

COLUMBIA UNIVERSITY

IN THE CITY OF NEW YORK

PRESIDENT'S ROOM

March 5, 2008

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office building
Washington, D.C. 20510

The Honorable Charles Grassley
Ranking Minority Member
Senate Committee on Finance
203 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Baucus and Senator Grassley:

I respectfully submit the accompanying responses to your inquiries concerning our endowment funds, tuition, financial aid, and the ways in which Columbia University fulfills its mission of teaching, research and public service to our community and City, our nation and our world.

Historically, Columbia has attracted the most socio-economically diverse student body among Ivy group schools, with a significantly higher percentage of low-income students than most peer institutions. At the same time, Columbia's undergraduate selectivity has grown to be among the most competitive in the nation. In short, despite a significantly smaller endowment than some of our peer institutions, Columbia has continued to provide an avenue of educational and economic opportunity to an extraordinary diversity of young people in recent years.

We want to continue to attract and recruit students who may have thought that attending Columbia was beyond their reach. To that end, Columbia enhanced undergraduate financial aid by replacing loans with grants for students from families with annual incomes below \$50,000 beginning this academic year (2007-2008). We hope to expand our financial aid offerings further in the next academic year to the extent that prudent management of our endowment allows. The University's endowment spending rule adjusts a target spending rate of 5% by prior spending rates and inflation, and thus varies slightly from year to year. Additionally, Columbia operates in one of the highest cost

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cities in the U.S., yet has managed to maintain tuition that is consistent with and only marginally different than peer institutions located in lower-cost cities and regions.

Columbia University is committed to providing a better understanding of our efforts to develop and sustain a diverse, vital and accomplished student body, regardless of family income. Columbia is also committed to the idea that a university is a place for young people to learn, as well as a place where great minds can pursue transformative ideas, innovations and discoveries that enter the public discourse and improve our lives. I welcome the opportunity to work with you in partnership to promote both access to and affordability of America's unparalleled excellence in higher education.

Sincere regards,

A handwritten signature in black ink, reading "Lee C. Bollinger". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Lee C. Bollinger
President, Columbia University

Columbia University Response to U.S. Senate Committee on Finance:

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

Please see attached Table 1 for a complete list of undergraduate student, graduate student, and other programs by year for the last ten years. We have summarized the main categories below. Throughout this response, questions about undergraduate students, programs, and undergraduate financial aid are answered with reference to Columbia’s College of Arts and Sciences (“Columbia College”) and the undergraduate students of The Fu Foundation School of Engineering and Applied Science (the “Engineering School”). The School of General Studies and the Nursing Program are uniquely structured at Columbia and not comparable to other undergraduate programs.

Acad. Year	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
College of Arts and Sciences and School of Engineering	4,963	5,072	5,172	5,262	5,376	5,444	5,548	5,532	5,655	5,621
School of General Studies	1,237	1,208	1,357	1,326	1,465	1,485	1,422	1,550	1,597	1,685
Nursing Program	125	103	102	66	109	125	162	166	155	161
Graduate and Professional	12,948	13,082	13,420	13,561	13,715	14,147	14,682	14,868	15,149	15,370
Continuing Education and Other	1,761	1,965	2,030	2,152	2,165	2,182	1,789	1,697	1,861	1,932
Total Students	21,034	21,554	22,081	22,367	22,830	23,383	23,603	23,813	24,417	24,769

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.

Please see attached Table 2 for the data requested for the combined population of Columbia University undergraduate students attending Columbia College and the Engineering School. The data provided is through the latest full academic year, 2006-07. As the attached table illustrates, the average net cost per student (the average student budget net of institutionally-funded financial aid) has increased at a compound annual growth rate of 3.6% over the ten year period. This rate of growth reflects that the average grant per student has grown at a compound annual rate of 7.6% per year, exceeding the growth in the total cost of undergraduate tuition and fees (“sticker” cost) of 4.4% over the time period.

In the most recent academic year, 2006-07, 44% of first year undergraduate students attending Columbia College and the Engineering School received some form of institutional aid, and over 25% of students received aid from Columbia in an amount that totaled 50% or more of their total cost of education.

