

February 3, 2020

The Honorable Jeff Shawan  
Missouri House of Representatives  
201 West Capitol, Room 415-B  
Jefferson City, MO 65101

Dear Representative Shawan,

As members of Washington University's Board of Trustees, we are writing to express our grave concerns about House Bill 1522 (HB1522), legislation which you recently introduced. Only one institution in the State would be impacted by this legislation — Washington University.

If enacted, your legislation will inflict great harm not only on the University, but on the citizens and businesses of the St. Louis region and the entire State of Missouri. HB1522 would have an immediate and deeply detrimental impact on Washington University's mission to educate, conduct research, and provide health care services to thousands of Missouri residents. Further, levying a tax on the endowment assets of a non-profit organization is not only historically unprecedented, it will fundamentally alter the mutually beneficial relationship that currently exists between the State and its charitable organizations.

Washington University's mission is to provide an exceptional educational experience for its students; to create and share new knowledge; to help find solutions to the world's greatest challenges; and to provide the highest quality health care to its patients. The University's priorities are investments in scholarships, professorships, academic programs, research, and patient care. Washington University benefits from many generous donors who support its mission and priorities and who wish to designate their gifts for these purposes with the expectation that these gifts will be endowed and support education, research, and health care services both today and for generations to come.

The University relies on an annual payout which has averaged roughly 4.5% of the endowment's market value. Last year, this payout was approximately \$340 million and provided critical funding for the University's efforts. A 1.9% tax on Washington University's **endowed assets** would seriously erode this vital funding source and damage the University's ability to maintain its workforce, provide financial aid and scholarships, and continue funding research. Moreover, many University donors, knowing the proceeds from their gifts would be taxed to such a great extent, might reconsider whether their gifts are a worthwhile investment.



What would a tax of this magnitude mean to the State of Missouri? The University's largest single expense is people. Proceeds from the endowment pay for scholarships for students, salaries of renowned physicians, researchers and faculty, and infrastructure for health care services and research laboratories. This tax would touch every corner of the University and ripple outward to affect many St. Louisans and Missourians.

As an elected leader, we know you care deeply about the State's economic well-being. Increasing jobs and expanding businesses are critical parts of a healthy and growing economy. Washington University is a major source of employment in the greater St. Louis region. In 2019, the University employed over 16,300 people, an increase of over 26% since 2012. The University is the third largest employer in the region and invested \$2 billion in salaries and benefits last year. In that same year, the University spent over a half billion dollars for locally purchased goods and services (\$301 million) and payments to local construction vendors (\$232 million). A tax of this magnitude will directly affect the University's ability to support its employees and contribute to the regional economy.

Damaging the University will affect not only St. Louis but the entire State of Missouri. Washington University's history parallels the overall narrative of the St. Louis region's growth, for the two are inextricably linked. As St. Louis moves forward, Washington University benefits. Washington University, in turn, is an engine for growth and a vital, stabilizing force in the region's economy. While the University has grown to be a world-class institution with thousands of employees, its roots remain firmly in the St. Louis community and in the State of Missouri.

In October 2019, Chancellor Andrew D. Martin announced the WashU Pledge, a bold new financial aid program that will provide a free undergraduate education to incoming, full-time Missouri and southern Illinois students who are Pell Grant-eligible or from families with annual incomes of \$75,000 or less. The WashU Pledge covers the full cost of a Washington University education, including tuition, room, board and fees. In announcing his decision, Chancellor Martin commented, "We are making this 'WashU Pledge' first because it's the right thing to do and in addition, we are Washington University in St. Louis. That means we have a unique responsibility to provide opportunity for students in our extended region — to the four corners of Missouri and our neighbors in the southern portion of Illinois. By doing so, we're attracting our very best and brightest and keeping them right here, close to home."

Taxing the assets of the University's endowment will jeopardize the institution's ability to support students who are financially under-resourced. The financial commitment required to support these students is significant. These are talented young people from Missouri and southern Illinois who will add to the economic vibrancy of the State and are more likely to stay in our State if they are educated in Missouri.

As it fulfills its educational mission, the University has had a significant role in growing the State's workforce and bringing talent to Missouri. Last year, over 16,000 students were enrolled at Washington University. These students spent more than \$174 million in the St. Louis region and many of our students remain in St. Louis

after they graduate to begin their careers. There are over 35,000 University alumni who live and work in the St. Louis region. They are employed by local firms and they also start their own businesses, many of which have been incubated in the CORTEX Innovation Community. Washington University is the lead partner in the development of CORTEX, one of the nation's most successful innovation communities. It now has 6,200 jobs with an annual payroll of over \$350 million.

