

STATE COUNCIL OF HIGHER EDUCATION

**POLICIES AND PROCEDURES FOR THE
EMINENT SCHOLARS PROGRAM**
(Excludes Appendices)

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I. HISTORY OF THE PROGRAM

In 1964 the General Assembly established the Eminent Scholars program. Under this program, faculty may receive special salary supplements funded from endowment income and matching general fund appropriations. The amount of the supplements is determined by the institution subject to the availability of qualifying endowment income and general fund appropriations. The supplements are intended to be incremental to the regular annual salary of the faculty member and are not to be used in lieu of base salaries. The faculty member's regular annual salary is established in accordance with the institution's own salary standards.

The 1964 Appropriation Act, establishing the Eminent Scholars program, reads as follows:

Item 631

For attracting and retaining eminent scholars to institutions of higher education, a sum sufficient, estimated at \$25,000.00.

It is provided that this sum shall be apportioned by the Governor to institutions of higher education to equal interest earned by endowment funds created for the purpose after June 30, 1964.

The authority for the Eminent Scholars program continues to be provided through similar language in the Appropriation Act. Item 161, Chapter 912, 1996 Acts of Assembly, reads, in part,

1. This appropriation includes \$7,071,960 the first year and \$7,196,960 the second year from the general fund which is to be made available for attracting and retaining eminent scholars in institutions of higher education.
2. These sums shall be apportioned, in accordance with plans approved by the Secretary of Education, to institutions of higher education, to match the interest earned by endowments created for this purpose after June 30, 1966.
3. However, this stipulation shall not prohibit the appropriation and expenditure of interest earned on these endowments that exceed the match for the state appropriation.

Specific procedures for the administration and implementation of the program are provided by the Secretary of Education and the "Consolidated Salary Authorization for Teaching and Research Staffs in Institutions of Higher Education." Throughout the history of the program, interpretations of it have been provided through various letters and opinions of the Attorney General. Reproductions of the letters and opinions of the Attorney General are included as Appendix B.

II.

ELIGIBILITY REQUIREMENTS

1. Evidence of Qualifications of Endowment and Related Income

The earnings on properly restricted funds given to the institution itself or to its tax-exempt foundation for the purpose of establishing a true endowment fund may qualify for matching State funds for the Eminent Scholars Program. For purposes of determining the amount of eligible matching State funds, the term “earnings” means the income available for expenditure from qualifying endowments, or, for those institutions employing a Board-approved “Total Return Concept and Spending Rule,” the yield on qualifying endowments plus the amount transferred from the Endowment Fund to the Current Fund.

True endowment funds are funds received from a donor with the restriction that the principal is not expendable on a current basis. The Uniform Management of Institutional Funds Act, adopted by the Commonwealth in 1973, defines endowment fund as “... an institution fund, or any part thereof, which is not wholly expendable by the institution on a current basis under the terms of the applicable gift instrument...” (Code of Virginia, 1950, 55-286.1). A quasi-endowment fund is a fund established by the governing board to function like an endowment fund but which may be totally expended at any time at the discretion of the governing board.

To qualify under the Eminent Scholars program, gifts to institutions or gifts to their related tax-exempt foundations must meet the following criteria:

1. The gift must be restricted by external donors for the establishment of true endowments for the sole purpose of generating income to attract and retain eminent scholars.
2. The restrictions by the donor must be stated in writing at the time the gift is made to the institution or related foundation.
3. No institution or its related tax-exempt foundation may designate an existing unrestricted donation, endowment or quasi-endowment in order to qualify it for Eminent Scholars’ matching funds.

Documentation, signed by the donor, of a gift establishing an Eminent Scholars Endowment should be maintained by the institution and should include the gift instrument under which the property is transferred to the institution. The documentation should confirm the donor’s intent to establish a true endowment and should state clearly that the income from the true endowment is to be used for the sole purpose of attracting and retaining eminent scholars. The documentation should also include a statement of the current value of the gift and an estimate of the annual income therefrom.

The guidelines set forth in this document cannot anticipate all possible circumstances under which the solicitation and establishment of endowments for the program might occur. Institutions should develop internal administrative policies, in conjunction with appropriate legal counsel, for

soliciting, establishing, or enhancing qualified Eminent Scholar endowments. The final determination of the eligibility of any fund to participate in the program lies with the Attorney General.

True endowments not held by the institution or its tax-exempt foundation may be eligible to participate in the Eminent Scholars program. In 1984, the Attorney General indicated that “The legislation does not limit the endowment to one owned or controlled by the institution, so long as the endowment is created for the purpose of attracting and retaining such scholars.” Such endowments must be certified as eligible to participate in the Eminent Scholars program by the Attorney General. Actual and estimated earnings from funds not held by the university or its foundation must be separately identified by the institution in its reports to the Council of Higher Education.

Documentation for all endowments participating in the Eminent Scholars program shall be made available, upon request, to the Council of Higher Education.

2. Evidence of Peer Review

The selection of eminent scholars within institutions will be influenced by the unique characteristics and missions of the institutions. Within this broad framework, the criteria for appointment of an eminent scholar are:

1. The appointee shall hold the rank of associate or full professor.
2. The appointee shall be a person who has achieved national eminence in the discipline as judged by the person’s peers. Eminence shall be judged on evidence of effective teaching and productive scholarship. In certain instances eminence may be judged on the basis of artistic achievement or distinguished accomplishments in areas which lie beyond academic endeavor, but for which there is evidence of superior talent.
3. Eminent scholars will hold full-time, faculty positions. This requirement will be effective July 1, 1989.

The criteria for appointment of an eminent scholars are to be used for all appointments and reappointments after July 1, 1988. Documentation should be maintained for each eminent scholar describing the form of peer evaluation and reporting on the nature of the distinguished work and the eminence of the individual.

