Changes to the Services, Costs and Funding Sources for Lehigh's Comprehensive Campaign

The Board of Trustees have endorsed moving forward with a new comprehensive fundraising strategy which is being designed to significantly increase annual gift commitments and provide financial resources to support our Strategic Plan.

In anticipation of moving forward with this effort we have identified additional staffing and operating resources needed for us to succeed in achieving this level of accomplishment. The strategies that will be implemented to fund the additional resources required are described below with special attention to some issues that have been raised about the process. The approaches that are described in this memo, and will be used as we move forward with these important institutional initiatives, represent best practices among our institutional peers, and are structured to serve Lehigh's needs as effectively as possible.

Staffing and Services

In order to successfully support all the efforts that a campaign of this size will require, we are planning on adding 35-40 staff to the Advancement team. Specifically, we will enhance our gift officer, relationship builder, marketing professional, and administrative support professional positions. These new hires will provide additional support for departmental activities and needs, such as a more coordinated and integrated approach to annual fundraising. We have specifically focused on enhancing both our externally focused professionals and our internal staff in order to develop an advancement team to secure gifts through traditional in-person efforts as well as through enhanced interactive media. Staff will be deployed to further cultivate our communication and stewardship efforts, programmatic and special event activities, and our operational platform so that we can create efficiencies and scale that distribute throughout the university. As we employ these new resources in support of the major fundraising themes and priorities, we will be able to refine and adjust our efforts as required.

Funding Sources

- We expect our Advancement staff, both new and existing, to bring Lehigh resources that far exceed their salaries. In order to provide the funding for these new positions, we have established some core principles and proposed implementation strategies, described briefly below. As the coming year unfolds we will refine these implementation approaches as needed given our progress and results. Whenever possible, fundraising priorities should provide relief to current budgetary investments of unrestricted dollars.

Principles

- The total incremental gifts that will be received will represent a significant increase in available resources for Lehigh
- In determining funding for these additional advancement positions, the costs should be allocated against the gifts received. [For example, as has been true in the past, earnings from the first three months of new restricted endowment gifts are used to offset fundraising expenses]
- Funding sources should be flexible in order to be adjusted as the campaign moves forward [For example, in the early years of the campaign, funding from gift streams will likely lag behind the costs incurred; later in the campaign, the funding from gift streams should exceed the annual costs and could therefore be adjusted]
- Incremental funding is based on a return on investment model, with specific fundraising

metrics and other milestones that will be reviewed by University leadership and the Board of Trustees
- Funding for these costs should be established in a way that is transparent to donors and the Lehigh community

Specific Funding Sources

- The current 3% administrative fee on capital gifts of more than $100,000 and initial months of earnings from endowment gifts [three months from restricted endowments, twelve month from unrestricted] will be continued
- Unrestricted budget support is being provided, in addition to the earnings on the two major bequests coming to the University in FY 12 and 13
- A 3% fee on restricted annual gifts, which will be implemented for all gifts received after 11/1/11.
    - For gifts to operations the policy is all gifts received after 11/1/11 will be subject to the 3% fee, regardless of the timing of the pledge commitments. The only consideration for review would be any donating agency that explicitly publishes on their website [or in a public document] a prohibition to this practice. NOTE: This fee is a standard practice at most institutions that are running campaigns of this size and in many cases the fee can range between 5% and 10%.

- New Endowment Gifts--For gifts received after 11/1/11 for endowment the following policies will be followed:

    - The current administrative fee will remain in place for earnings on endowment gifts (three months from restricted, twelve months from unrestricted)

    - Substitutional Funds for Faculty and Staff Positions

      Endowment gifts given to support existing faculty of staff positions will "free-up" current operating budget funds used to support these positions. The substitutional funds policy will apply to all gifts received after 11/1/11 in support of already existing faculty or staff positions regardless of the timing of the pledge commitment and will be implemented as follows:

      Academic Affairs Units:

        50% will remain with the academic unit

        25% of the freed-up operating funds will remain with the Provost

        25% will go to support costs of the fundraising effort

      Non-Academic Units:

        75% will remain with the unit in which the position is located

        25% will go to support costs of the fundraising effort

- Additional endowment spending amounts calculated each year, beyond the annual spending rate itself, will be targeted for Advancement costs

Other information

Have the donors been made aware of this fee?

Charging fees as part of the gift giving process is a straightforward way of contributing to the costs of fundraising and is a common industry practice. The Advancement Office has a process in place to ensure that donors are being made aware of the new fees on gifts.

What happens if Development falls short of their fundraising goal after the units have already paid the 3% fee?

The performance of Advancement is being very thoroughly monitored, against the very aggressive growth goals that have been set. The fee associated with annual gifts is the smallest source of Advancement funding, and with the higher planned level of gift flow, the total flows are anticipated to be larger, thus covering more than the cost of the fee.

Why hasn't a communication gone out to the broader community?

The description of this plan was shared with the members of the leadership in late fall, with an assumption that those who needed to share the information more broadly would do that. Whatever additional information is needed will, of course, be shared as broadly as needed.

Why was the fee started during the year rather than starting on July 1?

Since the incremental Advancement costs related to pre-campaign planning have been incurred starting in FY11, waiting till FY13 to collect any of the funding sources seemed inconsistent. It is still our hope to collect 8 months of gift fee income in this year, although the total fee for individual units could be removed from FY13 unrestricted allocations, if that would be more convenient.

We hope this information is helpful to you as you plan and prepare your teams for this transformational fundraising effort. Naturally, we will be glad to discuss any of these points further.