

Proponent Testimony for Senate Bill 135
Nathan Rush, Past Speaker of the Ohio State Student Government Senate
Ohio Senate Workforce & Higher Education Committee
May 19, 2021

Good afternoon Chairman Johnson, Vice Chair Cirino, Ranking Member Williams and members of the committee. My name is Nathan Rush and I am an OSU student and am the past Speaker of the Ohio State Student Government Senate.

I am here today to give my perspective as a student on the importance of Senate Bill 135.

One issue that is heavily talked about and we are all aware of is the rising cost of college tuition. In just the last 10 years, average costs have risen 25%. And since 1985, around the time many of our parents and teachers attended college, costs have grown by almost 500%, more than doubling the rate of inflation during that same time.

As more and more jobs require a college degree, students are taking out larger and larger loans.

Scholarships are more important now than they have ever been.

Unfortunately, while college debt increases, Ohio State has for many years now been spending down the principal of endowment funds that were meant to provide scholarships for students.

Endowment funds are meant to last in perpetuity. A major donor gives a large financial gift to a university with specific goals outlined in a contractual agreement. The university agrees to invest the funds and use the interest to pay for scholarships and other initiatives outlined in the agreement. The fund principal is protected and the endowment continues to fund the goals in perpetuity, benefiting students and achieving the goals of the donor to help students. Only this is not happening at Ohio State. Instead, the university is spending down the principal year after year, depleting the funds and not abiding by the terms of the agreement to provide a specified number of scholarships.

While student debt is a complex issue, it is easy to see how impactful the millions of dollars that were drained from endowments could have been for so many students.

Not only would students graduate with less debt, but more students could attend college who otherwise couldn't.

Additionally, a 2019 report shows that students who received scholarships in college were three times more likely to donate to their alma mater, further continuing the cycle of lessening student debt.

Our universities should be prioritizing using endowment money to build a stronger student and alumni network, guaranteeing a future generation of donors. It is understandable that universities must spend money to market to new prospective donors. But this should not be done in a way that depletes existing endowment funds and denies current and future students of scholarships.

As a student, it is disappointing that Ohio law is literally last in the nation when it comes to protecting endowments.

Ohio law allows universities to spend 5% of a fund every year with the "irrebuttable presumption of financial prudence", regardless of how the fund is performing. Other states have adopted language that says any expenditure over 7% creates a rebuttable presumption of imprudence. This version provides more guardrails to prevent universities from spending down the principal and depleting the fund. This would help make sure endowments are protected and remain intact in perpetuity so they can provide scholarships and other benefits outlined in the endowment agreement.

Ohio law also gives endowment donors no recourse if it is found that a university is not abiding by the endowment agreement. This allows universities to continue depleting endowments while not providing the specified number of scholarships, with no ability to challenge their deficiencies.

As a result of our inadequate laws, Ohio State has been able to continue spending down the principal of its endowment funds year after year, draining the funds, making it less likely that scholarships will be provided in perpetuity as they were meant to be. There are currently over 200 endowment funds at Ohio State that are now worth considerably less than they were when the funds were donated.

Allowing for our universities to drain endowments in the way that they have not only hurts current students, but future generations of students as well.

I want to see my beloved university and its students thrive for years to come, ensuring our "fair repute" by managing our funds well and delivering on the promises to provide scholarships for those whom they were intended.

I respectfully ask that you support Senate Bill 135, which would improve Ohio's endowment expenditure laws and permit donors the ability to ensure their endowment donations are utilized according to their contractual agreement.

CNBC, Data from BLS and College Board (ohio only five percent)

<https://www.cnbc.com/2019/12/13/cost-of-college-increased-by-more-than-25percent-in-the-last-10-years.html>

Forbes, Data from US Dept of Ed and Federal Inflation Information

<https://www.forbes.com/sites/zengernews/2020/08/31/college-tuition-is-rising-at-twice-the-inflation-rate-while-students-learn-at-home/?sh=633e40b22f98>

Philanthropy News Digest, Data from GiveCampus

<https://philanthropynewsdigest.org/news/college-graduates-with-debt-more-likely-to-give-back-survey-finds>