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## Spotlight on University Endowments

In these tough economic times with college tuition increasing every year and student loans becoming increasingly scarce, some members of Congress are taking a hard look at college and university endowments and asking if the institutions should do more to help students fund their education.

The Senate Finance Committee, under the joint leadership of Finance Committee Chairman Max Baucus (D-Mont.) and ranking member Sen. Charles Grassley (R-Iowa), has taken the lead in investigating the size of endowment funds and how they are being used to assist students with ever increasing college costs. The Committee held hearing in October 2007 and in January 2008 sent letters to some of the country's largest universities asking for information about their endowments and how they are used. Most recently, a roundtable on endowments was held on September 8, 2008 focused on cutting college costs for students through mandatory endowment payouts.

The January letters were sent to the country's wealthiest colleges and universities. They were asked to provide information on tuition increases over the last decade, their financial aid practices, and how they manage and spend their endowments including whether endowment-related bonuses are paid to college presidents and endowment managers. In an effort to head off regulation, a few of the wealthier universities announced this past year that they were expanding their financial aid programs and making more funds available to students of all income levels.

That effort did not deter the Senate Finance Committee. The September roundtable had the not-so-subtle title, *Maximizing the Use of Endowment Funds and Making Higher Education More Affordable*. (It is no secret that Senator Grassley is in favor of requiring a five percent (5%) endowment payout for colleges and universities.) There were three panels. One explained the basics of endowment funds from a legal, accounting and investment perspective. A second panel focused on understanding college costs including why tuition rates increase higher than the rate of inflation. The third panel looked at the history and effectiveness of the mandatory payout requirement for private foundations. It also discussed the impact a similar payout requirement would have on college and university endowments and tuition rates.

It is difficult to predict the long term impact of the recent financial crisis on the size and continued growth of college and university endowments. With more important economic challenges to meet, endowments may lose the spotlight for a while. But this is certainly an issue that will continue to be raised as Congress attempts to deliver on presidential campaign pledges to make a college education affordable for all American students.