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Author(s): Aaron T. Conley

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# Case Study

## Securing Donor Support for Unrestricted Endowments: A Case Study in Higher Education

Aaron T. Conley

Grenzebach Glier and Associates

*Leaders of academic units including deans, department chairs, research center directors, and others face the universal challenge of providing adequate financial operating support to their programs. These leaders also commonly employ efforts to raise private, voluntary support for their programs through requests to potential donors for unrestricted gifts to be used to address their greatest needs. This fundraising mechanism, generally conducted through an annual appeal to a large population, is expected to generate large numbers of gifts but at smaller levels. This case study reviews a decade of financial data related to an initiative at one school within a major public research university where more than 100 unrestricted endowed funds have been raised, providing vital and permanent operating support to the school and its academic departments. This model has proven effective in not only providing a new source of perpetually unrestricted support, but also in transitioning many of these donors away from small annual gifts toward larger major gifts.*

**Keywords:** fundraising, endowment, unrestricted gifts, alumni

One of the most valuable assets to academic leaders, whether they are deans, department chairs, or directors of centers and institutes, is unrestricted funding. This vital resource gives leaders the opportunity to address

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AARON CONLEY, Ed.D. is a senior vice president with the philanthropic consulting firm, Grenzebach Glier and Associates in Chicago, Illinois where he leads the firm's teaching and coaching practice area. He is also a faculty member of the Fund Raising School at the Lilly Family School of Philanthropy at Indiana University. He has held advancement leadership positions at the University of Colorado, University of Texas at Dallas, University of Pittsburgh, Florida State University, and Purdue University. He earned a doctor of education degree in 1999 from Indiana University in higher education with a minor in philanthropic studies.

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unexpected needs, take advantage of timely opportunities, and invest in capital improvements to better their instructional, research, and other workplace settings.

While this is an important resource for any successful academic unit, it is also one of the most difficult to raise from donors, at least on a scale that generates a meaningful impact. Colleges and universities are replete with annual appeals to alumni and others asking for unrestricted support to their schools, programs, departments, centers, and units. These appeals, which can be made by phone, mail, and web-based methods are a standard tool within most university development operations, but generally attract smaller gifts.

These gifts are rarely celebrated in the way an institution recognizes a donor who gives \$1 million or more, however it is these same small donors who often go on to become the future major donors every college and university seeks. One of the best recent examples of this continuum comes from Johns Hopkins University, which announced the total lifetime giving of one of their alumni, Michael Bloomberg, had exceeded \$1 billion. His first gift to the university came in 1965, one year following his graduation, and was just \$5 (Barbaro, 2013).

Over roughly this same time period, most colleges and universities have gotten serious about fundraising and no longer look upon it as a secondary activity. Three decades ago, Leslie and Ramey (1988) noted that “Voluntary support is becoming the only source of real discretionary money and in many cases is assuming a critical role in balancing institutional budgets” (pp. 115–116). A few years later in their landmark study, Brittingham and Pezzullo (1990) envisioned fundraising operations and staff taking on far greater importance, especially at public universities, where it was “likely to experience a broader understanding and acceptance of their aims and techniques throughout the institution, among faculty as well as presidents, among young alumni as well as major donors” (p. 99). This theme has continued to persist, as two decades later, Drezner (2010) observed “Philanthropy was once used exclusively as a margin of excellence for American higher education. Today, it is central to the mere existence and daily function of academe” (p. 194).

To generate greater future levels of philanthropic support, leaders of academic units need to not only embrace the importance of their fundraising operations, but also to think beyond the transactional nature of one-time, annual giving vehicles and implement additional new approaches that will supplement their annual giving receipts while also building a broader base of future major gift donors.

Within this context, this case study presents a challenging research question and several related sub-questions. The primary research question is, what alternative model exists that can raise unrestricted funds in a way that also reduces, or even eliminates, their transactional nature? The introduction of new technologies in database management and advanced methods of segmenting targeted audiences through predictive analytics may increase yield rates toward more first-time donors and continued year-to-year donors, but these do little to alter the impersonal, transactional nature of giving between the donor and university.

And despite these advances, some institutions are questioning the return on investment altogether of time-honored annual giving practices like the phone solicitation. Most notably, in 2016, Stanford University took the bold step of eliminating their calling program altogether (Sandoval, 2016).

