May 16, 2024

The Honorable Virginia Foxx
Chairwoman
Committee on Education and the Workforce
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, DC 20515

The Honorable Bobby Scott
Ranking Member
Committee on Education and Workforce
U.S. House of Representatives
2328 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Foxx and Ranking Member Scott,

I write to share with you an analysis of key provisions in the College Cost Reduction Act (CCRA) that we have conducted to better understand the potential impacts on students and institutions of higher education.

In consultation with committee staff, outside organizations, and the other national higher education associations, we examined the likely impact on higher education institutions of the annual reimbursement formula (also known as risk sharing) and the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) grant formula in CCRA. As detailed below, our analysis demonstrates that, if enacted in its current form, CCRA would have a significant negative financial impact on institutions of higher education. For public and non-profit institutions, these penalties cannot be easily absorbed, and students will feel the impacts in the supports they receive. Further, the analysis, which is a good faith effort to replicate the extraordinarily complex formulas in the legislation, demonstrates the gaps in existing data to conduct a full analysis and the exceedingly risky move to rely on such formulas in statute.

Overall, our analysis shows the results of data collected on institutions of higher education. Of the 3,030 institutions in our data set, we found that 2,619 institutions (86 percent) would be required to make an annual risk-sharing payment to the U.S. Department of Education, and approximately 889 institutions (30 percent) could be eligible to receive one of the newly created PROMISE grants. A total of 831 institutions (27 percent) would receive a net gain overall and 1,878 institutions (62 percent) would receive a net loss.

In reviewing the data, two important points became immediately clear. The first is that existing federal data at the programmatic level, which is central to making determinations of annual reimbursement payments and eligibility for PROMISE grants, are significantly limited and, in many cases, misleading, incomplete, or non-existent. Given the consequences for students and institutions of these proposals, relying on information that only captures a minority of postsecondary programs and wholly excludes hundreds of Title IV participating institutions is ill-advised, particularly given its high-stakes aspect.

Second, while the limitations of the data preclude any analysis from being wholly valid and reliable, the overall patterns when looking at the data in the aggregate are clear and consistent. They also replicate what we've seen in analyses of previous risk-sharing proposals that would tie institutional penalties to students' financial outcomes: while broadly harmful to the overwhelming majority of institutions, they are most consequential for institutions that enroll higher percentages of low-income students. Our analysis shows that for institutions enrolling Pell Grant recipients as 30 percent or more of their total enrollment, 62 percent would be at a net loss under CCRA. For institutions enrolling Pell Grant recipients as 50 percent or more of their total student enrollment, that percentage increases to 71 percent. As you are aware, these institutions also tend to have the fewest additional resources to pay annual penalties to the federal government and limited options to mitigate the increased risk this would impose on them.

The CCRA risk-sharing proposals are different in some key respects from other proposals, but this does not alter our longstanding opposition to all forms of risk-sharing. We object to risk-sharing's fundamental premise: that participating institutions should incur financial penalties linked to Title IV recipients. While we acknowledge the committee's creativity regarding the ability of institutions to offset their annual reimbursement payments with PROMISE grants, the data are clear that a large majority of institutions would have a negative financial impact, thus taking away resources that could be used to support students. In fact, our analysis shows that over $1.6 billion would potentially be taken away from institutions, collectively, in our data set[1], which could be used to better support students in forms such as institutional aid, student support services, and instruction.

We continue to support federal policies that will assist colleges in their ongoing efforts to promote student success, both when they are in school and after they have graduated. However, levying financial assessments on institutions that generally have the biggest challenges serving students because of the type and/or size of the population they are serving, or have limited resources at their disposal, is a counterproductive policy and runs against the fundamental purpose of federal financial aid. While we appreciate the committee's language that would allow institutions flexibility to cap student loan borrowing, we remain concerned about the fact that institutions would be held responsible to the value-added earnings of the students when institutions have no way of controlling the incomes of its graduates or compensating for inequities in the labor market.[2] The current legislative proposal provides a strong financial disincentive for institutions to admit the students who are likely to need the most support or potentially represent the biggest risk.

