



LAMAR UNIVERSITY
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Financial Services

AREA: Student Business Services & Treasury

SUBJECT: Endowment Spending Policy

MAPP 05.06.04

I. POLICY

- A. This MAPP establishes the spending policy for the Lamar University (LU) endowment. The University uses spending distributions from the endowment to support its programs as governed by the donor gift agreement.
- B. The University monitors, adjusts, and approves the annual spending distribution, as needed. By maintaining the spending distribution rate within a prescribed policy band over time, the institution meets current needs while protecting the endowment's long-term financial health.

II. PURPOSE AND SCOPE

- A. This policy falls under the authority of the (i) Texas State University System (TSUS) Rules and Regulations and TSUS Investment Policy; (ii) Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163); and (iii) Texas Education Code, Title 3, including but not limited to §§51.0031, 51.0032 & 51.004.
- B. LU's spending policy seeks to provide a steady cash flow stream for scholarships and programs while at the same time maintaining the financial stability of the endowment's principal.

III. DEFINITIONS

- A. **Endowment.** An endowment is a permanently invested fund. While income from the fund may be spent, the principal of the fund remains intact.
- B. **Fiscal Year.** At LU, the period of time beginning September 1 and ending on the following August 31, both dates inclusive, which coincides with the State of Texas' fiscal year. In academic contexts, fiscal year is often referred to as academic year (Texas Higher Education Coordinating Board).
- C. **Spending Distribution.** Represents the dollar amount of funds made available for expenditure from the endowment for a given fiscal year, as governed by the spending rate.
- D. **Spending Rate.** The spending rate is set by the University to govern the spending distribution available for a given fiscal year. The University's current spending rate is 4%.

IV. PROCEDURES

- A. The spending distribution is calculated using the average of the fair market value of the trailing 12 quarters multiplied by an authorized spending rate. The amount is determined annually as of December 31 (calendar year end) of each year.
- B. The Office of Financial Services will notify University scholarship programs of the spending distribution for the upcoming fiscal year.
- C. The annual spending distribution will be made as soon as practicable after the last day of each fiscal year.
- D. Spending distributions that are not expended may be returned to the endowment fund.
- E. The spending rate may be reviewed by the Vice President for Finance and Operations annually to determine if the rate should be adjusted for inflation, reductions in fair market value, or other factors that significantly reduce a given fiscal year’s spending distribution. The LU President must approve any change in spending rate.
- F. The individual endowments own units in a restricted investment pool and the annual distributions are allocated on a per unit basis.
- G. Any return on investments not required to meet spending shall be retained in the endowment fund and invested in accordance with the University’s investment policies.
- H. New endowments will receive the initial distribution after a full calendar year has been completed.

V. REFERENCES

Texas Higher Education Coordinating Board, Glossary of Terms

VI. REVIEW AND RESPONSIBILITIES

Responsible Party: Vice President for Finance and Operations

Review: Every three years on or before December 31

VII. APPROVAL

Jeremy C. Alltop	07/28/2021
Vice President for Finance and Operations	Date

Dr. Jaime R. Taylor	07/29/2021
President	Date

REVISION LOG

Revision Number	Date	Description of Changes
1	06/22/2020	Initial draft completed.
2	08/07/2020 09/21/2020 05/05/2021 06/11/2021 06/28/2021	Under Purpose and Scope, policy revised to more clearly specify authorizations (08/07/2020). Under Definitions and Procedures, definition and statement on chargebacks deleted to allow for TSUS' more centralized role in managing endowments (09/21/2020). Final SME & Policy Coordinator review & revision before VPFO review (05/05/2021). VPFO review: change I.A as follows (delete/add): "to support its scholarship programs as governed by the donor gift agreement" (06/11/2021). General Counsel review: add "including but not limited to" to II.A (06/28/2021).
	07/29/2021	Version approved by President.