The main research question driving this study also prompts a number of related questions. If such a model does exist, who are the best potential donors? How can its effectiveness be measured? How long does this model take to generate substantive results? And perhaps most importantly, how does this model reduce or eliminate the transactional nature of other solicitation methods for unrestricted support?

This case study answers these questions by examining one such model that was implemented over a decade ago in the Swanson School of Engineering at the University of Pittsburgh. In collaboration between the dean of the Swanson School and the university's Office of Institutional Advancement, the author (who served at the time as the executive director of development and alumni relations in the Swanson School) implemented a new giving opportunity called "Engineering Legacy Funds."

## MODEL STRUCTURE AND RATIONALE

The conceptual framework for the Engineering Legacy Funds was developed in early 2005. Donors would be given the opportunity to make a pledge commitment of up to five years to create a permanently endowed fund, with a minimum amount of \$10,000.

The income generated by these endowments would be completely unrestricted. Initially, donors were only given the opportunity to designate a fund to support just one of two areas: school-wide purposes, to be expended by the dean, or to one of the school's seven academic departments. In these cases, the respective chair of that department would determine their funds' expenditures. As the popularity of these funds has grown, donors have been allowed to designate funds to other areas of the school. Recent funds created support the Engineering Diversity Office, the Office of International Programs, and a student organization, the Society of Women Engineers.

Since the university's endowed funds typically generate an annual income distribution of approximately five percent, a fund established at the minimum level would only generate about \$500 in expendable revenue. While this could have been viewed as a limitation, it was instead used to emphasize to potential donors the need for large numbers of funds, which collectively could generate meaningful, long-term discretionary support to the school and its departments.

The \$10,000 minimum was also important since the next-lowest endowment level offered by the university was \$25,000 to establish an endowed scholarship. Using the five-year pledge period, it was assumed a much broader base of potential donors existed who could consider giving \$2,000 annually versus \$5,000 over a five-year period. Donors who worked for companies with matching gift programs

could utilize this match to establish an Engineering Legacy Fund, essentially lowering their commitment to \$1,000 a year over five years, provided their company matched each year's gift. Again, this was believed to create a far larger prospective donor pool than previously existed for establishing endowed funds.

Also factoring in to the rationale behind this initiative was the need to build the Swanson School's endowment. Despite being one of the nation's oldest engineering schools (awarding its first degree in 1846) organized fundraising activity was limited prior to the 1990s and was reflected in the school's low tally of endowed funds. In 1995, there were 72 endowed funds, with most restricted by the donors for undergraduate scholarships and graduate fellowships, as well as endowed chairs and professorships for faculty. By 2005, only 30 additional funds, or an average of just three per year, had been established.

The final key point behind the rationale for these funds was to create an alternate long-term pathway for donors to evolve from small, annual giving contributors into larger major gift donors. Given the constant pressure to raise ever-higher levels of private support, donors are too often solicited for major gifts that are either beyond their financial capability, or they are solicited for gifts within their reach, but too soon in their relationship with an organization to consider investing at significantly higher levels. Failure to follow the "fundraising cycle" (Seiler, 2016, p. 29) leads in too many cases to a permanent loss in donors who may have otherwise become longtime supporters and progressed through higher giving levels over the course of their lives.

This new giving opportunity would introduce this population of small, annual donors to the same processes followed for those who commit a major gift. The formal gift agreement for an Engineering Legacy Fund donor committing \$10,000 would be the same as a donor committing a multi-million dollar gift for another purpose. And both require the personal involvement of a development officer to assist in developing and executing the gift agreement. As these new donors became oriented to the processes behind making a major gift, it was believed many would go on to fulfill a new gift agreement after completing the terms of their first, or choose to make a new commitment to benefit other parts of the Swanson School or elsewhere in the university.

At the time of this model's development, the University of Pittsburgh was in a comprehensive campaign pursuing a \$1 billion goal, with the Swanson School assigned a \$100 million goal. Due to the success of the campaign, these goals were raised in 2007 to \$2 billion and \$179.5 million, respectively.

The Swanson School viewed these Engineering Legacy Funds as an effective way to increase the number of mid-level donors who could give \$10,000 to \$50,000 or more for this current campaign. With proper stewardship and ongoing engagement, many of these same donors could potentially become the needed donors of \$100,000 or more further up the "donor pyramid" (Seiler, 2016a, p. 220; Conley, 2016, p. 255) to achieve higher future campaign goals.

