

**THE DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND
QUESTIONS AND ANSWERS
(September 1, 2003)**

1. What is the Distinguished Professors Endowment Trust Fund program?

The Distinguished Professors Endowment Trust Fund (DPETF) program is a matching of private contributions with State appropriations to create endowments for distinguished professorships on the 16 campuses of The University of North Carolina.

2. When was the program created?

The DPETF was established by the North Carolina General Assembly in 1985.

3. What was the intent of the legislation?

To stimulate private support and private commitment to strengthen the faculties and promote excellence throughout all of the campuses of The University of North Carolina. The General Assembly established the Trust Fund to enable each constituent institution to receive and match challenge grants to create endowed chairs for distinguished professors. The affiliated foundations at each campus were encouraged to “solicit and receive gifts from private sources to provide matching funds to the trust fund challenge grants” (Chapter 757 of the Session Laws of 1985, Sec. 202; N.C.G.S. §§116-41.13-41.19).

4. What is the specific ratio of State funds to private funds in making a match?

The original legislation provided for matching grants on the basis of one dollar in State money to be allocated from the DPETF for every two dollars in private funds. 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.”

5. Which institutions were designated as “focused growth institutions?”

Seven constituent institutions were designated as focused growth institutions: Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, The University of North Carolina at Pembroke, Western Carolina University, and Winston-Salem State University.

6. Which institutions were designated as “special needs institutions?”

Two institutions were designated as special needs institutions: the North Carolina School of the Arts and The University of North Carolina at Asheville.

7. Which institutions will continue to be required to meet the one-for-two match set in the original legislation?

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.

8. How is the Distinguished Professors Endowment Trust Fund administered?

Consistent with the legislation, the Board of Governors of The University of North Carolina created a Board of Governors' Distinguished Professors Endowment Trust Fund and adopted policies for administering the fund. All funds appropriated for the Trust Fund are held by the Board of Governors in accordance with N.C.G.S. §116-36.

In turn, each institutional board of trustees is required to establish its own Distinguished Professors Endowment Fund to be administered in accordance with N.C.G.S. §116-36. Private contributions received to support these endowed professorships must be deposited to that specific endowment fund, together with the subsequent challenge grant from the Board of Governors Distinguished Professors Endowment Trust Fund.

9. What private gifts are acceptable for this purpose?

The legislation stipulates that any private contributions to this institutional Endowment Fund must be given or pledged specifically for the purposes of the DPETF program, and only contributions received after July 1, 1985, may be credited to this special endowment.

10. May federal grant funds (Title III, NEH, etc.) be used to qualify for the State challenge grant from the Board of Governors Endowment Trust Fund?

No. Federal grant funds do not meet the definition of "private gift" or "private contribution."

11. Conversely, may the private funds and the matching State money transferred to an institution be counted toward the earning of federal grant dollars, e.g., Title III Endowment Grants?

Whether such funds may count toward the earning of federal dollars depends upon the federal rules and regulations concerning specific grant programs. In the event that dollars in an institution's Distinguished Professors Endowment Fund could be so used, any federal dollars earned would have to be deposited in a separate endowment fund. They could not be placed in the Distinguished Professors Endowment Fund. However, the income from that separate endowment fund could be used to provide additional support for a distinguished professorship created under the DPETF program.

12. What is the requisite endowment for one of these distinguished professorships?

The statutes provide for two levels of endowed chairs: an endowment of \$500,000, or an endowment of \$1,000,000.

13. How many State dollars and how many private dollars are required for each level?

The amounts vary, depending upon the statutory designation of the institution. (See #4 and #15.)

14. Does the institution have to have the full private contribution in hand to qualify for the State funds?

The full private contribution must be in hand prior to any matching funds being transferred to the institution, but under certain conditions, i.e., a minimum specified donation plus written pledges for the balance within a five-year period, the State funds, if available, may be placed in escrow for that institution for that endowed chair.

