May 21, 2025

The Honorable Mike Johnson
Speaker of the House
H-232, The Capitol
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader of the House
H-204, The Capitol
Washington, DC 20515

Dear Speaker Johnson and Minority Leader Jeffries:

Representing America's leading research universities, I write on behalf of the Association of American Universities (AAU) to provide our serious concerns with many provisions in the reconciliation bill under consideration in the House of Representatives. While it is a laudable goal to reduce federal spending, such a reduction should not be on the backs of students who are our nation's future, and the institutions of higher education that provide those students with quality education. In fact, many provisions in the bill will do more harm than good to the very students and institutions they aim to improve.

AAU also aligns itself with comments made separately in the broader higher education community letter submitted by the American Council on Education.

Bill Provisions of Major Concern:

AAU OPPOSES Risk-Sharing Policies That Will Inhibit Higher Education Affordability and Accessibility

Sec. 30041: The bill establishes new and unprecedented policies requiring institutions to reimburse the federal government for unpaid interest and principal on certain federal student loans, known as "risk-sharing." These policies will have unintended consequences for students and institutions. Risk-sharing provisions would disproportionately impact students from disadvantaged and underrepresented communities who have historically had a more challenging time with loan repayments by discouraging institutions of higher education from enrolling these students because of their high risk of potential loan default.

In fact, the very concept of risk-sharing is counterproductive to improving college affordability and accessibility and harms institutions that enroll a high number of low-income and first-generation students. The Congressional Budget Office (CBO) [1]estimates that, by 2034, risk-sharing payments would be $1.3 billion and continue to increase each year. CBO also predicts

[1] CBO Cost Estimate Reconciliation Recommendations of the House Committee on Education and Workforce

that institutions will find ways to avoid making payments, stop participating in Title IV federal student loan programs, or simply close. At a time when we all aim to make higher education more accessible and affordable, these provisions may have the opposite effect.

In addition, colleges and universities should not be held accountable for a former student's post-graduation employment and repayment behaviors. Former students may pursue employment in fields outside of their program of study (which does not yield the expected income of their program of study) or make other choices that are out of an institution's control.

AAU OPPOSES Changes to Pell Grant Eligibility

Sec. 30031: The bill changes eligibility requirements for low-income students by requiring that students register for at least 30 credit hours during an academic year to receive a maximum Pell award, while students who attend school less than half-time will no longer be eligible for Pell. These changes, particularly changes to eligibility for less than half-time students, will harm low-income students, who often juggle their schoolwork with competing responsibilities of employment, family, or dealing with other challenging life circumstances. CBO estimates that more than half of current Pell recipients would receive smaller grant awards under this proposal. To guarantee their Pell eligibility, these low-income students may feel a need to take additional credits, straining their ability to complete their degrees.

AAU member schools have a strong record of serving Pell recipients well. In the 2022-23 academic year, AAU schools enrolled a total of 322,274 undergraduate students who were awarded federal Pell Grants, accounting for 21.7% of our undergraduate population. Moreover, nearly 78% of Pell Grant recipients at AAU institutions graduate within six years, a graduation rate much higher than the average of just under 52%. AAU remains committed to ensuring all students, especially our Pell Grant recipients, have the tools they need to succeed. These new eligibility requirements could harm low-income students and their efforts to pursue higher education.

AAU OPPOSES Capping Loan Borrowing Limits and Eliminating Grad PLUS Loans

Sec. 30011: The bill caps an individual student's total annual borrowing amount to the "median cost of college" and lowers aggregate student loan limits to $50,000 for undergraduate students, $100,000 for graduate students, and $150,000 for students in graduate professional programs. The bill also eliminates Grad PLUS and limits Parent PLUS loan programs. AAU opposes these arbitrary thresholds on federal student loans and the elimination or reduction of loan programs as these changes will limit a student's ability to pursue studies at the institution of their choice, especially for students with the highest financial need.

Additionally, the elimination of Grad PLUS loans and the restrictions on Parent PLUS loans reduce financial aid options that currently provide access and flexibility to graduate students and families who may not be eligible for federal loans, and, as a result, may disincentivize students from pursuing careers that require extra years of study. For instance, graduate and professional level studies in medicine, public health, social work, counseling, and research could easily exceed the new allowable loan limits proposed in the bill. Collectively, these changes will force students and their families to turn to more costly private loans, thus unintentionally increasing the cost of higher education.

