THE INFRASTRUCTURE AND OPERATIONS FUND

Over the past decade, philanthropy has played an increasingly significant role at UC San Francisco (UCSF). Today, donors contribute about $400 million each year in private support, a growing figure. When combined with the University's endowment – valued at more than $1.9 billion and contributing $60 million annually for faculty salaries, student scholarships, fellowships, and programmatic support – private sources now provide more than twice what the University receives in funding from the State of California. But with this changing dynamic comes a new challenge.

UCSF has historically looked to private support to fund specific activities, but not core services or infrastructure costs. Our donors overwhelmingly designate, or restrict, their gifts toward specific projects or activities such as a particular area of research. State funding and indirect cost recovery on contracts and grants have provided most of the unrestricted funds needed for these obligations, allowing our faculty to use almost all of their private gifts for salaries and program costs. As state appropriations decline and indirect cost recovery moderates, we have few options to replace these diminished but critical unrestricted funds.

As a graduate health sciences institution, UCSF is funded very differently than most universities. It does not have more traditional sources of unrestricted revenue such as undergraduate tuition, an unrestricted endowment built over decades, and a large alumni population that provides unrestricted, annual giving. So, it is essential that every gift helps support the infrastructure of the institution.

To help ensure a sustainable financial model for the future, UCSF will introduce on July 1, 2014, a new assessment, the Infrastructure and Operations Fund. Through this assessment, 10% of philanthropic funds will support the University's costs of providing the operating facilities and administrative services associated with gift-funded activities. This is still far less than the actual cost of these core services. Recognizing these costs, the federal government now pays UCSF 58% in indirect costs on research it funds. Even with the Infrastructure and Operations Fund assessment, the University will continue to look to other sources of funds to help fill this gap.

Most peer research universities have similar assessment models in place and many are more aggressive than the plan we are implementing. Gift assessments at Johns Hopkins Medicine, University of Pennsylvania, and Harvard all exceed 15%. Their donors, like ours, appreciate that these are not simple "overhead" charges, but are real costs necessary to carry on the important work of our faculty, provide the best patient care, and educate the next generation of leading health care providers and researchers.

UCSF
University of California
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INFRASTRUCTURE AND OPERATIONS FUND Q&A

Why is the Infrastructure and Operations (I&O) Fund changing?

UCSF's revenue sources are heavily restricted, and private gifts pay only a portion of the cost of the activities they are intended to support. The University must also fund the utilities, space, information technology, and other administrative services that back these endeavors. Because the traditional sources of the central unrestricted funding for these infrastructure costs are under intense pressure, UCSF must look to private support to contribute more in order to have a sustainable business model.

What is the I&O Fund assessment?

Effective as of July 1, 2014, 4% is assessed at the time a gift is received and 6% is assessed at the time revenue from the gift is posted. For current expendable gifts, this effectively amounts to a 10% assessment at the time the gift is received. For endowment gifts, 4% is assessed at the time of the gift, and 6% is assessed when the annual payout is posted. Revenue will be directed to the Infrastructure and Operations Fund. All gifts and endowment income are subject to assessment, excluding gifts for scholarships (see below).

The I&O Fund is a component of the Core Financial Plan. What is the Core Financial Plan?

The Core Financial Plan is our term for the funds from unrestricted sources that support the basic operations of the schools and administration, utilities, and infrastructure across the campus, as well as strategic campus-wide initiatives. The major sources of these funds, which amount to about $500 million annually, include indirect cost recovery on federal contracts and grants, state appropriations, tuition, and investment income. The demands include the following obligations:

- Campus seismic investment: for example, UC Hall, Clinical Sciences Building, San Francisco General Hospital
- Facilities investments: deferred maintenance obligations for existing campus buildings and scheduled renewal projects
- Technology investments: business, research and clinical systems and related infrastructure
- Strategic programmatic investments and utilities
- Continuing funding of central administrative functions including finance and accounting, development, and security
- Operating requirements of the schools, including utilities and support for faculty, instruction, and research

What types of gifts qualify for the I&O Fund's scholarship exemption?

Gifts are not assessed if they are restricted by a donor for scholarships and fellowships to pay tuition, living expenses, or other educational costs for students in professional and graduate degree programs at UCSF, including stipends. This may include merit-based student awards that are NOT intended to be used for research expenses.

Gifts to support trainees in non-degree programs such as residencies and post-graduate clinical and research fellowships will not be exempt from the assessment.

The fund restriction determines whether a gift fund is exempt from the assessment. The use of a fund for scholarships or fellowships, when the fund is not specifically restricted for student support, does not exempt the fund from the assessment.

What assessments do UCSF's peers charge?

UCSF's peer research institutions, such as Johns Hopkins Medicine, Duke Medicine, University of Pennsylvania, and Harvard, assess gifts at rates of 15% to 20%. Locally, UC Berkeley imposes a gift assessment of 10.5% on research gifts, but 2.5% on non-research gifts, while Stanford imposes an infrastructure assessment of 8% on many of its revenue sources including gifts.

Peer Institution	Rate	Type of Assessment
MIT	25%	Endowed gifts
	68%	Non-endowed gifts, payroll
	10%	Non-endowed gifts, nonpayroll
Mayo Clinic	30%	Research gifts
University of Pennsylvania	20%	
Johns Hopkins Medicine	20%	Non-endowed gifts
	15%	Endowed gifts
Harvard University	20%	Non-endowed gifts
	15%	Endowed gifts
Cal Tech	15%	
Duke Medicine	15%	
Yale Medicine	12%	
UC Berkeley	10.5%	Research gifts
UC San Francisco	**10%**	
Stanford	8%	
UCLA	6.5%	

What if a donor doesn't want his or her gift to fund the assessment?

This is an institution-wide program, and individual exceptions cannot be made. If the donor's gift does not cover the assessment, the department must look to another source (such as scarce unrestricted gifts from other donors), further depleting essential resources. If neither the donor nor the department will fund the assessment, UCSF cannot accept the gift.

Whom should I contact with questions?

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