



Operating Policy and Procedure

OP 02.08: Minimum Levels, Naming of Academic Units, Establishment, and Administration of Gift Funds

DATE: April 10, 2024

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth definitions and to outline and establish the minimum donation amounts for each gift type pertaining to Texas Tech University.

REVIEW: This OP will be reviewed in April of even-numbered years by the Vice Chancellor for Institutional Advancement (VCIA), the TTU Senior Vice President for Administration & Finance and Chief Financial Officer (SVPAF/CFO), the Vice President for the TTU Office of Advancement (VP) and the Texas Tech University System Vice Chancellor and Chief Financial Officer (TTUS Vice Chancellor and CFO).

POLICY/PROCEDURE

1. Policy Statement

The Board of Regents of the Texas Tech University System (“TTUS”) recognizes that all great institutions of higher education possess a large endowment and in order for Texas Tech University (“TTU”) to achieve the high standards of which it is capable, the total endowment must be vastly increased. To that end, the Board of Regents has established the number one development priority to be that of building the TTU endowment funds.

2. Definitions

- a. “Endowment Funds” are resources invested over the long term with the purpose of producing earnings. Endowment Funds may be held by the Texas Tech Foundation, Inc. (“TTFI”) or other affiliated entity, for the benefit of TTUS or one or more of its component institutions, including TTU, or held directly by TTUS, TTU, or another component institution. Endowments generally arise through gifts from donors and/or other external sources. Endowment funds may be classified further as defined below.
- b. “Permanent Endowments” are assets designated by the donor (or other external party) to be held in perpetuity. The corpus of these endowments may never be spent, and expenditures must be made in accordance with the endowment agreement.
- c. “Term Endowments” are established when the donor specifies that the endowment shall terminate following a particular date or event and that the corpus of the endowment may be expended in accordance with the endowment agreement. Until the passage of the specific date or event, term endowments operate in a manner similar to permanent endowments, with expenditures from the interest earnings made in accordance with the endowment agreement.

- d. “Quasi-Endowments” are established when the Board of Regents of TTUS or the Board of Directors of TTFI, with formal action, set aside certain institutional funds to be maintained as endowments.
- e. “Funds Held in Trust by Other” is the classification for endowments where the corpus is managed and invested by a third party and the earnings are distributed back to the institution.
- f. “Current Use Funds” are funds given and held in an account, for an identified purpose, that are intended to be spent down and not invested as part of other long-term investment goals.

3. General

- a. Minimum Donation

The minimum donation required to establish an endowment at Texas Tech University is \$25,000.00.

- b. Academic Positions

- (1) The requisite donation to establish new chair or professorship endowments will vary by unit and type of research, subject to the minimums listed in this operating policy. The dean will consult with the Provost and Senior Vice President (“PSVP”) before determining the amount requested for the establishment of a chair or professorship endowment in various programs. Recruitment and retention of top faculty engaged in intensive laboratory research require higher levels of support. TTU [OP 32.22, Selection, Appointment, and Review of Endowed Chairs and Professorships](#), and [OP 32.16, Faculty Recruitment Procedure](#), outline the procedures for recruiting, nominating, and/or appointing faculty to an endowed chair or an endowed professorship.
- (2) Donors may name a chair or professorship endowment in the college or program of choice, subject to the minimum requirements set forth in section 4 of this operating policy.
- (3) Subject to criteria set forth by the donor, the spendable income of an endowed deanship, department chair, or department director is used to recruit and retain outstanding leaders by providing funds to support their salaries and to fund the pursuit of their professional goals and the development of the unit.
- (4) No more than fifty percent (50%) of the prior fiscal year’s distributions may be used as salary for the individual holding an endowed academic position, including, but not limited to, a deanship, department chair, directorship, chair, or professorship without prior written approval from the President and the SVPAF/CFO. Written approval must be obtained each fiscal year by the college or program for the exception to apply.

