



Office of Federal Governmental Relations
1608 Rhode Island Avenue, NW
Washington, D.C. 20036

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CALIFORNIA CONGRESSIONAL DELEGATION

Dear Members of Congress,

As you consider the House budget reconciliation bill, To Provide for Reconciliation Pursuant to H. Con. Res. 14, the University of California (UC) urges you to oppose the legislation when it comes before the House. As the premier public research university system in the nation, and the second largest employer in California, UC is deeply concerned about a number of provisions in the bill that could harm the University community, including provisions that would:

- Make college less affordable by making changes that would reduce or restrict critical student financial aid programs such as the Pell Grant and student loans;
- Undermine access to health care for 1.6 million California Medicaid patients and erode financing for safety net health care providers;
- Make changes to existing tax code that would increase tax burdens and compliance costs for tax-exempt entities; and
- Eliminate critical nutrition education programs and make it more difficult for students and their families to access Supplemental Nutrition Assistance Program (SNAP) benefits to meet basic needs and address food insecurity.

The analysis below outlines specific concerns identified regarding provisions in Title III Committee on Education and the Workforce, Title IV Energy and Commerce, Title XI Committee on Ways and Means and Title I Committee on Agriculture that would adversely impact our students, staff and faculty, including their families, as well as patients at our UC Health facilities, alumni and other members of the University community.

University of California Views on the House Budget Reconciliation Bill, To Provide for Reconciliation Pursuant to H. Con. Res. 14

With only limited time to review the text of the bill, UC urges your consideration of the following concerns we have identified:

Title III—Committee on Education and the Workforce

- **Pell Grant Program** (Section 30031): UC is concerned about proposed changes to the Pell Grant program that will make it harder for college students to access and afford higher education. Specifically, UC is concerned about provisions that would limit the ability of part-time students to receive the grant. Additionally, amending the definition of “full-time” to 15 credits per semester will disproportionately impact low- and middle-income students, many of whom need to work during the academic year or engage in internships. We have estimated that more than 33,000 UC students would be impacted by this change. This is consistent with the Congressional Budget Office (CBO) score, which found that raising the full-time enrollment threshold for Pell Grants from 12 credits to 15 credits will result in more than half of students receiving smaller

grants. UC urges Congress to retain the Pell Grant program to its current structure and oppose any changes that would impact students' ability to receive the grant.

- **Subsidized Loans for Undergraduate Students** (Section 30011): UC is concerned this provision would impact students' eligibility for federal loan assistance. Specifically, the bill would eliminate subsidized loans for undergraduate students while attending college, allowing for interest to accrue and making it more difficult for students and their families to afford college. This provision will raise college costs for approximately 40,600 UC undergraduates.
- **Grad PLUS Loans** (Section 30011): UC is also concerned that the bill eliminates the Grad PLUS Loan program, a critical lifeline for graduate and professional students at a time when federal support continues to dwindle for these students. About one-third of UC graduate students were Pell Grant recipients as undergraduates and many of them will not be well-served by the private loan market. This provision will force more than 6,500 UC graduate students to search for alternative means to finance their education.
- **Parent PLUS Loans** (Section 30011): UC is concerned about the new limits that will be placed on the Parent PLUS loan program, limiting options for students and families and pushing them to take on private loans. This will be particularly problematic for UC's 13,600 middle-class families, many of whom use PLUS loans. UC urges Congress to reject these provisions.
- **Risk-Sharing Provision** (Section 30041): UC is also concerned about provisions that would require institutions of higher education to reimburse the U.S. Department of Education for a student's non-repaid loan balance via a complex and confusing reimbursement formula. This risk-sharing provision may encourage institutions to opt out of participating in federal loan programs while further exacerbating students' basic needs. UC urges Congress to strike this section from the final bill.
- **Repeal of Consumer Protections for Students** (Section 30051): UC is concerned about the repeal of guardrails meant to protect students from fraud, including the 90-10 rule, borrower defense and closed school discharges. UC urges Congress to restore these critical guardrails to ensure that students are not taken advantage of or misled.

