



# Brandeis University

Jehuda Reinharz  
President

February 22, 2008

The Honorable Max Baucus  
The Honorable Charles Grassley  
United States Senate Committee on Finance  
Washington, DC 20510-6200

Dear Senator Baucus and Senator Grassley,

Brandeis University's history and place within the constellation of top tier American colleges and research universities is unique. From its 20<sup>th</sup> century inception, the mission of Brandeis University has been to fight quotas where they existed and provide excellence in education and access to it, for all scholars – students and faculty alike. Brandeis was founded in 1948 by the American Jewish community to embody its highest ethical and cultural values and to express its gratitude to the United States. As a nonsectarian university, Brandeis has always welcomed both women and men, students, teachers, and staff of every nationality, religion, and political orientation. The University is committed to the American heritage of cultural diversity, equal access to opportunity, and freedom of expression.

Providing admissions and financial support to low-income students is an important expression of our ethos of equal access to opportunity. Brandeis is proud of its admissions history and grateful that even as a young institution, we have been able to maintain a need-blind admissions policy.

As a young institution, Brandeis does not have a large endowment for a research university of its size. Over the last 10 years, spending from the endowment and inflation have about matched investment returns. In response to limited endowment resources, we have adopted an integrated approach to balancing academic excellence and financial priorities. We are committed to the proposition that continued academic excellence is contingent upon making quality education affordable.

The Irving Enclave

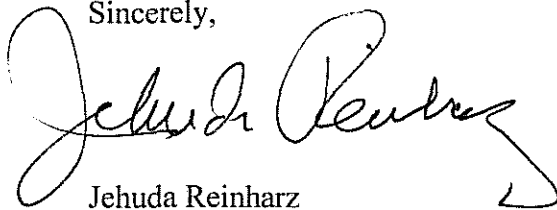
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Senators, you can be sure that I share your concerns about the rising costs of higher education in our country and the impact of current economic conditions on students' and families' abilities to pay for higher education. I hope that your work will serve to improve opportunities for students without penalizing the American educational institutions that are serving them.

The following pages contain responses to your questions. We would be happy to provide additional information or clarification, if your research requires further input. Your staff may want to contact Peter French, Executive Vice President and Chief Operating Officer directly. His phone number is (781) 736-4400 and his email address is [French@Brandeis.edu](mailto:French@Brandeis.edu).

Sincerely,

A handwritten signature in black ink, appearing to read "Jehuda Reinharz". The signature is fluid and cursive, with a large initial "J" and a long, sweeping tail that extends to the right.

Jehuda Reinharz

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

Over the past ten years, there has been a 12% increase in the number of undergraduate students and a 34.7% increase in the number of graduate students.

Brandeis University  
Unduplicated Headcount of Fall and Spring Semesters\*

Fiscal Year	Undergraduate	Graduate
1998	3,015	1,171
1999	3,116	1,162
2000	3,087	1,244
2001	3,168	1,254
2002	3,105	1,316
2003	3,087	1,360
2004	3,240	1,469
2005	3,283	1,502
2006	3,334	1,496
2007	3,377	1,577

\* Excludes all Continuing Education, and non-degree students; includes any undergraduate or graduate student who withdrew during the semester.

Over the last 10 years, undergraduate enrollment has increased about 1% a year, a rate we believe is consistent with maintaining the quality of teaching and learning in a research university. Graduate enrollment has increased more rapidly at 3% a year, mostly as a result of growth in enrollment at the Brandeis International Business School.

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.

Tuition assistance has increased by every measure over the past ten years. Since 1998, annual expenditures on institutional grants have increased by 66.9% with most of the growth in spending occurring after 2002.

Brandeis University Undergraduate Tuition and Tuition Assistance

Fiscal Year	Grants & Scholarships Disbursed	Number of Recipients	Average Award	Full-Time Tuition & Fees	Average Award as % of Tuition & Fees
1998	\$23,153,093	1,959	\$11,818	\$22,851	51.7
1999	24,340,132	1,946	12,508	24,020	52.1
2000	23,329,801	1,945	11,995	25,174	47.6
2001	25,292,086	2,053	12,320	26,166	47.1
2002	25,673,911	1,971	13,026	27,076	48.1
2003	25,707,673	1,939	13,258	28,165	47.1
2004	29,388,296	2,018	14,563	29,875	48.7
2005	32,026,952	1,994	16,062	31,086	51.7
2006	34,845,224	2,054	16,965	32,501	52.2
2007	38,644,818	2,082	18,561	34,033	54.5

The average institutional grant per recipient has grown 57% since 1998, while tuition has increased 48.9% in the same period. The increase in grant aid since 2002, was in large part intended to address a growing gap between tuition and aid from 1998 to 2002.

