April 11, 2008

Deans, University Librarian, Director of Intercollegiate Athletics

We’d like to begin by thanking all of you for gathering in November 2006 and June 2007 to discuss our challenges in funding UCLA’s advancement activities. Your feedback has been critical in helping to identify and refine our options, and your willingness to engage constructively to help address an issue that we all agree has no easy solutions has been especially appreciated. Funding advancement is not an issue that will be resolved overnight, but we have made great progress and have the tools required to take important first steps in identifying new resources.

You’ll recall that in our June meeting, Vice Chancellor Rhea Turteltaub presented a slide deck that closed with a menu of options to fill the significant projected funding gap between our current support of advancement activities and that required in order to reach $575 million in gifts and pledges in 2015. We have spent the intervening months studying the options and testing our collective resolve around the various alternatives.

We have concluded that this is not the right time to increase the administrative fee on new gifts. We have much work to do before embarking on the culture shift that will be involved in changing a mechanism that has not been increased in the 25 years since it was instituted. We will continue to examine this issue in the coming years, as it is a very common and logical means by which colleges and universities generate resources to support advancement.

The entire funding gap will not — and should not — be addressed all at once, but to prepare us for the future, we believe it is necessary to begin investing now in donor stewardship, communications, alumni relations, and infrastructure. As first steps, we propose the following:

1. **Exceptions to the Gift Fee.** We will increase the current exemptions for capital from $5 million to $10 million. The gift fee will be applied to all other new (non-capital) gifts regardless of purpose. The fee will be paid by the donor from gift proceeds or by the recipient department from other appropriate funding sources. Any variation from this approach would require chancellorial approval.

2. **Expenditure Fee.** We will assess a 1% fee on monies spent from gift funds, not including gifts for capital. We heard your concerns about the donor relations implications of an increase in the administrative fee on new gifts, but we also gleaned receptivity to this approach as a means of providing significant resources to fund advancement.
3. **Escrow Fee on New Endowed Gifts.** We will hold all new endowed gifts to UCLA for three months and collect the earnings in support of advancement. This will produce incremental revenue to the campus without imposing a significant burden on fund-holders.

4. **Endowment Cost Recovery Fee.** We will continue to advocate for increases in the Endowment Cost Recovery Fees, both on the Regents General Endowment Pool and The UCLA Foundation Endowed Pool. Although we don’t have direct control over these policies, it is essential that we be able to recover more of expenses we incur in management of these endowments. We have already documented more than 90 bps of actual cost, and we believe that an Endowment Cost Recovery of 50 bps is more appropriate and attainable in the coming years.

We will implement changes 1-3 outlined above on July 1, 2008, resulting crucial new annual resources to fund advancement. If we are to be prepared for UCLA’s centennial campaign, we must lay the groundwork today by expanding outreach to the 225,000 donors who made Campaign UCLA an unprecedented success; engaging our alumni and other constituents through thoughtful, strategic, and inspiring communication efforts; and broadening the infrastructure in research, event management, technology, and organizational development that will optimize the success of our front-line advancement officers.

This is an excellent start in addressing these issues, and will provide the campus with time to incorporate the new resources while we study other ways to boost investment in this essential function. Obviously the ongoing conversations with External Affairs leadership regarding strategic deployment of resources will and should continue. We will have valuable opportunities to make thoughtful decisions with deliberate outcomes in mind as these additional funds become available.

Your ability to think holistically about the future of the campus and how we can work together to address our pressing need for external support is key to our success in building the kind of advancement program that can satisfy the expansive vision of the campus. We value your commitment to this collaboration as well as the openness with which you approach our discussions.

We have asked Vice Chancellor Steve Olsen and Vice Chancellor Rhea Turteltaub to continue their leadership in this area and invite you to share any comments or questions you have with either of them. More details on the specific implementation of these new funding mechanisms will be forthcoming in the next few weeks. Thank you again for your role in this process and we look forward to continuing dialogue as planning for UCLA’s Centennial Campaign begins in earnest.

Sincerely,

*Gene D. Block*  
Chancellor

*Scott L. Waugh*  
Executive Vice Chancellor & Provost