The final and most critical structural element to this model would be an extensive communications plan to help build visibility and awareness for this new giving opportunity. Compelling and consistent communications can essentially

function like multiple development officers in the field, helping to reach an even broader audience of alumni and other potential donors.

Communication messages in fundraising broadly serve two main functions: to influence attitudes and to influence actions (Maxwell & Dunlavy, 2016, p. 346). As noted earlier, the Swanson School's endowment was not growing beyond just a few new funds a year. This new initiative presented the opportunity to educate alumni and others, thereby shifting attitudes about the importance of a strong endowment. And it would help generate action by introducing a new opportunity to create a permanent endowment at a level within reach of a far broader population of potential donors than existed before.

From 2005 through 2008, the Swanson School utilized multiple platforms to disseminate messages about the Engineering Legacy Funds. These included:

- A comprehensive website explaining the funds, listing the donors, and including a photo and brief background of the donors (with their permission).
- A brochure, developed and mailed in 2006 to all engineering alumni who graduated before 1980. This brochure was recognized with a design award for direct mail in 2007 by the Pittsburgh chapter of the International Association of Business Communicators.
- An article about Engineering Legacy Funds in every issue of a campaign newsletter that was mailed twice annually to all 26,000 engineering alumni. Stories included profiles of new donors and updates on the latest totals by school and department. All stories also referenced the website for more information.

In addition to these print and electronic methods, the communications plan also emphasized personal messaging by the dean and others. This included recognition and acknowledgement of donors at school events including regional alumni gatherings and campus events like the annual distinguished alumni award ceremony and homecoming. The funds were also regularly acknowledged at faculty meetings and the regular meetings of volunteer advisory councils in each of the academic departments, as well as the Swanson School's Board of Visitors meetings.

## TIMELINE AND SCOPE OF THE CASE STUDY

For this study, endowment financial data was provided by the University of Pittsburgh spanning a full decade, from June 30, 2006 (the first year endowment income was distributed for the first Engineering Legacy Funds) through June 30, 2015. The financial data included each funds' book value, market value, and income available for expenditure for each year between 2006 and 2015.

Past giving data was also provided for all of the individuals who established an Engineering Legacy Fund through December 31, 2015. No individual donors are identified in this case study, however some anonymous donor profiles are included to illustrate common giving patterns and other valuable aspects of the collective giving histories that emerged from examining this unique donor population.

The first Engineering Legacy Fund was secured in May 2005 with a two-year pledge of \$50,000. A total of 20 would be received by the close of the 2006 fiscal year on June 30. A goal of raising at least 50 of these funds by 2008 had been publicly announced in 2006 and was met, with a total of 55 created by the end of FY 2008.

By December 31, 2015, a total of 127 gift agreements for Engineering Legacy Funds had been signed by donors. These agreements resulted in a total of 114 individual Engineering Legacy Funds. As anticipated, some donors signed multiple agreements over time. These include donors who chose to document a new pledge once their first had been completed, and others who made multiple planned giving commitments, such as a charitable gift annuity (CGA) or charitable remainder trust (CRT) to benefit their fund. The following table provides a breakdown of these 127 gift commitments received over the past decade.

**Table 1.** Engineering Legacy Funds by Funding Method and Status

Fully Funded	Cash Pledge – Paid Off	80
	Planned Gift – Realized Bequest	1
	Planned Gift – Realized CGA	4
Pending or In Progress	Cash Pledge – In Progress	20
	Planned Gift – Pending Bequest	10
	Planned Gift – Pending CGA or CRT	12
<b>TOTAL</b>		<b>127</b>

A large majority of gift agreements, 91 of the 127, were executed at the minimum level of \$10,000. Ten agreements were committed at more than \$50,000 and the remainder were between \$10,000 and \$50,000. The largest amount committed was \$1.5 million, with two donors making commitments at this level. One commitment was a multi-year cash pledge and the other a documented bequest. The cash commitment was expected to be fulfilled in 2016, and the donor who committed the bequest is still living.

The total dollar value of all 127 agreements signed between May 2005 and December 2015 is \$5,518,771. This figure includes \$2,740,129 represented through 22 unrealized deferred gifts including bequests, CGAs, CRTs, and beneficiary designations of retirement accounts.

