

TOPIC: Establishment of a \$50M Quasi-endowment Fund to Provide Facilities Renewal Funding for State-Supported Facilities

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: October 3, 2017

SUMMARY: During the 2017 Session of the General Assembly, legislation was passed and signed into law that permits the Board of Regents to establish a second quasi-endowment fund, with the stipulation that the spendable income be used for facilities renewal costs of state-supported facilities. The purpose of the fund will be to provide a secure source of annual funding for these expenses.

The System is in the process of formalizing institution commitments for allocated portions of the \$50M authorization. Following the formal approval by the Board, the committed funds will be transferred to the USM Foundation for investment in the endowment portfolio. The funds are to be invested similarly to other endowment funds, with intent to ensure the ongoing purchasing power of the annual spendable income available over the long-term.

Spendable income distributions will begin with the fiscal year 2018, to be dispersed as spendable income is distributed for all USM Common Trust endowment funds.

As a reminder, the first quasi-endowment fund was authorized by the General Assembly in 2013. The spendable income from that fund is designated to support campus fundraising efforts. That fund is an important resource as institutions prepare for the next major capital campaign.

ALTERNATIVE(S): The Board could elect to not take the opportunity to establish a second quasi-endowment.

FISCAL IMPACT: The fund will provide approximately \$2.5 million annually.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend approval of the establishment of a quasi-endowment, to be funded by contributions from the institutions and System Office, in an aggregate amount not to exceed \$50 million, with the spendable income to be used for facilities renewal spending on state-supported facilities.

COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL

DATE: 10/3/17

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923
