



**PUBLIC POLICY OBJECTIVES FOR THE
118TH CONGRESS**

FEBRUARY 2023



FOREWORD

Every two years, NAICU drafts and updates its Public Policy Objectives for the incoming Congress. What follows is a summary of the federal policies and issues before Congress that we believe will be most important to private, nonprofit colleges and universities. This policy statement is adopted, after careful review by the NAICU Board of Directors, and then approved by our full membership. The statement is meant to be practical, reflect the time and place we are in and the proposals before us, and serve as a guide for our collective advocacy efforts. It is also meant to be imbedded in our long-standing beliefs as an association and a sector and illustrate to policymakers the policies we believe will best help our nation's higher education system continue to move forward in service to our students and communities.



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INTRODUCTION AND OVERVIEW

The 118th Congress begins work during some of the most divisive times in modern history. As the pandemic fades as the dominating crisis of our day, the political fissures that have been deepening for years will be the backdrop for all policy making.

Nowhere is the divide more obvious than on college campuses, where students of all political, religious, social, and economic backgrounds have traditionally come together to debate ideas and learn from each other. For generations, our colleges and universities have been pivotal in educating an engaged and civically minded citizenry. As political, social, and cultural divisions deepen, the resulting chaos and upheaval have taken their toll on all sorts of American institutions. This includes college and university campuses, which have traditionally promoted greater understanding among people of divergent views.

Higher education has an important role to play in finding and illuminating a path or multiple paths forward on civic dialogue and in ensuring that our democracy continues to grow, evolve, and thrive. Our collective voices are needed to ensure that our democracy continues to prosper today, tomorrow, and for another two centuries.

But the broader political realities are only part of the challenges the higher education sector will encounter in its work ahead. As both political parties vie for support in a populist era, higher education itself is under renewed assault from both sides of the political aisle and being branded as elite, unaffordable, lacking transparency, lacking diversity, and of questionable value. It is an interesting pivot from the support colleges and universities received during the peak of the pandemic, when both parties were concerned for what the loss of our institutions could mean for our nation and our local communities.

In response, Congress provided the first ever, direct national institutional support to our colleges and universities; support that continues to make a real difference for the health of our institutions, communities, and students and families. That support was augmented by supplemental funding for our most vulnerable students. But as the pandemic moves down, or even off, policymakers' priority lists, questions about student debt, affordability, accountability, and transparency in higher education are replacing the recent concern for our survivability.

All of these challenges come layered on top of underlying change for our campuses. Prior to the pandemic, many colleges and universities were still struggling to recover from the economic pressures of the 2008-09 Great Recession. The Great Recession also brought a steep drop in births nationwide, resulting in a decline in the number of high school graduates beginning in 2026. Additionally, societal and political pressures on cost, majors, and purpose have been brewing for decades. These forces bring us to an inflection point about the fundamental role of higher education in America's present and future and cause us to think deeply about what can change, what must change, and what should remain the same.

Since World War II, the diversity of our American higher education system – public, private, and community colleges – has helped the nation endure and thrive during hard times and flourish and grow in good times. This uniquely American system of higher education has evolved and adapted to ensure that its graduates are prepared to meet the current and future workforce needs of our country. If education is to be the great equalizer, it is incumbent on all sectors of higher education to pull together to ensure that all students, from all backgrounds, have the access they need to be successful, graduate, and move up the economic ladder.

Private, nonprofit higher education reflects the diversity of our nation's history and traditions and includes: major research universities; faith-based colleges; Historically Black Colleges and Universities; Minority-Serving Institutions; Tribal Colleges and Universities; art and design colleges; traditional liberal arts institutions, science institutions, women's colleges, work colleges, two-year colleges; and schools of law, medicine, engineering,



business and other professions. The private, nonprofit sector of higher education has played a pivotal role in helping the nation through the ebbs and flows of its history. Currently, the private, nonprofit sector has a yearly total economic impact of \$591.5 billion, directly employs 1.1 million people, supports and sustains a total of 3.4 million jobs in the U.S., and boosts local, state and national tax bases with \$77.6 billion in tax revenue (FY19). These roles will be even more important as the country embraces the science, technologies, and innovations that will lead us through the post-pandemic and beyond.

Our sector also has a wonderful story of success to tell about our students. While we enroll nearly the same percentage of Pell students (41%) as the public four-year sector (43%), we have higher overall graduation rates for all students (including Pell recipients). Additionally, 84% of students who received a bachelor's degree from a four-year private college were able to complete it in four years, compared to 70% of graduates at public institutions. With about 20% of all students, the private, nonprofit sector of higher education awards nearly 30% of all degrees.

The role we must play in addressing the political divisions that challenge our nation must not only happen on our campuses, it must also happen within the communities, regions, and states we serve. It is the responsibility of private, nonprofit colleges and universities to lead the way. Whether small, mission-specific institutions or large comprehensive universities, we collectively must help preserve and promote the beliefs and values of our nation.

The story of independent higher education is the story of America. Collectively, the diversity of our sector, our voices, institutional missions, and the students and communities we serve paint the landscape of the private, nonprofit higher education sector. We are different and we are distinct, but our greatest contribution to the higher education eco-system, in fact to our entire nation, is what we provide in totality.



THE EQUITABLE TREATMENT OF INDEPENDENT COLLEGES AND UNIVERSITIES

Coronavirus Federal Relief

In the U.S., colleges and universities led the national response to the COVID-19 pandemic when they shut down campuses and sent students home in March 2020, only to quickly pivot to online learning in unprecedented numbers. The actions of higher education institutions spurred governments, at both the national and state levels, to follow with their own pandemic precautions and strategies, including safety and health measures for nearly all elements of society.

Within weeks, the 116th Congress put aside its partisan differences and passed a series of legislative initiatives that were quickly signed by President Trump. Among the most important for colleges was the CARES Act, which was followed later in the same year by the Coronavirus Relief and Response Supplemental Appropriations Act (CRRSAA). Together these two bills brought more than \$37 billion in Higher Education Emergency Relief Funding (HEERF) to college campuses and students.

At the start of the last Congress, the COVID-19 pandemic was still the dominating issue for the world, our nation, and our institutions. With a new president and Democratic control of Congress, the 117th Congress quickly followed suit with a third package of HEERF funding, this one the largest of all. But private, nonprofit colleges and universities found themselves on the defensive when the new Biden Administration initially considered making this final batch of pandemic relief available only to public colleges and their students. Due to the extraordinary work of NAICU members, Congress rejected those ideas and our sector was as equitably served by HEERF III as it was by the first two bills, bringing the total relief made available to higher education worth more than \$76 billion.

That relief continues to have a significant effect on the financial stability of our institutions and helped many of our most vulnerable students stay in college. The HEERF funds are doing exactly what they were designed to do: help our nation through a national emergency of unprecedented scope. But while pandemic funding was quickly pushed out to campuses and pressure was put on institutions to spend the money as soon as possible, that distant urgency will now yield to more measured public accountability on how those dollars were spent.

NAICU Action Item

NAICU will work to ensure that private, nonprofit colleges and the students they serve, continue to be treated equitably in all areas of federal law, including receiving equitable amounts of financial support and equal tax treatment.

