Testimony by Nicholas Pettinico, Jr.
Associate Vice President, Institutional Advancement
Central Connecticut State University
Before the Higher Education and Employment Advancement Committee
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Good morning, Senators Bartolomeo and Witkos, Representatives Willis and Betts, and Members of the General Assembly's Higher Education and Employment Advancement Committee.

Thank you for the opportunity to testify today. For the record, my name is Nicholas Pettinico, and I am the Associate Vice President for Institutional Advancement at Central Connecticut State University (CCSU). My comments today are on behalf of not only Central, but the Board of Regents and its 17 public institutions, in opposition to ***HB 6813 – An Act Requiring Transparency of Expenditures By The Higher Education Foundations*** and ***HB 5484 – An Act Requiring Audits By The Auditors Of Public Accounts Of Foundations Established For Public Institutions Of Higher Education***.

Over the last eight years, the state appropriation support for Central Connecticut State University has declined from 41% to 37% of its operating budget. Given the difficult financial climate in which the General Assembly is about to consider a new biennial budget, that percentage is expected to further decline. For those of us in the Connecticut State Colleges and Universities (CSCU) system, the task of reducing costs while maintaining a higher education system that is accessible, affordable, and that offers a quality student experience is daunting. While every effort must be made to control spending and reduce costs, a parallel effort must be made to finding ways to raise revenue without passing the burden along to students in the form of tuition increases. Clearly, philanthropy is one means, and for the CSCU system, the primary alternative means of achieving this goal.

Private, non-profit foundations established to benefit the State's higher education institutions have been in existence for many years. These supporting organizations serve as a vehicle for alumni and other constituents to make tax-deductible donations to support student scholarships, academic programs, building and renovation projects and other programs which advance the mission of the universities they serve. We should be focused on creating an environment in which the philanthropic role of these foundations can prosper. As the state decreases public support for institutions, it should not also increase the administrative burdens and regulatory constraints on the organizations increasingly expected to fill the gap.

Under current State law, foundations already comply with a number of regulations pertaining to governance, business practices and fiscal accountability. Foundations undergo annual audits by independent certified public accountants, copies of which are provided to the Board of Regents and to the Auditors of Public Accounts. There is no public benefit to requiring the Auditors of Public Accounts to perform these audits. The financial accounting standards for auditing private, non-profit entities are quite different from the accounting standards for state government. Since the foundations are not appropriated state dollars, state audits of these private entities are less appropriate than audits would be of any of the number of non-profit organizations receiving public funding.

Everyone recognizes the need for public universities to raise private dollars to support the educational enterprise. Indeed, there is a grave danger that public higher education will become less able to respond imaginatively to a changing technological environment and workforce development demands if it derives the major portion of its operating funds from taxes, student tuition and fees. We ought to be looking at ways to nurture the environment for philanthropic giving to the state's higher education units through its foundations, as has been done in the past.

As an example, one need only look back to 1997 when the Legislature passed a truly progressive piece of legislation. Public Act 97-293 provided for a state grant of $1.00 for every $2.00 donated to an endowment fund held by the university foundations. At CCSU this program was a major incentive to alumni and other constituents to make personal donations and thereby leverage these additional state matching dollars. Under this legislation, Central Connecticut State University raised $11.5 million in match-eligible endowment gifts producing another $4.4 million in state matching grants. As a result, thousands of students have been and continue to be the beneficiaries of need-based and merit-based scholarships made possible by the personal donations and state matching grants while many of our academic programs have gained national and international recognition because of this philanthropy. We have clear evidence that the philanthropic capacity of alumni and non-alumni friends of CCSU, as well as the state's businesses and foundations, was reinforced by the match program, not only at CCSU but across the entire state system of public higher education. The State Endowment Matching Program was so successful that it created a liability that the state could no longer afford. What a good problem!

I am not suggesting that the General Assembly reinstitute the state matching grant Program in these troubled fiscal times. However, I simply wish to point out the Legislature has the ability to foster an environment for giving that will improve opportunities for future students. Neither of the two bills before you today creates that environment.

Private giving is built on trust and any legislation which interferes with the bond of trust between the donor and the university will destroy that trust and will negatively impact future giving. In the process of deciding gifts, donors often reveal some of the most private details of their fiscal affairs. Philanthropic donations, whether individual or corporate, are personal and private. While this legislation exempts disclosure of individual donor identity under the State's Freedom of Information Act, allowing disclosure of communication between any donors and the foundations to be released is certain to have a chilling effect on giving. Further, the identity of corporate donors should be treated in the same manner. Corporations are mistakenly viewed as having more discretionary dollars available to give away than is actually the case. Requiring that the identity of corporate donors be made public is likely to open the gates to an avalanche of donation requests from other non-profits.

A recent posting on the listserv for professional advancement officers caught my eye because of the disclosure about the NC State Foundation and its relationship to North Carolina State University. There is not a single employee of the NC State University Foundation. Everyone responsible for managing the assets of the NC State Foundation is an employee of North Carolina State University. All communications/marketing are handled through University Advancement. They promote and support the University and its objectives – not the Foundation. The NC State Foundation has assets of $485 million, and in fiscal year 2013 it raised $29.8 million – and does not have a single employee. This says a lot about North Carolina's progressive attitude toward institutional advancement and how a strong partnership between the university and the private, supporting organization can pay huge dividends. As we move forward, let's explore strategies which create similar partnerships between state government, public higher education and the private sector.

Thank you for your consideration, and I look forward to your questions.