4. Minimum Funding Levels

Notwithstanding the foregoing, the processes, policies, and procedures governing philanthropic and/or honorary namings of facilities, academic units, endowed positions, and other named gift funds shall be governed by *Regents’ Rules Chapter 06* and *Chapter 13*, as applicable. To the

extent these operating policies and the *Regents' Rules* contradict each other, the applicable *Regents' Rules* shall control.

a. Minimum Funding to Name Academic Programs

All minimums listed below are subject to benchmarking requirements. All namings are subject to the prior approval of the Provost and President of the University, in addition to the approvals outlined under *Regents' Rules* Chapter 13.03.

- (1) College – The minimum donation required to name a college within the university, or the equivalent thereof, is \$30,000,000.

Funds may be used to support the annual operating budget of the program, scholarships, and/or other needs.

- (2) Departments – The minimum donation required to name a department or program within a college, or the equivalent thereof, is \$5,000,000.

Funds may be used to support the annual operating budget of the program, scholarships, and/or other needs.

- (3) Institutes – The minimum donation required to name an institute is \$5,000,000.

Funds may be used to support the annual operating budget of the institute and/or scholarships, research initiatives, and/or other needs.

- (4) Centers – The minimum donation required to name a center is \$2,500,000.

Funds may be used to support the annual operating budget of the center and/or scholarships, research initiatives, and/or other needs.

b. Minimum Funding – Leadership Positions

Subject to the restrictions and processes outlined in 3.b above and approval of the PSVP and VP, the minimum donations to establish an endowed academic leadership position are as follows:

- (1) Deanship – The minimum donation to establish an endowed deanship is \$5,000,000.00.
- (2) Department Chair or Director – The minimum donation to establish an endowed department chair or endowed department director is \$3,000,000.00.
- (3) Program Director – The minimum donation to establish an endowed program director is \$500,000.00.

Additionally, subject to criteria set forth by the donor, the spendable income for any one of the endowed leadership positions described above may be used to supplement the holder's salary, as well as provide additional income to reasonably complement the holder's work, including the purchase of special publications, the hiring of graduate or professional students to assist the holder in research projects, the involvement of post-doctoral students, and other expenses that directly support the teaching or research of the holder. Provided, however, that

no more than fifty percent (50%) of the spendable income may be used to supplement the holder's salary without the written approval of the President and the SVPAF/CFO, as outlined in section 3.b.(4) above.

c. Minimum Funding – Faculty Support

Subject to the restrictions and processes outlined in 3.b above and approval of the PSVP and VP, the minimum donations to establish an endowed academic leadership position are as follows:

- (1) Chair – The minimum donation to establish a chair endowment is \$2,000,000.00.
- (2) Professorship – The minimum donation level to establish a professorship endowment is \$1,000,000.00.
- (3) Endowed Faculty Development Fund – The minimum donation to establish an endowed faculty development fund is \$500,000.00.

The spendable income may be used to support professional and leadership development of faculty. Qualifications for an Endowed Faculty Development Fund will be agreed upon by the respective academic dean and the PSVP.

- (4) Research Endowment – The minimum donation to establish a research endowment is \$1,000,000.00.

Endowed research funds are to support research in particular academic areas or topics specified by the donor and agreed upon by the respective academic dean and the PSVP.

Additionally, subject to criteria set forth by the donor, the spendable income for any one of the endowed leadership positions described above may be used to supplement the holder's salary, as well as provide additional income to reasonably complement the holder's work, including the purchase of special publications, the hiring of graduate or professional students to assist the holder in research projects, the involvement of post-doctoral students, and other expenses that directly support the teaching or research of the holder. Provided, however, that no more than fifty percent (50%) of the spendable income may be used to supplement the holder's salary without the written approval of the President and the SVPAF/CFO, as outlined in section 3.b.(4) above.

d. Minimum Funding – Scholarship and Fellowship Support

- (1) Undergraduate Scholarships, Professional School Scholarships, and/or Graduate Fellowships – The minimum donation to establish an undergraduate scholarship and/or a graduate fellowship endowment is \$25,000.00.
- (2) Presidential Scholarship Endowment – The minimum donation to establish a presidential scholarship endowment is \$300,000.00.

Presidential scholarships are awarded to outstanding entering first-year students based on academic achievement.

- (3) Chancellor's Graduate Fellowship – The minimum donation to establish a chancellor's graduate fellowship endowment is \$300,000.00.

