April 16, 2021

The Honorable Robert “Bobby” Scott The Honorable Virginia Foxx

Chairman Ranking Minority Member

House Committee on Education and Labor House Committee on Education and Labor

2176 Rayburn HOB 2101 Rayburn HOB

Washington, DC 20515 Washington, DC 20515

Dear Chairman Scott and Ranking Member Foxx:

On behalf of the National Association of Independent Colleges and Universities (NAICU), I am submitting this letter for the record in conjunction with the April 20, 2021, Full Committee hearing on the for-profit conversions of colleges seeking nonprofit status.

NAICU serves as the unified voice of private, nonprofit higher education. Founded in 1976, NAICU is the only national organization solely focused on representing private, nonprofit higher education on public policy issues in Washington, DC. NAICU’s membership reflects the diversity of private, nonprofit higher education in the U. S. Our member institutions include major research universities, faith-based colleges, Historically Black Colleges and Universities, Minority-Serving Institutions and Tribal Colleges, art and design colleges, traditional liberal arts and science institutions, women’s colleges, work colleges, two-year colleges, and schools of law, medicine, engineering, business, and other professions. With more than 5 million students attending 1,700 independent colleges and universities in all 50 states, and more than 1 million employees, the private sector of American higher education has a dramatic impact on our nation’s larger public interests.

The formation of the first nonprofits over a century ago reflected the unique American tendency to create voluntary associations to meet important public needs. With the exception of the 2017 tax levied on certain nonprofit private colleges endowments and net investment earnings, this tradition has since been upheld by laws granting an exemption from federal income tax to nonprofit organizations that dedicate its resources not to individuals or individual profit but to community public service. The U.S. has a unique blending of independent nonprofit and governmental providers in important service areas, such as higher education, hospitals, and other human services.

NAICU supports and believes in the role of the federal government to provide appropriate oversight of U.S. nonprofits and charitable organizations as a whole. If any organization wants to be established as a nonprofit, it must comply with a set of rules and follow a uniform approval process applicable to all. This would certainly include for-profit entities that want to transition to nonprofit status. We are proud of the non-profit tradition in American higher education, and believe it has contributed enormously to our very essence as a nation. For these reasons, we would welcome the conversions of for-profit institutions to nonprofit status, as long as it is with the intent to function as a true nonprofit, serving students and the surrounding communities.

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Nonprofit status should not be abused or used as a cover for any group to make profits, self-deal, or otherwise violate existing nonprofit laws.

As this committee and the U.S. Departments of Education and Treasury examine ways to strengthen federal oversight of for-profit conversions, we hope you will keep in mind the characteristics that make our nation’s non-profit institutions unique, and exercise oversight that encourages new non-profit entities to function effectively while also allowing them the freedom to serve their students in new and unique ways appropriate to their self-defined missions.

We look forward to working with you and the committee staff as this process moves forward, especially as potential legislation is crafted. Please feel free to continue to use NAICU as a resource. We appreciate your partnership on the many important issues facing our institutions and the students and communities we serve.

Sincerely,



Barbara K. Mistick

President