INSTITUTIONALLY RELATED FOUNDATION BOARDS

AN INTRODUCTORY GUIDE FOR BOARD MEMBERS

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FOREWORD

The emergence and ongoing evolution of the independent foundations that for the past 150 years have provided support for public universities and colleges is an important part of the story of higher education in the United States. For their part, the boards of these institutionally related foundations play a unique role in higher education governance. While not themselves institution or system governing bodies, foundation boards have fiduciary responsibilities nonetheless and are accountable for advancing the missions of their respective foundations.

Today, as public institutions address ongoing implications of declines in state funding—in some states rather sharp—and institutionally related foundations face growing pressures and heightened expectations, the work of foundation board members is becoming increasingly important to the fiscal health and long-term viability of public higher education. Foundations are now being asked to raise operating funds, to manage real estate ventures, to support institutional campaigns and innovative initiatives, to advocate for public support of higher education, and to collaborate with and provide counsel to institutional leaders. Indeed, foundation and institution leaders are reinventing the fundamental relationship between foundation and institution.

For nearly three decades, AGB has supported the vital work of institutionally related foundations and their boards. Rooted in that long experience, this new publication updates and replaces *Effective Foundation Boards*, AGB's popular introduction to the

responsibilities and requirements of board service. While the specific expectations associated with service on a foundation board have not fundamentally changed, the context in which that service takes place is changing every day. *Institutionally Related Foundation Boards: An Introductory Guide for Board Members* provides a clear pathway to success for the men and women who volunteer their time as foundation board members.

Whether you are just embarking on your service as a foundation board member or reacquainting yourself with the essentials of your role, this AGB publication offers an authoritative, timely, and practical guide. As you confront the specific challenges and opportunities facing your board, your foundation, and your partner institution, I encourage you to make use of the full array of resources and services AGB offers to support your work.

AGB is committed to the idea of "getting governance right"—a standard to which all foundation boards and board members should aspire. Yours are among this nation's most significant voluntary responsibilities: your work has a direct bearing on the success of the students in attendance at your partner institution. Your commitment and curiosity are truly essential. I wish you success in your board service.

—Richard D. Legon
President, Association of Governing Boards of Universities and Colleges

INTRODUCTION

When the Association of Governing Boards of Universities and Colleges began working with foundation boards in the early 1990s, the most pressing public policy issues included increasing competition for public funds, concerns about student access and costs, and demands for heightened institutional accountability. Institutionally related foundations provided a means of addressing all three challenges. Rapidly growing fundraising programs and endowments created a margin of excellence over and above state support and provided scholarships to offset rising tuition. By providing enhanced financial oversight, independent foundation boards helped secure the trust of donors and the public at large. During the remainder of the decade, college and university endowments enjoyed double-digit returns, and public institution revenues per student reached new highs.

Today, public colleges and universities operate in a very different—and very difficult—fiscal environment. In the decade following the Great Recession of 2008, state spending on higher education remained well below pre-recession levels and average appropriation support per student declined. Already, tuition rates have reached levels beyond the means of many students and beyond the pale for many policymakers. Meanwhile, the traditional target of a 5 percent endowment payout is no longer realistic and has given way to reduced expectations for endowment spending. More fundamentally, the longstanding compact between state governments and public institutions may be undergoing a permanent change, leading to increasing privatization for some institutions and changes in mission for others. Several factors now shape the mission of institutionally related foundations and the work of their boards.

Reliance on philanthropic support. The business model of public higher education is changing. State support for public higher education has, with intermittent ups and downs, been declining as a percentage of institutional revenues since 1980. While private support will never fully replace state appropriations as a revenue source for public colleges and universities, gifts and endowments provide an increasingly important source of support for student financial aid, faculty positions, and academic programs. Where institutions once looked to foundations to provide a margin of excellence, they are now more likely to turn to foundations to support core academic functions and ensure access for students unable to pay undiscounted tuition rates.

Demand for entrepreneurial support. Foundations have long helped host institutions acquire and develop real