Association of American Universities
America's Leading Research Universities

The Honorable John Thune
Senate Majority Leader
U.S. Senate
511 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles E. Schumer
Senate Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20500

Dear Leader Thune and Minority Leader Schumer:

Representing America's leading research universities, I write on behalf of the Association of American Universities (AAU) to comment on the provisions in the reconciliation bill currently under consideration in the U.S. Senate.

AAU appreciates that many of the Senate reconciliation provisions impacting higher education, financial aid, and research are better than those contained in the House-passed version of the legislation. However, we still have significant concerns about several of the Senate provisions, which as currently drafted will have serious negative effects on student aid and student success. Congress should not enact provisions that reduce access to fields of study critical to advancing key national goals – including improving K-12 teaching, rural health care, and maintaining a strong STEM workforce and the scientific research necessary for the nation's future success.

Below, we outline both positive and negative provisions of the bill as well as specific suggestions to mitigate our concerns about the sections we believe are harmful.

Specific AAU Bill Concerns and Recommended Changes

Below are specific areas of the Senate bill where AAU has concerns and recommends specific changes.

Student Loans

Proposed student loan borrowing limits and elimination of important graduate student loan programs will limit access to important academic fields of study critical to meeting workforce needs in areas of high national interest.

AAU appreciates that the Senate HELP Committee's text (Sec. 81001) on student loans is more generous than its House-passed counterpart. However, AAU remains concerned about capping loan borrowing limits and the elimination of Grad PLUS loans.

The Senate bill caps an individual student's total annual borrowing and lowers aggregate student loan limits to $100,000 for graduate students and $200,000 for students in graduate professional programs. While more generous than the House, AAU remains concerned that the arbitrary student loan thresholds set by the Senate combined with changes to other existing loan programs, especially the elimination of the GRAD Plus Loan Program, will limit a student's ability to pursue studies at the institution of their choice, especially for students with the highest financial need.

Currently, the Grad PLUS loan program allows graduate and professional students to borrow enough money to fill the gap between the cost of attendance and all other grant and loan aid. The elimination of Grad PLUS loans combined with reduced loan borrowing limits and new restrictions on loan forgiveness will likely disincentivize students from pursuing advanced degrees and careers that require additional years of study – many of them in fields crucial to our nation's success, but where staffing shortages already exist.

For instance, graduate and professional level studies in medicine, public health, teaching, social work and counseling, and research could easily exceed the new allowable loan limits proposed in the bill. The new loan limits, combined with the elimination of Grad PLUS program and increased limitations on loan forgiveness contained in the bill, will disincentivize students who otherwise would pursue careers essential to meeting national challenges (such as those in rural healthcare) due to the additional financial burden placed on them resulting from these provisions. Collectively, these changes will force students and their families to turn to more costly private loans at much higher interest rates, thus increasing the cost of higher education and decreasing access and affordability of quality higher education for many more students.

Recommendation: If the Grad PLUS program is eliminated, AAU suggests further increasing students' annual borrowing loan limits and aggregate or lifetime loan limits for graduate and professional loans. Alternatively, senators could exempt graduate or professional studies that serve high-need areas or which require state licensure or special practice certifications (such as those required for doctors and nurses, many of whom are needed to practice in rural areas; and teaching, where we currently have national shortages that need to be addressed) from these loan limitations.

Pell Grants

AAU seeks the elimination of the taxation of Pell grants and clarification regarding Section 83004.

AAU appreciates that the Senate addressed the FY26 Pell shortfall in the bill. Additionally, we welcome that the Senate chose not to include the House-passed provisions requiring Pell grant recipients to be enrolled in at least 30 credit hours per academic year compared to the existing requirement of 24 credits to be eligible for a maximum Pell Grant, and to be enrolled more than half-time to be eligible for Pell at all. The House requirements would reduce Pell Grant awards to the majority of students and would make it far more difficult for students who have to work and/or support family members to qualify for Pell grants, thus pushing many of them to forgo pursuing a college education.

Recommendations:
Despite this improvement over the House bill, we remain concerned regarding the continued taxation of Pell Grant funds. Since 1986, Pell Grant awards spent on non-tuition expenses such as room and board have been taxable. AAU is concerned that taxing Pell aid undercuts the program's mission to expand accessibility to a college education. We would urge that consideration be given to eliminating the taxation of Pell grant aid in the final bill that the Senate approves.