Title IV—Committee on Energy and Commerce

- **Restrictions on Medicaid Eligibility and Enrollment** (Sections 44108, 44122, 44142, 44141): The bill puts significant new bureaucratic barriers in front of Medicaid-eligible patients seeking health insurance – including new paperwork for work requirements, more frequent redetermination and new cost sharing provisions. These hurdles will result in many Californians who should be covered by Medicaid losing their health care coverage due to technicalities and financial burdens they are unable to meet. The reduction in retroactive coverage will make it harder for those who lose coverage from these changes to get care when they need it.
- **New Limits on Medicaid State-Directed Payments and Provider Fees** (Sections 44132, 44133): The bill freezes in place existing state directed payments and provider fees without accounting for the significant financial burdens safety net health care providers face when caring for large volumes of Medicaid patients. UC currently shoulders over \$1.3 billion annually in uncompensated Medicaid costs even after our current supplemental payments are applied. State directed payments help to close the gaps in hospital payments and average commercial rate (ACR) is a more appropriate benchmark than Medicare payment because Medicaid managed care patients are more comparable to those covered by private insurance. The proposed language does not account for growth in the cost of providing care, including labor costs, supply chain disruptions, drug prices, technology investments, and an aging population with complex care needs. These provisions will significantly restrict the payments received by safety net providers in future years, increase uncompensated costs, and putting our financial stability at risk.

- **Restricting the Use of Managed Care Organization Taxes** (Section 44134): The bill will adversely impact California's Managed Care Organization (MCO) tax, which will result in the loss of funding California voters overwhelmingly supported preserving to increase the state's low Medicaid base rates and fund the training of physicians to address the state's health workforce shortage, particularly in rural and underserved communities.
- **Reducing Expansion Federal Medical Assistance Percentage (FMAP) for Certain States Providing Payments for Health Care Furnished to Certain Individuals** (Section 44111): The 10 percent reduction in the FMAP for the Medicaid expansion population for states that use their own funds to support health care coverage for undocumented immigrants could result in a cut of more than \$83 million per year to UC Health.
- **Prohibiting Federal Medicaid and Children's Health Insurance Program (CHIP) Funding for Gender Transition Procedures for Minors** (Section 44125): Eliminating Medicaid reimbursement for gender affirming care will reduce patient access to evidence-based, standard of care treatments.

While we are deeply concerned about the broad and harmful impacts of the proposed reconciliation package on Medicaid, the University recognizes that the bill includes several provisions that would address key reimbursement challenges and are important to health care access and provider stability, including:

- **Delaying Medicaid Disproportionate Share Hospital (DSH) Payment Cuts** (Section 44303): The bill includes a three-year delay to Medicaid DSH cuts.
- **Modifying the Conversion Factor for the Medicare Physician Fee Schedule** (Section 44303): A temporary patch to the Medicare physician fee schedule.

Title XI—Committee on Ways and Means

- **Phase-out and Restrictions on Clean Electricity Investment Credit** (Section 112009): UC is concerned about the impact of phasing out the clean electricity investment credit, which is currently slated to be in place through 2032. UC invested significant resources to utilize these critical investments in energy infrastructure for energy efficiency and cost savings, including investments in solar, batteries, microgrids and other energy technologies. The repeal of this credit removes one of the principal financing mechanisms available to support these investments, and UC was hoping to utilize this credit and other energy tax credits to make critical investments, which would now be phased out and repealed under the legislation. UC urges Congress to preserve energy tax incentives, which are key to creating energy resources for the future.
- **Phase-out of Credit for Certain Energy Property** (Section 112015): UC is concerned about the phase-out of credit on certain energy properties. The University was planning to utilize this credit to make energy investments for geothermal heat pumps and other energy efficiency technologies. UC urges Congress to preserve this energy tax incentive, and others, which are critical to planning for future energy infrastructure investments.
- **Extension of Unrelated Business Taxable Income (UBIT)** (Sections 112024, 112025): UC opposes the inclusion of provisions increasing UBIT for parking fringe benefits, and non-public research. These provisions significantly increase the complexity of tax compliance and the tax burden for UC and other universities across the country. UC urges Congress to preserve existing laws for UBIT.
- **Expanding Application of Taxes in Excess Compensation within Tax Exempt Organizations** (Section 112020): UC is concerned about the inclusion of language to expand the excise tax on employees earning over \$1,000,000 per year. This change will impose new excise tax liabilities

on UC and will adversely impact the University's ability to recruit and retain senior leaders. UC urges Congress to reject this provision.