Although the results are not yet final for students in the current academic year (2007-08), the increase in total and per student aid over the past twelve months is significant as a result of the implementation of a policy, effective for the 2007-08 academic year, of providing institutional grants as a substitute for the loan

component of financial aid for students from families with incomes at or under \$50,000. As a result of that policy, we estimate a 13% increase in the average grant per student for 2007-08 versus 2006-07, compared to an increase in the total student budget of 5.0%. The University's newly adopted financial aid policy, described below, will result in substantial additional increases. We estimate an increase of at least 24% in the average per student grant in the 2008-09 academic year over the amount for 2007-08.

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?

Columbia is committed to meeting the full demonstrated financial need of all applicants admitted as first-year undergraduate students of Columbia College and the Engineering School. Financial aid is available to those students for all four undergraduate years, providing the student continues to demonstrate financial need. Financial aid is awarded strictly on the basis of demonstrated financial need, and we make every effort to help all admitted students and their families find the means to meet the cost of a Columbia education.

On March 11, 2008, Columbia announced an expansion of financial aid for a wide range of lower- and middle-income undergraduates attending Columbia College and the Engineering School. Under the expanded program, Columbia will eliminate loans for all new and continuing undergraduate students in Columbia College and the Engineering School who are eligible for financial aid, regardless of family income, and replace them with University grants. Through the replacement of need-based loans with grants, a student from a family with an income of \$150,000 who is eligible for financial aid may receive as much as \$5,000 per year in aid instead of a loan of that amount. In addition, undergraduate students from families with incomes below \$60,000 attending Columbia College and the Engineering School will no longer be expected to borrow or contribute any of their income or assets to tuition, room, board and other fees beginning in the 2008-09 academic year. For undergraduate students from families with incomes between \$60,000 and \$100,000, the amount parents are expected to contribute toward tuition and other costs will be significantly reduced. For example, a family with \$75,000 in income and typical assets will see their contribution decrease by approximately one-half.

Under the newly-announced initiative, Columbia College and the Engineering School will also adopt a number of other policy changes to enhance the educational experience for all undergraduate students receiving financial aid. For example, all aid recipients will be invited to apply for exemptions from summer and academic-year work expectations when they engage in community service or accept unpaid research or internship commitments. For aid recipients studying abroad, work-study expectations will be replaced with grants.

The expansion of Columbia's financial aid program follows other recent efforts to enhance financial aid. In September 2006 Columbia launched a \$4 billion fundraising campaign seeking to add \$1.6 billion to Columbia's endowment, with special emphasis on financial aid and faculty support across its schools and campuses. At the outset of the fundraising campaign, Columbia announced that it would enhance financial aid by providing students with family incomes under \$50,000 with a "no loan" package replacing the loan requirement for those families that qualify based on their total yearly income with additional institutional grant, a practice that went into effect beginning in the 2007-2008 academic year. In April 2007, Columbia alumnus John W. Kluge made a \$400 million pledge to the University, all designated for financial aid to undergraduate and graduate students. Proceeds from the pledge are not reflected in the endowment as reported below, but will, in future years, provide significant support for Columbia's efforts to further improve the quality of aid for all recipients.

Columbia's Office of Undergraduate Admissions communicates its financial aid policy in all recruitment outreach. Communication with prospective students and their families begins as early as a student's

freshman year in high school, earlier in some underserved communities. On an annual basis, hundreds of communications are sent from the admissions office to prospective students who have expressed an interest in Columbia. Additionally, the admissions staff travels nationally and internationally for a significant portion of the year, works with over 50,000 prospective students and family members through official campus visits, and hosts numerous on-campus/open house events annually to further build awareness of Columbia's unique educational opportunities and admission and financial aid policies.

Within this general recruitment approach, Columbia has a long-standing commitment to outreach to low-income students—students from historically underserved/underfunded school systems and/or areas. Columbia has the highest proportion (16%) of undergraduates receiving federal Pell Grants in the Ivy League *and* among the nation's private research institutions (top 25). This commitment is particularly emphasized by our established partnerships with national Community-Based Organizations (CBOs). The Office of Undergraduate Admissions works with nearly 500 CBOs (organizations broadly defined to describe non-profit pre-college access and opportunity programs) annually. CBO outreach is included in all recruitment travel as well as mail stream communication. Columbia also extends this commitment locally through the sponsorship of CBOs to visit campus and through the Columbia Summer Programs Fair, attended by students and counselors from local high schools and CBOs.

