Re: Administrative Fee Calculation for Gifts to Current Operating Funds

Dear Colleagues,

I am writing to inform you of an important change in campus policy regarding the Administrative Gift Fee for non-endowed gifts under $50,000. This change is being implemented in order to simplify the administration of this program.

Under the new policy, this fee will be taken as a direct charge of five percent (5.0%) at the time the gift to UCLA is received. This change will affect gifts made either to The UCLA Foundation or to The Regents. The new policy affects gifts received on or after January 1, 2004.

This new procedure replaces the current policy, which relies on an extended multi-month process to earn the fee. The fee algorithm used by The UCLA Foundation partially releases gift funds to the fund beneficiary as the fee is earned. Today’s low interest rates now result in gifts taking nearly ten years to completely earn the five percent fee before all funds may be released to fund beneficiaries. A similar administrative process for Regental funds requires holding the total gift fund for approximately eighteen months in order to earn the fee before the funds can be released to fund beneficiaries.

The change in methodology will eliminate the administrative burden of handling these gifts for periods of 1.5 to 10 years and will make all funds available to the fund beneficiary (net of the 5% administrative fee) in the month following the receipt of the gift. Also, all gifts under $50,000 that are currently earning the gift fee will be released (net of the remaining unearned portion of the gift fee) to fund beneficiaries as soon as possible after January 1, 2004.

We have established $50,000 as the cutoff point based on an analysis of the number of gifts below $50,000 and the percentage dollar volume they represent of total gifts. During fiscal year 2002-03, UCLA received nearly 35,000 gifts of amounts less than $50,000 that had to be set up to earn the fee. These gifts represented 45.2% of the number of all gifts received, but only 7.7% of total gift value. The average gift value of the funds affected by this change is $705, which will result in an average fee of $35.25.

We believe this change will simplify the administration of gifts and will make funds available to the fund beneficiary in an expedited fashion.

If you have any questions please feel free to contact Sue Bowles at extension 4-3422.

Steven A. Olsen
Vice Chancellor, Finance and Budget