

College and University Endowments

SERVING CURRENT AND FUTURE GENERATIONS

THE COMMISSION ON INDEPENDENT COLLEGES AND UNIVERSITIES
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Background

From universities and hospitals to museums and arts organizations, endowments act as a silent force, shaping the landscape of our society. Rooted in ancient traditions, endowments have evolved into complex financial instruments that serve current and future generations.

What is an Endowment

An endowment is a collection of assets donated to colleges and universities that are invested to generate long-term income. Endowments are invested in a diverse portfolio of assets, such as stocks, bonds, real estate, and private equity. This helps to protect the endowment from market fluctuations and ensure its long-term sustainability. Most endowments are structured to keep the principal or original donation intact, spending only the investment income earned. In general, an annual spending rate of 3-5 percent of the average endowment balance is common.

Endowments support a variety of important activities on campuses, including:

- Financial aid for students: Endowments can provide scholarships, grants, and fellowships to make higher education more accessible.
- Faculty and staff salaries: Endowments can help attract and retain talented professors and staff, who are essential for providing quality education.
- Research and academic programs: Endowments can fund research initiatives, support new academic programs, and maintain libraries and other facilities.
- Campus facilities and maintenance: Endowments can help build and maintain buildings, grounds, and other infrastructure.
- Athletics: Some alumni make donations specifically to fund athletic programs. Investment income from these donations is typically used to fund athletic scholarships, salaries, equipment, and facilities.
- Public service: Many colleges and universities use a part of endowment income to fund public service initiatives in their local communities. Such activities include matching students with service opportunities, funding neighborhood revitalization, and improving the quality of local schools.

Endowments provide a reliable source of income that can help institutions weather economic downturns and invest in their future. They are meant to supply stability, as donations, financial markets, policy, politics, and postsecondary enrollment can fluctuate over time and have a significant impact on college and university revenues.

Types of Endowments

The total value of an institution's endowment is typically made up of unrestricted, restricted, term, and quasi-endowments.

Unrestricted endowment: An unrestricted endowment is a gift of money or assets where the donor places no restrictions on how the funds can be used. This allows the recipient organization to distribute the income generated by the endowment (not the principal amount) to their most pressing needs or highest priorities.

Restricted endowment: A restricted endowment (also called a true or permanent endowment) is a donation with limitations on how the funds can be used. The donor specifies the purpose for which the endowment's income (not the principal) can be spent. This ensures that the gift supports the donor's chosen cause in perpetuity. For example, a targeted investment that ensures the donor's specific wishes are fulfilled, whether it's supporting a particular program, funding scholarships, or supporting a specific library or building.

Term endowment: A term endowment is a type of charitable gift where the principal amount is invested and cannot be spent until a specific period has passed or a certain event has occurred. Unlike a restricted endowment, the principal can be used at the designated time, while the earnings generated from the investment can be used by the recipient organization much sooner. This approach allows donors to have a longer-term impact on an organization while still supplying some immediate benefit.

Quasi-endowment: Unlike a traditional endowment created with a donor's restrictions, a quasi-endowment is created by the organization itself, and typically made up of unrestricted funds from general gifts or bequests. While traditional endowments typically only allow expenditure of the investment income, quasi-endowments allow spending of both the income and the principal, although with restrictions. Despite allowing for principal spending, quasi-endowments are still viewed as long-term investments and are expected to remain intact for a minimum period, often specified by the organization.

Myths and Misconceptions

Endowments have been criticized for being too large and concentrated in the hands of a few institutions. Some argue that they contribute to inequality in higher education and limit access for students from low-income families. Understanding these misconceptions can help promote a more informed discussion about the role of endowments in higher education. Here are some common misconceptions about endowments along with facts.

