

## **Funding the Cost of Fundraising at Penn State Fiscal Year Ended June 30, 2009**

The investment of resources to pay for the cost of fundraising at Penn State has been a wise one over the years. As an example, during the *Grand Destiny* campaign (1996-2003), the University raised over \$11 in gifts and new pledges for every \$1 it expended, an excellent return on investment by any standard. Over 12,000 students now receive privately funded scholarships on an annual basis, more than 300 faculty hold privately endowed positions, and tens of millions of dollars have been raised for new buildings on campuses across the Commonwealth. The University has come to rely upon private funds to help create a world-class learning environment, and donors at Penn State have recognized that it costs money to raise money.

Public universities employ a variety of methods to support the increasingly important mission of private fundraising. These methods for funding development costs include using operating monies available to the university, levying a percentage “tax” on every gift, and using a modest portion of the university’s endowment.

Penn State uses several sources to pay for the cost of fundraising. The majority of budgetary revenue, over 57 percent, comes from the University’s general operating budget. A modest amount of the total fundraising cost (4 percent) is recovered directly from the total dollars raised through our highly successful direct mail and telemarketing programs, and about 10 percent is derived from unrestricted gift funds. Approximately 26 percent of the development budget comes from the University’s \$1.2 billion endowment (long-term investment pool), amounting to about 3/4 of 1 percent of the endowment’s total value. Finally, all gifts of \$5,000 or more are held in a special account for 90 days where they earn short-term interest before being transferred at their full-gift value to the purpose designated by the donor. This last source provides about 3 percent of the total development budget.

As Penn State enters a new comprehensive campaign, it pledges to its donors, and those who benefit from private support, to be a vigilant steward of donor gifts; to be judicious and efficient in expenditures of funds for development purposes; and to be transparent and ethical in the methods it employs to raise funds to support our students, faculty, and programs.