

Congress of the United States
Washington, DC 20515

February 8, 2016

Dear President¹

In the United States Congress, the Senate Committee on Finance and House Committee on Ways and Means have exclusive jurisdiction over federal revenue measures. Under Senate and House rules, the committees have corresponding authority to conduct oversight of activities within their jurisdiction. As chairmen of these committees and the Ways and Means Oversight Subcommittee, we are conducting an inquiry into the activities of colleges and universities related to the numerous tax preferences they enjoy under the Internal Revenue Code. We write to request information regarding the operations of [REDACTED] and status of the university's endowment.

The National Association of College and University Business Officers reports that 56 private universities and colleges have endowments of more than \$1 billion.¹ This study showed endowments had an average return on investment of 15.5 percent and an average payout rate of 4.4 percent during the 2014 fiscal year. Despite these large and growing endowments, many colleges and universities have raised tuition far in excess of inflation.²

In recent years, a greater amount of information has been made publicly available about endowments. The Internal Revenue Service revised the Form 990, which tax-exempt private colleges and universities are required to file, to include certain high-level information about endowments. The Committees are conducting additional oversight of how colleges and universities are using endowment assets to fulfill their charitable and educational purposes. To help the Committees understand this issue, **please answer each question below for the past three tax years, and, to the extent possible, for the current tax year**, unless otherwise specified.

¹ *Building on 11.7% gain in FY2013, educational endowments' investment returns averaged 15.5% in FY2014*, NACUBO (Jan. 29, 2015), available at http://www.nacubo.org/About_NACUBO/Press_Room/2014_NACUBO-Commonfund_Study_of_Endowments_%28Final_Data%29.html.

² John W. Schoen, *Why does a college degree cost so much?*, CNBC, June 16, 2015, available at <http://www.cnbc.com/2015/06/16/why-college-costs-are-so-high-and-rising.html> (breaking down the tuition costs of public and private two and four year colleges and universities from 1994 to 2015 compared to inflation).

Endowment Management

1. What categories of assets are included in your college or university's endowment? For each category, please indicate the amount of funds that are:
 - a. unrestricted;
 - b. permanently restricted by donors;
 - c. temporarily restricted by donors;
 - d. permanently restricted by your college or university (quasi-endowments); and
 - e. temporarily restricted by your college or university.
 - f. For each restricted asset, please describe the uses for which the funds are restricted and the amount of the fair market value of the endowment apportioned to each use. How and why were the restrictions put into place?
2. Does your college or university hold any investments that are not included in the endowment? If so, what are they, and what are their fair market values and basis? How are they used to further the educational purpose of the college or university?
3. What is your endowment size, as measured by total fair market value of its assets? What has been the net growth and net investment return on your endowment each year?
4. How much has your college or university spent each year to manage the endowment, and how many staff and contractors are employed to manage the endowment? For any fees paid to nonemployees for investment advice, asset management, or otherwise, please provide detail on the amounts paid, to whom, and the fee arrangement.
5. If your endowment is required to file a Form 990 separately from your college or university's Form 990, please provide the endowment entity name(s) and Employment Identification Number.

Endowment Spending and Use

6. How does your college or university determine what percentage of the endowment will be paid out each year? If any, what has been the target endowment payout as a percentage of the endowment's beginning balance each year? If that answer differs from the percentage paid out, please explain why. Please attach any payout policies or guidance.
7. Does your college or university have policies regarding spending the endowment principal? Has your college or university ever spent endowment principal? If so, under what circumstances?

8. How much and what percentage of the endowment's beginning balance has your college or university spent each year? How much and what percentage of the endowment's return on investment has your college or university spent each year?
9. What percentage of your endowment does your college or university devote to financial aid for student tuition? How much for other forms of student financial aid? Please specify the types of non-tuition financial aid provided.
10. Does your college or university have policies regarding whether it is allowed to accept funds restricted to a specific purpose? Has your college or university ever declined a donation because it was restricted to a certain purpose? If so, please describe those specific scenarios in which your school rejected a donation.
11. How much and what percentage of your college or university's endowment is invested in real property (not including REITs or other publicly-traded securities)? Please list and describe your college or university's real estate holdings, including real estate held by the college or university, the endowment, and all related entities. If the college or university has made any Payments in Lieu of Taxes, please provide the date and amount of the payment.

Donations

12. Does your college or university grant naming rights to donors based on certain donation levels? If so, please describe the naming rights program, including how much and what percentage of any naming rights donations your college or university has used for tuition assistance.

Conflicts of Interest

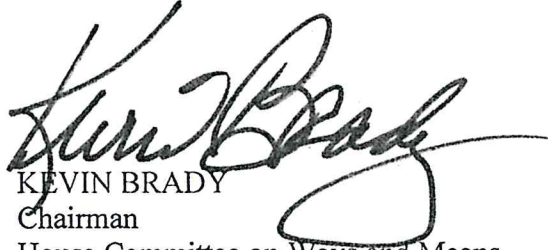
13. What conflict of interest policies does your college or university have in place to address financial interest in endowment investments (including potential conflicts of interest among and between governing boards, trustees, executives, internal employees tasked with overseeing the endowment, and external asset managers of endowment assets)? How do you vet board members' potential conflicts of interest? What are your policies if a conflict arises with a member of the board of trustees?

Please respond to this request by April 1, 2016. Thank you for your assistance with this inquiry. If you have any questions, please contact Chris Armstrong or Justin Coon with the Senate Committee on Finance at (202) 224-4515 or Amanda Neely with the House Committee on Ways and Means at (202) 225-9263.

Sincerely,



ORRIN G. HATCH
Chairman
Senate Committee on Finance



KEVIN BRADY
Chairman
House Committee on Ways and Means



PETER J. ROSKAM
Chairman
House Committee on Ways and Means
Oversight Subcommittee