Free Public College

With the funding provided during the pandemic, private, nonprofit institutions were treated equitably in the allocation of federal assistance, which was not the case during the economic downturn of 2008-09. The federal relief was provided to public and private, nonprofit institutions based on enrollment, not institution type, and allowed for grants to students and institutions to help cover the costs of addressing the pandemic on campus.



However, even before the last tranche of pandemic relief was made available, the Biden Administration had already pivoted to a broader post-pandemic higher education agenda. Their top priorities? Free community college, followed by a bachelor’s degree completion program targeted at public colleges, and a proposal to double the maximum Pell Grant award. Only private, nonprofit Historically Black Colleges and Universities and Minority-Serving Institutions were slated to receive limited institutional support under these new priorities.

The proposal for the federal government to support certain sectors of higher education over others flew in the face of the victories we had secured in the pandemic relief bills. These new priorities, especially the proposals for free community college, were a stark reminder of how fragile the gains realized during the pandemic were.

Since the original Higher Education Act of 1965, the federal government has had a long tradition of treating students attending either a private, nonprofit or a public college equally. It is this principle that both allows students to take their federal student aid dollars to the institutions of their choice and, in 1972, required states to include private, nonprofit college students in their federally matched state grants.

State treatment of independent colleges and their students varies greatly across the nation. Some states recognize the vital role independent colleges play in the economic and educational lives of their residents. Others, however, have created programs that do not provide equitable resources to independent college students, and in some cases even undermine the vitality of private colleges. State policymakers, like their federal counterparts, should recognize the important resource their independent colleges and universities represent and implement policies that assure equitable treatment for students attending these institutions.

It is appropriate that federal and state governments treat independent colleges and their public counterparts in an equitable manner. In particular, allowing federal legislation to favor public colleges over student aid programs is a dangerous precedent, and one that NAICU will consistently oppose. In the 2016 and 2020 presidential campaigns, free public college became a key platform item for the Democratic Party. After 2016, the idea of free public college gained support in both political parties, and many states have implemented similar “free college” initiatives. A national free public college program would reverse the long-standing federal commitment to invest first and most directly in low-income students. While the proposal was initially designed to address the serious issue of state divestment of public colleges, the proposed solutions were filled with unintended consequences, including the undermining of choice for low-income students and the diversion of federal funds from the have-nots to the haves, both at the student and institutional level.

In the end, the free public college proposals could not muster enough support even before President Biden’s comprehensive domestic plan shrunk down to the Inflation Reduction Act that was primarily focused on health and environmental issues.

Concerns about the equal and equitable treatment of the private, nonprofit sector are not limited to the free college movement, however. Just as concerning to our sector is the rationale behind the current endowment tax and new calls to increase the number of private, nonprofit institutions that must pay the tax on endowment and other investment income. The tax set a dangerous and unfair precedent when enacted in 2017, and current efforts to expand it to even more private, nonprofit colleges and universities simply elevates the single-sector punitive nature of the tax.

NAICU Action Items

NAICU will continue to support a system that provides funding directly to students, giving them the ability to attend any institution that best meets their needs, over one that provides funding only to institutions.



Through our partnership with the National Association of Independent College and University State Executives, NAICU will support policies that bring equitable state resources and treatment to our institutions and our students.

#Double Pell

Even as our sector has grave policy and equity concerns with free public college proposals, we have strong enthusiasm and support for proposals to double the maximum Pell Grant award. NAICU organized early supporters of this concept and helped mobilize the higher education community's unanimous support for the idea. Our proposal to use the Student Aid Alliance, which NAICU co-chairs with the American Council on Education, led to a separately branded Double Pell Alliance that now includes more than 120 higher education associations.

The Double Pell Alliance developed numerous op-eds that were published around the country, launched social media tools, organized a student-led campaign that generated nearly 20,000 letters to Members of Congress, and collected dozens of student stories on the impact of the Pell Grant. All these efforts served to raise national visibility for the #DoublePell campaign. In addition to our leadership role in forming the Alliance, NAICU also invested significant resources for its own association work, including developing visuals, graphics, and social media content, creating and placing ads in conjunction with the NAICUSE network that could be used on commercial television and social media, and encouraging our own members to write letters to Congress and engage their campus communities in the effort. We also commissioned a national poll to determine perceptions of and levels of support for the Pell program and doubling Pell, including breakdowns among Democrats and Republicans.

Related to this was a widespread celebration of the June 23, 2022, 50th Anniversary of the Pell Grant program. NAICU kicked off its own celebration in recognition of this historic event at its February 2022 Annual Meeting with a 50th Anniversary dinner that featured many important figures in the Pell story. The higher education community worked with a bipartisan group of congressional leaders and the White House as they honored the anniversary on June 23. Activities included a congressional reception that NAICU helped plan and support and language we drafted for congressional speeches that resulted in many Members of Congress taking to the floor of their chambers to voice their support for the Pell Grant.

While the cost of doubling the Pell Grant means that the goal will not be immediately achieved, our efforts in leading a sustained national issue campaign played a significant role in the Biden Administration's focus on this priority, and we will continue our push during the 118th Congress.

NAICU Action Items

NAICU will continue its work to strengthen the Pell Grant program and to ensure that grant aid for low-income students that follows them to the institution of their choice remains the core federal investment in higher education.

NAICU will continue our advocacy campaign to double the Pell Grant maximum award, including maintaining our leadership role within the Double Pell Alliance.



Student Loan Forgiveness and the Value of Higher Education

In August 2022, President Biden announced \$20,000 in federal student loan forgiveness for borrowers who have received a Pell Grant and \$10,000 for other borrowers. Income caps are \$125,000 for singles and \$250,000 for couples. The announcement came after a long internal debate about the legality and appropriateness of forgiving any student debt and attempted to strike a balance between those who did not believe in any debt relief and those who advocated for \$50,000 or more of debt relief for all borrowers regardless of income.

Even more importantly, the president announced a ten-year cap on the total number of years future borrowers could be in repayment before their loans were forgiven and a proposal to limit repayment to 5% of discretionary income. The announcement set off a fire storm of opposition from Republicans and a brewing battle for which party best represents the voice of the non-elites. The outcome will have serious consequences for colleges and universities.

Central to the debate on student debt is how much is being borrowed and for what purpose. And that question quickly comes back to college cost, transparency, and accountability. Also, part of the president's proposal was a reference to coming provisions to make colleges more accountable and to ensure prospective students better understand the "value" of college—almost exclusively tied to financial value as it relates to cost and debt.

As we begin the 118th Congress, colleges and universities are facing difficult days ahead. Both parties will be asking tough questions about business models and value. The fact that the financial payback of a higher education has never been higher will not be enough to fight back against the popular perception that higher education is unaffordable and colleges are flush with cash and only serve the elite. It is more important than ever that NAICU members be actively engaged in the political process and tell their story to their elected officials. This active participation is important to our institutions, but it is even more important to the students and communities we serve.

NAICU Action Items

NAICU will develop strategies, proposals, and data to counter the anti-higher education movement that is emerging both in Washington and in our nation.

