Members of NACIQI,

My name is Tim Powers and I am here today to speak on behalf of the National Association of Independent Colleges and Universities (NAICU). NAICU advocates on behalf of the presidents of the nation’s private nonprofit colleges and universities.

The NAICU membership believes that the nonprofit model of higher education is the best model for serving students and the public interest. Virtually every data point indicates that nonprofit colleges and universities best prepare our students for life beyond the classroom – from graduation rates and loan repayment statistics to employment and civic engagement outcomes.

The foundation for those superior outcomes is the mission-based philosophy of our institutions. As you know, nonprofit colleges and universities are governed by a board of trustees bound by legal and fiduciary responsibilities to fulfill the mission of the nonprofit institution of higher education. While the mission statements of our colleges and universities are as diverse as the institutions themselves, the board is responsible for ensuring through proper governance that the institution meet that stated mission. At private nonprofits there is no profit-making motive; there are no shareholders. There is no conflict between meeting educational and profit-making objectives. Any surplus remains invested in the institution itself, not withdrawn to pay investors.

NAICU has always been supportive of expanding the nonprofit model as the best means to improve access, opportunity, and success for the nation’s college-going students. As such, institutions seeking to legitimately convert from for-profit status to nonprofit status should be cautiously welcomed, not mechanically condemned. However, such conversions must be genuine and the federal government must have mechanisms in place to closely monitor those conversions. Any institution seeking to convert from for-profit to nonprofit as a means to skirt regulations or which intends to utilize its newly designated nonprofit status as a corporate shell should not be approved.

Existing private nonprofit institutions must carefully comply with IRS rules and regulations in order to maintain their nonprofit status. The federal government has the tools to ensure compliance and should use those tools to dutifully enforce federal tax laws, rules, and regulations.

At NAICU, we are acutely aware that no two colleges are the same. Every institution that seeks to convert from for-profit status to nonprofit status must be scrutinized on its own merits. We ask that the federal government does its job to maintain the integrity of the federal student aid programs.

Thank you for your time, and I am happy to answer your questions.

Tim Powers