

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Education Committee

BILL: CS/SB 528

SPONSOR: Education Committee and Senator King

SUBJECT: University Major Gifts Trust Fund

DATE: March 7, 2005      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matthews	O'Farrell	ED	<b>Favorable/CS</b>
2.	_____	_____	EA	_____
3.	_____	_____	RC	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

This committee substitute (CS) substantially revises the Trust Fund for University Major Gifts program by revising the state matching scale for eligible private donations received by the state universities and the Florida Board of Governors Foundation for gifts made on or after July 1, 2006, as follows:

Private Donation	State Match
\$100,000-\$499,999	25 percent
\$500,000-\$999,999	50 percent
\$1,000,000-\$2,999,999	75 percent
\$3,000,000 and above	100 percent

Bundled gifts are capped at \$1 million with a maximum match of 50 percent, while a single gift is limited to \$3 million for any given year. The CS restricts the maximum total amount of matching funds for any single gift to \$15 million, payable in equal annual installments over a five-year period.

The CS raises the threshold donation for state matching grants for endowed chairs to \$700,000 from \$600,000 for any donation made on or after July 1, 2006.

The state's total obligation for matching grants is \$125 million for all gifts made before July 1, 2006. Gifts and pledges received by the universities or the Florida Board of Governors Foundation before July 1, 2006, which are in excess of \$125 million, are not eligible for state match until July 1, 2006 and must be matched under the revised match criteria.

In addition, the CS eliminates the authority of the State Board of Education to authorize any university to encumber the state match from unexpended funds in a university operating budget. It also eliminates pro rata distribution for state matching funds, effectively requiring complete gifts to be funded.

Finally, the CS transfers the administration of the program from the State Board of Education to the Florida Board of Governors.

This CS substantially amends section 1011.94, of the Florida Statutes.

## II. Present Situation:

The Trust Fund for University Major Gifts is designed to provide donors with an incentive in the form of matching grants for donations for the establishment of permanent endowments. The funds must be invested, with the proceeds of the investment used to support libraries and instruction and research programs as defined by the State Board of Education. The matches are subject to appropriation.

According to the Division of Colleges and Universities, the matching gift program has established more than 2,300 permanent endowments worth \$1.24 billion from 1979 through 2004 as follows:<sup>1</sup>

Institution	Private Donation	State Match	Total
UF	\$300,056,689	\$206,795,673	\$506,852,362
FSU	\$110,726,129	\$84,415,030	\$195,141,159
USF	\$109,941,034	\$85,187,576	\$195,128,610
FAU	\$57,286,621	\$45,352,111	\$102,638,732
FIU	\$30,210,723	\$23,865,912	\$54,076,635
UCF	\$29,191,401	\$20,982,519	\$50,173,920
FAMU	\$28,235,861	\$15,956,310	\$44,192,171
UNF	\$23,786,823	\$16,830,800	\$40,617,623
UWF	\$18,571,621	\$13,546,478	\$32,118,099
FGCU	\$6,199,695	\$3,805,002	\$10,004,697
NCF	\$5,745,811	\$3,165,406	\$8,911,217

Prior to 2004, a significant waiting list was established as eligible donations exceeded legislative appropriations. In 2004, the Legislature appropriated \$94.8 million to match all gifts through December 1, 2003. According to the Department of Education, there is more than \$43.6 million in new requests for state matching funds as of January 10, 2005.

<sup>1</sup> Education Policy and Research, Division of Colleges and Universities, *Information Brief*, Vol. 2, Issue 2, January 27, 2005.

### III. Effect of Proposed Changes:

#### *New College*

The CS amends s. 1011.94, F.S., to make changes to conform the Trust Fund for University Major Gifts provisions to s. 1000.21(6), F.S., which defines New College as a state university for purposes of the education code.

#### *Florida Board of Governors*

The CS also makes conforming changes to reflect the creation of the Board of Governors under the state constitution. In particular, the CS provides that the Board of Governors shall: (1) define instruction and research programs eligible for the matching funds, (2) allocate the funds to a constituent university or the Board of Governors Foundation, (3) designate the procedures for submission, documentation and approval of a matching gift request, (4) establish accountability measures and develop restrictions on the use of matching funds, and (5) receive an annual report from each foundation receiving matching funds.

#### *Florida Board of Governors Foundation*

The CS authorizes matching grants for donations made to the Florida Board of Governors Foundation. Previously, the Board of Regents Foundation had received an endowment that was matched under the program. Upon dissolution of the Board of Regents, the endowment, in the amount of approximately \$1 million, along with investment earnings, was disbursed to the state universities for use in funding scholarships. Donors have contacted the Board of Governors about the prospect of providing donations for the benefit of the state university system as a whole. Accordingly, the CS provides a mechanism for such donations by authorizing the Florida Board of Governors Foundation to receive state matching funds on the same basis as any university under the program.

Although the uses of the donations and their corresponding state match are limited to supporting libraries, instruction, and research programs as defined by the Board of Governors, gifts to the Board of Governors Foundation may not receive the same review that university gifts receive under the program. Officers of the foundation serve as members of the Board of Governors, including the chair, who serves as both the chair of the board and the foundation, which creates a possible conflict of interest.

The CS requires any private donation to the Board of Governors Foundation under the program must be expended for the direct benefit of a university or universities consistent with the donor's gift or pledge agreement.

*Major Gifts*

The CS maintains the current donation scale for donations which are approved by the Board of Governors and are on the pending list before July 1, 2006. For gifts made on or after July 1, 2006, the CS revises the state matching as follows:

Private Donation	State Match
\$100,000-\$499,999	25 percent
\$500,000-\$999,999	50 percent
\$1,000,000-\$2,999,999	75 percent
\$3,000,000 and above	100 percent

The CS also provides a maximum amount of matching funds for any single gift in a given year at \$3 million and caps the overall matching funds for any single gift at \$15 million, payable over 5 years in equal amounts, subject to available funds.

The revision in the state matching schedule is designed to ensure that a greater number of institutions and donations receive a state match. Approximately 93 percent of the private donations under the program are for less than \$1 million. As gifts are matched on a first-come, first-served basis, large donations tend to reduce the amount of funds available for the remaining gifts.

In order to reduce the practice of bundling gifts to attain a higher state matching grant, the CS restricts bundled gifts to a maximum of \$1 million and a maximum match of fifty percent.

The CS revises the purposes for which a donation must be made to require that the donation must be used to support university priorities as established by the university boards of trustees.

The CS eliminates the authority of the State Board of Education to authorize any university to encumber the state match from unexpended funds in a university operating budget. It also eliminates pro rata distribution for state matching funds, effectively requiring complete gifts in order to be funded.

In order to reduce the state's exposure to excessive donations prior to the change in the matching criteria, the CS imposes a cap on the state's matching obligation under the program at \$125 million for all gifts made before July 1, 2006. Finally, each gift received before July 1, 2006 that is in excess of a \$125 million cap may only be matched under the new matching criteria and the match can only be made on or after July 1, 2006.

*Endowed Chairs*

The CS raises the minimum threshold for receiving a matching gift for endowed chairs from \$600,000 to \$700,000 for gifts and pledges made on or after July 1, 2006.

*Effective date*

The CS has an effective date of July 1, 2005.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

A reduction in the state matching scale could have an indeterminate impact on the amount of donations as certain donors may have insufficient funds, without the state match, to realize their donation goals.

**C. Government Sector Impact:**

The Department of Education has estimated that the revised matching scale would have saved the state approximately \$8.9 million in 2003.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



## **VIII. Summary of Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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