BOARD OF REGENTS
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Phone (225) 342-4253, FAX (225) 342-9318
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AGENDA
SPONSORED PROGRAMS COMMITTEE

Wednesday, June 21, 2017
11:35 a.m.
The Claiborne Building
Thomas Jefferson Room 1-136, Sections A&B
Baton Rouge, Louisiana

I. Call to Order

II. Roll Call

III. Policy Revisions: Endowed Chairs and Endowed Professorships

IV. Consent Agenda
   A. Appointment of Endowed Chairholder without National Search: Louisiana Tech University

V. Other Business

VI. Adjournment

Committee Members: Edward Markle, Chair; Thomas Henning, Vice Chair; Marty Chabert; Darren Mire; Roy Martin III; T. Jay Seale III; Adarian Williams

AGENDA ITEM III.

Policy Revisions: Endowed Chairs and Professorships

Background Information

The Board of Regents Support Fund (BoRSF) Endowed Chairs and Endowed Professorships programs provide matching funds to non-State contributions to establish Chairs with a corpus value of $1,000,000 or above and Professorships with a corpus of $100,000 or above. The intent of these programs is to pair public with private funds to create permanent endowments which generate income for use by appointed faculty members, selected for the quality and impact of their work in the focus area of the endowment, to support professional activities and enhance their academic and/or research productivity. Use of earnings to support faculty work is consistent with the constitutional purposes of the Support Fund to enhance higher education and contribute to economic development.

Staff Summary

A. Changes Approved in BoRSF Restructure

In November 2016, as part of the complete restructuring of the BoRSF, the Board approved revisions to both Endowed Chairs and Endowed Professorships; these revisions followed several previous rounds of policy changes made to address issues with the management and effectiveness of State-matched faculty endowments. Per Board action in November, Endowed Chairs would be available for four functions: Research, Educational, Workforce, and Combination (equal division among two or more functions), and applications must document that the combination of resources available – the Chair, salary commitment, start-up costs, etc. – is sufficient to attract a scholar of the type and quality needed. Endowed Professorships will move from match rate of $40,000 BoRSF to $60,000 non-State funds, to a rate of $20,000 BoRSF match for an $80,000 non-State contribution, while retaining non-competitive award guarantee of two matching slots per eligible campus per year. Finally, both programs will provide matching only in areas and for faculty slots aligned with campus role, scope, mission, and strategic priorities. These changes are intended to focus endowment investments on the range of activities requiring leadership of highly successful and effective faculty across campuses in strategically significant areas, from research to workforce development, as well as accommodate severe declines in BoRSF revenues and new fiscal realities.

B. Additional Recommended Revisions

During discussions related to BoRSF restructuring, Regents and staff became aware that long-term retention of revenues earned by endowed funds and an associated lack of expenditure for intended purposes continue to be issues in both faculty endowment subprograms. The market value across both programs exceeds the corpus value by 30%, or approximately $308 million. These expendable funds could be used by faculty recipients of these endowment slots to enhance their research and teaching work, contribute to the academic mission(s) of Louisiana universities, help to mitigate the severe impacts of

State budget reductions in priority areas, and support the intended purposes of the public funding source to enhance academic programs and contribute to Louisiana's economic development.

Draft policy revisions were circulated widely to system, campus and foundation representatives for review and comment. As of the June 12 deadline, five comments had been submitted, including a consolidated response on behalf of statewide higher education foundations and development offices by the BoRSF Planning Committee's foundation representative and individual campus comments from the following: Centenary College of Louisiana, LSU Health Sciences Center – New Orleans, Tulane University/TUHSC, University of Louisiana at Monroe, and University of New Orleans. Responses focused exclusively on the proposed 125% cap on market value in faculty endowment accounts, citing the negative consequences likely to result: loss of purchasing power over time, the potential for ineffective use of excess earnings to reach compliance, and discouragement of non-State donors seeking to make permanent investments likely to grow in value and impact. Several campuses referenced and attached to their comments a report by Cambridge Associates, "Can College and University Endowments Do More?", which speaks to the national conversation around using endowment earnings at higher levels to help make college affordable to students. All responses received to date and the Cambridge Associates report are included in Attachment A; an additional response from LSU and A&M College is expected by Friday, June 16 and will be forwarded upon receipt.

Draft program policies (Attachments B and C) reflect all proposed policy changes, with revised sections highlighted. If approved, the policies will guide submissions and awards during the FY 2017-18 funding cycle. Staff will monitor policies as they are implemented, and make necessary recommendations to the Board of additional revisions to streamline the process, magnify the impact of these investments, and correct for any unintended negative consequences of policy changes.

<u>Senior Staff Recommendation</u>

The Senior Staff recommends approval of the faculty endowment policy changes as presented. Policy changes shall be effective on July 1, 2017.

ATTACHMENT A

SOWELA FOUNDATION

June 12, 2017

Ms. Carrie Robison
Deputy Commissioner – Sponsored Programs
Louisiana Board of Regents
P.O. Box 3677
Baton Rouge, LA 70821-3677

Subject: Recommendations from Statewide Foundation and Development Chairs
Referencing the conference call of June 9, 2017 at 2 p.m.

Dear Ms. Robison,

As the statewide representative of higher education Foundation and Development offices, I would like to thank the Louisiana Board of Regents members and Board staff for the work that has been done in the past few years to enhance the economic impact of the Support Fund. We too share your concerns for ensuring the financial stability of endowments, now and over the long term.

In anticipation on the Board of Regents meeting on June 21, 2017, and writing on behalf of those that participated on the conference call, I would like to share the following recommendations:

- The BoR approved several measures in November, 2016, to enhance the financial stability of endowments. The BoR is asked to allow those measures to show results before adding more restrictions with the 125% cap on the total market value of the endowment fund.
- Cambridge Associates issued an extensive report in April 2017 (attached) that shows that a policy shift such as proposed by the BoR to cap the total market value of the endowment fund at 125% can run counterproductive to its intended purpose. In the conclusion of the report it states, "…the policies proposed to distribute more endowment wealth deplete endowments to a degree that they provide less support to future generations of students."
- Foundation and Development Officers are already working with donors to convey the need for the recent BoR policy change that raised the private donor contribution to qualify for match funds from $60,000 to $80,000. To add to the donor conversation the 125% cap restriction at a time when donors are needed more than ever statewide seems harmful for future contributions.
- Current policy allows for market fluctuations and provides a degree of predictability regarding annual allocations to account for weathering lean years or enjoying fruitful periods. The proposed 125% cap will restrict available funds to handle downturns. Chairs/Professorships that guarantee a faculty stipend as part of the award may need to turn to their institutions for funding at a time when financial constraints are already being borne.

Respectfully,
Marianne White

3820 Sen. J. Bennett Johnston Ave., Lake Charles, LA 70605 | (337) 421-6903 | www.sowela.edu

Centenary
COLLEGE OF LOUISIANA

President
2911 Centenary Boulevard | Shreveport, Louisiana 71104
318.869.5101 | 318.869.5010 [fax] | centenary.edu

June 9, 2017

Ms. Carrie Robison
Deputy Commissioner for Sponsored Programs
Louisiana Board of Regents

Dear Deputy Commissioner Robison,

Thank you for the opportunity to comment on the proposed revisions to the endowed chair and endowed professorship policies pertaining to the retention of assets in excess of corpus. Our review reveals that all 12 of Centenary's eminent scholars chairs and 84 of our 133 endowed professorships have amounts in excess of the proposed retention caps, but those amounts vary widely. These variations largely exist not because of actions of the current, or past, chair or professorship holders but rather due to the associated restrictions and Centenary's distribution policies, coupled with the age of individual endowments and periods of vacancy. In general, we anticipate being able to adapt our spending policies to accommodate the policy revisions proposed by the Regents. However, to bring the individual accounts into compliance, we will need flexibility in certain areas as we move the funds into compliance.

Requiring distributions to be expended by holders on an endowment-by-endowment basis would result in arbitrarily rewarding some holders above others, given the large number of endowments and their widely disparate values. We request the Board of Regents allow excess funds to be expended not only by individual chair and professorship holders for activities and equipment benefiting their individual research and teaching, but also by groups of occupants—in consultation with campus administrators—for projects and activities that benefit them and their students collectively.

In fulfillment of the primarily teaching focus of all of our eminent scholars chairs, these groups could dedicate funds to areas such as library acquisitions; technology, classroom, and laboratory upgrades; student learning resources; and campus-wide interdisciplinary programs. These groups could also facilitate more even distribution of funds for professional development activities such as travel to conferences and workshops. We hope the Regents will consider options for extending this type of flexibility to campuses and providing guidance to ensure adherence to program policy.

A final concern involves the deadline for reaching compliance. Like the Regents, we anticipate the likely need for extensions beyond the 5-year period for reaching compliance. If these revisions are implemented as proposed, Centenary will have more than $3.5 million in excess retained funds to expend. That amount is considerable in relation to the overall budget of a very small college like Centenary, especially in the absence of some type of flexibility like that described above. Even assuming a certain amount of flexibility, the five-year compliance period may result in the need to request extensions in order to integrate the spending into institutional budgets in a way that does not compromise the College's need to ensure fiscal prudence and integrity. While we understand the need to use these endowments for their intended purpose of enhancing the academic project of our campus, we are nonetheless constrained by accreditor and auditor standards on an appropriate annual endowment spend rate. If the compliance period cannot be changed for all endowments, lengthening the period for endowments with retained funds in excess of $200,000 would allow institutions to better plan implementation of the new policies.

Having pointed out our concerns as we move into compliance with a new spending policy, we would also like to express our concurrence with the Regents as to the goal of making these funds available to support the teaching and research goals of the faculty holding these chairs and professorships as well as the institution at large. Please do not hesitate to let us know how we can best support your efforts as we move forward.

Sincerely,

Christopher L. Holoman
President

Jenifer K. Ward
Provost and Dean of the College

Carrie Roider

From: Flock-Williams, Denise <DFlock@lsuhsc.edu>
Sent: Sunday, June 11, 2017 6:30 PM
To: Carrie Roider
Subject: Comments on draft policy

Dear Carrie,

Thank you for your efforts on behalf of the Board of Regents Support Fund and the State of Louisiana. We owe much of our success today to the Regents' significant investments over the years into our University and Foundation. I also very much appreciate the opportunity to provide feedback on the most recent draft dated May 26th of proposed changes to the endowed chair and professorship policy.

The proposed policy as written presents what we think is an unintended consequence to the chairholders and professorship holders. The policy will make it impossible for chairholder and professorship holders to have a predictable revenue stream from one year to the next. Initially, yes, endowment holders with endowments dating back a decade or longer will have significant income. However, because assets in excess of 125% of the original endowment value will be spent during flush years, less will be available for spending in the lean years. For example, the market has had very poor returns over the last three years; in fact, one of those years had a negative return. Had we not had the previous years of excess earnings to award, we could not have provided the steady stream of a predictable annual allocation. Our chairholders and professorship holders have expressed that they appreciate the predictability the current policy provides.

Our donors and endowment holders alike wish to see their endowments grow so that every year the endowment can earn greater returns. If the endowment itself remains stagnant then the earnings in 2017 will be the same as the earnings in 2117, and it is certain that $50,000 will not have the same purchasing power 100 years from now. It makes sense to re-invest any earnings over 5% so that the principal can grow and over time bring additional funds to the endowment holders. Our donors believe that these funds they have created to honor a loved one or revered colleague will continue to grow over time. This policy effectively eliminates that possibility, which was their expectation at the time the gifts were made. We have many, many donors who continue to fund endowments even after a Regents' match during their lifetime and they too have the expectation that the fund will continue to grow long after their lifetimes. Donors have consistently expressed appreciation when they see their original gift increase in value over time.

Finally, we believe the real issue in terms of unspent funds is endowments with long-term vacancies which prevent the spending of earnings. This is not an investment policy issue. The LSU Health Sciences Center has worked hard to be in compliance with the vacancy policy. With the fairly new policies regarding 20% vacancy rates and spending, we feel this issue will resolve itself within the future.

Thank you again for your efforts to improve higher education and the economy in Louisiana. We are grateful for your support.

Sincerely,

Denise

Denise Flock-Williams, Interim President

a: 2000 Tulane Avenue 4th Floor, New Orleans, LA 70112
p: 504.568.5712 c: 985-502-1649 m: 504.568.3712
e: dflock@lsuhsc.edu

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Tulane University

June 12, 2017

Ms. Carrie S. Robison
Louisiana Board of Regents
P.O. Box 3677
Baton Rouge, LA 70821-3677

BY EMAIL

Dear Carrie,

Tulane University respectfully requests that the Board of Regents maintain the current policy on Retention of Assets in Excess of Corpus and not adopt the proposed policy draft of March 26, 2017 capping the market value of chair and professorship endowments at 125% of corpus. The right of the BoR to request justification of disbursement rates below 4% and the prohibition against retaining a spendable balance exceeding 25% of the total market value of an endowment account are effective policies that will result in greater income for chairs and professorships over the long term than under the proposed cap.

Tulane is concerned about the proposed policy for the following reasons:

- Capping the growth of the endowment will limit future income support. Higher growth of valuation allows for higher spending and allocation of additional spending for chairs and professorships. For example, under Tulane's current endowment payout of 5%:
    - A chair capped at $1,250,000 would produce approximately $50,000 to $62,500 in income each year.
    - A chair that has grown to $3,000,000 would produce approximately $120,000 to $150,000 in income each year.

- The formula does not allow for inflation, thus not preserving or enhancing real purchasing power or supporting stewardship of the future, which is one of the primary objectives of endowments. Eventually the funds would not keep pace with rising salaries and expenses, making it difficult to attract eminent scholars through a national search to fill endowed chairs.

- Capping the growth does not protect the funds in market downturns from falling below corpus and prohibiting further spending until corpus is recouped. In the 2008/2009 recession, 77 of Tulane's BoR funds were underwater.

- The proposed cap will create donor relations issues as BoR funds would no longer be allowed to grow and the income available from the funds eventually would decrease. The policy would be difficult to justify to current donors, who funded endowments with the intent of providing support in perpetuity that would grow over time. Future donors would have no incentive to support BoR chairs and professorships.

- The proposed cap may encourage unnecessary or perhaps ineffective spending if Tulane is required to increase expenditures from existing funds to be compliant with the proposed policy.

- The current policies pertaining to disbursement rates and accumulated spendable balances have only been in effect since November 2, 2016. There has not been enough time to assess the effectiveness of the current policy. Tulane's total accumulated spendable balance for all Eminent Scholars chairs at the end of FY 15-16 was approximately 7.9% of the total market value of the endowment accounts. We are proactively increasing spending from the small number of individual accounts with spendable balances in excess of 25% of market value.

- See pages 4-6 of the attached April 2017 report from Cambridge Associates comparing performance for the past 30 years of an endowment with a typical 5% spending policy and an endowment with a spending policy capped at 125% of original endowment values adjusted for inflation. The report concludes that a cap on endowment growth would provide less support to future generations.

Please let us know if you need any information from Tulane that might be helpful as the BoR considers the proposed policy.

Sincerely,

Patrick Norton
Senior Vice President - Chief Operating Officer and Treasurer

Robin Forman, Ph.D.
Senior Vice President for Academic Affairs and Provost

Luann Dozier
Vice President for Advancement, Constituency Programs

Carrie Roider

From: Susan Chappell <chappell@ulm.edu>
Sent: Monday, June 12, 2017 5:46 PM
To: Carrie Roider
Cc: Nick Bruno; Eric Pani; Charles McDonald
Subject: RE: BoRSF Endowed Chairs and Professorships Policy Revisions: Draft for Review
Attachments: Cambridge Study April 17 - Can-College-and-University-Endowments-Do-More....pdf; DRAFT_ECEPPolicyRev_5-26.pdf

Carrie,
The attached report was received after we responded on May 30. The data in this report shows policies proposed to distribute more endowment wealth deplete endowments to a degree that they provide less support to future generations of students. Therefore we request this proposed policy change to cap market value growth of an endowment fund to 125% of corpus be rescinded from consideration.
Thank you,
Susan

From: Carrie Roider [mailto:carrie.robison@regents.la.gov]
Sent: Tuesday, May 30, 2017 5:02 PM
To: Susan Chappell <chappell@ulm.edu>
Cc: Nick Bruno <bruno@ulm.edu>; Eric Pani <pani@ulm.edu>
Subject: Re: BoRSF Endowed Chairs and Professorships Policy Revisions: Draft for Review

Dear Susan: Thanks very much. If you gave additional questions, please let me know.

Best,
Carrie

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On Tue, May 30, 2017 at 11:14 PM +0200, "Susan Chappell" <chappell@ulm.edu> wrote:

> Carrie,
> University of Louisiana Monroe has no suggested changes to the language in the proposed policy changes.
> Thank you,
> Susan

June 12, 2017

Ms. Carrie Robison
Deputy Commissioner for Sponsored Programs
Board of Regents
State of Louisiana
1201 N. Third St., Suite 6-200
Baton Rouge, LA 70802

Re: Draft: 5/26/17 Additional Endowed Chairs/Endowed Professorships Policy
Revisions ("Draft Policy")

Dear Ms. Robison:

Please find below the University of New Orleans Foundation's comments on the Draft Policy to the Board of Regents Endowed Chairs/Endowed Professorships endowments.

