

Rutgers University Senate
Budget and Finance Committee
Report and Recommendations on Rutgers Fundraising Income
April 2009

1. The Charge

S-0707 Rutgers' Fundraising: Explore and report on Rutgers' income from fundraising. Respond to Senate Executive Committee by March 2008.

2. Acknowledgement

This charge was dealt with extensively in several meetings of the Senate Budget and Finance Committee and on many other occasions by a designated subcommittee during the 2007/08 and 2008/09 academic years. Members of the Budget and Finance committee met with many members of the Rutgers community for formal and informal discussions regarding this charge. The committee met twice with Carol Herring, President of the Rutgers Foundation, as well as with Deans, department chairs and other faculty members, administrators, and staff. The help, the information and the support received from each and every one of our colleagues is gratefully acknowledged. Unless explicitly quoted, we cannot separate the committee's opinions and suggestions from those brought to our attention by others, and we assume the responsibility as if they were originated by us.

3. Summary

The Senate Budget and Finance committee considers the fundraising activity of our university to be an important source of support for current, ongoing, and future activities. While fundraising is still a major source of funding for "Not for Profit" organizations, at state universities, tuition, state support, and other sources are still currently in the lead. With the continuation of the current trend of declining state support for Rutgers (33.2% in 2003 and 25% in 2009), fundraising will grow in importance. Although state universities came into fundraising later than private institutions, some are doing much better than others. In this respect, Rutgers University represents a special case, as it started as private university in 1766 and became The State University of New Jersey in 1957. Under the current administration and, in particular, under the leadership of Foundation President Herring, fundraising is gaining new momentum in its efforts to conduct a successful major capital campaign with a goal of \$1 billion.

The following report reviews and makes recommendations on the issues that were raised during our study.

4. The Current State of Fundraising

During FY 2008, the Rutgers University Foundation raised approximately \$98.5 million.¹ This amount was raised from the traditional sources: \$36.3 million from alumni, \$20 million from friends, \$19 million from corporations and \$23 million from foundations.²

¹ Rutgers has a very ambitious goal of adding \$500M to the endowment in the capital campaign that, if successful, will compare the university more favorably with its peers. There has been a slight increase in overall giving in the last four years with the largest jump upwards occurring in 2007. Nonetheless, overall giving to Rutgers is below the average of our AAU peers and well below our AAU aspirants who raised twice as much as Rutgers in FY 2007 (its highest year thus far)-- \$103M

Over the last five years, the percentage of revenue by source shows that the majority of funds come from alumni and foundations, averaging 60% of total giving, with alumni giving ranging from 32%-37%, and foundation support at 23%-34%. The percentage of alumni who have given to Rutgers over the last five years (approximately 13%) has remained below our AAU peers and aspirant peers (16%), but varies by campus. New Brunswick campus compares favorably (15%) with our peers. Corporations and friends have generally given less, and these are two categories that must see significant growth for the capital campaign to be successful.

The broad areas for which donors have made their gifts have remained relatively consistent over the last few years, with the majority of funds earmarked for current operations (65%-75%), a lesser amount for endowments (18%-33%), and the least amounts raised for capital projects. Very recently, however, the University has had several large gifts for capital projects, including two \$10 million gifts, which may indicate future success in this area. Compared to our peers, Rutgers has a very small endowment. While the current financial crisis has undoubtedly had a major impact on the endowments at all universities, in June 2008 Rutgers endowment of \$639.737 million is ranked 23rd among the 30 public-institution members of the Association of American Universities, and 118th of 796 institutions of higher education ranked in the 2008 NACUBO Annual Endowment Study. Peer institutions, such as the University of North Carolina (\$2,358,676M), University of Washington (\$2,262,149M), University of Virginia (\$4,572,613M), University of Wisconsin (\$1,735,456M) have significantly higher endowments.

5. The Fundraising Organization

The fundraising process requires considerable cultivation of potential donors to identify their interests and to link them to the university's needs in those related areas. To be successful, the Foundation staff needs to be knowledgeable in both the identification of potential donors and the university's activities and needs. The current (and future) structure of the foundation is aimed at achieving these objectives by building the right central team and the school development officers, many of whom are paid jointly by the Foundation and the unit.

Since the appointment of Carol Herring as President of the Rutgers University Foundation and Vice President of Development and Alumni Relations, the Foundation has focused on preparing itself to conduct a capital campaign. A significant factor in achieving success in the campaign is the organization for fundraising at the university, including the structure and number of full-time staff, and the alumni organization. According to Ms. Herring, the Foundation has added a significant number of central staff to manage area operations, including a campaign manager and additional major and principal gift officers. Professional development and training seminars have been offered for all fundraising staff, as well as for key volunteers, deans, and other faculty and staff leaders as part of an ongoing commitment at the Foundation to ensure that everyone who needs to participate in Rutgers' growing culture of philanthropy is provided with the skills necessary to be effective.

