

file 100-114 [1969]

I am Theodore M. Hesburgh, president, since 1952, of the University of Notre Dame. During more than seventeen years in that office one of my great preoccupations has been the financing of the University's educational, research and service programs. The progress that my University has recorded during this period can be attributed in no small measure to the support of private philanthropic foundations. Indeed, one major philanthropic organization, the Ford Foundation, looms as the largest single benefactor in Notre Dame's 127-year history.

While presiding over one of the nation's major independent institutions of higher learning, it has been my privilege to serve as a board member, director or trustee of organizations, both in the private and governmental sector, which regularly make grants to colleges, universities and other non-profit institutions. Two examples would be the Rockefeller Foundation and the National Science Board.

Recently it has been my privilege to serve on the Carnegie Commission on the Future of Higher Education as well as on the Select Committee created by Governor Rockefeller to study the future of private and independent higher education in my own native State of New York.

It is, then, with this background as a university president, as a foundation trustee, and as one who has studied in depth

the future of higher education, both nationally and in one of the most populous states of the Union, that I appear before this Committee today to express the most serious reservations to portions of H. R. 13270 which, I believe, can have disastrous effects on private philanthropy to institutions of higher education. I will confine my comments today to those sections of the proposed law which adversely affect private foundations, saving my observations on sections affecting other forms of philanthropy for another memorandum.

I am particularly opposed to the proposed 7½% tax on private foundation investment income which inevitably would result in less foundation support available to the nation's colleges and universities at precisely the time when they are experiencing a financial crisis and need more. For example, a 7½% tax levied against the investment income of the Ford Foundation would, in effect, be a tax on Stanford and Johns Hopkins, Vanderbilt and Chicago, Notre Dame and Denver and, indeed, on all the colleges and universities, great and small, in every part of this land, which benefit from the regular and substantial support of the Ford Foundation.

I shall not presume to speak for my fellow college and university presidents, although I can think of none whom I know personally who would support rather than oppose the foundation tax which we are discussing. I would like to say a word about

how one foundation, the Ford Foundation, is helping Notre Dame accomplish in ten years what normally would have required thirty years. With equal force I could document what has been accomplished on our campus with support from the Rockefeller Foundation, the Sloan Foundation, the Carnegie Corporation and others.

Specifically, I shall speak about the Ford Foundation's Special Program in Education, perhaps the most magnificent philanthropic program in the history of American higher education in which a significant number of colleges and universities have been helped to help themselves through challenging matching grants. In the case of Notre Dame, the whole vision of what the University might be has been startlingly, almost unbelievably, altered by two \$6 million matching Ford Foundation grants. With the incentive of these matching grants, between 1960 and 1966, we were able to double and in some sense triple the money normally contributed to the University. There is no question in my mind that this quantum jump forward was made possible by the matching provision. So, aside from what the grants themselves helped underwrite--for example, the 13-story Notre Dame Memorial Library--they have helped generate many additional millions of dollars in support from alumni, from friends, from corporations and even from other foundations.

The best thing about foundation support is, of course, that it is project-oriented for the most part and encourages a university to do innovative things, to undertake research and

launch new educational programs that would be out of the question if one had to rely on operating income or even the gift support of alumni and friends. For example, the Carnegie Corporation made a capital grant to Notre Dame which underwrote the first, national study of Catholic elementary and secondary education in the United States. Support from the Kellogg Foundation has made possible a program of continuing education that has touched the lives of tens of thousands involved in more than 300 campus conferences each year.

The aid which the major foundations have provided in the years since World War II has proved to be a life-line to the independent sector of our nation's unique dual system of higher education. There is a serious question whether this independent sector can perservere and continue to provide an educational alternative. At a time when inflation and the spiraling cost of living threatens to impair the philanthropic support of individuals, and with corporations, generally speaking, contributing less than 1% of their profits to charitable organizations when they are entitled by law to contribute up to 5%, the proposed tax on foundations, and here I am thinking especially about the major foundations, will have the effect of driving our independent colleges into the arms of the government at a time when many feel there is already too much government involvement on the campus. I cannot believe that this is a prospect welcomed by members of this Committee or the Congress.

My plea, then, is to legislate against specific abuses which may have been discovered in the administration of certain foundations. But I would urge that the proposed 7½% tax on foundation income will be of little aid in this regard. Of necessity, it will fall more heavily upon the largest and most efficiently administered foundations which have for many years donated their resources to the support of colleges and universities.

The revenue generated by this tax will be of relatively little consequence to the government, but its collection will have the direct effect of reducing the funds normally available to colleges and universities by a similar amount, and the indirect effect of a proportional reduction of the individual's contributions which these funds stimulate. Furthermore, it would seem inevitable, once the precedent is set, that the tax would be increased as the states and municipalities and future administrations seek much needed revenues, thereby further reducing the funds available to colleges and universities.

I say that this is the time for the Congress to take steps to encourage even further private philanthropy to higher education. Unfortunately, provisions in the legislation at hand, particularly the proposed 7½% tax, would have exactly the opposite effect.