

## **THE DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND**

**Annual Report  
October 17, 2008**

In 1985, the General Assembly created the Distinguished Professors Endowment Trust Fund. The aim was to stimulate private support and commitment to strengthen faculties and to promote excellence on the 16 campuses of the University of North Carolina. The trust fund was established to enable each institution to receive and match challenge grants to create endowed chairs for distinguished professors.

The original legislation provided for matching grants on the basis of one dollar in State money to be allocated for every two dollars raised in private funds. In 2003, the General Assembly, in response to a Board of Governors' request, amended the statute to change that ratio to a one-for-one basis for nine constituent institutions designated either as "focused growth institutions" or as "special needs institutions."

Focused growth institutions include Elizabeth City State University, Fayetteville State University, North Carolina A&T State University, North Carolina Central University, The University of North Carolina at Pembroke, Western Carolina University, and Winston-Salem State University. The two special needs institutions are The University of North Carolina School of the Arts and The University of North Carolina at Asheville.

The seven remaining institutions, Appalachian State University, East Carolina University, North Carolina State University, The University of North Carolina at Chapel Hill, The University of North Carolina at Charlotte, The University of North Carolina at Greensboro, and The University of North Carolina at Wilmington, are still required to meet the one-for-two match set by the original legislation.

Thus, the amount of matching money required for each level of endowment depends on the designation of the institution. Until July 2005, the statutes stipulated only two levels of endowments to be established from the trust fund. For the institutions still needing a one-for-two match, \$666,000 in private contributions qualify for \$334,000 in State matching funds to create a \$1,000,000 endowment, and \$333,000 in private contributions qualify for \$167,000 in State matching funds to establish a \$500,000 endowment.

For focused growth and special needs institutions, \$500,000 in private contributions qualify for \$500,000 in State matching funds to create a \$1,000,000 endowment, and \$250,000 in private donations qualify for \$250,000 to establish a \$500,000 endowment.

Endowments of up to \$2,000,000 are now authorized. To be consistent with the statutes and with the original half-million dollar increments in defining levels for endowments, the Board of Governors at its October 2005 meeting set four levels of endowments for distinguished professorships, i. e., at \$500,000, \$1,000,000, \$1,500,000, and \$2,000,000. The ratios for private to State funding remain on a one-for-one basis at focused growth and special needs institutions and on a two-for-one basis at the other seven institutions.

The Distinguished Professors Endowment Trust Fund has been a powerful tool to stimulate private giving. This initiative has enabled the University to be far more competitive for highly qualified faculty than it could have ever been otherwise. Since 1985, appropriations and interest earnings have provided \$98,887,591.18 for the Distinguished Professors Trust Fund. As of September 30, 2008, \$96,810,000 has been paid to the institutions to match private gifts of \$180,690,000 for the creation of 373 endowments totaling \$277,500,000.

The strong response to the program has increased the need for State matching funds. For more than a decade after the initiation of the program, a backlog of unmatched private gifts grew steadily. In the 1997-99 biennium, and again in its 2004 Session, the General Assembly made a substantial effort to eliminate or reduce the backlog of professorships awaiting State matching funds. In the latter year, \$10,000,000 was appropriated.

In September 2004, State matching funds and accumulation of interest were transferred to create 37 new distinguished professorships at nine institutions—the largest number created in any year up to that point.

By its generous response to the Board's supplemental budget request, the General Assembly put the Distinguished Professors Endowment Trust Fund on a firm footing. Eight million dollars of the 2004 appropriation was designated as recurring money. That was expected to be sufficient to steadily reduce the backlog of professorships awaiting funding from the Trust Fund. That hope has not been realized.

Since November 2004, there has been an unprecedented acceleration of private gifts for these distinguished professorships. The acceleration stems from three factors: the major campaign at UNC-Chapel Hill that has given endowed distinguished professorships a high priority; the ability of the focused growth and special needs institutions to accelerate private donations and qualify earlier for the State match as a result of the change in the required matching ratios; and the two new challenge grant programs announced by the C. D. Spangler Foundation, Inc. in April 2007 and endorsed by the President and Board of Governors on May 11, 2007. The programs will make available \$26.9 million to support the creation of 96 distinguished professorships.

Previously, the Spangler family, through the Foundation, provided grants to endow or complete 37 distinguished professorships across the University. The current offer created 16 more in 2007, and the offer for the next five years has the potential to create 80 more.

The first offer of the Foundation was to provide full private funding for 16 new Distinguished Professorships, one at each institution, to qualify for State matching funds from the Board of Governors' Distinguished Professors Endowment Trust Fund. The second offer from the Foundation is for grants totaling \$20,000,000 over a five-year period, beginning January 1, 2008. Institutions may apply for one challenge grant of \$250,000 from the Foundation in each of the five years, 2008-2012.

The amount of the grant from the Spangler Foundation and the level of the endowment depend upon the designation of each of the institutions. For the seven focused growth institutions and for the two special needs institutions, the Foundation will provide full private funding of \$250,000

which, combined with \$250,000 in State matching funds, will create a \$500,000 endowment for a new Distinguished Professorship at each of the institutions. Furthermore, if one of these institutions raises an additional \$250,000 from other private sources, it will qualify for a \$1,000,000 endowment. These matching requirements apply for 2008 and for the succeeding four years.

For the remaining seven institutions that are not focused growth or special needs institutions, Spangler Foundation Grants in 2007 may be used only for a \$1,000,000 endowment, based on a Foundation grant of \$667,000 and a State match of \$333,000. For the 2008-2012 period, the Foundation will provide a challenge grant of \$250,000 to be combined with an additional \$417,000 raised from other private sources to qualify for \$333,000 in State matching funds to create a \$1,000,000 endowment. The Spangler grant may not be used for an endowment at any other level at these seven institutions.

