



# The (Potentially) Messy World of Large Donations

*As public universities get more accomplished in fundraising, they also need to develop sophisticated skills for managing potentially controversial gifts.*

**By Stephen G. Pelletier**

**A** multimillion-dollar gift for a new academic center—sounds like a college president’s dream, right? But what if that gift comes from a controversial donor who wants to leverage that money to advance a pet cause? That may cast a shadow on the grant.

Western Carolina University (WCU) in Cullowhee, N.C., recently found itself in circumstances not unlike that scenario. Edward J. Lopez, a professor of economics in WCU’s business school, where he is BB&T Distinguished Professor of Capitalism, proposed a new center for the study of free enterprise. The Charles Koch Foundation committed \$1.8 million as seed money. On recommendations from WCU’s chancellor and provost, the WCU board of trustees gave the center its unanimous approval.

After the center was announced, though, a more entangled backstory played out. After considerable discussion, WCU’s faculty senate expressed reservations about the center. Upholding the principles of

academic freedom and the right of an academic center to “appropriately address a specific agenda,” the senate issued a statement cautioning that the donor’s ideological beliefs could have undue influence on research, and that “negative publicity” about the donor could affect WCU’s reputation. Questioning the need for the new center, how much it would cost and how it would be reviewed, faculty also expressed concern about starting a free enterprise center after centers on poverty and civic engagement had recently been shuttered.

As might be expected, this progression of events sparked a heated campus debate. Ultimately, though, a rapprochement was realized. WCU announced an agreement in which selected faculty and administrators would jointly staff an “implementation advisory board” to ensure that the new center aligned with the university’s mission and “core values.” The experience also gave WCU an opportunity to review its policies on how it accepts grants.

In a statement, WCU Chancellor David Belcher acknowledged that the university may have moved a bit too fast before adequately engaging faculty perspectives about the new initiative. Within the same statement, the head of the faculty senate said he was still opposed to the new center, but he praised the “high quality” of the discussion about it. He also said he had great respect for the chancellor, and from that point on, “we can move forward productively.”

Reflecting on the experience in an interview, Belcher said, “It was not necessarily the easiest time for us to go through, but I think we have come together, and come out of this stronger than we were.”

## GETTING SOMEBODY STEAMED

As the costs of running universities rise and state appropriations wither, many public universities have ramped up their fundraising operations. Major grants can be

a boon, of course, but can also sometimes spark controversy. Aspects of even the most innocuous-seeming grants can make some stakeholders look askance. Even small gifts can have an outsized capacity to get someone steamed up.

Controversy can come from countless different corners. It's not uncommon for faculty, students, trustees, alumni, community leaders or state leaders to take issue with some facet of a grant or gift. They might disagree with the intended purpose of the money or with the donor's politics, or with the way the gift is administered. While such dissent is often just part of the range of opinions that university stakeholders have, criticism sometimes points to genuine issues or problems with a given donation.

University leaders who ignore such criticisms do so at their own peril. Lest they find themselves in a true imbroglio, university leaders need to keep both eyes open when they are cultivating and accepting grant support, particularly when the grant might be controversial. They of course need to take charge to ensure that the process of cultivating, accepting and administering grants is done ethically, legally and with the best interests of the institution in mind. But they also need to develop their own ability to distinguish what might simply be "noise" around the grant from genuine issues of concern.

### QUESTIONED MOTIVES

Look back far enough in history and one can find controversy around even the most highly respected philanthropies. Some of the present day's most prominent foundations—think Mellon, Rockefeller, Ford and the like—owe their existence to fortunes earned by early 20th century captains of industry whose

business practices would raise ethical and legal concerns today.

Today, some universities also struggle with the implications of accepting grants for research from companies that sell tobacco or soda. Sometimes, too, universities can find themselves embroiled in controversy over a gift made long ago. Several prominent universities have recently confronted challenges concerning buildings named for donors who were slave owners.

Other concerns have led some critics to question the motives of leading funders of higher education.

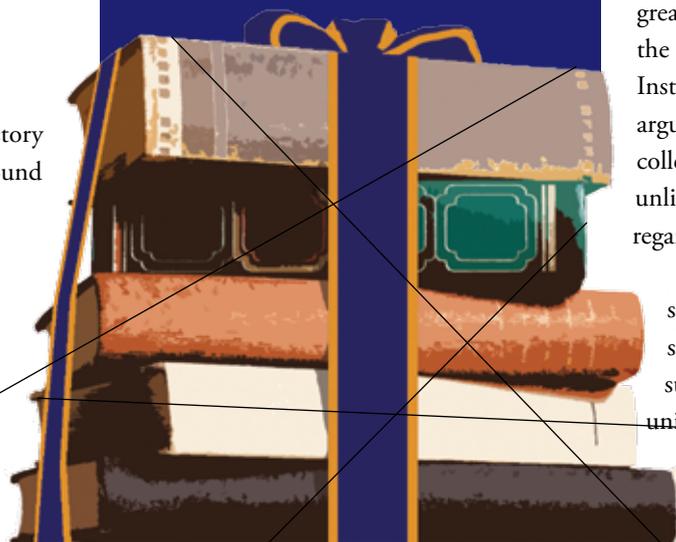
*The Washington Post* recently reported that liberal faculty outnumber conservatives by five to one. With that as context, it's perhaps not surprising that gifts from conservative donors often spark campus debate. As one example, when the John H. Schnatter Family Foundation and the Charles Koch Foundation recently gave \$10 million to start a center for the study of free enterprise at the University of Kentucky, a headline in a local newspaper called the gift "controversial" and said some of the Charles Koch Foundation's largesse at other colleges had "caused alarm among some, especially since the donations have come with strings at some schools."

