

FOUNDATIONS FOR THE FUTURE

THE FUNDRAISING ROLE OF FOUNDATION BOARDS
AT PUBLIC COLLEGES AND UNIVERSITIES

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 **AGB**
PRESS

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FOREWORD

As the landscape of higher education continues to evolve, so too does the role of institutionally related foundations that support public colleges and universities. Once concerned primarily with receiving and stewarding philanthropic gifts on behalf of their institutions, foundations have over the last few decades become increasingly active and innovative fundraising organizations. In the face of rising costs and a prolonged economic downturn, public colleges and universities are being challenged to increase their sources of private support as state funding makes up a decreasing percentage of their budgets.

At some public institutions, foundations have already taken the lead in generating alternative sources of revenue. At others, financial pressures are only now beginning to prompt questions about whether and how their foundations should become more involved. What appears to be true across the board, however, is that the importance of private support for public institutions—and, in turn, the role of foundations—will inevitably continue to increase.

To illuminate those changes in foundation boards' fundraising duties and responsibilities, the Association of Governing Boards of Universities and Colleges (AGB) conducted a survey, in 2010, of foundation chief executive officers. Respondents answered questions such as:

- What best describes your foundation's role in fundraising? What other campus entities are involved, and to what degree?
- Who contributes gifts, how much do they contribute, and under what obligations?
- Who are the most influential groups or individuals in setting the campaign goal and priorities?
- What are the three most important practices to ensure that a foundation board is effectively engaged in fundraising?

Michael Worth—a professor of nonprofit management and former vice president for development and alumni affairs at George Washington University (and prior to that, director of development at the University of Maryland at College Park), and author or editor of nine previous books about board development, philanthropy, and fundraising—draws from the findings of the AGB survey to provide new insights into how foundation boards can improve their fundraising performance. Informed by his 30-plus years of experience in philanthropic resource development, *Foundations for the Future* is a focused look at this growing role of foundation boards and provides valuable guidance for foundation boards and their host institutions that are increasingly looking to their foundations as a source of funds.

Foundations for the Future presents a comprehensive overview of the new realities of public higher education fundraising, as well as a detailed primer on the respective roles and responsibilities of the various members of the fundraising team. Dr. Worth explains the intricacies of cultivating the fundraising capacity of a foundation board and establishing fundraising policies. He examines the role of foundation board members in giving, cultivation, solicitation, and campaigns in collaboration with the development committee, development staff, and the institution's governing board. Finally, he offers valuable best practices to help foundation boards ask the right questions, set appropriate goals, and do their utmost for the institutions they serve.

For more than two decades, AGB has recognized and supported the growing impact of foundations and their boards on public colleges and universities, and the necessity of the collaborative relationship between the foundation and the institutions they support. During this period of financial constraints, when the relationship between a foundation and its host institution needs clarity and collaboration, AGB continues to expand its programs and services for foundations. This new book is the latest addition to AGB's ongoing study and development of board practices in leading these complex organizations.

We are pleased to offer this timely and practical guide for board leaders and other fundraising professionals. *Foundations for the Future* is essential reading for directors of institutionally related foundations, foundation executives, institution and system chief executive officers, chief advancement officers, academic officers who work with institutionally related foundations, and governing board members of public institutions.

Richard D. Legon
President
Association of Governing Boards of Universities and Colleges
December 2011

PREFACE

Twenty-eight years ago I completed a Ph.D. in higher education at the University of Maryland. My dissertation concerned the relationships between the governing boards of public universities and the boards of their institutionally related foundations. It was an early study on a topic that had not received much attention before; my literature review uncovered only one other dissertation that had addressed it at the time. That finding was not surprising. In the 1980s, the existence of institutionally related foundations was a relatively new phenomenon at many public institutions, with the exception of state universities in the Midwest and some in the Mid-Atlantic, at which they had long existed.

Among the members of my dissertation committee was Richard T. Ingram, then executive vice president of the Association of Governing Boards of Universities and Colleges. The fact that AGB was interested in these foundations and their boards at that time is testimony to the association's tradition of alertness to emerging trends in higher education, and its interest has been justified by the enormous growth in the number and scale of such foundations in subsequent decades.

Since that first experience with AGB as a graduate student, I have worked with the association on two other projects. The first, a study in 2004 that examined the fundraising roles and responsibilities of boards of trustees at independent colleges and universities, resulted in a small book published by AGB in 2005: *Securing the Future: A Fundraising Guide for Boards of Independent Colleges and Universities*. A few years later, AGB and I collaborated on a study of advisory councils in higher education, at both independent and public institutions. AGB published *Sounding Boards: Advisory Councils in Higher Education* in 2008. The book encompassed my summary and reflections on AGB's research. In the context of this long relationship, I was enthusiastic when Richard D. Legon, AGB's president, suggested in 2010 that we make it a trilogy, by cooperating in a study

of the fundraising roles and activities of the boards of institutionally related foundations. Findings from that study are woven throughout this volume.