*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?*

Brandeis sends a publication on financial aid to admitted students. It includes a section called "How was my eligibility determined?" and another called "How was my award determined?". A copy is attached. Our website (<http://www.brandeis.edu/offices/sfs/finaid/understanding.html>.) includes similar information.

## **Reaching Low-income Students**

### **I. What outreach efforts does Brandeis take to recruit potential low-income students?**

Brandeis's mission drives its commitment to social justice, inclusion and the celebration of difference, which is featured in Admissions print material, web presence and e-mail correspondence. In addition, each year, the Office of Admissions purchases the names of low income students through special programs for targeted mailings.

All admissions staff schedule high school visits in inner-city secondary schools, including those in low-income areas and/or those that are generally considered under-served. Students from diverse backgrounds are specifically targeted to attend college fairs, receptions, and interview sessions. In the past year, the admissions staff attended college nights geared specifically for low-income students in Boston, Hartford, Los Angeles, Miami, Dallas and New York City.

On campus our Fall Open House and Junior Reception programs, encourage low income students and under-represented student groups to attend information sessions and social events that acquaint them with the University's financial aid programs and support services. Our SEED program (Students Exploring and Embracing Diversity) sponsors students from these low-income groups for a weekend on campus. Transportation to campus, housing, and all meals are provided. In addition we participate in the fee waiver program through the College Board.

Brandeis was one of the first universities to participate in the Posse Scholars Program, created by MacArthur Genius Award winner and Brandeis alumna, Deborah Biel. The program recruits students from under-resourced high schools in New York City to attend Brandeis. Each year, 10 new students are admitted as Posse Scholars; the majority of the students are the first in their families to attend college and come from low-income backgrounds. There are 40 Posse students at Brandeis each year. Each student receives a full tuition scholarship from Brandeis. Beginning in the fall of 2008, Brandeis will double the size of the program, increasing the cost from \$1 million to \$2 million over 4 years.

The Transitional Year Program (TYP) is a one-year academic bridge program for students who have not had access to adequate educational resources during their K-12 years. Students in the program have often faced significant personal hardships, such as being in the foster care system for multiple years, serving as the primary caregiver for their family, or being a political refugee.

The vast majority of TYP students are the first in their families to attend college or they come from low-income backgrounds. Each year, twenty students participate in the program taking credit bearing and non-credit bearing courses and developing their academic skills. Brandeis University receives no federal or state funding to support TYP; the program costs the University approximately \$1 million dollars each year.

Once matriculated a low-income student may avail him or herself of programmatic, individualized academic advising, career counseling, mentoring, and study skills assistance. The program was named by the U.S. Department of Education as having a “high success rate.” Indeed, the graduation rate for first-generation and low-income students participating in the program has been high, with some cohorts of students graduating at a rate of 98%.

In addition, each year, students may apply for assistance with purchasing their textbooks through the Brandeis Textbook Voucher Program. Approximately 90 students participate in this program at a cost of approximately \$10,000 per year. Finally, tutoring, or Brandeis Undergraduate Group Study as it is called at Brandeis, is offered free of charge in over thirty subjects at Brandeis. Each year Brandeis spends a minimum of \$80K in academic support resources.

## **II. How is low-income defined?**

The Office of Admissions’ definition of low-income student is consistent with the College Board’s description. In the College Keys Compact (College Board, 2007), the CB considers the following students to be low-income:

Students enrolled in schools with large numbers of students from low-income backgrounds or enrolled in schools with low college-going or high school dropout rates, or students whose families are eligible to receive economic subsidies targeted to low-income families, including students who are:

- Eligible for free or reduced-price lunch programs.
- Part of a family receiving public assistance.
- Residents of federally subsidized housing, or students who are homeless, in foster care, or deemed to be wards of the court, or students who will be first-generation college attendees (neither parent has a college degree) and require some or all of the services needed by the students identified in the first three categories.