Conservative donors have been quite open about wanting to use their philanthropy to help advance deeper appreciation in the academy for traditional values and thinking. A recent report by the conservative organization John W. Pope Center for Higher Education Policy found that there are now some 150 campus centers devoted to the study of free markets, and what the Pope Center calls "the open and objective study of Western civilization, capitalism, and political theory, often against the prevailing campus winds."

Funded largely by the same handful of deep-pocketed conservative donors, most of these centers have opened without a great deal of controversy. As reported by the *Chronicle of Higher Education*, Cato Institute President John A. Allison recently argued that such centers help ensure that college students will be exposed to ideas unlikely to be voiced by college faculties he regards as "dominated by liberals."

Supporting programs that "encourage students to engage with the ideas of free societies," the Charles Koch Foundation supports more than 300 colleges and universities, including scores of public institutions. The foundation's grants

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have sometimes proven controversial, however. Key questions have revolved around whether the funder could name faculty to head the centers it funds, and more broadly, whether the terms of the grant could impede academic and research integrity. Issues like those sparked debate at Western Carolina.

## LESSONS LEARNED

Looking back on WCU's experience, Chancellor Belcher said that the process of successfully bringing a center for free enterprise online—and taming the throes of controversy around the center to the general satisfaction of WCU's administration, faculty, trustees, as well as the donor—was instructive.

While WCU was following its procedures for accepting a major grant, Belcher said, in retrospect, the administration should have engaged the faculty more fully and early on in a dialogue about the new center. Moreover, he said, he himself could have been more forthcoming with the entire campus community in sharing his rationale for accepting money to start the new center.

"I think if we had an opportunity to go through this all again, we would have provided larger opportunities for our faculty to discuss this more thoroughly," Belcher said. The objective is not necessarily to give everyone what they want, he observed, "but it is about exploring the issues thoroughly enough so that people understand why the decisions are made."

The challenge is to support an open campus dialogue without "inhibiting our pursuit of philanthropic investment at a time when philanthropic gifts are certainly particularly precious," he said.

The contentious discussion on the creation of a free-enterprise center showed that the WCU community could have healthy discussions about difficult issues and still find enough common ground to move forward productively. Furthermore,

the process directly informed the grant agreement that the university negotiated with the donor. The *Smoky Mountain News* quoted a representative of a watchdog group that assesses the Charles Koch Foundation's support for higher education as stating that WCU's agreement with the foundation was "perhaps the most thoughtfully constructed governance mechanism of any Koch center in the country." The newspaper went on to say that WCU had "resisted ceding control to the Koch Foundation" in the gift agreement, and also suggested that the university's implementation of an advisory board would help it ensure that the "academic freedom" that Chancellor Belcher framed was an imperative.

## IMPLICATIONS OF FUNDING

Experts who advise universities on philanthropy know that grants and gifts can and do get "messy" in any number of ways, for any number of reasons. Phil G. Hills, president and CEO of the fundraising consulting firm Marts & Lundy, said that universities sometimes are so enticed by the promise of a major grant that they neglect to consider possible implications of the gift from a public relations standpoint.

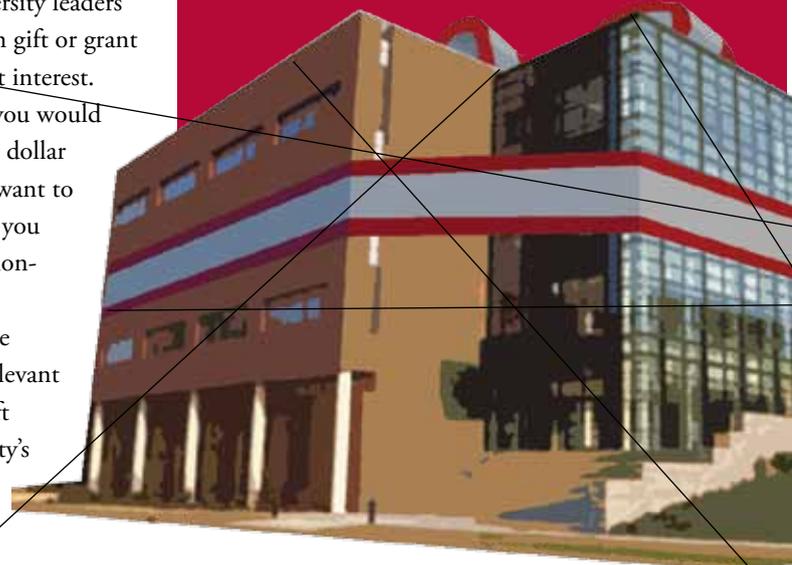
"The most important piece is going into it fully aware that there might be a controversy about the gift, or that someone will complain about it," Hills said.

