

**Testimony of Richard Jacob,  
Yale University  
on  
SB 413, “An Act Concerning a Tax on  
Certain Endowment Funds of an Institution of Higher Education” and  
SB 414, “An Act Concerning the Tax on College Property”**

Senator Fonfara, Representative Berger, and Members of the Committee, thank you for the opportunity to comment on SB 413, “An Act Concerning a Tax on Certain Endowment Funds of an Institution of Higher Education” and SB 414, “An Act Concerning the Tax on College Property.” I am Richard Jacob, Associate Vice President for Federal and State Relations for Yale University. Yale respectfully urges the Committee to reject SB 413 and SB 414.

Yale is deeply committed to the quality of life in New Haven, and has dedicated itself, perhaps more than any other university in the country, to building stronger neighborhoods, stronger schools, and a stronger tax base in its hometown. Yale has striven to be a strong civic partner, working with Mayor DeStefano, and now Mayor Harp, in a genuine partnership to revitalize New Haven. We believe these efforts have borne fruit, although no one would say that the work is done.

Yale is an economic anchor for New Haven and, in turn, the state. With an annual budget of \$3.2 billion, including \$2 billion in wages and benefits, it is a powerful economic engine in the region. Yale is the largest employer in New Haven and is the fifth largest employer in the state. Nearly one-third of Yale’s 13,000 employees are residents of New Haven, and Yale is on track to meet its commitment to hiring 1,000 New Haven residents by 2019. Furthermore, wages and benefits in Local 34 are 27% above the local market and 39% above market in Local 35.

Yale currently makes a voluntary payment to the City of New Haven of more than \$8.2 million annually; since 1991 Yale has made a total of \$96 million in voluntary payments to New Haven. Yale also makes an annual \$527,000 voluntary payment to the City of West Haven (\$4 million since 2009) and \$132,000 to the Town of Orange (\$1 million since 2009).

In addition, students and visitors to Yale spend an estimated \$150 million annually. Alumni living in the state earned an estimated \$800 million in salaries in 2013. The Connecticut Conference of Independent Colleges estimated that Yale’s total impact on the Connecticut economy in 2013 was at least \$8.8 billion.

Yale strives to create economic growth beyond its own programs. Two decades ago Yale recognized that it was in a unique position to help create a new industrial base to replace the declining small arms industry. Working from its strength in medical research, Yale began to promote actively the translation of discoveries being made in faculty laboratories. (Incidentally, this approach is explicitly encouraged by the federal Bayh-Dole Act, which *Economist* magazine described in 2012 as “the most inspired piece of legislation to be enacted in America in the past half-century.”<sup>1</sup>) This strategy has led to the creation of 60 companies by private entrepreneurs that have attracted more than

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<sup>1</sup> <http://www.economist.com/node/1476653>

\$1 billion of venture capital investment to New Haven. All of the New Haven companies with ties to Yale research are in commercial space that is subject to property taxes – Science Park (fully occupied), 300 George Street (fully occupied), or Alexion's new headquarters at 100 College Street.

Yale has also made strategic investments to redevelop commercial properties in the downtown shopping districts on Chapel Street, Broadway, and Lower Whitney Avenue. The strategic investments are complemented by over \$40 million in contributions to such economic development initiatives as the Economic Development Corporation of New Haven and Science Park. There are now 90 tenants in Yale's commercial properties, more than two-thirds of which are local businesses. They range from such New Haven originals as Claire's Cornucopia to the Apple Store on Broadway. Of course, Yale pays property taxes on all of these non-academic properties; Yale paid more than \$4.5 million in property taxes in 2014, making it one of the top five sources of property tax revenue for New Haven.

These investments attracted shoppers to downtown New Haven, creating a lively streetscape, a change that has attracted national attention. In 2014, for example, the *Washington Post* described New Haven as a "city transformed." How often does the national press write such laudatory comments about other cities in Connecticut?

New Haven has a rich history in its residential neighborhoods which are essential to the vitality of the City. Yale works with community partners to strengthen neighborhoods, committing funds to the restoration of Scantlebury Park, the Farmington Canal, and the improvements of streetscapes and creation of pedestrian and bike paths. The Winchester area is being revived through Yale's support for Science Park. The Dixwell-Yale Community Learning Center, built and run by Yale, is open to the community.

In 1994, Yale began the Homebuyer Program to encourage faculty and staff to live in New Haven. Any permanent Yale employee working 20 or more hours per week is eligible; the current benefit is \$30,000 paid over ten years. As of fall, 2015, 1,134 faculty (29% of participants) and staff (44% clerical or maintenance, 27% management) had taken advantage of the program. Yale's commitment to date of \$28 million has contributed to the purchase of homes worth more than \$205 million (at the time of purchase), buoying the housing market and resulting in additional property tax revenue for the City.