Among the 80 funds established with cash commitments, a review of the length of pledge agreements yields an interesting finding as there are nearly the same number of donors who pledged to give over the maximum five-year pledge period (32) as there are those who gave the entire amount in just one gift (30). Eight donors committed to give over just two years, six donors gave over three years and four donors gave over four years.

Among the multi-year cash agreements that are still in progress, only three are behind schedule. And only one of these agreements has been cancelled. In this case, the donor died prior to completing their five-year pledge.

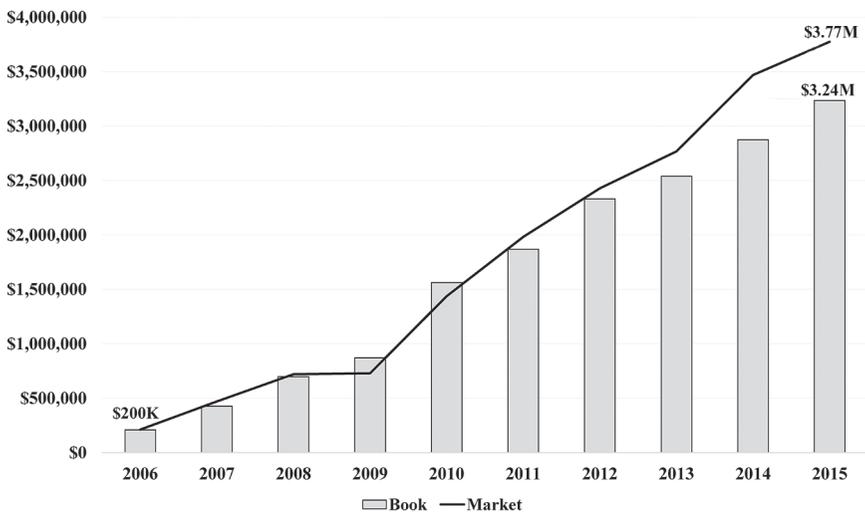
## FINANCIAL DATA FINDINGS

Using financial data provided by the University of Pittsburgh, Figure 1 illustrates the growth in the value of these funds over the past decade. By the close of FY 2006, the first 20 funds that had been established held a collective book value of \$200,000. (Book value represents the actual dollars given by the donor). One decade later, at the close of the 2015 fiscal year, donors had directed a cumulative book value of more than \$3.24 million into Engineering Legacy Funds, resulting in a market value of \$3.77 million (Market value reflects the book value plus reinvested earnings).

Also at the close of the 2015 fiscal year, these funds collectively distributed \$134,320 in unrestricted funding. A total of \$32,396 came from the 33 funds established for schoolwide support, as determined by the dean, while the remaining \$101,924 supported specific academic departments and programs. Distributions of these funds to the school and its departments over the past decade are illustrated in Figure 2. In all, \$608,350 in unrestricted resources has been generated over the past decade by Engineering Legacy Funds.

These distributions will continue to grow as a result of 22 planned gifts that have been committed by donors to support Engineering Legacy Funds. It is interesting to note that the expected dollar value of just these 22 deferred gifts nearly equals the value of all the other cash funds already completed or in the process of being completed. Only eight of the deferred gifts are at the minimum \$10,000 level and only three others are below \$50,000.

An interesting example of one deferred gift comes from an engineering graduate from the class of 1946 who had never made a gift to the university until 1997 when they gave \$19.46 to engineering through a phone solicitation. This donor gave the same amount annually through 2005, the same year the Swanson



