

# Myths vs. Facts

## UC ENDOWMENT FUNDS

As the University of California grapples with serious budget challenges for the current and coming fiscal years, a question has been asked: **Can existing endowment funds be tapped to cover shortfalls caused by reductions in state and federal support?**

**The short answer is, no:** UC's endowment funds are made up of thousands of individual donations, virtually all of which have been gifted to UC for restricted purposes. California law mandates that the University of California and the UC campus foundations follow donor intent, including restrictions on the use of gifts. **Just 1 percent of all gifts made to the University of California are unrestricted,** meaning that campuses must use the overwhelming majority of funds as directed by the donor.

**Campuses use the small unrestricted portion of endowment funds for important one-time expenditures, such as urgent maintenance projects or emergency student aid.**

**Here are a few of the biggest misconceptions about UC's endowment funds:**



### MYTH

UC has an enormous endowment that can cover shortfalls related to state and federal budget cuts and rising labor costs.



### FACT

UC manages more than 21,000 individual funds in the Regents General Endowment Pool and the endowment pools managed by 10 UC campus foundations. Of those funds, 99 percent have been donated to UC for specific, donor-approved uses. Private gifts help UC pay for a wide range of important priorities, including student support, research and curriculum development.

A key principle with all endowment funds — spelled out in both state law and UC policy — is that the money must be invested. That allows the donation to last in perpetuity, providing a steady income to support the gift's intended purpose for years to come. Withdrawals are limited to a portion of interest earnings from the funds and only a limited amount of annual earned income can be withdrawn and spent in any given year. Those funds are not sufficient to replace the state and federal funds that UC relies on for its day-to-day operating costs.

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### MYTH

UC could change the restrictions on how it uses its endowment funds.



### FACT

Charitable trust law requires that charities, including the UC Regents and the UC campus foundations, administer gifts by the terms specified by the donor, even in difficult times or times of emergency. These laws are enforced by the Attorney General of California. The University of California must also abide by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the management, investment and use of endowed funds that charities hold.



### MYTH

Endowment funds support non-essential projects.



### FACT

Charitable gifts provide critical support for UC's mission of teaching, research and public service. For instance, privately funded scholarships and fellowships help to make a UC education affordable for many students and bolster the excellence of the University's undergraduate and graduate programs. Gifts also provide critical support for scientific research, as well as support for specific academic departments, and for campus improvement projects.



## ENDOWMENTS PLAY A CRITICAL ROLE IN SUPPORTING THE UC MISSION

- The San Joaquin Valley Program in Medical Education (PRIME) Endowment provides long-term support for the multicampus baccalaureate/M.D. program that expands high-quality medical education in the San Joaquin Valley.
- The Fred and Mitzie Ruiz Scholarship Endowment provides financial aid to eligible UC Merced students.
- Endowments ensure the longevity of statewide UC Agriculture and Natural Resources (ANR) programs, including 4-H; agriculture and pest management research; educational efforts on growing food, building fire-safe landscapes, and entrepreneurship in rural communities.
- An endowment provides stable support for the Harry H. Laidlaw, Jr. Honey Bee Research Facility at UC Davis.
- The Dr. Vera Machado Martinez Endowed Graduate Student Scholarship supports students in the UC Riverside School of Education who aim to become education leaders in the Inland Empire.
- An endowment for the Mary & Steve Wen Cardiovascular Division at UC Irvine supports cutting-edge cardiovascular care.