

February 25, 2008

The Honorable Max Baucus, Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Charles E. Grassley
Ranking Member
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Senators Baucus and Grassley:

Iowa State University is pleased to respond to your request of January 25, 2008, regarding our endowment, tuition and fees, and student aid programs. We know today's students and their parents increasingly are challenged to meet the costs of higher education, and we share the Committee's concerns regarding the rising costs of obtaining a college degree. As one of the first public land grant universities in the United States and currently celebrating our 150th anniversary, we have always maintained as a very high priority the goal of providing access to an affordable education to all qualified applicants.

Compared to our peers, Iowa State University continues to be in the bottom quartile in terms of tuition and fees for undergraduate students. For the coming year the Board of Regents, State of Iowa, has approved a 3.2% tuition and fee increase, which is the lowest increase in more than two decades, and it is well below both the projected increase in the Higher Education Price Index and the rate of inflation.

Because the Iowa Legislature does not directly appropriate significant funds for student aid, the university commits more than 22% of all of its tuition revenues for this purpose. Last year scholarship aid totaled more than \$67.8 million, of which \$14.8 million was provided from private gifts. Approximately half of the contribution from private gifts came from earnings on endowments. Additionally, Iowa State University recently announced a major fund-raising campaign that includes a goal of more than \$235 million specifically for increased scholarship support. This will significantly increase the scholarship endowment base and greatly assist our students with the rising costs of attending Iowa State.

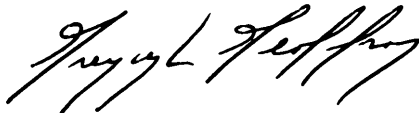
Please note that there are two endowments that support students at Iowa State University. The first is the University Endowment that consists of assets managed by Iowa State University under

policies approved by the Board of Regents, State of Iowa. The second endowment is the Foundation Endowment, which is owned and managed by the Iowa State University Foundation, a legally separate Iowa non-profit corporation and Section 501(c)(3) publicly supported charity, which exists to secure and steward private gifts that support Iowa State University. For the purposes of the National Association of College and University Business Officers (NACUBO) report, and in accordance with current accounting standards, historically these two endowments have been combined to present one financial report. As reported to NACUBO, the value of the University Endowment on June 30, 2007, was \$149 million, and the value of the Foundation endowment was \$443 million. The endowments' combined total, as of June 30, 2007, was \$592 million.

In the attached document, you will find answers to the questions that accompanied your letter of January 25th. Please bear in mind that for consistency, information from the two endowments has been combined wherever possible in our responses to you.

We will be pleased to clarify this information or to provide any additional data that may help the Committee as it considers ways to assist students and their families meet the costs of higher education.

Sincerely,



Gregory L. Geoffroy
President

Attachment

bc: David Miles
Matt Owens, AAU

**IOWA STATE UNIVERSITY
SPECIFIC ANSWERS TO THE QUESTIONS ACCOMPANYING THE
UNITED STATES SENATE COMMITTEE ON FINANCE REQUEST**

1. Please provide the number of undergraduate and graduate students year-by-year for the last ten years.

	<u>Iowa State University</u>	
Fall Enrollment	Undergraduate	Graduate/Professional
2007	21,004	5,156
2006	20,440	5,022
2005	20,732	5,009
2004	21,354	5,026
2003	22,230	5,150
2002	22,999	4,899
2001	23,060	4,763
2000	22,087	4,758
1999	21,503	4,607
1998	21,035	4,550

2. Please provide the total cost of undergraduate tuition (including all fees) – both sticker and average, mean and median – year-by-year for the last ten years. Please provide the amount of tuition assistance (not including loans or work study) that the university has provided to undergraduate students year-by-year for the last ten years. For the most recent year, please provide the percentage of students receiving university grants (for example 25%; 50%; 75% and 100% of tuition and fees). Please provide the average grant amount.

