

# THE PRIVATE DOLLAR – FUND RAISING FOR COLLEGES AND UNIVERSITIES

## Introduction

"\$750,000 donation to the University of Sydney; \$250,000 donation to the University of Queensland". These are recent newspaper headlines which should make all colleges and universities think about the potential of fund raising.

Fund raising by Australian colleges and universities is a relatively recent development. In other countries, such as the United States of America, the activity has a long history. It has been suggested<sup>1</sup> that fund raising for American higher education dates back to the seventeenth century when Harvard University sent three clergymen off to London for money. One was hanged, one was never heard of again, but the third managed to struggle back with five hundred pounds.

Australian colleges and universities are being encouraged to think of fund raising from non-government sources by the real reductions now occurring in the size of the annual government grants. In addition to the real reductions which are occurring, part of the total funds available have been committed for specific purposes to satisfy the Commonwealth Government's election promises. Some examples of such commitments have been:

- research centres of excellence
- additional nurse education places
- development of community language courses.

The real reduction in government grants and the practice of having tied amounts within those grants reduces the autonomy of institutions. The Vice-Chancellor of the University of Sydney, Professor John Ward, has commented as follows:

*Unfortunately, what has long been predicted as the consequence of the growth of almost total reliance on federal funding is now coming to pass. Universities are having their decisions taken from them, even in strictly academic matters. The piper who pays wants increasingly to call the tune... We have to try hard to increase our own independent funding.<sup>2</sup>*

We will see later that the University of Sydney is having notable success in fund raising.

The absence of any growth in government funds is serious because it reduces the opportunities for new innovations. Reallocation of resources is a solution in theory, but this is not easily achieved in practice. A further serious, and perhaps neglected,

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*"O money, money, money, I'm not necessarily one of those who think thee holy"*

*But I often stop to wonder how thou canst go out so fast when thou comst in so slowly."*

(Ogden Nash)

matter is the failure of government grants to cover the real costs of current operations. This can be illustrated by considering just one major example.

Most Australian colleges and universities do not depreciate their buildings and equipment. To this extent, they are not reflecting their true costs of operations in their annual financial statements. In general, these institutions are also not creating reserves of cash for the replacement of buildings and equipment. As in the past, institutions are continuing to hope that the Commonwealth Government will supply the necessary funds for the replacements as they fall due. There is no sign in the foreseeable future that the necessary funds will be available.

Attempts to seek funds from non-government sources will have their difficulties and dangers. These will be considered later. However, the financial state of Australian colleges and universities in the early 1980s requires that serious consideration be given to actively seeking sources of funds other than the government grant.

## Some Theories on Fund Raising

### *The Implications of Fund Raising*

Fund raising by colleges and universities has a number of potential benefits. It also has some potential risks.

The benefits are:

- fund raising may give the institution a degree of independence which is otherwise lacking,
- fund raising may strengthen the graduates' bond to their *alma mater*,
- fund raising fosters the community's interest in the institution's affairs and prosperity. This community interest may also have important political value in these times when tertiary education seems to be low in government priorities,
- fund raising can act as a barometer of the institution's standing in the public eye.

There may also be risks in fund raising. While people like Professor Ward see independent funding as a means of increasing an institution's autonomy, there are some who warn of the dangers of commercial sponsorship. Professor John Bishop of the University of New England has said:

*I think that the increasing reliance of academic institutions on commercial enterprises for the funding of research can only lead to disaster... large companies can change their minds and have no public accountability whatever. Large companies, however altruistic, are not responsible to the citizens as a whole: governments are.*

*Commerce is concerned largely with the promotion of consumer goods in one way or another: the concern of academic institutions is with objective assessment. The two do not readily mix.<sup>3</sup>*

The important point is that institutions which seek and accept private contributions should seriously consider the motivations of those who contribute and be wary of any risks which may be involved. The concerns of Professor Bishop, while real, should not discourage colleges and universities from considering organised fund raising.

### *The Types of Funds which may be sought*

Funds may be sought for immediate benefit or for postponed benefit. The types of funds may be classified as follows:

***Outright Gifts of Cash or Negotiable Securities:*** These are obviously the most desirable type of funds because of their immediate availability and because they may be converted into forms which give the best possible return. They also usually give complete control to the institution.

***Pledges:*** The pledge takes the form of a promissory note, payable in instalments over a period of years. There is obviously delayed benefit to the institution and there is the risk that the pledge will not be fulfilled.