- **1-Percent Floor on Deduction of Charitable Contributions Made by Corporations** (Section 11207): UC is concerned that the inclusion of this section would negatively impact charitable contributions made by corporations, which help to fund critical research, education and other activities. UC urges Congress to reject provisions that would have a negative impact on charitable giving.
- **Increase In Rate of Tax on Net Investment Income of Certain Private Foundations** (Section 11202): UC is concerned that this provision—which increases tax burdens on private foundations—will negatively impact charitable giving from private foundations to important research, teaching and education missions at universities. UC urges Congress to reject the inclusion of this provision.

The University would like to recognize that the bill includes several provisions that would provide positive benefits, including:

- **Exclusion for Certain Employer Payments of Student Loans Under Educational Assistance Programs Made Permanent and Adjusted for Inflation Section 127** (Section 110113): UC supports this section that makes permanent and indexes for inflation the provision in the existing tax code which allows employees to receive up to \$5,250 in educational assistance from their employer, such as tuition or student loan assistance, without any tax penalty. Sec 127 is a valuable incentive for employers and employees to help defray the cost of attending college.
- **Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize** (Section 110112): UC supports this provision that allows individuals who do not choose to itemize their tax returns to take a deduction of up to \$150 for individuals and \$300 for couples for charitable contributions made to charitable entities, including universities. This provision will encourage charitable giving, which can benefit many charitable organizations in communities across the United States. UC recommends increasing the amount of the above the line deduction for non-itemizers to at least \$300 per individual and \$600 per couple, which has been in the tax code previously.

Title I—Committee on Agriculture

- **National Education and Obesity Prevention Grant Program Repealer** (Sec. 10011): UC is concerned that this section eliminates the entire SNAP Nutrition Education (SNAP- Ed) Program, which provides critical nutrition education services throughout the nation. In California, the UC-based SNAP-Ed Cal Fresh Healthy Living program provides SNAP- Ed nutrition education services in 34 counties via the UC Cooperative Extension. UC opposes the elimination of SNAP Ed and urges Congress to remove this provision before final passage.
- **Matching Funds Requirements** (Sec. 10006): UC is concerned that this section makes changes to the Supplemental Nutrition Assistance Program (SNAP) to require states to provide a minimum of a 5 percent cost-share match in order to receive SNAP benefits from the federal government. UC is concerned that this provision could impose significant budgetary pressures on states, including California, that could make it more difficult to provide eligibility for SNAP benefits to low-income college students and their families facing food insecurity. UC urges Congress to remove this provision before final passage.
- **Able Bodied Adults Without Dependents Work Requirements** (Sec. 10002): UC is concerned that this section makes changes to the SNAP program that would significantly limit the availability of exceptions for individuals from meeting SNAP work requirements. UC is concerned that this provision would make it more difficult for low-income college students and

their families to continue to access SNAP benefits. This section would prevent many students from qualifying for exceptions to the work requirements, making it more difficult for students to stay in school. UC urges Congress to strike this provision from the final bill.

- **Able Bodied Adults Without Dependents Waivers** (Sec. 10003): UC is concerned that this section makes changes to SNAP eligibility for individuals which would significantly limit the ability of states to request waivers from the secretary of agriculture to allow groups of individuals to be granted an exception from meeting SNAP work requirements. UC is concerned that this section could limit the ability of states, including California, to offer expanded categorical eligibility access to SNAP benefits, such as to low-income college students experiencing food insecurity who meet certain income requirements. UC urges Congress to strike this section from the final bill.

The University would like to recognize that the bill includes several positive provisions that would benefit agriculture research, including:

- **Research** (Sec. 10104): Provides funding to carry out several important programs:
 - Urban, Indoor, and Other Emerging Agriculture Production, Research Education, and Extension Initiative;
 - Foundation for Food and Agriculture Research;
 - Specialty Crop Research Initiative; and
 - The Agriculture Research Facilities Act.

UC continues to analyze the effects of the proposals included in the House budget reconciliation package, but it is abundantly clear that they would increase costs, reduce access to higher education and health care, and jeopardize UC's ability to carry out its public service mission. UC urges you to oppose these harmful provisions and advocate for a reconciliation bill that protects access to care, sustains educational opportunity, and preserves the tools UC and other public institutions rely on to serve the people of California and the nation.

If you have any questions about the University of California, or the work we do in your congressional district, please contact me at Chris.Harrington@ucdc.edu or (202) 997-3150.

Thank you,



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