

June 3, 2025

The Honorable Angus King
133 Hart Building
Washington, DC 20510

Re: Concerns of the Maine Association of Independent Colleges
Regarding the Higher Education Provisions of the Budget Reconciliation Bill

Dear Senator King,

I write on behalf of the Maine Association of Independent Colleges (MICA) to express our concerns with the budget reconciliation proposal recently passed by the House of Representatives, the current version in the Senate, and the proposed cuts to student aid programs and other programming critical to our missions.

MICA represents 11 independent, nonprofit colleges and universities throughout Maine that serve over 32,630 students, over 7,000 of whom are from Maine. These institutions are located in municipalities of all sizes across the State, from Maine's largest city to small tourist towns and farming communities. While they share the attributes of being independent and nonprofit, these institutions are highly diverse and serve very different needs of Maine people.

Collectively, the 11 institutions are an economic engine and an integral part of Maine's Higher Educational eco-system, as well as an important part of the Maine economy. Together they:

- Directly employ over 7,180 Maine workers.
- Support 14,300 jobs for Maine workers (both direct and indirect) with earnings in excess of \$632 million.
- Operating expenditures of over \$979 million.
- Capital expenditures of over \$200 million.
- Have an estimated economic impact on Maine's economy of over \$2 billion each year.
- Generated \$51,839,000 in total taxes for state and local governments.
- Contribute over \$24 million in local community service.
- Provide over \$72 million in financial aid to Maine students.
- Provide access to facilities in all of their communities.
- Draw nearly 300,000 visitors to our state each year.

We have attached our recently completed economic impact report.

While MICA supports efforts to ensure fiscal responsibility and sustainable federal investments, there are a number of provisions in the bills that threaten to significantly undermine the accessibility, affordability, and viability of independent higher education institutions across Maine and our country.

First, MICA opposes the damaging cuts in the **Pell Grant program** in the House version, which would limit eligibility for millions of lower-income undergraduate students to this program for higher education affordability. The House version cuts \$349 billion over 10 years from higher education. It eliminates the ability of students enrolled less than half-time from accessing Pell Grants. Specifically, the bill proposes to increase the number of full-time credits from 12 to 15 hours a semester, which would mandate that students enroll in at least 15 credit hours to receive the maximum Pell Grant award and reduce on a pro-rated basis the award amounts for those enrolled in less than 15 credit hours, eliminating many from the program entirely. These changes would most harm the students who can least afford to take on more courses—working students, low-income students, and student parents, among many others.

In Maine, 22,052 students currently receive the Pell Grant. If the above changes were enacted, it is estimated that at least 3,354 students would lose access to the Pell Grant award completely and 9,173 students would see their Pell Grant award reduced, forcing these students to rely more on student loans and increasing the cost of college. The estimated total loss of Pell Grant dollars to students in Maine would range from \$10,772,472 to \$15,394,803.

Second, MICA opposes the **changes to the various federal student loan and financial aid programs**, including:

- Elimination of the Grad PLUS loan program.
- Elimination of subsidized loans for undergraduate students.
- Caps of graduate student borrowing (in the House Bill) at \$100,000 for non-professional master's degrees and \$150,000 for professional degrees.
- Limiting federal student aid to the “median cost of college” by program.
- Cutting the Federal Work-Study Program by half.

The elimination of the Grad PLUS loan program and the establishment of caps on graduate student borrowing will hurt students at many of our institutions, but especially at Maine's only Medical School and Dental School at the University of New England (UNE). These students can and need to borrow more, as they are moving toward lucrative careers in medicine. These provisions will only hurt lower income students, who need to borrow these larger amounts.

Third, MICA opposes the **“risk-sharing”** proposal, which would disproportionately impact the private, nonprofit sector. The proposal seeks to make higher education institutions accountable for their students’ loan repayment outcomes. This proposal would require reimbursement by these institutions to the federal government a percentage of unpaid student loans. This ignores the fact that our institutions do not control the individual borrowing decisions of students. Colleges that serve low-income and first-generation students, including a number of MICA colleges, will face significant burdens due to lower loan repayment rates among these groups. For example, Husson University is estimated to be at risk of more than \$920,000. This could have the effect of incentivizing institutions to admit students more likely to repay their loans, which would exacerbate inequalities in higher education and reduce access for those students who need higher education the most.

Fourth, MICA opposes efforts to cut funds to important **federal research programs**. The current budget proposal includes a 40% reduction in NIH funding (\$20 billion) and a 50% reduction in NSF funding (\$4 billion). In addition, efforts continue to lower the F&A rate (administrative overhead) for research grants to a flat 15%. A court order has halted this for NIH grants and a similar legal case is being heard in the courts for NSF grants. Combined, these efforts threaten the viability of the U.S. research system and the scientific advancements made in areas like biomedicine, seeking treatments and cures for diseases like cancer and Alzheimer’s.

Finally, MICA opposes the increase and broadening of the **endowment tax**. Two of our schools (Bowdoin and Colby) would have to pay this exponentially larger tax of tens of millions of dollars, but our other schools will be negatively affected as well. The schools with higher endowments will have far fewer resources to dedicate to financial aid and will be forced to substantially increase the number of full-pay students admitted. The tax also encourages these wealthier schools to grow their enrollment to avoid falling into a higher tax bracket. All of this will hurt overall enrollment at schools with smaller endowments while also reducing the number of full-pay students available, which will significantly impact their financial model. This is a huge attack on the ability of these schools (both those subject to the tax and other schools not subject to it) to support aid to students who can't afford the high cost of higher education. This tax also mischaracterizes the nature and purpose of endowment funds, which are almost entirely tied up for the specific purposes set forth by the various benefactors. The single biggest use of endowment earnings is dedicated to providing student scholarships. Unlike large private colleges and state schools, small private colleges (like ours) don't receive significant government subsidies, so we rely heavily on our endowment to cover student financial aid, often significantly reducing or even eliminating their need for federal student loans. The bottom line is that the endowment tax siphons money away from financial aid grants for students from lower economic means, and it will force students to take on more debt to fill the

gap. Endowments are a key strategy to keeping colleges affordable; the endowment tax raises the cost of education. Finally, it's worth noting that endowment income is not just for financial aid; it also covers employee salaries, benefits, operations, and even investments in our local communities through high-quality jobs.

We respectfully urge you to oppose these proposed changes as they will have a disproportionate impact on students attending independent non-profit colleges and will discourage college attendance and completion for large numbers of low-and middle-income Maine students. Many of these students already face significant financial barriers and these cuts will only make it worse. That is why it is so important that you oppose these detrimental changes

We are grateful for your ongoing, steadfast support of higher education, and we would welcome the opportunity to further communicate on how best we can coordinate to protect and advance the goals of Maine's students and communities.

Sincerely,



James D. Herbert
President, University of New England
Chair, Maine Independent Colleges Association