Myths and Facts About Endowments at New York State Colleges and Universities

Myths	Facts
Most independent colleges and universities have enormous endowments.	In fiscal year 2023-24, the combined endowment funds of 100 independent, nonprofit colleges and universities in New York amounted to \$62.6 billion. Harvard University's endowment, by comparison, exceeds \$53 billion.
Public colleges and universities do not have endowments.	In New York State, 89% of public colleges and universities have endowments, which is a greater percentage than the state's independent colleges and universities (75%).
An endowment is a fund that a college or university may spend however it pleases.	Endowments are made up of multiple individual funds; each with their own legal restrictions on how they can be used. Donations to endowments are typically restricted and may be directed to student aid, faculty positions, and research, among other initiatives.
Endowments are not regulated.	New York State law regulates endowments and limits how they can be used. The Charities Bureau of the New York State Attorney General's Office provides endowment guidance through the New York Prudent Management of Institutional Funds Act (NYPMIFA). The NYPMIFA governs the management and investment of funds held by nonprofits.

Myths	Facts
Colleges and universities hold back endowment dollars instead of funding student aid.	Average Endowment Spending by Category: ¹ <ul style="list-style-type: none"> • Student Financial Aid: 47% • Academic programs and research: 18% • Endowed faculty positions: 11% • Campus operations and maintenance: 8% • All other campus-related purposes: 17%
Endowments are not taxed.	University endowments are taxed under Federal Law. In recent years, the Tax Cuts and Jobs Act (2017) and the One Big Beautiful Bill Act (2025) imposed taxes of at least 1.4% and up to 8% based on enrollment and endowment-per-student thresholds. These taxes do not incentivize spending that benefits students, research, or educational missions. Moreover, every dollar spent on taxes means one less dollar available for student financial aid, breakthrough research, and instruction.
Endowment spending only benefits colleges and universities.	In addition to supporting students, faculty, and research, endowment spending is used to push the boundaries of critical medical research and technological advances to benefit greater society.

Regulations

In New York State, the New York Prudent Management of Institutional Funds Act (NYPMIFA)² governs nonprofits' management, investment, and spending of endowment funds. The Charities Bureau of the New York State Attorney General's Office supplies information and guidance on the NYPMIFA. In general, donations have restrictions that cannot be changed. However, certain circumstances may exist that allow modifications or changes to the spending rate. For example, the age and size of the funds and whether alterations to the original stipulations are prudent due to obsolescence. Institutions are encouraged to work with their legal counsel and with the Attorney General's office to decide if changes are allowed.

College and University Endowment Facts: Fiscal Year 2023-24

National

- In the U.S., 83 percent (2,400 of 2,900) public and private nonprofit colleges and universities reported endowment assets at the end of fiscal year 2023-24. The median value of those endowment assets was \$32 million.³
- The top 1 percent of institutions (36 colleges and universities) hold 54 percent of total endowment assets in the U.S.
- Of the 2,400 institutions that report having endowments, 53 percent are public, and 47 percent are private nonprofit colleges and universities.