NAICU will actively engage our full membership network in promoting appropriate policy solutions to address legitimate concerns about cost, accountability, transparency, debt, and completion.



STUDENT AID

The federal system of need-based student aid was created to ensure that all qualified and motivated Americans, no matter their family income, can pursue higher education at the college of their choice. The programs continue to be successful in changing the lives and futures of millions of Americans. The federal student aid programs have also contributed positively to the changing landscape of American higher education by making college campuses more economically and ethnically diverse, and thus more democratic. Indeed, the federal student aid system has been one of our nation's greatest policy achievements during the past 50 years.

But this achievement did not come through federal action alone. Accomplishing and maintaining this success requires a partnership of students and parents, state and federal governments, private philanthropy, and colleges and universities. Using a combination of grants, work-study, and loan programs, this system helps to offer all qualified citizens a chance to advance their minds, skills, and economic potential, while also providing for the betterment of society.

College cost and affordability is a priority for independent colleges and universities. According to the College Board, the average net tuition and fees in 2021-22 at private, nonprofit four-year colleges and universities is just \$590 more than it was in 2007-08, and \$1,510 less when adjusted for inflation, and many bachelor's degree recipients graduate with minimal or no debt. In 2019-20, private, nonprofit colleges and universities awarded grants from their own institutional resources to 84% of first-time, full-time undergraduate students – up from 73% in 2006-07. The average grant was \$22,707 – an increase from \$9,550 in 2006-07. Most importantly, students graduate more quickly from private, nonprofit institutions, resulting in a faster entry into the workforce and substantial savings on additional years of tuition and related costs for students.

To achieve the goal of providing a college education for all who qualify, the federal student aid programs must remain strong. This is essential for students at independent colleges and universities who come from all socioeconomic backgrounds. According to the National Postsecondary Student Aid Study (NPSAS), 31% of students enrolled in private, nonprofit institutions come from families earning less than \$30,000 a year, and 88% of full-time, dependent undergraduates receive some form of grant aid (federal, state or institutional).

Pell Grants

The Pell Grant program continues to enjoy bipartisan support in Congress. The federal government now invests about \$30 billion annually in the Pell Grant program, making it the nation's most highly-funded education program; and one of the largest programs in the entire federal budget. According to the Office of Federal Student Aid, the program serves close to 7 million recipients and provides a maximum grant of \$6,895 for the 2022-23 academic year.

In June 2022, the Pell Grant program celebrated its 50th anniversary, which was recognized by Congress with bipartisan, bicameral resolutions declaring June 23 National Pell Grant day, the White House making a proclamation in support of the program, and with students, colleges, and advocates celebrating the success and the future of the program nationwide.

In the 117th Congress, proposals to double the Pell Grant maximum were made by the Biden Administration and congressional Democrats, a move that would make it possible for more low-income students to attend and complete college. Congressional Republicans also supported increases for the maximum grant. The



maximum grant increased by \$400 in FY 2022, and there are proposals to increase it by an additional \$500 in FY 2023.

However, these efforts still leave us far behind where we need to be. According to the Congressional Research Service, in 1973-74 (the first year of funding), the maximum Pell Grant was \$1,400 and covered 92% of the average in-state tuition, fees, room and board at public four-year colleges and universities. In 2021-22, the maximum Pell of \$6,495 covers only 29% of the average in-state tuition, fees, room and board at public four-year colleges and universities.

NAICU Action Items

NAICU has been a leader in advocating for #Double Pell and will continue to work with Congress and the Administration to secure funding increases towards that goal.

NAICU will continue to support Pell Grants as the foundational grant program for low-income students' access to higher education.

NAICU will continue to support new Pell features that respond to the increasingly diverse ways students attend college.

Campus-Based and LEAP Programs

Congress is conflicted over the future of the campus-based aid programs. For example, in an effort to simplify the federal student aid portfolio to “one grant, one loan,” leading Republican lawmakers have proposed eliminating the Supplemental Educational Opportunity Grants (SEOG) program. Additionally, both parties have proposed to distribute Federal Work-Study (FWS) funds differently among colleges. However, bipartisan support in both houses of Congress have led to spending bills enacted that significantly increased funding for both the SEOG and FWS programs. Perkins Loans, however, were permanently terminated several years ago, despite significant efforts to save the program.

As Congress considers its path forward between authorizing and appropriating priorities, advocacy for the campus-based programs is more important than ever. With the loss of the LEAP state partnership program in 2011, and the Perkins Loan program in 2017, further cuts to the campus-based programs would be devastating for millions of low- and middle-income students and add an additional hurdle to their completion efforts. And while we support significant increases in the Pell Grant maximum, that does not take the place of the flexibility to meet students' needs provided by the campus-based aid programs.

Institutionally-matched SEOG and FWS are important tools for addressing the remaining needs of Pell Grant recipients, and in leveraging institutional matching funds to make the federal investment in student aid grow. According to the Department of Education, nearly \$2 billion per year in campus-based aid is made available to low-income students. Students at independent colleges and universities receive roughly 33% of the SEOG funds and 41% of FWS funds. Prior to its elimination, students at independent institutions received 51% of Perkins Loan funds.



NAICU Action Items

NAICU will redouble its efforts to ensure that the campus-based aid programs remain student-focused aid programs that provide choice for qualified low-income students and provide incentives for institutions to partner with the federal government to provide higher education. NAICU will advocate for increased funding for campus-based aid.

NAICU will review any proposed formula change to the campus-based programs, including proposals to incorporate measures – such as Pell completion rates into the distribution formula, to ensure any such changes do not dilute the focus of need-based student aid.

NAICU will work to protect the historical investments made by institutions that have participated in the Perkins program by monitoring the institutional reimbursement process for Perkins loans cancellations, discharges, collections, and debt forgiveness.

The Federal Student Loan Program

During recent years, news media coverage of student debt has intensified, fueling political interest in college affordability, transparency, and accountability. A long simmering political debate among democrats about forgiving student loans led to President Biden's announcement in August 2022, that he was providing one-time forgiveness of \$20,000 in outstanding loan debt for Pell students and \$10,000 for most others.

Preliminary estimates for the forgiveness alone are \$400 billion, a price tag greater than the cost of doubling Pell Grants. Even more significant was his proposal to cap all future loan repayments at 5% of discretionary income and forgive student loans after ten years of repayment. While there are already both political and legal claims against the action, the move has also brought new tensions to the college affordability debate and both political parties have made it clear they see higher education as a key source of the problem. Some Members of Congress have proposed reducing loan limits for many borrowers, particularly graduate students, independent undergraduates, and parent borrowers. Lost in much of the public conversation is the fact that most students still have manageable debt and repay their loans.

According to data provided by the College Board, total annual federal loan volume peaked in academic year 2010-2011 and has decreased annually since then. For some classes of students, such as undergraduate students, average annual borrowing is down slightly, while it is significantly up for graduate students and parents. As of March 2021, 53% of borrowers with outstanding education debt owed less than \$20,000, while 45% of the outstanding federal education loan debt was held by the 10% of borrowers who owe \$80,000 or more. While most would assume that borrowers with large amounts of student loan debt would default the most, it is borrowers with the smallest loan balances who have the highest default rates. For example, College Board states that among borrowers entering repayment in 2010-11, the three-year default rate ranged from 24% for those owing \$5,000 or less to 7% for those owing \$40,000 or more.