Yale University works closely with the New Haven public schools to develop the potential of local youth and to promote the vitality of New Haven. New Haven public school students are welcomed to Yale throughout the year as the youngest members of our academic community; students take world language courses on campus, participate in the citywide science fair, explore our shared cultural heritage through visits to the Yale museums, attend lectures on weekends, and conduct research in Yale laboratories through summer internships. Over 1,000 local students and more than 600 Yale faculty and students have participated in the Yale Pathways to Science Program; Yale will soon launch a Pathways to the Arts and Humanities program.

Yale is particularly proud of the success of New Haven Promise, which Yale established, together with the City of New Haven and the Community Foundation for Greater New Haven, in 2010 to encourage public school students in New Haven to realize that college is possible. New Haven Promise has awarded scholarships to more than 760 New Haven public school graduates. Scholarships cover full tuition at any

public university in Connecticut or \$2,500 at any independent college or university in the state.

Yale is strongly optimistic about New Haven's future. According to Connecticut Department of Labor data, New Haven gained nearly 7,000 net jobs between 2004 and 2014, or an increase of 9.1%. Over the same period, other major cities – Bridgeport, Hartford, Stamford, and Waterbury – lost jobs.<sup>2</sup> Among the five cities, New Haven saw the largest increase in average wages, 32.6%. In addition, over the same ten year period, New Haven's equalized grand list grew by 38.4%, far outpacing the other four cities.<sup>3</sup>

Given Yale's unparalleled commitment to New Haven, and the gains made by the City of New Haven and Yale in building employment, expanding the tax base, and strengthening neighborhoods and schools, the proposal to single out Yale by imposing unprecedented, ambiguous, and sweeping new taxes on the University is troubling.

The proposed new taxes on Yale would overturn longstanding policy of promoting charities' good works by exempting them from certain federal, state, and local taxes. SB 413 and SB 414 send the signal that charities, including independent colleges and universities, can no longer rely on a compact that reaches as far back as the founding of Connecticut as a colony.

SB 413 and SB 414 are also a specific attack on independent higher education. Connecticut is fortunate to have a number of independent colleges and universities that offer an outstanding, affordable education at the undergraduate and graduate level. Connecticut is known for its great colleges and universities which draw students from around the world and generate profound benefits for the local and state economies. It is difficult to see what Connecticut would gain from undermining some of its greatest assets.

The proposed taxes on Yale would diminish the University's ability to carry out its charitable mission and to enable and support growth in New Haven. The endowment, built on the generous gifts of benefactors over Yale's history and prudent investment, enables Yale to be more affordable, more innovative, and the strongest possible partner to the City of New Haven. That is, Yale's generous financial aid policies, which enable Yale College students to avoid any loans, and which waive any parent contribution for low-income students, exist because of the endowment. Similarly, endowment funding helps new faculty launch their research, or to begin new research programs, accelerating the pace of discovery and leading to the creation of new companies in New Haven.

Everything that Yale does to improve the quality of life in New Haven – funding the New Haven Promise Scholarships, using the Homebuyer Program to encourage faculty and staff live in New Haven, working in local schools, making voluntary payments to the City totaling \$96 million to date – is ultimately made possible by Yale's careful stewardship of its endowment.

Finally, SB 413 or SB 414 are plainly unconstitutional. Should either bill be enacted, Yale would defend its constitutional right of non-taxation. That right is longstanding and well-settled, established by the Yale Charter, affirmed in the state Constitution in 1818, and readopted in the Constitutions of 1955 and 1965. Some claim, wrongly, that the legislation before you would bring "clarity." Five cases, including two Connecticut Supreme Court decisions, have been very clear: in every case, Yale's

<sup>2</sup> [http://www1.ctdol.state.ct.us/lmi/202/202\\_annualaverage.asp](http://www1.ctdol.state.ct.us/lmi/202/202_annualaverage.asp)

<sup>3</sup> [data.ctdata.org/visualization/municipal-grand-list](http://data.ctdata.org/visualization/municipal-grand-list)

academic property was held nontaxable. Indeed, for almost 200 years, since the U.S. Supreme Court decided *Dartmouth College v. Woodward* (1819), it has been bedrock law that a university charter is a contract protected from impairment by the State under the Contracts Clause of the U.S. Constitution.

Yale University is confident that SB 413 and SB 414 would be struck down by the courts. The University would be prepared to assert its legal rights to the fullest extent, because the legislation raises issues of profound importance not only to Yale but the entire charitable community.

Recent decades demonstrate that partnership is the path to progress and prosperity for New Haven. The conflict of past generations yielded few benefits. Singling out one institution is bad policy, especially when that institution has been a strong partner with its hometown and its home state. The legislature should endorse partnership and so should reject these proposed bills.