According to Hills, university leaders need to make sure that a given gift or grant is truly in the institution's best interest. "It's really about planning as you would with any gift, whether it's one dollar or \$1 million," he said. "You want to make sure that it is a gift that you can defend and that it is mission-driven." And, in his opinion, institutional leaders need to be upfront in explaining to all relevant constituencies how a given gift or grant supports the university's mission.

Another area for care is in articulating grant agreements. Gifts that come with naming privileges may implicitly suggest more involvement by the donor, but nonetheless, the institution receiving the grant needs to negotiate terms in ways that ensure that the grant clearly supports the institution's academic priorities, and preserves its good reputation. Hills suggested that institutions should guard against writing language in grant agreements that inadvertently changes the institution's mission.

Grant agreements need to show that the donor will not interfere with outcomes derived from the donated funds. In addition, Hills said, recipients need to

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help donors understand that, once a gift is bestowed, they no longer have any control over the funds beyond what is outlined in a grant agreement.

Institutions can help ensure that they take the right tack by having solid policies and procedures for accepting grants in place ahead of time, as well as well-thought-through organizational structures for accepting grants. One option is to create a standing committee to assess potential major grants, particularly those that may be controversial, and to advise the president on the possible outcomes of accepting such funds.

Hills recommends that such committees include members from many different campus constituencies, including faculty, trustees and, perhaps, alumni. Having input from such a group will not necessarily quiet all the critics of a particular grant, Hills said, but engaging

input from different constituencies can show naysayers that the administration sought and received those perspectives. Such practices help to underscore the administration's interest in doing what's best for the institution.

Hills argues strongly in favor of open communication and transparency around all major grants. One of the biggest mistakes that presidents and development officers make, he said, comes when they try to keep grant negotiations completely secret or when they try to keep donors anonymous.

In Hills' experience, despite all best intentions, true anonymity is virtually impossible. Presenting major gifts as "done deals" without first engaging colleagues in discussions about the funding is another way to go astray. When any major grant opportunity presents itself, a president should ask for input from trusted campus

leaders, such as the heads of development and public relations, who can help identify potential areas of controversy in advance.

Hills says organizations like the Council for Advancement and Support of Education (CASE) offer helpful guidelines for fundraisers—including statements on ethics, conflicts of interest and a donor bill of rights—to help institutions successfully navigate some of the thornier facets of philanthropy.

The time for due diligence about potentially controversial grants is "when you are thinking about engaging with the potential donor," said CASE President and CEO Sue Cunningham. Cunningham counseled that, "If you walk on a journey together and build a relationship, only to determine at the 11<sup>th</sup> hour that there are reasons why it would not be appropriate, it would have been better to have not gone down that road at all," she said.

Advance preparation is key. As Cunningham said, "It's about having the right processes and systems in place within the institutional organization" to help a university anticipate and manage potential controversy around philanthropy.

Cunningham's colleague Michael Kiser, CASE's vice president of marketing and communications, said that universities can "steer clear of these controversies in the first place by putting safeguards and procedures in place in advance so that by the time [grants] get actually made, you can focus on the true intent and the real value of the gift, rather than how the gift can be interpreted. And that's all done well before the gift happens." **P**

*Based in Rockville, Md., Stephen G. Pelletier writes regularly about higher education.*

## Before You Take the Money...

Experts suggest several strategies that are imperative for successfully navigating the cultivation, acceptance and execution of potentially controversial gifts and grants.

**Plan ahead.** Have policies and procedures in place in advance for assessing and acting on potential grant opportunities.

**Act ethically and legally.** It should go without saying that in all grant-related activities university leaders need to hold themselves and their institutions to the highest ethical and legal standards.

**Do due diligence.** Before accepting a major gift or grant, gather as much input as possible to understand whether and how the gift might become controversial.

**Be transparent.** Keep discussions about potential grants as transparent as possible.

**Communicate.** Engage all the right stakeholders in discussing major grants.

**Follow your policies.** Make sure institutional policies for accepting gifts and grants are up to date. Make sure you comply with any relevant state policies.

**Craft helpful grant agreements.** Ensure that grant agreements adequately reflect and protect your institution's interests.