The 2007 General Assembly responded generously to the Board of Governors' request for additional appropriations to take advantage of the extraordinary offer from the Spangler Foundation. In addition to the recurring \$8,000,000, the legislature provided an additional \$6,000,000 in nonrecurring funds to meet the Spangler challenge and to reduce the cumulative backlog of professorships awaiting State funding.

As a result, in 2007-08, we were able to complete endowments for 30 professorships in the queue at six institutions and, in addition, to establish one new chair at each of the 16 institutions through the Spangler Foundation grants. The funding of 46 professorships in one year set a new record.

The 2008 General Assembly appropriated \$4,600,000 in nonrecurring funds in addition to the recurring \$8,000,000 for the Distinguished Professors Endowment Trust Fund. As of September 30, 2008, a total of \$10,671,000 was transferred to the institutions to create 26 endowments for Distinguished Professorships. Of that number, four were for \$500,000 endowments, 18 were at the \$1,000,000 level, one was at the \$1,500,000 level, and three were for \$2,000,000 endowments.

Eleven of the new professorships were supported in part by the Spangler Foundation. The remaining five institutions are also expected to qualify for the Spangler Grants this year. Reserve funds are being held to provide State matching dollars to fund those professorships when plans are received. It is anticipated that with these pending transactions, at least 31 new professorships will be funded in 2008-09.

The Spangler initiative has enabled the nine focused growth and special needs institutions to create an unprecedented number of \$1,000,000 endowments. Prior to 2008-09, these institutions had a combined total of 10 professorships at that level. In the 2008 allocations, we have the potential to more than double the number of higher endowments at these nine institutions.

If all of the eligible institutions raise sufficient funds to match the Spangler Grants and qualify for State funds for \$1,000,000 endowments, it will require \$6,831,000 in State funds to match the Spangler initiative each year.

Despite the favorable response of the General Assembly, current allocations have not been sufficient to eliminate the accumulated backlog of professorships awaiting State funding. As of September 30, 2008, there remained in the queue a total of 69 professorships, including 43 eligible for transfer of funds, and 26 others for which the full private contribution had not yet been received. The requisite State match for the 43 eligible for transfer would require \$11,263,000, of which \$1,999,000 is set aside for the remaining Spangler-related transfers. To escrow the State match for the other 26 would require \$7,178,000. Including interest earnings, the current shortfall is \$16,363,408.82.

Professorships continue to be added to the queue. In coming years the availability of the Spangler Foundation Challenge Grants and the gifts of other private donors will contribute to a growing backlog. Moreover, the increasing number of \$1 million endowments and the option of endowments of \$1.5 million and of \$2 million make the need for State funds more imperative. Larger transfers for larger endowments without substantial and continuing appropriations will consume a greater share of available State matching funds while reducing markedly the number of new professorships that can be funded in any given year. This year, there were three endowments established at the \$2,000,000 level and one at the \$1,500,000 level. Five professorships at the \$1,500,000 level and three at the \$2,000,000 level are currently in the queue awaiting funding.

The Committee on Personnel and Tenure, therefore, recommends that the Board of Governors note the continuing and growing backlog of distinguished professorships and submit a budget request for a higher level of recurring funding and for supplemental non-recurring funds for the Distinguished Professors Endowment Trust Fund.

This highly successful initiative significantly impacts the quality of our faculty and programs. The Distinguished Professors Endowment Trust Fund needs and deserves additional support.

# **Number of Distinguished Professorships by Institution** **September 30, 2008**

Institution	Funded					Awaiting Funding *					Total Qualifying Professorships				
	# \$500K	# \$1M	# \$1.5M	# \$2M	Total	# \$500K	# \$1M	# \$1.5M	# \$2M	Total	# \$500K	# \$1M	# \$1.5M	# \$2M	Total
ASU	8	3			11	1	1			2	9	4	0	0	13
ECU	13	3			16	1	1		1	3	14	4	0	1	19
ECSU	3	1			4					0	3	1	0	0	4
FSU	4	1			5					0	4	1	0	0	5
NCA&T	8	1			9					0	8	1	0	0	9
NCCU	10	2			12					0	10	2	0	0	12
NCSU	6	27	3		36		1			1	6	28	3	0	37
UNCA	4	2			6					0	4	2	0	0	6
UNC-CH	85	72	8	5**	170	36	15	5	2	58	121	87	13	7	228
UNCC	16	11			27					0	16	11	0	0	27
UNCG	11	7			18	1	2			3	12	9	0	0	21
UNCP	4	2			6					0	4	2	0	0	6
UNCW	8	3			11					0	8	3	0	0	11
UNCSA	9				9		1			1	9	1	0	0	10
WCU	11	8			19					0	11	8	0	0	19
WSSU	12	2			14	1				1	13	2	0	0	15
<b>Total</b>	<b>212</b>	<b>145</b>	<b>11</b>	<b>5</b>	<b>373</b>	<b>40</b>	<b>21</b>	<b>5</b>	<b>3</b>	<b>69</b>	<b>252</b>	<b>166</b>	<b>16</b>	<b>8</b>	<b>442</b>

\* Includes professorships qualifying for escrow and transfer -- 26 qualify for escrow (\$7,178,000) and 43 for transfer to institutions (\$11,263,000)

\*\*Two of these professorships were originally funded at the \$1M level -- increased to \$2M in 2006 and 2007.