

Resolution Delegating Authority for the Pratt Funds
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 18, 2023

In 1975, the university received a significant bequest from the estate of Mr. John Lee Pratt of Stafford County, following his death on December 20, 1975. The bequest was divided equally into two distinct parts, one to support Animal Nutrition programs in the College of Agriculture and Life Sciences (CALS) and one to support the College of Engineering (COE). According to the will, the bequest for Animal Nutrition was to be used to promote the study of animal nutrition by supplementing salaries, providing equipment and materials to be used for experiments in feeding and in the preparation of feeds for livestock and poultry, and publishing and disseminating the research results of the studies. The will provided that the bequest for the COE should be used to support research and scholarships. Additionally, the will specified that the university Board of Visitors should authorize and approve the expenditures for both of these programs.

Distributions of the Pratt Estate were received in several installments: \$9,561,819 in 1975, \$1,330,000 in 1977, \$47,000 in 1979, and \$30,164 in 1981, for a total of \$10,968,983. Due to the size and significance of this gift at that time, university management, with approval from the Board of Visitors, decided to create a quasi-endowment for the Pratt funds by investing the funds in the Virginia Tech Foundation's endowment pool and to spend only the earnings (in accordance with the endowment payout process) and not the corpus of the gift. This strategic investment decision has enabled these funds to grow over the last 42 years such that the market value of the investment was \$45.2 million, as of March 31, 2023.

When the Pratt Endowment was originally established, the College of Engineering was in the early stages of becoming established as a nationally recognized leader in engineering education. The Pratt Endowment has played a significant role over the years in allowing the college to enrich its pool of students and to offer additional international study opportunities to students and faculty.

The expenditure of income funds from the Pratt Endowment provides an unusual opportunity to support an animal nutrition program of high quality. Use of these endowment earnings has concentrated on enhancing research and educational opportunities beyond what departments could do with state and federal funding. The main funding strategy remains with strong support for Ph.D. training, direct research support, scientific equipment, and visiting professors that stimulate and inspire the faculty and students engaged in nutrition research.

During the last forty-plus years, the payouts from the Pratt quasi-endowment totaling approximately \$50 million dollars have become integral parts of these college's programs and they have demonstrated their ability to prudently leverage and manage these funds.

In the last decade, the endowment payouts have generally been in excess of \$900,000 for each program and the Board of Visitors received updates on the usage of the Pratt Funds twice per year: once to approve the budget for the upcoming year, and at the end of the year, a report on how these budgeted funds were spent.

Since the university has spent well in excess of the original amount of the gift, the university believes it has met the terms and conditions specified in the will and therefore are able to request to discontinue the requirement for the BOV's annual approval of the budget and expenditures. Instead, given their exemplary management of these funds over the last four decades, the university is requesting that the Board of Visitors approve a resolution delegating authority for the Pratt Fund payouts to the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering to continue to manage the programmatic expenditures for these funds in accordance with the requirement of the Pratt will.

To ensure ongoing monitoring of the programmatic expenditures, a memorandum of understanding will be established between the Vice President for Finance and University Treasurer and the Deans of CALS and COE agreeing that a summary report of expenditures of Pratt Funds endowment payouts be submitted and reviewed annually.

RESOLUTION DELEGATING AUTHORITY FOR THE PRATT FUNDS

WHEREAS, in 1975, Virginia Polytechnic Institute and State University ("University") received a significant bequest from the estate of Mr. John Lee Pratt ("Estate"); and,

WHEREAS, the bequest was divided equally into two distinct parts; one to support Animal Nutrition in the College of Agriculture and Life Sciences by supplementing salaries, providing equipment and materials, and disseminating research results; and one to support the College of Engineering by funding research and scholarships; and,

WHEREAS, the University received a total of \$10.97 million from the Estate by 1981; and,

WHEREAS, the university and Board of Visitors created a quasi-endowment and invested these funds such that the market value of the endowment was \$45.2 million as of March 31, 2023; and,

WHEREAS, the last will and testament granted the Board of Visitors approval over the use of these funds within the requirements established by the Estate; and,

WHEREAS, the University presents Pratt Fund budgets, based on the endowment payouts, for each upcoming year to the Board of Visitors for approval and the University presents a report on Pratt Fund usage annually; and,

WHEREAS, the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering have demonstrated their ability to prudently leverage and effectively manage the Pratt Fund programs for over forty years, and have spent approximately \$50 million in support of these programs from the endowment payouts during this period; and,

WHEREAS, the University has therefore met the terms of the bequest;

NOW, THEREFORE BE IT RESOLVED, that the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering be authorized to manage the Pratt Fund payouts for their colleges for programmatic use as defined by the Estate; and

BE IT FURTHER RESOLVED, that the University has met the requirements of the Estate such that the Board of Visitors no longer need to approve the Pratt Fund budgets and expenditures; and

BE IT FURTHER RESOLVED, to ensure ongoing monitoring of the programmatic expenditures, a memorandum of understanding be established between the Vice President for Finance and University Treasurer and the Deans of CALS and COE agreeing that a summary report of expenditures of Pratt Funds endowment payouts be submitted and reviewed annually.

RECOMMENDATION:

That the resolution delegating authority for the management of the Pratt Fund payouts to the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering be approved for the programs as defined by the Estate.

June 6, 2023