

California State University, East Bay
Policy on University Endowments
August 17, 2005

1.0 Introduction

1.1 The California State University, East

Endowed Faculty Support Funds

Distinguished Lectureship or Lecture Series \$ 25,000

A Distinguished Lectureship or Lecture Series supports the expenses associated with bringing guest speakers to campus to speak or conduct special seminars and colloquia. Income can also be used to support faculty exchange programs. Income from the endowment is typically used to defray travel costs and honoraria.

Research Fund \$ 50,000

An endowed Research Fund offers supplemental funding for the most promising research projects in a selected college, department, center or program. Endowed research funds strengthen the University's ability to conduct important research in a variety of fields. Payouts may be used to hire graduate research assistants.

Emerging Scholars Fund \$ 100,000

Income from these endowed funds will provide newly recruited faculty with "startup funds" to allow them to pursue scholarly activities during their early career with the University. Such funds help the University attract top scholars to its teaching ranks.

Endowments for University Excellence and Academic Enrichment

University Excellence Endowments

Named Deanship \$ 500,000

A dean's endowment provides funds in support of a college, the library, or the Concord campus. In this instance, the donor designates that the dean holds the honor and utilizes the endowment income at his or her discretion to advance the campus unit involved.

President's Endowment \$ 50,000

Income from a President's Endowment is unrestricted and will be allocated at the direction of the President for University activities that meet the University Mission, or strengthen the University or encourage excellence and innovation at the University.

College, Department or Program Endowment \$ 25,000

These endowments support particular units of the University, enabling them to meet the most pressing needs and capitalize on opportunities as they arise. Examples include endowments supporting equipment acquisitions, new technology, guest lecturers, etc., as well as unrestricted endowments.

Library Endowments

\$ 25,000

Endowment funds supporting general or special collections, equipment and technology acquisitions, resource training, etc. will meet the special needs of the Library.

participants in an academic enrichment, intercollegiate athletics, or community service program.

Travel and Internship Funds \$ 25,000

Income will enable students to study off-campus, both in the United States and internationally. Such awards can also cover travel costs to enable students to attend academic and professional conferences.

Award Fund \$ 10,000

Income will provide awards for student academic achievement.

3.0 Creating an Endowment

3.1 An endowed fund will be established only upon acceptance by the Educational Foundation of (1) cash and/or (2) a pledge of outright gifts to be made within a prescribed period of time of no more than five years and/or (3) the present value of a deferred gift and/or (4) a binding commitment to provide current and future payout amounts equivalent to the amount that would be reasonably expected from an endowment established at the Educational Foundation but that would come instead from a fund held inviolate by an independent trustee.

3.2 In the case of securities, an endowment may be established based on the independent appraised value (mean market value) obtained by the University on the date the donor relinquished control of the securities.

3.3 In the case of real or personal property, an endowment may be established provided the net proceeds after all acquisition, holding, and selling costs (including supplemental property taxes) exceed the minimum required. Regardless of the amount of net proceeds, the donor will receive credit for a gift equal to the appraised value of the property on the date the donor relinquished control of the gift.

3.4 An endowment can be established through a campaign with a fundraising goal of at least the minimum amount required, to be raised within one year (subject to an approved extension), if approved by the President upon recommendation by the Vice President, University Advancement. At least 50% of the minimum amount required must be received before fundraising can begin. Campaign information provided to donors must clearly state the alternative use of the funds raised should the campaign not be completed successfully so that all donors need not be polled to determine the alternative use.

3.5 The full funding of the minimum required to endow a fund must come from gifts rather than growth in principal while invested by the Educational Foundation.

3.6 During a pledge period, gifts may be added to the endowment, but the income will accumulate and may not be distributed until the minimum required is received (this will be less than the pledge total if more than the minimum required is pledged) unless the

donor and/or the campus unit chooses to augment the payout so that the total available for spending matches the payout that would otherwise occur.

3.7 If a donor is unable to complete the funding of an endowment, he or she will have the option of directing that his or her gifts be aggregated with other endowment gifts (perhaps of a more general purpose), or expended to support a specific program.

3.8 Endowments are "perpetual" and the expenditure of income from endowments for the purposes specified by the donor is required by law. If the donor is no longer living, the University may be required to seek legal recourse to change the terms of an endowment. In such instances, the University must be able to prove to the court that it has made every effort possible to spend the endowment income under the terms as originally established or changed with the donor's consent. It should be noted that a donor's heirs cannot authorize changing an endowment's terms, although it is sometimes helpful if they endorse the University's request to do so. If restrictions have been placed on the use of an endowment by the University rather than the donor, the restrictive terms may be modified at the University's discretion.

3.9 Because conditions change over time, all endowment instruments shall contain the following language:

The principal of this endowment fund shall be held in perpetuity in accordance with applicable California State laws which govern the management of such funds.

