



June 27, 2025

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. 20510

Dear Senate Majority Leader Thune and Senate Minority Leader Schumer:

On behalf of the American Council on Education and the undersigned higher education associations, I write to express our concerns regarding provisions contained in the Senate reconciliation titles proposed by the Committee on Health, Education, Labor and Pensions (HELP) and Committee on Finance. The totality of the funding cuts, policy changes, and tax increases will have a negative impact on the ability of current and future students to access postsecondary education and harm the ability of colleges and universities to carry out their vital education and research missions.

While we understand that additional changes may be considered in light of rulings by the parliamentarian, it was important to share our views now as you prepare the amended final bill. Our comments reflect our understanding of which provisions will be included. We are particularly concerned about the reduced availability of federal student loans for graduate students, new and increased taxes imposed on institutions of higher education, and significant cuts to other programs supporting millions of postsecondary students nationwide. We are not able to offer full support for this bill as it is currently written unless changes are made to address these concerns.

Cuts to Student Aid will Increase Costs to Students and Erect Barriers to Developing the Workforce Our Nation Needs to Compete

We appreciate that the Senate took a more measured approach and substantially limited the harm to students that would have resulted from the House's bill. By preserving basic Pell Grant student eligibility and subsidized Stafford Loans for low-income students, the Senate bill avoids many of the House's crippling impacts on college affordability. We also applaud the committee for authorizing the workforce Pell Grant and request that you work to ensure its inclusion in the final Senate bill.

Despite these positive differences, there remain a number of elements to the Senate's bill that make college more expensive and difficult to obtain for millions of students. These proposals include:

- (1) eliminating Pell Grant awards for students receiving certain amounts of grant aid from non-Title IV sources—a dramatic and negative departure from previous federal policy;
- (2) lowering graduate student loan borrowing limits;
- (3) eliminating Grad PLUS and capping Parent PLUS loans, eliminating key sources of funding and forcing students and families to borrow from the private market; and
- (4) increasing costs to borrowers by requiring them to pay on their loans for 30 years with a new income-based repayment assistance plan, compared to existing repayment plans with a maximum of 20 or 25 years of repayment.

These cuts, combined with the proposed massive slashes to Medicaid and other programs that low-income students depend on for health care and basic needs, will have a disproportionately negative impact on the ability of these students to afford and access postsecondary education and skills training.

We thank the Senate committee for rejecting the complicated and punitive accountability approach taken by the House in its “risk-sharing” measure. Instead, the HELP Committee proposed to create an accountability proposal that measures programmatic performance based on earnings. However, refinements are still needed to better focus the program. We are particularly concerned that the large majority of programs that would be negatively impacted by this bill are in high need areas that require some graduate education to meet professional licensure requirements but do not necessarily lead to highly compensated jobs, such as in the fields of teaching, counseling, social work, and medicine and nursing. In addition, an earnings standard for sub-baccalaureate programs should be keyed to high school graduates aged 20 to 24.

Finally, while we appreciate that the bill provides more than \$10 billion in new funding to address the Pell Grant shortfall, we strongly encourage Congress to provide sufficient funds to fully fund the Pell Grant program at least through FY 2026.

New and Increased Taxes on Institutions of Higher Education will Limit Student Aid and Constrain Research

The Senate Finance Committee’s reconciliation language would impose significant tax increases on institutions. The tax package includes a major and damaging expansion of the “endowment tax,” which is effectively a tax on scholarships and other key institutional activities, through a new three-tiered system of increasing tax rates being imposed on private, nonprofit institutions. While we acknowledge that the Senate provisions are less harmful than those contained in the House-approved bill, the Senate version of the bill still contains a significant expansion of the endowment tax, which effectively funnels charitable gifts away from donors’ intended purposes and to the federal government, without doing anything to benefit students, education, or research.

Plain and simple, this is a tax on scholarships, research, and charitable giving. This tax will be imposed on a diverse set of institutions—from liberal arts colleges to research universities and stand-alone medical schools—that all share a tremendous commitment to student financial aid, access, and success. In fact, many lead the nation in providing debt-free access to low- and middle-income students, relying heavily on institutional and endowment resources. Rather

than enhancing access to higher education, the expanded scholarship tax will devastate institutional efforts to provide robust student financial aid and will likely result in increased student debt at the covered institutions.

Finally, we are grateful that the tax title makes the student loan repayment provision of employer-provided education assistance (Sec. 127) permanent, indexes the annual benefit to inflation, and preserves the student and family higher education tax benefits. We are disappointed, however, that the tax title does not repeal the taxability of federal Pell Grants. Taxing students on their Pell Grants contradicts the very purpose of this vital federal financial aid program. Failing to include this provision is a missed opportunity to support low-income students seeking to succeed in higher education.

Conclusion

While we are grateful that the reconciliation packages proposed by the HELP and Senate Finance Committees do not include many of the most problematic provisions in the House package, we nevertheless remain concerned about certain provisions that would have a negative impact on institutions, students, and communities. We stand ready to work with the Senate to address these provisions and advance policies that will strengthen our nation's higher education and workforce systems as you make changes to the final bill.

Sincerely,



Ted Mitchell
President

CC: Members of the U.S. Senate

On behalf of:

Achieving the Dream
ACPA-College Student Educators International
American Association for Colleges of Teacher Education
American Association of Colleges of Nursing
American Association of Colleges of Osteopathic Medicine
American Association of Collegiate Registrars and Admissions
Officers American Association of Community Colleges
American Association of State Colleges and Universities
American Association of University Professors
American Association of Veterinary Medical Colleges
American Council of Learned Societies
American Council on Education
American Psychological Association
Associated Colleges of the Midwest
Association for Institutional Research
Association for the Study of Higher Education
Association of American Universities
Association of Governing Boards of Universities and Colleges

Association of Jesuit Colleges and Universities
Association of Schools Advancing Health Professions
Campus Compact
Career Education Colleges and Universities
College and University Professional Association for Human Resources
Complete College America
Council for Advancement and Support of Education
Council for Christian Colleges & Universities
Council for Higher Education Accreditation
Council for Opportunity in Education
Council of Graduate Schools
Council on Social Work Education
EDUCAUSE
Great Lakes Colleges Association
Higher Education Loan Coalition
Hispanic Association of Colleges and Universities
NAFSA: Association of International Educators
NASPA-Student Affairs Administrators in Higher Education
National Association for College Admission Counseling
National Association of Colleges and Employers
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators
National Council for Community and Education Partnerships
New England Commission of Higher Education
Phi Beta Kappa Society
The Higher Learning Commission
UPCEA