AAU OPPOSES Changes to Need Calculations for Federal Financial Aid

Sec. 30002: The bill changes how a student's financial need to is calculated by replacing the cost of attendance with the "median cost of college for the program of study." To find the median cost, similar programs of study would be compared across the country and the maximum borrowing limit would be assigned to the median between the least and most expensive programs of study. AAU has concerns with setting borrowing limits based on the median price of a program of study as doing so fails to acknowledge the potential for variations in quality among "similar" programs. There may be exceptional programs that have invested in innovative training equipment or other resources – in artificial intelligence, for example – that cost more than other programs that appear similar. Moreover, many factors in the cost of attendance at a given institution may be out of its control, such as cost of living.

This change would also limit access for many students, particularly low-income students, who may not have the financial capacity to make up additional costs beyond borrowing limits. Median costs may not cover the most suitable or highest quality program for any given student. For example, at AAU's public institutions, tuition can vary significantly based on the amount of investment received from the state in which the institution is located.

AAU OPPOSES Modifications to the Endowment Tax

Sec. 12021: The bill expands the university endowment excise tax. Expanding the university endowment excise tax is a short-sighted move that undermines the long-term educational and research missions of our nation's leading institutions of higher education. Endowment taxes are, quite simply, taxes on student aid and taxes on life-saving research. AAU opposes provisions in the bill which will expand the number of colleges and universities that would have to pay the tax or increase the rate of tax they must pay. Proposals to include intellectual property royalty income and student loan interest income in the net investment income calculation are particularly misguided, as these revenues directly support innovation, student access, and affordability—not institutional profit. Treating them as taxable investment returns ignores their reinvestment in public-good missions and penalizes universities for fulfilling their core purpose. Congress should support—not hinder—institutions that drive scientific discovery, economic growth, and social mobility.

AAU OPPOSES Removal of Nonprofit Exemption for Employee Fringe Transit & Parking Benefits

Sec. 112024: The bill imposes unrelated business income tax (UBIT) on nonprofit institutions for providing essential transportation and parking benefits to their employees. This removes a commonsense exemption and adds unnecessary financial and administrative burdens by creating a tax on benefits provided to incentivize employment at nonprofit organizations. These modest benefits help institutions recruit and retain talent, especially in high-cost or transit-limited areas, and support workforce accessibility. Singling out some nonprofits while excluding others is both inequitable and counterproductive. Congress should reject this provision as it undermines the ability of universities and other nonprofits to support their employees and fulfill their public missions.

AAU OPPOSES the Elimination of Non-Public Research Income Limitation Exemption under UBIT

Sec. 112026: The bill narrows the research income exemption by excluding income from non-public research, exposing it to unrelated business income tax (UBIT). This change fails to recognize that 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. Imposing UBIT on this activity would disincentivize vital collaborations, reduce private sector investment in university-led R&D, and slow the commercialization of innovative technologies. It would create a chilling effect across the innovation ecosystem, weakening the pipeline from academic discovery to real-world application. This provision undermines a model that has made the U.S. a global leader in science, medicine, and technology. Congress should preserve the current exemption to protect the nation's capacity to drive breakthrough innovation and sustain long-term economic growth.

AAU OPPOSES Expansion of the Excise Tax on Non-Profit Organization Leaders

Sec. 112020: This provision expands the excise tax on compensation over $1 million to apply to all current and former employees of tax-exempt organizations. This goes far beyond the original scope of this tax, which only covers the five highest paid employees in an organization. This change risks penalizing universities and academic medical centers for recruiting and retaining world-class researchers, clinicians, and innovators whose expertise is critical to scientific progress, public health, and economic development. Applying this tax indiscriminately ignores the competitive labor market for top talent and could diminish institutions' ability to lead in research, medical advancement, and entrepreneurship. Congress should reject this provision and preserve the capacity of nonprofit institutions to attract and retain top talent that drives national innovation and wellbeing.

AAU OPPOSES Changes to Medicaid that Will Impact Medical Schools and Teaching Hospitals

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 comprise 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. Congress should reject these changes and protect Medicaid's vital role in supporting equitable, accessible healthcare nationwide.

In conclusion, AAU opposes the reconciliation bill because it will fail to achieve its stated goal of making college more accessible and affordable for all students, imposes an unfair endowment tax on certain private colleges and universities, and stifles collaborations with the private sector in critical research areas.

Sincerely,

Barbara R. Snyder

Barbara R. Snyder
President