

## Q&A: Funding the Advancement of NC State University

***Q1: NC State is a big, successful university. Why do you need to generate additional funds?***

A: NC State is a great University, the largest university in North Carolina. We have more than 33,000 students and about 8,300 faculty and staff members. We also have more than 170,000 loyal Wolfpack alumni.

But like all organizations, NC State is faced with serious budget challenges. Our budget has been reduced by about \$20 million for the current fiscal year. That's on top of a \$67 million cut last year, a reduction of \$87 million in just two years. These levels of cuts are not sustainable and we must seek ways to diversify and increase other sources of revenues, including private gift fund raising. NC State must also increase the size of its endowment.

The new gift assessment fee and the increased fee on endowment earnings will help provide the funding to dramatically increase our fund raising efforts. We'll be able to hire more fund raisers and implement the business systems they need to ramp up our fund raising efforts, all while working to preserve the strength of the academic opportunities at NC State.

***Q2: Why is increasing the size of the endowment so important?***

A: The endowment is like a savings account and a portion of the annual earnings from the endowment can be used to provide merit- and need-based student scholarships, underwrite faculty teaching and research, and support programs that enhance the student experience. Additionally, the long-term benefit of a significant endowment is a much more stable and predictable income stream for the needs and priorities of the institution in perpetuity. Managed properly, endowments will continue to provide the same opportunities generations from now as they do today.

***Q3: What is the value of the endowment today?***

A: The university's endowment is among the smallest in our peer group with a value of around \$463 million. The average endowment our peers is more than \$1 billion. If you look at those numbers on a per student basis, you find that the average endowment of our peers is about \$30,000 per student. At NC State, our endowment is just \$14,000 per student.

***Q4: What do you want the endowment to be? What should it be worth?***

A: We'd like to increase the university endowment to \$1 billion or more. An endowment of that size would more than double our endowment per student ratio to more than \$30,000 per student, one of the key measures of value and long-term strength of an institution, and provide critical annual funding for academic needs such as scholarships, professorships, and programmatic needs.

***Q5: What are the new fees?***

A: Beginning Oct. 1, 2010, the university will assess a one-time fee of 5% on gifts that support current operations and facilities, with 3% designated for Central Development and 2% designated to the fund raising entity receiving the gift. No one-time fee will be assessed on gifts to endowment.

There will also be a 1% to 1.05% fee calculated on endowment market values. This is an increase of about 0.5% from existing endowment fees. The amount those fees generate will fluctuate with the value of the endowment investments. This new fee of 0.5% on the endowment will be evenly divided between Central Development, and the fund raising entity receiving the gift of endowment.

***Q6: What will NC State do with the additional funds?***

A: Our goal is to significantly increase the number of donors to NC State during the next 10 years and to increase gift income from about \$90 million per year to more than \$180 million per year. To do that we need to increase the number of fund raisers on campus and improve our information and management systems. All revenue generated from these fees will be invested in the fund raising programs in Central and at the college/entity levels.

***Q7: What will it cost to do all of this?***

A: We estimate it will take an increase of about \$4 million in operating and personnel budgets to achieve those goals.

***Q8: Will these fees generate that revenue?***

A: Initially the fees will generate about half of what we will need, but it's an important start. We believe the additional staff will help increase our fund raising results. As we raise new dollars we'll be able to invest more in our fundraising efforts and we're hopeful that in a few years we will be at a point where we will have the staff and business systems needed to reach our goals.

***Q9: Have other universities taken this approach to funding advancement?***

A: This approach is being used by many universities across the country. In the UNC system, East Carolina was the first University to use a similar approach to support its fund raising program. Many others schools including Virginia Tech, University of Virginia, Rutgers, UConn, University of Florida and UCLA have successfully, and for some time, implemented similar approaches. Gift assessments at our peer institutions range from 2 percent to more than 8 percent annually. While we will pursue additional funding from the state and other sources, it's unlikely that these revenues can make up for the estimated shortfall in people and services.

***Q10: Does the University of North Carolina Chapel Hill impose a gift assessment fee?***

A: No, with an endowment of \$1.9 billion, and a special assessment on annual fund gifts, Chapel Hill has not needed a gift assessment fee to fund their fund raising programs.

***Q11: I donate to the University's endowment already. Will my gift be charged the one-time fee as well as the endowment fee?***

A. No it won't. There will be some exceptions from the one-time gift fee.

- Gifts to the endowment and building to endowment funds
- Gifts to the income accounts for "underwater" endowments
- All gifts pledged prior to October 1, 2010, the official date of the new gift assessment fee implementation
- Grants to CALS from legislative check-offs (i.e. -- Tobacco Research Commission and Nickels for Know How)
- Premium payments on gifts of life insurance
- Non-governmental grants that pay overhead
- Organizations that do not permit the imposition of fees

***Q12: When the additional staff and support that will be made possible by the one-time fees and the endowment fee start to generate the kind of revenue the university is hoping to generate, will the fees be eliminated?***

A: We will review the gift assessment and endowment fees on an as needed basis – at least every three years – to ensure they generate sufficient revenue to fund the central development program and the programs housed in the colleges and units.

***Q13: How will I know my money is being used properly? That it is being used to enhance the university's endowment?***

A: University Advancement will produce an annual report that will include its revenue and expenditures. The report will also highlight the progress being made toward the university's goals. Likewise, the colleges and units will produce similar reports.

Revised 9/6/13