Money & Management

Crumbling Support for Colleges

Once a financial rock for academe, private foundations settle on a new approach

By JOHN PULLEY

Private foundations and institutions of higher education, once seen as inseparably intertwined, are drifting apart.

Until a few weeks ago, it had been possible to dismiss the whiff of estrangement, to tune out the whispers of misunderstandings, dashed expectations, new partners.

But when the Atlantic Philanthropies acknowledged this month that it was abandoning its higher-education programs, the reality became clear: Foundations and colleges are on the road to Splitsville.

The philosophical shift by Atlantic, a major donor to higher-education programs for almost two decades, is the clearest sign of a sea change in the support of postsecondary education by private foundations. Atlantic's move mirrors similar shifts by other major philanthropic organizations, which are redirecting resources from higher education into areas like elementary and secondary education, early-childhood development, and health and medical programs.

"The feeling on campuses and on the streets is, Yikes!" says Robert Weisbuch, president of the Woodrow Wilson National Fellowship Foundation, which focuses on improvement of higher education, with an emphasis on the liberal arts. "There is a worry that there is some kind of mismatch occurring between universities and colleges on one hand and foundations on the other."

Grant makers have a richer array of potential recipients from which to choose than in the past, and they have grown reluctant to continue reflexively giving money to causes they have long supported. Nor is higher education viewed as having the most-pressing problems at the moment, observers add, particularly in view of billion-dollar capital campaigns and fat...
endowments.

Grant makers are also demanding more accountability from grantees, requiring them to demonstrate the impact of foundation-financed activities. Those requirements may work against prospective grantees seeking funds for higher-education research, since it often lacks adequate benchmarks for assessing progress. By comparison, buying computers for classrooms or inoculating children against disease are readily quantifiable endeavors.

"There's a move in philanthropy to think about how grant recipients are operating and how effective they are," says Lewis Coleman, president of the Gordon E. and Betty I. Moore Foundation. "Gifts to higher education are very difficult to measure in terms of results, partly because the time lags are fairly significant."

Lacking tangible proof of philanthropic impact, some foundations appear to have lost confidence in their higher-education programs. "A lot of foundations are saying they have been investing in higher education but it's hard to assess the impact of what they are doing," says Earl Lewis, vice provost and dean of the University of Michigan's Horace H. Rackham School of Graduate Studies. "The higher-education community has to do a better job of explaining the benefit of dollars distributed by foundations."

But if foundations are coming to believe that they have not achieved the desired results from grant making to higher education, they needn't look far for an explanation, some observers in higher education say. Many a philanthropy operates in a self-imposed vacuum, they add, pursuing its agenda with little regard for other foundations' programs.

"I have been told by people from the foundation world that they rarely talk to colleagues from another foundation," Mr. Lewis says.

Recognizing the problem, a group of foundations were planning to tackle the thorny issue of communications at the American Association for Higher Education's national conference last week in Chicago. "If we were more unified in our message," says Robert M. Shireman, program director of the James Irvine Foundation, "we could make a bigger difference with colleges."

**A Downward Turn**

By no means are foundations abandoning postsecondary education, nor is there an imminent danger of higher-education
grants' entirely drying up. For the past decade, one in four foundation-grant dollars has gone to education, the most for any major program area. In 2000, education received $3.8-billion in such grants -- its best year ever -- with higher education taking just over one-half of that total, according to the Foundation Center, a clearinghouse for information on philanthropy.

However, even though undergraduate education received $1.3-billion from foundations in 2000, its 8.8-percent share of total grant money was the smallest in at least a decade. In 1999, postsecondary programs received 11.3 percent of foundation grants; in 1994, 14 percent.

Similarly, foundations are giving a smaller portion of overall grants for the support of graduate and professional programs. Those grants made up 4.3 percent of total foundation giving in 2000, up from a 3.8-percent average in the prior two years but a drop-off from the prevailing level of the previous decade. In 1996, grants for graduate and professional programs accounted for almost 7 percent of the total.

By comparison, education grants to elementary and secondary programs grew to 8 percent of total foundation giving in 2000, up from 6 percent in 1999 and 3.9 percent in 1990.

Since its founding in 1982, the Bermuda-based Atlantic Philanthropies has lobbed money -- a total of $1.3-billion -- at higher education with little publicity. Its founder, Charles F. Feeney, an alumnus of Cornell University, made a fortune from duty-free shops. Between 1998 and 2000, the most recent year for which data are available, Atlantic's higher-education grants reached almost $832-million. Those funds will be sorely missed if the foundation follows through on plans to retool its grant-making programs.

This month, after word spread that the foundation was quietly dismantling its higher-education program -- which had accounted for 60 percent of its grants -- Atlantic explained that it would shift the focus of its philanthropy to issues of disadvantaged children, aging, and biomedical research and public health.

"We expect to reduce our investments in higher education generally and in nonprofit-sector research in the U.S.," wrote John R. Healy, Atlantic's president, in a letter to grantees. "We believe that there will be merit in being active in fewer fields but in greater depth."

