

Federal Higher Education Update- Financial Aid Meeting

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State Higher Education
Executive Officers Association

Federal Update-Outline

- Congress
 - Budget Reconciliation Package
 - FY26 Appropriations



Congress-Budget Reconciliation

- Different than the annual appropriations process
 - Only requires a majority vote in House/51 votes in Senate
 - Focuses on mandatory budget programs (Medicare, Medicaid, SNAP, student loans), which is about 60% of the federal budget.
 - Must have budgetary impact (taxes and revenue)
- This is the vehicle to enact President Trump's domestic agenda (the "big, beautiful bill")
- GOP hopes to send bill to President Trump this summer
- **This could represent the biggest set of changes to federal higher education policy in a generation**



Congress-Budget Reconciliation Process

- Trump's priorities include:
 - Extending the 2017 Tax Cuts
 - Border Security
 - Defense spending
- The House Majority has sent instructions to various committees on borrowing and savings.
- The tax/spending package costs \$4.8 trillion (over 10 years), and they are looking for \$2 trillion in savings (10 years). Borrowing of \$2.8 trillion (over 10 years).
- This is “in progress” right now. The bill still needs to pass the House and then the Senate



Source: Committee for a Responsible Federal Budget

Deficit Impact of the House Reconciliation Package

Committee	FY 2025-2034 Deficit Increase(-)/Decrease	
	As Written	If Made Permanent
Ways & Means [*]	-\$3,819 billion	-\$5,320 billion
Armed Services [*]	-\$144 billion	-\$410 billion
Judiciary [#]	-\$110 billion	-\$110 billion ⁺
Homeland Security [*]	-\$67 billion	-\$100 billion
Financial Services [*]	\$5 billion	\$5 billion
Natural Resources [*]	\$19 billion	\$19 billion
Transportation & Infrastructure [*]	\$37 billion	\$37 billion
Oversight & Government Reform [*]	\$51 billion	\$51 billion
Agriculture [#]	\$230 billion	\$230 billion
Education & Workforce [*]	\$351 billion	\$351 billion
Energy & Commerce [^]	\$910 billion	\$910 billion
Interactions [']	-\$150 billion	-\$150 billion
Subtotal, All Committees	-\$2,690 billion	-\$4,480 billion
Interest	-\$580 billion	-\$750 billion
Total Deficit Impact	-\$3,260 billion	-\$5,230 billion

Congress-Budget Reconciliation Process

- Key issues for higher education are spread across the different committees
 - **Energy and Commerce Committee (Medicaid)**
 - Medicaid cuts could leave states making difficult budgetary decisions, as well as effect the 3.4 million students on Medicaid
 - **Ways and Means Committee (Taxes)**
 - Sweeping new taxes on large private college endowments
 - **Education and Workforce Committee (Range of higher education issues)**
 - Changes to student loans, Pell Grants, and other issues
 - **Other Committees**
 - Changes to SNAP, significant implications possible for states and students

Budget Reconciliation

- Subtitle A-Student Eligibility
- *Student Eligibility*
 - Tightens language regarding noncitizens and their eligibility for federal student aid
- *Amount of Need*
 - Caps the total amount of federal student aid at the median cost of attendance in the same program of study nationally
 - Restores the family farm/small business exemption on FAFSA
- Decrease of spending=\$518m/10 years

Subtitle A-Student Eligibility

- ***Deep Dive: Median Cost of College.***
 - Colleges would calculate and report cost of attendance (COA).
 - $COA - SAI = \text{Unmet need (the amount of financial aid)}$
 - The federal government would then take the **median COA** (Median Cost of College) for each **program** nationally.
 - **The median COA would be the cap on Pell Grants and federal loans, except Parent Plus. If the COA is beyond the median, then they must get the money elsewhere.**
 - Policy Unknowns: Double majors, transfers, changing majors, undeclared?
 - Proponents: Families will shop to lower-priced programs. College will bring down costs.
 - Concerns: We don't have this information currently. Makes the financial system far more complex, changing annually. Administrative burden. Potential gaming opportunities. Endangers private colleges that serve local needs.
 - **However, loan limits are, on average, lower than the median COA, this would mostly affect Grad PLUS and Parent PLUS**

Budget Reconciliation

- Subtitle B-Loan Limits
- *Termination of Loans*
 - Ends GRAD Plus and subsidized undergraduate student loans
- *Unsubsidized Loans*
 - Caps loans at median cost of a program of study. Aggregate loans caps of \$50,000 for undergrad, \$100,000 for grad, and \$150,000 for professional.
- *Parent PLUS Loans*
 - Caps Parent PLUS Loans at \$50,000
- *Additional Reforms*
 - Allows lower borrowing limits as long as applied equally, loans can be prorated based on less than full-time status
- Decrease of spending=\$51.2 billion/10 years

Subtitle B-Loan Limits

- ***Deep Dive: Loan Limits***
 - Nearly 1 in 10 students borrow more than \$50,000 for undergraduate studies, including 1 in 6 Black borrowers
 - Private student loan interest rates are much higher than federal student loans, without the loan limits. Private student lenders usually require co-signors.

