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UNIVERSITY

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PD 2007-03

MEMO TO: Vice Presidents, Deans, Directors, Chairs and
Administrative Heads

FROM: Don W. Kassing 

SUBJECT: Presidential Directive 2007-03
Funding of Endowed Chairs and Professorships
(Supersedes PD 97-02)

Private gifts to support San Jose State University offer an opportunity for appropriate recognition for donors. Depending on the level of commitment, recognition may include naming for faculty positions from endowments established for this purpose.

This policy guides the establishment and funding of all endowed chairs and professorships, including fellowships and lectureships established by gift to San Jose State University. For convenience, all will be referred collectively to as "endowed chairs."

These endowments enable the University to recruit and retain outstanding faculty and senior academic administrators through salary and discretionary support for teaching, research and other scholarly or creative activities. They also may enable a unit to bring distinguished visiting scholars or artists to campus, or enable the development and teaching of new courses. Holders of endowed chairs may be assigned to a department, an organized research unit, a division, a college, or the University.

The permanent nature of endowments and the naming of faculty positions require they be established in accordance with the mission and goals of the University as well as sensitivity to goals of the donor. To maintain consistent standards in funding levels and nomenclature, San Jose State University has adopted the following guidelines (which supersede PD 97-02) with the understanding that, with the prior approval of the President, specific circumstances may on occasion call for agreements that fall outside these stipulations.

These guidelines provide:

- a. Guidance to university staff about the size and structure of gifts necessary to attain various levels of recognition;

- b. Standards to ensure endowment funds will be sufficient in size to support the desired purposes;
- c. Consistent recognition of named funds through deferred gift commitments.

All proposals to name endowed chairs require the University President's approval. Contacts and discussions with prospective donors should begin with and be coordinated through the University Advancement Office in consultation with the Provost.

Criteria and guidelines for the selection and appointment of individuals to endowed chairs will be the subject of a future Presidential Directive.

ESTABLISHMENT OF ENDOWED CHAIRS

A. Types of Endowed Chairs

UNIVERSITY CHAIR

The University Chair is the highest ranking and most prestigious position in the University. It enables the President to recruit scholars of national and international stature with highly distinguished records of teaching, research, and publication or creative activity in a particular field, or cross-disciplinary fields.

DEAN'S CHAIR

The Dean's Chair provides discretionary funds that enable deans to implement their vision for developing new programs or launching new strategic directions. Funds will be allocated by the dean to build outstanding departments and programs and to maintain and enhance the quality of the college they lead. Funds can also be used to supplement the dean's salary at the discretion of the President.

FACULTY CHAIR

Faculty Chairs are a prestigious and time-honored way to recruit or retain senior faculty with exceptional records of achievement through salary support and discretionary funds for research, creative activities and the development of innovative curricula to advance departmental goals.

PROFESSORSHIP

Professorships provide the competitive edge in attracting and retaining senior or junior faculty who have demonstrated outstanding accomplishments or show remarkable promise. It can also support a visiting professor for a one to three year period. Funds may be used for scholarly activities or salary support.

FACULTY FELLOWSHIP

Faculty Fellowships promote faculty development by providing summer or sabbatical stipend plus expenses for tenure track faculty to pursue research, curriculum or service projects. Post Doctoral Fellowships invigorate a particular discipline by bringing young scholars to conduct research and engage with faculty and students.

LECTURESHIP

Lectureships enable the University to support a faculty member in developing and teaching a new course curriculum or to bring distinguished scholars, writers, and artists to campus to engage faculty and students for a defined period of time.

B. Funding

1. In determining the amount of funding actually needed to achieve the goals of an endowed chair, the endowment payout rate (currently 4%) must be taken into consideration. The minimum amounts of a gift or gifts required to establish endowed chairs are given below. Some endowed faculty positions will require higher levels of funding in order to achieve the desired purpose

University Chair | \$5 million

Dean's Chair | \$3 million

Faculty Chair | \$2 million

Professorship | \$1 million

Lectureship | \$500,000

Faculty Fellowship | \$250,000

2. All gifts or pledges to establish endowed chairs should be documented in a written Memorandum of Understanding (MoU) between the donor(s) and San Jose State University. MoUs related to endowed chairs must include the signature(s) of the appropriate university representative(s) including the dean or division head, the Provost, the Vice President for University Advancement and the donor(s). MoUs should detail the terms of understanding regarding the structure of the gift, the naming and any other related issues about the use and recognition of the gift. The Office of University Advancement will draft the MoUs in conjunction with the donors and the appropriate dean or administrator and in consultation with the Provost.
3. Establishment of an endowed chair shall be contingent upon full funding by a specified closing date. The gift agreement (MoU) shall include a proposed payment schedule specified at the time of presidential approval, unless there is a commitment to complete the funding by bequest or similar deferred gift for which there can be no predetermined termination date. A request to publicly name an endowed chair shall not be made prior to receipt of at least one-third of the total sum required to fund the chair endowment
4. The face value amount of revocable and irrevocable deferred commitments may establish a named fund at the current named minimums, provided the University is in receipt of one-third of the minimum sum required to fund the endowment at the time the MoU is executed. The position cannot be filled until full funding is achieved.

