

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 21-19—SB 996**

*Higher Education and Employment Advancement Committee*

**AN ACT CONCERNING FUNDRAISING BY THE FOUNDATION OF  
THE UNIVERSITY OF CONNECTICUT**

**SUMMARY:** By law, UConn must have a written operating agreement with the UConn Foundation (“the foundation”) that governs their relationship, and it must contain specific provisions about the cash compensation paid by the university to the foundation. These provisions generally require UConn to (1) decrease and eventually eliminate payments to the foundation as the market value of its endowment exceeds specified thresholds and (2) increase payments if the endowment’s market value falls below those thresholds.

This act requires the agreement to include a provision that renders these payment reduction, elimination, and increase requirements inapplicable in any fiscal year when the foundation’s average fundraising for the previous two years is at least five times its average compensation from UConn during the same period.

EFFECTIVE DATE: July 1, 2021

**CONTRACTUAL PROVISIONS GOVERNING CASH COMPENSATION  
PAID TO THE FOUNDATION**

Under state law, all foundations related to public higher education institutions must enter into a written operating agreement with those institutions. For UConn and its foundation specifically, the written operating agreement must provide that UConn decrease the total cash compensation payment to the foundation in a fiscal year from either the amount paid in the preceding fiscal year or in the base fiscal year 2016, whichever is greater, according to the market value threshold requirements of the endowment fund outlined in the table below.

**Required Cash Compensation Reductions from UConn  
to the Foundation Under Existing State Law**

<b><i>Change in Cash Compensation Paid by UConn to the Foundation</i></b>	<b><i>Market Value Threshold of the Foundation’s Endowment Fund (as of January 1 of preceding FY)</i></b>
Decrease of \$1 million	\$500 million to less than \$700 million
Decrease of \$1.5 million	\$700 million to less than \$900 million
Decrease of \$3 million	\$900 million to less than \$1.25 billion

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No compensation permitted	\$1.25 billion or more
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Source: CGS § 4-37f(10)(E)

Alternatively, if the endowment fund's market value decreases to an amount below any of the first three thresholds listed in the above table as of January 1 of the preceding fiscal year, then existing state law requires UConn to increase its payments to the foundation to the same amount that it paid prior to exceeding the threshold. These increased payments continue until the July 1 following a January 1 on which the market value of the endowment fund once again exceeds the threshold (CGS § 4-37f(10)).

The act requires UConn and the UConn Foundation's agreement to include a new provision under which existing law's scheduled payment reductions, eliminations, or increases would not apply in any fiscal year in which the foundation's two-year average of total gifts and commitments raised for the preceding two fiscal years, according to its annual report to the Higher Education and Employment Advancement Committee and legislative leadership, is at least five times its average compensation from UConn during the same period.