***Annuities:*** An arrangement of this kind<sup>4</sup> provides that the actual title to certain assets is transferred from the donor to the institution, in return for a contract by which the institution guarantees to pay a stated annual income to the donor during his life. The assets given on an annuity basis are not available for the stipulated purposes until the contract matures on the death of the annuitant. The institution is expected to keep the assets of the fund invested and to use the income from the invested assets to meet the annual payments to the annuitant. The rate of payment to the annuitant, however, is normally expected to be somewhat larger than the earnings of the invested assets.

***Bequests written into Wills:*** While bequests are desirable and should be sought, they have a number of disadvantages, viz:

- the will is subject to change,
- the collection of bequests in favour of the institution may be difficult,

- the benefit may be long delayed,
- if the donor has written into his or her will a bequest for some particular purpose connected with the institution, there is a chance that the needs of the institution may change before the bequest is received.

***Other Types of Funds:*** There are many other ways in which an educational institution can raise funds including: courses for fees, conferences, letting of accommodation, hire of sports facilities, regular giving plans, support from philanthropic and welfare foundations, sponsorship of research and through indirect cost money added to research grant applications.

### *Participation in Fund Raising*

A college or university should look to a number of groups as potential participants in the fund raising program. These groups include:

- the members of the governing body,
- the chief executive
- members of the academic staff.

It is generally agreed that the use of the academic staff should be limited to certain roles, such as the provision of information on academic activities, as these staff usually have neither the time nor the expertise for fund raising.

- the financial promotion office:

This is a group of specialist fund raisers who carry out the staff work for the fund raising programme. The office may alternatively be known as the development office.

- professional fund raising consultants,
- graduates and friends of the institution.

Special mention should be made of the role of the chief executive in fund raising. The chief executive already has many demands on his or her time. However, just as many writers emphasise the need for involvement of the chief executive in corporate planning, there are those who emphasise the key role of the chief executive in fund raising. This view was strongly put by James L. Fisher, President of the Council for the Advancement and Support of Education (CASE), to a recent seminar on fund raising conducted by the Conference of University Administrators (U.K.). CASE, which is based in Washington D.C., is primarily concerned with advising American colleges and universities about fund raising.

Dr. Fisher stated:

*The Chief Executive is the essence of the Institution. He is its personification, and his leadership role is critical to the fund raising program. The Chief Executive must have a vision for the Institution, a clear concept of his Institution's mission. The Chief Executive, more than anyone else, creates the climate in*

which fund raising takes place. What the Chief Executive says and does affects academic, fiscal and student affairs, and this, in part, establishes the context in which fund raising functions...

Prospective donors want to hear what the Chief Executive wants to do with the Institution, see how he manages its affairs, then sense and finally measure the results.

Fisher went on to say:

In the development and implementation of a good fund raising program, there are three key factors over which the Chief Executive can exercise some influence and control:

- (1) *The Trustees (Members of the Governing Body of the Institution) — he can ensure that this group is comprised of individuals who are eager to play a leadership role in fund raising.*
- (2) *The Staff — it is the Chief Executive's responsibility to recruit and build a strong, qualified fund raising staff.*
- (3) *The Budget — Adequate resources of both people and money must be made available to accomplish the goal.<sup>5</sup>*

Some Australian educational administrators may have doubts about whether we are ready for these American ideas. However, in these difficult times, we need to consider the ideas of specialists in the field of fund raising.

This section has considered just a few aspects of the theory of fund raising. There are many other issues which could be considered. These include:

- image-building as a prerequisite of fund raising:

Fisher has suggested that:

*"Universities should concentrate on improving their image rather than looking for quick returns from fund raising exercises.<sup>6</sup>*

- the organisation and management of fund raising,
- the staffing of fund raising, including the qualifications and training of staff,
- the motivation for giving.

#### **Fund Raising in Practice**

Australian educational institutions, and particularly the universities, are now putting the theory of fund raising into practice.

Public appeals have been launched by the University of Sydney, the University of Tasmania and others. During 1980, the University of Tasmania<sup>7</sup> launched an appeal to raise \$1.2 million. There were

two principal objectives — the development of a recently acquired university farm and extensions and improvements to the University Centre (which includes an 800-seat theatre, fine arts gallery and classics museum). At the time when the appeal was reported, a little under \$500,000 had been collected.

Merchandising of expensive items has been undertaken. The University of Sydney and the University of Queensland have sold limited edition silver plates. The University of Sydney<sup>8</sup> offered silver plates to graduates, staff and students in 1980 and raised \$35,000. The offer went out, limited to one per customer, to some 70,000 people, of whom 2,370 took it up at \$196 per plate.

