

**Written Testimony
By
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Senate Bill 333, An Act Concerning Foundations of Constituent Units and Public Institutions of Higher Education Institutions.

Co-Chairs, Ranking Members and Members of the Committee, thank you for your support of the University of Connecticut and for the opportunity to comment on the proposed bill regarding the UConn Foundation. My name is Josh Newton and I am the President and CEO of the UConn Foundation.

It was nearly one year ago that I sat before you and offered testimony about several legislative proposals that would have negatively impacted the Foundation's ability to raise critical funds for the University of Connecticut. I was joined, as you may recall, by an inspiring student from Manchester who was the recipient of a full scholarship to study at the NEAG School of Education. Thanks to generous donors and the work of the Foundation last spring he became the first person in his family to graduate from college. Today he is pursuing his dream to be a public school teacher in Connecticut – his life has been transformed.

At the public hearing last year I explained that the Foundation operates as a well-managed nonprofit organization with a focus on protecting our donors' right to privacy, adhering to donor intent, and complying with all regulatory requirements. In addition, I detailed the significant controls, oversight, and accountability in place at the federal and state level.

The testimony that I submitted in writing then, and now, provides background information on the Foundation's mission, how it works, its internal and external controls, independent oversight and current level of disclosure.

Last year I urged you to respect the integrity of the Foundation's non-profit status; protect donor confidentiality; and treat the Foundation the same as all other Connecticut non-profit Foundations. I am grateful that you took my concerns into account.

Since then, the Foundation has reached new milestones. We finished the 2015 fiscal year with \$78 million in new gifts and commitments. Combined with the previous year, the Foundation has now enjoyed its most successful two-year fundraising total in its history. The momentum continues as we speak – we have raised \$50 million half-way through fiscal year 2016, the best six-month performance ever.

In the past year our top fundraising priority - scholarships and student support – has taken off; in fact the Foundation's marketing efforts for the *Transform Lives* scholarship

initiative earned us first place in a peer review competition among higher education foundations in the Northeast. To date, we have raised more than \$55 million for this initiative which is helping to ensure UConn remains financially accessible to all students.

Our donors are also supporting scientists who conduct world-class cancer research at UConn Health, military veterans receiving job training at the School of Business, and the 4-hundred student-athletes who achieve excellence on the playing fields and courts every season.

Another development since the 2015 legislative session is Connecticut's deepening budget deficit. The General Assembly has been a great partner in supporting UConn but you know better than I do that budget increases for scholarships, research and teaching are unlikely in the near future.

I'm also confident that we all agree that annual legislative skirmishes over how the Foundation operates are counterproductive to our collective desire to increase the UConn Foundation's endowment and its support of students.

That brings me to the bill under consideration today. It is the result of months of constructive dialogue with lawmakers from both sides of the aisle. I am grateful for the leadership and collaborative spirit of those involved. I believe we approached the process with the same goals: enhance public confidence in the Foundation without undermining its ability to raise philanthropic funds. The bill accomplishes that and I'm pleased to support it.

It consists of three main parts: reporting, benchmarking, and financial independence. I'd like to briefly address each.

Under the proposal the Foundation would be required to deliver to this committee a myriad documents detailing its financial performance. This includes:

The IRS 990 tax form, our independent audit report, a report on the total number and average disbursements for each school, college and constituent unit the Foundation sends funding to, our annual report, annual operating agreement with UConn, and all naming opportunities approved by the University's Board of Trustees. The Foundation is already among the most transparent non-profit in Connecticut. With this legislation, the Foundation would set new standards for accountability and transparency.

The second part of the proposed bill relates to establishing a goal for how much is raised annually in gifts and commitments for student support. The Foundation would be required to make every reasonable effort to ensure that no less than 15-percent of new gifts and commitments be designated for student support, including scholarships and fellowships.

As I mentioned earlier, currently our top priority is raising funds for scholarships. Still, some members of the legislature felt it was important to memorialize – in state statute –

our commitment to student support. I not only understand the message, I embrace it.

Now, the 15-percent threshold may seem like a modest goal to some but we must allow for the possibility that in any given year a donor could step forward with a 7-figure gift for medical research or to upgrade a campus facility and that would affect the overall percentage raised for scholarships that year.

Also, while the Foundation can solicit gifts for certain use, it does not ultimately control how donors give or to what cause on campus the gift is directed. The minimum percentage to be raised each year for scholarships represents a reasonable compromise, one that I suspect is unprecedented with regard to regulation of non-profit foundations by state government.

The final part of this bill includes perhaps the most significant concession from the Foundation – a statutory requirement that the University begin to reduce financial support of the Foundation as its endowment grows.

Last year the Foundation received about 45-percent of its budget – or about \$8 million - from the University. In return, we raised approximately 80-million dollars – an impressive return on investment for the University.

Still, some of you have said in our meetings that you want to see the Foundation eventually become fully financially independent from the University. I actually share this desire and acknowledge that many Foundations, benefiting from income from multi-billion dollar endowments, receive no funding from the University which they help support.

Unfortunately, we aren't there yet. The Foundation's endowment is approximately \$383 million, about ten times what it was a decade ago, but still much smaller than those at UConn's peer universities. Reducing funding now, before the endowment is large enough to compensate for the loss, would be ill-advised and counterproductive. I'm grateful that there seems to be consensus – reflected in this bill - that any reduction of financial support from the University should be measured and indexed to growth of the endowment.

In conclusion, I have learned a great deal from this process and the Foundation is a better organization as a result, more committed than ever before to communicating with all stakeholders – including legislators on this committee. I am hopeful that passage of this legislation will allow us to start a new chapter, one in which we work together to strengthen philanthropy at the University of Connecticut. We have a lot of work to do: students need scholarships, research labs need equipment, and state-of-the-art facilities need to be built. The Foundation can't do it alone. I'm confident that with your partnership we can make UConn a top-ten public university, one that we can all be proud of. Thank you and I look forward to answering any questions that you might have.