**Figure 1.** Engineering Legacy Funds Book and Market Values, 2006–2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
<b>School</b>	Revenue \$1,400	\$5,538	\$9,768	\$13,762	\$16,427	\$17,985	\$21,983	\$24,544	\$27,763	\$32,396	\$171,566
	Funds 9	16	21	23	24	24	27	28	30	33	
<b>BioE</b>	Revenue		\$63	\$82	\$2,246	\$24,204	\$31,017	\$44,116	\$46,129	\$55,774	\$203,631
	Funds		1	2	3	3	3	4	4	4	
<b>ChE/Pet</b>	Revenue	\$379	\$2,290	\$4,433	\$6,596	\$7,211	\$8,593	\$11,532	\$12,872	\$14,421	\$17,023
	Funds	5	11	16	16	17	17	17	18	20	
<b>CEE</b>	Revenue	\$425	\$1,456	\$2,431	\$3,644	\$5,112	\$7,528	\$8,292	\$9,468	\$10,619	\$12,974
	Funds	4	4	4	5	6	6	8	9	9	
<b>Diversity</b>	Revenue							\$208	\$421	\$698	\$1,327
	Funds							1	1	2	
<b>ECE</b>	Revenue	\$315	\$2,192	\$3,240	\$4,248	\$5,633	\$6,140	\$6,900	\$6,910	\$6,989	\$7,868
	Funds	2	3	5	5	7	7	7	9	11	12
<b>MEMS</b>	Revenue		\$353	\$1,953	\$2,755	\$2,686	\$3,064	\$4,053	\$4,956	\$6,685	\$7,587
	Funds		3	8	8	9	10	11	12	13	
<b>TOTAL</b>		\$2,519	\$11,829	\$21,888	\$31,087	\$39,315	\$67,514	\$83,777	\$103,074	\$113,027	\$134,320
											<b>\$608,350</b>

**Key:**  
 School: Dean's Discretionary Use for Schoolwide Needs  
 BioE: Dept. of Bioengineering  
 ChE/Pet: Dept. of Chemical & Petroleum Engineering  
 CEE: Dept. of Civil & Environmental Engineering  
 Diversity: Office of Diversity  
 ECE: Dept. of Electrical & Computer Engineering  
 MEMS: Dept. of Mechanical Engineering & Materials Science Engineering

**Notes:**  
 1. The Dept. of Industrial Engineering has no Engineering Legacy Funds.  
 2. Table illustrates only those funds generating income and does not reflect the value of any bequest intentions or other deferred gifts.

**Figure 2.** Endowment Revenue Generated and Number of Funds

School began offering Engineering Legacy Funds. The next year, the donor signed a letter of testamentary intent to create one with a \$50,000 estate gift.

**DONOR CHARACTERISTICS**

This donor population yielded some other interesting patterns and characteristics that may be helpful to other organizations considering this model to raise unrestricted endowments. Since this is a study of donors to higher education, it could be expected that most, if not all, of the donors are graduates of the Swanson School of Engineering, if not elsewhere within the University of Pittsburgh.

This is true, as 100 of the donors are alumni of the university. Of these, 77 earned only an undergraduate degree in engineering. There were 20 donors who earned an undergraduate degree and graduate degree from the University of Pittsburgh, with at least one of these degrees in engineering. The remaining donors were current or retired faculty members of the Swanson School and other individuals.

Among the alumni, the range of graduation years spans from 1940 to 1999. Table 3 illustrates the distribution of alumni donors by decade of graduation. For donors with more than one degree from the university, they are recognized in this table by the year of their first degree received.

**Table 3.** Donors by Decade of Graduation

1940s	1950s	1960s	1970s	1980s	1990s
12	17	25	37	6	3

A number of data points were collected and reviewed for this donor population to evaluate their prior history of giving. Table 4 illustrates these measures of

donors and their giving activity before signing a gift agreement for an Engineering Legacy Fund.

The first variable measures giving activity in the form of total number of gifts. This measure counts the total number of gift transactions in each donor's record, excluding pledges. It includes gifts of dues to the alumni association and any records of gift-in-kind credited to the donor. Matching gifts are not counted as a separate gift transaction.

The next variable measures the largest prior gift made outright or pledged to any area of the university by these donors. Only five previously signed a formal agreement documenting a major gift before their Engineering Legacy Fund. Four funds are designated to the Swanson School and range in size from \$10,000 in unrestricted support up to a \$350,000 multi-year pledge for an endowed engineering graduate student fellowship. The only non-engineering gift is a \$25,000 commitment for the university's athletics program.

Also, only two donors previously made a deferred gift commitment prior to establishing an Engineering Legacy Fund. Both had initially informed the university that their gift would be unrestricted and fully expendable to the Swanson School after their death. However, after both donors established their Engineering Legacy Funds with outright cash gifts, they revised their deferred gift arrangements so that the distribution from their estate will be directed into their respective funds and permanently endowed.

The third variable measures total lifetime giving to the university prior to each donors' commitment for an Engineering Legacy Fund. Consistent with the total number of gifts variable, total giving counts all cash gift transactions while excluding pledges and the value of any company-sponsored matching gifts.

