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Testimony of
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Hearing on Expanding Access to Higher Education and the Promise it Holds

The National Association of College and University Business Officers (NACUBO) is a nonprofit professional organization representing chief administrative and financial officers at more than 1,700 colleges and universities across the country. NACUBO's mission is to advance the economic vitality, business practices, and support of higher education institutions in pursuit of their missions.

In March 2020, when it quickly became clear that the impact of COVID-19 would be unprecedented, NACUBO strived to do what it could to ensure that despite the pandemic, any student who wanted to continue their higher education studies could do so and no college would fail because of the crisis.

We focused on two distinct priorities: to provide colleges with tactical and practical resources to help them respond to immediate needs, and to engage in a collaborative effort with others in the higher education community to work with Congress for help our institutions would need.

The pandemic relief legislation passed by Congress has had a meaningful impact on our nation's colleges and universities. I want to take this opportunity to thank the subcommittee and your colleagues for recognizing and responding to the urgent crisis faced by the higher education sector, which educates more than 16 million undergraduate students and represents some of the largest employers in 40 states.

Without the federal assistance Congress provided over the past 15 months, more students would have had to pause or abandon their studies, and across the country we would have seen deeper institutional budget cuts that would have meant more hiring freezes, layoffs, early retirements, shuttering of programs, and fewer resources for students support—financial or otherwise.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020, and the American Rescue Plan Act (ARPA) in March 2021 have been deeply impactful for students and institutions alike, providing aid that helped keep college students enrolled and helped colleges maintain their efforts to deliver on their educational mission, while implementing the health, safety, emergency online learning, and social distancing measures required during the pandemic.

The Higher Education Emergency Relief Fund provided the bulk of relief, but many other provisions helped colleges to weather the storm, including—

- The Employee Retention Tax credit, which we are grateful was extended to both public and private colleges.
- The Payroll Protection Program, which is available to small colleges with fewer than 500 employees and has been an extraordinary relief to those that qualified.
- The temporary expansion of Section 127 benefits to include student loan repayment expenses.
- The CARES Act incentive for non-itemizing donors in the form of a $300 universal charitable deduction, which, together with extraordinary need due to the COVID-19 pandemic, led to an increase in the number of small donors in 2020.

These policies were vital, because colleges and universities faced significant costs in quickly pivoting to a safe delivery of education to their students. By May 2020, most institutions NACUBO surveyed already had invested in greater technology capabilities, as well as in improved internet access for students, faculty, and staff. At the same time, colleges and universities still had to maintain their campuses, pay faculty and staff, continue offering student services, and more. Higher education institutions have substantial fixed costs that do not abate, even during a global pandemic.

Colleges and universities also put their own resources to work to support their communities during the pandemic. At the beginning of the pandemic, many colleges and universities quickly sought innovative ways to address the growing need for ventilators, personal protective equipment (PPE), vaccines, clear information, and more. From conducting vaccine clinical trials to developing disposable and portable ventilators, repurposing unused facilities for COVID-19 patients to designing an event assessment planning tool to help minimize the risk of spreading COVID-19 at large events, higher education institutions reinforced their value as they supported their neighbors and society at large.

As our nation's colleges and universities are preparing for closer-to-normal Fall 2021 terms, many colleges are optimistic about their financial health. For some, applications, admissions, and acceptances are at record highs. But, just as our nation saw an uneven impact of the pandemic and is witnessing uneven recovery across the country, we are seeing the same in the higher education sector.

Many community colleges saw steep enrollment declines in 2020 and in Spring 2021 and continue to be concerned as they look at Fall 2021 enrollment trends. NACUBO is hearing the same from business officers at many small, private colleges and regional public universities.

In NACUBO’s survey work, we found that many of these small, private institutions tended to be experiencing greater stress. These colleges were more likely than others to be continuing salary and benefit freezes or reductions, renegotiating debt covenants, or considering other strategies such as altering academic offerings. For many, the pandemic amplified an already downward trend related to changing demographics and regional population shifts.