*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?*

Tuition is considered annually as part of the budget process. In the fall, the Budget & Finance Committee of the Board sets a preliminary target for tuition and the discount rate, the average difference between listed tuition and the actual tuition paid. At their spring meeting, the Board of Trustees sets the level of tuition and discount rate for the upcoming fiscal year. The Board of Trustees includes two undergraduate student representatives and one graduate student representative. At least one student is appointed to the Budget and Finance Committee, and all student representatives are free to attend and participate in the Committee's meetings. In addition, several Trustees are parents or grandparents of current or former students.

Brandeis, as a young institution, does not have a large endowment relative to the program; tuition is our largest and most important revenue source. When setting tuition and the financial aid budget, the administration and Trustees strive to balance the financial impact on students and their families with the operating needs of the University. Brandeis has a need-blind admission policy whereby an applicant's financial situation is not considered when deciding admission.

The role of Brandeis's endowment is to support the mission of the University within the confines of the spending restrictions placed on endowment gifts by donors. Twenty-five percent of the endowment directly supports financial assistance to undergraduate and graduate students.

*5) Please explain how your university's endowment is managed and the role of the Board of Directors? What are your university's endowment payout and investment policies? What is the mission of your university's endowment? When was the last time that the university's endowment policy was reviewed? When will it next be reviewed?*

The role of Brandeis's endowment is to support the mission of the University. As a research university, Brandeis is dedicated to the advancement of the humanities, arts, and social, natural and physical sciences. As a liberal arts college, Brandeis affirms the importance of a broad and critical education in enriching the lives of students and preparing them for full participation in a changing society, capable of promoting their own welfare, yet remaining deeply concerned about the welfare of others. Brandeis fulfills its responsibility to the Jewish community through a variety of endowed Centers and Institutes that enhance teaching and research. The University's commitment to social justice is supported through funds made available to augment the work of the myriad centers and institutes, academic programs, clubs and activities that study conditions and work to improve the state of the poor and the oppressed both at home and abroad.

The endowment is managed by the Office of Investment Management, which is part of the Office of the Executive Vice President, headed by Peter French. Deborah Kuenstner is the Chief Investment Officer. The Investment Committee, a committee of the Board of Trustees, comprised of 13 trustees and three non-trustee members oversees investment activity. The oversight role of the Investment Committee includes setting the University's investment policy, the target asset allocation, and approval of new investment managers. The full Board of Trustees reviews and approves the management of the endowment annually.

The investment policy, which is reviewed annually by the Investment Committee, has two key objectives: 1) to maximize risk-adjusted returns over a long-term horizon, and 2) achieve an average annual net total return over an extended period, after adjusting for inflation, that is sufficient to support a prudent spending rate as determined by the Board and sufficient to maintain the real (inflation-adjusted) value of the spending for the future. In order to have a reasonable probability of achieving the Fund's investment objectives at an acceptable risk level, the Committee has adopted a long-term asset allocation policy. To achieve that objective, the policy sets a target asset allocation as well as certain guidelines limiting exposure to specific investments and managers.

The University does not have a formal payout policy. Spending from the endowment is reviewed and approved annually by the Board of Trustees. The informal payout target for the endowment is 5% of the average of market value of the endowment for a June 30 of the last three fiscal years including an estimated value for June 30 of the current fiscal year. For example, in fiscal 2007, the University spent \$29.8 million which was 5% of the average market value of the endowment on June 30, 2005, June 30, 2006 and the anticipated value on June 30, 2007. One consideration in the Board's payout decision is providing a stable contribution to the University's operating budget. In the event of a decline in the average market value, the Board will consider a spending rate that maintains the dollar contribution from prior years.

6) Please provide the year-by-year net growth of the university's endowment for the last ten years (in both percentage and dollars). What is the amount of donations the endowment has received year-by-year for the last ten years? 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.