Our response focuses primarily on the unintended negative consequences of implementing the Draft Policy and alternatives that may be considered. In full disclosure, my comments rely heavily on the Cambridge Associates April 2017 report entitled *"Can College and University Endowments Do More?".* Italics portions and charts are taken from the Cambridge Associates report.

The Draft Policy is intended to formally require the use of Board of Regents endowments to mitigate the reliance on student revenue in meeting the cost of higher education and recognize that state funding is constrained as a source of revenue.

However, this Cap of Growth Draft Policy approach, ensuring that endowments are doing their part to support students, is shown to create more challenges in the long run than it solves. Cambridge Associates has provided the rigorous analysis to reveal the shortfalls of this approach.

The end result of Cap of Growth, linking a portion of endowment earning to annual spending, or other proposals to increase annual spending by increasing the spending policy rate ignores the negative long term impact on organizational stability and intergenerational growth.

Current University of New Orleans Foundation's ("UNOF") Spending Allocation Policy

As a matter of background, the annual Spending Allocation of the University of New Orleans Foundation's General and Eminent Scholars endowments are computed as follows:

Homer L. Hitt Alumni & Visitors Center 2000 Lakeshore Drive New Orleans, LA 70148
www.unofoundation.org Phone 504.280.3991 Fax 504.280.1080

The average of each endowment's last 12 quarters fair market value as of December 31, times 4%. This spending allocation is then available for the next academic year. This formula is based on the NACUBO study for endowment spending, allowing for an annual, predictable spending allocation while keeping up with inflation and purchasing power.

Proposal: Cap the Growth of the Endowment

The Draft Policy can best be described as a modified "Cap the Growth" policy.

Normally, the Cap the Growth policy starts with the typical spending allocation policy (see above for current UNOF Spending Allocation Policy), but adds a requirement capping endowment growth at 125% of the original endowment value, adjusted for inflation. Under this Draft Policy, the excess of endowment growth above 125% of the original corpus would be available to be spent.

Shortfall, Negative Results and Long Term Consequences of this Draft Policy

1. Lack of Inflation Adjustment:

Unlike other Cap the Growth policy proposals, this one lacks an inflation adjustment. A lack of inflation adjustment allows the erosion of the endowment purchasing power over time. Even if the Cap the Growth policy was acceptable for all other reasons, there would have to be an inflation adjustment factor in order to maintain the purchasing power in real terms of the remaining 125% of endowment.

A guiding principal of endowment management in general and under Uniform Prudent Management Institutional Funds Act ("UPMIFA") in particular is that when managing and investing an institutional fund, an institution should consider the possible effects of inflation or deflation.

2. Erosion of Endowment and Less Long Term Support

Cambridge Associates' analysis compared the annual endowment distribution and market value results under a Spending Allocation Policy of 5% (4% for UNOF) to results under a Cap the Growth Policy.

Results: The Cap the Growth Policy achieves the goal of distributing more wealth and preserving purchasing power in the high return environment, but over the full 30-year period analyzed, the spending stream of the Cap the Growth Policy erodes the purchasing power of the endowment and ultimately leads to less support than the typical Spending Allocation Policy [such as UNOF's]. *During the low return environment, the capped endowment generates less support for the university. (See Figure 3 below, Figures 1 and 2 not used)*

Figure 3 Proposal 1: Cap the Growth of the Endowment

	Full Period: Fiscal Years 1986–2016		High Return Period: Fiscal Years 1986–2000		Low Return Period: Fiscal Years 2001–16	
	Typical Policy	Cap Policy	Typical Policy	Cap Policy	Typical Policy	Cap Policy
Cumulative Spending (Nominal)	$359.48	$328.23	$138.80	$188.66	$220.68	$139.62
Maximum Annual Spending (Nominal)	$15.58	$35.47	$13.91	$35.47	$15.58	$11.41
Average Annual Effective Spend Rate	4.8%	6.2%	4.5%	7.4%	5.0%	5.1%

Because assets in excess of 125% of the original endowment value were spent during the flush years from 1986 to 2000, less was available for spending in the lean years that followed. Indeed, the cap spending mechanism is not triggered during the low return environment because the endowment does not bump up against the cap value at any point from 2001 to 2016.

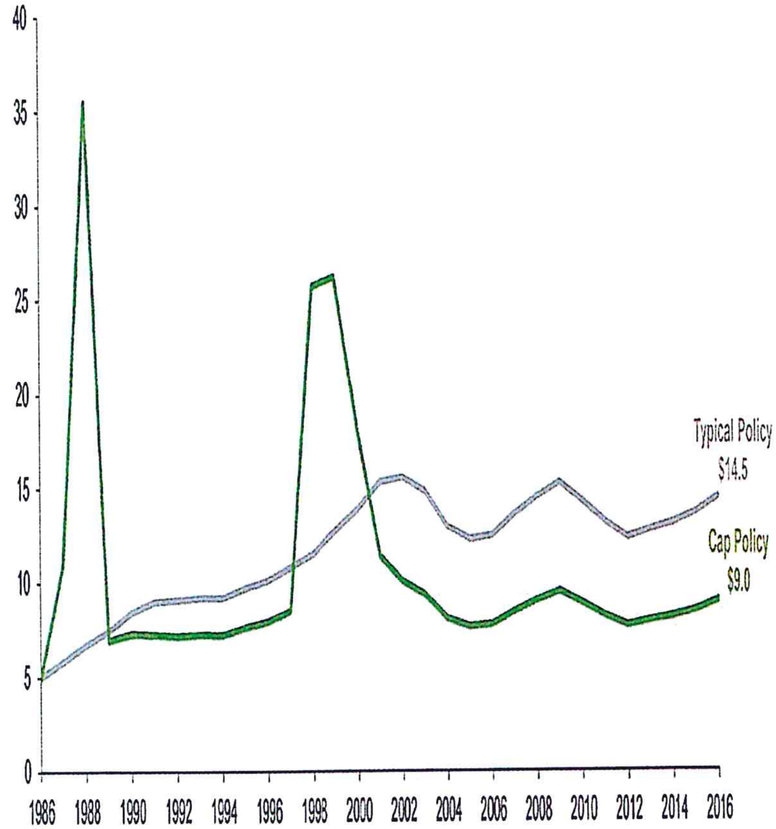
3. Lack of Consistent Annual Spending Allocations

Cambridge Associates' analysis then examined the consistency or predictability of annual spending allocations (annual endowment spending distributions) and found greater volatility under the Cap the Growth policy than under the typical Spending Allocation Policy.

Results: Unlike the typical Spending Allocation Policy, which smooths spending by tying it to an average of endowment market values over 12 quarters, the institution with a Cap the Growth Policy faces more unpredictable spending, as it only benefits from smoothed spending when endowment values remain below the 125% growth maximum.

When strong investment performance results in a larger endowment, spending distributions surge. Looking back over the past 30 years, the Cap the Growth Policy curbs endowment growth and generates spending spikes during 1987-88 and 1998-2000. After the spikes in spending, the Cap the Growth Policy generates lower annual distributions than the typical Spending Allocation Policy because spending is calculated as a percentage of a reduced endowment market value. In each year from fiscal year 2001 to the present, the annual distributions from the typical Spending Allocation Policy exceed those from the proposed Cap the Growth Policy. In all but one of these years, the annual distributions from the typical Spending Allocation Policy are more than 50% greater than the annual distributions from the Cap the Growth Policy.

FIGURE 4 Nominal Annual Spending for Typical Policy versus Cap Policy
Fiscal Years 1986–2016 • US Dollar (millions)



The unpredictable distributions resulting from the Cap the Growth Policy can complicate the annual budget process as the infusions of revenue make it difficult to spend consistently on programs and financial aid. To remedy this volatile spending stream, the university would need to establish one-time grants or create reserve funds outside of the endowment to smooth the flow of distributed dollars to the budget. One-time financial aid grants would create greater intergenerational inequities, as fewer students would benefit from market spikes today than would benefit from more financial aid grants smoothed over time.

If reserve funds are established to smooth the flow of endowment dollars to the budget, the university would need to employ additional spending policies and accounting practices to ensure reserves are spent on their designated purposes. These responses offer solutions, but also inefficiencies that hinder long-term planning and successful investment management practices.

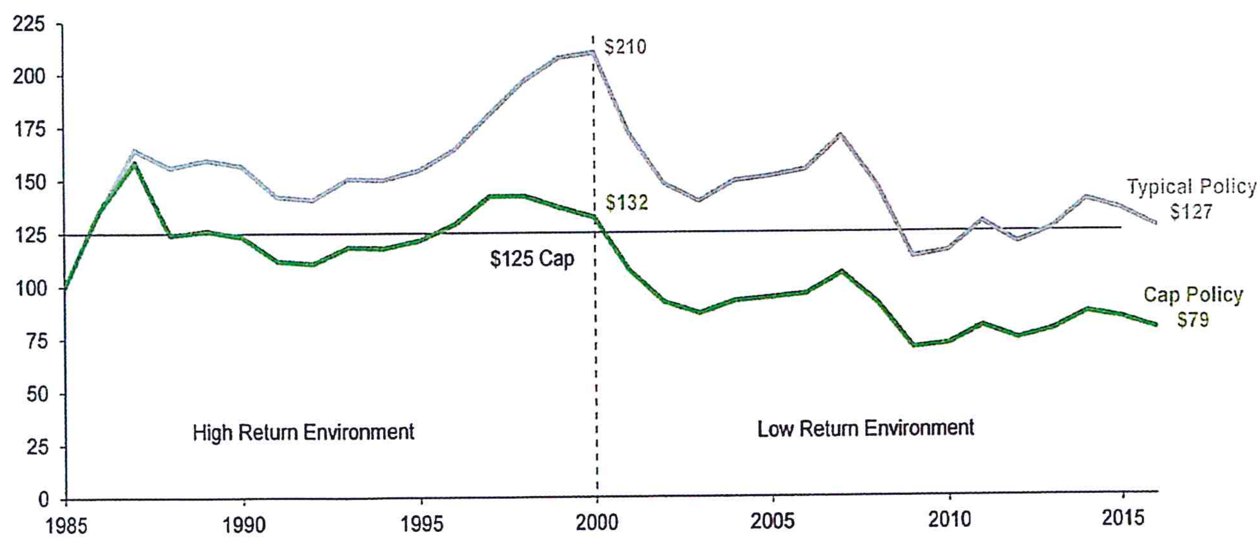
4. Disruption of Intergenerational Purchasing Power

Cambridge Associates' analysis then examined the impact of the Cap the Growth Policy on intergenerational growth and determined that it undermines the goal of "putting the endowment to work fairly" because of inconsistent investment performance.

Results: Under the typical Spending Allocation Policy, "excess earnings" from the high return environment are reinvested instead of spent immediately. This results in a larger portfolio value going into the low return environment and higher annual endowment support throughout that period.

Cambridge Associates analysis concluded that in the high return environment that took place from 1985 to 2000, the Cap the Growth Policy worked — distributions are greater in real terms than the typical Spending Allocation Policy, while the real purchasing power of the endowment value is preserved. But when time rolls on beyond high returns into the inevitable market correction, the flaw of the Cap the Growth Policy becomes apparent (Figure 5).

FIGURE 5 Real Endowment Market Value for Typical Policy versus Cap Policy
Periods Ended June 30 • US Dollar (millions)



While the inflation-adjusted value of the endowment exceeds its initial value in 2001, the portfolio is not sufficient to maintain its value throughout the low return environment. Under the Cap the Growth Policy, the real market value drops below the initial gift value ($100) in fiscal year 2002 and falls to $70 in fiscal year 2009. By fiscal year 2016, the real market value is still just $79 and well below the typical Spending Policy Allocation's ending real market value ($127). The depleted market value prevents the endowment from maintaining spending at a consistent level for the generation of beneficiaries that are counting on the endowment support during the low return environment. So while the policy is effective for a short period of time, it is not effective over the long term. It favors the beneficiaries during the higher return environment at a cost to future beneficiaries.

5. Intangible Concerns

a) **Donor Concerns:** Consideration has to be given to how both past and future donors will view this change. Past donors could easily react negatively as they may feel institutions (not the state) violated an implicit agreement to wisely manage their gift in perpetuity. Future donors may not want to give if they feel their money will not be stewarded properly.

b) **Underwater Endowments:** With a 125% cap, it is easily foreseeable that a dramatic decline in the market could result in all of these funds being under corpus, or underwater, and the institution receiving no spending allocation.

c) **Inequity among Faculty Members:** Concern has to be given to the impact of inequity of funding to faculty over time. In "flush times", faculty members will enjoy a bounty, then in lean times, those faculty members may leave and new faculty or remaining faculty will suffer from lack of funding.

d) **University of New Orleans Disproportionally Impacted:** UNO and UNOF are disproportionally impacted negatively because Board of Regents endowments represent 75% of the total endowment.

e) **Foundations' Operating Funding Adversely Impacted.** All statewide foundations rely on a management fee usually calculated on asset value to fund operations. The decline in asset value would directly reduce operating support for supporting foundations and limit the fees available to managers of the funds.

Alternatives:

These alternatives are only to elements of the Draft Policy and not other options. These are alternatives only if the draft plan were to be adopted in some fashion:

a) **Inflation Factor:** As mentioned, inflation must be accounted for to preserve purchasing power.

b) **Occupied Verses Unoccupied Positions:** Continue to encourage filling vacancies and utilize existing money.

c) **Past Matches Exempt:** Consider only future state matches, and not the donors' contributions, be subject to the new policy.

Conclusion:

While the goals of the Draft Policy are admirable, the above analysis shows it may not accomplish the long term goal of providing additional funding to support student achievement and success. More analysis should be considered before a policy change is implemented.

Thank you for the opportunity to comment. Please feel free to contact me with questions or if you need additional information.

Sincerely,

Anthony Gregorio

Anthony Gregorio
President

1.Cambridge Associates LLC, an investment consulting company, provides investment advisory and research services to institutional investors, foundations and endowments, private clients, and corporate and government entities worldwide. It offers investment consulting, outsourced portfolio solutions, research services and tools, and performance monitoring across various asset classes. The company also provides services in areas, such as investment objectives, asset allocation, investment management structures and guidelines, investment manager selection and evaluation, and performance monitoring.

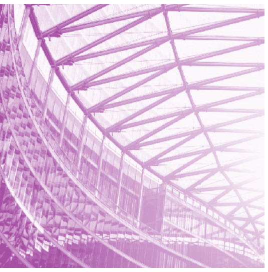
Cambridge was founded by Hunter Lewis and James Bailey in 1975.

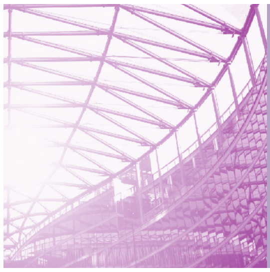
Cambridge clients include the NFL Pension Funds, Bill and Melinda Gates Foundation, The Rockefeller Foundation, Mayo Clinic, WWF, National Geographic, the Smithsonian Foundation, The Council on Foreign Relations, Yale University, Harvard University, MIT, Bryn Mawr College, Swarthmore College, Philips Exeter, and The Knight Foundation

Cambridge Associates had $4.633 trillion in total global assets under advisement as of June 2015, down 2% from the same period a year earlier.

Can College and University Endowments Do More?

Recent policy proposals assume endowments can do more to reduce the reliance on student revenue, and thus the cost of a college education. These proposals aim to shift more endowment wealth to current student beneficiaries. Our analysis shows that while well intentioned, these proposals will affect endowment and organizational stability and intergenerational equity. While endowments may be able to do more to support the enterprise and thus lower the cost of attendance, considering the implications of current policy proposals is critical, as is examining other strategies that could address current pricing concerns.