I now am hopeful that we are at a point where we can look back at the after-effects of the COVID-19 pandemic and redouble our efforts to invest in the transformative potential of higher education.

College leaders remained steadfastly committed to their educational missions throughout the pandemic. The urgency of the pandemic and social unrest in 2020 made clear the need for a more educated, just, and inclusive society. College administrators play an important part in delivering on that mission. Administrative decisions, from budget allocation to program development, space allocation to infrastructure investment, are all extensions of efforts to deliver on the educational, research, and public service goals of colleges and universities.

Colleges and universities also are keenly focused on keeping college affordable, despite the high and increasing costs they bear to offer a high-quality educational experience. Findings from NACUBO’s survey work shows how colleges and universities are working to expand access and keep costs down to students through financial aid:

- In FY20, 705 institutions surveyed for the *2020 NACUBO-TIAA Study of Endowments* spent more than $23.3 billion from their endowments, with nearly half of the funds going to student financial aid. An additional 17 percent of endowment spending funded academics, including teaching, tutoring, and related support. Seventy percent of institutions surveyed increased spending from their endowments in FY20, with an average increase of about $3.3 million.

  Institutional leaders strategically spend endowment funds to fulfill priorities both current and future. Spending and investment decisions are carefully coordinated to keep budget volatility low and to meet the consistent demands of complex institutions. Endowment managers strive to enable withdrawals to keep pace with inflation while providing adequate support for student support, as well as for faculty, libraries, laboratories, campus housing, student services, and other components that are key to a student's education.

- Despite the uncertainty caused by the pandemic, the findings of our *2020 NACUBO Tuition Discounting Study* survey reflect the course we have been seeing for many years: More undergraduate students at private, nonprofit colleges are receiving tuition discounts, and the dollar amounts are increasing. In 2020-21, nearly 90 percent of first-year undergraduates received institutional financial aid, which covered an average of 60.3 percent of listed tuition and fees.

While some may question the sustainability of tuition discounting decisions—actions that are designed to provide access to a greater number of students—the challenges of 2020 add context and highlight that tuition discounting is a strategic, access-focused tool for mission-driven colleges and universities.

- A NACUBO flash poll conducted in 2020 found that 94 percent of institutions surveyed had transitioned to emergency online education within two weeks of the declaration of the pandemic—a remarkably quick shift that demonstrates the potential for online or hybrid education to expand access to more students. There are, of course, costs, student needs, and equity factors to take into consideration. Institutions that offered emergency online education at the outset of the pandemic may still be exploring what works best for their faculty and students and the promise innovation holds to increase enrollment and graduate more students.

Our institutions need to be radically student-centered because of the indispensable, life-long value of education—a value that was only reinforced by the COVID-19 pandemic.

According to the U.S. Census Bureau and Bureau of Labor Statistics Current Population Survey, nearly 23.1 million people were unemployed by April 2020—the apex of unemployment since the beginning of the pandemic. However, unemployment rates by education level represent a stark contrast. Specifically, individuals with higher levels of education had lower unemployment rates, despite the pandemic's negative impact on various industries. Individuals with a high school education or less experienced a 19.2 percent unemployment rate in April, compared to 18.6 percent of individuals with some college, 13.9 percent of individuals with an associate degree, and 8.5 percent of individuals with a bachelor's degree or higher. In addition, individuals with higher levels of education, with the exception of many health professionals, typically were employed in positions that could transition to remote work more readily than individuals employed in industries or roles that may not require postsecondary training.

In the wake of a global health crisis, the outcomes realized by those who have earned postsecondary credentials are in stark contrast to those who have not, and higher education graduates have been instrumental in curbing the loss of life and mitigating the spread of the virus.

However, there is more work needed to ensure that all students who would like to earn a degree can. Unfortunately, some of the populations most impacted by the COVID-19 pandemic are the same groups who have historically had less access to higher education than others.