The issue is further complicated by action taken nearly three years ago where, as part of COVID relief measures, students were allowed to suspend student loan payments throughout 2022, without the accumulation of any additional principal. While this provided much needed relief for some borrowers, the process of restarting payments after such a long period of time adds to the frustration of borrowers with their student loan debt and increases the overall costs of the student loan program.



NAICU Action Items

NAICU will work to ensure that the federal student loan program continues to operate as efficiently and effectively as possible for both students and institutions.

NAICU will work to ensure that the cost of federal student loans are reasonable for students and parents.

NAICU will work to ensure that any debt forgiveness programs enacted by the federal government are efficiently and fairly implemented for borrowers and do not unfairly penalize institutions that have no direct control over student borrowing rights or eligibility.

NAICU will oppose any excessively low caps on borrowing limits or limits on borrowing by undergraduate field of study.

NAICU will support the simplification of the current array of income-based repayment options so that the available options will be easier for all borrowers to understand and utilize.

Student Aid Simplification and Equitable Treatment of Students

Student aid simplification continues to be a major policy goal of both the Administration and Congress, as well as many higher education policy groups. In the waning days of the 116th Congress, the FAFSA Simplification Act of 2020 was approved by Congress in record time, making sweeping changes to the system that determines eligibility for federal student aid. The new formula will have a profound impact on who will be eligible for student aid for decades to come.

The good news is that an additional 555,000 students will become eligible for Pell Grants, and another 1.7 million will receive the maximum Pell Grant award when the changes go into effect. The Act also reduces the number of questions on the FAFSA, could make Pell Grant eligibility clearer for more low-income families, and restores Pell eligibility for students who are incarcerated, have a drug conviction, failed to register for the Selective Service System, or were defrauded by their institutions through a successful “borrower defense to repayment” claim. The bill also allows students who qualify for a subsidized student loan to use the in-school interest subsidy beyond six years of attendance.

However, the speed at which the new formula came together may require technical corrections or additional amendments to ensure smooth implementation and to ensure students were fairly treated in the new assessment of need. The Department has announced that it plans to implement the FAFSA Simplification Act in phases until academic year 2024-2025. NAICU will be examining the impact the changes will have on families with multiple children in college, equity between families of similar income levels whose parents’ marital levels differ, changes to the components for cost of attendance, and the effects on eligibility for state aid in states that rely on the current federal system to award aid.

Additionally, simplification has led to common federal disclosure forms for all colleges in such diverse areas as pricing and student aid award letters. Most of these efforts have yet to result in consumer tools offering more accurate, comparable, or simpler information than that which individual colleges currently provide.



NAICU Action Items

NAICU will monitor the implementation of the FAFSA Simplification Act of 2020 to assess the true impacts it will have on students' access to federal student financial aid.

NAICU will support legitimate efforts to simplify student aid application forms and systems, while ensuring that simplification does not promote the proliferation of supplemental, fee-driven forms, or a confusing array of new disclosures.

NAICU will continue to monitor need analysis changes in the FAFSA Simplification Act, both to ensure the equitable treatment of all students, and to ensure that the real costs students face remain a factor in determining eligibility for student aid.

NAICU will support consumer information tools that are focused on what students and families need and want to know and provide information that is both accurate and useful.

Post-9/11 GI Bill

NAICU continues to support the “Post-9/11 Veterans Education Assistance Act” and to closely follow its implementation. We believe that providing expanded educational benefits for veterans and their dependents is an appropriate way for our nation to honor those who have served in our military.

NAICU has had a particular interest in the “Yellow Ribbon” program. This program expands institutional choice for veterans and offers an excellent example of the ways in which public/private partnerships can help assure a good institutional “fit” for students. Federal incentives for private colleges to further increase the scholarships veterans receive have made it possible for independent colleges to serve thousands more veterans than otherwise would have been possible.

In an effort to protect veteran students from predatory for-profit institutions, Congress and the Veterans Administration (VA) have proposed a variety of accountability measures to guard against defrauding students and the federal government. These measures would apply to all colleges and universities accepting GI bill benefits. NAICU continues to work closely with the higher education and student veteran communities, the congressional Veterans Affairs Committees, and the VA to ensure such provisions are meaningful and not overly burdensome.

For example, during the 117th Congress, the VA reset the 35% waiver for 85/15 ratios, which initially resulted in veteran students being deemed ineligible to use their GI bill benefits at hundreds of private, nonprofit colleges. Through direct work with NAICU members, Congress, the VA, and the higher education community, we were collectively able to reverse the reset and restore eligibility for these students.

NAICU Action Items

NAICU continues its strong support for the post-9/11 GI Bill, which has made higher education opportunities available to hundreds of thousands of veterans and their families.

NAICU strongly supports the “Yellow Ribbon” program as a model partnership effort that expands educational choice for veterans.



NAICU will continue to work with its members, other higher education associations, Congress, and the Administration to ensure that a commitment to serving veteran- and military-related students does not result in new rules for institutions and veterans that lessen educational opportunities for all.

The Federal Financial Responsibility System

Despite the public perception that private colleges are wealthy, the pandemic has put tremendous financial pressures on the global and national economy, including private, nonprofit colleges and universities. While federal assistance has provided deeply needed help, it alone will not be sufficient to restore the economic health of all institutions. In the aftermath of the economic downturn of 2008-2009, it took many institutions nearly a decade to recover while others are still suffering the consequences of that Great Recession. One issue that that recession clearly brought to light was the many faults of the federal system for assessing the health of private, nonprofit institutions.

Since that time, NAICU has worked extensively to address the problems with the Federal Financial Responsibility Standards. A comprehensive report by NAICU, issued more than a decade ago, has changed the view among public policy makers of the reliability of these scores and created a desire by both political parties to try and fix the system. However, the complexity of the accounting rules has made significant corrections challenging. Now, with the current pandemic looming over at least three fiscal years of financial reporting by institutions, it is more important than ever, that the flaws in the system be addressed.

NAICU Action Item

NAICU will stress to policymakers the urgent need to address the problems with the Federal Financial Responsibility Standards system, as proposed in our comprehensive report, and advocate for a better way to assess an institution's fiscal health.

Strengthening the Federal Commitment to Graduate Education

While the vast majority of federal student aid dollars appropriately goes to low-income undergraduates, graduate education remains a vital national interest that has not received sufficient federal support. Graduate PLUS Loans provide graduate students with access to funds for their studies, but the interest rate for these supplemental loans is higher than for Stafford Loans. In addition, long ago congressional action increased the cost of borrowing for graduate students by eliminating their eligibility for subsidized loans. Additionally, regulatory action provides graduate students less favorable repayment terms under some income-based programs. There are also significant HEA reauthorization proposals to reduce borrowing limits for graduate students.

