

Proponent Testimony of Greer Rouda
Senate Bill 135
Ohio House Higher Education and Career Readiness Committee
December 7, 2021, 2021

Chairman Lanese, Vice Chairman Young, Ranking Member Ingram and members of the committee:

My name is Greer Rouda. I am Vice President at Monarch Title Services and a 1977 graduate of Ohio State University.

My father Harley Rouda founded HER Realty Company. My parents loved Ohio State University. In 2000 they established two scholarship endowment funds, one for athletics and the other for real estate business majors. The agreement was that these funds would be invested by OSU and the interest would provide annual scholarships in perpetuity, with the principal left intact.

Unfortunately, this has not happened. Instead, Ohio State has drained funds from the principal of both of these endowments. The athletic endowment donation was \$250,000 and is now worth just \$200,000, a decline of 25%. The business school endowment started at \$918,000 and is now at \$716,000, a decline of 22%. That's over 20% less money available to provide scholarships each year. And with the funds decreasing by the year, eventually the entire principal will be depleted.

While this is extremely disappointing for my family and my parents' legacy, what is most troubling is the impact on students. My parents wanted to help deserving students attend college without incurring debt. In a time when student loan debt is a national crisis, it is unacceptable for a university to be spending down the principal of endowment funds to the detriment of students.

Ohio State does a great job raising money. As they themselves say, they've raised over \$500 million in the last several years. The problem is they are draining existing endowment funds and violating the terms of the agreements in order to pay for the entertainment, travel and salary costs associated with raising new dollars. They are breaking their commitment to previous donors in order to wine and dine new donors, and the students are the ones paying the price.

Ohio State says it abides by the Uniform Prudent Management of Institutional Funds Act, a national standard that nearly every state uses to operate endowment funds. But the primary author of that act, Susan Gary of the University of Oregon, has said that Ohio State is violating the spirit of that act by spending down the principal of its endowment funds in order to pay for lavish entertainment and travel expenses.

Part of the problem may be that Ohio adopted a watered-down version of the act. In fact, Ohio's version is the weakest of any state in the nation from a standpoint of accountability. Ohio's

version gives universities an “irrebuttable presumption” that continued spending of 5% of an endowment’s value each year is “prudent,” and therefore lawful, regardless of whether the endowment is failing to achieve its charitable purpose and is decreasing in value.

Over half of OSU’s largest privately-funded endowments were underwater last year, yet OSU has continued to spend those endowments down. That’s thousands of endowments. In 2019, OSU took \$19 million from those endowments to pay for advancement officers’ salaries, travel, and festivities to solicit new endowments from wealthy donors.

With Ohio’s weakened version of the uniform act, you can see why thousands of endowment funds are worth less now than when they were established. There’s nothing prohibiting universities from spending down the principal even when they are underwater. There’s also no way to hold them accountable to providing the scholarships and other goals specified in the endowment agreements.

I believe that like me, most major donors are unaware of just how badly their endowment funds are being managed and how many students are being shortchanged of scholarships. State law gives donors no ability to enforce their agreements. That responsibility lies solely with the Attorney General, who also serves as the university’s legal counsel.

I respectfully ask the legislature to strengthen Ohio’s laws by doing the following:

- Strengthening endowment management laws by eliminating Ohio’s weakened version of the uniform and replacing it with the original version proposed by the Uniform Law Commission.
- Give donors some legal ability to ensure universities are honoring their agreements to provide specified scholarships if the Attorney General cannot or will not enforce the agreements.

When donors give funds to provide scholarships, their generosity should be respected, and the agreement should be kept. While it is reasonable for a university to spend funds developing new donors, it should not do so by draining existing endowments and failing to deliver on their original commitments.

Thank you for the opportunity to speak to you about this important issue.