

THE DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND
Annual Report
November 14, 2003

The Distinguished Professors Trust Fund (DPETF) was established by the General Assembly in 1985. The legislation was designed to encourage and stimulate private support and private commitment to strengthen the faculties and to promote excellence throughout all of the University of North Carolina.

Enclosed is a set of **Questions and Answers** concerning the Distinguished Professors Endowment Trust Fund. The document indicates the intent of the relevant legislation, the level of legislative support, the level of private support, which institutions are focused growth or special needs institutions and which are not, the required State match for each category of institution and for each endowment level, how the program is administered, what the proposed plan for a professorship must contain, the criteria and procedures for selection of a distinguished professor, what dollars can be used and what they can be used for, and the number of distinguished professorships by institution, as of August 31, 2003.

The DPETF was created to enable institutions to receive and match challenge grants to establish endowments of \$500,000 or \$1,000,000 for distinguished professors.

The original legislation provided for matching grants on the basis of one dollar of State money to be allocated from the Trust Fund for every two dollars of private funds raised. In 2003, the General Assembly amended the statute to change that ratio to a one-for-one basis for constituent institutions designated as “focused growth institutions” or as “special needs institutions.”

The original appropriation was \$2,000,000 for each year of the 1985-87 biennium. Appropriations fell below that level during the budget crunch of the early 1990s. By 1997-98, there was a significant backlog of unmatched private gifts to the program. In 1997-98 and 1998-99, the General Assembly made a substantial effort to eliminate or reduce the backlog, appropriating \$3,000,000 in the first year and \$7,600,000 in the second year of the biennium. Since that time, the University has received annually only \$2,000,000 in recurring money for the Trust Fund, and there has been a steadily growing accumulation of unmet State matching fund needs. The continuation funding has been shielded, however, from the recent budget cuts.

Since 1985, the Distinguished Professors Endowment Trust Fund has been supported with appropriations totaling \$40,175,000. The cumulative interest earnings, as of August 31, 2003, were \$5,811,211.85. The interest earnings are those accruing to the fund while unspent and unmatched funds were held in the Board of Governors’ DPETF. Legislation provides that such income accruing to that portion of the Trust Fund shall increase the total funds available for challenge grants. The figure for cumulative interest earnings does not include, however, any earnings from the funds that have become a part of institutional endowments over the years.

Private donors--individuals, families, corporations, and foundations--have responded strongly to this initiative. As of August 31, 2003, a total of \$45,925,000 from appropriations and interest has been paid to the UNC institutions or placed in escrow to match private gifts and pledges of \$91,575,000 for the creation of 207 endowed professorships totaling \$137,500,000.

This extraordinary success in attracting private dollars for professorships has created greater demand for additional State appropriations for matching money. As of August 31, 2003, a total of 29 professorships were in the queue awaiting the promised State matching challenge grant. Fourteen of these were for \$334,000 for \$1,000,000 endowments, and 15 were for \$167,000 for \$500,000 endowments. The State match required for these 29 professorships in the queue is \$7,181,000.

Moreover, the full private funding has been received for ten of these professorships in the queue. The requisite State match to create these ten professorships totals \$2,338,000, a figure that exceeds the current level of recurring State support.

As noted in the annual report for 2002, if the cumulative backlog of unmet needs continues to mount, and the University is obliged to postpone indefinitely the creation of endowed chairs for which private donors have made good faith commitments, such giving will be discouraged and diminished. To keep faith with these donors and to provide funding on a current basis in response to new gifts, the University must continue to seek additional State money for the Distinguished Professors Endowment Trust Fund.