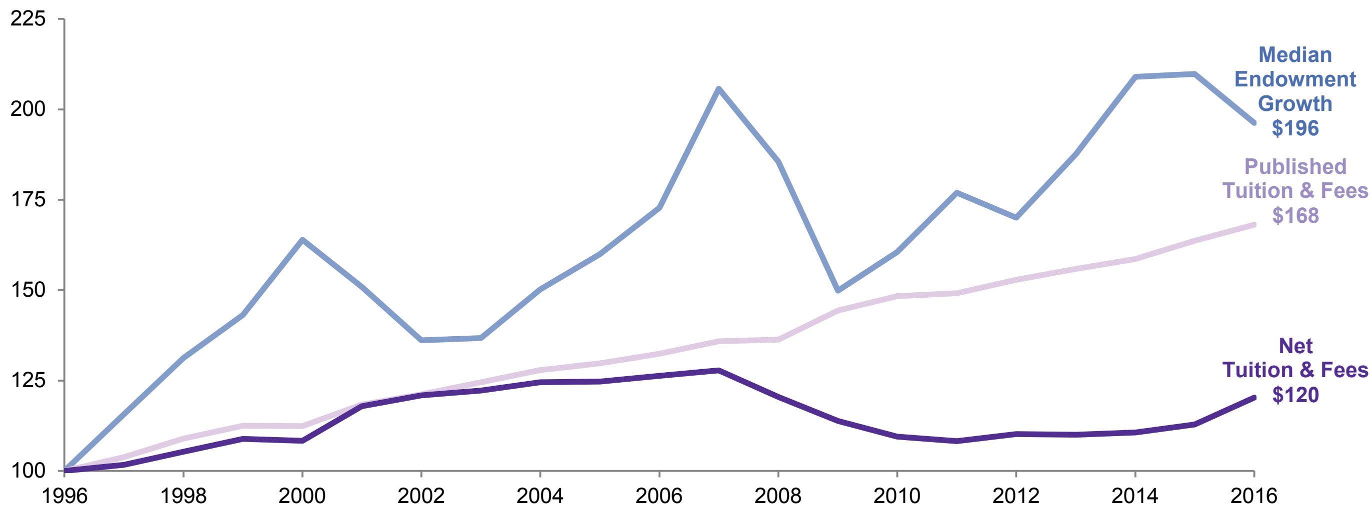
Over the past 20 years, college and university endowments have nearly doubled their wealth, yet published tuition and fee prices have followed a similar upward trajectory and many students struggle to pay the cost of attendance. It is logical and responsible for people who understand the value of higher education and the importance of accessible pricing to ask: *Can universities do more with their endowment wealth to make the price of attendance more affordable?*

This research note considers some of the potential technical restrictions that endowment stewards may face as they look to increase endowment distributions. We move beyond these potential obstacles to consider three proposed policies that are intended to shift endowment wealth to current beneficiaries. We will show that these well-intended policy shifts may, in fact, have results that run counter to their own objectives. Although each initially succeeds in greater wealth distribution, that munificence comes at the cost of stability and intergenerational equity. We conclude with suggestions about additional ways institutions can accomplish the goal of lowering the costs passed along to students.

Can Endowments Do More? Maybe

The complete answer to this question is nuanced. First, some endowments already contribute to varying degrees to offset the cost of attendance. This support can take the form of financial aid to reduce what a student actually pays relative to the published tuition and fees, or operating support that can limit the institution's reliance on revenues from tuition. While steady growth in published tuition and fee rates garner the most attention, Figure 1 shows that net tuition and fee revenues (after deducting financial aid, including scholarships and grants) are lower now than they were in 2007. Some universities use endowment distributions to subsidize the tuition discount, while many others offer discounts without corresponding endowment support.

FIGURE 1 Cumulative Growth in Endowment Value versus Tuition & Fees for Private Colleges and Universities
Periods Ended June 30 • US Dollar • Rebased to $100 in 1996



Second, whether more endowment support can be steered toward lowering the cost of attendance depends on the purpose of endowment funds. Endowments are contracts that typically come with restrictions on how they can be spent. While for convenience the singular "endowment" is often used, an institution's endowment is really a composite of individual funds that have been restricted by donors as permanent capital for a specific purpose. Endowment gifts support diverse activities within a comprehensive institution, including undergraduate financial aid, faculty positions, academic and extracurricular programs, research, facilities, and graduate programs. The amount of endowment that has been donated for financial aid and scholarships can vary significantly depending on institutional priorities and donor affinities.

Lastly, endowments are permanent capital, meant to last in perpetuity, and to benefit generations of students, families, faculty, and other stakeholders. Annual endowment spending may depend on donor agreements, university policies, and the Uniform Prudent Management of Institutional Funds Act (UPMIFA[1]), which in some states may limit the annual spending from a donor-restricted endowment.

[1] UPMIFA is adopted at the state level (only Pennsylvania and Puerto Rico have yet to adopt), therefore specific state statutes can differ. Institutions should determine their interpretation and approach to endowment management in light of their state's legislation and after conferring with legal counsel.

Modeling the Proposals—Putting Endowments to Work

Institutional leaders and legislators are developing proposals that mandate growth and spending levels to increase endowment support, often with the aim of making higher education more affordable. These proposals include capping endowment growth, tying endowment investment earnings to financial aid awards, and increasing the annual endowment spending rate. We model the impact of each of these proposals on the spending and market value of a hypothetical $100 million endowment over the past 30 years.[2] We then compare the impact of these proposals to the spending and market values that would have resulted from a more typical endowment spending policy.[3] The past 30 years includes both high and low return environments for equities and bonds (Figure 2), and we also show the impact of the proposed policies versus the "typical policy" in both of these sub-periods.

Figure 2 Average Annual Compound Returns: 70/30 Portfolio

	Full Period: Fiscal Years 1986–2016	High Return Period: Fiscal Years 1986–2000	Low Return Period: Fiscal Years 2000–16
Nominal AACR	8.6%	13.5%	4.2%
Real AACR	5.8%	10.0%	2.1%

[2] Returns are based on a portfolio composed of 70% MSCI World Index and 30% Bloomberg Barclays Government/Credit Index, and the fund is rebalanced annually. Inflation is applied using the Consumer Price Index. As an exercise in considering the impact of the various spending policies, this simple portfolio is used as a proxy for an endowment allocation over the full period. Although endowment portfolio allocations have become significantly more diversified over the past 30 years, the 70/30 portfolio produced returns comparable to that of institutions that report to the Cambridge Associates Pool Returns database. The median nominal AACR among reporting institutions was 9.4% for the full period and there was similarly a wide gap between the median return of the high return environment (13.8%) and the low return environment (5.3%).

[3] The most frequently used endowment spending policy is a market value–based rule that dictates spending 5% of a moving 12-quarter average of endowment market values. This rule has been devised to set spending at a rate that links spending to investment performance, but has a long time horizon so shifts in spending do not destabilize the operating budget. Long-term investment return expectations for a diversified portfolio should enable an endowment to meet 5% spending and keep pace with inflation, so the endowment continues its level of support in real terms. All spending scenarios studied in this report treat the endowment as a single fund with no future inflows. Spending is calculated at the beginning of each fiscal year (July 1) and taken out of the endowment once a year (on October 1).

Proposal 1: Cap the Growth of the Endowment

The quest to ensure that endowments are sufficiently supporting students often leads to the question: *How big an endowment is enough?* Some proposals seeking to limit endowment growth place a cap on the amount the portfolio can grow, requiring greater disbursements when investment returns soar to keep growth in check. Our analysis compares the annual endowment distribution and market value results of the Typical Policy of spending 5% of a trailing moving average market value to a Cap Policy. The Cap Policy starts with the Typical Policy, but adds a requirement that caps endowment growth at 125% of the original endowment value, adjusted for inflation.

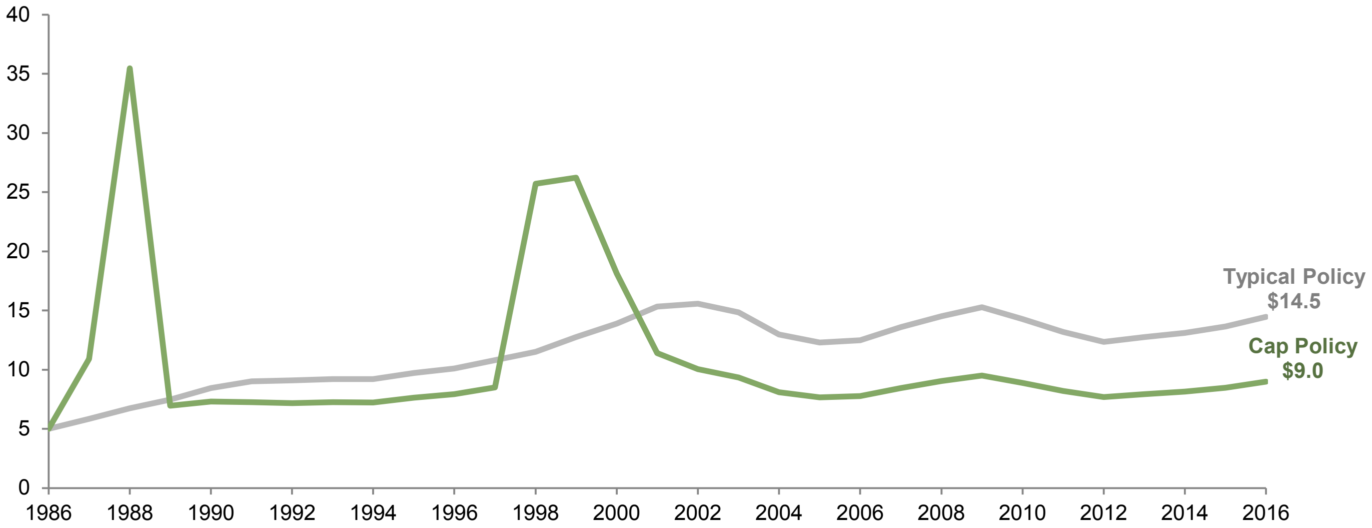
The Cap Policy achieves the goal of distributing more wealth and preserving purchasing power in the high return environment, but over the full 30-year period we analyze, the spending stream of the Cap Policy erodes the purchasing power of the endowment and ultimately leads to less support than the Typical Policy (Figure 3). During the low return environment, the capped endowment generates less support for the university. Because assets in excess of 125% of the original endowment value were spent during the flush years from 1986 to 2000, less was available for spending in the lean years that followed. Indeed, the cap spending mechanism is not triggered during the low return environment because the endowment does not bump up against the cap value at any point from 2001 to 2016.

Annual Spending. Unlike the Typical Policy, which smooths spending by tying it to an average of endowment market values over 12 quarters, the institution with a Cap Policy faces more unpredictable spending, as it only benefits from smoothed spending when endowment values remain below the 125% growth maximum. When strong investment performance results in a larger endowment, spending distributions surge (Figure 4). Looking back over the past 30 years, the Cap Policy curbs endowment growth and generates spending spikes during 1987–88 and

Figure 3 Proposal 1: Cap the Growth of the Endowment

	Full Period: Fiscal Years 1986–2016		High Return Period: Fiscal Years 1986–2000		Low Return Period: Fiscal Years 2001–16	
	Typical Policy	Cap Policy	Typical Policy	Cap Policy	Typical Policy	Cap Policy
Cumulative Spending (Nominal)	$359.48	$328.28	$138.80	$188.66	$220.68	$139.62
Maximum Annual Spending (Nominal)	$15.58	$35.47	$13.91	$35.47	$15.58	$11.41
Average Annual Effective Spend Rate	4.8%	6.2%	4.5%	7.4%	5.0%	5.1%

Figure 4 Nominal Annual Spending for Typical Policy versus Cap Policy
Fiscal Years 1986–2016 • US Dollar (millions)



1998–2000. After the spikes in spending, the Cap Policy generates lower annual distributions than the Typical Policy because spending is calculated as a percentage of a reduced endowment market value. In each year from fiscal year 2001 to the present, the annual distributions from the Typical Policy exceed those from the proposed Cap Policy. In all but one of these years, the annual distributions from the Typical Policy are more than 50% greater than the annual distributions from the Cap Policy.

The unpredictable distributions resulting from the Cap Policy can complicate the annual budget process as the infusions of revenue make it difficult to spend consistently on programs and financial aid. To remedy this volatile spending stream, the university would need to establish one-time grants or create reserve funds outside of the endowment to smooth the flow of distributed dollars to the budget. One-time financial aid grants would create greater intergenerational inequities, as fewer students would benefit from market spikes today than would benefit from more financial aid grants smoothed over time. The university would face challenges of distributing financial aid evenly over a student's career to avoid "bait and switch" funding.[4] If reserve funds are established to smooth the flow of endowment dollars to the budget, the university would need to employ additional spending policies and accounting practices to ensure reserves are spent on their designated purposes. These responses offer solutions, but also inefficiencies that hinder long-term planning and successful investment management practices.

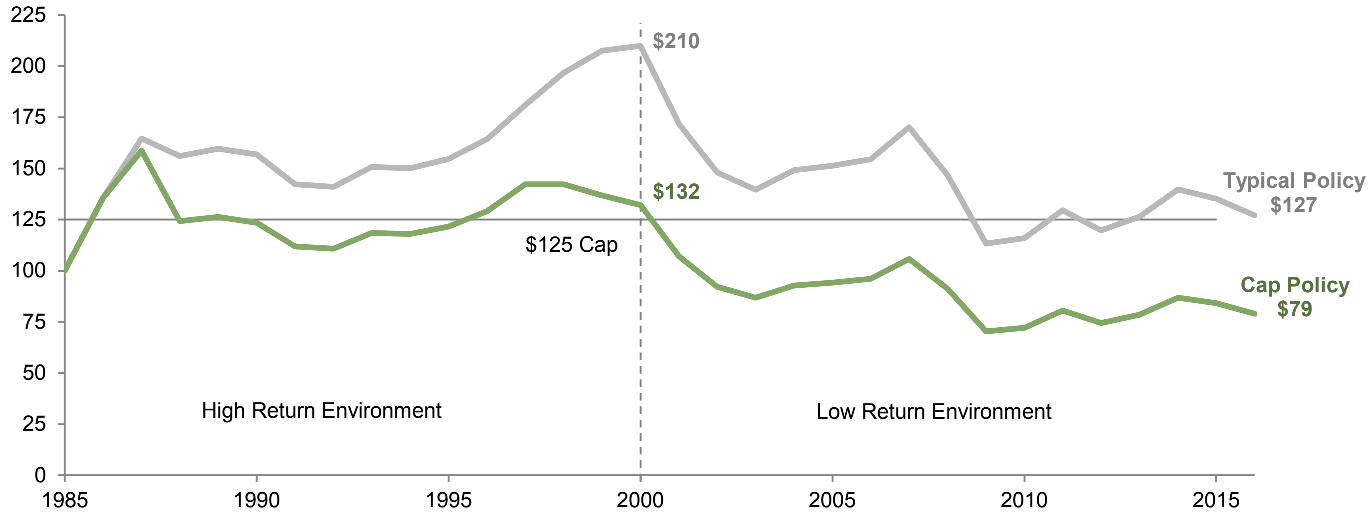
[4] "Bait and switch" funding occurs when financial aid is available for initial year or years of study, but not all four years of undergraduate study.

Intergenerational Purchasing Power. The Cap Policy goal of putting the endowment to work fairly can be thwarted by inconsistent investment performance. Under the Typical Policy, "excess earnings" from the high return environment are reinvested instead of spent immediately. This results in a larger portfolio value going into the low return environment and higher annual endowment support throughout that period.

If we concluded our analysis in 2000 to isolate the high return environment that took place from 1985 to 2000, and look at results in real terms, the Cap Policy does its job beautifully—distributions are greater than the Typical Policy, while the real purchasing power of the endowment value is preserved. But when time rolls on beyond high returns into the inevitable market correction, the flaw of the Cap Policy becomes apparent (Figure 5).

While the inflation-adjusted value of the endowment exceeds its initial value in 2001, the portfolio is not sufficient to maintain its value throughout the low return environment. Under the Cap Policy, the real market value drops below the initial gift value ($100) in fiscal year 2002 and falls to $70 in fiscal year 2009. By fiscal year 2016, the real market value is still just $79 and well below the Typical Policy ending real market value ($127). The depleted market value prevents the endowment from maintaining spending at a consistent level for the generation of beneficiaries that are counting on the endowment support during the low return environment. So while the policy is effective for a short period of time, it is not effective over the long term. It favors the beneficiaries during the higher return environment at the cost of future beneficiaries.

Figure 5 Real Endowment Market Value for Typical Policy versus Cap Policy
Periods Ended June 30 • US Dollar (millions)



Proposal 2: Link a Portion of Earnings to Annual Spending

Some proposals seek to establish a more direct link between annual endowment earnings (i.e., total annual investment return) and annual endowment spending. Certain proposals link a portion of annual earnings to funding for financial aid; if performance exceeds a specified hurdle, the earnings on that excess are directed to financial aid. Those proposals may run into technical realities of donor restrictions that limit the amount of endowment earnings that can be directed to financial aid. Our analysis sets aside the specificity of how the excess earnings may be spent to consider the impact of an earnings-linked type of endowment spending policy.

The proposed policy in this scenario starts with a typical 5% of moving average market value spending rule, and then for a portion of the portfolio adds to the calculated spending distribution during periods of high returns. The Earnings-Linked Policy focuses on 25% of the portfolio that is designated for a priority purpose, such as financial aid. Specifically, if the distribution for that priority purpose is less than 25% of earnings then additional distributions are made, so that total spending for that priority purpose equals a minimum of 25% of earnings.

The Typical Policy and the proposed Earnings-Linked Policy end the 30-year period with similar cumulative spending, but the Earnings-Linked Policy has a significantly lower market value (Figure 6). Similar to the Cap Policy, spending that is more closely linked to market conditions is more volatile and reduces the endowment's ability to weather the low return environment. Unlike the Cap Policy that did not kick in during the low return environment, the Earnings-Linked Policy responds to each market upturn with greater spending, even during the low return environment. This leads to higher spending even when the portfolio has lost value, greater erosion of endowment market value, and ultimately lower spending because the endowment becomes depleted.

