



## Press Release

**For Immediate Release**  
December 19, 2008

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### **First of Its Kind Higher Education Study Identifies Funding Differences Between U.S. and U.K. Universities**

*Study Finds Diversified Sources of Income are Important, But Are No Silver Bullet*

NEW YORK--Standard & Poor's Performance Evaluation Services today released a first-of-its-kind study that analyzes the funding of publicly funded universities in the U.S. and the U.K. The study, which was commissioned by the London-based Council for Industry and Higher Education (CIHE), found that U.K. universities have not received the same levels of philanthropic support as public universities in the U.S. The study also found that while diversified sources of income, such as alumni giving, endowment spending and revenue from commercialization of intellectual property, can be important, their contribution to annual operating budgets is relatively small across the sector as a whole, even in the U.S. In fact, governmental support and student tuition remain the primary sources of income for publicly funded universities in both regions.

“Endowments are not a panacea for financial sustainability at most U.S. public institutions,” said Michael Stewart, Director of Research and Analytics at Standard & Poor's, and author of the report. “While endowments have helped some public universities achieve world class excellence, they have done so by supplementing – not supplanting – government support.”

In 2005, the U.K.'s 169 publicly funded universities reported endowments totaling \$14.5 billion, but most of those funds were held by just two institutions, Oxford and Cambridge, which held combined endowments of approximately \$10.9 billion, leaving just \$3.6 billion for the remaining universities. In contrast, 269 of America's public universities reported \$115 billion in endowments last year.

Most of the growth in public endowments in the U.S. occurred in just the past 20 to 30 years, Mr. Stewart explained. “It was during the economic downturn of the 1970s that so many state institutions got serious about philanthropic support. In certain respects, the U.K. today is where the U.S. was two or three decades ago, and is looking to benchmark its progress against trends in the U.S.”

In 2005, U.K. public universities, excluding Oxford and Cambridge, raised an average of £1.6 million (\$2.9 million) per institution and had alumni giving rates of approximately 1%. That compares to average alumni contributions of \$7.9 million per institution in the U.S., and an average alumni giving rate of 8.5%.

But while there are challenges ahead for U.K. universities as they strive to increase diversified sources of income, progress has been made. More universities have established development offices, formed or expanded their own alumni associations, and started working to create a culture of charitable giving (as well as professional asking).

“While U.K. giving rates are low, and endowment growth is still far behind the U.S., we are seeing progress in the creation of professionally staffed development offices, and endowment growth,” Mr. Stewart added.

The study includes an introduction written by the CIHE, which raises a wide range of policy considerations that are separate and distinct from Standard & Poor’s analysis. The study then reviews the role of government support in the face of rising costs and global competition. It addresses the inability of “efficiency gains” to make higher education financially sustainable, and examines the contributions made by endowments, alumni support, sponsored research, and income from intellectual property. The study also reviews different models for assessing financial health.

“This report reveals an issue that all public universities face: costs tend to rise faster than the ability of governments to provide funding. So all universities have to look for alternative sources of revenue,” said Richard Brown, the CEO of CIHE. “With its comparative analysis of revenues generated by both U.S. and U.K. universities, this report sheds light on what has

already been achieved and on some of the opportunities that lie ahead. It is a valuable resource to all who are concerned about the future of our higher education systems and their roles in developing more competitive, caring and globally aware graduates and communities.”

Standard & Poor’s study is available to the public free of charge. To download a British A4-sized copy, which includes a cover letter by the Council for Industry and Higher Education, go to [www.cihe-uk.com](http://www.cihe-uk.com).

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#### **About the Council for Industry and Higher Education**

The Council for Industry and Higher Education (CIHE) is a unique high-level partnership between leaders from businesses, universities and colleges. We were established in 1986 so that businesses and universities could talk, develop a shared agenda, influence Government policies and undertake joint projects. The CIHE aims to foster close working and understanding between business and higher education so that world-class learning and research can improve the international competitiveness of both sectors and the capabilities of graduates and those already in the workforce. For more information, visit <http://www.cihe-uk.com>