**Table 4.** Giving Characteristics of Donors before their Engineering Legacy Fund Gift

Total Number of Gifts Before Engr. Legacy Fund	Mean	27.7
	Median	24
	Range	1 – 93
Largest Gift or Pledge Before Engr. Legacy Fund	Mean	\$7,513
	Median	\$1,000
	Range	\$20 – \$350,000
Total Giving Before Engr. Legacy Fund	Mean	\$16,424
	Median	\$4,443
	Range	\$20 – \$377,070

It is worthy to note the utilization of corporate matching gifts by many donors, and the way this served as an incentive to make the commitment necessary to establish an Engineering Legacy Fund. A total of 23 donors utilized employer matching gifts to help establish a fund. These matches total \$263,541. As an interesting comparison, a total of \$217,070 in matching gifts had been recorded in the giving histories of this entire population prior to the creation of these funds.

## CHARACTERISTICS OF DONORS AFTER THEIR GIFT

The giving characteristics of these donors before Engineering Legacy Funds indicates this model has indeed taken a population of donors who were giving regularly, albeit in small, one-time gifts and moved them into a higher donor category. This could be said both in terms of the gift amounts, but also in giving manner as nearly all the donors made their first multi-year commitment through a written agreement when committing their fund.

Since 80 of the fund agreements have been fully completed, and five of the planned gifts have been realized, there is a unique opportunity to examine these donors' continued giving behaviors. Each of the following summaries briefly examines a different method of continued giving.

### Repeat Donors

Four donors who created an Engineering Legacy Fund signed a new gift agreement for more giving after completing the terms of the first gift agreement. This includes the individual who created the first Engineering Legacy Fund in May 2005 with a two-year pledge of \$50,000. The donor signed a new agreement in 2013 to add another \$50,000 over four years but completed it in just three. This donor's largest gift prior to 2005 was \$1,500 and lifetime giving was just over \$8,400 through 18 gifts over a period of 15 years.

### Exceeding the Gift Agreement

While it is encouraging to see four donors signed new agreements, it is also positive to note that 11 donors continued to add to their fund with outright cash gifts without signing a new gift agreement. If these 11 donors had stopped giving at the conclusion of their gift agreements, the collective book value of these funds would have been \$101,000. Instead, the 2015 book value was \$426,183 (This figure includes \$48,036 in employer matching funds).

Most of these funds have grown to more than double their original intent as noted in the gift agreements. The largest was documented as a \$10,000 commitment in 2005 to be paid over five years. Instead, the donor reached this level in two years and has continued giving annually. The 2015 book value was \$90,000 and the market value exceeded \$110,000.

### New Planned Gifts

A total of nine Engineering Legacy Fund donors documented a new, deferred gift after originally creating a fund with cash. Six directed the deferred gift proceeds to follow into the already-established funds. The other three chose instead to endow new undergraduate engineering scholarships. These bequests range from \$100,000 to \$400,000.

The most unique case of deferred gifts, however, is from another donor who has utilized charitable gift annuities to build an Engineering Legacy Fund while also supporting other initiatives. This donor, a graduate of 1949, established a

CGA of \$100,000 in 2000 designated to support a new laboratory in the Swanson School focused on product innovation. In 2006, the donor gave \$100,000 through a CGA for an Engineering Legacy Fund, adding another \$100,000 CGA in 2010. At the same time, the donor shared a bequest intention documenting their Engineering Legacy Fund would receive \$1.5 million.

This same donor committed another \$100,000 CGA in 2008 to support future Swanson School facility renovations. And in 2014, the donor funded a third CGA of \$100,000 for their Engineering Legacy Fund. Finally, in 2015, another \$100,000 CGA was established, endowing a new undergraduate engineering scholarship along with a \$20,000 cash gift to support the Swanson School's international studies program. It should be noted that before the first CGA in 2000, this alumnus of 1949 had only given to the university once—a \$50 gift in 1999 to the university library.

### New Giving to Other Engineering or University Programs

Four Engineering Legacy Fund donors increased giving to other parts of the Swanson School or the university after completing their initial pledge. Two cases are particularly impressive.

The first, an alumnus who earned an undergraduate degree in engineering in the early 1970s and an MBA later in that decade, had a lifetime giving history of just over \$10,000 before committing a \$15,000 Engineering Legacy Fund in 2005 to be completed over five years. This individual, who later become more engaged in high-level volunteer roles with both the Swanson School and the university, has since given more than \$1 million through multiple gifts to a university-wide scholarship and athletics.