We also request additional clarifying language to Section 83004, which removes Pell grant eligibility for students receiving non-Title IV external grant aid up to or exceeding the cost of their attendance. We believe the committee's intent for this provision was not to impact all students, but rather only student athletes with athletic scholarships. As the language reads now, however, we are concerned that it could remove Pell eligibility from students with academic and other forms of scholarships. For example, many states' financial aid programs are "last-dollar" programs, meaning that state aid is calculated after federal and other aid is applied to the cost of attendance. Changing Pell grants in accordance with the language in this section appears to be incompatible with these state aid programs, which many students use to help support their attendance at AAU members and other colleges and universities. For these reasons, we encourage the committee to clarify that this language is limited to college athletes only, requires that the full cost of attendance be met or exceeded solely through grant aid (excluding any Pell Grant or other title IV aid received, and that the Pell Grant program is to remain a first-dollar program.

Accountability Measures

AAU is concerned about how requirements for student aid eligibility based on earnings would be implemented and urges alignment with existing financial value transparency and gainful employment regulations.

We are pleased that the Senate bill does not include the House's proposed risk-sharing component. However, we are concerned that the accountability language in the bill ties program-level federal aid eligibility to student earnings relative to the median annual earnings of adults 25-34 who have a high school diploma or equivalent (for undergraduate degree programs) or adults 25-34 who have a bachelor's degree (for graduate or professional degree programs).

First, we are unclear as to how data and information will be collected to enable this plan to be effectively and consistently implemented and enforced. Second, while the Senate earnings threshold is similar to the 2023 earnings threshold contained in the Financial Value Transparency (FVT/GT) regulations promulgated by the Department of Education, it does not replace that rule nor does it align with its requirements. This means our institutions will have to comply with both standards simultaneously and require unique data collections for both requirements. This would be tremendously burdensome for both our institutions and the federal government and is likely to make this provision very difficult to implement.

Recommendation: AAU strongly recommends that this provision be aligned with the existing FVT/GE regulations, including adopting the requirement in the regulation that institutions only need to inform students if they have failing programs. We also recommend dropping the use of the low-earning calculation for failed programs to determine if a student is eligible for student loans. Additionally, we recommend that further consideration be given to quantifying what constitutes "low income" to accurately account for and integrate regional differences in income/earnings potential.

Bill Provisions AAU Opposes

Below are the specific provisions AAU opposes and which we would like to see removed from the final bill.

Endowment Tax Expansion

AAU opposes the expansion of the university endowment tax and urges the Senate to either eliminate or reduce the taxation levels called for in the bill. AAU also opposes the inclusion of Section 70415 (f).

While AAU recognizes the changes to the endowment excise tax proposed in Sec. 70415 of the Senate bill are less drastic than those proposed in Sec. 112021 of the House-passed bill, they still represent a major expansion in the number of colleges and universities that will be subject to the tax while also increasing the amount that institutions currently subject to the tax must pay. AAU opposes this extreme expansion of the tax, because it will reduce the funds that these institutions would otherwise have available to devote to supporting institutional aid for students as well as scientific research. We would urge that this provision be dropped from the final bill. If that is not possible, then we would ask that the amount of increase in the proposed endowment tax be substantially reduced in a way the benefits schools subject to the tax.

Additionally, the language in Section 70451 (f), which would include intellectual property royalty and student loan interest income in the net investment income calculation, is misguided, as these revenues directly support innovation, student access, and affordability. Treating them as taxable investment returns ignores their reinvestment in the universities' public-good missions, essentially penalizing universities for successfully fulfilling their core functions. Additionally, the Treasury Secretary would be required to implement a regulatory regime that would increase the already substantial regulatory burden on institutions and potentially further reduce their flexibility to use their endowments to support students and perform research. We urge Congress to support – not hinder – institutions that drive scientific discovery, economic growth, and social mobility by eliminating this language.

Excise Tax Expansion

AAU opposes the expansion of the excise tax on compensation for nonprofit leaders.

