

Washington, D.C. - Today Senator Chuck Grassley and Congressman Peter Welch hosted a roundtable on college endowments titled, *Maximizing the Use of Endowment Funds and Making Higher Education More Affordable*

The roundtable explored the relationship between endowment value and college cost, the legal and accounting definitions of what an endowment is, and the impact of legislation requiring a mandatory payout from endowment funds.

The following statement was prepared for the roundtable's introduction:

Welcoming Remarks of Congressman Peter Welch at the College

Endowment Roundtable: *Maximizing the Use of Endowment Funds and*

Making Higher Education More Affordable

September 8, 2008

First, I would like to thank Senator Grassley for his efforts on the issue of college affordability and for working with me to convene this roundtable discussion on endowments. His zeal for protecting the American taxpayer is matched only by his prowess on the jogging path. I would also like to make sure my appreciation is known for the work of Theresa Pattara, the Senator's tax counsel who is sharing the table with us today.

Of course, I am grateful to all of you for appearing here today and participating in what I am sure will be an informative and lively discussion. I look forward to the afternoon and to continuing this exchange of information and ideas well into the future. I hope this roundtable will be integral to guiding the formation of our future public policy.

I was brought to considering the issue of college endowments by the uncountable conversations I have had in Vermont with parents and students who are struggling with the cost of college or stupefied by the prospective price tag.

As you all know, in recent years, college costs have spiraled to new heights, and the discussion over how families can afford the higher costs has spilled over from the kitchen table into Congress, in addition to many state legislatures across the nation, and into the headlines. Tuition has risen at twice the rate of per capita income, and this year it will cost just under \$50,000 to attend the average private college. If the cost of milk had risen as fast as the cost of college since 1980, a gallon would be \$15. As a member representing a dairy state, this would be great for Vermont's farmers, but is clearly an unsustainable proposition for families trying to afford a college education.

This explosion in college costs narrows the path to a higher education for millions of young people and their families. For middle and working class Americans, increased tuition either moves a college degree out of the reach of family pocketbooks, or the proposition of assuming up to hundreds of thousands of dollars of debt dissuades students from taking the next - and, in our economy, necessary - step in their educations.

Simultaneous to this trend in college costs has been an un-attenuating growth in the size of the wealthiest college and university endowments. For example, Harvard University, with an endowment of \$35 billion, increased its wealth more than the combined total of the lowest-performing 188 school endowments. Last year, 76 American institutions of higher education became billionaires through the growth of their endowments.

In my short time in Washington, I am proud to have been a member of a Congress that has acted on the college affordability crisis: We passed into law the College Cost Reduction and Access Act, which halves interest rates on federally subsidized student loans and makes the largest increase in aid to students since the GI Bill in 1944. And, the U.S. House more recently approved a comprehensive reauthorization of the Higher Education Act that makes costs savings for students its central focus.

However, we know this is not enough. College costs must be brought under control. If every increased dollar in financial aid gets burned by an increased dollar in tuition, students, families,

and taxpayers will continue to fall behind. It's simply not sustainable.

Now, colleges and universities must join Congress and the American taxpayer in making the American dream of an education attainable. A significant part of these efforts must be determining the role of endowment spending in increasing the affordability and accessibility of college for American students.

Institutions of higher education grow their endowments through tax exempt contributions and untaxed investment income. The Congressional Research Service has estimated that this benefit could exceed \$10 billion in foregone tax revenue. Such preferential tax treatment comes with the expectation that the recipient should confer upon society a benefit. And it is logical that Congress should want to examine and measure the social benefit resulting from the tax relief it grants.

So here we are this afternoon. We are here with one mission in mind: making a college degree more affordable for more Americans.