The chancellor's graduate fellowships are established to provide stipends to outstanding students.

e. Minimum Funding – Miscellaneous

- (1) Endowed Lectureship – The minimum donation to establish an endowed lectureship is \$250,000.00.

The spendable income is used to support honoraria, publicity, and other expenditures incurred in bringing distinguished leaders to lecture on campus.

f. Minimum Funding – Named Current Use Fund

- (1) The minimum gift required to establish a separately named current use fund is \$5,000.00 and must include a donor commitment for a period of five (5) years. Criteria for funds established at this level shall be limited to specific parameters as established internally by the Texas Tech Office of Advancement and managed by IA Legal.
- (2) Current use gifts under \$1,000.00 with a less than five (5) year commitment should be directed to one of the following: (1) the President's Fund for Excellence, (2) University's General Scholarship Fund, or (3) a Dean's Fund for Excellence.

5. Procedure for Establishment

a. Accepting New Endowments

- (1) Prior to acceptance, the Texas Tech University System Office of Institutional Advancement ("TTUS IA"), Texas Tech Office of Advancement, and TTFI Foundation Counsel will review all requests to ensure the minimum threshold levels and other applicable criteria are met specific to the type of endowment being requested.
- (2) All endowments to TTU/TTFI must be made in compliance with applicable federal and state laws, and TTUS and TTU policies and procedures. Upon acceptance by the institution, the endowment must be used as designated by the donor in the endowment agreement.

b. Establishing New Quasi-Endowments

- (1) Authority
- (a) Section 4 of the LTIF Investment Policy Statement delegates the board's authority to establish quasi-endowments of less than \$250,000 to the Chancellor or Chancellor's designee.
- (b) The establishment of quasi-endowments of \$250,000 or more requires formal action by either the TTUS Board of Regents or the TTFI Board of Directors, dependent upon the fund type.

- (c) The SVPAF/CFO will approve all quasi-endowment requests prior to their submission to the TTUS Board of Regents or the TTFI Board of Directors.
 - (2) Formal Actions
 - (a) Formal action by the appropriate board will specify the use of the corpus and spendable income and set other terms and/or conditions relating to the fund.
 - (b) The TTUS Board of Regents or the TTFI Board of Directors may modify the terms and/or conditions of the quasi-endowment or terminate the quasi-endowment by formal action.
 - (3) Termination
 - (a) If terminated, the corpus and any spendable funds of the quasi-endowment are returned to the original source of funding.
 - (4) Routing
 - (a) All requests for new quasi-endowments and modifications to existing quasi-endowments shall go through TTUS IA.
 - (b) TTUS IA will be responsible for preparing and presenting these requests to the appropriate entity with authority as outlined above in 5.b.1.
- c. Unrestricted Gifts
- (1) Unrestricted gifts of \$100,000.00 or more may be endowed by the TTUS Board of Regents or the TTFI Board of Directors, at the recommendation of the Texas Tech University Vice President for Advancement (“TTU VP”) and in concurrence with the VCIA, depending upon to whom the gift was made, in their sole and absolute discretion. Unrestricted gifts to, or for the benefit of, TTU of less than \$100,000.00 shall be deposited into the President’s Fund for Excellence or at the discretion of the President.
- d. Endowment Agreements
- (1) The TTU Office of Advancement will coordinate with the donor, academic department contact (if applicable), and Foundation Counsel to draft the endowment agreement. All agreements are subject to TTUS, TTU, and TTFI policies and procedures, including applicable *Regents’ Rules*, System Regulations, and Operating Policies, in addition to all applicable state and federal laws.
 - (2) Development professionals should review System Regulation 04.01: Gift Acceptance, or the equivalent thereof, prior to agreeing to any terms or conditions of an endowed gift with a donor.

e. Endowments Invested in the Long-Term Investment Fund (“LTIF”)

- (1) The LTIF Investment Policy Statement for TTUS requires that the VCIA ensure there are no donor-imposed restrictions preventing endowment funds from being deposited to the LTIF.
- (2) Restrictions by the donor on investment by TTU or TTFI outside the mission or current programs of TTU or any deviation from investment policy regarding LTIF shall not be honored without prior approval of the TTUS Vice Chancellor and CFO and subsequently by the TTUS Board of Regents or the TTFI Board of Directors.
- (3) All endowment funds invested in the LTIF will be subject to an investment management fee in accordance with *Regents' Rules* and the LTIF Investment Policy Statement.

