

**House Education Budget Committee**

Hearing on H.B. 2446

February 4, 2010

Testimony of Theresa Gordzica  
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Chairman McLeland and Vice Chair Aurand and the Ranking Minority member Lane, I am Theresa Gordzica, Chief Financial Officer for the University of Kansas and I am here to testify in support of H.B. 2446. This bill would streamline rules governing donations to the university, eliminating inefficiency and duplication, and thereby maximizing the effect of donors' gifts.

The University of Kansas appreciates the Committee's attention to this legislation. Over the years the Legislature has stressed to all state agencies the importance of being good stewards of taxpayer dollars. We continue to look for opportunities for KU to become more efficient in its operations.

KSA 76-156a was written in 1969 to identify specific endowment associations and foundations that are authorized agents to invest "endowments and bequests" received by Regents institutions. Over the years many gifts of varying dollar magnitudes have been received that have been directed to the university rather than the endowment association. Under current law, the terms "endowments" and "bequests" are not defined.

An example of a gift that might not qualify as "endowments or bequests" under the current statute would be a \$100 donation made payable to the University for the benefit of the KU Libraries. A gift that clearly does constitute an "endowment" or "bequest" would be a \$5,000 bequest to KU to establish a scholarship fund.

However, under current law, the only way for KU to have KU Endowment administer these gifts – as opposed to administrative personnel at KU having to do so in addition to their other duties – is for KU to deem these gifts to be "endowments" or "bequests" and, for each such gift, regardless of its size and purpose, to create a new separate "agency account" with KU Endowment.

Often there already is an existing KU Endowment account set up to receive contributions that are made directly to KU Endowment to support the same purpose at KU but under current law such contributions cannot go into such a non-agency account. This bill would enable KU to simply direct that these types of gifts and bequests would go directly to KU Endowment to administer in a non-agency account.

Further, under current law, KU has to use its own administrative personnel – whose have other primary job duties – to generate a gift receipt to the donor for such a gift. In contrast, KU Endowment already has the infrastructure to generate gift receipts when funds are deposited in a KU Endowment account.

Although the current statute's "endowments and bequests" language is not well defined, its intent is clear – to allow the endowment associations and foundations to manage these charitable contributions that are directed to the universities in concert with the other contributions that are made directly to their respective foundation or endowment, which such foundations or endowments already invest and distribute for the universities' benefit.

KU works closely with the KU Endowment and has established "agency fund accounts" for gifts that are clearly "endowments and bequests." Nearly all gifts carry donor restrictions for specific uses and the University and KU Endowment have established procedures to ensure the donor's wishes are honored.

The proposed legislation will clarify the original intent of the existing legislation, reduce each university's administrative effort to establish separate "agency" fund accounts and to generate receipts for such gifts, and eliminate the inefficiency and duplication of effort required by the endowment associations and foundations to manage duplicative accounts.

The proposed legislation also provides some additional investment options for the permanent university fund held at the KU Endowment and similar funds held at the respective foundations for Emporia State and Kansas State universities. The legislation would expand the investment options from interest bearing instruments only to allow those funds to be invested in the endowment or foundations' long term investment pool. The longer term investment of the funds would help the institutions to preserve the purchasing power of the funds over time.

I would be happy to answer any questions.