# Years	Academic Year	Undergraduate Students			Graduate Students		
		Tuition and Fees (Sticker Price)		Total Grant Dollars	Tuition and Fees (Sticker Price)		Total Grant Dollars
		Resident	Non- Resident		Resident	Non- Resident	
1	1997-1998	2,766	8,808	13,209,517	3,248	9,174	4,859,402
2	1998-1999	2,874	9,152	15,047,308	3,374	9,532	5,092,737
3	1999-2000	3,004	9,564	17,450,241	3,526	9,962	5,693,014
4	2000-2001	3,132	9,974	18,752,341	3,678	10,390	6,296,043
5	2001-2002	3,442	10,776	21,846,186	4,000	11,196	7,087,906
6	2002-2003	4,110	12,802	28,004,437	4,770	13,296	8,658,832
7	2003-2004	5,028	14,370	31,878,122	5,686	14,862	9,818,980
8	2004-2005	5,426	15,128	34,103,312	6,172	15,798	10,945,791
9	2005-2006	5,634	15,724	34,626,968	6,410	16,422	11,747,617
10	2006-2007	5,860	16,354	36,920,761	6,666	17,080	12,708,544

During the 2006-07 academic year, 52% of undergraduate and 59% of graduate students were supported

through University grants with average awards of \$3,238 and \$4,285 respectively.

- 3. Please explain your university's financial aid policy. How do you inform students and parents of that policy? What outreach efforts does your university take to recruit potential low-income students? How is low-income defined? What is the amount spent on these efforts?**

Mission Statement

The mission of the Office of Student Financial Aid is to provide financial resources to enable access to an Iowa State University education while supporting the overall goals and objectives of the University.

Awarding philosophy

In concert with recruitment and retention goals, the University's strategic plan, and its land grant mission, financial aid is awarded to as many students as possible who qualify. Students who demonstrate the greatest financial need should receive the most financial aid. Students whose aid applications are received by the published priority date of March 1 are considered for funding from all resources; students whose applications are received after this date are awarded on the basis of eligibility and aid availability. All financial aid awarded cannot, in combination, exceed the individual cost of attending the institution.

As March 1 preceding the fall academic year is the priority date for consideration of funding through the Federal Supplemental Educational Opportunity Grant, the Federal Work-Study Program, the Federal Perkins Loan Program, and institutional gift aid, Iowa State University spends significant resources to notify and encourage students to meet this date. The date is presented to students in all on-campus presentations during Experience Iowa State (a campus-visit date for prospective students), during orientation presentations (to all admitted students), and through written correspondence at the time of admission to the University, through e-mail reminders three times during the months of December, January, and February, through a post-card which is mailed to the home address in early January, and through newspaper advertisements, office posters, and reminders to campus units. Generally, a total of \$10,000 per year is spent on these activities.

Iowa State University follows a need-blind admissions policy, meaning that we are not aware of a student's financial need at any point in the admissions process. Only when students have been admitted and complete a Free Application for Federal Student Aid (FAFSA) form is financial need ascertained. However, as the land grant institution in the state of Iowa, Iowa State University prides itself on visiting every in-state high school to recruit academically eligible students. We support the efforts of the Educational Talent Search and Upward Bound programs, and offer special scholarship programs specifically targeting students from high need backgrounds. These programs include the Hixson Opportunity Scholarship and the Multicultural Vision Program. The Hixson Opportunity Scholarship provides 100 incoming freshman a \$2,500 scholarship and the Multicultural Vision Program offers 100 incoming freshman a full tuition award. Both programs are renewable for a total of eight semesters, providing students meet the academic requirements and both programs require an academic tutorial to support student success.

- 4. Who determines and decides when tuition increases are necessary? What is the process for making this decision? Does the full Board of Trustees vote on tuition increases? Are students, parents and the public provided an opportunity to comment on tuition increases prior to final decisions being made? What role does your university endowment play in providing financial assistance to students?**

Principles for Setting Tuition and Related Fees

By Iowa law, the Board of Regents, State of Iowa, determines the need and amount of tuition increases. The full, nine-member Board annually sets tuition rates, typically at a late fall meeting for the next academic year, following an initial presentation at a preceding meeting. Students, parents and the public are afforded the opportunity to participate in the decision-making process. Each year the presidents of the student bodies of the three public universities (Iowa State University, University of Iowa, University of Northern Iowa) are

invited to address the Board during the meeting at which tuition and fee policy is discussed. Below are excerpts from Board of Regents' policy specifically addressing tuition:

8.02 Tuition

C. Principles for Setting Tuition and Related Fees

Higher education in Iowa is a partnership among Iowa students and their parents, out-of-state students and their parents, Iowa taxpayers, Iowa public policy makers, the Board of Regents, and the Regent universities.

