

Embracing the Role of Fundraiser:

By Muriel A. Howard, Ph.D.

WHY SHO DON

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hen I became president of the American Association of State Colleges and Universities (AASCU) in August 2009, the nation and its higher education institutions were reeling from the Great Recession. Despite the stock market recovery over recent years, many families and institutions have yet to regain their financial footing. Giving patterns have changed, and institutions are still adjusting. Even while institutions struggle to develop a new generation of donors, costs per student continue to increase, as does student debt. Many colleges have been forced not only to raise tuition, but also to rely on it to cover a larger share of operating expenses—a significant adjustment for many public institutions. These decisions are having a ripple effect on prospective students and the ability of colleges to achieve the goal of need-blind admissions.

According to the 2017 American Council on Education (ACE) “American College President Study,” the combination of fundraising, alumni and donor relations ranks among the three most important presidential responsibilities. For some presidents, fundraising is their top priority. In the current environment, deans and other academic leaders are expected to play a greater role in building donor relationships and securing philanthropic contributions. Most work closely with development officials, meeting with prospective donors, learning about their philanthropic objectives, and strengthening their connections to the institution. These conversations can be crucial, especially in securing potentially transformational philanthropic contributions. Although the details of donations are often left to development professionals, academic leaders must have strong fundraising skills and an understanding of the giving options involved.

My knowledge of giving vehicles increased dramatically a year ago when I was invited to join the board of directors of a public charity that offers a donor-advised fund (DAF). Before accepting, I did my homework. I was impressed by the impact DAFs are having on charitable giving, especially for educational institutions.

The Rise of the Donor-advised Fund

In decades past, private foundations were the vehicle of choice for donors interested in a structured way to give. Now, however, DAFs outnumber private foundations by a ratio of 3-to-1, and are supplanting private foundations for donors interested in establishing a strategic vehicle for their philanthropy. In fact, the National Philanthropic Trust reports that gifts from DAFs to nonprofits in 2015 reached \$14.5 billion. According to “Giving USA 2017: The Annual Report on Philanthropy for the Year 2016,” donors from the four largest DAFs demonstrated robust support for education: the overall share of grant-making directed to education ranged from 16 to 29 percent.

The growth in DAFs can be attributed to several factors. DAFs offer an appealing alternative to the complexity and expense of private foundations. DAFs also are more accessible. Their low minimum requirements make strategic philanthropy an option for donors who do not have the \$1 million or more traditionally viewed as necessary to make a private foundation a worthy investment. Compared to private foundations, DAFs are easy and inexpensive to establish and maintain, allow donors to support their favorite charities through a single source, and qualify for more favorable tax treatment than private foundations.

With a DAF, donors make charitable contributions to their account, are eligible to

ACADEMIC LEADERS SHOULD LEARN ABOUT DIRECTOR-ADVISED FUNDS

receive an immediate tax deduction, and recommend grants to charity from the DAF over time. Until they are disbursed, contributions to the DAF are invested, giving them the potential to grow tax-free and result in larger grants to charity.

Unlike private foundations, DAFs have no start-up costs, and all recordkeeping is done by the DAF sponsor. Contributions to the DAF can take many forms—cash, long-term appreciated securities, business interests, real estate, or other privately owned assets. As with donations to any public charity, long-term appreciation is not subject to capital gains tax. Depending on the DAF sponsor, donors can recommend grants to any IRS-eligible 501(c)(3) public charity. And, unlike charitable gifts from private foundations, gifts from DAFs can be made anonymously if desired.

To understand why a donor would choose a DAF, consider this example: A company executive wants to give more to her alma mater but is not ready to commit to a specific program or project. Because she has a major increase in salary this year, for tax reasons it makes sense to make a large charitable gift before year-end. To address the immediate tax concern, her advisor recommends that the executive open a DAF and fund it with long-term appreciated securities. She has scheduled a meeting with an advancement officer and dean to talk about opportunities to support the school this year, as well as some ideas for a more significant gift down the road. While she considers her options, her funds in the DAF will be invested, with the potential to grow tax-free and result in a larger balance. That, in turn, could be used for additional support for her alma mater and other philanthropic interests.

DAFs and Private Foundations: Using Both to Maximum Effect

With all those advantages, why would donors prefer a private foundation? Increasingly, they don't. However, a private foundation does offer more control, and there are cases where that might better meet a donor's needs. A private foundation might be preferred by a donor who wishes to manage the investments his or herself; hire staff, including family, as paid trustees and administrators; or exercise greater authority over grants. But this control comes at a cost—of time, money, stricter distribution requirements and tax benefits.

Recently, however, some donors have also begun using DAFs and private foundations in tandem, drawing on each vehicle's unique strengths to take advantage of the best of both.

There are times, for example, when a DAF can provide additional flexibility for donors to a private foundation. Under IRS regulations, a private foundation must generally distribute at least 5 percent of its assets in annual charitable grants. In some cases, foundation donors are still considering grant requests and can't meet this requirement specifically by year-end. Donating the funds to a DAF, which offers additional flexibility to make final grant-making decisions, is an excellent option. As part of the DAF, assets may be used to recommend grants on the timeframe that makes the most sense for the donors and the charities they support. The grants can also be recommended anonymously—an option not available to private foundations. An experienced development team can help donors take advantage of these and other strategic giving vehicles.

An Informed, Enthusiastic Partner

As a college president, I looked forward to speaking with prospective donors about the exceptional programs we had at Buffalo State and how students would benefit from their support of those programs. I really enjoyed talking about our students; my goal was to paint a picture for our supporters so they could more fully understand why their contributions were so important. It was equally important to challenge my deans and department chairs and help them understand the value of investing in fundraising in support of their work. It is important to build a culture where faculty and administrators appreciate what fundraising makes possible.

Leading by example is crucial. That includes embracing fundraising responsibilities and opportunities to participate in training to learn about giving methods. Institutional leaders should support their development team by passing along information on potential prospects, serving as a sounding board for ideas on new approaches, and celebrating fundraising successes. Without these successes, institutions and their students would pay a higher price. **P**

Dr. Muriel A. Howard served as president of AASCU from August 2009-January 2018. She was AASCU's first female president and the first African-American to lead one of the six presidentially-based higher education associations in Washington, D.C. Howard has served on a number of boards including Air University, the Nonprofit Leadership Alliance, and the National Advisory Board of the National Survey of Student Engagement. She currently serves on boards of the Association of Mutual Health Insurance Company, Merchants Insurance Company, and TIAA Charitable.