



May 21, 2025

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Hakeem Jeffries
House Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Johnson and Minority Leader Jeffries,

On behalf of the American Council on Education and the undersigned higher education associations, we write to strongly oppose the reconciliation package under consideration this week by the House of Representatives. If enacted, this bill will put college out of reach for hundreds of thousands of students, significantly increase the costs for remaining students, and weaken America's ability to compete with our global rivals by undermining the academic and research system that has driven our economy for decades. The totality of the funding cuts, policy changes, and tax increases included in this reconciliation package will have a historic and negative impact on the ability of current and future students to access postsecondary education, as well as on colleges and universities striving to carry out their vital educational and research missions. In particular, we are concerned about the damaging proposed changes to student aid programs, including eligibility changes that will prevent many low-income students from accessing Pell Grants; the availability of federal student loans for graduate students; new and increased taxes imposed on our institutions of higher education; and significant cuts to other programs supporting millions of postsecondary students nationwide.

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

The House Committee on Education and Workforce portion of the reconciliation bill would make deep cuts and damaging changes to important federal student aid programs. These harmful proposals include: (1) limiting Pell eligibility, which the Congressional Budget Office found will cause the majority of Pell recipients to lose some aid and approximately 700,000 students to lose eligibility entirely;¹ (2) eliminating subsidized student loans, which reduce the cost of borrowing for low-income students; (3) lowering graduate student loan borrowing limits; (4) eliminating Grad PLUS and restricting Parent PLUS loans, eliminating a key source of funding for graduate programs and Minority Serving Institutions; and (5) untested and problematic intrusion into institutional

¹ Based on the Congressional Budget Office, "Estimated Budgetary Effects of a Bill to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, the One Big Beautiful Bill Act", <https://www.cbo.gov/publication/61420>

pricing decisions, all of which will lead to students paying more, borrowing more, and facing costlier repayment terms. The proposal also creates an institutional risk-sharing process in which over 90 percent of institutions of higher education² would have to make annual payments to the federal government, which are then used to redistribute funding between public, nonprofit, and for-profit entities, an unprecedented level of federal overreach. This will unduly penalize the very institutions serving the largest numbers of those students who struggle most in the labor market: low-income, first-generation, and underrepresented student populations.

It is highly problematic that massive, overlapping provisions of federal policy are being advanced through reconciliation rather than through the standard legislative process. This legislation advances policies based solely on their savings, rather than their merit, and nullifies any benefits from the small handful of positive elements this bill includes. We urge the House to strip these elements and pursue them instead through a comprehensive reauthorization bill. These cuts, combined with the proposed massive cuts 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 low-income students to afford and access postsecondary education and skills training.

Finally, while we appreciate that the Education and Workforce Committee bill provides some funding to address the Pell Grant shortfall, we strongly encourage Congress to make the Pell Grant program whole in the reconciliation bill so that the FY 2026 appropriations process can move forward smoothly without imposing an undue burden on low-income students.

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

The portion of the package produced by the House Ways and Means Committee would impose significant and harmful tax increases on institutions. The bill includes a major and damaging expansion of the so-called “endowment tax,” which is effectively a scholarship tax, through a new four-tiered system of increasing tax rates being imposed on private, nonprofit institutions that culminates in a 21% rate. The endowment tax effectively funnels charitable gifts from donors to the federal government without doing anything beneficial for students, and 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 student 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, both the unrelated business income tax (UBIT) penalties and the expanded scholarship tax will devastate institutional efforts to provide robust student financial aid while also harming state budgets.

² House Education and Workforce Committee “Accountability Under the CCRA: An Analysis”
<https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=410507>

The bill also includes an expansion of the UBIT by eliminating the deduction for employer-provided transit benefits. The proposed change to UBIT will result in increased costs for many colleges and universities, which would mean fewer resources that can be devoted to student financial aid and other educational resources.

Finally, while we are grateful that the Ways and Means Committee made the student loan repayment provision of employer-provided education assistance (Sec. 127) permanent, indexed the annual benefit to inflation, and also preserved all of the current student and family higher education benefits, we are disappointed that the tax package did 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 that, when combined with the crippling cuts to Pell Grants proposed by the Education and Workforce Committee, further punishes low-income students seeking to improve their skills and earn a credential.

Conclusion

Given the historic and negative impact this bill would have on institutions, students, and communities, we oppose the House reconciliation package and stand ready to work with both the House and Senate to rectify the many serious problems with this legislation in its current form.

Sincerely,



Ted Mitchell, President

Cc: Members of the U.S. House of Representatives

On behalf of:

American Association of Collegiate Registrars and Admissions Officers
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Medical Colleges
Association of American Universities
Association of Governing Boards of Universities and Colleges
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
College and University Professional Association for Human Resources
Council for Advancement and Support of Education
Council for Higher Education Accreditation

Council of Graduate Schools

EDUCAUSE

Hispanic Association of Colleges and Universities

NASPA-Student Affairs Administrators in Higher Education

National Association of Independent Colleges and Universities

National Association of Student Financial Aid Administrators