In addition, the Office of Undergraduate Admissions works with Columbia's Office of Undergraduate Financial Aid & Educational Financing to coordinate financial aid presentations in historically high-need areas, prioritize visits to high schools in such areas, and sponsor travel to campus for high-need admitted students. Columbia has also entered into partnerships with non-profit organizations such as Questbridge, working with talented low-income students to expand their educational opportunities, and ABAFOILSS, sponsoring College Access student workshops and College Summit workshops for college advisors from community based organizations.

As outreach efforts to low-income students are incorporated into all admissions outreach it would be difficult to capture the amount dedicated to such efforts.

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?

Each year, the deans of each school make recommendations to the Provost regarding the tuition levels of their respective programs. Recommendations for the other components of the term bill, including room and board and other fees, result from analysis provided by a number of areas of the central administration in addition to the schools. After a review with the Office of Management and Budget, the Provost in turn makes recommendations to the Trustees of the University for tuition rates by degree program, by school, as well as fees. Trustees of the University provide final approval of tuition and fee increases.

Columbia's endowment plays a critical role in providing financial assistance to students; over 30% of financial aid to undergraduate students attending Columbia College and the School of Engineering is funded by the endowment.

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 investments in Columbia's endowment are managed by Columbia Investment Management Company, LLC, a New York limited liability company formed by the University in October 2002 ("CIMC"). The University is the sole member of CIMC. CIMC is governed by a Board, a majority of the members of which are Trustees of the University. CIMC acts under authority delegated by, and under the general direction of, the Board of Trustees of the University, and in particular the Committee on Finance of the Board of Trustees. The Trustees' Committee on Finance retains authority and discretion in determining overall investment policy for the University and may, in consultation with CIMC, establish guidelines for CIMC with respect to the objectives of investments, the type and size of commitments to any situation, the appropriateness of investments for Columbia's portfolio and such other matters as the Trustees of the University or the Trustees' Committee on Finance may deem appropriate from time to time. CIMC aims to maximize long term investment returns relative to acceptable levels of risk, through a diversified investment program in a wide range of asset classes and geographies. Asset allocation is reviewed by the Board of CIMC quarterly, and any recommended changes are reviewed and subject to the approval of the Trustees' Committee on Finance.

The University's endowment spending rule policy as currently designed was approved by the Trustees in fiscal 1999. It is designed to be directly responsive to both investment returns and the current level of price inflation. Its long-term objectives are:

- To protect the corpus of the endowment by spending no more than the real investment return;
- To cushion spending against market volatility; and
- To provide specific spending instructions and multiyear spending projections based on explicit future investment return assumptions.

The endowment spending rule is based on two factors: first, the market value multiplied by a 5 percent target spending rate, which provides a response to investment market conditions; and second, the prior year's spending plus inflation, which ties spending increases to operating needs and cushions spending against market volatility. Each fiscal year's distribution is calculated by adding together the following: (a) the market value of the endowment at a point twelve months prior to the beginning of the given fiscal year, multiplied by the 5 percent target spending rate, multiplied by a 40 percent weighting; and (b) endowment spending in the year immediately preceding the given fiscal year, grown or reduced by an inflation factor, which is defined as the Higher Education Price Index ("HEPI"), multiplied by a 60 percent weighting. Under the University's policy, the Trustees conduct a special review in any year in which either projected endowment distributions are 0.5 percent higher or lower than the 5 percent target spending rate, or if the increase in endowment distributions over the previous year is more than 3 percentage points higher or lower than HEPI. The estimated payout per the rule is reviewed annually. In 2004, the Trustees approved an additional 30 basis point increase on certain endowments effective in 2005, which will be reviewed by the Trustees no later than 2011 and ongoing at the request of the Trustees' Committee on Finance. In March 2008, to assist in funding Columbia's expanded undergraduate financial aid program, the Trustees approved an increase in annual spending distributions from endowments that are designated for undergraduate financial aid support. The amount of the increase will be approved annually by the Trustees' Committee on Finance.

