



National Association of
Independent Colleges and
Universities

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Dear Member of the House of Representatives:

I am writing to express my deep concern, and that of our nation's private, nonprofit colleges and universities, to the offset being utilized to pay for H.R. 6585, the Bipartisan Workforce Pell Act, which will be considered under suspension next week on the floor of the House of Representatives. I strongly urge the House to find a new offset. If an appropriate offset isn't found, I urge you to vote NO on H.R. 6585.

The offset would pay for Workforce Pell by making a certain subset of institutions pay for nearly all federal costs for their students' federal student loans. We oppose this proposal. At its core, using the federal student loan program benefits to target one set of institutions for a new Congressional priority to extend Pell Grants to short-term job training programs is bad public policy and a bad precedent. The purpose of the federal student aid programs is to encourage colleges and universities to enroll low- and moderate-income students, not to penalize them for doing so. And certainly not to change the terms and conditions under which they admitted these students to make them now pay for a new idea from Congress.

Every American who wants to pursue a post-secondary education should have the ability to do so at the institution and in the program that best fits their personal goals. It is counter-productive for the federal government to target a group of private, nonprofit institutions for participating in the federal student aid programs and to encourage those institutions to explore private loan programs that deny federal loan benefits to the students who chose those institutions. Ironically, the colleges and universities being penalized are the very institutions with the highest completion rates, the lowest default rates, and the lowest costs for low-income students.

Congress sets the terms and conditions for federal student loans. One of the greatest costs for the targeted institutions, since they have few defaults and stellar completion rates and student outcomes, is public service loan forgiveness. It is unfair that Congress would establish a broad public service loan forgiveness program, provide institutions no control over whether or how their students borrow or receive loan forgiveness, and then tax the institutions for the cost of Congress and the Administration's loan decisions. It is even worse that these loan liabilities are being applied to students who are already enrolled at these institutions and are legally entitled to these benefits.

Both political parties are exploring interesting and innovative ways to reform the federal student aid programs, particularly the federal student loan programs. These loan programs have often been a revenue resource for the federal government because it has charged students and parents higher interest rates and provided less generous terms and conditions than currently being considered. As Congress attempts to review past policies, the solution to pay for better loans for borrowers should not be to create an additional tax on institutions. The offset being offered to pay for short-term Pell Grants by targeting certain private, nonprofit institutions already subject to the endowment tax, is a precursor to more broad-based proposals to have colleges and universities pay for new benefits the federal government wants to extend to federal student aid recipients.

Finally, I must note that the endowment tax itself is unfair. First and foremost, it is an unprecedented tax on nonprofits. Because it is based on the endowment size per student, it



targets institutions based on size, hitting many smaller colleges. Every year more private colleges are taxed by this formula, which is not inflation-adjusted. Also, the determination of which institutions must pay and under what conditions is not known until the tax is due.

The endowment tax applies only to private colleges, which rely on their endowments to provide financial stability. Unlike our public colleagues, we do not have the faith and credit of state governments providing that fiscal assurance to our creditors.

Furthermore, endowments are not savings accounts, rainy day accounts, or hedge funds. Endowments are controlled by state law to ensure that institutions follow donor intent in perpetuity. Colleges and universities cannot capriciously change the use of endowment funds even if Congress wants them to use these funds for purposes other than those for which donors gave them the funding.

The National Association of Independent Colleges and Universities (NAICU) serves as the unified voice for the 1,700 private, nonprofit colleges and universities in our nation. Founded in 1976, NAICU is the only national membership organization solely focused on representing private, nonprofit higher education on public policy issues in Washington, DC. NAICU's membership reflects the diversity of private, nonprofit higher education in the U.S. Our member institutions include major research universities, faith-based colleges, Historically Black Colleges and Universities, Hispanic-Serving Institutions and other Minority-Serving Institutions, art and design colleges, conservatories of music, traditional liberal arts and science institutions, women's colleges, work colleges, two-year colleges and schools of law, medicine, engineering, business and other professions.

Each year, private, nonprofit colleges and universities graduate more than 1.2 million students. Additionally, the economic impact of the private, nonprofit sector of higher education for academic year 2022-23 totaled \$652 billion, and the sector generated \$99 billion in tax revenues and supported and sustained 3.4 million jobs.

Private, nonprofit colleges and universities bring a wide range of benefits to our society in ways that are both quantifiable and invaluable. They are woven into the fabric of our communities, our families, and the well-being of our country. They provide students with an array of pathways to educational, economic, and social mobility and on on-ramp to successful jobs and careers that help them move closer to achieve their American dream.

Again, I strongly urge the House to find a new offset. If an appropriate offset isn't found, I urge you to vote NO on H.R. 6585. If Congress wants to support short-term Pell Grants it should not pay for it by penalizing private, nonprofit institutions.

Sincerely,

A handwritten signature in blue ink that reads "Barbara K. Mistick". The signature is written in a cursive, flowing style.

Barbara K. Mistick
President