OLR Bill Analysis

SB 996

AN ACT CONCERNING FUNDRAISING BY THE FOUNDATION OF THE UNIVERSITY OF CONNECTICUT.

SUMMARY

By law, UConn must have a written operating agreement with the UConn Foundation ("the foundation") that governs their relationship, with specific provisions about the cash compensation paid by the university to the foundation. These provisions generally require UConn to (1) decrease and eventually eliminate payments to the foundation as the market value of its endowment exceeds specified thresholds and (2) increase payments if the endowment's market value falls below those thresholds.

This bill requires the agreement to include a provision by which existing law's payment reduction schedule would not apply in any fiscal year when the foundation's average fundraising for the previous two years is at least five times its average compensation from UConn during the same period.

EFFECTIVE DATE: July 1, 2021

CONTRACTUAL PROVISIONS GOVERNING CASH COMPENSATION PAID TO THE FOUNDATION

All foundations related to public higher education institutions must enter into a written operating agreement with those institutions. For UConn and its foundation specifically, the agreement must provide that UConn decrease payments to the foundation in a fiscal year (1) from the greater of the amount paid in the preceding fiscal year or the base fiscal year 2016 and (2) by a schedule outlined in the table below.

Table 1. Schedule of Reduced Payments from UConn to the Foundation Under Existing Law

Change in Cash Compensation	*Market Value Threshold of*

Paid by UConn to the Foundation	***the Foundation's Endowment Fund (as of January 1 of preceding FY)***
Decrease of $1 million	$500 million to less than $700 million
Decrease of $1.5 million	$700 million to less than $900 million
Decrease of $ 3 million	$900 million to less than $1.25 billion
No compensation permitted	$1.25 billion or more

Source: (CGS § 4-37f(10)(E))

If the endowment fund's market value decreases to an amount below any of the above thresholds as of January 1 of the preceding fiscal year, then UConn must increase its payments to the foundation to the same amount that it paid before the threshold was exceeded. These increased payments would continue until the July 1 following a January 1 on which the market value of the endowment fund once again exceeds the threshold (CGS § 4-37f(10)).

The bill requires the agreement to include a new provision under which existing law's scheduled payment reductions would not apply in any fiscal year when the foundation's two-year average of total gifts and commitments raised for the preceding two fiscal years, according to its annual report to the Higher Education and Employment Advancement Committee and legislative leadership, is at least five times its average compensation from UConn during the same period.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable
Yea 22 Nay 0 (03/11/2021)