

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

College of Education – Amending Endowment Agreement for Kreielsheimer Endowment

RECOMMENDED ACTION:

This is a recommendation of the Academic and Student Affairs Committee that the Kreielsheimer Endowment for Seattle Principals and Leaders in the College of Education be amended (1) to replace the interest-free, forgivable loan with an up-front grant of tuition and a stipend of similar value; and (2) to allow students who have diligently sought a leadership position in the Seattle School District to seek a similar position within a Washington state school as a means to satisfy the terms of the endowment.

BACKGROUND:

The Kreielsheimer Endowment for Seattle Principals and Leaders was established in September, 2000. In accordance with the terms of the endowment agreement, income from the endowment is currently structured to support students with a roughly 60 percent tuition stipend plus an interest-free loan to cover 40 percent of the salary a student would presumably give up because of participation in the College of Education’s Danforth principal preparation program. The endowment agreement stipulates that students who are afterward employed for four years in “appropriate leadership positions” within the Seattle School District will have their loans forgiven and will be given an additional grant of approximately \$3,000 to apply toward income taxes paid as a result of their loan forgiveness.

The \$1 million endowment value currently supports two awards of \$25,000 each. This has previously been awarded as \$10,000 for Danforth tuition and \$12,000 for salary offset. No tax relief gifts have yet been awarded, but sufficient funds have been held back to accommodate this provision.

After almost six years, College of Education faculty and fiscal staff find this structure highly problematic. Most Danforth graduates have been unable to complete four consecutive years in the Seattle Public School District because of hiring decisions related to the District’s ongoing budget struggles. The District is under no obligation to hire, much less retain, a recipient of this endowment, which violates a central tenant of Kreielsheimer and results in a situation where the College is then obliged to collect on loans already granted to these students. Further, there are no provisions in the Kreielsheimer Endowment creating an office that tracks and maintains records of student compliance with the terms of the scholarship.

IV. STANDING COMMITTEES

A. Academic and Student Affairs Committee

College of Education – Amending Endowment Agreement for Kreielsheimer Endowment (continued p. 2)

The College's leadership believes this outcome to be both inappropriate and undesirable. Since the donor organization no longer exists and therefore can not agree to an amendment, the College's Dean proposes the changes listed above. Vice President for Development Connie Kravas concurs, suggesting that that the endowment as currently written meets the "threshold of impracticability" standard the University imposes as a criterion for initiating the court-approved amendment process for endowment agreements originally signed by a donor.

In approving this recommendation, the Board of Regents authorizes the Attorney General's Office to take action petitioning the King County Superior Court to approve the amendment of the Kreielsheimer Endowment for Seattle Principals and Leaders. Copies of agreements for the existing and the proposed endowments are attached.

Kreielsheimer Endowment for Seattle Principals and Leaders

I. Establishment

The UNIVERSITY OF WASHINGTON (the "University" or "U of W") and the KREIELSHEIMER FOUNDATION (the "Foundation" or the "Donor") hereby agree to establish The Kreielsheimer Endowment for Seattle Principals and Leaders (The "Kreielsheimer Endowment" or "Endowment") per the terms of this agreement.

II. Purpose

The purpose of the Endowment is to provide fellowships for students in the College of Education's Danforth Educational Leadership Program. In turn, the Endowment will facilitate the recruitment, development and retention of highly effective principals and program administrators in Seattle Public Schools. The fellowships are to be known and designated as the Kreielsheimer Fellowships for Seattle Principals and Leaders.

III. Funding

The Endowment shall be funded with the following:

1. Gifts totaling \$1,000,000 from the Foundation to be completed by September 20, 2000,
2. Any other gifts or bequests designated for this purpose.

IV. Investment

All contributions to the Endowment may, for investment purposes, be merged with the Consolidated Endowment Fund (CEF) as currently or hereafter maintained by the University of Washington, but these gifts shall be entered in the University of Washington's books and records as the Kreielsheimer Endowment for Seattle Principals and Leaders. Distributions shall be made from the Endowment in the manner and amount provided for in the policies established for such endowment funds by the Board of Regents and shall be used for the purposes authorized by this agreement. The investment, management and expenditure of all funds shall be in accordance

with University policies and procedures adopted from time to time for the CEF (See Appendix A for the University of Washington CEF Spending Policy).

V. Selection

Selection of fellowship recipients shall be made by the Dean of the College of Education, or by his or her designee. Selection shall be based on a combination of:

- Recommendations by Seattle Public Schools administrators
- Recommendations of the director of the Danforth Educational Leadership Program
- Recommendations of the Danforth Educational Leadership Program admissions committee
- Academic merit

VI. Amount and Terms of Fellowships

The Kreielshheimer Endowment for Seattle Principals and Leaders will initially provide two fellowships per year. Fellowship recipients will agree to complete the Danforth program on schedule, and to serve in an appropriate leadership assignment in Seattle Public Schools for four years following receipt of principal's credentials. Seattle Public School Districts will agree to, subject to position availability and an assessment of the fellowship recipients' readiness to assume the assignment, provide an appropriate leadership assignment for Kreielshheimer fellowship recipients. Each fellowship will include:

- A gift to cover approximately 60 percent of tuition for the Danforth Educational Leadership Program.
- An interest free loan for approximately 40 percent of the teaching salary, which fellowship recipients will forego to be a student in the Danforth program- When fellowship recipients have completed four years in the appropriate leadership positions in Seattle Public Schools, this loan will be forgiven. If fellowship