Graduate education raises our nation's intellectual, cultural, scientific, and entrepreneurial capacity, benefitting our citizenship and maintaining our leadership in world affairs. Graduate education receives federal assistance from multiple agencies. The Graduate Assistance in Areas of National Need (GANN) program, for example, receives its funding from the Department of Education. However, much of the overall federal assistance for graduate education comes from agencies other than the Department of Education. These funding streams are woefully inadequate and must be increased if we are to bolster our nation's economic and intellectual potential.



NAICU Action Item

NAICU supports new and innovative programs to increase access to graduate education including new and adequately funded fellowship programs, GANN, sufficient loan limits, Grad PLUS loans, reinstatement of the in-school interest subsidy for graduate loans, and targeted loan forgiveness provisions.

Title III and Title V Institutions

Title III and Title V of the Higher Education Act of 1965 (HEA) provide support for institutions that are under-resourced because of their current or historic commitment to serving low-income and minority populations. Title III and Title V programs are essential to strengthening these institutions, which in turn ensure that students who have historically been underrepresented in higher education continue to have access to a quality education and state-of-the-art facilities while also helping to preserve the historic mission of institutions that receive aid under these titles.

The foundation for these programs was part of the initial Higher Education Act in 1965 and have since been expanded and modified to provide additional benefits to a growing number of institutions. What once started as a program to allow institutions to participate in cooperative agreements and award teaching fellowships has evolved into the current day classification of various Minority-Serving Institutions, the establishment of a program dedicated to Historically Black Colleges and Universities, and programs that increase access to capital funding projects and funding for science and engineering education at predominantly minority institutions. The development of the Title III and Title V programs is congruent to the development of the uses of funds for these programs. However, institutions should be given even greater flexibility to ensure they are meeting the unique needs of their underrepresented students.

Among the most important ways for the federal government to help these institutions remain financially strong is to incentivize the building of their endowments. The Endowment Challenge Grant (ECG) program found in Title III of the HEA is no longer funded and institutions are limited to applying no more than 20% of their overall awards to growing their endowment.

NAICU Action Items

NAICU will advocate for increased appropriations and sustained funding for programs in Titles III and V to help under-resourced institutions provide quality academic programming and services to low-income students.

NAICU will support greater flexibility for institutions in how funds may be used.

NAICU will advocate for the restoration of funding for the Endowment Challenge Grant Program to help bolster endowments and provide greater financial stability to these institutions.



ACCOUNTABILITY

NAICU recognizes that many individuals and entities have a stake in how well our institutions perform. Independent colleges and universities are accountable to their individual governing boards for policy decisions on mission, educational philosophy, and priorities for the allocation of resources; to local, state, and federal governments to insure the proper expenditure of public funds; and to peer review bodies for judgments about whether learning resources and practices and policies are appropriate to meet the stated mission of the institution.

The freedom of students to choose among the vast array of colleges and universities that comprise American higher education is the key to keeping higher education strong. In the end, informed student choice, in a free higher education market, plays a strong role in assuring institutional accountability.

The Importance of Independence

The diversity of the nation's independent colleges and universities makes possible an extraordinary range of contributions to society: educating citizens, preparing the work force, increasing scientific and technical knowledge, instilling leadership, and enhancing economic productivity. This strength in diversity also advances the scholarly understanding of cultural heritage, permits insights into social problems, increases civic engagement, and creates a setting in which to raise religious, moral, and ethical questions.

Educational excellence thrives amid this diversity, through each institution defining its own distinctive mission, and taking responsibility for fulfilling it. Private, nonprofit higher education, being free of central control and monolithic purpose, has the flexibility to offer responsive, distinctive, and innovative answers to the diverse and evolving needs of our nation.

NAICU Action Items

NAICU will endeavor to protect independent colleges and universities from inappropriate governmental intrusion and, in particular, oppose efforts to mandate federal uniformity in such areas as tuition, admissions, student assessment and related outcome measures, academic content, credit hour definition, and transfer or award of credit.

NAICU encourages federal and state governments to respect institutional diversity through legislation and regulations that appropriately recognize the distinctive aspects of the various sectors that comprise American higher education.

NAICU believes that policies addressing student life issues should avoid intruding into policies and practices that are appropriately the province of each institution, based on its own mission and purpose.

Independent Colleges and State Government

State government authority does not reach into the affairs of independent colleges and universities in the same way that it does with the states' public colleges and universities. Each state has developed its own distinctive pattern for the relationship with its public institutions and independent institutions. Most states



provide some assistance for students at independent institutions, and a few provide substantial aid. But in each case, the states have respected the essential differences between public and independent institutions.

This balance is currently being challenged, particularly via attempts over the past decade to apply to higher education reform proposals modeled on those for elementary and secondary education and in several aspects of the Free Public College proposals put forward by Members of Congress. These proposals have increasingly called on state governments to organize and direct activities in areas most appropriately and effectively designed and directed by the institutions themselves.

In addition, regulations issued by the Department of Education on state authorization revived questions regarding how states relate to their independent institutions. Deadlines for implementation of home state authorization and complaint resolution requirements went into effect in July 2015. Regulations addressing state authorization of distance education programs became effective on July 1, 2020.

NAICU Action Items

NAICU opposes any federal attempts to use the states as its agents for ensuring accountability in higher education, such as through authority for states to become accreditors or compelling independent institutions to participate in statewide initiatives affecting institutional programs or activities.

NAICU will continue to be proactive in protecting independent institutions against legislative and regulatory actions that would lead to inappropriate state control.

Appropriate Accountability

Independent institutions and, ultimately, their students continue to pay a steep regulatory price for participating in federal student aid programs. While the federal government must set a high standard of appropriate accountability and reasonable oversight, much of the current regulatory system is unrelated to effective management of Title IV aid. Several aspects of this system have instead become a serious drain on the vitality, creativity, and flexibility of American higher education.

Government and higher education must work together to develop a system of appropriate accountability that responds to legitimate governmental needs for oversight and to public needs for information without undermining institutional diversity and creativity. Moreover, the historical framework for assessing quality in higher education is a careful balance among accreditation, institutional autonomy, and governmental accountability measures that should remain fundamentally the same, no matter how the education is delivered.

NAICU Action Items

NAICU believes that regulations should be developed in concert with the higher education community, both through formal negotiated rulemaking and less formal consultation.

NAICU will continue its long history of participating in all negotiated rulemaking sessions to ensure the interest of independent colleges and universities are represented in all proposed rules affecting our institutions and students.



NAICU supports efforts to improve the negotiated rulemaking process to meet its intended goal of ensuring the active input of affected parties in developing regulations.

NAICU supports the historical role of accreditation as a means for assuring institutional quality and will continue to resist initiatives that would change accreditation from a successful self- and peer-review system into a federal performance or enforcement system.

NAICU opposes the “back door” expansion of Department of Education authority through the application of rules during institutional and accrediting review processes, or through the definition of previously undefined terms.

NAICU supports a community-wide, top-to-bottom review of all Department of Education regulations as a means for correcting problems in existing regulations.

Affordability and Accessibility

College costs have been on the minds of policymakers for decades. Past federal policy proposals on college affordability have included failed attempts to impose price controls, along with some more successful efforts to increase transparency. Against the backdrop of rising student debt levels and debt forgiveness, low graduation rates, and high rates of unemployment, the focus has now shifted to questions of educational value and productivity.

