UNIVERSITY OF NOTRE DAME

Accounting and Financial Services

Controller's Office

Use of Earnings from Endowed Chairs and Professorships

Responsible Executive: Controller
Responsible Department: AFS
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POLICY STATEMENT

An endowed chair or professorship (collectively referred to as "endowed professorships") generates expendable distributions intended to support the salary, benefits or other activities of a designated faculty member at the University of Notre Dame. The purpose of this policy is to outline acceptable uses of endowed professorship earnings and certain procedures to be followed by both the Colleges and the designated faculty member in managing endowed professorships.

I. Background

Endowed professorships are established upon commitment of resources either from a donor or from University designated sources. Donor funded endowed professorships are ideally supported by written agreements, signed by the donor and the University, instructing the University to establish a professorship endowment fund, and may include additional restrictions on the use of these funds.

Each endowed professorship contains the following:

1. One or more endowment funds containing the corpus, which is invested and controlled by the University.
    a. Each endowed professorship has a primary corpus fund.
        i. For donor funded professorships, this corpus fund would include initial and subsequent gifts from donors, and in general, the fund would be permanently restricted in accordance with the terms agreed upon by the University and the donor.
        ii. Professorships established by University designation would include the initial and any incremental transfers of University resources into the fund, and would be unrestricted in nature.
        iii. Corpus funds are generally invested in the Notre Dame Endowment Pool ("NDEP"), and generate expendable distributions (i.e. spending appropriations) based on the pool units held and the University's approved spending plan.
        iv. Under certain circumstances, a professorship may be placed "not on spending." In that case, earnings are typically reinvested back into the corpus.
    b. Endowed professorships may also have a secondary endowment fund, into which previously distributed but unspent, spending plan appropriations are "reinvested" (see further in paragraph 2.a.iii. below). Such funds generally are temporarily restricted in nature, but act essentially in the same manner as the primary corpus fund in that they hold units in the NDEP and generate expendable distributions under the NDEP spending plan. Any donor restrictions that apply to the primary corpus fund apply to the secondary endowment fund.

2. One or more spending funds, controlled by the college or department, into which the expendable distributions generated by the endowment funds are transferred quarterly by the University. For donor funded professorships, any donor restrictions agreed upon by the donor and the University apply to the spending funds.
    a. Each endowed professorship generally has a primary spending fund to which the quarterly expendable distributions from the endowment funds are credited.
        i. The primary spending fund is used to support the salary and benefits of the faculty member holding the professorship.
        ii. In addition, a portion of the expendable distributions from the endowment funds may be transferred from the primary spending fund to a professional activities fund each fiscal year (see paragraph 2.b. below).
        iii. Primary professorship spending funds typically do not accumulate balances. Generally, any residual balance in this fund at year end that is above a nominal level (~$25,000) is

    "reinvested" back into the endowment funds to maximize the long-term growth of the professorship's resources (see paragraph 1.b. above).

b. Each professorship also has a professional activities fund into which a portion of the expendable distributions from the endowment are transferred each year from the primary spending fund.
    i. As described in Section II, these funds may be used at the discretion of the faculty member holding the professorship to support their activities subject to the University's policy regarding the use of professional activities funds and subject to any donor restrictions that apply to the endowed funds.

Balances in professional activities funds are generally not reinvested annually and may accumulate depending on the timing of their utilization by the faculty member holding the professorship. Balances should not exceed three times the current annual transfer, unless approved by the respective Dean or their delegate. In addition, following the conclusion of a professorship appointment, if the faculty member remains associated with the professorship (using the title of Chair or Professor Emeritus), any unused balance may be transferred to their non-professorship discretionary fund at the request of the Dean and with the approval of the Provost. Otherwise, any unused balance will be returned to the professorship primary spending fund or reinvested in the NDEP.

Upon appointment as an endowed professor, the faculty member gains access to the spending funds associated with the endowed position as well as all documentation related to donor restrictions. The holder of the professorship and his/her department chair or Dean are responsible for ensuring usage of the funds are in compliance with donor stipulations provided in the endowment agreement, as well as University policy.

II. General Expenditure Guidelines—Filled Professorships

As described above, expendable distributions to professorship spending funds (i.e. endowment spending appropriations) are primarily used for the professorship holder's salary and associated benefits, with an annual allocation for professional activities as well. The portion of expendable distributions allocated to the professional activities fund may be used to support the activities of the professorship holder, consistent with University policy and if the professorship is donor funded, any restrictions agreed upon by the University and the donor. Generally, professional activities funds may be used for purposes such as:

1. Research and teaching support materials (e.g., print materials, biological specimens, computer software, art supplies, etc.)
2. Travel expenses
3. Equipment supporting the professorship holder and/or his/her research or field of study
4. Graduate assistant stipends
5. Staff and/or student wages
6. Office supplies, miscellaneous services and materials
7. Journal subscriptions (The subscription must be an institutional subscription.)
8. Professional memberships/certifications/dues/fees (Payments for non-transferable memberships, certifications, etc., are unallowable.)
9. Licenses/permits (non-personal)
10. Testing, medical and/or diagnostic laboratory fees
11. Incidental rental of space and/or equipment
12. Repair and maintenance of building and/or equipment which directly support the endowed position
13. Honoraria, fees for invited speakers and/or scholars-in-residence supporting scholarly interests of the professorship holder.

III. General Expenditure Guidelines—Vacant Professorships

Expendable distributions from endowment funds are recurring and are used to support the named professorship as outlined above. If the professorship position is vacant, a portion of the expendable endowment distributions may, in accordance with donor restrictions and with the approval of the Provost, be accumulated and used for reasonable expenses associated with recruiting prospective professorship occupants, as well as to cover relocation and start-up costs associated with filling the vacant professorship

The respective Dean and Provost shall review the status of vacant endowed professorships annually to ensure the University is meeting its obligation to fulfill the terms of the donor's benefaction.

In the event an established, fully funded professorship has remained vacant for an extended period, the Provost shall consult with the respective Dean to ascertain the reason and take appropriate action consistent with the terms of the endowment agreement.

Procedure for Accumulation of Endowment Earnings

The process by which start-up funds are allowed to accumulate is as follows:

1. Dean identifies the need or desire to accumulate professorship earnings for a well-defined purpose that can be readily understood as allowable given the restrictions imposed by the donor
2. Dean's interpretation of allowability and donor intent is confirmed by Accounting and Financial Services ("A&FS")
3. Dean requests approval from the Office of the Provost to accumulate professorship earnings in spending account.
4. Provost Office approves request for accumulation (i.e. earnings that will not be swept back to the corpus at year end but will instead be allowed to grow across fiscal year boundaries).