Sen. Chuck Grassley of Iowa made the following comment on data gathered from 850 U.S. colleges, universities and affiliated foundations participating in the 2010 NACUBO-Commonfund Study of Endowments® (NCSE). The study shows that these institutions' endowments returned an average of 11.9 percent (net of fees) for the 2010 fiscal year (July 1, 2009 – June 30, 2010). This represented a sharp improvement over the average -18.7 percent return (net of fees) reported in last year's study for fiscal year 2009. Grassley has a long-standing interest in university endowment pay-out rates, drawing on his oversight of tax-exempt policies as a leader of the Finance Committee, with jurisdiction over tax policy. Grassley's encouragement of well-funded universities to increase student aid led to some significantly more generous aid policies at several institutions.

"This most recent study strengthens the case for reviewing the investment and payout policies of endowments in the context of tax reform. Taxpayers and students deserve to understand what they're getting in return for the tax benefits awarded to these institutions. These endowment managers should consider the challenge presented by the President in his state of the union speech and expand educational opportunities by making college more affordable for more students

"It's good to see that university endowments are starting to recover. Unfortunately, the recoveries aren't leading to significantly higher payouts. There are more than 62 institutions with endowments greater than $1 billion and more than half of them are private, tax-exempt charities. The trends in endowment payout rates show that, even in a good economy, the wealthiest institutions hardly ever exceeded a payout of 5 percent. The trends also show that my concerns about a 5 percent payout rate being a ceiling rather than a floor are valid. Private foundations have to pay out at least 5 percent every year, and that's become a ceiling for them.

"These same billion-dollar endowments are also making significantly greater investments in alternative strategies when compared to their smaller counterparts. These alternative strategies include illiquid investments such as hedge funds and private equity funds, many of which are likely offshore. They also include investments in commodities and distressed debt. These strategies may be legal but they're not necessarily responsible. And when the economy declined and students and their families needed the most tuition assistance, many of these institutions raised tuition and lowered endowment payouts because they couldn't liquidate their investments in these alternative strategies."

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