Tuition revenues provide a significant portion of the universities' General Education operating resources and are considered a key component of those funding plans. Tuition represents the student/family share of the cost of higher education. (See Chapter 7.03, General Policies, of this Policy Manual.)

1. Tuition Categories:
 - a. Resident Undergraduate Students
 - b. Resident Graduate Students
 - c. Nonresident Undergraduate Students
 - d. Nonresident Graduate Students
 - e. Resident Professional Students
 - f. Nonresident Professional Students
2. On an annual basis, the Board of Regents will consider tuition and fee proposals for each university.
3. Within each tuition category, each university president will have sufficient flexibility, with appropriate justification, to recommend differential levels of tuition and fees for all students at their university or for subcategories of students, consistent with Regent and institutional strategic goals, based on student classification level, program of study, or other relevant criteria.
4. The Board will use, as a benchmark in evaluating university-proposed tuition and fee increases, an inflationary percentage range of the projected HEPI (Higher Education Price Index) as determined by the University of Iowa's Institute for Economic Research, in consultation with economists at Iowa State University and the University of Northern Iowa.
5. University Tuition and Fee Proposals

Prior to submitting tuition and fee recommendations to the Board Office for review and analysis, each university president must:

 - a. Ensure the recommendations are consistent with the overall funding plan.
 - b. Ensure that tuition and fee proposals are discussed on campus with the elected leadership of faculty, staff, and student organizations.
 - c. Keep the other two university presidents fully informed throughout the development process of tuition and fee requests.
 - d. Use the HEPI benchmark as a guide to Board expectations for rates increases, absent adverse changes in the overall fiscal environment for the university considerations of the overall funding plan.
 - e. Provide clear explanation and justification for all tuition and fee requests as part of the funding plan.
 - f. Include the endorsement of students and identification of the specific uses and duration of any mandatory fee proposal higher than the median of the HEPI range and earmarked for specific

non-academic student benefits.

- g. Provide specific documentation of the university strategic goals and objectives related to the tuition and fee proposals.
 - h. Tuition for nonresident students should, at a minimum, cover the full cost of their education at each Regent university.
 - i. Provide at least the minimum required 15% gross tuition proceeds set-aside for student financial aid.
6. All initial proposed tuition increases, changes in mandatory student fees, and tuition-related miscellaneous charges must be submitted and presented for the Board's consideration at the same Board meeting.

What role does your university endowment play in providing financial assistance to students?

In fiscal 2007, \$14.8 million in student financial aid was provided from private gift funds. Of this private gift support, approximately half was generated by endowments held by the university or the Iowa State University Foundation.

Last fall, Iowa State University publicly launched "Campaign Iowa State: With Pride and Purpose." One of the goals of this campaign is to raise \$235 million for student support, which would significantly increase available financial aid.

5. Please explain how your university's endowment is managed and the role of the Board of Directors?

Oversight for the University Endowment is the responsibility of the Board of Regents, State of Iowa, which is statutorily authorized by Iowa Code Chapter 262. Created by the Iowa General Assembly in 1909, the Board is a group of nine citizens who govern five public educational institutions in the state through policymaking, coordination and oversight, as provided by law. The broad responsibilities of the Board include approving investment policies, and it is the responsibility of the Board to set investment policy in accordance with Iowa Code Chapter 12B. The objective of the Board's investment policy is to ensure compliance with investment practices that preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of its investable assets. The Board seeks to obtain a reasonable return for a prudent level of risk (Iowa Code §12B.10). The policy statement identifies the broad investment strategy to be followed in the investment of the assets, and details general restrictions, authorized investments, and asset allocations. The Board approves the selection of investment advisors and external fund managers.

Oversight for the Foundation Endowment rests with the Board of Directors of the Iowa State University Foundation. The Board has developed a Statement of Policy and Objectives for the Endowment, which directs that the endowment pool must be managed according to the Uniform Management of Institutional Funds Act as adopted in the State of Iowa, and the prudent investor rule as construed by the courts of Iowa and the Iowa Non-profit Corporation Act. The Investment Committee of the Board, which consists of volunteers who are alumni of Iowa State University and who have investment experience in their professional careers, has responsibility for recommending changes to the Endowment Policy and the endowment allocation to the Board, selecting investment consultants and managers, and monitoring performance against established benchmarks.