Section 70416 of the bill would expand the excise tax on compensation over $1 million to apply to all current and former employees of tax-exempt organizations. This change greatly extends the original scope of the tax, which applies to the five highest-paid employees in an organization. Applying this tax indiscriminately ignores the competitive labor market for top talent and could diminish universities and academic medical centers' ability to recruit and retain world-class researchers, clinicians, and innovators whose expertise is critical to scientific progress, public health, and economic development. Congress should support the ability of nonprofit institutions to attract and retain top talent that drives national innovation and well-being by removing this provision.

Medicaid Reductions

AAU opposes the significant cuts to Medicaid contained in the bill.

Proposed changes in the reconciliation bill to Medicaid formulas and cuts to overall Medicaid funding would have severe consequences for medical schools, teaching hospitals, and health systems that serve as critical safety nets across the country, including in rural and underserved areas. Our member institutions include 51 medical schools and 27 hospitals. These institutions rely heavily on Medicaid to train the next generation of physicians, deliver high-quality care to vulnerable populations, and sustain essential services in communities with limited healthcare access. Reductions in Medicaid threaten not only patient care, but also the stability of the nation's healthcare workforce and infrastructure. AAU recommends that Congress reject these changes and protect Medicaid's vital role in supporting equitable, accessible healthcare nationwide.

Removal of Legislative Branch Oversight

AAU opposes Congress ceding current oversight authority to the executive branch.

AAU is concerned that Sec. 90107, which exempts the executive branch from acquiring congressional approval before taking actions to reorganize, significantly reduce, or outright eliminate government agencies, undermines Congress' power of the purse and will weaken congressional oversight of federal agencies. It would also reduce the transparency regarding the use of taxpayer funds by allowing the Office of Management and Budget to use up to $100 million of unspent U.S. Treasury funds to reshape federal agencies without approval from Congress. AAU requests this provision be removed from the Senate measure.

Bill Language AAU Supports

Below are specific provisions in the Senate bill – or which were in the House bill and not included in the Senate version – which AAU supports.

Charitable Giving Deduction Expansion

AAU supports the Senate's proposed expansion of the above-the-line tax deduction for charitable gifts from non-itemizing taxpayers.

The removal of this deduction in 2017 greatly reduced the tax benefits of charitable giving. As a result, nonprofit entities, including universities, saw a significant drop in donations in the years following. Therefore, AAU appreciates that Sec. 70424 of the Senate Finance Committee's proposal creates a permanent deduction worth $1,000 for individuals and $2,000 for couples compared to the temporary deduction worth $150 for individuals and $300 for couples proposed by the House.

Unrelated Business Income Tax Exemptions

AAU is pleased that the Senate Finance Committee chose not to eliminate the Unrelated Business Income Tax (UBIT) exemption that nonprofits receive for transportation or parking benefits provided to their employees.

This exemption is designed to incentivize employment at nonprofit organizations and removing it for certain nonprofit organizations but not others would add unnecessary financial and administrative burdens while making it more difficult to attract and retain talent.

AAU also supports the decision to maintain the non-public research income limitation exemption.

Non-public research – often conducted in partnership with industry, federal agencies, or for national security purposes – is essential to advancing innovation, economic competitiveness, and the public good. Preserving this exemption will help sustain research and development collaborations between industry and universities while promoting commercialization of innovative technologies. AAU urges Congress to preserve these important exemptions in the final reconciliation package.

Employer-Based Educational Assistance

AAU supports Sec. 70412, which would make permanent the tax-free treatment of a portion of employer-based educational assistance.

Specifically, this provision allows up to $5,250 in student loan repayments by employers to be tax-free and indexes the amount of tax-free educational assistance to inflation, mirroring Sec. 110113 in the House-passed legislation. This tax provision was set to expire on January 1, 2026, and making it permanent and indexing the benefit to inflation will incentivize more employers to offer educational assistance to their employees, making postsecondary education more affordable and attainable for all. Congress should maintain this provision to enhance access to educational opportunities.

Conclusion

In conclusion, while there are provisions in the bill we like, its negative provisions as currently written are overwhelmingly bad for student access to higher education and the research and education missions of our member institutions. If these provisions are not removed or significantly improved in accordance with our recommendations above, AAU would urge senators to oppose the bill when it is considered on the Senate floor.

We welcome the opportunity to continue to work with you to improve the bill prior to, during, and after Senate floor consideration.

Sincerely,

Barbara R. Snyder

Barbara R. Snyder
President

cc: Members, U.S. Senate