C. Flexible Endowment of Chairs

It is possible for a donor to establish a plan with the University to create, over time, certain gifts at a particular level. For example:

1. An endowment may be established of less than minimum recognition value with a formal commitment to a schedule of annual expendable gifts that, when added to the distribution from the endowment, will produce the support that would have been achieved with a full endowment at the minimum level. As the endowment increases, either from additional gifts or investment returns, the annual contributions may decrease until the endowment is fully funded.
2. A series of gifts may be pledged with a portion used to provide annual support at the desired level, with the rest used to build endowment to the required level. In either case, the University requests that an irrevocable commitment (documented in the MoU) be made by the donor to complete the endowment funding in an appropriate period of time.

D. Temporarily Named Chairs (Term Endowments)

1. Annual support for endowed chairs may be appropriate for a certain period of years when a donor agrees to make a series of gifts in support of a specific purpose.
2. A donor may wish to establish an endowment that spends down principal in order to meet current funding needs. In some cases, there may be a plan to replenish the endowment through an estate gift.
3. The naming and funding levels for term endowments should be determined through consultation with the appropriate dean, the Provost and the Vice President for University Advancement.

E. Chair Proposal Criteria

1. The President retains authority for establishing and naming endowed chairs and professorships contingent upon funding of the endowment for the chair.
2. A chair may be named in honor of the donor or an honoree proposed by the donor, subject to approval by the President.
3. No final commitment to establish and name a chair shall be made to a prospective donor prior to presidential approval. A proposal to name a chair may be denied if there are concerns regarding either the naming criteria (see below) or the reputation of the donor or the source of funds.
4. Deans and department chairs should work together with the donor, the Provost and University Advancement to ensure that the proposed endowed chair meets the criteria listed below for subject, breadth, and flexibility. The chair definition should be broad enough to allow new research and curricula, and to ensure as broad a candidate pool as possible. A proposal to establish an endowed chair should:
 - a. Ensure that the conception of the chair is consistent with the mission of the University.
 - b. Determine whether the University would be called upon to make a commitment to an area that is inconsistent with the campus academic plan. For example, a

department that would be required to hire the chair holder in a particular area that is inconsistent with department priorities.

- c. Determine whether the proposal would require additional resources from the University.
- d. Ensure that the proposal would not make inappropriate demands on a department or program (e.g., too narrow a research focus).

F. Use of Endowment Income

1. Endowment income made available to holders of endowed chairs may be used to pay or supplement salary and support the teaching, research and service activities of the chair holder, in accordance with the gift terms. Appointments to chair positions can be permanent or for a specified period of time to be determined by the dean and Provost.
2. Addition of income to principal: All donors should be encouraged to include in the governing gift agreement (MoU) provisions permitting:
 - a. the return of unexpended payout to the principal,
 - b. alternative university uses of payout during the period prior to full funding of the endowment or when the chair remains vacant for a period of three consecutive years,
 - c. the reallocation to alternative university uses if the minimum funding level is not ultimately realized or if the subject area ceases to be consistent with the university's mission and the academic plan of the campus.

G. Disestablishment of an Endowed Chair

1. Subject to the donor's approval, the President, upon recommendation by the Provost and the Vice President for University Advancement, is authorized to disestablish an endowed chair in the event that:
 - a. The subject area ceases to be consistent with the University's mission or the academic plan of the campus; or,
 - b. The endowed chair remains vacant for a period of three consecutive years and the Provost, after consultation with the appropriate dean or responsible administrator, and the department chair, determines there is no likelihood of filling the chair.
2. Upon disestablishment of an endowed chair, endowment income shall be reallocated to the alternative purpose stated in the gift instrument or as subsequently specified by the donor in consultation with the Provost and the Vice President for University Advancement. If a donor is deceased and has not specified an alternative purpose, the Provost shall seek an appropriate alternative use of endowment income in a related field.