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Highlights

Highlights of [GAO-10-393](#), a report to congressional committees

Why GAO Did This Study

The nation's 4-year not-for-profit colleges and universities collectively held more than \$400 billion in endowments in 2008. Some institutions' large endowments coupled with the high and growing cost of college have led to questions about institutions' use of endowments. This mandated report describes (1) the size and change in value of endowments over the last 20 years, (2) the extent and manner to which endowment funds are restricted for financial aid and other purposes, and (3) institutions' distribution of endowment assets. GAO obtained and analyzed data on college and university endowments from the Department of Education and other sources. Because industry-wide data were not available on endowment restrictions and distributions, GAO selected 10 colleges and universities for case studies. The case-study institutions were selected to include a mix of public, private, large, small, and minority-serving institutions. Information from these schools cannot be generalized to all U.S. colleges and universities.

What GAO Recommends

GAO is not making any recommendations in this report. Officials at the schools GAO selected as case studies were asked to review information in this report concerning their institutions. The Department of Education also provided technical comments on GAO's characterization of Department of Education data. GAO incorporated these technical comments as appropriate.

View [GAO-10-393](#) or [key components](#). For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

POSTSECONDARY EDUCATION

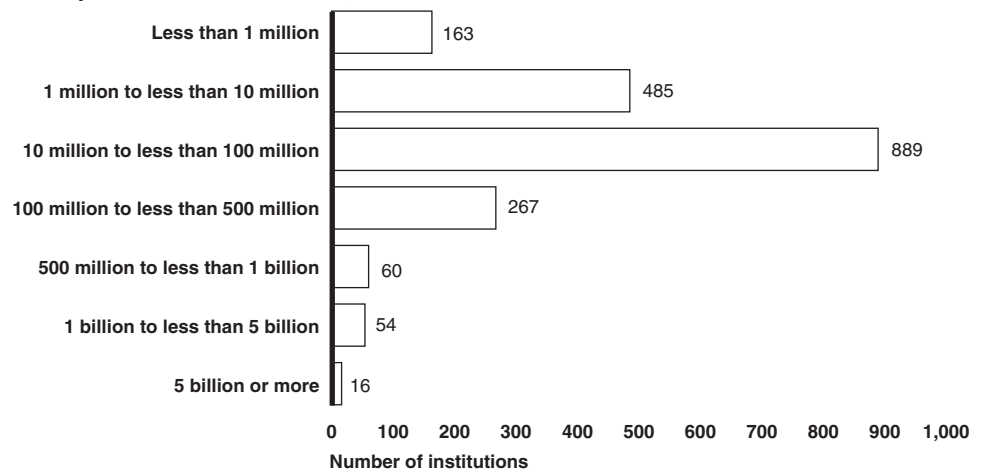
College and University Endowments Have Shown Long-Term Growth, While Size, Restrictions, and Distributions Vary

What GAO Found

As of 2008, most 4-year postsecondary schools in the United States had endowments of less than \$100 million, while only 70 had endowments of \$1 billion or more, as shown in the figure below. Among types of institutions, private schools tended to have larger endowments than public schools, while schools with high minority enrollment tended to have smaller endowments than other schools. Total inflation-adjusted endowments held by U.S. colleges and universities grew from just over \$100 billion in 1989 to more than \$400 billion in 2008, the most recent year for which national data were available. Case-study schools' endowments declined by an average of more than 27 percent from 2007 to 2009, adjusted for inflation. Despite these recent losses, endowments at case-study schools showed average, inflation-adjusted long-term growth of 6.2 percent per year since 1989. Most endowment growth at case-study schools was from investment earnings.

U.S. Postsecondary Institution Endowment Assets, 2008

End-of-year endowment market value, 2009 dollars



Source: GAO analysis of Department of Education data.

Most endowment assets at case-study schools were restricted by donors. Some restrictions are broadly-worded, designating funds to be used for financial aid, for example, while others are very specific, such as funding for a scholarship for students from a particular area. Schools have some ability to modify restrictions when a restriction outlives its purpose. At case-study schools, funds specifically restricted for financial aid ranged from about 12 percent to nearly 70 percent of endowment assets in 2009. Officials noted that other funds may also be used for financial aid.

Case-study institutions had mechanisms to smooth the effects of market fluctuations and ensure a reliable stream of funding for operations, such as basing distribution targets on the endowment's market values for multiple years instead of just the most recent year. Over the past 20 years, inflation-adjusted distributions from these schools have shown steady growth.