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

### **Annual Report**

**October 8, 2009**

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 at Asheville and the University of North Carolina School of the Arts.

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 funds 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 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.

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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 \$107,132,673.05 for the Distinguished Professors Endowment Trust Fund. As of September 30, 2009, \$106,312,000 has been paid to the institutions to match private gifts of \$192,026,000 for the creation of 400 endowed professorships.

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, the 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 between 2008-2012.

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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 applied 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 could only be used for a \$1,000,000 endowment, based on private funds 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 a result, 29 endowments for new Distinguished Professorships were established.

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 2008-09 allocations, the number of higher endowments at these nine institutions more than doubled to 22.

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

Despite the general economic downturn, or because of it, the C. D. Spangler Foundation chose, in December 2008, to advance \$10,000,000 toward the achievement of the annual commitments it made in its 2007 initiative. At a time when the benefits of the University were never more needed by the people of our State, the Foundation chose to advance two

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and one-half years of its commitment in the hope that the General Assembly would remain steadfast and generous in its support of the Distinguished Professorship Endowment Trust Fund Program. In its letter transmitting the \$10 million dollar check, the Foundation stated:

*Our hope is in these troubled times that the importance of the academic efforts of The University of North Carolina will continue to be recognized by all who are in a position to make a difference by their voices and otherwise.*

That hope was not misplaced. In the midst of a deep recession and budget cuts, the 2009 Session of the General Assembly responded by continuing to provide a recurring eight million dollars for 2009-10 and for 2010-11. A special provision in Senate Bill 202, Section 9.16, stipulated that the eight million dollars:

*Shall first be used to match the grant from the C. D. Spangler Foundation. The balance of funds remaining from each appropriation of eight million dollars (\$8,000,000), if any, after matching the grant from the C. D. Spangler Foundation, shall be used to address the backlog of professorships awaiting State matching funds.*

The backlog has been reduced temporarily. Between September 30, 2008 and September 30, 2009, using appropriations and accumulated earned interest, we have created 28 new distinguished professorships. Of these, thirteen were \$500,000, ten were \$1,000,000, two were \$1,500,000 and three were \$2,000,000 endowments.

Nevertheless, as of September 30, 2009, there remained in the queue a total of 77 professorships, including 49 eligible for transfer of funds, and 28 others for which the full private contribution has not yet been received. Fourteen of the new professorships were funded, in part, by the Spangler Foundation challenge grants. Two institutions, the University of North Carolina at Chapel Hill and the University of North Carolina at Charlotte, have not yet submitted a proposed plan or request for a 2009 grant from the Foundation. If there is no plan submitted by November 1, the institutions will, by default, forfeit the 2009 Foundation grant and the State matching grant from the Distinguished Professors Endowment Trust Fund.

At the earliest opportunity, the \$8 million in recurring dollars needs to be increased, because 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.

Two recent trends suggest that the number of professorships funded each year will decline and the queue will grow longer. First, the increasing number of \$1 million endowments and the option of endowments of \$1.5 million and \$2 million make the need for State funds more imperative. Transfers for larger endowments without substantial and continuing appropriations will consume a greater share of available State matching funds

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while markedly reducing 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 two at the \$1,500,000 level. Ten professorships at the \$1,500,000 level and three at the \$2,000,000 level are currently in the queue awaiting transfer of State matching funds. Four others are awaiting completion of private gifts to qualify for \$1,500,000 endowments, and there is one for a \$2,000,000 endowment. Thus, there are a total of 18 professorships in the two highest levels still in the queue, as of October 1, 2009.

Second, the increased instances of “upgrading” existing chairs, i.e., obtaining additional private dollars to qualify for higher endowments for distinguished professorships already established, consume State matching dollars without increasing the number of endowed professorships. As the number of professorships in the queue increases steadily and the funds needed for larger and larger endowments increases steeply, approved professorships are remaining in the queue unfunded for longer and longer periods of time.

To maintain the pace of adding professorships and thus to stabilize or reduce the backlog, it has been necessary to give priority to the establishment of new chairs over the upgrading of existing professorships. This will continue to be the case.

The Distinguished Professors Endowment Trust Fund initiative significantly enhances the quality of UNC’s faculty and academic programs. The General Assembly recognizes that the Trust Fund merits substantial continuing support.

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



# **Number of Distinguished Professorships by Institution** **September 30, 2009**

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	9	4			13	1				1	10	4	0	0	14
ECU	13	4		1	18	1		1		2	14	4	1	1	20
ECSU	4	1			5					0	4	1	0	0	5
FSU	5	1			6					0	5	1	0	0	6
NCA&T	9	1			10					0	9	1	0	0	10
NCCU	11	2			13					0	11	2	0	0	13
NCSU	7	30	3		40					0	7	30	3	0	40
UNCA	4	3			7					0	4	3	0	0	7
UNC-CH	88	73	10	7**	178	36	16	13	4	69	124	89	23	11	247
UNCC	16	11			27		1			1	16	12	0	0	28
UNCG	11	8			19	1	3			4	12	11	0	0	23
UNCP	5	2			7					0	5	2	0	0	7
UNCW	8	4			12					0	8	4	0	0	12
UNCSA	9	1			10					0	9	1	0	0	10
WCU	12	8			20					0	12	8	0	0	20
WSSU	14	2			16					0	14	2	0	0	16
<b>Total</b>	<b>225</b>	<b>155</b>	<b>13</b>	<b>8</b>	<b>401</b>	<b>39</b>	<b>20</b>	<b>14</b>	<b>4</b>	<b>77</b>	<b>264</b>	<b>175</b>	<b>27</b>	<b>12</b>	<b>478</b>

\* Includes professorships qualifying for transfer and escrow -- 49 qualify for transfer to institutions (\$15,181,000) and 28 qualify for escrow (\$7,677,000)

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

