

Date: **October 12, 2006**

To: **Rutgers University Faculty and Staff**

Subject: **New Gift Assessment Policy**

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In recent weeks, a number of you have inquired about the new gift assessment policy associated with the initiation of our upcoming, major capital campaign. This memo is meant to respond to those questions and to clarify and explain some of the issues relating to this policy.

Background

As you know, Rutgers is in the midst of planning a transformative capital campaign, one which will carry us all forward to new levels of achievement and excellence. Our success will depend on the efforts and cooperation of every member of the university community, and will be achieved only if we are able to allocate sufficient resources to raise the approximately one billion dollars that we need. Knowing that the funding of development efforts at Rutgers has been a longtime concern, President McCormick appointed a Task Force in December 2004, charging them with recommending how the university should fund its next campaign. After nearly two years of research and deliberations, the Task Force (composed of seven Deans and six Overseers) issued its report, recommending that the costs of fundraising be met by a combination of nine different revenue sources. Each is used by other major universities to fund development, to a greater or lesser extent. Only through a combination of these could the University assemble the resources necessary for a campaign of the size contemplated. ^[*]

One of the recommendations of the Task Force was that the university impose a gift assessment fee of 5% on all gifts and grants. This fee does not in any way cover the full cost of fundraising – the Task Force determined that it costs Rutgers an average of 20 cents to raise a dollar – but it will be one essential component in gathering the resources that the university, and all of us, can use to “invest” in our future.

^[*] These sources are detailed in *The Report of the Task Force on Future Funding of Development*, which is available from the Rutgers University Foundation. Some of the revenues include University support, the RUF quasi-endowment, reserves given to the RUF by the Board of Governors and the Board of Trustees, income on daily balances, unrestricted gifts and an endowment administrative fee. The Report also projects the revenues from each source and the costs of funding the upcoming campaign.

The recommendations of the Task Force were adopted by the Board of Overseers early this summer. The Board instructed the Foundation to put the fee into effect on October 1, 2006.

Benefits

Obviously, the Foundation would not require this funding if it did not plan to provide greatly expanded services – and ultimately garner much more financial support – to all of the units of the University. Among the plans currently underway are:

- A restructuring of the Corporate and Foundation Relations operation at the Foundation that will enable units to have a dedicated staff member who will be fully informed about the needs of their units and will also have expertise in the corporations and foundations that best match the interests of the unit
- More principal and major gift fundraisers in the Foundation office, who will identify and bring new prospects to the various units. These staff members will work to find alumni whose giving interests extend (or can be stimulated to extend) beyond the club they joined or the academic area in which they studied. They also will work to systematically increase our pool of non-alumni donors. In addition, a series of faculty presentations to the Foundation staff will be arranged so that all fundraisers will become familiar with the needs and opportunities of all the units.
- An investment in automated Telefund equipment to enable the Annual Fund to continue to increase the dollars raised for individual units. Over the past five years, the dollars raised through the Annual Fund have increased by 56%. That represents an average annual increase of 9%. Unlike other institutions, Rutgers has never charged the units for the money raised – even though it currently costs 47 cents to raise an Annual Fund dollar. The Task Force’s recommendation that the units provide 10 cents of this cost will, we project, enable us to enhance giving to the Fund that will more than offset the cost.
- An expanded Gift Planning program which includes a strong marketing component, something Rutgers has not had in the past. In addition, more estate planning seminars are planned, most of which will be presented in the units for their prospects.
- A reorganized Donor Relations operation, which will help the units provide stewardship to their donors and will also provide improved

tracking of gifts, better reports for the units, and more accurate and complete gift recording and acknowledgements.

These and other activities – such as help with unit-based publications and event management – are intended to make the Foundation a much more active and effective supporter of all fundraising activities across the University than it has been in the past.

Policy

The 5% assessment fee will be applied according to the following guidelines:

- Effective October 1, 2006, a 5% assessment will be levied on all gifts of \$10,000 or more received after that date either by Rutgers University or the Rutgers University Foundation. All gifts below \$10,000 – primarily those raised by the Annual Fund – will be subject to a 10% fee.
- Pledges made before October 1, 2006 – and their subsequent pledge payments --will not be subject to this fee. Grants for which proposals were submitted before October 1st will likewise be exempted.
- This assessment applies to all cash gifts and unrestricted grants without exception. It will not apply to grants from state and federal governments or to any contracts. (See “Definitions” below.) Non-cash gifts will not be subject to the fee.
- There will be complete transparency regarding these charges. Gift receipts and stewardship reports will inform the donor that a portion of the gift received has been allocated to cover the cost of fundraising.
- Donors will receive credit for the full amount of their gifts.
- Charitable trusts and bequests will be assessed only at the time they are realized.
- In cases where the donor (individual, corporate or foundation) refuses to contribute to indirect costs, the unit receiving the gift will have the option of paying the 5% fee from other departmental sources.
- Gifts and grants from non-profit foundations will be handled in the following way:
 - If the foundation allows a separate line item of a gift assessment fee, it is included as a direct cost in addition to the allowed F&A rate.