Policymakers continue to support programs that help students pay for college. At the same time, however, they are considering how to up the ante on expectations for the institutions serving those students. Two themes have emerged: 1) that colleges must become more “efficient” by fundamentally rethinking how they deliver education; and 2) that they must offer “proof” of their success in terms of such metrics as student graduation, job placement, and earnings.

NAICU Action Items

NAICU will continue to advocate for the ability of students to attend their best-fit college and pursue their own diverse personal objectives.

NAICU opposes the use of a single indicator, such as net price, graduates’ earnings, or institutional completion rates, or the excessive reliance on irrelevant numerical outcomes, to assess institutional value and effectiveness.

NAICU will continue to support transparency initiatives that give prospective students valid information on best-fit colleges and possible career earnings, while opposing efforts to assess quality or rate institutions on the basis of narrow metrics.

NAICU will continue to share the compelling stories its member institutions tell of their success in retaining and graduating students and the contributions those graduates ultimately make to society in their personal and professional lives.



Information Sharing

New requirements continue to be heaped on colleges, without any corresponding reduction of existing requirements. Complying with these burgeoning requirements and preparing the requisite reports entail real costs at a time when institutions are being challenged to reduce costs and are dealing with heightened economic pressures. These reporting requirements often are imposed with no consideration of their value to federal oversight, to taxpayers, and to higher education consumers.

Beyond existing reporting requirements, the federal government has moved toward required use of standardized consumer information “scorecards” and related documents outlining the information it believes students and families will find important.

All this is occurring at a time when student privacy protections at the federal level have been weakened due to FERPA regulations that went into effect in January 2012.

NAICU Action Items

NAICU believes that disclosure requirements should: 1) focus on information that is truly useful to students and families; 2) be realistic in scope and schedule; and 3) accommodate the diversity of higher education institutions. These are the principles underlying the University and College Accountability Network (U-CAN), and we remain committed to them.

NAICU believes that it is essential to protect the privacy of students and their educational records. The systematic collection of identifiable information on individual students by the federal government would pose a serious and substantial risk to student privacy. NAICU will continue to advocate for less invasive means to acquire the information that can better public policy.

Campus Sexual Assault

Students attending independent colleges and universities should expect to find a safe and supportive campus environment. Campus safety issues, particularly as they relate to incidents of sexual assault, are very much in the forefront today. Campus leaders, faculty, and students are engaged in multi-pronged efforts to address issues of campus culture, procedural fairness, and supportive services.

Assuring campus safety is a complex task, given the range of behaviors that can put students in harm’s way. In addition, institutions must be mindful of multiple federal, state, and local legal requirements and be prepared to assure that a range of supportive services and accommodations are available.

Private nonprofit colleges are actively engaged in developing prompt and coordinated responses that are appropriate to their size, location, access to outside services and resources, and student population. The specific pathways may vary, but the goal of maintaining a safe campus environment is consistent across institutions.

In 2020, the Trump Administration finalized Title IX regulations governing sexual harassment and assault on college campuses. The new regulations have radically transformed how colleges and universities handle sexual misconduct cases by imposing strict new procedural requirements that institutions must follow when addressing such complaints. Although some of these procedural protections may be warranted to assure fairness for accused students, there are also concerns about the impact these new procedural requirements are likely to have



on sexual assault survivors and educational institutions alike. The Biden Administration has proposed new Title IX regulations that may remedy some, but not all, of these issues. Attaining a balanced and flexible approach to campus safety policies therefore continues to remain a focus of NAICU’s advocacy work.

NAICU Action Items

NAICU will encourage initiatives to enhance campus safety that are fair and that can be adapted to the particular circumstances of each institution.

NAICU will advocate for clarity and consistency in federal requirements related to sexual assault and other campus safety issues and discourage campus safety policies that impose costly financial and administrative burdens on colleges and universities.

NAICU will continue to make independent colleges aware of public expectations regarding campus safety issues and of the resources available to assist them in devising policy approaches that are appropriate for their campuses.

Freedom of Speech

Preserving and promoting freedom of speech is a central tenet of higher education. By facilitating the free and open exchange of ideas, colleges and universities encourage students to share diverse perspectives and challenge each other’s beliefs. Such pursuits are essential for prompting the critical thinking skills and rigorous debates that are hallmarks of the American tradition of higher education.

Private, nonprofit colleges and universities are deeply committed to fostering an environment in which free expression can flourish. Given the complexity of the issue, there is no one-size-fits-all approach to campus speech that works for all institutions. Instead, each institution of higher education must have the flexibility to develop speech policies within the context of its educational mission and cultural values, to determine the best method for fulfilling its responsibility to maintain a safe and secure campus, and to establish policies regarding respect, tolerance, and inclusion for its entire student body.

NAICU Action Item

NAICU will advocate against intrusive federal regulations and in favor of flexible free speech policies that allow institutions to balance free speech protections with other essential values, such as student safety, inclusion, respect, and institutional mission.

Diversity, Equity, and Inclusion

Promoting diversity, equity, and inclusion are among the core values of higher education. Efforts to support diversity, equity, and inclusion are central to the educational mission of fostering the robust exchange of ideas, providing exposure to differing cultures and political perspectives, preparing students for the challenges of an increasingly diverse workforce, and acquiring the citizenship skills essential for future leadership.



Diversity, equity, and inclusion are also broader concepts that encompass diversity among American colleges and universities, and not just within each campus community. Each institution must have the freedom to fulfill its unique mission, so that all students have options to attend their “best-fit” institution.

Over the course of his Administration, President Trump launched several initiatives that undermined institutional efforts to promote diversity, equity, and inclusion on their campuses, including an Executive Order that targeted training on race and sex discrimination by federal contractors and multiple investigations of institutional practices regarding racial diversity. Although President Biden has reversed some of these policies, there is a need for NAICU to advocate in support of the autonomy for institutions of higher education to, consistent with their individual missions, determine their own policies on such matters.

NAICU Action Items

NAICU will advocate for federal policies that support institutions of higher education in the efforts to promote diversity, equity, and inclusion on their campuses.

NAICU will continue to promote the value of the diversity of American higher education.

Revitalizing the Federal Commitment to International Education and International Students Studying in the U.S.

Federal understanding of, and commitment to, international education is a growing concern. Educational exchanges, international students attending American colleges and universities, and foreign language and regional expertise, are essential to promoting understanding of different cultures and countries, and to the peaceful resolution of world conflicts.

According to the Institute for International Education, in 2018-19, there were more than 400,000 foreign students enrolled in private, nonprofit colleges and universities in the U.S. Reflecting a strong commitment to a global network of scholars, NAICU member institutions welcome international students to study on their campuses. Students and faculty from around the world share ideas and dialogue and contribute to a diverse world-wide education system. While the pandemic affected the accessibility of opportunities for nonimmigrant international students to study in the U.S., the higher education community and the federal government are committed to rebuilding the institutional student population to pre-pandemic numbers. The U.S. should monitor any fraud and abuse of the current visa process through the SEVIS system, while continuing to encourage international students to study at U.S. colleges and universities.