What are your university's endowment payout and investment policies?

Each endowment has a spending policy of 5.5% (4.25% spending and 1.25% fee) annually calculated on a 12-quarter moving average of market value of the endowment.

The objective of the Board of Regents' investment policy is to ensure compliance with investment practices that preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of its investable assets. The Board seeks to obtain a reasonable return for a prudent level of risk (Iowa Code §12B.10). The investment policy for the Board of Regents, State of Iowa, can be found at: <http://www2.state.ia.us/regents/Policies/Chapter%207/chapter7.04.htm>

The primary objective of the Foundation Endowment is to preserve and enhance the endowment's inflation-adjusted purchasing power net of all investment management cost, while providing funds for current spending.

What is the mission of your university's endowment?

The mission of the University Endowment and the Foundation Endowment is to support the mission, goals, and long-term success of Iowa State University.

When was the last time that the university's endowment policy was reviewed? When will it next be reviewed?

The Board of Regents Investment Policy is continuously reviewed and updated. An extensive review and evaluation was conducted in late 2005 which included modifications to asset class allocations.

The Iowa State University Foundation Investment Policy is reviewed on an annual basis. It was last reviewed in April 2007 and will be next reviewed in April 2008.

6. Please provide the year-by-year net growth of the university's endowment for the last ten years (in both percentage and dollars).

Endowment Net Growth: Combined Endowments (\$ in thousands)			
	Market Value	Growth Dollars	Growth Percentage
FY 2007	\$592,368	\$96,350	19.42%
FY 2006	\$496,018	\$39,391	8.63%
FY 2005	\$456,627	\$56,006	13.98%
FY 2004	\$400,621	\$61,291	18.06%
FY 2003	\$339,330	\$3,403	1.01%
FY 2002	\$335,927	-\$2,578	-0.76%
FY 2001	\$338,505	-\$55,430	-14.07%
FY 2000	\$393,935	\$127,587	47.90%
FY 1999	\$266,348	\$31,706	13.51%
FY 1998	\$234,642	\$54,769	30.45%

What is the amount of donations the endowment has received year-by-year for the last ten years?

Donations: Combined Endowments (\$ in thousands)	
FY 2007	\$39,774
FY 2006	\$27,135
FY 2005	\$55,183
FY 2004	\$12,283
FY 2003	\$13,523
FY 2002	\$61,164
FY 2001	\$11,262
FY 2000	\$96,789
FY 1999	\$18,858
FY 1998	\$32,527

Please provide the percentage of investment in each asset class (equity, fixed income, hedge funds, private equity, venture capital, etc.) and the amount invested outside the United States.

Asset Class: Combined Endowments	
Equity – US	35.76%
Equity - Non-US	21.71%
Fixed Income	19.68%
Real Estate	2.85%
Hedge Funds	13.06%
Private Equity	3.89%
Natural Resources	2.93%
Cash	0.12%
Total	100.00%

The amount invested outside the US totals \$150,377,000, primarily in public equities.

7. Please explain how you determine what is considered part of the university endowment. In other words, how is your endowment defined?

The Iowa State University Endowment and the Foundation Endowment both consist of groups of individual endowments that carry diverse restrictions regarding use, allowable investment parameters, and spending policy. These various endowments include monies from donor gifts, alumni association reserves, return on investments, income from licensing of research innovations, and other sources. The purpose of these endowments is to provide intergenerational equity of income in perpetuity, and these funds are managed with the intention of providing a stable income stream that keeps pace with inflation and does not degrade the real value of the corpus of the endowment over time. The University Endowment is managed in accordance with the Investment Policy of the Board of Regents. Oversight for Foundation Endowment rests with the ISU Foundation Board of Directors.

Are there any other long term investments that are not included in the endowment as reported to NACUBO? If so, what are they and what are their values?