In the event that, at some future date, the purposes for which this fund is established can no longer be satisfied for reasons not now foreseeable, the University, after taking into consideration the expressed intent of the donor, is authorized to use the annual distribution from this endowed fund to benefit the University in a manner which will most nearly meet the donor's intent. Whenever possible, the donor will be consulted.

3.10 A donor may provide at the time the gift is made that payout may be added to principal. Such provision may allow for reinvestment at the discretion of the President or may allow for specific circumstances for reinvestment. Reinvestment of payout to principal may not be used to attain minimum endowment funding.

3.11 More than five years of income should not accumulate. The Educational Foundation will annually transfer payouts to the University and will review funds accumulated in the University's accounts for excess accumulations. University Advancement will notify the unit responsible for the expenditure of endowment income of the University's fiduciary obligation to use the payouts fully in a manner consistent with the gift instrument.

4.0 Endowed Faculty Honors

4.1 An *endowed faculty honor* provides funds to a single member of the faculty (or in some cases, to a visiting scholar or professional in support of his or her teaching, research, and service. *Faculty support funds* provide support to a faculty group.

4.2 The University may create an endowed faculty honor to recognize the interests and contributions of benefactors and/or to honor particularly distinguished members of the faculty or visitors. Endowed faculty honors support the University's effort to attract and retain scholars of national or international acclaim.

4.3 The purpose of the endowed faculty honor must be consistent with the mission and curriculum of the University and must be created in accordance with established University procedures. The purpose of the endowed faculty honor shall be specified in writing, as part of the endowment agreement, at the time it is established.

4.4 The President must authorize the establishment of all endowed faculty honors. The Office of University Advancement is responsible for coordinating the approval process by the President and will work with colleges and departments to facilitate required approvals.

4.5 An endowed faculty honor normally will be established within a department, but may be multi-disciplinary in scope. Prior to any formal commitment on the part of the University to a prospective donor and prior to any campaign solicitation for an endowment in a specific field or department, the appropriate dean and department chairs must be consulted. If the endowed faculty honor is not associated with a single department, an appropriate consultative body will be established by the Provost.

4.6 The purpose of the endowed faculty honor must be sufficiently broad and must be consistent with the long range academic plan of the unit.

Use of Income

4.7 Payout from an endowed fund supporting a faculty honor is to be made available to the faculty member holding the honor in support of teaching and research at his or her discretion. By December of each year, the honoree will be informed by the Educational Foundation of the amount of endowment income available for use during the following calendar year. The honoree will recommend a budget for review and approval by the department chair or dean, to be forwarded to the next higher level for approval.

4.8 Honorees are encouraged to consider ways in which their expenditures of endowment income for their teaching and research activities will provide institutional benefit to their departments.

4.9 Subject to normal University approval policies, allowable uses of income include, but are not limited to, graduate student teaching or research assistantships, administrative salaries and/or expense, office space, supplies, travel expense, computer use, library support, equipment and expense of professional materials (items purchased with endowment funds are property of the University), financial aid for graduate students or visiting scholars working with the holder of the faculty honor or, with the consent of the honoree, in the area of the honoree, expenses of special seminars and conferences, additional off-contract compensation, salary support while on approved leave, including sabbatical supplements, or other suitable purposes as described in the endowment agreement. Use of funds involving release from teaching during the regular academic

term requires appropriate review and approval. All University regulations and procedures governing personnel, purchasing, and accounting shall be observed.

4.10 Any commitments on the part of the University will be described in the endowment agreement.

4.11 Payout budgeted by an incumbent honoree during his or her appointment for projects that extend beyond his or her term of appointment shall be reserved for that faculty member for those projects, separate from income allocated to a subsequent honoree.

4.12 Payout for honors shared jointly with other colleges or departments will be administered by the college or department in which the honoree resides.

4.13 Awards of conditionally established honors pending fulfillment of a pledge or irrevocable deferred gift, or completion of a campaign to fund the honor, should specify which of the following income arrangements will apply:

- a. No income (i.e., honorary award); or
- b. Full income through supplement to available payout or provision for full or partial funding by another allowable source (e.g., current use gifts, dean's discretionary funds, etc.), until the faculty honor is fully funded.

4.14 The terms of faculty honor endowments should provide maximum flexibility for the use of income during periods when the faculty honor is not bestowed.

