Inside Philanthropy

“Forcing Radical Change.” How COVID-19 Could Reshape Higher Ed Philanthropy

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Recent announcements from two regional universities provide an insightful snapshot into the state of the higher ed fundraising before and after the pandemic.

In early April, Schenectady, New York’s Union College announced that alumni and Texas Instruments chairman and CEO Rich Templeton and his wife Mary gave the school $51 million to create the Templeton Institute for Engineering and Computer Science. It’s the quintessential pre-COVID-19 alumni gift: a huge STEM commitment flowing to a national liberal arts college in the midst of a historic fundraising campaign.

Less than three weeks later, Eastern Michigan University (EMU) announced that a group of alumni will donate $2 million to 2020 graduates and incoming freshman affected by COVID-19. The commitment is small, focused on students’ immediate economic hardships, addresses a broad swath of students, and was made, most likely, by “middle-of-the-pyramid” alumni as opposed to a millionaire or billionaire.

It’s a stark contrast that raises several questions about where higher education giving is headed in a post-COVID-19 world. For example, universities already faced shrinking numbers of potential students and an unsustainable cost model before the crisis hit. What if schools keep building new donor-funded institutes and nobody enrolls? Will we look back on big capital gifts as antiquated relics from another age?

Conversely, many university leaders, development officers and alumni donors weren’t particularly interested in easing students' economic hardships prior to COVID-19. In fact, they often magnified them. The pandemic, however, has made students' needs impossible to ignore. Will development officers finally compel alumni to provide more critical financial aid in the years ahead? And will universities' fundraising priorities look markedly different after the crisis ebbs?

Let the speculation begin!

Students in Financial Peril

The biggest challenge facing universities during COVID-19 is escalating financial aid costs. "Many schools are worried that students don't have enough money for tuition in the fall, either because they or their parents are unemployed and can't find a job," said Senior Vice President of Development Linda Durant at the Council for Advancement and Support Education (CASE). "Institutions are thinking about how they can raise enough funds to pay that tuition bill."

Jeffrey Wolfman, Fitchburg State University's vice president for institutional advancement, told me his team has ramped up the pitch for financial aid and emergency grants for students facing food and housing insecurity. "We're articulating these appeals, while at the same time, thanking donors and showing them the impact of their philanthropy," he said. For instance, Wolfman and his team provide donors who have endowed scholarships with profiles of current and past students who benefited from the support.

Wolfman's comments underscore why mid-level donors have rallied to provide critical COVID-19 emergency funds. Unlike graduates’ abstract and seemingly insurmountable $1.6 trillion debt load, the financial impact of coronavirus on students is relatable, immediate and can be mitigated. In the case of Eastern Michigan, for example, donations will provide graduates with $600 and new freshman with $400 each.

As Glenn C. Altschuler and David Wippman wrote in an opinion piece for *The Hill*, post-coronavirus, “the increase in financial aid costs is likely to be at least as large, if not larger, than it was during the Great Recession. And it is by no means certain that the federal government will pitch in as it did in 2009 and 2010.”

This demand will require donors to step up in dramatic fashion. CASE’s most recent study noted that student financial aid “only receives 9.8 percent” of gifts earmarked for “current operations” from alumni, foundations, corporations and other sources.

Greater Focus on Health and Wellness

Another big funding area will be health and wellness initiatives, with an emphasis on mental health. “With the pandemic, stress, depression and attempted suicides are climbing quickly, along with student demands for greater and more immediate access to therapists,” Altschuler and Wippman wrote.

Wolfman agreed. “These young people surviving the pandemic will have emotional and invisible mental counseling needs. We need to anticipate that and get them through the anxiety and the grieving.” Wolfman envisions a future when students will have access to virtual and on-demand tutoring and counseling, 24/7.

Higher ed donors have a lot of room to expand in this space. According to Eliot Brenner, writing in the *Stanford Social Innovation Review,* while foundation funding earmarked for mental health research increased in absolute dollars from 2006 to 2015, it decreased as a percentage of foundation funding of healthcare, from 6.2 percent to 5.6 percent, during the same period. “Philanthropy,” wrote Brenner, “can help fill this gap by investing in new models of delivering care.”

Rise of Online Learning

Universities’ collective crash course in online learning has been a bumpy one, but the toothpaste, as they say, isn’t going back in the tube. “As everyone’s belts tighten, universities may by choice keep the online classes they’ve launched of necessity,” wrote *The Week*’s Bonnie Kristian.

There’s also a good chance COVID-19 will force universities to continue remote instruction for some time. McKinsey & Company sketched out three possible paths for how classes proceed from here. Its most optimistic scenario envisions face-to-face instruction resuming in the fall. In its other two more pessimistic scenarios, most schools will be exclusively online through 2020 and into 2021.

Wolfman told me that Fitchburg State, which has been involved with online and distance education for over five years, is exploring how to turn classrooms into smart spaces with cameras for video capture in the Khan Academy model. He said that donors can help schools by funding technology upgrades and ensuring the secure transmission of conversations and intellectual property.

Universities' growing online footprint in the age of COVID-19 reveals a deeper existential question, wrote Quinnipiac University's Mohammad N. Elahee and Farid Sadrieh. "Should the colleges and universities redirect more of their resources toward their core competency and their main mission—education, and less on sports, dormitories and residential life?" If so, universities will "increasingly resemble training centers, and resources will be directed toward professional schools… A larger number of online courses will be offered and fewer faculty will be needed as limits on the number of enrollees will be relaxed."