In its capacity as trustee for charitable remainder trusts which will ultimately benefit Iowa State University, the Iowa State University Foundation also holds approximately \$43 million of long-term investments that are not included in the endowment as reported to NACUBO. The present value of the charitable remainder interest of these trusts that are expected to eventually benefit Iowa State University is approximately \$19 million.

8. What has been the cost of management of the endowment year-by-year for the last ten years?

Cost of Management Combined Endowments (\$ in thousands)	
FY 2007	\$4,280
FY 2006	\$3,283
FY 2005	\$2,283
FY 2004	\$2,205
FY 2003	\$1,710
FY 2002	\$1,726
FY 2001	\$1,815
FY 2000	\$1,739
FY 1999	\$1,539
FY 1998	\$1,473

9. What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years?

Actual Payout Combined Endowments (\$ in thousands)		%
FY 2007	\$30,695	6.18%
FY 2006	\$26,666	5.84%
FY 2005	\$24,703	6.17%
FY 2004	\$21,991	6.48%
FY 2003	\$24,173	7.20%
FY 2002	\$24,421	7.21%
FY 2001	\$20,368	5.17%
FY 2000	\$16,778	6.30%
FY 1999	\$12,931	5.51%
FY 1998	\$7,565	4.21%

What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years?

Targeted Payout Combined Endowments	%
FY 2007	5.50%
FY 2006	5.50%
FY 2005	5.86%
FY 2004	6.08%
FY 2003	6.05%
FY 2002	6.04%
FY 2001	5.92%
FY 2000	5.76%
FY 1999	5.68%
FY 1998	5.66%

If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body.

Since FY 99 the actual payout has been above 5%.

If there is a material variation between actual and targeted, please explain.

The variation between actual and targeted is a result of the fluctuation of market value and donor directed payouts which may be more or less than the targeted payout.

What were the top 10 major expenditures from the endowment last year?

- Undergrad/Graduate Scholarships
- Student Support
- Student Recruitment and Retention
- Research
- Faculty Professorships/Chairs/Fellowships/Awards
- Strategic Initiatives
- Outreach
- Employee Benefits
- Capital Projects
- General Support

10. How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor?

Over 96% of the combined endowment is subject to permanent spending restrictions or limitations set by the original donor.

Of the portion subject to permanent limitations, what percentage is restricted for need-based scholarships?

Of the 96% that is subject to permanent limitations, 35% is restricted to student financial aid. Of the

amount restricted to student financial aid, 36% is restricted for need-based scholarships.

What portion is restricted for undergraduate financial aid?

35% of the endowment subject to permanent limitations is restricted to student financial aid. Of the amount restricted to student financial aid, 79% is restricted for undergraduate financial aid.

Please provide the top five types of restrictions on the endowment by category.

- Student Financial Aid
- College Program Support
- Faculty and Staff Support
- Research
- Building, Equipment and Maintenance

What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official – such as a set-aside for a specific program?

Less than 1% of the endowments is subject to such limitations.

Please provide the investment return to the endowment year-by-year for the last ten years.

Investment Return Combined Endowments	
FY 2007	18.21%
FY 2006	8.97%
FY 2005	8.96%
FY 2004	16.29%
FY 2003	4.39%
FY 2002	-7.37%
FY 2001	-13.56%
FY 2000	19.87%
FY 1999	8.77%
FY 1998	18.88%

11. Please explain the fee arrangement to investment advisors. How is the fee and compensation measured and determined? What is the process to review reasonableness of the fee and compensation and what comparables are used? Who reviews and approves the fee? Who pays the fee (the endowment, general funds)?

In accordance with Board of Regents investment policy, a competitive Request for Proposal (RFP) process for an Iowa State University investment advisor occurs every five years. The fee is negotiated at a fixed amount, adjusted annually in accordance with CPI.

The Iowa State University Foundation pays a flat fee to its investment advisors. This fee is reviewed and approved annually by the Investment Committee.

The investment advisor fee is an expense of the endowments.

Please explain what relationship, if any, exists between endowment size and/or growth and the compensation given to the college or university president and the endowment manager. Please list what endowment-related bonuses, if any, either the college or university president or the investment manager has received year-by-year for the last ten years.

There is no relationship between endowment size and/or growth and the compensation given to the college or university president or endowment managers. Neither has received an endowment related bonus in any of the past ten years.