

Endowment Basics

TTUHSC



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What is an Endowment

An endowment is a dedicated and permanent source of funding that supports our university. When a donor makes a gift to create an endowment, these funds are invested for long-term growth to provide a lasting source of support. An endowment represents the TTUHSC's promise to use the gift and the earnings it generates to support our university in perpetuity.

Endowments may be unrestricted for the general benefit of the university or restricted to a specific purpose as determined by the donor.

Minimum Fund Levels

Minimums may vary by unit and type of research.

For example, some disciplines may need endowments at a higher level to support the position and to be competitive.

Type of Endowment	Minimum Endowment Level
Endowed Chair	\$1,500,000 for selected chairs \$1,000,000 for other chairs
Endowed Professorship	\$1,000,000 for selected professorships \$500,000 for other professorships
Endowed Deanship, Department Chair or Director	\$2,000,000
Endowed Lectureship	\$250,000
Endowed Faculty Development Fund	\$250,000
Chancellor's Endowed Scholarship	\$300,000
Presidential Scholarship Endowment	\$100,000
Endowed Scholarship	\$25,000
Library Book Endowment	\$100,000
Research Endowment	\$500,000
Other Endowment	\$25,000



How much can you spend?

- Long-term Investment Fund distribution rate is 4.5%
- Distributions from the corpus to the spendable fund are done four times per year (January, April, July, and October).
- 4.5% distributions from the endowment should not be available until the endowment is fully funded.

Sample Endowment Activity for a \$500k Gift

Actual Returns from FY2018 – FY2022

	Year 1	Year 2	Year 3	Year 4	Year 5
LTIF Return %	14.70%	-0.20%	3.70%	10.96%	9.06%
Beginning MV	\$500,000	\$547,500	\$517,935	\$510,166	\$539,552
Gain / Loss	\$73,500	(\$1,095)	\$19,164	\$55,914	\$48,883
0.7% Mgmt Fee	(\$3,500)	(\$3,832)	(\$3,626)	(\$3,571)	(\$3,777)
4.5% Distribution	(\$22,500)	(\$24,638)	(\$23,307)	(\$22,957)	(\$24,280)
Ending MV	\$547,500	\$517,935	\$510,166	\$539,552	\$560,378



Expenses

- Authorized use of endowment funds are for items directly related to the endowment's purpose as it honors the intentions of the donor as agreed to in the endowing documents. Expenses may include and are not limited to the following examples:
 - Recruitment Expenses
 - Payroll and Research Expenses
 - Operating Expenses



Recruitment Expenses

- For the chair/professorship holder
 - Can include relocation/moving expenses



Payroll and Research Expenses

PAYROLL

- Salary and benefits
 - For the chair/professorship holder
 - For temporary/adjunct faculty
 - For administrative staff
 - For graduate assistant/researcher
- Student wages

RESEARCH ACTIVITY

- Testing/medical/diagnostic laboratory fees
- Experiment participation



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Operating Expenses

- Scholarships for students who would directly support the endowed position
- Professional specialized services such as:
 - Translation
 - Transcription
 - Computer programming
 - Data processing
 - Assistance for field research
- Publication costs/printing/binding



Operating Expenses

- Subscriptions
- Institutional memberships/certifications/dues/fees
- Equipment/materials/supplies
- Communication costs
- Licenses/permits (non-personal)
- Seminar/conference registration
- Travel/lodging/per diem for conference or research activity



Operating Expenses

- Honoraria, fees, expenses for visiting co-authors or invited speakers/scholars in residence supporting scholarly interests of the chair/professorship holder
- Rental of space and/or equipment
- Repair/maintenance of building and/or equipment directly supporting the endowed position

Note: Donations are **NOT** allowable expenses.



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Most Common Use of Funds

Endowed Chair

- Salary Supplement
- No more than 50% may be used as salary without prior approval of the President
- Purchase of special publications that would complement the Chair's work
- Hiring of graduate students to assist the Chair in research projects
- Involvement of postdoctoral students in a particular discipline



Most Common Use of Funds

Endowed Professorship

- Used like Endowed Chair except used more frequently for salary supplementation and less frequently for other purposes

Endowed Deanship, Department Chair or Director

- Recruiting expenses, salary supplement, expenses for the development of the unit. Without prior approval of the president, no more than 50% of the spendable income may be used as salary for the individual holding an Endowed Deanship, Department Chair or Director



Most Common Use of Funds

Endowed Lectureship

- Honoraria, publicity, and other expenses incurred in bringing distinguished leaders to lecture on campus.