Another form of fund raising is to seek sponsors for scholarships. A representative of the London School of Economics<sup>9</sup> has recently visited Australia seeking this type of support. A similar approach is the establishment of a Fellowship fund. The Western Australian Institute of Technology<sup>10</sup> (WAIT) established a Fellowship fund to bring eminent international scholars to the Institute and the fund had reached \$200,000 six months after it was launched. The WAIT Council started the fund with a donation of \$100,000 and then invited six sponsors to contribute to the fund, four of whom donated \$20,000 each. They are the R and I Bank, Alcoa of Australia Ltd., TVW Enterprises and Wesfarmers.

An important aspect of fund raising is the establishment of the appropriate organisation. In Australia, the usual approach has been the establishment of a foundation. This approach has been used at the University of Sydney, the University of Adelaide, Deakin University and The Australian National University.

In the University of Adelaide Foundation<sup>11</sup>, the management and conduct of the business affairs are the responsibility of a Board of Governors that has a President, who is the Chancellor, and who acts as Chairman of the Board, and a Vice-President, who is the Vice-Chancellor, and who acts as Chairman in the absence of the President. This is clearly a good illustration of the chief executive playing a leading role in fund raising.

The University of Adelaide Foundation has several classes of membership that are open to individuals, firms, companies, institutions and associations. Each member must make an annual donation to the Foundation.

At the University of Sydney<sup>12</sup>, the recently formed Chemical Engineering Foundation is the seventeenth foundation to be set up within the university. Firms belonging to the Foundation will pay an annual donation to the university ranging from \$2,000 for ordinary members to \$7,000 for governors.

The appointment of specialised staff for fund raising is beginning to happen in Australian institutions.

For example, the University of Wollongong and Monash University have appointed development officers.

Many more aspects of Australian fund raising could be mentioned. However, the final development that will be mentioned is the formation of "Friends" organisations. The Universities of Newcastle, Wollongong and Adelaide have each established such organisations. At the University of Wollongong, the "Friends of the University" organisation is "aimed primarily at securing support for the University; success with fund raising will depend on the generation of support from the community, local industry and leading citizens (local and national)".<sup>13</sup>

It will be seen from the above discussion of Australian fund raising practice that there is already a good deal of experience developed. Administrators therefore have opportunities to draw on the experience of those who have entered the field of fund raising.

#### **Theory versus Practice in Fund Raising**

Given that Australian colleges and universities are primarily government funded, it will take a long time before non-government funds are of such a size as to provide a significant degree of independence. However, a start should be made, and is being made, in the process of acquiring non-government funds.

Insofar as fund raising can act as a barometer of the institution's standing in the public eye, a degree of competition may be introduced between institutions. Competition between Australian institutions has not been a feature in the past and it may be a good thing for the future.

There are possible dangers in fund raising and in particular in relation to commercial sponsorship. The solution may be to avoid dependence on one supporter whether it be one government or one commercial sponsor. Ideally, any one project should have at least a pool of sponsors.

The best type of funds are those which are immediately available for use or investment. This makes public appeals an attractive proposition. Merchandising can be lucrative, but is unlikely to be as profitable as a direct appeal.

Fund raising is an activity for the top management of the institution, including the governing body and the chief executive. This view is receiving recognition in Australian institutions.

There may be a useful role for external, professional fund raising consultants. Deakin University has made use of a leading firm, National Fund Raising Counsellors. Other institutions may choose in future to look to professional consultants.