Professional fund raisers and grant seekers agree that Atlantic's decision is a conspicuous manifestation of a shift that has been
under way for some time. "For close to a decade, those of us in advancement have been recognizing a shift in [grant making by] corporations, in particular their support of primary and secondary education, more so than higher education. And in the last five years, foundations have been doing that as well," says Patricia P. Jackson, Dartmouth College's associate vice president for individual and organizational giving. "We're not looking at traditional foundations to be an opportunity for radical growth."

Mr. Weisbuch, of the Wilson foundation, suggests that in the realm of higher education, grantors and grantees don't always speak the same language. Some foundations may have concluded that funds intended to achieve institutional change in higher education have at times resulted in a poor return on investment. But as college officials see it, he says, foundations often don't seem to understand higher education's need for support.

"Are foundations losing enthusiasm for higher education because higher education is slow to respond to change?" Mr. Weisbuch asks. "Are we in the liberal arts failing to make a case for ourselves?"

"You could create a dialogue of skepticism and misunderstanding on both sides."

Patricia J. Gumport, an associate professor of education at Stanford University and director of the Stanford Institute for Higher Education Research, says the "narrowing of the portfolio" syndrome was apparent at a recent conference attended by foundation leaders.

"I came away very concerned that there is a lack of funding to sustain and further develop institutional capacity of colleges and universities," she says. "In the past, we had a broader spectrum of programmatic initiatives and a willingness to fund research priorities that had more to do with the understanding and quality of institutional performance."

Atlantic's pullback from higher education follows decisions by other major foundations to reduce or limit such grants. Among those taking such steps are the Bill and Melinda Gates Foundation, the Pew Charitable Trusts, and the Annenberg Foundation. All three were among the 10 largest grant makers to education in 2000, according to the Foundation Center.

Pew, which had had a "large and diffuse" higher-education portfolio, has "reined that in" and will focus more resources in the area of early learning, says Susan A. Urahn, director of education. "It isn't a shift, but it is a trimming."
Others are not so sanguine about the likely effects on higher education.

"The fact that Pew and Atlantic, within a short period of time, have both abandoned the field is a major setback to a whole bunch of folks who are interested in the reform of undergraduate learning," says Russell Edgerton, director of the Pew Forum on Undergraduate Learning, which gets financial support from the Pew trusts. "There are cadres of people kind of pushing rocks up the hill that depend on and need and require the prestige and the extra boost that a foundation grant can give them."

Shifting priorities by Annenberg, among others, have greased that slope. The foundation, which in 1994 heaped $250-million in grants on the University of Pennsylvania and the University of California system, has since shifted its focus, putting half a billion dollars into efforts to reform public schools. "There was a concern that not enough was being done to strengthen public elementary and secondary education," says Gail C. Levin, Annenberg's executive director. "There has been a heightened awareness of the great need in those K-12 years."

Of greatest concern to some college leaders is philanthropy's apparently dwindling financial support for systemic issues in higher education, like governance and economics. Atlantic, for example, has supported the Cornell Higher Education Research Institute, which promotes interdisciplinary research on higher education. (The foundation has made a grant to the institute that will cover operations for five years.)

Even in the realm of hot issues in higher education, like diversity and access, foundations seem more inclined to pony up for practical things, like scholarships, than to underwrite research exploring the complexities of campus diversity. A few years ago, for example, the W.K. Kellogg Foundation invested in "institutional transformation."

"We are moving away from that," says Gail D. McClure, the foundation's vice president for youth and education programs. "We're more apt to fund efforts that show results rather than theoretical work."

To some extent, new money is altering the philanthropic landscape. In 2000, the Bill and Melinda Gates Foundation established the Gates Millennium Scholars Program, with a goal of distributing scholarships totaling $1-billion over 20 years to students from minority groups; a separate pledge of $210-million created a scholarship program that will help gifted students attend the University of Cambridge; and a grant
of $106-million is aimed at improving the college-going rate of students in Washington State, particularly those from low-income families.

Last week, the foundation announced a multimillion-dollar effort to create small, "early college" high schools across the country. Among Gates's partners in the venture are the Carnegie Corporation of New York, the Ford Foundation, and Kellogg.

"I think many foundations are trying to focus on the areas that they see as having the greatest needs and the greatest problems," says Deborah J. Wilds, a program officer at Gates. "That has tended to be, increasingly, K-12 education."
Cracks in Foundation Giving

Educational programs were the leading beneficiary of foundation grants in 2000, with a total of $3.8-billion, or about one in every four foundation-grant dollars. Higher education received more than one-half of all grant dollars for education:

Although undergraduate education receives the largest piece of the pie, the total value of these higher-education grants has been relatively flat at a time of significant growth for other educational categories:

**Giving for education, 1999 to 2000**

- All education giving: 34% Change in dollar amount, 12% Change in number of grants
- Educational services: 39% 80%
- Elementary and secondary: 12% 72%
- Graduate and professional: 17% 52%
- Library science and libraries: -4% 60%
- Undergraduate education: 1% 3%

Moreover, the percentage of foundation grants directed to colleges and universities (whether for higher-education programs or other purposes) has been slipping for the past decade:

Note: Figures, which are rounded, are based on a sample of 1,015 larger foundations. Disproportionately large gifts, usually made on a one-time basis, may distort long-term funding patterns for some recipient types in particular years.

Source: Foundation Center, “Foundation Giving Trends, 2002”