It was difficult to compare the size of the Rutgers staff to those of our peers because institutions vary in the ways they count their staff, as many are dispersed in the academic units and not part of a central

compared to \$225M. Increases in private support over this time period, as well as in the number of visits with potential donors and planned solicitations are, however, very encouraging signs.

² The current state funding for the University far below what is needed, external fund raising will become even more important for our ambitions, as Rutgers expenditures per FTE were \$25K compared to \$42K for our AAU aspirant peers in 2007.

fundraising operation. The types and specialties of Rutgers' central development staff do, however, mirror those of peer institutions that have successfully completed capital campaigns with a goal of \$1 billion or more. A 2006 study conducted by CORE, including UCLA, Penn State, University of Washington, and Rutgers, showed that these institutions raised \$606,000 per full-time-equivalent staff while Rutgers raised \$812,000 per full-time-equivalent staff. Since then, the Foundation has added staff to capitalize on the potential for more gifts. The often used performance index of fundraising (cents per dollar raised) to compare across institutions is not discussed here because of the variations in what institutions include in that figure. A more stable measure of performance like rate of return was available to us.

6. Funding the Foundation

Fundraising is a costly activity, and the university needs to make resources available for that purpose. The Foundation is funded through seven sources: the university, Scarlet R, BOG/BOT endowment, an administrative fee on endowments (1%), income on daily balances, a gift assessment fee (see below), and unrestricted gifts to the university. Foundations at many universities commonly support themselves through one or both of the following: endowment income designated for such purposes, or a gift assessment on monies raised. As Rutgers' endowment is very small compared to its peers, and almost negligible vis-à-vis committed support for Foundation operations, there is no substantial endowment to support the Foundation. In 2007, a university-wide committee comprised of faculty, staff, alumni leaders, and deans examined practices at major universities and other various options and recommended that the Foundation institute a gift assessment on certain gifts raised. In 2008 the gift tax generated \$1,361,968 for the Foundation or 7% of its \$19,455,074 operating expenses. The assessment policy generates funds for the Foundation's operation on the following schedule:

- I: 10% of every gift of less than \$10,000
- II: 5% of every gift of \$10,000 or more.

The exceptions are gifts from faculty and staff that are not subject to any assessment, and on a case-by-case basis with certain private foundations that refuse to allow any part of their gift to be used for such an assessment. The Foundation also receives an administrative fee of 1.0% of a trailing 13-quarter average of the endowment's market value to cover their expenditures.

It is difficult to encourage individual faculty who cultivate donors through their own personal associations and without much, if any support from their unit's development officer or the Foundation staff when they do not realize the full amount of their gift.

While the committee understands that the Foundation needs to have support, it also believes that the current assessment structure is a disincentive to those who fundraise, and it would be more effective to find other ways to support the Foundation.

Some suggestions include:

- Make the assessment formally expire at the end of the campaign, with some stipulation that a certain percentage of the assessments to that point be invested as an endowment to provide ongoing support after the campaign.
- Retain the assessment, but impose a cap on some gifts; for instance, 5% of the first million dollars (i.e., \$50K) goes to the Foundation; the rest goes to the unit.

- Limit the ultimate assessment on all annual giving to a unit to a certain amount/percentage.
- Permit exceptions to the assessment policy on a case-by-case basis where the Foundation and the unit mutually agree.

7. Capital Campaign Priorities

Priorities for the campaign were developed through a university-wide process that engaged the schools and their faculty and staff (and in some cases, alumni volunteers) in developing priorities for their unit by whatever internal model was appropriate in the school or unit. More than 700 individual proposals were submitted and rated by teams of faculty and administrators across the university according to several factors, including fundability, transformative nature, multi-disciplinary strength, etc. From these rankings, consensus-building discussions about the major transformative projects were held, and several particular projects were joined thematically and selected to form the “prospectus” for the campaign. All the projects are included in a campaign database that can be searched to match potential donors with university interests. The prospectus and database represent broad university aspirations and will facilitate better engagement with potential donors and cross-university partnerships to attract “big idea” donors. It is expected that, as the campaign develops and the university goes about its business, opportunities to add and enhance projects will be welcomed, even as some projects will move off the list.

