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EFP Takeaways

Research Grants Crowding Out and Crowding In Donations to Higher Education

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The Study

Universities receive financial support from multiple sources, such as donations and grants. However, it is uncertain how receipt of grants affects donations. Individuals may see less of a need to donate if a university receives a large grant, meaning grants may “crowd out” donations. Alternatively, individuals may believe grants signal university quality, meaning large grants may promote, or “crowd in” donations.

The authors estimate the effect of a large public university receiving research grants on donations to the university. This study uses nearly eight decades of unique donation-level data in conjunction with two publicly available datasets on federal grants.

Findings

Receiving a large research grant from the National Science Foundation (NSF) increases the number of donations, meaning the funding has a positive effect on the extensive margin of donations. However, it has a negative effect on the intensive margin – it decreases the average dollar amount of each donation. Notably, these effects are limited to the NSF; grants from other federal sources do not show the same patterns.

Recommendations

Stakeholders in the higher education sector may want to highlight the prestige of winning large NSF research grants to further increase the observed crowding-in effect. To counteract the crowding-out effect, fundraising and development officers may want to emphasize the importance of university research work and the complementary nature of NSF grants with private donations.

Table 3. Response to Large National Science Foundation (NSF) Grants

	Number of Donations	Average \$ per Donation	Total \$ of Donations
\$10 million cutoff	25.94 (39.63)	-14.46*** (3.972)	-15,502** (6,902)
\$5 million cutoff	74.09** (31.47)	-12.04*** (3.157)	-612.5 (5,495)
\$1 million cutoff	36.46** (18.52)	-3.151* (1.863)	2,345 (3,232)

Notes: This table presents the estimated coefficient (and standard error) on the indicator for being within a 12-week window of a large public NSF grant, in regressions where the dependent variable is either the number of private donations, the average dollar amount per donation, or the total dollar amount of donations. Regressions also include year indicators and week-of-year indicators, and a constant. Regressions are at the weekly level and include just the years 1975–2012. The number of observations is 1,939 for all regressions. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

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Gannaway, G., Heutel, G., & Price, M. (2023). Research Grants Crowding Out and Crowding In Donations to Higher Education. *Education Finance and Policy*, 18 (3): 498–521.