



**Higher Education & Employment Advancement Committee
Public Hearing
March 9, 2021
Testimony by
Scott M. Roberts, President and CEO, UConn Foundation**

SB 996, An Act Concerning Fundraising by the Foundation of the University of Connecticut

Members of the Higher Education and Employment Advancement Committee, thank you for this opportunity to comment on SB 996, An Act Concerning Fundraising by the Foundation of the University of Connecticut. My name is Scott Roberts and I am president and CEO of the UConn Foundation.

The Foundation exists to promote the educational, research, service, and outreach missions of UConn. The Foundation solicits, receives, and administers donations and financial resources. These private donations enhance pivotal functions that are beyond what the University's state appropriations, tuition revenue and grant income can support. Gifts support scholarships and fellowships for students and chairs and professorships to recruit and retain faculty. Given the state's financial situation, fundraising is essential for UConn's future.

We are grateful to the Committee for raising SB 996 because it will prevent a reduction to the UConn Foundation's operating budget. Current law requires University support for the UConn Foundation to decrease by \$1 million when the market value of the total university endowment reaches \$500 million. This is the first of four scheduled reductions. To the best of our knowledge, this type of statutory drawdown does not exist in any other state with an institutional foundation.

Since 1994, UConn and the Foundation have had a fee-for-service partnership that designates the Foundation to manage the University's fundraising activities. The vital agreement details the two organizations' mutual fundraising goals. The University does not use state appropriated dollars to fund the Foundation. University support constitutes nearly 50 percent of the Foundation's operating budget.

This arrangement models best practices at other major public universities. The only alternative is for fundraising and support staff to be employed by the University, which would come at a higher cost because of the state's fringe benefit rate. In fiscal 2020, University funding for the Foundation was \$12.1 million and UConn's return on that investment was \$89.5 million.

Due to unprecedented returns, the endowment reached \$500 million this year. However, a reduction in our funding will cause a long-term negative effect on operations, immediately reducing our ability to fundraise, and make it impossible to achieve the goals UConn has set.

UConn plans to embark on an aggressive campaign that may increase giving by connecting directly with more alumni and friends than we ever have before. UConn's bold goals will require more staff and additional investment in operations, not less.

To counteract the negative impact reductions will have, we support SB 996 which modifies current law so that the reduction schedule will not apply if the two-year average of total gifts and commitments raised by the Foundation is more than five (5) times the amount paid to the Foundation by the University during that same period.

The bill will allow UConn to fund the Foundation at levels it deems appropriate while the Foundation continues to achieve fundraising success at the level of this significant multiplier.

We look forward to working with you as the legislative process continues.

Additional Background Information

The UConn Foundation Purpose

The UConn Foundation exists for only one purpose: to promote the educational, research, service, and outreach missions of the University of Connecticut. It plays a critical role in enabling the University to provide a high-quality educational experience at a tremendous value. The Foundation solicits, receives, and administers donations and financial resources from private sources to enhance the University. These private donations enhance pivotal functions that are beyond what the University's state appropriations, tuition revenue and grant income can support. Private donations are an essential resource for every great university, be it public or private. Funds donated to the Foundation are used by UConn to provide scholarships, fellowships, and other forms of financial assistance to students; provide support for endowed faculty chairs and professorships to help recruit and retain faculty to teach and perform beneficial research at the University; and fund various academic and professional development activities within each of UConn's schools and colleges to enhance learning opportunities and the pursuit of knowledge.

Foundations also benefit their universities by investing donations in a manner that maximizes their value, thereby increasing the opportunity for greater investment return and, consequently, the revenue available to the primary institution. Donors feel more secure making a major gift to a foundation governed by individuals with extensive legal, business, and financial management skills. Foundation boards operate in a businesslike manner and provide an engaging role for experienced and successful individuals who want to help advance an institution. Foundations can also serve to safeguard the privacy of donors who do not want the details of their personal finances to become a matter of public record.

UConn's Foundation Operates in a Way Similar to Other Public Research University Foundations

Since 1994, the University and the Foundation have established a fee-for-service partnership, under the terms of a master operating agreement and annual statement of work (SOW)), which stipulates that the Foundation will conduct private fundraising on behalf of UConn. The agreement, approved by the University's Board of Trustees, details the two organizations' mutual fundraising goals and objectives, as well as the financial arrangements agreed upon to accomplish such goals. Please be aware that University support to the Foundation is comprised entirely of non-state appropriated dollars.

This is a long-standing practice at UConn and most other major public universities. The alternative to this type of arrangement is for fundraising staff to be employed and paid directly by the University which comes at a significant additional cost due to the State's fringe benefit rate.

Under the FY20 scope of work, University support for the Foundation was \$12.1 million (includes all alumni outreach) and UConn's return on investment was \$89.5 million.

Existing Law and Constraints

Under Public Act No. 16-93, funding from UConn to the UConn Foundation through the SOW is required to be reduced by \$1 million when the market value of the total university endowment is equal to or greater than \$500 million. This is the first of four scheduled reductions: \$1 million at the \$500 million threshold, \$1.5 million at the \$700 million threshold, \$3 million at the \$900 million threshold, and elimination of support at the \$1.25 billion threshold.