8. Feasibility Statement and Campaign Fund Raising

The well-regarded consultant firm of Martz and Lundy has been providing the Foundation with information and counsel throughout the planning and implementation phases of this campaign. Based on their experience with billion-dollar campaigns, the Foundation projects that approximately 7,100 donors at various levels of giving need to be identified. To date, approximately 75% of the potential donor pool has been identified. Half of the additional prospects needed are at the \$100-\$500K level, and the other half at the \$500K-\$5M+ level. Compared to our peer institutions, we have some significant catching up to do. We compare favorably with the smaller California campuses (Davis, Irvine, Santa Barbara), but fall well below Indiana, Berkeley, UCLA, UC San Diego, UNC, Texas, Iowa, Michigan, and Virginia. It is essential that the Foundation continue to increase the effectiveness of its central services, and work collaboratively with unit academic and administrative leaders to forge ever more collegial and visibly successful partnerships if Rutgers is to realize its campaign goals.

9. Culture of Philanthropy

For a variety of historical reasons Rutgers does not have a well-established culture of philanthropy compared to its peers. Regular and consistent communication and outreach to alumni is an important aspect of that culture. The recent reorganization of the alumni associations and operations across the university is a step in the right direction. It will be important to monitor the impact of these changes to ensure that those successful aspects of previous association operations are not lost, but are instead enhanced in the new structure. It is also recommended that the Foundation and alumni relations make the most aggressive use of the Internet, the website, and social networking software for communications to alumni, for showcasing the university, and to facilitate donor giving. The recent success of the Obama campaign, as well as those of other presidential candidates, reinforce the effectiveness of modern communication networking with potential supporters.

A culture of philanthropy also needs to be developed when students first enter the university, and maintained as they continue through their years as alumni/ae. While students are not often in a position to

make large gifts, the rationale and enthusiasm for support of their alma mater needs to be built into the culture of the university at the earliest stage. The total amount given is almost less important than the percentage of students giving. There are many ways to engage students in philanthropy: establish a senior class gift program, create “giving challenges” across the classes, ask faculty and deans to bring students with them on donor meetings, and ensure that donors speak with students when they come to campus. It is also important that students see the results of their support so that its impact creates an ongoing positive response.

All these activities help to create a culture of giving back to the university, and they support the transition of students into alumni donors.

10. Recommendations

1. The Foundation should consider adjustments to the gift assessment policy that acts as a disincentive for faculty to participate in, and support fundraising:

- Make the assessment formally expire at the end of the campaign with some stipulation that a certain percentage of the assessments to that point be invested as an endowment to provide ongoing support after the campaign
- Retain the assessment, but impose a cap on some gifts; for instance, 5% of the first million dollars (i.e., \$50K) goes to the Foundation; the rest goes to the unit.
- Limit the ultimate assessment on all annual giving to a unit to a certain amount/percentage.
- Permit exceptions to the assessment policy on a case-by-case basis where the Foundation and the unit mutually agree.

2. Continue to develop and increase the effectiveness of central services, and work collaboratively with unit academic and administrative leaders to forge ever more collegial and visibly successful partnerships.

3. Monitor the impact of the reorganization of the alumni associations to ensure that those successful aspects of previous association operations are not lost, but are instead enhanced in the new structure.

4. The Foundation and Alumni Relations should make aggressive use of the Internet, the website, and social networking systems for communications to alumni, for showcasing the university, to facilitate donor giving, and to create a site where alumni may find and interact with other alumni.

5. The University must create a culture of philanthropy from the time students first enters the university, and continuing through the alumni/ae years. Examples of ways in which this could be done include: establish a visible senior class gift program; create “giving challenges” across the classes; ask faculty and deans to bring students with them on donor meetings; make opportunities for donors to speak with students when they come to campus; assure that students see the results of their philanthropic efforts; and cultivate class officers as they become alumni/alumnae to continue to relate to their class members.

6. Urge deans to contribute to a culture of philanthropy in their unit by raising awareness of development activities, opportunities, and priorities within their college or school; by encouraging faculty to participate in development and philanthropy; and by using e-mail to connect to their alumni/ae.

7. While it is difficult to compare faculty/staff giving at the university compared to peer institutions, there is a perception that philanthropy from employees is neither visible nor as cultivated as it could be. Examine best practices at peer institutions.

8. The Rutgers Day event is important program to elevate the visibility of the university and raise “friends,” The Foundation should find ways to capitalize on the event for future support.

9. Provide more opportunities for alumni throughout the country to gather at regional events and ensure that programs cater to alumni groups with different interests, in particular older and younger alumni.

10. Investigate the viability of a Rutgers credit card.

Budget and Finance Committee 2008-09

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