IX. Changed Circumstances

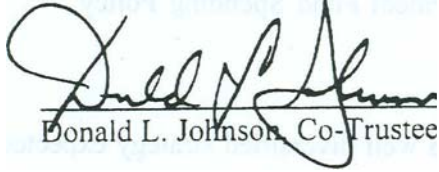
If changed circumstances should at some future time cause the discontinuation of the Danforth Educational Leadership Program, and the Kreielsheimer Foundation has ceased to exist, then the Board of Regents may redesignate the purpose of the Endowment, and the distributions therefrom, provided that the endowment shall continue to bear the Kreielsheimer name and that the re-designated purpose shall continue to generally support and serve to the extent then practical and relevant the goals and objectives of the Danforth Educational Leadership Program through other programs and initiatives recommended and administered by the College of Education. On or after the school years commencing July 1, 2020, the Board of Regents may, in its discretion, further broaden or redirect the purpose of the Endowment provided that the Endowment shall continue to serve the purpose of furthering the quality of education and training provided to principals and teachers residing in the State of Washington and employed by or to be employed by school districts within the State of Washington.

X. Amendment

This agreement may be amended by the mutual consent of the University and the Kreielsheimer Foundation.

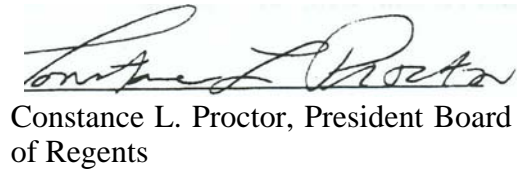
Dated as of the 9th day of September, 2000.

FOR THE DONOR:



Donald L. Johnson, Co-Trustee

FOR THE UNIVERISTY OF WASHINGTON:



Constance L. Proctor, President Board
of Regents

Richard L. McCormick, President
University of Washington

Lee L. Huntsman, Provost
University of Washington

Patricia A. Wasley, Dean
College of Education

Kathy Kimball
Director
Danforth Education
Leadership Program

Lynn K. Hogan
Interim Vice President for
Development

Thornton (T) Wilson
Assistant Attorney General

Weldon E. Ihrig
Executive Vice President

Appendix A: University of Washington Consolidated Endowment Fund Spending Policy

Target Asset Allocation: 80%) equities/20% fixed income in a well diversified strategy expected to provide long term nominal returns of at least 10%.

Target Spending Rate: SIX) of the three-year average of the Consolidated Endowment Fund (CEF) market value.

Spending Rule: Annual spending (i.e., distributions to programs) from the CEF will be 5% of the average market value of the CEF for the previous three years. In addition, spending will not increase or decrease from the previous year's level by more than 5% (i.e., range for each year is 95- 105% of previous year's spending).

Disposition of total return not distributed to programs: Investment management, custodial and administrative fees total approximately 1 % annually. These are paid from CEF return affecting each unit held equally. The remaining return is reinvested and is reflected in each endowment's market value, thereby increasing distributions.

How the policy provides protection against inflation:

Only 5% of the total return is distributed to programs. The remaining return is reinvested so that market values increase over time, which, in turn, increases the distributions.

The three-year averaging smoothes distributions, dampens the effect of significant market changes and assures predictability.

The 5% annual cap on spending avoids distributing more than is prudent in years of steep market value increases. The 5% floor protects programs from significant decreases in distributions in steeply declining years, thus preserving purchasing power even in poor economic times.

Distributions can accurately be predicted for 1-2 years forward, allowing departments to plan expenditures accordingly.

Kreielsheimer Endowment for Seattle Principals and Leaders**I. Establishment**

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from the Endowment in the manner and amount provided for in the policies established for such endowment funds by the Board of Regents and shall be used for the purposes authorized by this agreement. The investment, management, and expenditure of all funds shall be in accordance with University policies and procedures adopted from time to time for the CEF (See Appendix A for the University of Washington CEF Spending Policy).

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Each fellowship will include:

- A tuition payment to cover 60 percent of Danforth tuition; and
- An additional cash award, which will fluctuate with the endowment value, to offset salary losses and expenses that students incur for participation in the Danforth program.

It is recognized that the market value of the principal of the Endowment (initially \$1,000,000) may increase (or decrease) as a result of actual investment returns achieved by the CEF, and consequently the foregoing payments to fellowship recipients may be adjusted from time to time to reflect annual funds available for distribution; and provided further, that the Dean of the College of Education may add one or more fellowships to the program if sufficient additional funds become available for distribution under the CEF spending policy.

VII. Administration

The Dean of the College of Education, or his or her designee, shall be the administrator of the Endowment. Expenditures relating to it shall be subject to University of Washington accounting procedures and guidelines.

VIII. Authorized Expenditures

Consistent with the objectives of the Endowment, distributions will be expended for tuition, fees and expenses related to students' participation in the Danforth Program for recipients of the Kreielsheimer Fellowship for Seattle Principals and Leaders. As authorized by the Board of Regents, the University may annually assess a reasonable fee against income from the Endowment, consistent with the CEF spending policy, to cover the University's costs of administration of the Endowment and related expenses as described in Appendix A.

IX. Changed Circumstances

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