Similarly, American students must gain a greater appreciation of the world and its regional differences. In an increasingly global community, our economic future and national security will depend on a citizenry with a deeper understanding of diverse cultures and a broader, more inclusive world view. The federal government has an appropriate role to play in promoting study abroad for U.S. citizens, U.S. study for foreign nationals, foreign language acquisition, and increased interchanges with other cultures and peoples.

While it is important to broaden all students’ appreciation of the widening and diverse communities in which they live, it also is important to maintain federal support for programs that develop deep levels of political, social, economic, linguistic, and cultural expertise in critical world areas, particularly through Title VI of the Higher Education Act.



NAICU Action Items

NAICU believes the ability of colleges to admit and educate students from around the world is a vital national interest and supports measures to attract and welcome international students back to our campuses and allow international students the full access and time needed to complete their degrees, with reasonable safeguards against the inappropriate use of student visas.

NAICU supports lifting restrictions on international student and faculty visas, and appropriately staffing U.S. consular offices overseas to address ongoing visa processing delays. NAICU also supports maintaining the Optional Practical Training Program and the Homeland Security Academic Advisory Committee at the Department of Homeland Security.

NAICU believes the federal government should continue to support institutional efforts in international education, area studies, and foreign languages.

NAICU supports new efforts to promote study abroad and other international education programs.

Teacher Preparation

Independent colleges and universities have a long history of preparing highly qualified teachers for America's classrooms. Their education programs range from relatively small institutions' modest teacher education departments to large research institutions, with distinct colleges of education encompassing doctoral programs, and traditions of multi-disciplinary research in teaching, learning, and human development. High quality and rigor are essential for effective professional teacher preparation programs.

As schools continue to reel from the long-term effects of the pandemic, new safety and security issues have emerged, the political divide is reaching local classrooms, and states and school districts are facing the largest shortage of teachers in recent history. The Biden Administration has promoted a dual agency apprenticeship for teacher training to generate state engagement with the Departments of Labor and Education to help address the immediate shortages, but such a quick fix will not nurture the rigorous programs needed to prepare the next generation of teachers.

NAICU Action Items

NAICU supports increased funding for the current Teacher Quality Partnerships Programs.

NAICU supports enactment of the Educators for America Act, which would provide funding to states, institutional programs and partnerships to invest in the improvements recommended by the teacher preparation field, without burdensome reporting requirements.



TAX POLICY

Tax-Exempt Status

Tax-exempt status is the crucial tax policy underlying independent higher education. Tax exemption predates most of the nation's private colleges and universities, and even our nation's own tax code. It is a unique American tradition that has resulted in a diverse and responsive system of higher education. NAICU is concerned that the failure to understand the tradition of tax exemption, and the escalating search for new revenues at all levels of government, could seriously harm independent higher education.

Maintaining tax-exempt status is of the utmost importance because higher education institutions operate for one of the most important and fundamental of all tax-exempt purposes: providing educational instruction to our students. NAICU recognizes the accountability we owe to the taxpaying public for this special status and will continue to work with the federal government to ensure that appropriate accountability measures are in place.

In addition, while NAICU recognizes the occasional need for increased revenue at the state and local levels, we will continue to support our institutions and state associations as they respond to challenges from state and local governments attempting to impose taxes, fees, or other payments in lieu of taxes (PILOTs) on our institutions.

NAICU Action Item

NAICU will give highest priority to maintaining the tax-exempt status of independent colleges and universities.

Endowments

Endowments are essential to the ability of colleges and universities to sustain themselves for future generations through uncertain economic times. Public colleges often are backed by the full faith and credit of the state. Private colleges, however, have no such safety net, nor can they depend on a reliable and regular outside source of funding. For many institutions, endowments serve that vital purpose.

Endowments are extremely complex and consist of many different funds subject to donor-imposed restrictions that institutions are legally required to uphold. In addition, the amount that colleges and universities already pay out of their endowments helps keep tuition below the level that would be necessary if tuition alone had to cover the full cost of educating a student.

Lawmakers continue to look at college and university endowments as they examine college costs and loan forgiveness. Several years ago, the Senate Finance Committee focused intensely on whether colleges and universities with large endowments should be required to pay out five percent of their endowments annually to offset rising tuition costs. Following a series of hearings in the House and Senate on college costs, tuition, endowments, and free speech, major tax reform legislation was introduced in both chambers in 2017 that included a new excise tax on private college and university endowment and other net investment earnings.

The final tax reform bill, the Tax Cuts and Jobs Act of 2017, included this 1.4% endowment/net investment tax for private colleges with endowments valued at \$500,000 or more per full-time equivalent student. The provision was amended by the House and Senate at least six times during consideration of the bills from an original formula that would have included approximately 250 NAICU institutions, to a final formula that



affected approximately 28 NAICU institutions. Unfortunately, the tax is not indexed for inflation and will continue to impact more private, nonprofit colleges and universities each year, currently estimated at approximately 50 institutions.

Such a tax is a fundamental assault on tax exempt status of private, nonprofit colleges and universities. It is purely punitive, levied unfairly on one sector of higher education, and ultimately harmful to the students and families served by NAICU institutions. Undoubtedly, it will continue to be a way to divide higher education into sectors for federal initiatives.

NAICU Action Items

NAICU will remain steadfastly opposed to the endowment tax and advocate for its repeal through direct work with both Congress and our membership.

NAICU will oppose any congressional efforts to expand or increase the tax, and any additional penalties in other legislation for institutions affected by the tax.

NAICU will also work to lessen the impact of the tax if repeal is not a legislative option.

NAICU will continue to work with our institutional members, members of Congress, and the public to ensure a better understanding of the important function and specific purposes of endowments.

Charitable Giving

Also central to the tax priorities of independent colleges and universities is the continued ability of donors to deduct the full value of their charitable contributions. Congress weakened this principle when it decided to include the charitable deduction in the floor that it set for upper-income taxpayers' deductions in the Omnibus Budget Reconciliation Act of 1990.

Charitable giving is a voluntary transfer of private resources for public purposes. It fosters individual choice and public responsibility for our institutions and makes possible the diversity of educational institutions unique to this nation. Charitable giving also plays a direct and critical role in holding down the cost of higher education for students by mitigating tuition charges and by encouraging donor-supported financial aid and scholarships. The gifts encouraged through this tax policy are crucial to our students, and to our colleges and universities.

In NAICU's view, the federal tax code should: (1) allow full deductibility of charitable gifts against the taxpayer's highest marginal tax bracket; (2) be free of floors that must be exceeded before a deduction is permitted; (3) retain deductibility at full fair-market value for all gifts of appreciated property; (4) be fully integrated into any minimum income tax, as well as individual and corporate income taxes; (5) be available to all taxpayers, whether or not they itemize deductions; (6) maintain the charitable deduction in estate tax law, permitting such gifts to be free of any gift tax; and (7) allow charitable gifts to be free of any income tax on unrealized gain at death.