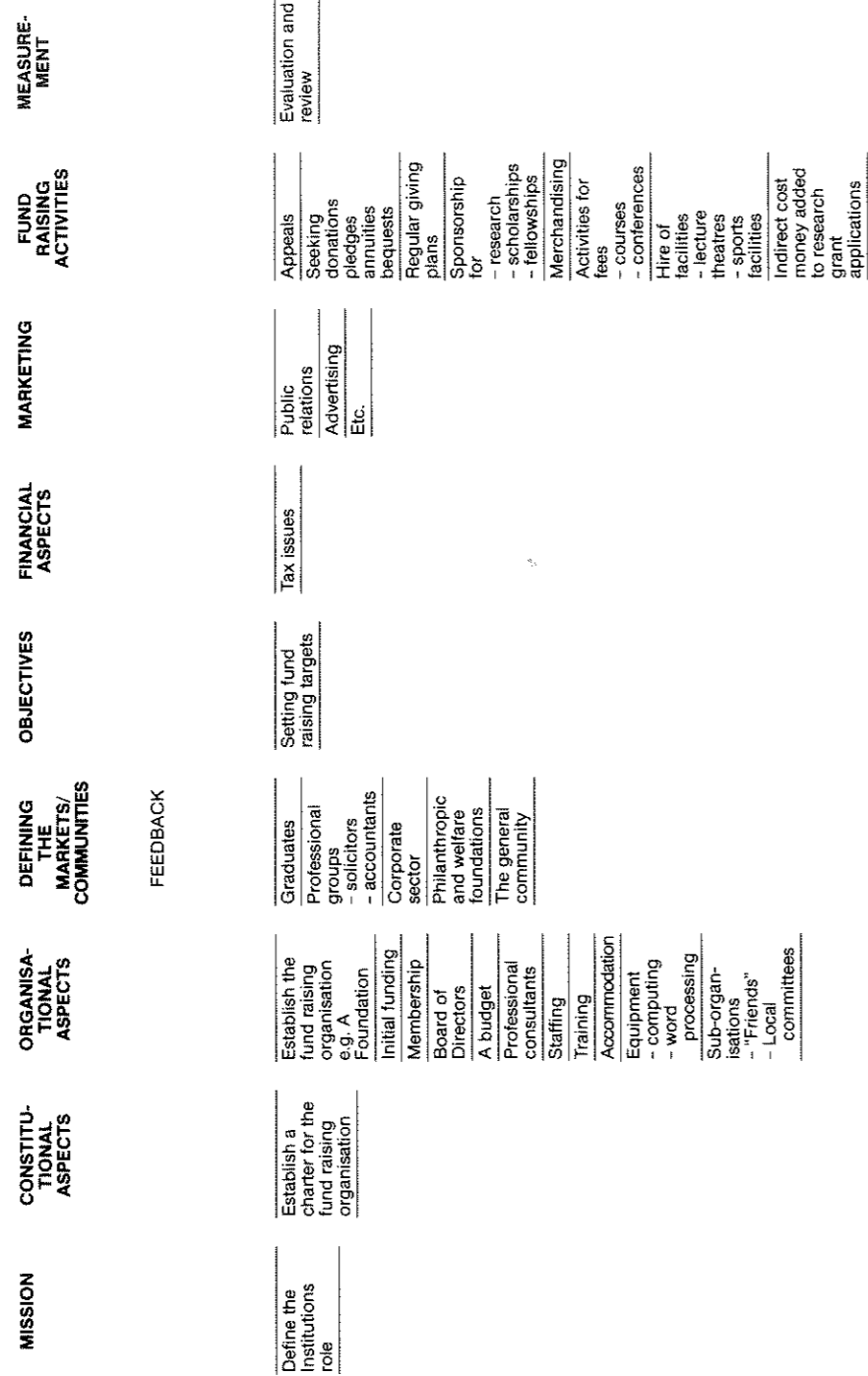
Graduates and friends are an important part of an institution's community. Australian institutions in

recent years have begun to recognise the importance of these groups in the life of the institution and also their importance in relation to fund raising.

#### **A Model for Fund Raising**

The stages in fund raising and the alternative fund raising activities can be presented in a model as shown in Figure 1.

FIGURE 1  
A MODEL FOR FUND RAISING



### Conclusions

The state of government funding suggests that tertiary institutions in Australia must seek a new balance between government and non-government funding. Money available from non-government sources could more than offset the decline in the government grants. Institutions have the opportunity to become financially stronger and at the same time become more widely accountable. However, institutions must be careful not to become the servants of new masters. For example, any one project should ideally have at least a number of sponsors.

There are significant sums of money available in the Australian community to support tertiary education. The question is how that money might be attracted to tertiary education.

In the past, Australian institutions have depended on the government to meet the replacement costs of capital items. This support may not be available in the future. The problem is currently being concealed by unrealistic accounting practices, such as cash accounting. A realistic picture of the financial state of institutions will only be revealed by the use of accrual accounting, which reports the cost of depreciation and various commitments outstanding.

Fund raising should be an important and prestigious activity in the life of an institution. It requires the active involvement of the governing body of the institution and of the chief executive.

Detailed planning is required for fund raising. Each institution should develop an appropriate model for its fund raising. This model can act as a guide and a check-list for the total fund raising process.

Finally, educational administrators need to pool their knowledge and experience on fund raising. For this purpose, they might consider the formation of a specialist organisation similar to the Council for the Advancement and Support of Education which operates in the United States of America. The existence of such an organisation in Australia could do much to develop a favourable climate for fund raising.

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