It is important to emphasize that this book, and the research on which it is based, are intended to be narrow in scope. This is not a book that deals with the subject of institutionally related foundations comprehensively or that is intended to address broad issues related to the governance of such foundations. The 2010 AGB survey did not attempt to compile exhaustive data about the operations of foundations or their work in managing funds and other activities on behalf of their institutions. The focus of the study and this book is specifically on the roles and responsibilities of foundation boards in *fundraising*.

As discussed further in Chapter 1, many institutionally related foundations began as passive entities that received and managed private support for the benefit of public colleges and universities. An active leadership role in fundraising for their institutions is a relatively new role for some of them, and some foundation boards are grappling with the transition. With declining state support for public higher education, active fundraising foundations may become essential to maintaining the quality of public higher education in the future, a goal of utmost importance to the vast majority of Americans who receive their education at these institutions and to the nation as a whole.

It is my hope that this book will provide useful information and insights for foundation directors and foundation chief executive officers, as well as presidents and board members of public institutions who are seeking the most effective ways of serving their institutions.

Michael J. Worth
Washington, D.C.
December 2011

A CHANGING LANDSCAPE FOR PUBLIC HIGHER EDUCATION

In the fall of 1977, I arrived at the University of Maryland College Park to start my new job in a recently created position called “director of development.” A small development office was already based in the university system office, which provided some services to five campuses. On the College Park campus, an existing fundraising operation was associated with the athletics department, and two of the professional schools had assistant deans whose responsibilities included fundraising to some extent. But there was no campuswide coordination of efforts. It would be an understatement to say that the culture was not fully supportive of organized fundraising. Indeed, I learned—after I arrived—that some campus administrators, who thought the salary would not be justified by the slim possibility of raising significant private money, had been opposed to the creation of my position.

I had no staff and controlled few resources, except for small amounts carved from the overall communications budget. I had to be careful not only about how much was spent, but on what—for example, no alcohol. Any gifts to the campus were deposited in state accounts, requiring a cumbersome process to expend. Over my several years at Maryland, the university created an institutionally related foundation, put in place the building blocks of a comprehensive fundraising program, and successfully complete some focused campaigns that began to establish a culture of philanthropy. But by the early 1980s, when I left College Park to become vice president for development and alumni affairs at George Washington University, Maryland’s development program was still in its infancy.

The situation at that time at most other public institutions was not that different. Public universities in the Midwest already had long-established traditions of raising funds from alumni and other private sources, as had some institutions in the Mid-Atlantic region, notably the University of Virginia and the University of North Carolina at Chapel Hill. The first university-related foundation, the Kansas University Endowment Association, had been created in 1891. But in the 1970s, in most states, public colleges and universities were, in fact and in perception, agencies of state government. They received most of their



TAKEAWAYS FOR FOUNDATION BOARD MEMBERS

- **With reduced state appropriations, philanthropic support for core operating budgets has become a high priority for public institutions of all types. In fact, the campaign goals of many public research universities now equal or exceed those of their independent counterparts.**
- **Public institutions facing the need for increased private support have established institutionally related foundations, and the fundraising role of foundation boards is of growing importance.**
- **An institutionally related foundation can generate funds for investment in fundraising programs, help ensure the proper management of gifts, and provide greater flexibility in investing funds.**
- **A foundation board should be constructed in a way that is consistent with the foundation's overall fundraising strategy, and board members should be selected at least in part for their ability to provide or obtain private support.**
- **A recent AGB study of foundations found that the most common pattern is for the foundation board to participate in cultivation, solicitation, and stewardship activities, accompanied by the resident or development office or foundation staff members.**
- **Most institutions include members of the foundation board in leadership committees for capital campaigns.**

support from the legislature, had low tuition, and did not raise gift support in a purposeful manner.

Today, more than 30 years later, the situation is vastly different. In response to a new financial landscape, private support is now central to colleges' and universities' aspirations for the future and increasingly important even to meet current operating needs.

Boards of public colleges and universities, however, have not typically been viewed as sources of such support—either of giving money or raising it—for the institutions that they govern. Most boards of public institutions are appointed by political officials, usually the governor with confirmation by the legislature, or elected by alumni or the public. Unless members are appointed by a governor who happens to place a high priority on private support, it is unlikely that a public governing board will be well-situated to play a leadership role in fundraising for the institution. Such boards include many talented people who work tirelessly in meeting their responsibility to ensure that public funds are properly applied and that the college or university serves the public purposes for which it exists. But the process by which public governing boards are appointed does not ensure that the board will include individuals of affluence or influence, leaders from the business community, or prominent and successful alumni who live outside the state.

It is for this reason, among others, that public institutions facing the need for increased private support have established institutionally related foundations. The fundraising role of foundation boards is thus a subject of growing interest and importance, and it is the focus of this book.

As a private entity, an institutionally related foundation has a board with the ability to define and design its own membership, much like the board of an independent college or university. Some members will be