We have provided summary-level information from our analysis to this letter but welcome the opportunity to meet with Members of Congress and staff to review our findings in greater detail. Because the PROMISE grant and annual reimbursement formulas are highly dependent on student borrowing and repayment behavior, we were left to assume borrower behavior and make assumptions in other areas where data were not available. Again, we

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[1] This number reflects both imputated data, for median debt and earnings, and data pulled from the College Scorecard. This number is meant to give an idea to the potential total financial loss of institutions, and we acknowledge that this is based on assumptions made regarding borrower repayment behavior. We also note that the Congressional Budget Office estimates that institutions could be at a net loss of over $18 billion.

[2] Recent data from the Bureau of Labor Statistics shows that earnings fluctuate dependent upon race and gender, thus indicating inequities in the labor market.

underscore the exceedingly risky proposition of relying on formulas in which data are not available for a statutory risk-sharing approach.

Given the significant problems our analysis identifies with the PROMISE grant and annual reimbursement formulas in CCRA, we urge you to table the legislation while considering alternative approaches more likely to meet the priorities of increased accountability, affordability, and transparency.

Sincerely,

Ted Mitchell
President

Attachments

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

H.R. 6951, the College Cost Reduction Act

Data Summary

This document serves as a high-level summary of the data analysis regarding the annual reimbursement (risk-sharing) payments for an institution of higher education under Section 301 and the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grant formula under Section 212 of the College Cost Reduction Act (CCRA). Due to the limitation of data that is publicly available, this data analysis does not account for every college and university that participates in Title IV of the Higher Education Act. However, this reveals an idea of the impact that the CCRA could potentially have on institutions of higher education. More information on the impact of institutions based on institutional type (such as Historically Black Colleges and Universities, Tribal Colleges and Universities, and Minority-Serving Institutions) can be found in our CCRA data analysis.

High Level Aggregate Information (Numbers)

- *Number of institutions in the data set*: 3,030 institutions.
- *The number of institutions that could be eligible to receive a PROMISE grant*: 899 institutions.
- *The number of institutions that are subject to a risk-sharing payment*: 2,619 institutions.
- *The number of institutions that have a net loss*: 1,878 institutions.
- *The number of institutions that have a net gain*: 831 institutions.
- *The potential total amount of financial loss to institutions in one year that could be used to support students based on our data set*: $1,611,041,978.97[1]

High-Level Aggregate Information (Percentages)

- 86% of institutions would have a risk-sharing payment
- 30% of institutions would be eligible to receive a PROMISE Grant
- 62% of institutions would have an overall net loss
- 27% of institutions would have an overall net gain

Four-Year Public Institutions

- 97% of institutions would have a risk-sharing payment
- 35% of institutions would be eligible to receive a PROMISE Grant
- 66% of institutions would have an overall net loss
- 30% of institutions would have an overall net gain

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[1] This amount considers a total collective risk-sharing amount of $4,272,467,966.00 and subtracts a total collective PROMISE grant amount of $2,661,425,987.03. We imputed missing earnings and debt data using median values at the 2-digit CIP code level. We did not impute any data for borrower count, and we only calculated required fees in total price. This number does not reflect any interactions with the elimination of the PLUS loan programs and does not include all institutions as we were only able to collect data on 3,030 institutions given the available data. This is based on data assumptions made and should only be considered as an example of an overall negative financial impact. We also note that the Congressional Budget Office estimates that institutions could be at a net loss of approximately $18.3 billion.

Two-Year Public Institutions

- 91% of institutions would have a risk-sharing payment
- 86% of institutions would be eligible to receive a PROMISE Grant
- 13% of institutions would have an overall net loss
- 34% of institutions would have an overall net gain

Four-Year Private, Nonprofit Institutions

- 84% of institutions would have a risk-sharing payment
- 4% of institutions would be eligible to receive a PROMISE Grant
- 82% of institutions would have an overall net loss
- 3% of institutions would have an overall net gain

Two-Year Private, Nonprofit Institutions

- 34% of institutions would have a risk-sharing payment
- 14% of institutions would be eligible to receive a PROMISE Grant
- 31% of institutions would have an overall net loss
- 14% of institutions would have an overall net gain

Private, For-Profit Institutions

- 78% of institutions would have a risk-sharing payment
- 12% of institutions would be eligible to receive a PROMISE Grant
- 73% of institutions would have an overall net loss
- 10% of institutions would have an overall net gain

Title III and V Institutions

- 90% of institutions would have a risk-sharing payment
- 40% of institutions would be eligible to receive a PROMISE Grant
- 54% of institutions would have an overall net loss
- 39% of institutions would have an overall net gain