

Campus Units

RE: STIP Earnings on Gift Fund and Endowment Income Balances

Four years ago UCSC embarked on a decentralized fund-raising program by placing development staff in divisional Gift Activity Centers. This program was initially funded by Chancellor's Central Funds. It was planned that, after three years of focused effort, the divisions would assume a partnership role by providing 49% of these costs. In general, this program has helped to increase gift funding.

In order to secure the post-three-year partnership funds, the Academic Advisory Board for Development has recommended to Chancellor Pister methods for funding the 49% share of Gift Activity Centers. These methods require a change in UCSC's handling of Short-Term Investment Pool (STIP) interest earnings. These involve changes as follow:

- **Gift Fund Balances:** Currently, ½ of the STIP income on unspent gift and private grant funds has been added to the balance of the gift fund. Effective with the 4th Quarter of 1995-96 the new method will consolidate that income in the Gift Activity Center which serves that fund. (e.g. Income on a gift fund balance in Marine Sciences would be consolidated in the Natural Sciences Gift Center.)
- **Endowment Income Balances:** As with gift fund balances, endowment income balances operate in the same way and are proposed to operate in the same way except that the accrual and collection of funds will begin effective with the first quarter of 1996-97. The delay in implementing the consolidation of endowment income balances is intended to provide adequate time for units with large balances to rearrange their funds prior to this new step – if they wish to.

The consolidation method proposed here maintains the original value of gifts and endowment income while using the interest-earning power to increase UCSC's ability to do even more fund raising. Other UC campuses have imposed gift taxes and other methods which reduce the power of the original gift. Several UCSC units have substantial endowment income balances. (This is not the interest on the original endowment, but the income which has been earned on an endowment and paid to the unit annually and remains unspent.) This unspent income also earns STIP income. The delay in implementing the STIP income collection process for endowment income balances is intended to allow units with large balances to assess their use of such funds and reapply, *inter alia* those funds to the corpus of the original endowment prior to the shift of interest income to the Gift Center.

Attached is a list of the Gift Centers into which STIP income will be collected. If you have questions, call Dan Aldrich (x2501) or me (x2446). We will be pleased to review this process with you.

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