Figure 6 Proposal 2: Link a Portion of Earnings to Annual Spending

	Full Period: Fiscal Years 1986–2016		High Return Period: Fiscal Years 1986–2000		Low Return Period: Fiscal Years 2001–16	
	Typical Policy	Earnings-Linked Policy	Typical Policy	Earnings-Linked Policy	Typical Policy	Earnings-Linked Policy
Cumulative Spending (Nominal)	$359.48	$356.90	$138.80	$168.13	$220.68	$188.77
Maximum Annual Spending (Nominal)	$15.58	$16.69	$13.91	$15.45	$15.58	$16.69
Average Annual Effective Spend Rate	4.8%	6.3%	4.5%	6.5%	5.0%	6.2%

Annual Spending. While the Typical Policy smooths market values over multiple years, the Earnings-Linked Policy generates a more volatile spending stream (Figure 7). We see the danger of an earnings-linked policy during and immediately following the periods of substantial market value declines: 2002–04 and 2009–11. Annual spending during these periods is more than 35% lower than the Typical Policy. Although the Earnings-Linked Policy was implemented to guard against hoarding and get the endowment to work, the policy reduces the endowment distribution during recessionary periods when the support, particularly for financial aid, is likely to be needed the most. Similar to our assessment of Proposal 1, higher spending during high returning market cycles leaves a depleted endowment to weather a market downturn. The Typical Policy, which spends 5% of a smoothed market value over a 12-quarter trailing period, does a better job of providing dependable spending to current and future beneficiaries and preserving the permanent capital, so the endowment is better positioned to fulfill its financial objectives in perpetuity.

Intergenerational Purchasing Power. During the high return period, the endowment could withstand the additional spending required by the Earnings-Linked Policy and still increase its real purchasing power, but similar to the Cap Policy, over the longer time horizon of the 30-year period the endowment could not sustain its original value under the Earnings-Linked Policy (Figure 8). This policy exacerbates endowment declines by spending more in the low return environment and results in greater inequities between current and future beneficiaries relative to the Typical Policy.

Figure 7 Nominal Annual Spending for Typical Policy versus Earnings-Linked Policy
Fiscal Years 1986–2016 • US Dollar (millions)

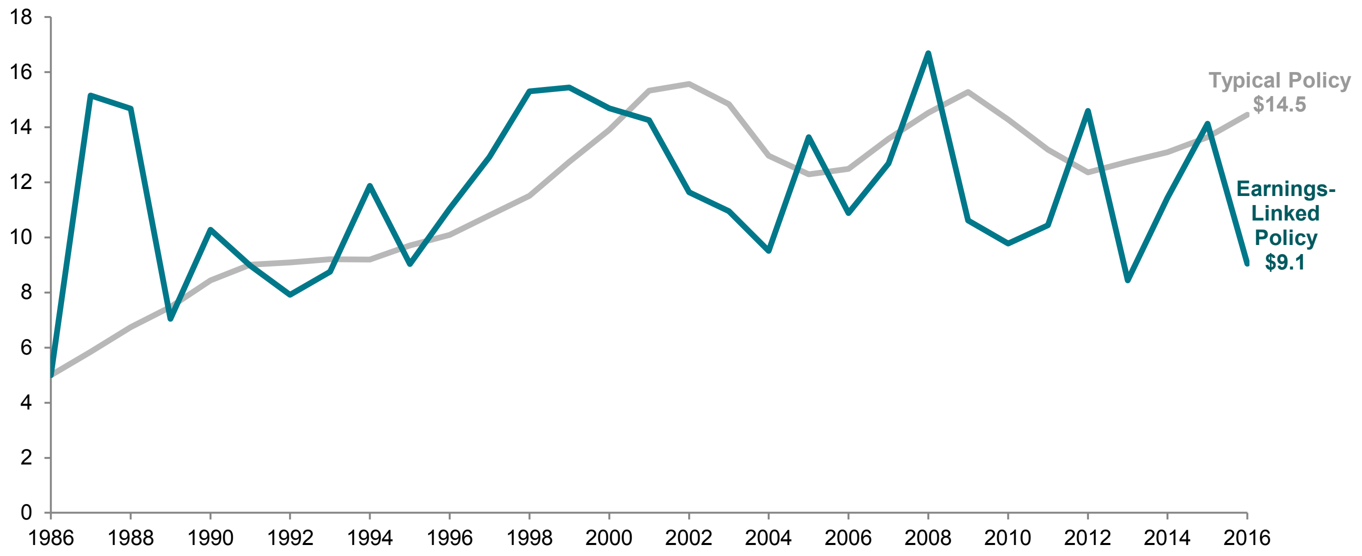
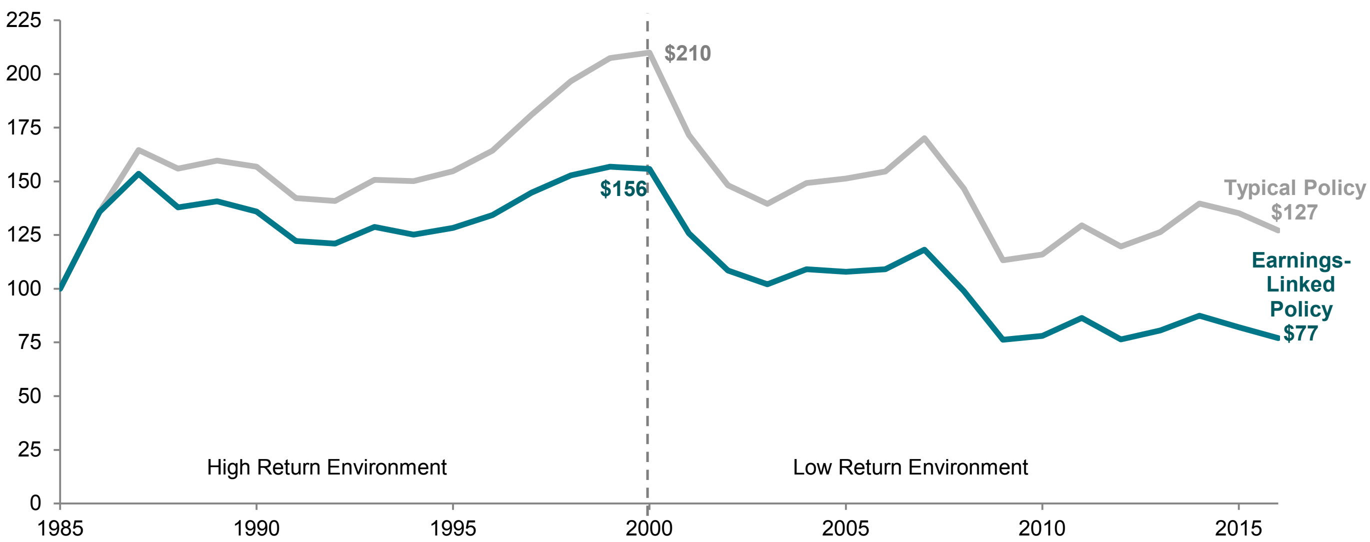


Figure 8 Real Endowment Market Value for Typical Policy versus Earnings-Linked Policy
Periods Ended June 30 • US Dollar (millions)



Proposal 3: Spend More Annually by Increasing the Spending Policy Rate

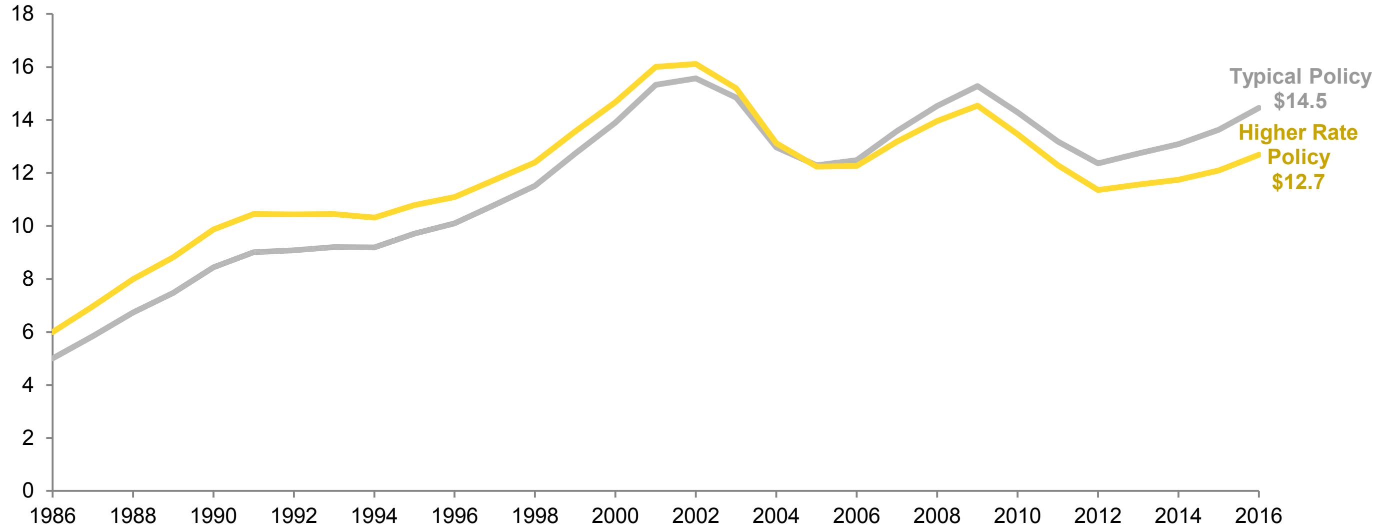
The final proposal we consider simply examines the implications of spending at a higher rate. In this scenario, we compare the Typical Policy, a 5% market value policy, to a 6% market value policy (Higher Rate Policy). Both calculate spending by applying the policy rate to the average of the trailing 12-quarter market values. Similar to the Cap Policy and the Earnings-Linked Policy, the Higher Rate Policy biases endowment spending to present generations. Also similar to the other two policies, this approach works well in the high return environment, but is not successful in the low return environment or over the long-term period we evaluated (Figure 9).

Annual Spending. Under the Higher Rate Policy, annual spending is higher than the Typical Policy during the higher-returning first 15 years of the 30-year cycle, but this shifts in 2005 (Figure 10). Similar to the first two proposals, higher spending in the first part of the 30-year cycle depletes the market value of the Higher Rate Policy endowment, which eventually distributes less annual support than the Typical Policy, despite the higher rate of spending. The Higher Rate Policy spends more cumulatively in each of the three timeframes we study, but the distribution favors the beneficiaries early in the cycle, to the detriment of the beneficiaries who come later.

Figure 9 Proposal 3: Spend More Annually by Increasing Policy Rate

	Full Period: Fiscal Years 1986–2016		High Return Period: Fiscal Years 1986–2000		Low Return Period: Fiscal Years 2001–16	
	Typical Policy	Higher Rate Policy	Typical Policy	Higher Rate Policy	Typical Policy	Higher Rate Policy
Cumulative Spending (Nominal)	$359.48	$367.48	$138.80	$155.58	$220.68	$211.90
Maximum Annual Spending (Nominal)	$15.58	$16.12	$13.91	$14.67	$15.58	$16.12
Average Annual Effective Spend Rate	4.8%	5.8%	4.5%	5.5%	5.0%	6.1%

Figure 10 Nominal Annual Spending for Typical Policy versus Higher Rate Policy
Fiscal Years 1986–2016 • US Dollar (millions)



Intergenerational Purchasing Power. The Higher Rate Policy reduces the real purchasing power of the endowment because over the 30-year period the endowment outspends its 5.8% real investment return. If we stop our analysis at the end of the high-performing market environment, the endowment has preserved its real purchasing power, but similar to the Cap Policy and the Earnings-Linked Policy, the Higher Rate Policy does not achieve a goal of intergenerational equity (Figure 11). The depleted endowment provides less support for financial aid and other programs in the low return environment, just when it may be needed the most.

What Are the Chances?

Since "history doesn't repeat itself, but it does rhyme," we also include Monte Carlo analysis to assess the impact of spending policy decisions based on simulations of thousands of different investment scenarios over a 30-year time horizon (Figure 12). Monte Carlo simulations incorporate consistent long-range return expectations and do not incorporate the market swings of the historical scenarios in our spending model, but we do see similar themes in the results. The Typical Policy is the only policy that has more than a 50% probability of preserving the real purchasing power of the endowment. The Earnings-Linked Policy—the most closely tied policy to annual investment results—has the lowest probability of maintaining purchasing power; even the high end of its expected range falls short of the real value of the initial endowment. The Higher Rate Policy provides the greatest amount of cumulative spending over a 30-year time horizon, but does so at the cost of preserving purchasing power.

Figure 11 Real Endowment Market Value for Typical Policy versus Higher Rate Policy
Periods Ended June 30 • US Dollar (millions)

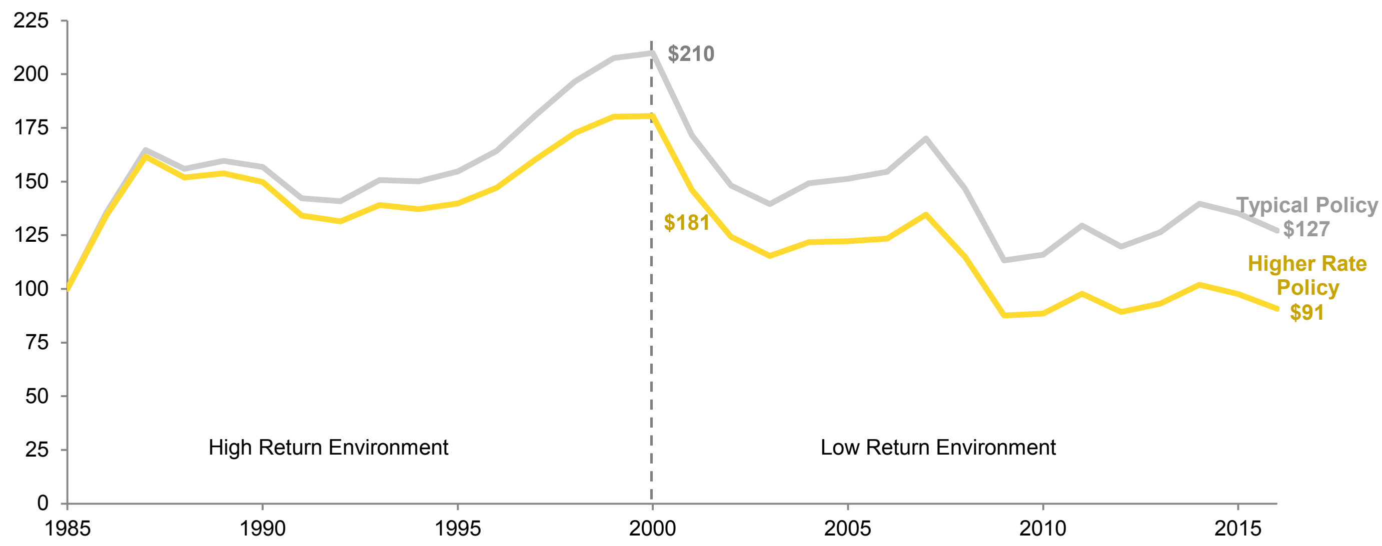


Figure 12 Impact of Spending Policy Decisions: 30-Year Monte Carlo Simulation

	Probability of Maintaining Real Purchasing Power	Baseline Expectations of Real Market Value	Expected Range of Real Returns	Nominal Cumulative Spending
Typical Policy	53.5%	$114	$74–$176	$237
Cap Policy	35.1%	$88	$62–$113	$233
Earnings-Linked Policy	23.6%	$67	$47–$98	$237
Higher Rate Policy	35.0%	$85	$54–$132	$247

* Range represents the middle 50% of the distribution (25th to 75th percentile).

Other Remedies that May Address Affordability, Without Sacrificing Endowment

All of this is not to say that schools must be "prisoners" of their endowments. If affordable access is a priority, universities have other avenues to explore that might bolster efforts to make tuition more affordable for their students without sacrificing the endowment support available to students in the future.

First, although many existing endowment funds may be earmarked for specific purposes such as faculty positions, academic programs, and athletics, some funds may not be. Universities can look for unrestricted capital in their existing endowment funds that they can put to use supporting students and families who need the help.

Second, schools can make a concerted effort to secure greater funding for financial aid. This may be a combination of fundraising for current gifts that can be immediately put to use to support students and for new endowments funds geared toward tuition assistance that will bolster long-term capacity to provide more support and to extend opportunities to a greater number of students.

Revenue is only one side of the financial equation. Colleges and universities can also continue to manage some of the costs that drive up tuition and ask themselves whether anything can be done to make their cost structures more efficient and affordable. Higher education is an industry that is driven by personnel, but escalating costs may also be the result of ambitious campus plans that include renovated and new facilities, and the debt and ongoing maintenance costs that often accompany them.

