Crafton Hills College Foundation
Scholarship Policy

Each May, Crafton Hills College and the CHC Foundation proudly award over 100 scholarships to deserving students at the annual Scholars Convocation. These named scholarships have evolved over the decades without a clearly articulated set of policies regarding how scholarships are created and managed. Some are labeled as "expendable" and others labeled "endowed". While this is a very significant number, in our service area, there is far more need for scholarship support than the Foundation can possibly provide.

As the Foundation moves forward in its commitment to build even more support for students in the form of scholarships, it is important that the Foundation has a set of policies defining the types of scholarships offered, how they are created, managed, grown and how earnings will be distributed.

Endowments: Endowments are permanent funds and are intended to go on in perpetuity. Endowed funds are invested to generate income resulting in annual distributions to provide the dollars for a scholarship(s). The intent is to grow the corpus of the fund over time to enable the distributions to grow over time and at least keep pace with the cost of living.

Annual Distribution Percentage: Because the return on investments vary from year to year it is prudent to be conservative with annual distribution amounts. All the educational institutions surveyed provide for distributions rates in the range of 4% to 5% regardless of the actual return on the investment. Earnings not used in the current year are reinvested providing growth for the corpus. To protect scholarship awards from the periodic down year in the market, many foundations average the fund amount over a three year period. This also helps to minimize huge swings in amount awarded to students from year to year. Ideally it is desirable to have a payout rate which is a couple of percentage points lower than the long-term earnings on the endowment. The Board has set the policy for the distribution rate at 4% and will revisit this in the future.

Minimum endowment levels: Each of the educational institutions in our area have different minimum dollar levels for a fund to be considered endowed. They range from $10,000 to $25,000 to $50,000 to $100,000. Larger funds generate larger payouts with the same distribution policies.

Endowment Amounts	Annual Distribution
$10,000	$400-$500
$25,000	$1,000-$1,250
$50,000	$2,000-$2,500
$100,000	$4,000-$5,000

As the Crafton Hills College Foundation moves in the direction of establishing endowment policies, it is better to start on the low side of endowment minimums. These are minimums not maximums, and when working with donors, a gift officer should be able to help the donor decide on an appropriate amount. Also endowments typically can be added to over time.

Funding of Endowments: At the time donors commit to funding an endowment, they can provide the gift in a single payment or they may choose to spread the gift over a period of payments usually up to 5 years. Typically, endowments are not allowed funding beyond a 5 year period.

Naming of Endowments: Funds are typically named in honor or memory of an individual, couple or family. This naming opportunity is at the discretion of the donor with the approval of the Foundation.

Named Awards: Named Scholarship Awards offer the opportunity to donors who are not yet ready to fund a full endowment to fund a Named Award. Named awards are expendable funds, not endowed funds, where the donor commits to a minimum gift amount of $500-1,000 per year typically with a five year minimum commitment. At the end of the agreed upon time period the Named award ceases.

Funds that fall short of endowment levels: Occasionally a fund set up to become an endowment ends up falling short of reaching endowment levels due to changes circumstances in the life of the donor. If an alternative timeline cannot be worked out, these funds should revert to the general scholarship fund of the Foundation.

Another area where this may happen is in the weeks and months following the death of an alumnus or former faculty member, friends say "we all need to contribute and create in endowment in memory of the person". Most of the time these best of intentions funds languish after a few thousand dollars have been raised. This is a way to move those small funds out of a holding account and allow them to be used.

Establishment of criteria: The donor has the privilege of deciding what type of students the scholarship is intended to help, as long as there is no discrimination as to who receives the support. They can support students in a specific major or program. They can provide support for a first generation student or other priorities.

Gift Fees: Virtually all public colleges in California and their supporting Foundations apply a gift fee to all gifts coming to the university though the Foundation. Funds generated through these fees are used to support the fundraising programs at those universities. The primary rationale for this is the universities are minimizing the public dollars being used to raise funds, although no public university fully funds its development program with these gift fees. The fee in California is typically 5% of gift amount. The gift fee is added to the amount of the endowment pledge so that a $10,000 pledge becomes $10,500. The alternative is to deduct the gift fee from the gift itself. If the resulting balance is less than the endowment minimum, the funds are held in an investment account until the gift fee has been earned before annual distributions are made.

Administrative Fees: A number of the public university foundations in California also charge and annual administrative fee to the endowment. This is over and above the management fees that are charged by the investment advisor. These fee amounts ranges from ½% to 1 % of the endowment balance. Again the purpose of the fee is to raise money for the Foundation to support the development program.

Gift Agreements: University Foundations draft gift agreements to cover all aspects of the terms of the gift being made, how it is being made and its use. The gift agreement discloses all fees associated with the gift and the payout policy. It discloses the fact that funds will be comingled for investment purposes but will be separately tracked to provide funds balances. These agreements are usually 2-4 pages in length and are singed by both the donors and the Foundation.

Frustrated Programs: The gift agreement also provides for the situation where the purpose of the gift becomes frustrated. This typically happens when a program or major the gift was supporting is no longer offered by the college. It allows the Foundation to move the endowment support to a program that comes as close as possible to the original intent of the donor.

Background statements: While less often used, adding a background statement in the body of the gift agreement can provide an understanding of why this gift and endowment is being created. If it is in memory of someone who has passed away it provides a brief story of why this life needs to be remembered. If it is from a faculty member, it explains why they want to continue to support Crafton students in perpetuity. If it is from an alumnus it tells of the positive impact that their Crafton experience had on their life.

Other uses of these policies: While these policies are initially intended to address scholarships, these gift agreements and the policies included therein can and should be used with all major gifts to the Crafton Hills College Foundation. This includes faculty support funds, building naming opportunities and program support gifts.

Gift agreements can also be used with revocable planned gifts like bequests. Gift agreements will provide information as to how the donor wants Crafton Hills to use the gifts when the time comes. It will designate whether the bequest should be used to create an endowment or if the donors want it expended. Further while the gift is still revocable, it adds another level of commitment to the donor's estate plans. The potential donor has signed what amounts to a contract with the College to make this testamentary gift.