Research is another important part of Washington University's mission. The University has more than 3,000 research projects underway each year. In fiscal year 2019, the University's research funding totaled over \$790 million — \$574 million being drawn into the State from Federal agencies. Washington University is able to attract and retain preeminent researchers, and the pathbreaking research they conduct, in large part because of its endowment.

These researchers include Dr. Tim Eberlein, a world-renowned breast cancer surgeon who has grown the Siteman Cancer Center into the third largest cancer center in the country; Dr. John Constantino, a pediatric psychiatrist unraveling the mysteries of autism; Dr. John Morris, a neurologist leading a research center that is developing new treatments for Alzheimer's disease; and Ray Arvidson, PhD, a professor of earth and planetary sciences who is expanding our knowledge of the universe as a deputy project scientist for NASA's Mars Exploration Rover mission. These are all nationally recognized scientists and scholars whose salaries and research are directly supported by the University's endowment. A tax on the endowment is a tax on the groundbreaking work they are doing. Donors who care about these global issues have invested in these individuals, all of whom have dedicated their careers to benefit humankind.

Without support from the University's endowment this research would likely be conducted elsewhere, and most importantly, the patients and families who depend upon Washington University physicians would not have access to their expertise, acumen, and medical care. Taxing the endowment would reduce the University's ability to care for Missourians who deserve the very best medical treatment. The University's leadership in critical research areas including cancer, heart disease, Alzheimer's, diabetes, substance use disorder, and traumatic brain injuries directly depends upon endowment income. And so do all of us who are affected by these and other life-threatening conditions.

This legislation would fundamentally alter the University's compact with its donors. The University receives contributions to its endowment from generous corporations, individuals and families, often with a very specific intention about the use of those dollars. Some of these donors reside in our State and others live outside of Missouri. Imposing a State tax on their donations may cause them to redirect their charitable gifts to institutions outside of Missouri, where the impact of their contribution would not be reduced by a State endowment tax.

HB1522 not only disproportionately inflicts harm on Washington University, it will hurt Missouri citizens and businesses across the State, and beyond the borders of Missouri. Washington University is an economic engine for the greater St. Louis region and for the entire State — just the type of economic engine that you aspire to

replicate across Missouri. The impact of an endowment tax levied on one of the largest nonprofit charitable employers in the St. Louis region and in the State — an employer that also provides critical educational and health care services to Missouri citizens — would be gravely detrimental.

As members of the Board of Trustees of Washington University and as key corporate leaders who are deeply invested in the health and prosperity of all Missouri's citizens, we urge you to consider the serious and negative impact your bill would have on the State. A tax on the University's endowment is a tax on students, a tax on groundbreaking research, a tax on world-class health care, and a tax on the growth of new companies — all of which benefit our region and our State. We are opposed to any legislation which seeks to tax the endowments of higher education institutions and respectfully ask that you reconsider your advocacy of this bill.

Sincerely,

Andrew E. Newman  
Chair, Washington University Board of Trustees

Stephen F. Brauer  
Vice Chair, Washington University Board of Trustees

David W. Kemper  
Vice Chair, Washington University Board of Trustees

Craig D. Schnuck  
Vice Chair, Washington University Board of Trustees

Clarence C. Barksdale  
George P. Bauer  
Todd M. Bluedorn  
Maxine Clark  
David P. Conner  
Corinna Cotsen  
John F. Dains  
William H. Danforth  
John P. Dubinsky  
Scott W. Fancher  
David C. Farrell  
Sam Fox  
Robert W. Frick  
Gaurav Garg  
David V. Habif, Jr.  
Robert E. Hernreich  
Louis G. Hutt, Jr.  
Albert Yuk Keung Ip  
Donald A. Jubel  
Jerald L. Kent  
Richard J. Liekweg

John Peters MacCarthy  
Richard J. Mahoney  
Susan B. McCollum  
Alicia McDonnell  
John F. McDonnell  
James M. McKelvey, Jr.  
Ralph J. Nagel  
Philip Needleman  
Steven Cash Nickerson  
James V. O'Donnell  
Michael Powell  
Rakesh Sachdev  
Alvin J. Siteman  
Nicholas E. Somers  
David L. Steward  
Mary Danforth Stillman  
Alan J. Swimmer  
Andrew C. Taylor  
Barbara Schaps Thomas  
Lawrence E. Thomas  
Ronald L. Thompson  
Ann Rubenstein Tisch  
Robert L. Virgil  
Henry D. Warshaw  
Kelli P. Washington  
The Honorable William H. Webster  
John D. Weil  
Howard L. Wood  
Mark S. Wrighton  
Arnold B. Zetcher