Conclusion

Colleges and universities are already working to keep the net price of attendance under control, and endowments support these efforts. Endowments can do more to support current students, but this largesse comes at a cost. As our analysis has shown, the policies proposed to distribute more endowment wealth deplete endowments to a degree that they provide less support to future generations of students. Endowments are permanent capital, and are therefore prudently governed by long-term investment and spending policies that have been designed to balance the goal of endowment growth that keeps pace with inflation and spending that supports generations of stakeholders fairly and in perpetuity.

Although higher endowment spending can address some of the immediate pricing concerns that activists are calling for, the solution is not sustainable. To address price relief in a more sustainable way, colleges and universities can look to raise more endowment for financial aid, fundraise for current use dollars that are not restricted as permanent resources, shift unrestricted resources to fund financial aid, and limit expense growth (lowering the need for raising tuition and thus increased financial aid). College and university fiduciaries balance the needs of today and tomorrow; this includes the stewardship and use of the endowment. ■

Tracy Filosa, Managing Director
William Prout, Investment Director
Geoffrey Bollier, Associate Investment Director
Meredith Wyse, Senior Investment Associate

Exhibit Notes

1 **Cumulative Growth in Endowment Value versus Tuition & Fees for Private Colleges and Universities**
Sources: Cambridge Associates LLC, Annual Pool Returns Survey for Colleges and Universities and The College Board, Annual Survey of Colleges.
Notes: Median endowment growth reflects data for 73 private colleges and universities that reported 20 years of endowment market values to Cambridge Associates' Pool Returns database. The number of institutions that reported tuition and fees data to The College Board was not provided.

2 **Average Annual Compound Returns: 70/30 Portfolio**
Source: Cambridge Associates LLC.

3 **Proposal 1: Cap the Growth of the Endowment**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Cap Policy. The Cap Policy adds a cap on endowment growth at 125% of the original endowment value, adjusted for annual spending and inflation.

4 **Nominal Annual Spending for Typical Policy versus Cap Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Cap Policy. The Cap Policy adds a cap on endowment growth at 125% of the original endowment value, adjusted for annual spending and inflation.

5 **Real Endowment Market Value for Typical Policy versus Cap Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. Market values are adjusted for inflation using the Consumer Price Index. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Cap Policy. The Cap Policy adds a cap on endowment growth at 125% of the original endowment value, adjusted for annual spending and inflation.

6 **Proposal 2: Link a Portion of Earnings to Annual Spending**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Earnings-Linked Policy. For the Earnings-Linked Policy, 25% of the distribution is tied to earnings.

7 **Nominal Annual Spending for Typical Policy versus Earnings-Linked Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Earnings-Linked Policy. For the Earnings-Linked Policy, 25% of the distribution is tied to earnings.

8 **Real Endowment Market Value for Typical Policy versus Earnings-Linked Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. Market values are adjusted for inflation using the Consumer Price Index. A spending rate of 5% applied to the trailing 12-quarter average market value is used for both the Typical Policy and Earnings-Linked Policy. For the Earnings-Linked Policy, 25% of the distribution is tied to earnings.

9 **Proposal 3: Spend More Annually by Increasing Policy Rate**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for the Typical Policy. The Higher Rate Policy uses a 6% spending rate applied to the 12-quarter average market value.

10 **Nominal Annual Spending for Typical Policy versus Higher Rate Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. A spending rate of 5% applied to the trailing 12-quarter average market value is used for the Typical Policy. The Higher Rate Policy uses a 6% spending rate applied to the 12-quarter average market value.

11 **Real Endowment Market Value for Typical Policy versus Higher Rate Policy**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million on June 30, 1985. Market values are adjusted for inflation using the Consumer Price Index. A spending rate of 5% applied to the trailing 12-quarter average market value is used for the Typical Policy. The Higher Rate Policy uses a 6% spending rate applied to the 12-quarter average market value.

12 **Impact of Spending Policy Decisions: 30-Year Monte Carlo Simulation**
Source: Cambridge Associates Endowment Spending Model.
Notes: All scenarios assume a starting endowment value of $100 million. A spending rate of 5% applied to the trailing 12-quarter average market value is used for the Typical Policy, Cap Policy, and Earnings-Linked Policy. The Cap Policy adds a cap on endowment growth at 125% of the original endowment value, adjusted for annual spending and inflation. For the Earnings-Linked Policy, 25% of the distribution is tied to earnings. A spending rate of 6% applied to the trailing 12-quarter average market value is used for the Higher Rate Policy.

ATTACHMENT B

FOR BOR CONSIDERATION: JUNE 2017

BOARD OF REGENTS SUPPORT FUND
ENDOWED CHAIRS FOR EMINENT SCHOLARS
PROGRAM POLICY

I. INTRODUCTION

Modeled after the Louisiana Endowment Trust Fund for Eminent Scholars which was created by statute during the 1983 regular session of the Louisiana Legislature and repealed during the 2001 regular session of the Louisiana Legislature, the Board of Regents Support Fund (BoRSF) Endowed Chairs program first awarded chairs under the aegis of the Support Fund in the spring of 1987. All chairs were endowed at $1 million: $600,000 in non-State funds, with a $400,000 match from the Support Fund. Between FY 1986-87 and FY 1990-91 the amount of Support Fund money devoted to the program was increased commensurate with rising demand. During FY 1990-91, the Board of Regents (BoR) acted to eliminate all but restricted bequests from the "first-come, first-served" basis upon which the program had previously been conducted. The "Guidelines for the Submission of Proposals for the Competitive Program for Matching Funds to Endow Chairs" were first issued in the fall of 1990, and have governed administration of the Competitive subprogram since that time.

In 1993 BoR engaged the services of a distinguished team of out-of-state consultants to conduct a comprehensive review of the overall Endowed Chairs program, focusing upon the 42 chairs which had been endowed as of June 1992. The ensuing consultants' report contained recommendations which BoR ultimately adopted, including: the conduct of a national search prior to the filling of subsequent chairs as well as on occasions when previously funded chairs become vacant; inclusion on the said national search committee of at least one scholar external to the campus, in the field of the prospective chair, with no affiliation to the Board or the donor; permission for universities to submit proposals for chairs to be endowed at the $2 million level, with the 40:60 ratio of Support Fund to non-State contributions maintained; and assignment of rating points for proposals based on a plan in the application to recruit minority and women scholars in areas historically underrepresented at the applicant institution.

After a brief period in which applications for endowed chairs leveled off and even declined somewhat, the success of universities in procuring non-State donations fueled a dramatic increase in applications for chairs in FY 1996-97 and FY 1997-98. The increased demand was met in whole or part by supplemental appropriations from the Legislature during each of these years.

A second comprehensive review of the Endowed Chairs program was conducted during the summer and fall of 1998. The report provided summary assessments of each of the 82 endowed chairs then occupied, in addition to recommending several programmatic changes, including requirements that universities allocate a salaried faculty line for requested chairs and provide at least minimum support for associated start-up costs. The review panel also recommended that a Society of Eminent Scholars be formed to help broaden the impact of the Eminent Scholars both within and without their respective universities.

The third and most recent comprehensive review of the Endowed Chairs program took place in January 2009 and resulted in a set of recommendations that BoR unanimously adopted, including revisions to allow endowment of new chairs up to $3 million and enhanced reporting and communication among universities, chairholders, donors, and BoR. This review was the catalyst for additional revisions of the Endowed Chairs Program Policy.

The policy document which follows represents an effort to maintain and strengthen the most valuable features of the Endowed Chairs for Eminent Scholars program as demonstrated over decades of operation while incorporating new policy provisions that allow the program to adapt to current circumstances and challenges. In this way, the program can continue to make noteworthy contributions to academic and economic enhancement within Louisiana.

II. POLICY EFFECTIVE DATE

The effective date of this revised policy is July 1, 2017.

III. APPLICATION OF POLICY

Except as noted, for each matched chair the institution shall abide by the rules and guidelines established in the program policy in force during the year in which the most recent chairholder was appointed. BoRSF policies related to expenditure of earnings are not applicable to a non-State contribution until the chair is matched in accordance with the process and requirements outlined in this policy and related requests for proposals (RFPs).

IV. PUBLIC POSTURE OF BoRSF MATCH

BoR is constitutionally entrusted with the allocation of the Louisiana Quality Education Support Fund (Support Fund) toward four specific goals enumerated in La. Const. art. VII, §10.1(D). The Support Fund is a constitutional dedication to promote excellence in higher education and enhance economic development through a set of specified purposes, which include the endowment of chairs for eminent scholars. In accordance with the constitutional parameters and restrictions, BoR through the Support Fund provides State funds to match non-State endowments.

The public dollars provided as match to endowments do not lose their public character and function, even when entrusted to or managed by a non-public entity or matched to a private donor's contribution. The endowed chairs toward which BoR is authorized to allocate public funds must be used within a reasonable period of the State match and consistently over time to achieve the specific goal of attracting eminent scholars to foster economic development. An endowment created through a non-State donation matched by State dollars is not simply a fund held by a university-affiliated foundation or other managing entity, as such funds being held are not required to serve a specific public purpose distinct from the institutional mission.

Accordingly, Support Fund policies restrict the use and investment of such funds to ensure all related activities serve the purposes for which Support Fund money may be expended. Should the public funds contributed for these purposes not be used to accomplish the mandated goals of the Support Fund and/or address specific BoR policy requirements, such funds and all associated earnings shall be subject to revocation by BoR. All agreements and arrangements related to the non-State funds are strictly the obligation of the original private donor, his/her successors, and the campus; no private agreement or act of donation shall contravene or supersede State constitution and laws, and any BoR policy adopted in accordance therewith. To that end, all institutions and their affiliated foundations shall fully inform private donors of the purpose of the donation, initial and subsequent time periods within which a State-matched donation must be put to use, the possible reversion of the State match if it is not put to use or ceases to be usable, and the options available to the donor should such reversion occur.

V. ELIGIBLE INSTITUTIONS

Public institutions under the management of the Louisiana State University Board of Supervisors, the Southern University Board of Supervisors, the University of Louisiana System, and the community colleges and technical community colleges within the Louisiana Community and Technical College System, as well as regionally accredited independent institutions of higher education which hold membership in the Louisiana Association of Independent Colleges and Universities, are eligible to participate in the Endowed Chairs program.

VI. ELIGIBILITY PER CAMPUS VACANCY RATES

If a campus's percentage of vacancies of greater than two years' duration in the Endowed Chairs program exceeds 20%, that campus shall not be eligible to submit proposals for additional Endowed Chairs matches during that year.[1]

VII. VACANCIES AND RETENTION OF BoRSF MATCHING FUNDS

BoRSF faculty endowment programs are designed to provide matching resources to non-State donations, the earnings from which support the productivity and performance of superior faculty. Persistent vacancies are not in the interest of participating campuses and faculty nor supportive of BoRSF constitutional and program goals. Vacancies also do not serve the intent of the non-State donor, to the extent that the donor expects the contribution to support faculty work. In addition, they sequester significant State resources – corpus and earnings – during the period of vacancy, severely limiting any impact these funds might have, especially in view of sharply declining State support for higher education. The following provisions are made to ensure that endowments matched by the State are needed, useful, and representative of campus priorities, as reflected in their consistent use; if an endowment is not consistently used, State funds should be freed to be applied to other priorities.

For endowments matched in FY 2016-17 or later, if the faculty endowment has not been filled within four years after provision of BoRSF matching or three years following departure of the most recent faculty holder of the endowment, the campus shall submit for BoR consideration and approval a written request and justification to retain the matching funds, along with an account of activities undertaken since the vacancy occurred to fill the faculty endowment, problems and barriers encountered, and plans and a timeline to appoint a faculty

[1] A campus's percentage of BoRSF-matched endowed chair vacancies longer than two years shall be calculated as the number of matched slots reported as unfilled for longer than two years divided by the total number of slots matched at the campus. The duration of an endowed chair vacancy shall be calculated from August of the academic year following the departure of the most recent chairholder or, in the case of new or not-yet-filled chairs, from August of the calendar year in which Board match was provided. Endowed chairs with market values below corpus are excluded from policy formulae related to vacancy rates.

holder. Such request shall be submitted to the Deputy Commissioner for Sponsored Programs and assessed by both Sponsored Programs staff and the Commissioner of Higher Education, with staff recommendations forwarded to BoR, which has sole authority to grant final approval. If the campus does not act as approved to fill the slot, the campus shall return matching funds and associated unexpended principal and earnings to BoR. BoR reserves its right to seek a return of the match only in this circumstance or where it finds that the endowment becomes unusable as described in the paragraph below.

For endowments matched prior to FY 2016-17 and vacant for more than two years, the campus shall notify the non-BoRSF donor of the duration of the vacancy along with plans, if any, to fill the vacancy within the next two years, and request that the donor indicate how he/she wishes to proceed. Based on documentation retained by the campus, the campus's annual fiscal report for each affected endowment shall certify that the donor is aware of current policies governing vacancies as well as indicate the donor's preferred course of action and a timeline for implementation of the action plan or account of progress toward implementation if a multiyear plan is underway. If the donor prefers to redirect the original non-State contribution and/or earnings to an activity not permissible under BoRSF endowment programs, the campus shall submit for BoR approval a plan to redirect the BoRSF share to a BoRSF-eligible endowment category to fund a donor contribution awaiting State match. In the event that the endowment becomes unusable (e.g., the associated academic program ceases to exist and the donor does not agree to redirect the original non-State contribution to a category eligible for BoRSF match), the campus shall return the BoRSF matching funds, with associated unexpended earnings, as soon as possible after the circumstance becomes known. BoR reserves its right to seek a return of the match only where it finds the BoRSF funds have become unusable for their intended purpose and no other acceptable use – repurposing the endowment or redirecting matching funds to an eligible endowment category – can be identified.

VIII. TYPES AND FUNDING OF ENDOWED CHAIRS

Effective beginning FY 2017-18, eligible campuses (see Section V) may apply for four kinds of endowed chairs, determined by the chairholder's intended role and responsibilities: (1) primarily research; (2) primarily education; (3) primarily workforce; and (4) combination, anticipating an equal division of responsibilities among two or more of the categories above. While it is expected that chairs will include a mix of these functions, these categories should be used to identify the chair's intended chief responsibility or contribution. All chairs for which matching is sought must be clearly and demonstrably aligned with the submitting campus's role, scope, mission, and strategic priorities. It is the responsibility of the campus to make a strong case for the appropriateness of permanent investment of public funds for the intended purpose(s), and to specify donor-approved plans for adjustment of the chair's purpose, function, goals, and/or other restrictions in the event that its subject area, foci, or emphases evolve or decline in priority or utility.

The minimum level of funding for any type of endowed chair is $1 million, inclusive of a private contribution of $600,000 and BoRSF match of $400,000. BoR permits and strongly encourages submissions requesting chairs at higher endowment levels. BoRSF matching will be provided in indivisible increments of $400,000, at a ratio of 60% private contribution to 40% BoRSF.

The proposal is required to demonstrate that the endowment level requested is appropriate to the discipline and campus type in which the chair will be established, competitive to attract a faculty member of suitable quality and expertise. For requests in science, technology, engineering, and business disciplines, which typically require greater investments in personnel and/or facilities, higher endowment corpus levels are strongly encouraged; a proposal in these disciplines at the minimum corpus level must be justified level in terms of its competitiveness in the national market for superior faculty with appropriate qualifications. In addition, the proposal must specify all resources, including compensation, research/education/training infrastructure, student support, and/or professional development support, committed by the campus or other stakeholders to support the chair on a consistent basis and enable the chairholder to achieve the goals and purpose(s) set forth in the proposal.

It is essential that development officers plan and collaborate with academic administrators during donor negotiations to ensure the alignment of the donor's intent with institutional and departmental needs, thus avoiding requests of State matching for chairs that are overly narrow in focus or outside the campuses or a specific unit's strategic focus. BoR has no control over faculty endowments created without State match; such chairs may thus be established through an agreement between the donor(s) and campus, without a BoRSF contribution.

A. Consolidation of Two or More Extant Chairs

An institution may petition BoR for permission to consolidate two or more extant chairs. The petition must document clearly the reasons for the request and must include, at a minimum, a strong rationale for the consolidation of the chairs and the written concurrence of the original donor or the donor's legal representative. There are no limits on the number of extant chairs that may be consolidated into a single slot.

B. Changing Disciplines of Previously Awarded Chairs

An institution may petition BoR for permission to change the academic discipline(s) for a particular chair. The petition must document clearly the reasons for the requested change. The documentation must contain the written concurrence of the original donor or the donor's legal representative.