6. Request by Donor to Modify Endowment

- a. Generally, the terms and conditions relative to a completed endowment agreement may not be modified. However, it is recognized that donors of endowment funds, on occasion, have requested and directed that the usage or purpose of their endowment be changed if mutually agreeable with TTU and, if applicable, TTFI. All such requests must be made in writing by the donor and delivered to the TTU Office of Advancement. Upon approval by the VP, the request for modification will be submitted to TTUS IA. All written requests to modify endowment agreements are also subject to the following approval requirements:
 - (1) Principal amount of endowment (including any associated quasi-endowments) less than \$25,000.00 – President approval required.
 - (2) Principal amount of endowment (including any associated quasi-endowments) more than \$25,000.00 – Approval from the TTUS Board of Regents or the TTFI Board of Directors is required. TTUS IA and Foundation Counsel will be responsible for preparing and presenting the agenda item to the appropriate governing board.
 - (3) In some cases, modification of an endowment may require approval of the Texas Office of the Attorney General or may be the result of another state or federal entity with the authority to make such revisions; in this case, modifications shall be managed by Foundation Counsel, in coordination and cooperation with the TTUS Office of General Counsel, as may be necessary.
- b. Submission of a written request to modify shall not automatically result in presentation of such request to any of the above noted reviewing parties.

7. Administration

- a. Establishing Fund Manager Authority
 - (1) Endowment fund financial manager responsibility will be assigned to the vice president, the PSVP, dean, or equivalent level.
 - (2) The TTUS Vice Chancellor and CFO, or his or her designee, will be the fund financial manager on all quasi-endowments.

- (3) Spendable fund financial manager responsibility may be delegated; however, the endowment fund financial manager responsible for such delegation is fully responsible for ensuring the proper use of funds and substantiation of expenses.
- b. Recording Spending Distributions
- (1) During setup of the new endowment fund, a separate operating fund—the spendable fund—will be established to receive the spending distributions, in accordance with the LTIF Investment Policy Statement, and to provide for the accounting of allowable expenditures.
 - (2) Any exception to this policy must be approved by the VCIA and the TTUS Vice Chancellor and CFO, and terms of such exception must be managed and adhered to by the appropriate vice president, dean, or equivalent.
- c. Financial Management and Compliance
- (1) Fund managers are responsible for ensuring expenditures from operating funds are in compliance with the terms and conditions of the endowment and all applicable federal and state laws, as well as TTUS and TTU policies and procedures.
 - (2) Fund managers are responsible for addressing and correcting all non-compliant expenditures.
 - (3) Expenses incurred for endowment purposes should be charged directly to the applicable endowment spending fund. Pooling or aggregating funds from different endowments is prohibited.
 - (4) Excessive accumulation of endowment income should be avoided. Fund balances will be deemed excessive when the balance is greater than the previous two years' distributions and should be handled in accordance with System Regulation 01.08, or the equivalent thereof.
 - (5) Questions regarding the interpretation or scope of the terms and restrictions of an endowment should be directed to the Foundation Counsel and the Assistant Vice Chancellor for Advancement Services, who will involve the VCIA and TTU VP, as necessary.
- d. Reporting
- (1) Annual budgets will be submitted for each endowment operating fund as directed in the annual instructions for submitting budgets.
 - (2) A report on spending funds with excessive balances may be provided to the respective board, Chancellor, President, VCIA, PSVP, and/or dean, as appropriate. The accumulation of excessive balances in endowment spendable funds should be based upon established academic and research plans, in accordance with the policies and procedures outlined in System Regulation 01.08 or the equivalent thereof.
 - (3) TTUS IA provides donors with an annual performance report of the endowment including summarized expenditures and fund balances.

- (4) All other reporting should be coordinated through the TTUS Vice Chancellor and CFO and the VCIA.