Endowed Faculty Development Fund

- Honoraria, publicity, and other expenses incurred in bringing distinguished leaders to lecture on campus.

Presidential Scholarship Endowment

- Scholarships to outstanding entering students on the basis of academic achievement and leadership in school or community activities.



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Most Common Use of Funds

Chancellor's Endowed Scholarship

- Annual scholarship award to one outstanding student based on academic achievement and leadership in school and community activities.

Library Book Endowment

- Books or professional journals

Research Endowment

- Expenses in support research in particular academic areas and/or on topics of research specified by the donor.



Best Practices

- Avoid expenditures that a donor may view as negative.
- Consult the donor agreement for details on purpose of funds.
- Do not treat as discretionary fund or entertainment fund.
- Expenses must be substantiated by the appointee.

Compliance Guidelines

Donor Agreement: Always follow documented donor intentions.

- If funds from an endowed cannot be utilized or if the position cannot be filled and you would like to explore opportunities to modify purpose, then contact General Counsel for TTFI so they can help propose a solution.

University & System Policies: Always follow internal policies related to expenses, and work with appropriate departments if guidance is needed.

Public Perception: Ask yourself the following questions:

- Is this the best use of available funds?
- Will the donor be supportive of these expenses?
- Would you be concerned if expense activity was made public?



Recruitment

Selection Criteria

- Honor the intentions of the donor as agreed to in the endowment agreement.
- However, as a matter of law, only an authorized university official can actually select a member of the university faculty.

Applicant Search Options for the Dean

- External candidates
- Internal candidates
- Both types



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Donor Stewardship Expectations

- Deans and department chairs shall communicate the award of a named position with the donor or donor representatives and provide opportunities for the faculty member and donor to meet in coordination with TTUHSC Institutional Advancement (IA).
- Faculty member will also be required to participate in donor recognition activities.



Donor Stewardship Expectations

- At the end of each academic year, the individual holding the endowed position shall provide a report to TTUHSC IA that lists the accomplishments of the year, explains how funds associated with the position were spent, describes goals and plans for the next year, and discusses any issues or concerns related to the position.
- TTUS Institutional Advancement provides donors with an annual performance report of the endowment and the various fund balances. Some gift agreements also require TTUHSC and/or TTFI to provide additional reports regarding the specific use of the funds.



Use of Endowed Chair & Professorship Titles

- All Chair/Professorship holders should use the official endowment name along with their professional titles in all formal presentations, letterhead, email signature, directory listings, website, publications to the extent possible.



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Underutilized Funds

Underutilized endowment resources could represent a lack of fiduciary responsibility to fulfill donor intent and damage donor stewardship efforts. Texas Tech University System Regulation 01.08 defines an endowment as "underutilized" when the spendable funds associated with an endowment are greater than 9% of the endowment corpus (representing two years of income distributions at 4.5%) and greater than \$1,000. Endowment spendable funds should not have excessive carry over balances without an approved Spending Policy Exception Form on file. Endowments with excessive carry over balances are subject to automatic reinvestment.



Fund Manager Responsibility

The Fund Manager is responsible for ensuring that all expenditures comply with the terms of the endowment agreement, applicable legal and accounting standards, and all policies. The Fund Manager should annually budget for use of endowment funds during budget prep.

For additional information, reference the Fund Manager [OP 50.03 Financial and Fund Manager Responsibilities](#).



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Policies

- Texas Tech University System Regulation 01.08
 - Endowment Fund Expenditure Monitoring – Standards of Practice
 - <https://www.texastech.edu/offices/cfo/system-regulation-01.08-endowment-fund-expenditure-monitoring-standards-of-practice.pdf>
- TTUHSC OP 02.08
 - Operation and Maintenance of Endowment Funds
 - <https://ttuhsc.edu/administration/operating-policies>



Questions

For questions regarding the information
in this training course, contact
Institutional Advancement at
(806) 743-2786

Or

donor.relations@ttuhsc.edu



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