Due to unprecedented returns, the endowment has reached \$500 million during the current fiscal year, therefore it is critical to examine the current financial circumstances and the negative effects of a reduction in funding from UConn to the UConn Foundation.

A reduction in funding—and further reductions over time—will cause a long-term negative effect on the foundation's operations and the University's fundraising capacity including its ability to make strategic plans and increase staffing. In fact, it may even reduce our current level of fundraising if staff or other critical areas are decreased to meet the required reductions. For the Foundation to continue to grow and generate more scholarships, professorships and support for capital construction projects, University support is critical. Mandatory reductions will prevent UConn from allowing its fundraising operation to expand and result in significantly lower annual giving levels.

To the best of our knowledge, this type of statutory drawdown does not exist in any other state with an institutional foundation.

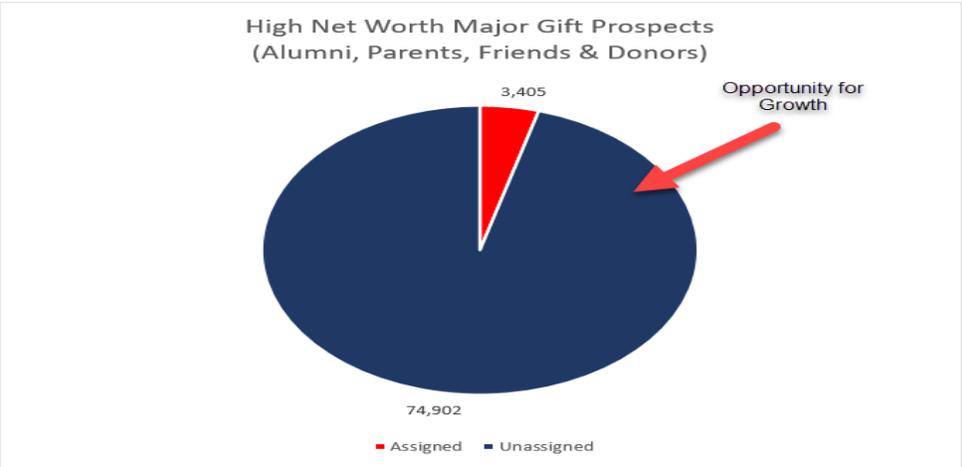
Unfortunately, the Foundation does not have many options in terms of funding its operations. Donations received by the Foundation are restricted for specific purposes like scholarships, endowed chairs, speaker series, equipment, or facilities. While the Foundation does receive some gifts for operations, this funding is very low, representing approximately 1% of total gifts. University support constitutes nearly 50% of the Foundation's operating budget. Any reduction to this support could not be replaced with fees from our endowment which already make up a significant portion of our budget.

While endowment fees are critical to our budget, future projections of this revenue stream indicate that it is not sufficient to cover the costs associated with the Foundation’s current operating budget let alone the bold fundraising goals UConn has for the Foundation.

Opportunity for Growth

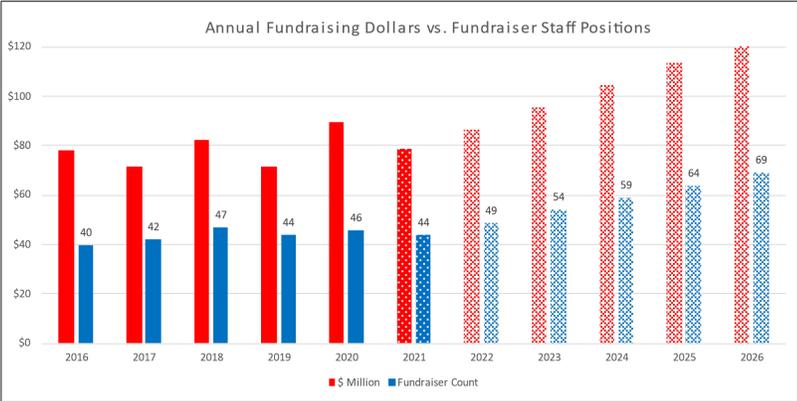
The University of Connecticut is planning to begin an aggressive fundraising campaign that requires additional investment in its fundraising operations. This campaign has the potential to dramatically increase giving to the Foundation by reaching out to alumni and other supporters who have not been contacted previously.

The below pie chart illustrates UConn constituents that can make a major gift to the University. As you can see, the Foundation only has the fundraising staff to engage with 3,405 leaving over 74,902 behind.



With the appropriate investment, UConn will take a leap forward in its fundraising efforts. Over the next five years, the University wants fundraising to increase and by hiring additional fundraisers we can scale up operations to raise more money for UConn. Currently, the ROI for fundraising staff is 10:1. With such few revenue streams for UConn, growing fundraising staff is one of UConn’s best investments.

Opportunity for Growth: FY22-26 Projection with Increased Staffing



***FY2021 represents a fiscal year end projection accounting for COVID19 complications*

UConn and its peer institutions on average, raise nearly \$2 million for each professional fundraiser that it has on staff.

ROI Peer Data

