College and university endowments are not a single fund but comprised of many individual charitable gifts.

Endowments are complex and vary by each institution and university system. They are often comprised of hundreds or thousands of individual donations, and each is subject to restrictions that donors stipulate and that institutions must legally uphold. For many gifts, donors stipulate that the principal may not be spent but rather must be invested—only interest earned from these investments may be spent. Additionally, donors often direct earnings to be spent for specific purposes as a condition of their gift. For example, funds may be directed to establish student scholarships, create professorships, institute new academic programs, support a university hospital, fund specific research projects, or build new campus facilities. Every gift is executed via a legal document signed by the donor and the university.

2. Most public universities have modest endowments, particularly relative to the number of students they serve.

While public attention is often focused on the small number of colleges and universities with large endowments, most universities have very modest endowments—or do not have an endowment at all. Of the public institutions that have endowments, nearly half are valued at less than \$50 million and the median was about \$203.4 million. Alternatively, fewer than 6 percent have endowments larger than \$1 billion. When considering those with the largest funds, they are still relatively modest when considering the student populations of these institutions. In most states, the university with the highest student enrollment is a public institution. It is important to consider an institution's endowment size relative to the number of students that institution serves. The largest public university systems serve hundreds of thousands of students. Individual public universities can serve tens of thousands of students.

3. Endowments are an important source of annual income that support public institutions' teaching, research, and public service missions.

Endowment funds provide a permanent source of income to support an institution's mission, to the benefit of both current and future students, faculty, and staff. That said, endowment income is dependent on the health of the economy. When the economy is strong, endowments tend to perform well—when the economy is weak though, endowments can lose value. On average, endowments lost 8 percent of their value for the 12 months ending June 30, 2022, according to the latest national survey from NACUBO. This was a tremendous swing from the gains seen in previous years.¹ Despite the changing economic circumstances, the same NACUBO survey found that university endowment spending increased last year, and 46 percent of expenditures were directed toward student financial aid.

¹ [In Challenging Year, Higher Education Endowments See Declines in Returns and Values but Boost Overall Spending, NACUBO-TIAA Study Finds](#)