15. What are the specific requirements for transferring or escrowing the State funds for each level of endowed chair?

Again, it depends upon the designation of the institution.

First, for an institution other than a focused growth or special needs institution, the eligibility for the *transfer* of the State match from the BOG's DPETF to the institutional fund is as follows:

- the institution must have \$666,000 in private contributions to qualify for \$334,000 in State matching funds to establish a \$1,000,000 endowment, and
- the institution must have \$333,000 in private contributions to qualify for \$167,000 in State matching funds for a \$500,000 endowment.

The institution may be eligible for the appropriate State challenge grant (\$334,000 or \$167,000) to be placed in *escrow*, if the institution has \$111,000 or \$55,500, respectively, and written pledges of additional private contributions in the amount of \$555,000 or \$277,500, as appropriate; provided that each payment or aggregate payments on this balance shall be no less than the amount of the initial payment or payments and shall be made on or before the anniversary date of the initial payment or payments, and the full amount shall be paid within five years of the initial payment or payments. When the full requisite amount (\$666,000 or \$333,000) is in the institution's Distinguished Professors Endowment Fund, the State challenge grant shall be paid from the Board of Governors' DPETF.

Second, for focused growth and special needs institutions, the eligibility for the *transfer* of the State match from the BOG's DPETF to the institutional fund is as follows:

- the institution must have \$500,000 in private contributions to qualify for \$500,000 in State matching funds to establish a \$1,000,000 endowment, and
- the institution must have \$250,000 in private contributions to qualify for \$250,000 in State matching funds for a \$500,000 endowment.

The institution may be eligible for the appropriate State challenge grant (\$500,000 or \$250,000) to be placed in *escrow*, if the institution has \$83,300 or \$41,600, respectively, and written pledges of additional private contributions in the amount of \$416,700 or \$208,400 as appropriate; provided that each payment or aggregate payments on this balance shall be no less than the amount of the initial payment or payments and the full amount shall be paid within five years of the initial payment or payments. When the full requisite amount (\$500,000 or \$250,000) is in the institution's Distinguished Professors Endowment Fund, the State challenge grant shall be paid from the Board of Governors' DPETF.

16. What has been the level of legislative support for the DPETF since its inception in 1985-86?

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 reduce or eliminate 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 DPETF, and there has been a steadily growing accumulation of unmet State matching fund needs. The continuation funding has been shielded from recent budget cuts.

17. What happens when sufficient State funds are not available to meet the requests for matching dollars?

If the proposed plan for the new chair has been approved and the requisite private gift has been received, either for transfer or for escrow, the request is placed in a "queue" to await the availability of State funds. Once additional State appropriations are made, the allocation is used to fund as many as possible of the professorships in the queue. Since 2000, the limited State appropriation available each year has meant that no State matching money has been placed in escrow. So long as requests for transfer of

funds to match full private gifts exceed the total available dollars, no State money shall be placed in escrow.

18. What considerations determine which queued professorships get funded when funds are not adequate to fund them all?

Priority is given to those professorships for which full private funding has been received, and the date when the private funding was complete and the date when the professorship was placed in the queue are the principal factors used to determine the order of transferring State matching funds from the DPETF to the institution. An effort is also made to fund both levels of professorships, i.e., some \$500,000 endowments and some \$1,000,000 endowments.

19. Once the private contribution to qualify for the transfer or escrow of State matching funds has been received, what is the procedure for establishing an endowed professorship?

When the private gift is placed in the institutional Distinguished Professors Endowment Fund, the chancellor shall prepare a succinct plan for the establishment of the endowed chair or chairs contemplated. This plan, usually no more than two pages in length, must be submitted to the President for review and approval. The Senior Vice President for Academic Affairs is responsible for the review. The plan accompanies a request for State matching funds to be transferred from the Board of Governors' DPETF or escrowed to support the proposed chair or chairs. No transfer or escrow of a State challenge grant shall be made in the absence of an approved plan.