- If the foundation allows a gift assessment fee, but prohibits F&A, the gift assessment fee is included as a direct cost in the budget and no F&A is charged.
 - If the foundation does not allow a gift assessment fee as a direct cost but allows F&A, the gift assessment fee of 5% is subtracted from the F&A return to the unit.
 - If the funding foundation does not allow either a gift assessment fee or F&A, and the unit can prove that it has no available funds to pay the fee, the unit must present the published guidelines of the funder (or the rules stated in the RFP) to a committee of the three chief academic officers and the President of the Foundation for further discussion.
- This policy will be reviewed periodically.

Definitions

- **Gift:** Funding given to the University or the Foundation that does not involve any *quid pro quo*, such as detailed technical reports, licensing of intellectual property rights, or other goods and services.
- **Non-cash gifts** (or gifts in kind): Gifts made to the university that are to become inventoried usable assets of the University.
- **Unrestricted grants:** Funds that are received by the University that are not formally recognized as gifts to the Foundation, but, for instance, support the research of a particular faculty member, department or center. Although a proposal may have led to the grant, there are no deliverables (except perhaps a report accounting for the expenditure of funds) and no other conditions.
- **Grants:** Funds provided by government and nonprofit foundations to support specific research projects. These are often in response to solicitations, include general statements of work, and the deliverables include detailed reports. These will be charged either F&A (Facilities & Administration, formerly Indirect Costs) or a gift assessment fee, depending on the foundation's regulations.
- **Contracts:** Funds provided to Rutgers to perform some activity that benefits the donor, typically corporations. These activities might include technical reports, or other deliverables and conditions that include rights to intellectual property and a requirement to keep proprietary information confidential. Membership and affiliate fees are included in this category. Contracts are subject to regular F&A charges.

Responsibilities of the units and of the RUF

The units will be responsible for:

- Submitting every gift to the RUF for processing in accordance with University policies and procedures

The Rutgers University Foundation will be responsible for:

- Informing potential donors about the fee in personal discussion or in written materials.
- Issuing gift receipts with a statement informing donors of the fee policy.
- Using the revenues generated by the fee to provide better services and additional fundraising resources for the entire University community.

Some questions and answers

Isn't the imposition of this fee a rather radical move? Do any of our peers have a similar fee?

- All non-profits must find a way to pay for the cost of fundraising. Charities across the country – from the United Way to local arts groups – typically spend from 20 to 35 cents to raise a dollar, and their donors understand that part of every gift they make goes to this purpose. Among our peer institutions, most support their fundraising with money from a variety of sources, as we are proposing. Many impose fees ranging from 2% to 12.5%, including institutions such as the Universities of Arizona, Iowa and Florida, Arizona State, Iowa State, UNC, Texas A & M, Virginia Tech, and all of the institutions in the University of California system. Most of them have done so for a long time.

Why should I give the Rutgers Foundation 5% of the gift when they had nothing to do with getting it?

- We acknowledge that the Foundation is not involved in some proposals but, much like the regulations regarding indirect costs, the rules of the University require that all grantees contribute to the support of fundraising. Not only is it fair and reasonable that everyone participate,

but it is simply not feasible – or even appropriate – to negotiate every grant separately. Furthermore, amortizing the costs across the university makes it possible to keep gift assessment fees down to 5%, which is only one-quarter of what it actually costs to raise these funds.

Will my unit get any of the 5% fee paid to the RUF back to support our own development operations?

- The revenues for the fee will not be parceled out to individual units across the University, but will be used to build and increase the services provided by the RUF. Thus, the Foundation expects to be able to provide better research, more assistance with proposals, more timely responses to faculty inquiries, and other services they were previously unable to offer.

Why are we doing this at the time of the largest budget cut in Rutgers' history, when units need every source of funds available to them and sometimes cannot find extra funds to pay the assessment if the donor refuses?

- The budget cuts have been difficult – and the Foundation has also taken a 10% cut in its University support – but these cuts make private support more important than ever. The Task Force, and all three University boards, recognized that investing in fundraising is the only way to find additional funding and that it will pay off very well. In fact, the return on investment during the previous campaign was 794%. The three boards have turned their reserves over to the Foundation to spend, and as many other sources as possible have been tapped. Many universities ask their units to share in the costs of fundraising by finding money in their budgets that is freed up upon receipt of a gift or grant.

If my gift is payable to Rutgers University, will it be subject to the gift assessment?

- Yes. Regardless of where a gift is deposited, the assessment fee will be applied.

I understand that the Foundation will be keeping all of the money received for a longer time. How will I have access to the money I need to spend?

- The University has agreed that the RUF will be credited with the float on cash received for up to 12 months. However, when the donor requires the immediate use of the funds, and any delay may reduce chances for subsequent donations (e.g., fellowships, unrestricted grants for research),

they will be released to the project as soon as possible. However, any interest earned on those funds before they are expended will be used to support the RUF.

10/12/06