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

\$ in millions

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mkt Val Endowment*	\$3,426	\$3,637	\$4,264	\$4,324	\$4,238	\$4,343	\$4,493	\$5,191	\$5,938	\$7,150
\$ Growth	\$387	\$211	\$627	\$60	(\$86)	\$105	\$150	\$697	\$747	\$1,212
% Growth	12.7%	6.1%	17.3%	1.4%	(2.0%)	2.5%	3.5%	15.5%	14.4%	20.4%
Gifts	\$88.1	\$68.3	\$80.4	\$126.0	\$79.2	\$63.9	\$78.5	\$131.0	\$127.2	\$142.7

**Prior to 2004, the University's endowment value included the value of its institutional real estate portfolio at market value. The University modified its presentation in 2004 to include the portfolio of its institutional real estate at book value rather than market value. The data above does not adjust for comparability in prior years. For this reason, dollar growth and % growth are less meaningful for the 2003-2004 year.*

In the most recent fiscal year ended June 30, 2007, the percentage of investment by asset class was as follows:

U.S. public equities	8.2%
Foreign public equities	16.4%
Private equity	31.2%
Hedge Funds	36.9%
Fixed income	0.7%
Cash	6.6%

The amount invested outside the United States across all asset classes (including foreign public equities), taking into account estimated portfolio investments held by funds in which Columbia is invested, is estimated to be approximately 38%.

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?

The endowment is comprised of the following:

- The managed endowment funds, including “true” endowments for which the University has a legal obligation to preserve the corpus or principal of the gift and other endowment funds where no such legal obligation exists (quasi-endowments). Also included are endowment funds that are managed separately from the University’s pooled funds and trusts established under split-interest agreements. These are reported at fair value in accordance with accounting principles generally accepted in the United States of America (“GAAP”).
- The University’s institutional real estate portfolio, which consists of properties proximate to the University’s Morningside and Washington Heights campuses, the primary purpose of which is to house faculty, staff, and graduate students. It is reported at book value, net of related debt (prior to 2004, the endowment value reported to NACUBO included a market value for the University’s institutional real estate portfolio).

The University may invest its working capital and balances of affiliated organizations and manage these funds alongside the endowment but does not consider these as part of its endowment value nor is it reported as such to NACUBO. At June 30, 2007, working capital balances and balances of affiliated organizations invested alongside the endowment were approximately \$460 million.

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

The cost of managing the endowment, which includes internal management fees as well as internal and external fees for tax, legal and other advisory services varies from year to year. Over the past nine years, for which comparable data is available, the total cost has averaged approximately 25 basis points. The cost provided below does not include external management fees, which are deducted from investment returns.

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Cost (\$ in mm)	\$5.8	\$5.9	\$7.3	\$7.5	\$8.3	\$11.9	\$16.4	\$15.6	\$18.5
As % of Endow Beg. Mkt. Val	0.17%	0.16%	0.17%	0.17%	0.20%	0.27%	0.37%	0.30%	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?

The University adopted its current spending rule in fiscal 1999 to establish new spending rates beginning in the fiscal year 2000. Data are provided below for the period since the adoption of the new rule.

As described in response to question 5 above, Columbia’s spending rule incorporates a lag in its formula; 40% of the formula is a target value of 5% spending multiplied by the prior year *beginning* market value. This enables the University to plan and effectively respond to market fluctuations. For example, market returns as of the end of June 2007 (beginning of fiscal 2008) are incorporated in planning parameters that are developed during fiscal 2008, and reflected in the spending rate in fiscal 2009. The University’s policy requires that Trustees evaluate the spending rate if the resulting payout from the rule falls outside of a 4.5%-5.5% band, expressed as a percentage of the prior year beginning market value (i.e. incorporating a year lag).

It is possible, therefore, to express our payout rate relative to our spending rule (our “rule” rate) for Trustee evaluation purposes, which is spending as a % of prior year beginning market value. We may also express our spending as an “effective” rate, or as a % of the beginning market value of the year in which the payout is distributed. We have reported it as such to NACUBO in recent years. In periods of growth when the endowment achieves returns and contributions in excess of distributions, the effective rate will be less than the rule rate.

The total distributions below reflect spending in accordance with the spending rule policy, as well as additional spending authorized by the Trustees (or as delegated to the EVP Finance) that is in accordance with the purpose of the gift and donor restrictions, as well as University policy. For example, in any given year, approved spending of accumulated appreciation over and above the spending rule rate may be utilized provided it complies with the donor’s terms and is in accordance with the purpose of the gift. University policy constrains distributions of appreciation on true endowments such that 120% of the principal of the gift is preserved.

The total spending below does not include the cost to administer the endowment, which averaged 0.24% over the period of the beginning market value of the endowment.