#### Brandeis University Endowment Market Value and Growth

Fiscal Year	Fiscal Year End	Market Value (\$, thousands)	% Growth	\$ Growth (\$, thousands)	Endowment Gifts (\$, thousands)
1998	6/30/98	321,001	25.8	65,773	14,500
1999	6/30/99	335,012	4.4	14,011	12,100
2000	6/30/00	406,722	21.4	71,710	28,300
2001	6/30/01	397,046	-2.4	-9,676	28,900
2002	6/30/02	383,683	-3.4	-13,363	20,400
2003	6/30/03	408,030	6.3	24,347	24,500
2004	6/30/04	467,821	14.7	59,791	17,500
2005	6/30/05	519,538	11.1	51,717	17,700
2006	6/30/06	579,654	11.6	60,116	32,100
2007	6/30/07	691,370	19.3	111,716	29,400
10-Year Average			11.0		

Over the last 10 years, strong giving from alumni and friends of the University has driven the inflation adjusted growth of the endowment. As the table below demonstrates, the inflation-adjusted value of the endowment grew at a compound annual growth rate of 1.5%. The endowment's average annual investment return of 9.1% basically covered rising prices and an average spending rate of 5.7%; gifts are responsible for the increase in the purchasing power of the endowment.

#### Brandeis University Endowment Growth 10-Year Compound Annual Growth Rates

Nominal Market Value of Endowment	11.0%
- Inflation*	3.8%
- Average Spending Rate	5.7%
Inflation Adjusted Endowment Growth	1.5%
Investment Return	9.1%

\*The Higher Education Price Index (HEPI) measures average changes in prices of goods and services purchased by colleges.

The University's investment strategy is to diversify the portfolio broadly across asset classes. The University's allocation to marketable alternatives is significant, and the allocation to non-marketable alternatives is growing. The Investment Committee expects that returns from these illiquid investments are likely to be both somewhat higher than those provided by the equity market and not closely correlated with equity markets.

Brandeis University Endowment Asset Allocation as of June 30, 2007

	Allocation
U.S. Equities	22.3%
Non-U.S. Equities	22.2%
Marketable Alternatives (Hedge funds)	27.6%
Private Equity	6.4%
Inflation Hedging Assets *	7.2%
Fixed Income & Cash	14.3%

\* Inflation hedging assets include real estate, commodities, and natural resource-based private equity funds.

As of June 30, 2007, approximately 25% of the endowment was invested outside of the United States. In addition to the 22.2% in traditional long-only equities, the portfolio has non-U.S. exposure through marketable alternatives and private equity that we estimate was at 3% on June 30, 2007. (Lack of data from marketable alternative managers precludes a more exact figure.)

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

A “true” endowment fund is created with a donor’s gift that specifies that the principal is to be preserved in perpetuity and only the income can be spent. Other funds may be designated by the University to function like an endowment. These funds are known as “quasi” endowments. Quasi endowments are invested alongside true endowments with the intent of long-term investment and principal preservation. Both principal and income can be expended; however it is the University’s intent that all endowed funds (both quasi and true) be subject to the University spending policy.

As of June 30, 2007, the market value of the true endowments was \$556.4 million, and the market value of quasi-endowments was \$135.0 million. The \$691.4 million sum of these is the endowment figure reported to NACUBO.

Like other universities, Brandeis offers gift annuities and other planned giving vehicles. These are classified as long-term investments and are generally invested in fixed income securities that allow the University to meet its obligation to donors. As of June 30, 2007, the value of these other long-term investments was \$43.3 million.

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

The cost to the University of managing the endowment has been moderate over the last 10 years.

Brandeis University Management Fees

Fiscal Year	Fiscal Year End	Market Value (\$, thousands)	Management Fees (\$, thousand)	Management Fees as a % of Market Value
1998	6/30/98	321,001	1,230	0.39
1999	6/30/99	335,012	701	0.20
2000	6/30/00	406,722	1,668	0.41
2001	6/30/01	397,046	1,089	0.27
2002	6/30/02	383,683	1,119	0.29
2003	6/30/03	408,030	1,325	0.32
2004	6/30/04	467,821	1,455	0.31
2005	6/30/05	519,538	1,628	0.31
2006	6/30/06	579,654	1,982	0.34
2007	6/30/07	691,370	2,080	0.30
10-Year Average				0.31

9) What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years? What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years? If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body. If there is a material variation between actual and targeted, please explain. What were the top 10 major expenditures from the endowment last year?

