

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

1.0 Introduction

1.1 The California State University, East Bay endowment, held and administered by the Cal State East Bay Educational Foundation (the Educational Foundation), is an aggregation of gifts invested to support the University throughout its existence. Because these gifts endure in perpetuity, endowment donors share a sense of accomplishment and pride in knowing they have played a part in shaping the future of the University. Unlike “current use” gifts that are intended to be expended, gifts that increase endowment principal are invested with the goal of growing in value and generating increasing earnings and earnings distributions (payouts) equal to or above the rate of inflation year after year.

1.2 The prestige and funding usually associated with an endowed fund can often be persuasive in the recruitment and retention of outstanding faculty and students and provide a continuing source of support for academic excellence.

1.3 The University is willing to work with prospective donors in creating terms and conditions for restricted or unrestricted endowment funds, provided they support traditional institutional activities or functions and are large enough to yield annual payouts (determined in accordance with University policy) sufficient to meet the purposes of the endowment.

1.4 The University values and will protect the integrity, independence and the academic freedom of the University community. Gifts which because of their source, conditions or purposes may expose the University to undue adverse publicity require unacceptable expenditures of additional University resources, or force upon the University inappropriate responsibilities will not be accepted. To ensure that all endowments conform to University policy, the President (or designee) must approve all endowment agreement terms before they are finalized with a donor.

1.5 An endowment may be named in honor of the donors or honorees proposed by the donor, subject to approval by the President (or designee).

1.6 The minimum amounts to establish endowments listed below are effective as of July 1, 2005 and will be periodically reviewed and adjusted to reflect the effect of inflation on the purchasing power of payouts. Actual gift amounts required for specific endowments are determined by a number of factors and are decided on a case-by-case basis.

2.0 Types of Endowments

University endowments, and the minimum amount required to establish and name each type of endowment, include but are not limited to, the following:

Endowments for Faculty Excellence

Faculty Excellence Endowments comprise two categories: Faculty Honors and Faculty Support Funds.

Endowed Faculty Honors

Distinguished Chair	\$1,000,000
Distinguished Professorship	\$ 750,000
Chair	\$ 500,000
Professorship	\$ 250,000

A Distinguished Chair, Distinguished Professorship, Chair, or Professorship can be awarded to faculty members who have distinguished themselves by their contributions in teaching, scholarship, and service in a field designated by the endowment donor. These honors provide support for the recruitment and retention of outstanding teachers and scholars. Their prestige brings recognition both to the donor, for whom the honor may be named, and to the professor, whose stature attracts exceptional students who will be tomorrow's scholars and professional leaders. Endowment earnings provide supplements to basic faculty salary and to departmental program funds.

Faculty Fellowship	\$ 100,000
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Faculty Fellowships enable the University to recruit and retain highly productive teachers and researchers. Fellowships provide additional funding for a faculty member to use toward program needs.

Distinguished Visiting Scholar	\$ 100,000
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A visiting scholars or professionals program brings prominent individuals to campus to mentor faculty or students or, subject to contractual obligations of the University, to give one or more lectures. Their presence enriches the academic program.

Outstanding Faculty Awards	\$ 10,000
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Endowments whose income will support faculty awards for excellence in teaching, research, and service.

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.

Endowments for Student Excellence

Scholarships transform lives, helping the University assure access and opportunity for our students and contribute to a diverse and well-educated community. Each year, many deserving students receive financial support to pursue their University studies but increasing fees and other educational costs expand the need. CSUEB seeks to increase the number of merit-based awards for top achieving students and need-based awards for newly-admitted and continuing students when federal and state grants fall short of demonstrated need. The following named endowments supplement other general University endowment funds with the same purpose, which have been established to accept gifts in amounts less than the minimums indicated below.

University-wide Endowments

Presidential Scholarship Endowment \$150,000

Income will be used to make merit-based four-year awards for the most academically accomplished high school seniors. The University's highest honor for entering freshmen, the Presidential Scholarship, rewards significant scholastic achievement. An increased number of Presidential Scholarships will enhance the University's competitiveness in attracting students who demonstrate high academic promise and whose presence in the student body will enrich academic discourse.

University Scholarships \$ 75,000

Income will be used for unrestricted one-year awards based on merit and/or need for incoming and continuing students. The University wants to ensure that there is a place for every student qualified to attend California State University, East Bay.

University Incentive Awards \$ 50,000

Income will provide financial aid to students who have overcome cultural obstacles or other disadvantages to become qualified for admission to the University or who are "at risk" to remain due to special circumstances unrelated to academic promise or commitment.

College, Department, and Program Endowments

Graduate Student Fellowships \$100,000
Undergraduate Scholarships \$ 25,000

Income will provide one-year awards based on merit, need, or a combination of both. These awards are given to entering or continuing students with declared majors or to

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.

4.24 Endowments for which the donor has intentionally funded the faculty honor at a level higher than the campus minimum generally should not be considered for division.

4.25 Whenever possible, endowment divisions should be timed to occur before a new honoree is appointed. If an endowment is to be divided during an appointment, the existing honoree should be notified as far in advance as possible of the reduction of payout for the coming fiscal year.

4.26 Since endowed faculty honors may be established initially only through gifts rather than growth of principal, creation of a second honor through division of an appreciated endowment should only occur when it is in the best interest of the University.

4.27 Exceptions to the minimum funding levels required for division of endowments may be approved under the following conditions:

- a. The second endowment is at least equal to 70% of the original gift, and
- b. There is a firm commitment for funding the payout shortfall from other allowable sources if the new endowment is less than the campus minimum funding level, and
- c. There is a compelling need for a second honor, and the honoree may be appointed immediately, and
- d. Division of the original endowment is not prohibited by the fund's terms and will not create negative donor relations.

Disestablishment of an Endowed Faculty Honor

4.28 The establishment of an endowed faculty honor is contingent on completion of funding. An endowed faculty honor whose endowment has not reached full funding either by the end of the specified pledge period or the maturity of the deferred gift or bequest shall be reviewed by the University, such a review to include any alternative uses for the payout prescribed by the gift agreement and/or through discussion with the donor(s). If appropriate, with the concurrence of University counsel, the Provost may propose the disestablishment of the faculty honor and the alternate use of the endowed fund.

4.29 Subject to the donor's approval and, in consultation with University counsel, the President is authorized to disestablish an endowed faculty honor in the event that:

- a. The subject area ceases to be consistent with the University's mission and the academic plan; or
- b. The endowed faculty honor is not awarded for a period of three years and the President, after consultation with the appropriate dean, the Provost, and the department chair, determines there is no likelihood of awarding the honor.

4.30 Upon disestablishment of an endowed faculty honor funded through a gift, the fund payout shall be reallocated to the alternative purpose stated in the gift instrument or as subsequently specified by the donor in consultation with the President and University counsel. If a donor is deceased and has not specified an alternative purpose, the

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.