During the 109th Congress, NAICU was able to secure the first-ever IRA charitable rollover legislation. And in the 114th Congress, the provision was made a permanent part of the tax code. During consideration of major tax reform legislation in 2017, the IRA rollover was spared from elimination. NAICU continues to support protecting and expanding the IRA rollover by making it: (1) available for indirect giving, such as



charitable remainder trust gifts; (2) applicable to gifts over \$100,000; and (3) available to more individuals by lowering the age limit.

NAICU Action Items

NAICU believes that the federal tax code must recognize independent higher education's fundamental reliance on charitable giving and should continue to support policies that reflect the public character of such gifts. Charitable gift contributions must remain an integral part of any tax restrictions, including any movement toward fundamental tax reform.

NAICU believes Congress should maintain and strengthen the current charitable deduction.

NAICU believes Congress should maintain and strengthen the IRA charitable rollover law that encourages individuals to make contributions to charitable organizations from their IRAs without tax penalties.

Tax Incentives for Education

The tax code should recognize education as an investment in human capital that has important societal benefits and encourage participation through appropriate incentives. Current tax benefits help students throughout their education by providing incentives to save for college, pay for college, and pay back student loans.

Specifically, higher education tax benefits allow for: (1) tax-free contributions to college savings accounts; (2) employer-provided education assistance and student loan repayment; (3) tax-free use of scholarship and fellowship grants for tuition amounts; (4) a student loan interest deduction, (5) tax-free tuition remission benefits; and (6) tuition tax credits.

In addition, the historical practice of providing tax-free tuition scholarships to college employees and their families should be preserved in a way that allows campuses some flexibility in administering the benefit. Nondiscrimination rules should be based on eligibility to participate in these programs, not only on actual participation in the programs. Additionally graduate student tuition remission benefits should be preserved.

While the House attempted to eliminate almost all of the student and family benefits, they were ultimately retained in the final Tax Cuts and Jobs Act of 2017. Any additional reform efforts must ensure that no student or family currently receiving benefits loses those benefits.

NAICU Action Items

NAICU will continue to support Sec. 529 college savings plans and Coverdell Education Savings Accounts.

NAICU supports increasing the annual tax benefit under Sec. 127 of the IRC, employer provided education and student loan repayment assistance, for both graduate and undergraduate course work. Additionally, NAICU will advocate for maintaining the expansion of the student loan repayment tax benefit beyond 2025.



NAICU supports allowing the full amount of scholarships and grants to be tax-free whether used for tuition or room and board.

NAICU will continue to advocate a full above-the-line deduction for all interest on student loans.

NAICU will support proposals that call for the expansion and fair consideration of current tax benefits to families for the payment of tuition and other educational expenses.

Nonprofit Governance

NAICU believes the charitable sector must be accountable to the American taxpayer and the Internal Revenue Service for its continued nonprofit status. We support appropriate efforts to ensure the sector is held to the highest standards of integrity without undue administrative burden or excessive regulation.

Private, nonprofit colleges and universities rely on their governing boards for the management and decision-making that keeps institutions strong. Our institutions abide by current IRS rules regarding nonprofit board composition outlined in current law and agree with the imposition of intermediate sanctions in instances of self-dealing or other forms of profit-sharing that are violations of nonprofit tax status. Recently, Congress and the Administration have been examining the conversions of for-profit institutions to nonprofit status. Both legislatively, and as part of the Department of Education’s negotiated rulemaking process, these proposals would add new rules and regulations not just on for-profit conversions, but on existing nonprofit college and university boards.

NAICU Action Item

NAICU will continue to work with both Congress and the Administration to protect the strength and effectiveness of governing boards, and reject new burdensome rules and regulations intended for conversions that could weaken all existing private, nonprofit college and university boards or inappropriately risk our Title IV or tax-exempt status.

Tax-Exempt Bond Financing

The tax code must continue to support the efforts of independent colleges and universities to meet the increasing public demand for the highest quality education and research through tax-exempt bond financing. The House attempted to eliminate Private Activity Bonds during consideration of the Tax Cuts and Jobs Act of 2017, but the final bill retained these bonds. Unfortunately, the same bill eliminated the ability to take advantage of bond advance refunding, a cost-saving option for bond refinancing.

NAICU Action Items

NAICU will continue to advocate for the preservation of Private Activity Bonds.

NAICU will continue to advocate for the reinstatement of bond advance refunding.



NAICU will urge Congress to reclassify the bonds used to rebuild our infrastructure as “tax-exempt bonds serving public purposes” instead of “private activity bonds,” in light of the essential public purposes served by independent colleges and universities.

Unrelated Business Income

Colleges and universities should pay taxes on business activities that are not substantially related to their exempt purpose. Reporting guidelines should be clear, uncomplicated, and straight forward with reasonable methods for determining taxable activity. The Tax Cuts and Jobs Act of 2017 included new complications for unrelated business income tax (UBIT) reporting. These complications included having to separately report amounts for each trade or business (aka “basketing”) and new taxes on fringe benefits for employees, including a new parking tax that included a tax on certain nonprofit employee mass transit fringe benefits. In 2019, Congress repealed the “parking tax,” after extensive advocacy efforts from NAICU members, as well as that of the broader higher education and faith-based nonprofit sectors.

NAICU Action Items

NAICU will continue to work with Congress and the IRS to ensure that changes in UBIT distinguishes between these taxable unrelated business activities and activities that, in another context would be unrelated, are clearly connected to the teaching, research, and service functions of colleges and universities.

NAICU also will support record-keeping and reporting procedures and accounting guidelines that are fair, do not impose an undue administrative burden, and are consistent with the mission and goals of colleges and universities.

Employer and Benefit Issues

Colleges and universities are major employers in communities across the U.S. that provide quality jobs and are central to the economies in both urban and rural settings. College campuses are labor intensive and have a variety of skilled employees at many levels. Colleges also provide benefits such as health insurance, retirement plans, and tuition and transit benefits.

While colleges and universities are committed to paying fair wages, some proposals from the Wage and Hour division of the U.S. Department of Labor (DOL) in previous Administrations would have drastically increased the overtime pay salary threshold to levels that would have been extremely burdensome to many institutions in communities with lower costs of living. Any increase to the overtime pay salary threshold should take into account the unique employee composition of colleges and universities, including, but not limited to, faculty, coaches, resident directors, groundskeepers, and be adaptable for institutions in all regions of the U.S.

While a modest adjustment was made to the threshold during the Trump Administration, the Biden Administration has indicated they will propose another increase to the threshold in 2023. While it’s unclear what the salary adjustment will be, several labor groups are pushing for a significant increase, as well as the revocation of the teaching exemption



NAICU Action Items

NAICU will work with the Administration toward a salary threshold that is fair to workers and will also protect against layoffs, significant job reclassifications, or risk the economic viability of our institutions.

NAICU will continue to support the so-called “teaching exemption” to the federal overtime rules that has exempted teaching professionals.

NAICU believes that any congressional or regulatory review of fringe benefit programs – such as pensions, early retirement plans, and health insurance should recognize the labor-intensive nature of our campuses. Any changes in the laws governing fringe benefits must be made with sufficient notice and guidance, to allow adequate preparation and implementation.