Together, we all—institutions, lawmakers, charitable organizations, families, and employers alike—must continue making the investments necessary to achieve a more educated and inclusive populace.

Affordability is a key issue for higher education institutions and leaders, but sustained progress on this issue is reliant on affordability being a priority for both higher education institutions and their key partners, including the federal government. Funding for the Pell Grant and other student aid, tax code support for students and families paying and saving for college, and the incentives for charitable giving are all driving factors in college affordability and access. States, alumni, and other donors also are critical partners for institutions in addressing affordability.

There are numerous federal policies that can be built upon to provide greater support for students and their families. Some provide direct aid to students, while others equip colleges and universities with tools to strategically finance the resources needed to provide high-quality higher education:

- **Double the Pell Grant.** While tax incentives are important, federal grant aid, such as the Pell Grant, is fundamental in providing access and affordability to students from low-income backgrounds. Tax incentives can and should be used by Congress to aid students with the cost of college—but receiving a tax credit for education-related expenses requires first having the funds to enroll in college. Federal grants help provide this access.

  NACUBO supports a doubling of the Pell Grant and we also have endorsed the ''Pell Grant Preservation and Expansion Act of 2021," which increases the value of the grant over time.

- **Congress must maintain its commitment to preserving the tax exemption on municipal bonds.** Tax-exempt bonds are a significant mechanism through which colleges and universities raise capital to finance a wide range of essential infrastructure projects—the buildings where students live and learn and where cutting-edge academic research is conducted. NACUBO also urges lawmakers to restore advance refunding for tax-exempt bonds, support small issuers, restore and expand the use of direct-pay bonds, and eliminate sequestration for new and existing direct-pay bonds.

- **Examine the policies around charitable giving.** Policies can be strengthened to encourage giving, and policies that discourage giving and take charitable resources away from education, such as the tax on net investment income, should be reversed. The net investment income tax results in fewer dollars available for scholarships, students, research, and college and university operating expenses.

- **End taxability of scholarships and grant aid.** We support repealing the taxability of scholarships and/or grant aid on non-tuition expenses like room and board. These expenses are a significant component of the cost of college and it would help these dollars do more and go further, particularly for students from low-income backgrounds, if they were untaxed. Since its enactment in 1986, the impact of taxability of scholarship/grant aid has grown as the cost of non-tuition higher education expenses has risen, so that now approximately 3 million students receive aid that is subject to taxation.

- **Simplify, expand, and improve higher education tax credits.** The most commonly used higher education tax credits (see below) are overly complicated and difficult for many taxpayers to readily understand and claim. We urge Congress to consolidate and simplify these tax incentives to maximize their impact. A consolidated credit would simplify college tax benefits while retaining the positive aspects of the present credits. This would better serve students from low- and middle-income backgrounds pursuing traditional higher education as well as those in vocational training programs.

  - The American Opportunity Tax Credit (AOTC) should be increased from \$2,500 to \$3,000 per year. Refundability of the credit should be increased from 40 percent to 60 percent.

  - AOTC/Pell Interaction Issue: In its current form, Pell recipients—those from the lowest-income backgrounds—receive little or no benefit from the AOTC because the credit contains a grant/scholarship offset provision that has the unintended effect of sharply limiting or eliminating the benefit of the AOTC received by these students. Department of Education data suggest that approximately 725,000 students are currently adversely affected by this issue.

  - The Lifetime Learning Credit (LLC) should be modified to cover 100 percent of the first \$2,000 of AOTC-eligible expenses; currently, the LLC covers 20 percent of up to \$10,000 of annual eligible expenses (a maximum credit of \$2,000).

The COVID-19 pandemic reinforced the value of a postsecondary education and of higher education's value to our society. We appreciate the subcommittee's interest in expanding college access and increasing affordability so that more students can experience the lifelong benefits a college degree offers.