IX. RESTRICTED BEQUESTS: IRREVOCABLE ESTATE GIFTS

Effective beginning FY 1999-2000, the submission of a proposal is required for a restricted bequest to be considered. Proposals submitted under the bequests subprogram must adhere to all format and documentation requirements that apply to other Endowed Chairs program proposals, and chairs funded under this subprogram are subject to the same post-award reporting requirements and accountability measures as other chairs. Additionally:

A. A cover letter must accompany the proposal notifying BoR of the bequest and identifying the receiving institution, department, etc., as well as the benefactor and the official name of the proposed chair;

B. The bequest subprogram shall be limited to restricted bequests which specifically indicate that the intention of the donation of the non-State matching funds is to endow a chair under BoRSF Endowed Chairs program;

C. When required documentation is submitted for restricted bequests, included among that documentation must be an affidavit signed by the Executor of the Estate, stating that the bequest was made with the intention that such funds would be matched with Support Fund money to establish an endowed chair;

D. Once a request for matching funds to endow a chair has been submitted under the Restricted Bequests subprogram, its category of submission may not be changed to the Competitive subprogram; and

E. Proposals must receive a "satisfactory" rating (i.e., a score of at least 70) by consultants in order to establish eligibility for funding. Proposals deemed ineligible in one cycle may be revised and resubmitted in a future funding cycle.

BoR shall continue to encourage private donors to contribute $600,000 or more to fund eminent scholar chairs through various irrevocable estate planning instruments. These chairs may be funded in any academic discipline. Eligible restricted bequests with rating scores of at least 70 will be funded at the rate of two per year (or $800,000 total in Support Fund matching monies) on a "first-come, first-served" basis. Eligible restricted bequests that are unfunded in any given fiscal year due either to lack of funds or to failure to achieve a rating of "satisfactory" shall be placed in the queue for funding in a subsequent fiscal year, again in rank order on a "first-come, first-served" basis and subject to proposal rating requirements (see Section IX.E). Chairs awarded to institutions of higher education as the result of bequests shall not count toward the monetary limitations set forth in Section X of this policy.

X. LIMITATIONS PER FISCAL YEAR: PER PUBLIC CAMPUS AND THE LOUISIANA ASSOCIATION FOR INDEPENDENT COLLEGES AND UNIVERSITIES SYSTEM

When requests exceed funds available, the following limitations apply relative to the amount of money that will be awarded per campus under the Competitive subprogram: (a) each public campus will be limited to $1.2 million per fiscal year; and (b) all Louisiana Association of Independent Colleges and Universities (LAICU) campuses combined will be limited to a total of $1.2 million per fiscal year. Excluded from this total are chairs funded at the $2 million level or above that are designed to further the State's targeted economic development and diversification initiatives. In the external evaluation process, reviewers will be instructed that requests for $2 million chairs shall be viewed neither more nor less favorably than those for $1 million.

Thus a single public university, or all LAICU campuses combined, with restricted bequests and the specially targeted chairs excepted, would be able to receive as much as $1.2 million under the Competitive subprogram to endow either: (a) one $2 million chair and one $1 million chair; (b) three $1 million chairs; or (c) one $3 million chair. Since the LAICU campuses and each public campus must operate, respectively, as a unit, this limitation is taken into consideration when funding decisions are made by BoR. If, for example, a LAICU campus submitted a $2 million proposed chair and that chair is recommended by the consultants, no $3 million chair or other $2 million from a LAICU campus can be considered under the Competitive subprogram; rather, the next highest ranked request for a $1 million chair at a LAICU campus will be the next proposal that could be considered for funding.

XI. SELECTION AND EXPECTATIONS OF THE EMINENT SCHOLAR

A. Standards of Appointment

BoRSF-matched endowed chairs are granted in recognition of attainment of national and/or international distinction for having made unique and significant impacts on their field through outstanding research, creative scholarly achievement, teaching, and/or service. Institutions will ensure that appointments are made only to those individuals who, consistent with the role, scope, and mission of the host campus, meet the following standards of eminence, adapted to the type of endowed chair (i.e., combining research/scholarly and teaching/educational foci, in which the research/scholarly focus is pre-eminent; or combining teaching/educational and research/scholarly foci, in which the teaching/educational focus is pre-eminent).

1. Attainment of exceptional national and/or international distinction for outstanding research or other creative scholarly achievement. Examples listed below are representative of supporting evidence for a nominee's national and/or international distinction at a level clearly above that expected of a typical professor at the host campus.
    a. The publication of highly cited or recognized books, articles, reviews, works of art, and other evidence particular to the field of scholarly achievement. Publications shall be in scholarly journals or sources customary to the field of interest.
    b. Significant contributions to economic development including patents, licenses, inventions, and start-up companies
    c. Directorships of national centers
    d. Awards, prizes, and certificates of recognition from professional organizations and foundations
    e. Grants in support of research, study, or creative works
    f. Offices held in learned societies
    g. Papers read before learned societies
    h. Lectures or performances delivered at other academic, industrial, or professional venues
    i. Services as expert, consultant, etc., to business, industry, governmental agencies, and educational organizations
    j. Evidence of success of the nominee's graduate students (where appropriate)

2. A superior record of teaching and outreach as confirmed through previous appointments, experience, and formal recognition

Except under unusual circumstances, as approved by the Commissioner of Higher Education and the non-State donor(s), chairholders, upon assuming the chair, will be full-time, tenured faculty members at their respective institutions.

B. Selection of the Endowed Chairholder

1. National Search

The proposal must make clear the plan to conduct a well-documented national search for the candidate. A national search should be conducted both for new chairs and for refilling chairs that have been vacated. Search committees must include at least one individual external to the campus who is a recognized expert/scholar in the general field of the prospective chair, but who is not affiliated with either the private donor or BoR. A description of the types of individuals who would serve on the search committee must be included in the proposal. The priority of the Endowed Chairs program is recruitment of new eminent scholars, rather than retention of existing faculty; however, a current employee may be named as the chairholder when he/she emerges as the selection of the national search committee.

2. Appointment of an Internal Candidate Without a National Search

Though the eminence, quality, and appropriateness of candidates for endowed chairs are best gauged through a rigorous national search, faculty already employed by the campus may be appointed to an endowed chair without a national search, provided approval of BoR of Regents and the non-State donor is granted. Such appointments should occur only infrequently and may be proposed only when the internal candidate meets relevant standards of appointment established by BoR (see Section A, above) and detailed in the approved proposal.

Permission of the non-State donor(s) shall be required for internal appointments. Donor permission shall not be required under the following circumstances: 1) the donor is deceased; 2) the donor has in writing requested no contact; and/or 3) despite a good faith effort, the donor's contact information could not be located.

To request appointment of an internal candidate without a national search, a letter of request from the campus head or his/her designee shall be submitted to the Commissioner of Higher Education and include the following:

a. Campus rationale(s) for selection of an internal candidate
b. Alignment of the candidate's qualifications with existing standards for the chair (see Section A, above, and standards detailed in the approved proposal)
c. The candidate's current curriculum vitae
d. Documentation of non-State donor approval of the proposed appointment

Upon receipt of these documents, the Commissioner will develop a formal recommendation for consideration and approval by BoR. BoR approval must be provided prior to appointment of the chairholder. BoR reserves the right to render a campus not in compliance with this policy to be ineligible for new Endowed Chairs funds.

C. Letter of Appointment

At the time the appointment is made, the institution shall send a Letter of Appointment to the chairholder which details and emphasizes mutual commitments and expectations. The letter shall stipulate both resources available to the chairholder and the degree of control over same he/she will have to accomplish specified goals. Additionally, the letter shall inform the chairholder of the high standards expected of the position; the attainment of these will be evaluated through periodic reviews. An institution's pattern of holding chairholders to the highest standards reflected in the Letter of Appointment shall be a critical consideration as BoR grants awards during competitive reviews for subsequent chairs.

The letter shall also make the chairholders aware of the standards of performance set forth in Section XI.D of this policy and other responsibilities of the chairholder, including the acknowledgement of support requirement set forth in Section XXIV.

A copy of the Letter of Appointment, including signatures of the chairholder, the appropriate department chair(s), and the chief executive officer of the higher educational institution, must be forwarded to the Commissioner of Higher Education no later than ninety (90) days following the appointment of the holder. Regular peer reviews of the chairholder shall be based on BoR's Standards of Performance and other performance expectations delineated in the Letter of Appointment.

D. Standards of Performance

The following standards of performance shall be expected of all chairholders, adapted to the type of endowed chair requested:

1. a continuing record of scholarly and creative endeavors;
2. leadership in academic units and collaborations with scholars and the private sector;
3. pursuit of professional activities that enhance the reputation of the university;
4. exceptional/innovative teaching, student advisement, mentoring, and leadership in curriculum development;
5. attraction of high-quality students; and
6. contributions to the State's economic enhancement and/or to solutions for community/ health/business/education problems.

XII. PARTICIPATION OF ENDOWED CHAIRS IN ACADEMIC LEADERSHIP ROLES

Superior chairholders should serve as intellectual leaders with the potential to foster new collaborations and generate new initiatives to enrich research and instruction and enhance infrastructure, as well as encourage collaboration among scholars across university boundaries. Chairholders who have made laudatory achievements and contributions should be recognized on a periodic basis. Campuses should also consider inviting superior chairholders to provide counsel and assistance in the recruitment and evaluation of candidates for other Eminent Scholar appointments.

XIII. ADMINISTRATIVE REQUIREMENTS FOR PARTICIPATION IN ENDOWED CHAIRS PROGRAM

Each university, as a condition of requesting State matching funds through the Endowed Chairs for Eminent Scholars program, shall provide with its proposal the following:

A. An affidavit from the financial institution in which the institutional matching funds are held verifying that the participating institution has received and deposited private matching funds in the amount of $600,000 for each $400,000 requested in State match and that the funds received and deposited meet all eligibility requirements pursuant to the Endowed Chairs Program Policy;
B. An assurance that the institution will provide, from sources other than the endowment, a base salary line for the proposed chair at a level commensurate with the chairholder's experience and qualifications, but at a minimum equivalent to the average full professor salary for the department or unit in which the chair will be housed.
C. An authenticated statement (notarized in the presence of two witnesses) which shall indicate that the institution will in good faith comply with the requirements of the Endowed Chairs Program Policy. Such compliance statement, moreover, shall be signed by the highest administrative official or other head of the participating institution; and
D. Documentation from the management or governing board of the participating institution stating its approval of the establishment of an endowed chair to be supported by the proceeds of the requested chair.
E. Beginning with the FY 2016-17 funding cycle, a copy of the donor agreement or summary as described in Section XIV applicable to the endowment for which match is sought. If the endowment contribution is made as part of a larger gift, only the terms specific to the endowment should be provided. Under no circumstances should the campus furnish donor agreements or conditions not related to the endowment for which match is sought.
F. A donor statement of understanding, indicating that the donor has received a copy of and understands program and investment policies relevant to the appropriate BoRSF subprogram (see Section XIV). A template for the donor statement shall be provided by BoR.

Each university, under the supervision and management of its management or governing board shall have the responsibility for the maintenance and investment of its Endowed Chairs program assets in a manner consistent with its duties as fiduciary for such funds and in accordance with the Board of Regents Endowed Chairs, Endowed Professorships, and Endowed Scholarships Programs Statement of Investment Policy and Objectives. Each participating institution's Endowed Chairs program assets shall be administered and maintained as restricted endowments.

Each participating institution shall enter into an Agreement with BoR that incorporates specific responsibilities of the participating institution regarding reporting and adherence to the rules and guidelines established by this and previous policy documents. The Agreement shall remain in effect for a specified number of years and renewed periodically. If the institution fails to comply with the terms of this Agreement, the Deputy Commissioner for Sponsored Programs will notify the institution in writing of the deficiencies and acceptable remedies. The institution will have ninety (90) days from the date of the notification to correct the deficiencies or provide adequate explanations to the Commissioner of Higher Education and BoR indicating why such correction is inappropriate or unnecessary. Failure to address deficiencies in a manner satisfactory to BoR will render the institution ineligible to compete in the Endowed Chairs for Eminent Scholars program until compliance is reestablished.

XIV. SHARING OF DONOR/BoRSF RESTRICTIONS

To certify that all contributing parties to each faculty endowment understand the conditions under which it is to be established and maintained, beginning with the FY 2016-17 competition the campus shall furnish as part of the initial proposal a detailed summary of all terms, inclusive of but not limited to conditions and restrictions related to disposition of endowment earnings, selection and retention of faculty holder(s), and intent of the endowment, set forth in any agreement(s) with non-State donor(s) specific to the endowment submitted for State match. Upon BoR staff's request, any portion of donor agreement(s) directly related to purpose of and restrictions pertinent to endowments matched with State funds must be furnished to an auditor for review at the campus; BoR staff shall not make copies or remove from the campus documents immediately pertaining to donor agreements without campus permission. Such information reviewed by BoR staff shall be deemed confidential pursuant to La. R.S. 44:4.1 and La. R.S. 17:3390, and not subject to disclosure under La. R.S. 44:1 et seq. Under no circumstances will the campus or its representatives be required to furnish to BoR staff agreements or other documents not related to the endowment for which State match is sought. BoR reserves the right to refuse BoRSF matching funds for any donor funds subject to terms which contravene or conflict with BoR policies until such are resolved, or terms to which BoR staff is not given access to ascertain the donor's intent.

In addition, a donor statement of understanding, indicating that the donor has received a copy of program and investment policies relevant to the appropriate BoRSF subprogram and understands the conditions under which the State provides and maintains endowment matching funds, shall be submitted as part of the proposal. A template for the donor statement shall be provided by BoR staff.

XV. ELIGIBLE MATCHING FUNDS

Funds raised by a post-secondary institution from non-State sources and eligible for State matching funds shall consist solely of funds derived from contributions made after July 1, 1984, and contributed and dedicated for the purposes of the BoRSF Endowed Chairs program. For purposes herein, the term "contributions" shall mean only such funds that are actually collected for BoR match after July 1, 1984, and verified by the respective institution in a manner deemed satisfactory to BoR.

Campuses and foundations should ensure donors are aware that the full non-State contribution must be on deposit to be eligible for BoRSF matching. Should a donor wish to contribute and the campus choose to accept funds incrementally over time toward a BoRSF-eligible endowment, such contributions shall not be recognized or matched until the full required amount has been deposited. If Board programs and/or policies change during the period in which the donor is building a contribution for match, that contribution shall be considered for match under the program(s) and policies in place at the time the non-State contribution is completed and the campus's request for BoRSF match is submitted to BoR.

XVI. RETENTION OF REVENUES AND ALLOCATION FOR EXPENDITURE

The sum of the funds provided from State and private sources at the establishment of the endowed chair, including State matching funds of $400,000 or more and private matching funds of $600,000 or more, shall constitute the original principal of the institution's endowed chair (the "original principal"). Once established, the endowed chair shall be invested pursuant to the Louisiana Board of Regents Endowed Chairs, Endowed Professorships, and Endowed Scholarships Programs Statement of Investment Policy and Objectives. In no event shall any amount of the original principal be expended, consumed, or invaded, and it shall only be used for prudent investments on behalf of the endowed chair.

The total market value of the endowment fund shall not exceed 125% of corpus (i.e., corpus value plus 25% of that value) at the end of any fiscal year in which the Endowed Chair is filled unless the campus has sought and been granted prior approval from the Board of Regents to retain and grow earnings for a specific purpose (e.g., a major equipment purchase). For Chairs matched prior to FY 2017-18, campuses shall have five years from the effective date of this policy to become fully compliant with this provision; if additional time is needed, the Board will consider formal requests for extension on a case-by-case basis. All expenditures must meet the policy provisions of policy section XVII and provide meaningful academic and/or research support for the chairholder.

If an Endowed Chair is vacant, revenues shall be placed in an expendable account for each year of the vacancy. Market value at the end of the fiscal year shall be determined by the total amount held in the principal account, less any funds deposited for expenditure. Upon appointment to the Chair, the next holder shall be notified of the expendable balance and provided with guidelines for use as well as BoR policies governing retention of expendable funds over time.

XVII. USE OF EXPENDABLE EARNINGS

The purpose of BoRSF-matched faculty endowments is to provide a steady, permanent source of supplementary funding to support the faculty holder's professional academic and/or scholarly work. Accordingly, campuses must ensure that faculty holders expend available funds regularly and retain minimal amounts in expendable accounts; a spendable balance not to exceed 25% of the total market value of the endowment account may be retained for expenditure in a future year except in special circumstances (e.g., accrual of sufficient funds for a major equipment purchase or, as in recent years, excessive accrual of expendable earnings) as approved by BoR. This shall include all dollars allocated for expenditure, including any funds unspent at the end of a previous fiscal year. When the endowment is vacant, spending is not permitted beyond appropriate fees charged by the managing entity, though expendable amounts shall continue to be calculated and retained for expenditure by the holder, when appointed.

Earnings may be used by the chairholder for any professional purpose related to the chair as defined. BoR strongly encourages that each participating institution (a) allow the use of at least one-half of the trust income of the endowed chair at the discretion of the chairholder to support expenses directly associated with the chairholder's scholarly work, and (b) use no more than one-half of the trust income as a supplement to the salary of the chairholder.