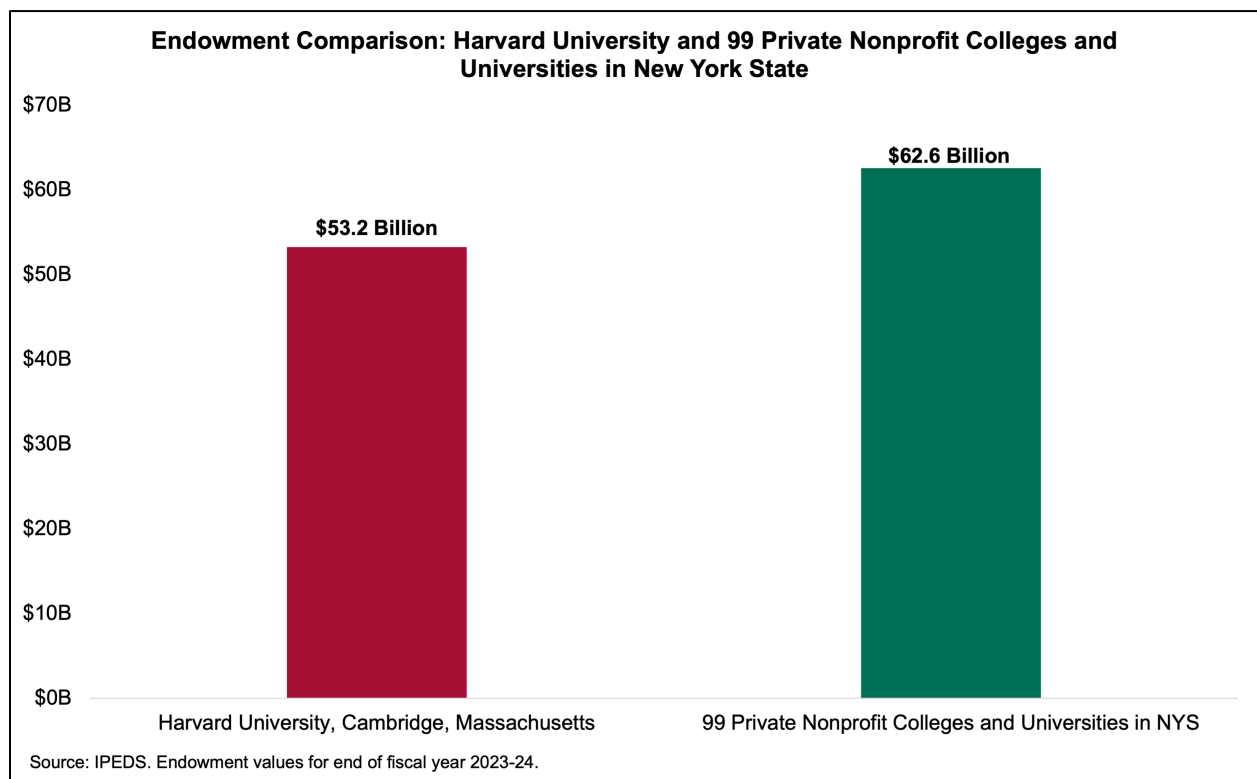
¹ Source: 2025 NACUBO-Commonfund Study of Endowments

² *A Practical Guide To The New York Prudent Management Of Institutional Funds Act*, Office of the Attorney General Charities Bureau, <https://ag.ny.gov/sites/default/files/regulatory-documents/mifa-funds.pdf>

³ Source: IPEDS. Values are rounded for clarity. Seminaries, Rabbinical institutions, and for-profit institutions are not included in this analysis.

New York State

- In New York State, 75 percent (169 of 224) of public and private nonprofit colleges and universities reported endowment assets at the end of fiscal year 2023-24. The median endowment value by sector is:
 - SUNY: \$16.6 million
 - CUNY: \$15.2 million
 - Independent: \$100.3 million
- Combined, 70 SUNY (State University of New York) and CUNY (City University of New York) colleges and universities hold \$4.5 billion in endowment assets.
 - Within SUNY, 50 colleges and universities hold endowment assets. The top five institutions hold 68 percent of SUNY's \$3.4 billion in endowment assets.
 - Within CUNY, 20 colleges hold endowment assets. The top five institutions hold 82 percent of CUNY's \$1.1 billion in endowment assets.
- Combined, 99 private nonprofit colleges and universities in New York hold \$62.6 billion in endowment assets. The top five institutions hold 59 percent of the sector's total endowment assets.
 - For comparison, Harvard University in Cambridge, Massachusetts has an endowment worth \$53.2 billion.



Conclusion

Independent colleges and universities are major employers, purchasers of goods and services, and builders. Many of these institutions are the primary employers in the communities in which they reside. These campuses are among the state's strongest economic engines. Endowment assets allow colleges and universities to deliver higher levels of value to students and local communities than would otherwise be possible. In challenging economic times, endowments allow institutions to continue to fund financial aid, research, faculty positions, and other mission critical endeavors.