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007
Spending Rule Rate Target (as % of prior yr. beg. mkt. value)	3.6%	4.2%	4.3%	4.5%	4.9%	5.3%	5.1%	4.9%
Effective Rate Target (as a % of current yr. beg. mkt. value)	3.5%	3.6%	4.4%	4.8%	4.9%	4.8%	4.5%	4.3%
Actual Rule Payout (\$ in millions)	\$114	\$140	\$169	\$177	\$183	\$199	\$218	\$243
Total Distributions incl. additional approved payout	\$124	\$153	\$185	\$253	\$227	\$209	\$263	\$287
Total Distributions as a % of current yr. beg. mkt. value	3.9%	4.0%	4.9%	7.0%	6.2%	5.1%	5.5%	5.2%

Note: "Distributions" and "market value" refer to the pooled funds in the endowment, from which payout and distributions are made. Total endowment includes other components, as outlined in response to Question 7.

Columbia's spending rule policy meets the needs of the student body and the intents of our donors in that it strives for the University's endowment to be a sustainable source of income for critical programs, such as financial aid, professorships, and research. The University makes commitments against this source of income, building necessary programs and aid for students into our cost structure on a long-term basis. This is possible because our policy incorporates sustainable current spending levels, achievable assumptions for future rates of growth in the University's managed assets, reasonable assumptions for future spending growth, and mechanisms such as a lag in market conditions to facilitate prudent adjustments over time.

The top ten major expenditures of endowment in 2007, in millions, were:

Faculty Support	\$48
Supplies and Services	\$35
Staff Compensation	\$35
Graduate & Other Financial Aid	\$33
Undergraduate Financial Aid	\$18
School Support Costs	\$8
Operations and Maintenance	\$7
Facilities Capital and IT	\$7
Other Academic Compensation	\$6
Library Acquisitions and Support	\$3

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.

Columbia's total endowment value as of June 30, 2007 is \$7.2 billion. The net assets in the University's portfolio of institutional real estate represent five percent of the total endowment value. Of the remaining 95%, or \$6.8 billion, 59% is true endowment (20% is corpus and 39% appreciation), and 41% is quasi-endowment. Across the entire endowment including true and quasi-endowments, 77% is subject to donor-imposed spending limitations for specific purposes. The 23% that is not subject to donor-imposed spending limitations is subject to purpose limitations as designated by the University. It is distributed annually to a number of approved uses including support for academic programs and faculty salaries, capital projects, financial aid, technology, support personnel, and other uses.

Of the 77%, or \$5.2 billion, that is subject to donor-imposed spending limitations, 36% is designated to support specific schools, centers and programs, 29% is designated for faculty and instruction, 26% for undergraduate and graduate financial aid, 6% for research, 1% for Library support, and 2% for other uses including student prizes and awards, and support of fixed assets. \$442 million of Columbia's total endowment is specifically restricted to undergraduate scholarships. The University supplements that amount by designating certain general financial aid endowments to fund undergraduate financial aid.

Annual returns on managed assets in the university's endowment over the past ten years are presented in the table below. These returns are net of external manager fees but before internal costs to manage and administer the endowment.

Fiscal Yr.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Investment return	13.69%	6.46%	20.20%	1.45%	(1.96%)	5.28%	16.90%	17.69%	18.42%	23.06%

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.

Fees paid to outside fund and account managers vary significantly depending on the investment strategy of the manager and from manager to manager. Fee arrangements generally include annual management fees ranging from 50 to 250 basis points on the assets managed, and often include incentive fees calculated as a percentage of profits after return of invested capital and/or achievement of a threshold rate of return. These fees are set by the market, and are reviewed and approved by CIMC personnel as part of the due diligence process involved in evaluating a manager, and by the CIMC Board when warranted. Fees are paid from the endowment, and investment returns are reported net of fees.

Compensation of CIMC's most senior officers is reviewed and approved by the Compensation Committee of the University's Board of Trustees as well as by the CIMC Board, and is determined with reference to the market for endowment management professionals. Compensation of these internal managers includes a bonus that is not tied to overall endowment growth, but takes into account various measures of investment performance, including absolute performance, benchmark performance and performance relative to peer institutions.

Compensation of the University's President is determined annually by the Compensation Committee and approved by the full Board of Trustees, upon the recommendation of the Compensation Committee. The

President's compensation does not directly relate to endowment size or growth, but takes into account performance in a range of categories, including fundraising.

The Compensation Committee and the University's Board are assisted in these review and decision making processes by outside consultants and independently-developed compensation data.