Consistent with Constitutional restrictions on the BoRSF and BoR policies, chairholder expenditures must be supplementary and enhancing in alignment with the defined purposes and goals of the chair. Per Article VII, §10.1, no expenditures may "displace, replace, or supplant appropriations from the general fund…for higher education." Endowment earnings may not be used for general operational costs of the institution, college, or department, including repair and maintenance, construction and renovation, or standard office/laboratory equipment. If a cost or category of costs is typically borne by the campus, college, or department for non-endowed faculty, it should also be borne for a chairholder. A campus, college, department or other entity receiving funds in violation of these expenditure provisions shall be required immediately upon discovery to reimburse the endowment's expendable account in the full amount disbursed.

XVIII. PLANS TO ADDRESS NECESSARY REVISIONS

Higher education is constantly evolving in focus and priorities. To ensure endowments, which are intended to exist in perpetuity, can be responsive to changes in academic, scholarly, educational, and other areas related to the endowment's purpose, for all endowments matched in FY 2016-17 and later, the donor agreement with the campus shall specify how endowment-related decisions will be made over the long term in the event that revisions are needed. If a faculty endowment becomes no longer useful to the campus (e.g., the related academic program is terminated) and the endowment cannot be adjusted to accommodate a current focus, the BoR reserves the right to redirect or withdraw the BoRSF matching funds.

XIX. CONDITIONS FOR REPURPOSING OF NON-BoRSF DONOR CONTRIBUTION

Provided the donor agreement(s) permits and subject to applicable legal restrictions, the non-BoRSF donor shall have the right to reallocate and/or change the purpose of the original non-State contribution in the following circumstances: (1) the campus has not adhered to the terms of the agreement with the donor or BoR policies; (2) the campus has not met its fiduciary duties, including the duty of care/prudence, duty to investigate, duty of loyalty/obedience, and duty to minimize costs, in management of the faculty endowment; and/or (3) the faculty endowment has remained vacant in excess of three years upon start-up or two years for subsequent appointments. If the donor wishes to redirect the original non-State contribution and/or earnings to an activity not permissible under BoRSF endowment programs, the campus shall immediately return the BoRSF matching funds, with associated unexpended earnings, to BoR; disposition of earnings associated with the donor's reallocated contribution should be negotiated between the campus and donor.

XX. REPORTING TO BOR

On an annual basis, each institution shall submit to BoR a single report that relates the professional accomplishments of chairholders (publications, presentations, exhibits, patents, etc.), external funding generated, the use of endowed funds, and vacancies in existing chairs. Also on an annual basis, each institution shall report to BoR as enumerated in the Louisiana Board of Regents Endowed Chairs, Endowed Professorships, and Endowed Scholarships Programs Statement of Investment Policy and Objectives.

The campus has the duty to fully cooperate with BoR and provide any and all specified programmatic and fiscal information, documentation, etc. related to matched endowed chairs to BoR when requested. This applies even if the endowed chair is rescinded and/or a lawsuit is filed. Specifically, the campus and any designated managers of endowed funds shall not limit or impede BoR's right to audit and shall not withhold documents related to BoRSF Endowed Chairs program awards.

XXI. REPORTING TO FACULTY HOLDER AND ACADEMIC ADMINISTRATION

On at least an annual basis, the campus or its designated manager of faculty endowment accounts (e.g., the associated foundation) shall provide in writing the following information to the faculty endowment holder, the appropriate administrative head (department chair, center director, dean, etc.), and the campus's chief academic officer:

- Corpus value of the endowment(s) held
- Market value of the endowment(s) held, including any amount held in a principal account
- Total amount available for expenditure in the current year, and maximum spendable balance that may be carried forward in accordance with Board policy

The holder shall also be notified by the appropriate campus office of the permissible uses of expendable funds, the amount(s) and purpose(s) of funds allocated at the campus's discretion (e.g., salary supplements); the amount available for expenditure at the faculty holder's discretion, and policies relating to the cap on retention of expendable funds without BoR approval. Such notifications shall be timely, to permit the faculty holder sufficient time to plan for meaningful expenditure of funds during the year.

XXII. REQUIRED COMMUNICATION WITH DONORS

For each endowed chair matched by BoR, the institution shall annually provide to the donor, at a minimum, the following information: the status of the chair (vacant or filled), the current market value, and the amount allocated for expenditure in the most recently completed fiscal year.[2] Donor reporting shall not be required under the following circumstances: 1) the donor is deceased; 2) the donor has in writing requested no contact; and/or 3) despite a good faith effort, the donor's contact information could not be located.

XXIII. PERIODIC BOARD OF REGENTS REVIEWS

A. Annual Review

BoR will engage a single team of out-of-state consultants to review all proposals submitted for matching funds each fiscal year. In all cases, proposals will be ranked and prioritized in accordance with a merit-based peer review process. An institution's pattern of holding chairholders to the high standards reflected in the Letter of Appointment (see Section XI.C) shall be a critical consideration in the granting of awards for subsequent chairs.

B. Comprehensive Program Review

With assistance from out-of-state experts, BoR will periodically review the overall Endowed Chairs program.

[2] A certification of compliance with this requirement, based on documentation retained by the campus, shall be included in the annual fiscal report to BoR. Compliance shall be attested to in the report provided by private or Legislative auditors.

XXIV. PUBLICITY AND ACKNOWLEDGEMENT

BoR shall publicize accomplishments of the Endowed Chairs program through the broad dissemination of brochures, newsletters, and news releases to the media and other appropriate outlets.

Institutions and chairholders shall include an acknowledgement of support from the Endowed Chairs program as part of any professional publication. A suggested wording is: “This research was supported in whole or in part by the Louisiana Board of Regents Endowed Chairs for Eminent Scholars program.”

XXV. REQUEST FOR WAIVER

If a campus identifies acute and exceptional circumstances that warrant an exception to any provisions of the Endowed Chairs program policy, a waiver may be formally requested in writing to the Commissioner of Higher Education, acting for BoR.

ATTACHMENT C

FOR BOR CONSIDERATION: JUNE 2017

BOARD OF REGENTS SUPPORT FUND
ENDOWED PROFESSORSHIPS SUBPROGRAM POLICY

I. PREAMBLE

In 1990-91, the Board of Regents (BoR) established the Board of Regents Support Fund (BoRSF) Endowed Professorships subprogram, patterned after the successful Endowed Chairs for Eminent Scholars subprogram, to strengthen instruction and research across a diverse array of campuses. Since its inception, the Endowed Professorships subprogram has operated as a non-competitive opportunity for campuses to receive State match of donor contributions. BoR fulfills all obligations and commitments to the Endowed Professorships subprogram by funding matches in accordance with Support Fund plans and budgets as approved annually by the Legislature and Governor.

II. POLICY EFFECTIVE DATE

The effective date of this policy is July 1, 2017.

III. DEFINITION AND USES OF ENDOWED PROFESSORSHIPS

Endowed professorships are established to help recruit and retain superior faculty aligned with the submitting campus's role, scope, mission, and strategic priorities. The recipient of an Endowed Professorship must be a faculty member whose research, teaching, and/or public service uniquely contributes to the mission(s) of their departments, their campuses, and the State. The Endowed Professorships subprogram is designed to further achievement of the constitutionally prescribed goals of the Support Fund: to enhance the quality of higher education and promote economic development in Louisiana.

IV. PUBLIC POSTURE OF BoRSF MATCH

BoR is constitutionally entrusted with the allocation of the Louisiana Quality Education Support Fund (Support Fund) toward four specific goals enumerated in La. Const. art. VII, §10.1(D). The Support Fund is a constitutional dedication to promote excellence in higher education and enhance economic development through a set of specified purposes, which include the endowment of chairs and professorships. In accordance with the constitutional parameters and restrictions, BoR through the Support Fund provides State funds to match non-State endowments.

The public dollars provided as match to endowments do not lose their public character and function, even when entrusted to or managed by a non-public entity or matched to a private donor's contribution. The endowed professorships toward which BoR is authorized to allocate public funds must be used within a reasonable period of the State match and consistently over time to achieve the specific goal of attracting eminent scholars to foster economic development. An endowment created through a non-State donation matched by State dollars is not simply a fund held by a university-affiliated foundation or other managing entity, as such funds being held are not required to serve a specific public purpose distinct from the institutional mission.

Accordingly, Support Fund policies restrict the use and investment of such funds to ensure all related activities serve the purposes for which Support Fund money may be expended. Should the public funds contributed for these purposes not be used to accomplish the mandated goals of the Support Fund and/or address specific BoR policy requirements, such funds and all associated earnings shall be subject to revocation by BoR. All agreements and arrangements related to the non-State funds are strictly the obligation of the original donor, his/her successors, and the campus; no private agreement or act of donation shall contravene or supersede State constitution and laws, and any BoR policy adopted in accordance therewith. To that end, all institutions and their affiliated foundations shall fully inform private donors of the purpose of the donation, initial and subsequent time periods within which a State-matched donation must be put to use, the possible reversion of the State match if it is not put to use within that time period, and the options available to the donor should such reversion occur.

V. ELIGIBLE CAMPUSES

All Louisiana public institutions of higher education and those independent institutions which are members of the Louisiana Association of Independent Colleges and Universities (LAICU) are eligible to participate in the Endowed Professorships subprogram.

VI. ALLOCATION OF BoRSF/LEGISLATIVE MATCHING FUNDS

A. BoRSF Matches

1. Matching Funds: State funds will be provided at a ratio of 80% non-State to 20% State match with the following provisions:

    a. For each $20,000 State match requested, a minimum $80,000 non-State contribution is required. While a non-State contribution may exceed $80,000, State match will be provided only in indivisible $20,000 increments.
    b. Campuses with fewer than fifteen (15) Endowed Professorship slots matched by the BoRSF may request matches at a ratio of 60% non-State to 40% State. For such requests, State match will be provided only in indivisible $40,000 increments. Once a campus has received State match for fifteen (15) Endowed Professorship slots, that campus will be eligible only for the 80% non-State/20% State ratio.
    c. Campuses and foundations should ensure donors are aware that the full non-State contribution must be on deposit to be eligible for BoRSF matching. Should a donor wish to contribute and the campus choose to accept funds incrementally over time toward a BoRSF-eligible endowment, such contributions shall not be recognized or matched until the full required amount has been deposited. If BoR programs or policies change during the period in which the donor is building a contribution for match, that contribution shall be considered for match under the program(s) and policies in place at the time the non-State contribution is completed and the campus's request for BoRSF match is submitted to BoR.

2. Funding Guarantees: The subprogram guarantees Support Fund assistance to annually fund two (2) $20,000 matches to establish two (2) $100,000 professorships per year for each eligible campus.

Annual funding guarantees per institution are contingent upon compliance with policy requirements related to maximum vacancy rates and numbers of full-time equivalent (FTE) faculty employed by institution (see Sections VI.A.3-4 of this policy, below).

3. Eligibility for Annual Matching Based on Vacancy Rates: If a campus's percentage of vacancies of greater than two years' duration in the Endowed Professorships subprogram exceeds 20%, that campus shall not be eligible to submit requests for additional Endowed Professorships matches during that year.[1]

4. Eligibility for Matching Based on Full-Time Equivalent Faculty: The number of BoRSF-matched endowed professorships on a campus shall not exceed the number of FTE faculty, defined as all full-time equivalent faculty employed by the institution (including instructional, clinical, research, adjunct and visiting faculty).[2] Should the number of BoRSF-matched endowed professorships exceed the number of FTE faculty on a campus during a submission year, additional new BoRSF matches shall not be provided in that year.

5. Eligibility for Matching Based on Academic Unit Faculty Count: The number of BoRSF-matched endowed professorships in an academic unit (department, center, college, etc.) shall not exceed its number of FTE faculty, defined as all full-time equivalent faculty assigned to the academic unit. Should the number of BoRSF-matched endowed professorships exceed the number of FTE faculty in an academic unit during a submission year, additional new BoRSF matches shall not be provided in that year.

B. BoRSF Funding for Additional Slots: Campuses may submit applications for match in addition to that guaranteed by BoR and may receive additional matches beyond guaranteed slots if one or more campuses submit fewer than their guaranteed applications. While BoR has no responsibility to recognize or match applications submitted in excess of guarantees, any unmatched slots may be funded for campuses through this arrangement. Should BoR approve additional slots through this proviso, BoR shall determine the most appropriate allocation of such funds.

[1] A campus's percentage of endowed professorship vacancies longer than two years shall be calculated as the number of matched slots reported as unfilled for longer than two years divided by the total number of slots matched at the campus. The duration of an endowed professorship vacancy shall be calculated from August of the academic year following the departure of the most recent professorship holder or, in the case of new or not-yet-filled professorships, from August of the calendar year in which Board match was provided. Endowed professorships accounts with market values below corpus are excluded from policy formulae related to vacancy rates.

[2] FTE faculty counts by institution shall be required in annual endowment reporting. With the permission of the donor(s), multiple individual endowed professorships slots may be combined into a single professorship for assignment to a faculty recipient. If consistent with donor intent and not explicitly prohibited by the donor, donor permission for such combinations shall not be required under the following circumstances: 1) the donor is deceased; 2) the donor has in writing indicated that the campus may make appropriate changes at its discretion; and/or 3) despite a good-faith effort, the donor's contact information could not be located.

C. Supplemental Legislative Funding: In the event that supplemental State appropriations to match endowed professorships (as well as chairs and scholarships) are forthcoming, BoR shall determine the most appropriate allocation of such funds.

VII. VACANCIES AND RETENTION OF STATE MATCHING FUNDS

BoRSF faculty endowment programs are designed to provide matching resources to non-State donations, the earnings from which support the productivity and performance of superior faculty. Persistent vacancies are not in the interest of participating campuses and faculty nor supportive of BoRSF constitutional and program goals. Vacancies also do not serve the intent of the non-State donor, to the extent that the donor expects the contribution to support faculty work. In addition, they sequester significant State resources – corpus and earnings – during the period of vacancy, severely limiting any impact these funds might have, especially in view of sharply declining State support for higher education. The following provisions are made to ensure that endowments matched by the State are needed, useful, and representative of campus priorities, as reflected in their consistent use; if an endowment is not consistently used, State funds should be freed to be applied to other priorities.

For endowments matched in FY 2016-17 or later, if the faculty endowment has not been filled within four years after provision of BoRSF matching or three years following departure of the most recent faculty holder of the endowment, the campus shall submit for BoR approval a written request and justification to retain the matching funds, along with an account of activities undertaken since the vacancy occurred to fill the faculty endowment, problems and barriers encountered, and plans and a timeline to appoint a faculty holder. Such request shall be submitted to the Deputy Commissioner for Sponsored Programs and assessed by both Sponsored Programs staff and the Commissioner of Higher Education, with staff recommendations forwarded to BoR, which has sole authority to grant final approval. If the campus does not act as approved to fill the slot, the campus shall return matching funds and associated unexpended principal and earnings to BoR. BoR reserves its right to seek a return of the match only in this circumstance or where it finds that the endowment becomes unusable as described in the paragraph below.

For endowments matched prior to FY 2016-17 and vacant for more than two years, the campus shall notify the non-BoRSF donor of the duration of the vacancy along with plans, if any, to fill the vacancy within the next two years, and request that the donor indicate how he/she wishes to proceed. Based on documentation retained by the campus, the campus's annual fiscal report for each affected endowment shall certify that the donor is aware of current policies governing vacancies as well as indicate the donor's preferred course of action and a timeline for implementation of the action plan or account of progress toward implementation if a multiyear plan is underway. If the donor prefers to redirect the original non-State contribution and/or earnings to an activity not permissible under BoRSF endowment programs, the campus shall submit for BoR approval a plan to redirect the BoRSF share to a BoRSF-eligible endowment category to fund a donor contribution awaiting State match. In the event that the endowment becomes unusable (e.g., the associated academic program ceases to exist and the donor does not agree to redirect the original non-State contribution to a category eligible for BoRSF match), the campus shall return the BoRSF matching funds, with associated unexpended earnings, as soon as possible after the circumstance becomes known. BoR reserves its right to seek a return of the match only where it finds the BoRSF funds have become unusable for their intended purpose and no other acceptable use – repurposing the endowment or redirecting matching funds to an eligible endowment category – can be identified.

VIII. CAMPUS INTERNAL STANDARDS AND PROCESSES

A. Required Submission: To be eligible to participate in the Endowed Professorships subprogram, each campus with existing State-matched professorships and/or new applications for match in FY 2012-13 shall submit by March 31, 2013 a document defining (1) its internal standards for selecting faculty recipients of endowed professorships; and (2) its internal processes for implementing these standards and monitoring compliance.[3] While campuses are required to submit the document only once, standards and practices may be updated annually by March 31.

B. Delayed Submission and Eligibility: In subsequent funding cycles, campuses without internal standards and processes on file that plan to submit applications for match through the Endowed Professorships subprogram shall forward the document to BoR by March 31 of the year in which match is requested.

C. Applicability of Internal Standards and Processes: Beginning March 31, 2013, each affected campus shall fill any vacancies in State-matched professorships using these internal standards and processes.