20. What information must be provided in the plan?

The plan must describe:

- a. the number of chairs contemplated;
- b. the general level of salary and other benefits and perquisites, and the anticipated amounts to be supported annually from the endowment;
- c. the academic department or other unit to which it is anticipated that the new chair or chairs will be assigned;
- d. whether the chair will be filled by an external or internal appointment or by either; and
- e. the expected benefits to the institution.

The plan must indicate the name of the endowed chair. The institutional Board of Trustees may name the endowed chair or chairs in honor of a donor, benefactor, or other person, company, or organization.

The plan must also specify the anticipated initial length or term of the appointment of the distinguished professor selected to hold the chair or chairs.

The plan must stipulate the general criteria and procedures for selection of the distinguished professor.

21. What do the statutes allow with regard to the length or term of the appointment?

The statutes allow distinguished professorships for the duration of full-time service of the distinguished professor as a faculty member at the institution. The statute also allows time limited appointments when so authorized by the Board of Governors and the institutional board of trustees when the distinguished professorship is originally established or when it is vacated.

The Board of Governors delegates the authority to designate a distinguished professorship as time limited to the boards of trustees of those institutions designated as Special Responsibility Constituent Institutions with Management Flexibility to Appoint and Fix Compensation.

22. What general criteria and procedures for selection must be included in the plan?

The plan should note the following considerations with respect to the selection of each distinguished professor to hold an endowed chair as part of the DPETF program:

- a. that the selection and appointment procedures followed shall be fully consistent with the institution's tenure policies and regulations and other applicable personnel policies;
- b. that the distinguished professor shall be appointed at the rank of full professor (except at the North Carolina School of the Arts, where other appropriate rank shall be conferred), and the appointment shall be subject to approval by the Board of Governors at those institutions *not* designated as Special Responsibility Constituent Institutions with Management Flexibility to Appoint and Fix Compensation;
- c. that the academic discipline to which the distinguished professor is appointed shall be one of major importance to the educational program of the institution; and
- d. that the person appointed shall have a record of outstanding accomplishment in that discipline or field as a teacher and scholar or practitioner.

23. Beyond the statutes, are there any particular stipulations as to the length or term of appointment?

Yes, for the 21 professorships which were funded in part by \$100,000 challenge grants from the C. D. Spangler Foundation, the new chair was to be filled by a newly-recruited distinguished faculty member for an initial five-year term, renewable for a second five-year term. After ten years, the professorship must again be awarded to a newly-recruited faculty member. Institutions that created these 21 professorships should check periodically to be sure that this requirement is being observed.

24. What was the Spangler Foundation Challenge Grant initiative?

In 1997, the C. D. Spangler Foundation, Inc. of Charlotte initiated a new program of challenge grants for endowed professorships in the 16 UNC institutions. When an institution had raised \$233,000 from other private sources, it could apply to the Spangler Foundation for an additional \$100,000 to qualify for \$167,000 in State matching dollars from the DPETF to create a \$500,000 endowment for a Distinguished Professorship. The challenge grants were to be available over a five-year period. The program expired in 2002 and the grants are no longer available. During those years, a combined total of 21 distinguished professorships were established at 14 of the UNC institutions as a result of this generous offer from the Foundation. (See Attachment 1 for a list of the professorships established through this initiative.)

25. What happens when one of the endowed distinguished professorships becomes vacant?

When a vacancy occurs in an endowed chair established through the DPETF program, the chancellor shall consult with the appropriate parties internally and with the board of trustees of the institution. The chancellor shall thereafter recommend to the President any amendments to the approved plan or shall recommend continuation of the plan without amendment. Upon approval of the plan by the President, selection and appointment of the new distinguished professor shall then proceed in accordance with the plan and current Board of Governors' regulations.

26. Other than the specific provisions of the Spangler initiative noted above, are there any other particular requirements that must be kept in mind when filling a vacant endowed chair in the DPETF program?

Yes, there is one particular subset of endowed chairs for which the principal criterion for selection of a distinguished professor was specified in the legislation.