An important institutional goal over the last 15 years has been to bring the spending rate of the endowment down from a low-teens level toward 5%. From 1990 through 1997, the endowment spending rate averaged 9.7%. Although this high spending rate was beneficial for students in that period, endowment growth failed to keep up with inflation, jeopardizing the University's ability to provide outstanding educational opportunities to future students. During the current administration, which began in 1994, better financial management and an integrated approach to balancing institutional needs and priorities allowed the University to adopt an informal spending rate target of 5%. A spending rate of about 5% is appropriate given an investment rate of 9.1% over the past 10 years and inflation of 3.8%.

Despite the gradual moderation of the spending rate, the dollar draw from the endowment grew at an annual rate of 6% over the last 10 years, in excess of the 3.8% increases in prices over the same period as measured by the Higher Education Price Index. Favorable investment results and gift additions to the endowment contributed importantly to that outcome.

#### Brandeis University Endowment Spending

	\$	%
1998	19,200	7.2
1999	20,200	6.6
2000	21,900	6.1
2001	23,700	6.1
2002	24,800	6.3
2003	21,400	5.4
2004	18,800	4.5
2005	21,200	4.6
2006	25,700	4.9
2007	29,800	4.9
10-Year Average	6.1%	5.7

In fiscal years 2001, 2002, and 2003, the spending rate was above 5% despite the fact that investment returns did not compensate for higher prices and a 5% draw. Since 2004, the percentage drawn has been slightly less than the informal 5% target because the draw is based on an estimated endowment value for the final year; market results late in the fiscal year increased the final market value.

Scholarships accounted for 30% of endowment spending in FY07. The top 10 expenditure categories from the endowment in fiscal 2007 in order of size were: scholarships, faculty chairs and salaries, academic support, institutional support, fellowships, library, research, maintenance, student development, and prizes and awards.

*10) How much of the 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? What portion is restricted for undergraduate financial aid? Please provide the top five types of restrictions on the endowment by category. 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? Please provide the investment return to the endowment year-by-year for the last ten years.*

The Brandeis University endowment is comprised of over 1,700 individual endowments. Eighty percent of the endowment has permanent restrictions made by the donors.

Twenty-five percent of the endowment supports student financial aid directly. Twenty-five percent of the endowment that carries permanent restrictions supports need-based scholarships. Undergraduate financial aid is supported by 24% of the restricted endowment. In addition, financial aid is supported by unrestricted endowment spending and the current operating budget.

#### Brandeis University Endowment Categories

	Percent of Overall Endowment
Faculty Chairs & Salaries	28.1
Scholarships	25.1
Academic Programs & Support	19.9
Fellowships	5.4
Library	4.7

No portion of the endowment is subject to limitations placed on it by the Board or by University administration.

## Nominal and Real Endowment Investment Returns

### Brandeis University Investment Returns

	Nominal Investment Return--%	Increase in Higher Education Price Index (HEPI)--%	Real Investment Return--%	Endowment Payout--%
1998	15.6	3.5	12.1	7.2
1999	10.4	2.4	8.0	6.6
2000	13.2	4.1	9.1	6.1
2001	-3.4	4.9	-8.3	6.1
2002	-2.5	4.1	-6.6	6.3
2003	5.6	2.9	2.7	5.4
2004	15.6	4.7	10.9	4.5
2005	9.5	3.6	5.9	4.6
2006	11.1	5.0	6.1	4.9
2007	18.3	3.4	14.9	4.9
Compound Annual 10 Year Return	9.1	3.8	5.3	5.7

Over the last 10 years, the investment return of the endowment has been 9.1%, compared with higher education price inflation of 3.8%. The resulting 5.3% real return is close to the University's informal spending rate target of 5%. In other words, the investment returns earned by the endowment have been adequate to cover higher prices and a 5% spending rate, but not to increase the real value of the endowment. The inflation-adjusted growth in the endowment is the result of gifts.

*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)? 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.*

The University has one outside investment advisor. The fee for their services has been negotiated periodically. Historically, the chairman of the Investment Committee and the Executive Vice President/COO have reviewed the fees and agreements. The Investment Committee chairman also sits on the investment committees of other not-for-profits and has a sense for the appropriateness of the fees. Advisory fees are paid out of the endowment.

There is no relationship between the size or growth of the endowment and the compensation of either the University President or Chief Investment Officer.