

10. **U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing an allocation of up to .80% (80 basis points) from the market value of the Long Term Fund and related policy issues**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and the Vice Chancellor for External Relations, Communications, and Advancement Services that the U. T. System Board of Regents authorize an allocation of up to .80% (80 basis points) from the market value of the Long Term Fund (LTF) to provide more adequate funding for development operations at U. T. System institutions to substantially increase philanthropic revenue.

BACKGROUND INFORMATION

On February 9, 2017, the Board of Regents authorized allocation to U. T. institutions of up to .40% (40 basis points) in addition to the .20% (20 basis points) previously allocated to each institution since 2007, from the market value of each institution's respective shares of the LTF's net asset value, for a total allocation of up to .60%. That allocation (which totaled \$32 million across all 14 institutions last year) was restricted to support fundraising activities, with a special emphasis on enhancing endowment growth, through investments in development personnel, operations, and programs.

Allocations exceeding .20% (20 basis points) were made with the stated expectation that institutions must demonstrate a yield of a 4:1 ratio of new endowment dollars received and pledged to the value of LTF basis points allocated above the base of a three-year average of endowment gifts during fiscal years 2014, 2015, and 2016. Institutions will have to achieve this one time yield to be eligible for the additional .20% (20 basis points), for a total allocation of up to .80% (80 basis points).

Additionally, to be eligible for up to 80 basis points, institutions must have already spent previously awarded LTF allocations and must commit not to use any new LTF allocations to replace institutional funds already used to support development activities.

Institutions may opt in or out of the LTF allocation altogether or apply for some portion of it, up to 80 basis points.

In Fiscal Year 2018, U. T. institutions realized more than \$1.5 billion in gifts, new pledges, and testamentary commitments. Also in Fiscal Year 2018, philanthropic cash available to U. T. institutions for spending during the year was more than \$1.2 billion, including \$735 million in outright gifts and more than \$469 million in endowment distributions held in the LTF or by university-affiliated foundations.

Two-thirds of all public universities in the United States use some type of common mechanism to support philanthropy efforts. All university systems in Texas have gift fees, endowment allocations, or a combination of both. With philanthropy continuing to play an ever-increasing role in supporting institutions' missions and goals, adequate resources to support development office personnel and operations will ensure philanthropy as a source of sustainable revenue.