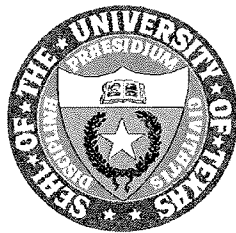


Prepared Testimony of
Randa Safady
Vice Chancellor for External Relations
The University of Texas System

For the Texas Senate
Higher Education Committee

March 25, 2010



Vice Chancellor Randa S. Safady, Ph.D.

As the UT System's vice chancellor for external relations, Randa Safady leads the offices of development and gift planning services, public affairs, community and business relations, communications, special services, and the center for development leadership.

Safady coordinates the UT System Administration's relationships and communications with the news media, business and community leaders and organizations, foundations, and current and prospective donors. She also serves as the System's chief development officer. She works directly with all 15 UT institutions, providing strategic and administrative leadership to their respective offices of development.

Prior to her appointment in 2003, she held several development positions with increasing responsibilities at UT Austin, culminating in the position of associate vice president for resource development and her involvement in UT Austin's successful "We're Texas" capital campaign (1997-2004) that realized more than \$1 billion dollars. Prior to her service at UT Austin, she was director of corporate, foundation and governmental relations at St. Edward's University in Austin from 1987 to 1996.

Safady earned master's and bachelor's degrees from Southwest Texas State University, now Texas State University, and a doctoral degree in higher education administration from UT Austin.

Safady is frequently asked to consult with universities to provide strategic counsel and invited to speak at regional and national conferences on fundraising and administrative aspects of development. She also currently serves as the national chair of the Council for Strategic Communications and Advancement for the Association of Public and Land-grant Universities, a consortium of 186 public research universities and 27 state university systems.



**Prepared Testimony for the Senate Higher Education Committee
Interim Hearing on Endowed Funds
Senator Judith Zaffirini, Chair
March 25, 2010**

**Presented by Randa Safady
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On behalf of The University of Texas System and the 15 academic and health institutions that comprise it, thank you for the opportunity to offer testimony related to your charge.

As the largest public university system in Texas, the UT System is privileged to have the support of thousands of philanthropists whose generosity enables its institutions to provide scholarships to deserving students, to find breakthroughs for new medical treatments and cures, to recruit top-flight faculty, researchers and clinicians, and to expose students to the best learning environments possible. Without private support-- especially endowments that provide perpetual funding streams, UT institutions would not be able to fulfill many of their educational, research, and service missions.

In order to continue to demonstrate our accountability and full transparency to donors, to ensure stewardship of the public trust in UT institutions, and to ensure compliance with laws and policies, a comprehensive Endowment Compliance Program was created almost ten years ago, and it has undergone rigorous refinements over the years. I appreciate the opportunity to share the Program with you today. Supportive documentation is offered in Appendix One.

The UT System Endowment Compliance Program is composed of four primary elements: **risk assessment** (an annual review of endowments to ensure compliance with laws, policies, and donor intent), **monitoring** (activities performed, based on risk assessment, to identify and reduce any areas of non-compliance), **education and training** (ongoing throughout the year to ensure that all staff and endowment signatories are knowledgeable on compliance issues, including use of funds), and **reporting to donors** (provided at least annually) and to the Board of Regents and UT institution and System leadership (through a public presentation and written reports).

[Dr. Safady will elaborate on each of the four primary elements in her verbal testimony.]

With more than 9100 endowments and a market value of more than \$6.4 billion, UT institutions were the privileged recipients of more than \$202 million in endowment distributions in FY 2008. Most of those distributions were restricted to three areas: student support, academic positions, and program support. To ensure compliance with policies and laws, to support the Board of Regents' fiduciary duty to steward endowment donations, and to demonstrate accountability to donors, the UT System Administration's Office of External Relations is responsible for administering a System-wide endowment compliance program that involves high involvement by many individuals at each of UT's 15 institutions.

[Dr. Safady will explain the roles of endowment compliance committees at the campus and System Administration levels.]

A significant annual review is conducted within each institution to monitor four primary risks associated with endowment gifts: *excessive accumulations* (accumulations of endowment earnings above the standard set by the institution), *inappropriate expenditures* (any expenditure outside the terms of an endowment agreement), *no expenditures* (endowments from which no funds have been expended during the reporting period), and *unfilled endowed academic positions* (positions without a holder appointed).

[Dr. Safady will elaborate on how each of these risks is monitored and how findings from each institution are reported and addressed through a plan of action submitted from each UT president to the Chancellor through the appropriate Executive Vice Chancellor for Health or Academic Affairs.]

In the spring of each year, an extensive report of endowment compliance findings for the fiscal year is presented to the UT System Board of Regents in an open session, and the endowment compliance program continues with each institution year round, with modifications made to improve the program when warranted. The UT System Endowment Compliance Program also ensures that endowment donors receive annual reports documenting the use of funds and a financial report detailing endowment value, transactions, and investment performance. In FY 2008, reports were delivered to ninety-seven percent of all known donors (living and locatable). Examples of donor reports appear in Appendix 2. An example of an endowment agreement and System-wide policies on endowment compliance are offered in Appendix 3.

[Dr. Safady will elaborate on reports delivered to by UT institutions to endowment donors and offer information on UTIMCO's annual report, available to endowment donors at www.UTIMCO.org]

Given the scale, complexity, staff resources, and activities associated with a robust and comprehensive endowment compliance program, a modest administrative fee (ranging from eight to twenty hundredths of one percent) of the market value of each institution's Long Term Fund's net asset base may be used to support endowment compliance efforts. Institutions may opt in or out of accepting the fee. Those institutions wishing to receive more than .08 percent for endowment management and administration, including compliance, must submit audited fee assessments and certify their expenditures to be eligible for up to 0.2 percent of the annual fee.

The UT System Endowment Compliance Program is one that is shared nationally with institutional colleagues at national conferences and at the request of other universities. It has received several regional awards from the development community's professional association—The Council for Advancement and Support of Education. It is working. It is always undergoing improvement. Risks are identified and corrected. Institutions are monitoring endowments and reporting to donors. An annual analysis allows the UT System to preempt and reverse any future negative trends. We continue to improve baseline data and increase the number of endowments we review, with the hope that we will continue to be excellent stewards of the public trust.