4.15 During any period in which a faculty honor has not been bestowed for three years or in the event that its accumulated income exceeds five years of payout, a unit head may request that the President (or designee) take one of the following actions, so long as it is consistent with the terms of the endowed fund:

- a. Implement, or authorize a dean or deans, after consultation with the relevant department(s) to implement a new plan to appoint the honor and/or to utilize the payout;
- b. Subject to contractual obligations of the University, approve for a limited time the appointment of a visiting professor as temporary holder of the honor, upon recommendation of the department(s) and dean(s). Such a temporary appointee, normally designated as the Visiting Scholar in _____, will be permitted to use available income from the endowment to support his or her research and teaching activities during the period of the appointment;
- c. Request the reinvestment of payout to principal; a department must make a specific request to reinvest payout to principal and only if the donor has provided for such reinvestment at the time the gift is made;
- d. Request the reallocation of the fund to provide for an alternative purpose if allowed by the terms of the fund.

4.16 Reinvestment of payout or re-allocation to principal may be requested as outlined above or under other circumstances that are sufficiently compelling to warrant such a recommendation, including the failure for unforeseen reasons of the endowment fund's principal to meet the endowment minimum. Reinvestment of payout to principal will not be considered to increase the principal to meet the endowment minimum. The request shall be made by the appropriate dean(s) through the Provost to the President in coordination with the Vice President, University Advancement, who will assist with the approval process.

Stewardship

4.17 As the fiduciary of endowment funds, the University and the Educational Foundation are legally responsible for ensuring that endowment payout is expended in accordance with the terms of the gift. As steward of the donors of endowed faculty honors, the University is responsible for maintaining regular and appropriate contact with donors, their successors, and endowment honorees on the uses of the endowed fund.

4.18 The Office of University Advancement, in collaboration with the office of the Provost and the honoree's department, is available to facilitate donor reporting.

4.19 The Provost will advise each new holder of the faculty honor of the donors to the endowed fund supporting the honor and of stewardship responsibilities applicable to those donors.

4.20 The Office of University Advancement or unit heads will notify donors, successors, or contacts of new appointments and reappointments of faculty honors.

4.21 Each holder of a faculty honor is required to report annually on the use and benefit of the endowment income to the donors, their successors, or designated contacts, if any. Appropriate notification of such donor reports should be made to the appropriate dean of the honoree's department. Each honoree may be asked to meet with the donor(s) and possibly to participate at special donor recognition events.

Creation of Additional Endowed Faculty Honors with Appreciated Endowments

4.22 Should an endowment corpus appreciate such that excess income is generated beyond the reasonable need of the holder of the faculty honor, endowment principal is at least double the current campus minimum for endowed faculty honors, and the department has need for an additional faculty honor in the field, the President may consider recommendations to establish a second faculty honor with the same terms, when allowable under the terms of the original gift.

4.23 The college or department should obtain the concurrence of the donor, if available, prior to initiating a request to divide an endowment.

University shall request the assistance of University counsel to obtain court approval for an alternative use of fund payout in a related field.

Unit Responsibilities

4.31 Colleges are required to establish written procedures for appointment of faculty honors in accordance with the Policy on Appointments of Endowed Faculty Honors. In no case may unit guidelines or procedures be deemed to void or liberalize the provisions of this policy or the Policy on Appointments of Endowed Faculty Honors.

4.32 Units are responsible for ensuring receipt and approval of the budget and for the appropriate expenditure of funds.

4.33 Units may set higher minima than campus requirements for faculty honors and may set minimum funding levels for appointments to conditionally established honors.

5.0 Endowment Management

5.1 Endowed funds are invested and payouts administered by the trustees of the Cal State East Bay Educational Foundation in accordance with its Investment Policy, as amended as needed. In accordance with the Investment Policy, the Foundation may charge an endowment administration fee. All gifts benefiting the University, including endowment gifts, are subject to the University's Gift Administration and Development Policy which mandates that a portion of all gifts is retained by the Foundation for gift administration and development. The endowment administration fee and the provisions of the Gift Administration and Development Policy shall be disclosed to the donor at the time of the fund's creation.

5.2 Endowment payouts are disbursed in accordance with the Foundation's endowment management policies in accordance with its Investment Policy.

Funds Functioning as Endowments

5.3 The Educational Foundation also administers funds functioning as endowment (also referred to as "quasi-endowments") which, in addition to annual payouts, allow for occasional and irregular invasions of endowment principal and thus can be spent down entirely. Examples of quasi-endowments are:

- a. Term Endowment: an endowment that requires a fixed dollar payout each year regardless of earnings (by definition, term endowments require the invasion of principal when earnings are insufficient to meet the fixed dollar payout required and thus may have a limited life).
- b. Donor-advised Fund: a fund, invested as part of the total endowment pool, with all earnings added to principal each year and earnings payouts and principal distributions made by the University after consultation with, but not under the direction of, the donor.

6.0 Review of This Policy

6.1 This policy may be reviewed and amended periodically as necessary to comply with California State University policy or to incorporate University changes not specifically prohibited under CSU policy.