Appendix A includes the following sample forms, letters, and reporting formats for use in the administering the Eminent Scholars program:

1. Board of Visitors’ resolution establishing an endowed chair or designating an eminent scholar.
2. Typical format used by a donor to establish an Eminent Scholar endowment.
3. Typical report of changes in Eminent Scholar fund balance.

4. Typical report on principal and income for each Eminent Scholar account;
5. Sample university policy statement on appointment of eminent scholars and salary determination.

III. USE OF FUNDS

The purpose of the Eminent Scholars program and, therefore, the intent governing the utilization of such funds as may be appropriated is to attract and retain certain individual faculty members who have achieved national eminence in their chosen and acknowledged field of endeavor. The program is not intended to augment the salary dollars for the general faculty. It provides supplemental funding for a highly selective group of faculty who have been designated eminent scholars. Compensation from Eminent Scholar funds is a supplement to the base salary, which is the sum of funds paid as compensation to an individual were he not an eminent scholar. Compensation from Eminent Scholar funds may include the cost of increased fringe benefits for the eminent scholar which result from the salary enhancement funded by the program.

Institutions shall establish a base salary for each eminent scholar equal to or greater than the minimum salary for the rank (professor, associate professor) identified in the institution's Faculty Compensation Plan file annually with the Department of Personnel and Training. For faculty employed by the institution prior to designation as an eminent scholar, the base salary should be equal to or exceed the salary at the time of the designation or the minimum salary for the designated rank, whichever is greater. Funding for the base salary may be provided from any source.

Situations will arise where the requirement of a base salary component creates a conflict with the desires of the original donor. Institutions may request specific exceptions to the base salary requirement by writing to the Council of Higher Education, which will make a recommendation to the Secretary of Education. Exceptions will be considered once for each gift or bequest and, if approved, incorporated in subsequent requests for funding. Final authority to make exceptions from the base salary requirement rests with the Secretary of Education.

The disposition of eligible, unmatched earnings on Eminent Scholar endowments is governed by the terms of the gift instrument under which the property is transferred to the institution or to the institution's foundation.

IV. FUND ALLOCATION PROCEDURES

The appropriation of Eminent Scholars funds is made to the Council of Higher Education. These funds are subsequently distributed to institutions of higher education based on the Council's recommendations, as approved by the Secretary of Education. In order to receive state matching funds from the Eminent Scholars appropriation, each institution of higher education shall, at the request of the Council of Higher Education, file with the Council a letter of intent providing the following information: 1) an estimate of the corpus of eligible endowment funds as of the end of the fiscal year preceding the biennium for which the request is being made, 2) the estimated earnings on

the endowment in each of the fiscal years for which the request is being made, 3) the total request for state matching funds for each year of the biennium, 4) the estimated expenditures for salaries and related fringe benefits to be made from institutional funds under the program during each fiscal year for which the request is being made (see Appendix A). Estimate earnings (2) should be calculated using an assumed rate of return equal to or less than the actual rate during the previous fiscal year on this class of funds. The use of alternative rates or calculation methods must be approved by the Council of Higher Education. If a request for matching State funds (3) exceeds the estimated earnings on eligible endowment (2) for any given fiscal year, the requesting institution shall provide a statement to the effect that it intends to use unexpended eligible earnings from a previous period to satisfy its matching requirement. Following this filing, the Council shall prepare and transmit to the Secretary of Education a plan recommending the distribution of funds.

V. ALLOCATION METHODOLOGY

Eminent Scholars funds will be distributed annually. The annual distribution will be based on the following two-step allocation methodology.

Step one: Subject to the availability of funds, in each year of the biennium each institution participating in the program will be allocated an amount equal to the lesser of : 1) its actual expenditures of state matching funds for salaries and fringe benefits under the program in the preceding fiscal year, or 2) its request for state matching funds for the current period.

Step two: Remaining funds will be allocated pro rata based on the percentage of unmet requests after the application of step one.

Anticipated surpluses of state matching funds should be reported to the Department of Planning and Budget and to the Council of Higher Education by September 1 to allow for the revision of institutional allocations.

If an institution fails to expend its allocation of state matching funds under this program in any fiscal year, the funds will be subject to the general fund reversion provisions of the Appropriation Act.

VI. REPORTING REQUIREMENTS

Each institution participating in the Eminent Scholars program shall submit annually to the State Council of Higher Education, no later than June 30 of each fiscal year, information about each faculty member who received funds under the program during that year. The report will identify the person's academic rank and discipline and a brief description of the accomplishments or a summary of the activities which qualified this individual for the award. The report should also show the actual salary and fringe benefits expenditures for the person, separately identifying each fund source (see Appendix A).

Expenditures by the institutions for the Eminent Scholars program are to be recorded in specific subprograms within Educational and General Programs or Financial Assistance to

Educational and General Programs in conformance with the guidance provided in the Chart of Accounts for Virginia State-Supported Colleges and Universities, July 1, 1990. Furthermore, each institution's expenditure plan with the Department of Planning and Budget shall reflect its current period Eminent Scholars allocation and appropriation.

Eminent scholars and their salaries must be associated with an appropriated position and identified in the Personnel Management and Information System according to the requirements of the Department of Personnel and Training and the "Consolidated Salary Authorization for Teaching and Research Staffs in Institutions of Higher Education."

Reports, certification, appropriation and allotment forms, and other documents required by the policies and procedures should be maintained by the institution in accordance with the institution's standard record retention program. These documents will be subject to routine audit by the Auditor of Public Accounts.

The foregoing is at all times subject to pertinent legislation and policy of the Secretary of Education, as it shall be in effect from time to time.