The other example is a 1961 engineering graduate who gave \$10,000 outright for an Engineering Legacy Fund in 2006. Prior to this, the donor's lifetime giving was just \$450 through five small gifts made between 1982 and 1990. Another \$10,000 was added to the fund in 2007, and in 2009, \$10,000 was committed over five years for an expendable scholarship of \$2,000 per year for the engineering study-abroad program. In 2010, the donor documented a bequest intention of \$125,000 to endow an undergraduate engineering scholarship. In 2014, another \$10,000 was pledged for renewed support of study-abroad.

### Changing Fund Purpose

One key aspect of the Engineering Legacy Funds is the opportunity for donors to change the unrestricted nature of the fund to a specific purpose at a later date. This would be allowed in cases where the fund's value increased to the university's minimum endowment level for the new purpose, such as an endowed chair or graduate fellowship. This was expected to be an especially compelling point with younger alumni who could start their fund at the minimum \$10,000 amount and watch it grow over several decades, hopefully through both investment returns and continued giving.

One donor has exercised this option thus far. A 1979 graduate created an Engineering Legacy Fund with a five-year pledge of \$10,000 in 2007. After completing the pledge in 2011, a new commitment was made in 2012 for \$50,000 over five years. The donor requested changing the purpose of their fund from unrestricted support for one of the Swanson School's academic departments to a new undergraduate engineering scholarship. Prior to establishing the Engineering Legacy Fund in 2007, the donor's largest gift was \$1,000 and lifetime giving was just over \$3,000 through 14 gifts over the previous 28 years.

## MODEL REPLICATION

After finding success with this model at the Swanson School, the author implemented it on a university-wide scale in their next role as vice president for development and alumni relations at the University of Texas at Dallas. The process and parameters of these funds at UT Dallas were identical to the University of Pittsburgh, with \$10,000 as the minimum gift amount and five years as the maximum pledge period. However, rather than being limited to designating their fund to just one school and its departments, this option would be available for donors to designate it to any academic program or other unit throughout the entire university.

Rebranded as "Opportunity Funds" at UT Dallas, the first funds were established in September 2010. The implementation of this initiative also coincided with the institution's first-ever comprehensive campaign. This effort sought to achieve a \$200 million campaign goal between 2009 and 2014. It successfully concluded on December 31, 2014 with more than \$270 million raised, and endowment gifts were one of the campaign's top priorities.

By December 31, 2015, there were 99 Opportunity Funds established. Each of the university's seven academic schools have funds established to support them, ranging from a low of three to a high of 34. In addition, Opportunity Funds have been established for research centers, the university library, athletics, and even two for the Office of Development and Alumni Relations (University of Texas at Dallas, n.d.).

Many of these are still in the process of being funded. However, the findings from the University of Pittsburgh case study should provide a useful roadmap for UT Dallas to guide these donors along the same continuum into higher levels of giving in the decades ahead.

## IMPLICATIONS FOR FUTURE REPLICATION

The results of the Engineering Legacy Funds case study from the University of Pittsburgh, and the rapid initial success of Opportunity Funds at the University of Texas at Dallas suggests there is portability of this model within different higher education settings. Although both are large public universities, Pittsburgh and UT Dallas are highly dissimilar in most other aspects.

UT Dallas is not yet 50 years old, established in 1969 and operated through most of its first three decades as a commuter school, offering mostly evening courses in graduate studies (University of Texas at Dallas, n.d.). Pittsburgh is one of the nation's oldest institutions, tracing its founding to 1787 and claiming a long history and tradition of academic accomplishment and alumni achievement (University of Pittsburgh, n.d.). Both, however, were ideal settings to attempt these initiatives as each had reached respective points in their histories where there was widespread internal acceptance of fundraising's importance, as well as an openness among academic and administrative leadership to explore new approaches.

Despite the broad institutional differences between these universities, this model of building a base of many new unrestricted endowments worked and has given each of them the opportunity to further build a broader base of permanently endowed, unrestricted funding. Through the course of implementing this model at both institutions, three key processes emerged that should be given special consideration by other institutions contemplating a similar attempt.