The 1993-95 Current Operations Appropriations Act (1993 Session Laws, Chapter 321) included a special provision stipulating that any funds allocated that year for the DPETF be used “only for the establishment of endowed chairs that recognize excellence in undergraduate teaching as the primary criterion for selection.” A total of 11 professorships were created in compliance with that provision. Both the initial appointments and subsequent selections of holders of those 11 endowed chairs must meet that criterion. (A list of the 11 professorships is attached.)

27. Once an endowed chair is created and filled, for what may the income from the endowment be used?

By law, the principal cannot be spent, only the income earned from the endowment can be used. Moreover, that income cannot be used for any purpose other than the support of the endowed professorship, e.g., a salary supplement for the holder, travel and research expenses associated with his or her professional responsibilities, stipends for teaching and research assistants for the distinguished professor, special equipment or library books needed to support the teaching and research of the holder of the endowed chair.

It is a violation of the law to spend the income from the Distinguished Professors Endowment Fund for purposes unrelated to the particular professorship.

28. Must the person selected to hold an endowed distinguished professorship be an internal or an external candidate?

The original legislation stipulated that the appointee had to be a newly-recruited faculty member to strengthen the faculty of the institution. In 1995, the General Assembly amended the statute to make clear that the distinguished professorships could be awarded to either current faculty or newly hired faculty. Institutions are still encouraged to consider plans for external appointments who will be distinguished additions to the existing faculty complement, however, and most of the new appointments are newly-recruited professors. In some instances, of course, the donor of the private funds will stipulate whether the appointment is to be an internal or external one. In either case, the plan submitted for the proposed chair must indicate what the intention is.

29. Is there any time limit for filling the new endowed chair?

No, there is not. However, once the State matching funds have been placed with the private gift in the institution’s Distinguished Professors Endowment Trust Fund, every effort should be made to fill the position within a year or two, at most. Sometimes an institution may choose not to fill the professorship for a full year to allow for the accumulation of some interest on the endowment. Nevertheless, recruitment could be started earlier with the aim to have the holder appointed by the beginning of the second year.

30. Why should the new chair be filled within a year or so?

Campuses need to keep faith with the private donors. They usually want to honor some living friend or relative and hope to do so in the near future. Time becomes a crucial consideration, especially since the limitations on available State funds already delay the establishment of new chairs by two or three years. Some donors have been deeply disappointed and the institution has been embarrassed by the delays, which,

in some instances, have meant that the endowed chair has not been established or filled before the honoree's death.

Moreover, the University runs the real risk of disappointing or discouraging the General Assembly whenever there are a significant number of endowed distinguished professorships vacant for an extended period of time. When a distinguished professorship becomes vacant, therefore, the institution should seek to fill it with a qualified holder as soon as possible.

31. How supportive of the DPETF program has the General Assembly been?

Since 1985, the program has been supported with appropriations totaling \$ 40,175,000.

32. What have been the interest earnings on those appropriations?

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 BOG's DPETF. Legislation provides that interest income accruing to that portion of the trust fund shall increase the total funds available for challenge grants. (The figure given here does not include any earnings from the funds that have become a part of institutional endowments over the years.)

33. How effective has the DPETF program been in attracting private funds?

The State funds provided for the DPETF program have been used to leverage substantial gifts from private individuals, companies, and foundations. The most generous response has been that of the C. D. Spangler Foundation, Inc., of Charlotte. The Spangler Foundation, alone or with other private donors, has provided the *full* endowment for at least one new endowed professorship at each of the 16 UNC institutions and, combined with the five-year challenge grant program noted above, has provided *partial funding* for one or more distinguished professorships at 14 of the 16 campuses. Although the Spangler Foundation's challenge grant program has expired, the Foundation has contributed, overall, more than \$10 million toward the creation of 38 distinguished professorships within the University.

Other families, corporations, and foundations have also responded strongly to this initiative. As of August 31, 2003, \$ 45,925,000 from appropriations and interest has been paid to the 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.

