
January 28, 2010

Colleges endowments plunge

By [Laura Diamond](#)

The Atlanta Journal-Constitution

Colleges in Georgia — and across the nation — saw their endowment fortunes plummet by about 19 percent during the 2009 fiscal year, affecting the amount officials can spend on student scholarships and other programs.

Some Georgia endowments fell more than the national average — including a 26 percent decline at Georgia Tech, a 23 percent drop for the University of Georgia Foundation and a 21 percent loss for Emory University, according to a survey released today by the Commonfund Institute and the National Association of College and University Business Officers.

“Everything is down and it has hurt us,” said Tom Landrum, senior vice president for external affairs at UGA. “You have to decide what are your priorities for the university and do the best you can to take care of those critical areas.”

Landrum said institutional scholarships, such as the Charter Scholarship for freshmen, remained untouched. Individual scholarships, such as those in a specific department, have been eliminated or curtailed. Deans were told to redirect money from discretionary accounts if they want to continue research, positions or programs endowments can’t currently support, Landrum said.

The organizations behind the report described the 2009 returns as the worst since the Great Depression.

Endowments typically support endowed professors and department chairs, scholarships, graduate assistantships and research for some professors. College endowments saw their market values decline as stocks, real estate and other investments tanked. The market value was calculated using investment returns, any new donations and spending withdrawals.

James Wagner, president of Emory, said all colleges must adjust to the new endowment environment.

“This is not a storm but an economic climate change,” Wagner said. “It’s colder and will stay that way for some time.”

Many colleges are working to reduce their reliance on endowment spending. Emory is going through annual expense reductions of about \$50 million a year. To protect students and academics, Wagner said, the college has cut about 500 administrative positions.

This is just one piece of the budget crisis colleges are facing. Private institutions tend to use a larger portion of endowments toward general operating budgets. Their other main source of revenue comes from tuition. Public colleges receive state funding, but Georgia has slashed budgets because tax collections are at historic lows.

As a result, many colleges have laid off employees, halted hiring and furloughed workers. Colleges also raised tuition and mandatory student fees.

Students are more concerned about a college's overall budget than endowments.

"This is part of the larger budget picture, but it is not as direct as a hike in fees or tuition," said Katie Barlow, president of UGA's student government association.

Georgia Tech's student body president, Alina Staskevicius, said students are chiefly concerned about colleges maintaining quality academic programs.

John B. Carter Jr., president of the Georgia Tech Foundation, said endowments that have existed for years have exceeded expectations and are able to sustain payouts for scholarships and other needs.

Many foundations determine endowment payouts using a "rolling average" typically over a three-year period. Then they pay out a percentage — 4 percent to 5 percent — of the principal.

"We've had some bad times ... but we've also had times when we are up 29 percent," Carter said.

Endowments are made up of donations, typically for a specific purpose, that are invested in a permanent fund. The investment allows only for earnings to be spent; the original principal must be preserved.

At Agnes Scott College, a women's college in Decatur, the endowment dropped by about 25 percent, according to the report. About 40 percent of the college's operating budget comes from the endowment, President Elizabeth Kiss said.

The college froze salaries and reduced its contributions to employees' retirement funds, Kiss said. The college didn't use layoffs, but have relied more on adjunct professors, who work part time and are cheaper than those with tenure or on a tenure-track.

The college also increased enrollment to bring in additional money. The college enrolls about 880 students, but this year's freshmen class was 237 women — an increase of about 30 percent from last year's freshmen class, Kiss said.

While the endowment report showed a troubling picture, officials said their foundations' investments are seeing some gains in the 2010 fiscal year.

"The good news is we are just about even in terms of gaining back what we lost," UGA's Landrum said. "But we don't want to just be even, we need to make gains. We all have more students and they have more needs. We're all redoubling our efforts to help them."

Endowments drop

Colleges saw their endowment returns decline by an average of about 19 percent during the 2009 fiscal year, which ended June 30. Here is how some Georgia colleges fared:

Institution/Foundation	2009 Endowment	2008 Endowment	% change
Emory University	\$4.33 billion	\$5.47 billion	-21%
Georgia Tech Foundation	\$944.3 million	\$1.27 billion	-26%
The University of Georgia Foundation	\$456.1 million	\$592.6 million	-23%
Agnes Scott College	\$230.6 million	\$307.4 million	-25%
Medical College of Georgia Foundation	\$90.5 million	\$121.3 million	-25%
Georgia State University Foundation	\$75.8 million	\$98.6 million	-23%
Georgia Southern University	\$31.7 million	\$38.4 million	-18%
Spelman College	\$284.7 million	\$351 million	-19%
Morehouse School of Medicine	\$56.1 million	\$60.4 million	-7%

Source: 2009 NACUBO-Commonfund Study of Endowments

Note: Percent change includes investment returns, expenditures, withdrawals and gifts. Percentages and endowments are rounded.