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MEMORANDUM

To: Reporters and editors
Re: Yale announcement on endowment pay-out
Da: Monday, Jan. 7, 2008

Sen. Chuck Grassley, ranking member of the Finance Committee, with jurisdiction over tax policy, has a long-standing interest in tax-exempt policy. Last September, the committee held a hearing that focused in part on the size of college endowments, at Grassley's urging. In December, Harvard University announced reduced tuition costs for families below certain income levels. Today, Yale announced an increased pay-out of its endowment to increase student financial aid and for other purposes. Grassley made the following comment on today's announcement.

"This is a great day for parents and students. The Yale bulldog might take a bite out of tuition costs for middle and low-income families. For the first time in years, we're hearing good news about tuition and affordability. Harvard has the largest endowment, and Yale has the second-largest. It's a big deal that the two wealthiest colleges are making tuition more affordable. They set an example for all other well-funded schools to do the same. More student access is the goal. Yale is looking at expanding the size of its undergraduate student body. More slots combined with lower tuition could help improve access to a top university. I also hope to see certain, reliable tuition costs from Yale and others so families can crunch numbers and see what they can really afford. I look forward to the details to come from Yale in the days ahead.

"This isn't just an issue of college access. It's also an issue of tax fairness. Universities hold at least \$340 billion in endowments. The donations to those endowments and the endowments themselves are all tax-exempt. American taxpayers are subsidizing that tax-exemption, and they deserve public benefit in return. Meanwhile, I hope Congress is motivated by Harvard and Yale's action to continue a discussion of whether to impose a mandatory endowment pay-out requirement on well-funded colleges. Colleges are tax-exempt, and other tax-exempt entities, such as most private foundations, have a mandatory pay-out requirement of 5 percent a year. It's reasonable to consider a mandatory endowment pay-out requirement for colleges."

For the Finance Committee hearing testimony on college endowment size, please see:
<http://finance.senate.gov/sitepages/hearing092607.htm>.