Consolidation of Funds from the 1884 Federal Land Grant and Designation of the Income from a Portion of Those Funds and of the Income from Future Mineral Royalties for Trustee-Sponsored Chairs and Library Support at UA

1. Preamble:

WHEREAS, in 1884 The University of Alabama received a federal land grant of two townships, the proceeds from which, according to the language of the patents, "are first to be applied, as far as may be necessary, to the erection of suitable buildings for said university, and to the restoration of the library and scientific apparatus destroyed by fire, and then to the Endowment of said university, and to no other purpose whatsoever ..;" and

WHEREAS, as of September 30, 1977, there existed in the currently designated Unrestricted Endowment in the Quasi-Endowment Fund the sum of $5,776,682.27 and in the Annuity and Retirement Fund, which was created by the Board from this fund, $3,782,890.15 (including a deficit of $104,203.20 which will be replaced by UA on or before September 30, 1979). In addition the sum of $116,281.15 which represents an unamortized capital loss to be amortized through the year 1981 as authorized by the Board will be added to the principal for a total of $9,675,853.57, which funds have accumulated primarily from income from the sale of coal, clay, and timber from the aforesaid endowment lands; and

WHEREAS, the Annuity and Retirement Fund has been used to support the UA TIAA-CREF retirement program but does not presently generate adequate income for this purpose and this program is supplemented at UA and paid entirely by UAB and UAH from current funds, and this Board deems it advisable to combine the principal of this fund with the aforesaid $6,178,209.39 since the income from these funds is presently applied to current UA operations; and

WHEREAS, the approximately 27,000 acres remaining from this grant contain significant deposits of coal from which substantial royalties can be expected within the next several years; and

WHEREAS, it is fitting that, in a state whose history and wealth have in large measure been shaped by its mineral deposits, income from those mineral royalties should be used for the academic advancement of the University; and

WHEREAS, at the suggestion of Chancellor Volker, Dr. Mathews commissioned a study of the most effective manner in which these funds could be used and has now forwarded a proposed plan to the Chancellor and to the Board for the use of these funds to provide substantial financial assistance for The University of Alabama Library and for the creation of eight academic chairs; and
WHEREAS, the Board concurs in the general purpose outlined in that plan and in the specific provisions of the Chancellor's endorsement thereto (copies of which are attached and made a part hereof).

II. Policy and Procedures

The premises considered, the Board directs the following:

A. That the present Annuity and Retirement Fund be dissolved and the principal balance therein ($3,782,890.15 as of Sept. 30, 1977) be transferred into the present Unrestricted Endowment Fund ($5,776,682.27 as of Sept. 30, 1977) for a combined total of $9,675,575.57 as of Sept. 30, 1977, which, together with the remaining lands from the federal land grant with a book value of $600,000, constitute land and the proceeds therefrom under the 1884 Federal Land Grant to the State of Alabama for The University of Alabama.

B. That the net proceeds from the lease or sale of such lands, to include sale of timber and mineral leases from the remaining lands in the 1884 Federal Land Grant (approximately 27,000 acres) and to include real property exchanged for or purchased out of the proceeds from said lands, shall be paid into the principal of the Unrestricted Endowment Fund with the income from said fund to be annually budgeted by the Board.

C. That in light of the historic origins of the lands upon which mineral royalties are being paid, it is the Board's desire to use a portion of these funds to establish a program of support at UA which shall be dedicated to the academic betterment of the University.

D. That as the initial step in this sustained effort to build upon the academic strength of the Tuscaloosa campus, the Board confirms the action of the Executive Committee on June 13, 1978, in establishing a sponsored research chair of finance and economics in The University of Alabama College of Commerce and Business Administration and in designating the chair the Bidgood Chair of Finance and Economics in honor of Lee Bidgood, who was the first Dean of the College and who also served as Interim President of The University of Alabama, which chair shall be funded as set forth below.

E. That upon recommendation of the President of UA and of the Chancellor there shall be annually appropriated from earnings of the Unrestricted Endowment Fund representing mineral royalties already received:

1. An amount equal to earnings on $750,000 for the support of The University of Alabama Library.
2. An amount equal to earnings on $750,000 for the support of the Bidgood Chair of Finance and Economics in The University of Alabama College of Commerce and Business Administration.

3. An amount equal to the earnings on $563,000 to supplement earnings on the John Sparkman Chair of Law and World Commerce Fund in the principal sum of $187,000 to provide earnings on a total of $750,000 to be used for the support of the John Sparkman Chair of Law and World Commerce effective October 1, 1979. If additional contributions materialize, the allocation of designated coal royalties will be reduced by a like amount.

F. That from mineral royalties received after October 1, 1978, and upon recommendation of the President of UA and the Chancellor and upon approval of the Board, there may be created, at the rate of not more than one per year, seven additional Trustee-sponsored academic or research chairs and additional support equivalent to one chair for The University of Alabama Library through annual appropriations from the earnings of the Unrestricted Endowment Fund as follows:

1. An amount equal to earnings on $750,000 for the support of The University of Alabama Library for a total library support of income on $1.5 million.

2. An amount equal to earnings on $750,000 each for the support of seven Trustee-sponsored academic or research chairs for a total of $5,250,000. (These chairs shall bear the generic title "University Chair" and shall not be named for specific individuals.)

G. That it is the Board's intent that the income from the above described funds shall be used for as long as needed for the purpose outlined above; but that since not every financial exigency nor every changing need can be anticipated, the Board shall periodically review the use to which these funds are being put and may consider and make alternative uses of these and future such funds, if it deems such to be in the best interest of the University.

H. That upon recommendation of the President of The University of Alabama, Tuscaloosa, and of the Chancellor, the Board shall designate the specific chair and its holder or other use to which the funds for a given year are designated.

(Adopted August 23, 1978 as Rule 441; amended September 22, 1979, and April 21, 1995; renumbered December 5, 1997.)