Foremost among these considerations is the operational process behind the formal gift agreement. After initiating this model at both institutions, the number of new endowed funds increased dramatically. Institutions must be prepared for a rapid expansion in the volume of gift agreements that will be generated by their development officers. One of the most critical steps in raising major gifts is the timely presentation of gift documentation once the donor expresses a positive indication of interest in making a gift. Institutions should review their agreement policies and procedures prior to initiating this giving opportunity to ensure they have the operational capacity to manage this process promptly and efficiently.

Secondly, a comprehensive communication and stewardship plan should be established. As noted earlier in this study, the vast array of print and digital platforms an institution uses to communicate both internally to faculty and staff, and externally to alumni and friends, can serve as a powerful tool to influence attitudes and actions. Events and other personal gatherings also present opportunities to convey the importance of the initiative as well as to acknowledge the support of those who have already given.

Lastly, there should be a firm conviction internally to maintain the unrestricted nature of these endowments. Some donors will express an interest in creating a fund, without understanding the full meaning of "unrestricted." Gift agreements should not include commitments by the institution to honor requests from the donor to expend endowment income on specific students, faculty members, research activities, or other donor preferences.

These preferences all require additional management responsibilities to ensure the institution is in compliance with the donor's request. As these are permanent endowments, that obligation exists in perpetuity. And since most of these funds are relatively small, institutions run the risk of expending more in management costs on a fund than what it generates in endowment revenue. Donors should be counseled to understand that there is a cost to these funds, and they are designed

to be unrestricted to make them the most cost-effective and impactful way to support a school, department or program.

## LIMITATIONS OF THE STUDY

The past giving data on the donors in this study provided by the University of Pittsburgh was limited by an upgrade in the donor database that occurred in 1971. In that year, the university changed their data record-keeping system which resulted in donor gift data only being recorded and available from that year forward. A total of 57 alumni donors in this study graduated before 1971. A review of these donors' giving records show that 34 had made any gifts before 1980. There is no way to verify gift activity before 1971 for these 34 donors, however, it is believed this is only a minor limitation on the quality of data as it was used in this study.

Another limitation of this study is its focus exclusively on fundraising in a university setting. While this model has been successful at two different universities and could be replicated in others, it is unknown whether the model would be effective in other nonprofit settings. Higher education fundraising enjoys an inherent advantage over other nonprofits as colleges and universities have a built-in prospective donor base in the form of their alumni. They also typically do not rely as heavily on annual, unrestricted giving. For many museums, theaters, service agencies, and other nonprofits, annual giving is a crucial source of revenue for programming, staff salaries, and operating support. Future case studies of the replication of this model in other settings would provide useful insight on whether unrestricted endowments can effectively be raised by other nonprofit organizations.

## CONCLUSION

After just one decade, the Swanson School of Engineering generated 114 permanently endowed Engineering Legacy Funds through 127 individual gift agreements. These funds represent a total market value of more than \$3.7 million and an additional pipeline of more than \$2.7 million in confirmed bequests and other deferred gifts. The implementation of this model in 2005 has resulted in the successful creation of a new fundraising mechanism that generates vital unrestricted resources while also directly engaging many donors who otherwise would have likely continued giving small, one-time annual gifts.

These findings helped address the study's primary research question of whether unrestricted funds could be raised in a way that provides prospective donors a less transactional interface with the university. Since this model requires more personal interaction than solicitation methods by phone, direct mail, or email, the investment of time and resources is greater on the part of the university, but the return on investment is substantial, both in terms of increased gift amount and continued giving.

As the Swanson School continues to engage future donors through this mechanism, it stands to not only generate more unrestricted resources, but also to move its donors further upward into higher levels of major gifts. The successful replication of this model at the University of Texas at Dallas, along with its continued emphasis as a point of engagement with new donors, should lead to similar results.

These examples should also serve as valuable contributions to the practice of development and fundraising at colleges and universities, especially those with limited histories of campaigns, endowment-building, and overall efforts aimed at raising philanthropic support. In particular, deans, department chairs, research center directors, and others should consider this model since few of these academic leaders come into their role with any practical experience in fundraising and even less exposure to research findings in philanthropic studies.

The standard “dean’s letter” or annual request to an “excellence fund” is an all-too-common tool for raising unrestricted funds, and rarely delivers the expected largess, leading deans and other academic leaders to assume this is simply a failure of their development operation. Over time, this model for unrestricted endowments can help create an additional source of reliable funding while also setting the stage for more substantial gifts in the future.

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