In 205 instances, the full private contribution has been received and State matching grants have been paid from the DPETF to the institutions. Sixty-eight of the 205 were grants of \$334,000 for \$1,000,000 endowments, and 137 were grants of \$167,000 for \$500,000 endowments. In two other instances, State funds have been placed in escrow awaiting full payment of the private commitment. Both of these were for \$500,000 endowments.

34. Has the Distinguished Professors Endowment Trust Fund program fulfilled the intent of the North Carolina General Assembly?

The return on the State's investment has been extraordinary. The DPETF has stimulated significant private support and private commitment to the strengthening of faculties and the promotion of excellence throughout all the campuses of the University. These professorships have honored notable North Carolinians who have given unselfishly of their lives and fortunes to the state and the University. The success of this program has enabled the University to be far more competitive than it would otherwise be in the recruitment and retention of highly qualified faculty members.

Through this program, the General Assembly, the private benefactors, and the distinguished professors holding these endowed chairs have brought great honor to the University and to the State of North Carolina.

See attached lists.

ATTACHMENT 1

**Distinguished Professorships Funded in Part (\$100,000 each)
by Spangler Foundation Challenge Grants and Subject to Terms of the Grants:**

<u>Institution</u>	<u>Name of Distinguished Professorship</u>
ASU	Lowe's Distinguished Professorship in Computer Science Distinguished Professorship in Mathematics Education
ECU	The Carol Grotnes Belk Distinguished Professorship The Mary Ruth and Ira Hardy Distinguished Professorship in Music
ECSU	The Marshall A. Rauch Distinguished Professorship in Biology

FSU	The Irwin I. Belk Distinguished Professorship in Science and Technology Distinguished Professorship in Economics*
NCCU	NCCU Alumni Endowed Distinguished Professorship
NCSA	Thomas S. Kenan, III Distinguished Professorship in Organ Joseph M. Bryan Distinguished Professorship in Drama A. J. Fletcher Distinguished Professorship in Opera
NCSU	Goodnight-Glaxo Wellcome Distinguished Professorship in Social Sciences William T. Kretzer Distinguished Professorship in the Humanities
UNCA	Glaxo Wellcome Distinguished Professorship in Undergraduate Science Research
UNCC	Marshall A. Rauch Distinguished Professorship in Political Science
UNCG	Herman and Zelda Bernard Distinguished Professorship in Jewish Studies
UNCP	Martha Beach Chair in Art
UNCW	Will S. DeLoach Distinguished Professorship in Chemistry
WCU	Carolyn Plemmons Phillips and Ben R. Phillips Distinguished Professorship in Musical Theatre John A. Parris, Jr. and Dorothy Luxton Parriss Distinguished Professorship in Appalachian Culture
WSSU	Wilveria Bass Atkinson Distinguished Professorship in Life Sciences

* Denotes a professorship recognizing excellence in undergraduate teaching as the principal criterion.

ATTACHMENT 2

Distinguished Professorships for Which the Principal Criterion is Excellence in Undergraduate Teaching:

<u>Institution</u>	<u>Name of Professorship</u>
ASU	Joseph F. Freeman Distinguished Professorship in Insurance Thomas W. Reese Distinguished Professorship in Graphic Arts and Imaging Governor James E. Holshouser, Jr. Distinguished Professorship in Ethics
FSU	Lloyd V. Hackley Distinguished Professorship in Education Distinguished Professorship in Economics*
UNCA	Distinguished Teaching Professorship in Humanities

Phillip G. Carson Distinguished Professorship

UNC-Chapel Hill	Class of 1989-William C. Friday Distinguished Professorship (Arts and Sciences)
	William C. Friday Distinguished Professorship in Education
WSSU	R. J. Reynolds Tobacco Company Distinguished Professorship in Education
	Paul Fulton Chair in Computer Science

*Denotes chair endowed in part by Spangler Foundation Challenge Grant and subject to its terms.