IX. ANNUAL SUBMISSION OF REQUESTS FOR MATCHING FUNDS

A. Application Elements: Annual applications to the Endowed Professorships subprogram must include the following:

1. Annual Letter and Rank Order List: Each year, along with its individual applications, an eligible campus requesting funds through the Endowed Professorships subprogram shall submit a cover letter signed by the President or Chancellor of the campus listing all applications in rank order of funding priority and requesting appropriate matching funds during the current funding cycle.

2. Individual Applications for Match: Each individual application for Endowed Professorships match shall be comprised of six (6) documents:

   a. A brief statement, not to exceed three pages, defining the need for the professorship, its intended purpose, alignment of the professorship with the campus's role, scope, mission, and strategic priorities, selection criteria for the holder, and minimum standards of performance for the holder's retention of the professorship. The statement must include as an appendix (not within the three-page limit) the total number and list by individual slot of existing BoRSF-matched professorships and/or professorship holders assigned to the academic unit in which the new slot is requested.

   b. An authenticated statement, notarized in the presence of two witnesses, which shall indicate that the campus has in good faith satisfied the requirements of the Board of Regents Endowed Professorships subprogram policy related to the Definition and Purpose of the subprogram, and describing how campus standards and processes will be used to select the professorship holder.

[3] Standards must reflect one or both of the Constitutional goals of the Support Fund: to improve the quality of education and/or enhance economic development.

c. An affidavit from the financial institution in which the non-State matching funds are held verifying that the participating campus has received and deposited non-State matching funds in at least the minimum amounts set forth in Section VI.A.1.a-b , and that the funds received and deposited meet all eligibility requirements of the Endowed Professorships subprogram policy.

d. A Statement of Understanding executed by the donor(s) and the campus certifying that the donor(s) has been informed of Board of Regents and campus policies and practices relative to the Endowed Professorships subprogram. (See template in Appendix A.)

e. A detailed summary of all terms, inclusive of but not limited to conditions and restrictions related to disposition of endowment earnings, selection and retention of faculty holder(s), and intent of the endowment, set forth in any agreement(s) with non-State donor(s) specific to the endowment submitted for State match (see Section XIII).

f. Documentation via official minutes of the relevant management or governing board of the participating campus that the board has granted approval for the establishment of the endowed professorship to be supported by the proceeds of the non-State contribution and the requested State match.

B. Acceptance of Applications and Deadlines: Applications for match must be received by the Board of Regents by 4:30 p.m. Central time on March 31 for each funding cycle. Should March 31 fall on a Saturday, Sunday, or State holiday, the deadline shall be extended to 4:30 p.m. Central time of the next working weekday. Submissions after March 31 will be held until the next funding cycle.

One copy of the cover letter and original documents for each new application shall be submitted as follows:

U.S. Mail	**UPS, Federal Express, Hand-Delivery**
Endowed Professorships Subprogram c/o Deputy Commissioner for Sponsored Programs Louisiana Board of Regents P. O. Box 3677 Baton Rouge, LA 70821-3677	Endowed Professorships Subprogram c/o Deputy Commissioner for Sponsored Programs Louisiana Board of Regents 1201 North Third Street, Suite 6-200 Baton Rouge, LA 70802

X. RESUBMISSION OF UNMATCHED APPLICATIONS

Endowed Professorships applications that were submitted in a previous year but not matched may be resubmitted without the above-referenced supporting documentation (Policy Section IX.A.2.a-d), which is kept on file by BoR. The rank-order list provided in the cover letter from the campus president or chancellor (Policy Section IX.A.1) must include all previous and new submissions for which matching is requested; only those submissions included in the annual rank-order list will be eligible for match during the funding cycle.

XI. BOARD ENCOURAGEMENT OF USE OF NON-STATE FUNDS WITHOUT STATE MATCH

Campuses, foundations, and donors are encouraged and urged to help alleviate the Endowed Professorships backlog and address budgetary issues by acting as follows:

A. For $60,000 donations awaiting State match, arrange to spend income accumulating from non-State funds to address current faculty and departmental needs; and

B. Endow professorships entirely through non-State funds by combining unmatched $60,000 donations.

C. If a donor match generates income in addition to the principal contribution prior to provision of the State match, the campus and donor may, at their discretion, determine ways to expend such income. To be eligible for State match, however, the principal must remain whole.

XII. STATEWIDE PRINCIPLES AND GUIDELINES FOR OPERATION OF ENDOWED PROFESSORSHIPS

The following standards and principles listed below shall guide subprogram practices across all campuses. In addition to these statewide principles, each respective campus's internal standards and processes, on file with BoR, shall govern subprogram operation:

A. Professorships shall be awarded to faculty recipients for terms of one year or more; only under special circumstances shall a professorship be awarded for a term of less than one year.

B. Except under extenuating circumstances, as approved by the Commissioner of Higher Education, no more than two years shall elapse from the provision of State match to its award by the campus. If an endowed professorship should become vacant, the same rule shall apply.

C. The impact of an endowed professorship is seriously diminished when shared among two or more faculty members. The institution shall not divide a single professorship among multiple recipients except in special circumstances, as approved by the Commissioner of Higher Education.

D. Except in special circumstances, as approved by the Commissioner of Higher Education, income generated from an endowed professorship shall be designated specifically for the use of the faculty member holding the position, not for the general discretionary use of departments or the campus.

E. Campus officials shall have the primary and final responsibility to select and appoint professorship recipients.

XIII. SHARING OF DONOR/BoRSF RESTRICTIONS

To certify that all contributing parties to each faculty endowment understand the conditions under which it is to be established and maintained, beginning with the FY 2016-17 match requests the campus shall furnish as part of the submission a detailed summary of all terms, inclusive of but not limited to conditions and restrictions related to disposition of endowment earnings, selection and retention of faculty holder(s), and intent of the endowment, set forth in any agreement(s) with non-State donor(s) specific to the endowment submitted for State match. Upon BoR staff's request, any portion of donor agreement(s) directly related to purpose of and restrictions pertinent to endowments matched with State funds must be furnished to an auditor for review at the campus; BoR staff shall not make copies or remove from the campus documents immediately pertaining to donor agreements without campus permission. Such information reviewed by BoR staff shall be deemed confidential pursuant to La. R.S. 44:4.1 and La. R.S. 17:3390, and not subject to disclosure under La. R.S. 44:1 et seq. Under no circumstances will the campus or its representatives be required to furnish to BoR staff agreements or other documents not related to the endowment for which State match is sought. BoR reserves the right to refuse BoRSF matching funds for any donor funds subject to terms which contravene or conflict with BoR policies until such are resolved, or terms to which BoR staff is not given access to ascertain the donor's intent.

In addition, the donor statement of understanding shall indicate that the donor has received a copy of program and investment policies relevant to the appropriate BoRSF subprogram and understands the conditions under which the State provides and maintains endowment matching funds, shall be submitted as part of the request for match. A template for the donor statement is included in Appendix A.

XIV. INTERACTION BETWEEN THE CAMPUS AND DONOR

A. For each endowed professorship matched by BoR, the institution shall annually provide to the donor, at a minimum, the following information: the status of the endowed professorship (vacant or filled), the current market value, and the amount allocated for expenditure in the most recently completed fiscal year.[4]

B. Donor reporting shall not be required under the following circumstances: 1) the donor is deceased; 2) the donor has in writing requested no contact; and/or 3) despite a good faith effort, the donor's contact information could not be located.

C. As feasible and appropriate, campuses shall develop and maintain other regular interaction with donors, including involvement of donors in award ceremonies and engagement of donors by faculty professorship holders.

XV. CHANGES IN ENDOWMENT PURPOSE

Provided the donor agreement(s) permits and subject to applicable legal restrictions, the non-BoRSF donor shall have the right to reallocate and/or change the purpose of the original non-State contribution in the following circumstances: (1) the campus has not adhered to the terms of the agreement with the donor or BoR policies; (2) the campus has not met its fiduciary duties, including the duty of care/prudence, duty to investigate, duty of loyalty/obedience, and duty to minimize costs, in management of the faculty endowment; and/or (3) the faculty endowment has remained vacant in excess of three years upon start-up or two years for subsequent appointments. If the donor wishes to redirect the original non-State contribution and/or earnings to an activity not permissible

[4] A certification of compliance with this requirement, based on documentation retained by the campus, shall be included in the annual fiscal report to the Board of Regents. Compliance shall be attested to in the report provided by private or Legislative auditors.

under BoRSF endowment programs, the campus shall immediately return the BoRSF matching funds, with associated unexpended earnings, to BoR; disposition of earnings associated with the donor's reallocated contribution should be negotiated between the campus and donor.

XVI. PLANS TO ADDRESS NECESSARY REVISIONS

Higher education is constantly evolving in focus and priorities. To ensure endowments, which are intended to exist in perpetuity, can be responsive to changes in academic, scholarly, educational, and other areas related to the endowment's purpose, for all endowments matched in FY 2016-17 and later the donor agreement with the campus shall specify how endowment-related decisions will be made over the long term in the event that revisions are needed. If a faculty endowment becomes no longer useful to the campus (e.g., the related academic program is terminated) and the endowment cannot be adjusted to accommodate a current focus, the BoR reserves the right to redirect or withdraw the BoRSF matching funds.

XVII. CREDITING THE BOARD OF REGENTS SUPPORT FUND

Campuses shall ensure that all internal and external materials regarding the subprogram, including policies and procedures, news releases, and promotional materials, appropriately credit the BoRSF.

XVIII. RECOGNITION OF ENDOWED PROFESSORSHIPS PARTICIPANTS

A. Board of Regents: BoR will annually honor campuses/donors that establish endowed professorships.

B. Campuses: Campuses shall develop and maintain procedures to recognize endowed professorship holders and donors both internally and externally through such public announcements as media releases, campus newsletters, awards ceremonies, and web pages.

XIX. INVESTMENT OF ENDOWED PROFESSORSHIPS FUNDS

Campuses shall invest Endowed Professorships subprogram funds in accordance with the Louisiana Board of Regents Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs Statement of Investment Policy and Objectives.

XX. ALLOCATION OF EARNINGS FOR EXPENDITURE

The total market value of the endowment fund shall not exceed 125% of corpus at the end of any fiscal year in which the Endowed Professorship is filled unless the campus has sought and been granted prior approval from the Board of Regents to retain and grow earnings for a specific purpose (e.g., a major equipment purchase). For Professorships matched prior to FY 2017-18, campuses shall have five years from the effective date of this policy to become fully compliant with this provision; if additional time is needed, the Board will consider formal requests for extension on a case-by-case basis. All expenditures must meet the policy provisions of policy section XXI and provide meaningful academic and/or research support for the faculty holder.

If an Endowed Professorship is vacant, revenues shall be placed in an expendable account for each year of the vacancy. Market value at the end of the fiscal year shall be determined by the total amount held in the principal account, less any funds deposited for expenditure. Upon appointment to the Professorship, the next holder shall be notified of the expendable balance and provided with guidelines for use as well as BoR policies governing retention of expendable funds over time.

XXI. FACULTY EXPENDITURE OF AVAILABLE FUNDS

The purpose of BoRSF-matched faculty endowments is to provide a steady, permanent source of supplementary funding to support the faculty holder's professional academic and/or scholarly work. Accordingly, campuses must ensure that faculty holders expend available funds regularly and retain minimal amounts in expendable accounts; a spendable balance not to exceed 25% of the total market value of the endowment account may be retained for expenditure in a future year except in special circumstances (e.g., accrual of sufficient funds for a major equipment purchase or, as in recent years, excessive accrual of expendable earnings) as approved by BoR. This shall include all dollars allocated for expenditure, including any funds unspent at the end of a previous fiscal year. When the endowment is vacant, spending is not permitted beyond appropriate fees charged by the managing entity, though expendable amounts shall continue to be calculated and retained for expenditure by the holder, when appointed.

Earnings may be used by the faculty holder for any professional purpose related to the professorship as defined. Consistent with Constitutional restrictions on the BoRSF and BoR policies, a faculty holder's expenditures must be supplementary and enhancing in alignment with the defined purposes and goals of the professorship. Per Article VII, §10.1, no expenditures may "displace, replace, or supplant appropriations from the general fund…for higher education." Endowment earnings may not be used for general operational costs of the institution, college, or department, including repair and maintenance, construction and renovation, or standard office/laboratory equipment. If a cost or category of costs is typically borne by the campus, college, or department for non-endowed faculty, it should also be borne for an endowment holder. A campus, college, department or other entity receiving funds in violation of these expenditure provisions shall be required immediately upon discovery to reimburse the endowment's expendable account in the full amount disbursed.

XXII. ACCOUNTABILITY MEASURES

A. Campuses

For each matched professorship, the campus shall develop goals, objectives, and accountability measures appropriate to the department in which the faculty recipient resides (e.g., grant funding, publications, teaching, industrial ties, technology transfer, and other academic/economic development activities). Based on these accountability measures, campuses shall periodically, but not less than every three years, evaluate the progress of each professorship recipient relative to established goals and objectives.

B. Board of Regents

BoR shall periodically conduct a comprehensive review of the Endowed Professorships subprogram to determine the extent to which subprogram goals and objectives are being met and the impact of professorships at participating campuses and in the State.

XXIII. REPORTING TO FACULTY HOLDER AND ACADEMIC ADMINISTRATION

On at least an annual basis, the campus or its designated manager of faculty endowment accounts (e.g., the associated foundation) shall provide in writing the following information to the faculty endowment holder, the appropriate administrative head (department chair, center director, dean, etc.), and the campus's chief academic officer:

- Corpus value of the endowment(s) held
- Market value of the endowment(s) held, including any amount held in a principal account
- Total amount available for expenditure in the current year, and maximum spendable balance that may be carried forward in accordance with Board policy

The holder shall also be notified by the appropriate campus office of the permissible uses of expendable funds, the amount(s) and purpose(s) of funds allocated at the campus's discretion (e.g., salary supplements); the amount available for expenditure at the faculty holder's discretion, and policies relating to the cap on retention of expendable funds without BoR approval. Such notifications shall be timely, to permit the faculty holder sufficient time to plan for meaningful expenditure of funds during the year.

XXIV. AVAILABILITY OF RECORDS

The campus has the duty to fully cooperate with BoR and provide any and all specified programmatic and fiscal information, documentation, etc. related to matched endowed professorships to BoR when requested. This applies even if the professorship is rescinded or dissolved, and/or a lawsuit is filed. Specifically, the campus and any designated managers of endowed funds shall not limit or impede BoR's right to audit and shall not withhold documents related to BoRSF Endowed Professorships awards.

XXV. REQUEST FOR WAIVER

If a campus identifies acute and exceptional circumstances that warrant an exception to any provisions of the Endowed Professorships subprogram policy, a waiver may be formally requested in writing to BoR.

APPENDIX A

TEMPLATE: DONOR STATEMENT OF UNDERSTANDING

TEMPLATE
Endowed Professorships Subprogram
Donor Statement of Understanding

1. (I or We) have been fully informed and accept that the Board of Regents will match a maximum of two (2) endowed professorships per year for (Institution).

2. (I or We) have reviewed, understand, and accept the Program Policy and Investment Policy provisions relative to retention of funds, expenditure of income, and other administrative conditions related to provision of BoRSF matching funds.

3. (I or We) have reviewed, understand, and accept (Institution's) internal standards and process for selecting faculty recipients of BoRSF-matched endowed professorships.

____
Donor or Donor Representative

____
Campus Representative

AGENDA ITEM IV.A.

Consent Agenda: Appointment of Chairholder without National Search:
Louisiana Tech University

Background Information

At its January 12, 2015 meeting, the Board unanimously approved the following revision to the Endowed Chairs for Eminent Scholars policy:

> Effective immediately, all campuses shall provide documentation to the Commissioner of Higher Education that each Chair vacancy is being filled – whether externally or internally – following a national search. Any request for waiver of this policy shall be made in writing to the Commissioner of Higher Education and reviewed by external consultants. Upon receipt of the consultants' response, the Commissioner will provide a formal recommendation for consideration and approval by the Board of Regents. Board approval of the waiver must be provided prior to appointment of the chairholder. The Board reserves the right to render a campus not in compliance with this policy to be ineligible for new Endowed Chairs funds.

Staff Summary

The T. L. James Eminent Scholar Chair in Engineering was matched by the BoRSF in FY 1988-89 and is currently vacant. In accordance with policy, Louisiana Tech University has requested waiver of the Endowed Chairs national search requirement to appoint Dr. Bala Ramu Ramachandran, Executive Associate Dean of Research for the College of Engineering and Science, to the James Chair. Dr. Ramachandran currently holds the Hazel Stuart Gardiner Professorship, which he will relinquish upon appointment to the Chair. Documentation outlining Dr. Ramachandran's qualifications was provided to an external reviewer, who concluded that this appointment is appropriate and recommended approval; the Commissioner of Higher Education concurred.

Senior Staff Recommendation

The Senior Staff recommends approval of Louisiana Tech University's request to appoint Dr. Bala Ramu Ramachandran to the T. L. James Eminent Scholar Chair in Engineering without a national search. As stipulated in Board policy, a Letter of Appointment to Dr. Ramachandran must be submitted to the Board within 90 days of this approval.