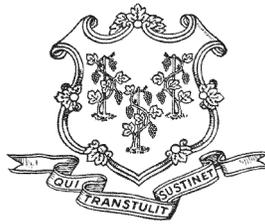


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In Support of:

S.B. 413 AN ACT CONCERNING A TAX ON CERTAIN ENDOWMENT FUNDS OF INSTITUTIONS OF HIGHER EDUCATION

Yale endowment should invest in innovative job creation

Good Morning Senator Fonfara, Representative Berger and members of the Finance, Revenue and Bonding Committee. Thank you for the opportunity to testify on S.B. 413 AN ACT CONCERNING A TAX ON CERTAIN ENDOWMENT FUNDS OF INSTITUTIONS OF HIGHER EDUCATION .

The City of New Haven has successfully navigated the difficult waters of an economic transition towards science and technology. “Eds and meds” – universities and hospitals – has become the key driver of our growth and success. Start-ups like Alexion now employ thousands in their new headquarters. Yale University has invested in innovative jobs that support the entire region. Yale employs 13,000 people, 70% of whom live outside of New Haven, lifting up our suburban communities. An additional 12,000 people work in the Yale-New Haven Health System, whose hospitals stretch from Greenwich to Bridgeport to New Haven. These 25,000 jobs help drive our state toward a more prosperous future.

We are stimulating similar job creation throughout the state, such as Jackson Laboratory’s new facility in Farmington, or UConn’s new Technology Park. Our Bioscience Innovation Fund is ensuring that companies looking to invest in Connecticut have the support they need to prosper in our state. We are expanding our state’s tax credit for angel investors.

Now it is time for Connecticut to take the next step.

We need to increase our investment in innovative jobs. To accomplish this, we need two things: more private investment to create these jobs, and affordable access to higher education so that our children can fill these jobs. SB 413 accomplishes both.

This bill creates an incentive for exceptionally well-endowed universities – like Yale University, which holds over \$25 billion – to spend more to support access to higher education and create innovative, high paying jobs.

The Republican leadership in the U.S. House and Senate is currently conducting an inquiry into the tax-exempt status of university endowments over \$1 billion. The inquiry affects only one university in Connecticut. Their letter notes, “Despite these large and growing endowments,

many colleges and universities have raised tuition far in excess of inflation.” The universities’ responses to this Congressional inquiry are due April 1, 2016.

Catharine Bond Hill, president of Vassar College, admits “The richer schools are getting richer and the poorer schools, in some cases, are getting poorer.”

It is our hope that these rich schools can use their wealth to create job opportunities, rather than simply to get richer. Yale University through its superlative endowment provides more financial aid to low and moderate income students than do other less well-endowed private universities, however, it possesses the resources to have an even greater impact on our economy.

Even Tom Reed, a Republican Congressman from Ithaca, New York, agrees, saying: "off that income that's coming off those billions of dollars that are sitting in these accounts tax-free, and accumulating income tax-free, we need to use a portion of that money to go directly to kids of hard working families to make sure that they can go to college."

S.B. 413 is far more modest than some of the proposals circulating in Washington. It contains no spending requirement. Instead, it includes a spending incentive. The bill does not threaten the endowment's tax-exempt status. Instead, it protects the tax-free status of the endowment's principal adjusted for inflation, and extends that tax-free treatment to all of the endowment's growth that is re-invested in higher education or in the broader economy. S.B. 413 also does not create a new tax. It simply provides that, if the university chooses not to re-invest its earnings into higher education or the economy, those excess earnings would be subject to the UBIT tax that universities already pay today on their non-educational income.

The goal is that universities with over \$10 billion would either use their endowment to expand access to education and create innovative jobs, or would share a small percentage of their retained earnings with the state's taxpayers, so that we could accomplish these same goals.

Connecticut's economy is going through a transformation. S.B. 413 will spur investment in the creation of thousands of innovative jobs that will keep our young people living and working here in Connecticut.