Radical Change to the Funding Model

To pay for sports, dormitories and an increasingly palatial campus life, the higher ed funding model is predicated on Bowen's Law, which stipulates that universities will raise as much money as possible and spend it all, without saving adequately or passing savings onto students or taxpayers. Nor are administrators incentivized to manage costs, thanks to an endless supply of what Purdue President Mitch Daniels calls "easy money"—guaranteed revenue in the form of loans guaranteed by the federal government.

This explains why administrative expenditures increased an average of 34 percent and student services spending increased an average of 46 percent in the last 10 years. Meanwhile, student debt skyrocketed as tuition at private four-year colleges grew 250 percent from 1982 to 2012, while the median family income rose just 18 percent, adjusted for inflation, according to ABC Insights. Following the lead of university leadership and development officers, donors felt no compunction to bend the cost curve.

Universities could stagger along under this model so long as they could keep raising historic amounts of money and indefinitely rake in guaranteed tuition dollars. Those ships have now sailed. A survey by educational advancement firm Washburn & McGoldrick found that 43 percent of college and university fundraisers do not expect to meet their institutions’ fundraising goals this fiscal year.

The larger threat, however, is the fact that COVID-19 threatens to irreparably shrink universities’ most reliable revenue source: students themselves. The *New York Times* reports that one in six students who planned to attend four-year colleges full-time no longer plan to do so. What happens if universities can’t get their hands on this guaranteed tuition, and philanthropy or public aid can’t fill the gap? The model collapses.

“This pandemic, it will force radical change,” Wolfman told me. “We have to get back to an essential-only model.” Given this imminent reckoning, some priorities that enjoyed strong donor support pre-COVID-19 will likely wane in relevance, like athletics and capital projects.

Athletics Sidelined

Even before COVID-19, the argument for donating to athletics always struck me as weak, as I discussed recently in my coverage of David Booth’s defense of his $50 million gift to overhaul the football stadium at the University of Kansas.

Booth, though, wasn't alone in such giving. In 2018, CASE found that alumni donors preferred gifts for athletics (and academic divisions) over student financial aid.

COVID-19 should bring more donors to re-think athletic giving, right? Maybe. Wolfman told me that fundraisers will have to "arm-wrestle" football-loving donors to give to the campus library. "It's just not in their id. It'll take a lot of educating and leadership from administrators." Meanwhile, commentators like *The Week*'s Kristian have proposed cutting in-the-red sports programs as a way for universities to save money.

While it's difficult to imagine the cranes over the University of Kansas' stadium falling silent, at the very least, mega-gifts like Booth's would will come across as—how do I put this gently?—*misguided* in a post-COVID-19 world.

Fewer Capital Projects

In a similar vein, noticeably absent from universities' post-COVID-19 to-do list were $60 million for donor-funded baseball complexes, $600 million for "innovative residential colleges," or a $40 million "Contemplative Commons" to address the problem of "academic isolation."

These projects were tough sells *before* COVID-19. How can universities justify such costly expenditures in their current financial state, especially since their (allegedly) strongest selling point—an ability to attract a shrinking pool of eligible students—is now on shaky ground?

Of course, many huge capital projects are still in the pipeline, and it would be foolish to expect stakeholders to quit them cold turkey. As St. Louis University's Professor David Rapach noted, university presidents still want to be seen as "rainmakers," and development officers know that, to quote Aspen Leadership Group's Don Hasseltine, big capital gifts can generate "lots of return in a short period of time."

And just as football-loving donors will need to discover the hidden gem that is the campus library, alumni writ large will have to reconsider their infatuation with shovel-ready projects. According to CASE's 2018 fundraising report, "much of the growth in alumni giving has been in the form of capital-purpose gifts."

In the short-term, however, schools are no longer approving new capital projects and suspending and reevaluating those in progress. Whenever COVID-19 finally passes, few administrators will be willing to assume even more debt to construct buildings that may sit idle or serve a shrinking student population. As Wolfman said, "Is the pressure on donors to be more responsible? I think so."

The Magic is Gone

One especially dystopian idea takes Quinnipiac University's Elahee and Sadrieh's vision of universities as glorified "training centers" to its logical conclusion by shifting power away from alumni donors and toward the tech industry.

"It is very likely that whatever world emerges post-COVID-19 will be more centered online," Save Journalism Project co-founder John Stanton recently told me. "It's not like all of this healthcare, banking, grocery shopping, and other activities that have shifted online out of necessity during the lockdowns will just go back to the way it was before the crisis. That will mean more power for the tech giants."

This reality, of course, applies to higher ed as well. Students who grew up on Facetime will get acclimated to online classes and wonder why they're spending $55,000 a year in tuition with nary a keg party in sight. All the while, Big Tech's understanding of tech's disruptive impact on the workplace will continue to outpace that of its peers in academia.

Scott Galloway, professor of marketing at NYU Stern, predicts that "the second-greatest accretion of stakeholder value in business, behind Amazon's entry into healthcare, will be big (and some small) tech firms partnering with a world-class university to offer 80 percent of a traditional four-year degree for 50 percent of the price."

"The myth/magic of campuses and geography is no longer a constraining factor," Galloway wrote. "Most programs will be hybrid soon, dramatically increasing enrollments among the best brands. MIT/Google could enroll 100,000 kids at $100,000 in tuition (a bargain), yielding $5 billion a year (two-year program) that would have margins rivaling… MIT and Google."

Big Tech's "impending march into higher ed," Galloway writes, "will bring more learning to more humans, and erode our humanity."

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