Association of American Universities
America's Leading Research Universities

June 18, 2024

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 share our concerns with H.R. 6951, the College Cost Reduction Act (CCRA) as passed by the House Education and the Workforce Committee on January 31, 2024.

AAU shares the goals of this bill; indeed, AAU universities are leaders in improving college affordability and student success. We believe that a college degree can transform lives, and our member institutions are committed to providing a high-quality education to students of all backgrounds and income levels. AAU universities continue to use their institutional funds to provide significant financial assistance to their students. In fact, for every dollar the federal government provides in student grants, America's leading research universities provide on average $6[1].

As we wrote to the House Education and the Workforce Committee in January, however, we are concerned that the CCRA in its present form would not make significant improvements in increasing the affordability for students and may, in fact, adversely impact access to postsecondary education. AAU therefore opposes the bill in its current form and asks House Leadership not to consider the bill until the concerns outlined below have been addressed.

AAU Opposes Risk-Sharing Policies Which Will Inhibit Higher Education Affordability and Accessibility

The CCRA would make colleges and universities responsible for assuming the risk that certain students will be unable to repay their federal student loans, which would have unintended consequences for the students. **These "risk-sharing" provisions would impact students from disadvantaged and underrepresented communities who have historically had a more challenging time with repayments, subsequently discouraging institutions of higher education**

[1] https://www.aau.edu/newsroom/barbaras-blog/setting-record-straight-affordability-and-student-debt. Please note, some AAU universities provide far more than $6 in student grant aid for every $1 provided by the federal government.

from enrolling a high number of low-income and first-generation students. While many AAU schools will likely ensure that these students have access to our schools by providing them with other sources of institutional assistance, many institutions without such resources will not be able to do so. In addition, it is not clear if and how the proposed risk-sharing policy could be effectively implemented by the U.S. Department of Education, creating further regulatory complexities and subsequently increased costs for institutions and ultimately students.

In addition, AAU is concerned that the formulas created to determine these new risk-sharing payments and calculate the new Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) grant that seeks to increase college affordability, access and economic mobility components have not been rigorously examined. While the House Education and the Workforce Committee and many outside stakeholders have attempted to model the complex formula to scrutinize the impact on institutions of higher education, many questions remain unanswered. Early evaluations show an overwhelmingly negative financial impact on schools. This is due in part to the many gaps in existing data, leaving them to be filled with assumptions, hindering attempts to accurately assess how this new policy would work.

Overall, **risk-sharing policies represent a fundamental change in federal student aid policy and a shift of such magnitude should be based on a much more transparent process.** Given the complexity of the formulas in the legislation, and the gaps in existing data, we believe it would be exceedingly risky to rely on such formulas in statute.

AAU Opposes CCRA's New Calculations for Financial Need

To calculate a student's financial need to attend college, the CCRA would change the current cost of attendance and replace it with the "median cost of college for the program of study." To find the median, similar programs of study would be compared across the country and the median between the least and most expensive programs would be assigned the maximum borrowing limits for those programs of study.

Setting borrowing limits based on the median price of a program fails to acknowledge that "similar" programs of study may not be similar in quality. There may be exceptional programs that have invested in cutting edge training equipment – in artificial intelligence, for example – that cost more than programs that appear similar because these exceptional programs provide a more robust educational experience. Moreover, many factors in the cost of attendance at a given institution may be out of its control, such as the cost of living in a particular area for which the school is located, among many other variables.

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.

At AAU's public institutions, for example, tuition levels vary significantly based on the amount of investment received from the state in which the institution is located.

AAU Opposes Arbitrarily Capping Loan Borrowing Limits and Eliminating PLUS Loans

In addition to capping the total annual borrowing amount to the "median cost of college" the CCRA also 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. We are especially concerned about the elimination of the Grad and Parent PLUS loan programs. **These arbitrary thresholds limit the ability of students with the greatest financial need to pursue studies at the institution of their choice.** Elimination of PLUS loans also 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 example, graduate and professional level studies in medicine, public health, social work, counseling, research, and law could easily exceed the new allowable loan limits in the current version of the CCRA.

Collectively, the changes proposed to the federal loan programs will force students and their families to turn to more costly private loans, with higher interest rates and fewer borrower protections, thus unintentionally increasing the cost of higher education.

In conclusion, **AAU opposes the CCRA, as the bill will fail to achieve the intended goal of making college more accessible and affordable for all students.** We therefore urge the full House not to move forward with this bill in its current form. Thank you for your consideration.

Sincerely,

Barbara R. Snyder

Barbara R. Snyder
President

cc: U.S. House of Representatives