	Current Law	House Bill
Subsidized Student Loans	Yes	Eliminated
PLUS Loans for Graduate Students	Yes	Eliminated
Aggregate Undergrad Loan Limit	\$31K-\$57.5K	\$50K
Aggregate Grad Limit	\$138.5K	\$100K-\$150K
Lifetime Total Borrowing	No Cap	\$200K

Budget Reconciliation

- **Subtitle C-Loan Repayment** *Income-Contingent Repayment (ICR)*
 - *Terminates ICR*
 - *Loans made after July 1, 2026*
 - Standard Repayment Plan
 - Repayment Assistance Plan
 - *End Economic Hardship Deferment and Reduce Forbearance*
 - *Loan Rehabilitation-limited to twice on defaulted student loans*
 - *Public Service Loan Forgiveness*
 - Medical/Dental residency do not count under PSLF
 - *Student Loan Servicing*
 - Adds Mandatory Funding to help with student loan repayment
 - **Federal Savings=\$294.6 billion/10 years**

Plan	Statutory Authority	Year Available	Percent of Discretionary Income Paid	Definition of Discretionary Income	Maximum Repayment Term
Income-Contingent Repayment (ICR)	Income-contingent repayment	1995	20% or payment amount under a 12-year fixed plan with an income adjustment, whichever is less	Annual income minus 100% of the federal poverty guidelines	25 years
Pay As You Earn (PAYE)	Income-contingent repayment	2012	10% (payments capped at Standard plan amount; must have lower payments in PAYE than in Standard plan to enroll)	Annual income minus 150% of the federal poverty guidelines	20 years
Saving on a Valuable Education (SAVE) (replaced Revised Pay As You Earn (REPAYE))	Income-contingent repayment	2023-2024	Undergrad loans: 5%; Grad loans: 10%; Weighted average for borrowers with both	Annual income minus 225% of the federal poverty guidelines	Undergrad loans: 20 years; Grad loans: 25 years (less time for those with lower balances)
Original Income-Based Repayment (2009 IBR)	Income-based repayment	2009	15% (payments capped at Standard plan amount, must have lower payments in IBR than in Standard plan to enroll)	Annual income minus 150% of the federal poverty guidelines	25 years
New Income-Based Repayment (2014 IBR)	Income-based repayment	2014	10% (payments capped at Standard plan amount, must have lower payments in IBR than in Standard plan to enroll)	Annual income minus 150% of the federal poverty guidelines	20 years

Current repayment programs

Source: New America

Plan	Statutory Authority	Year Available	Percent of Discretionary Income Paid	Definition of Discretionary Income	Maximum Repayment Term
Income-Contingent Repayment (ICR)	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated
Pay As You Earn (PAYE)	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated
Saving on a Valuable Education (SAVE) (replaced Revised Pay As You Earn (REPAYE))	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated	Plan eliminated
Original Income-Based Repayment (2009 IBR)	Plan amended	Plan amended	Plan amended	Plan amended	Plan amended
New Income-Based Repayment (2014 IBR)	Plan amended	Plan amended	Plan amended	Plan amended	Plan amended
Amended Income-Based Repayment (Amended IBR)	Income-based repayment	2026	15%	Annual income minus 150% of the federal poverty guidelines	Undergrad loans: 20 years; Grad loans: 25 years

Repayment plans under reconciliation package

Source: New America

Budget Reconciliation

- Subtitle D-Pell Grants
 - *Foreign Income included*
 - *Students with high (SAI) not eligible for Pell*
 - *Definition of full-time student would increase to 30 credits/year*
 - *Less than high-time students ineligible*
 - *Workforce Pell Grants*
 - Pell would be available for short-term programs
 - *Provides additional funding to reduce the Pell Grant shortfall*
 - **Federal Savings=\$2.8 billion/10 years**

Deep Dive: Pell Grants

Source:
Center for
American
Progress

Nearly two-thirds of Pell Grant recipients attempt fewer than 30 credits per year and would be at risk of losing some or all of their funding

Estimated percentage of Pell Grant recipients by proposed new enrollment intensity definitions and institution type

Institution type	Less than half time (1-14 credits)	Part time (15-23 credits)	Part time, previously full time (24-29 credits)	Full time (30+ credits)	Total
4-year	12.8%	12.0%	30.5%	44.8%	100%
2-year or less	32.9%	20.8%	24.9%	21.4%	100%
Total	20.0%	15.2%	28.5%	36.4%	100%

Note: Enrollment intensity indicates how many credits or courses a student is enrolled in relative to full-time status.

Source: National Center for Education Statistics, "[Beginning Postsecondary Students \(BPS\): 2012/2017](#)" (last accessed May 2025) (retrieval code 'wjddqk'); to calculate the number of students enrolled in postsecondary institutions annually by sector, the author used data from Integrated Postsecondary Education Data System, "[Number of students enrolled in postsecondary institutions annually, by level of institution: 2022-23](#)" (last accessed May 2025); to calculate the number of undergraduate students receiving Pell Grants by level of institution, the author used data from Integrated Postsecondary Education Data System, "[Percent of undergraduate students receiving Pell grants, by level of institution: 2022-23](#)" (last accessed May 2025).

Table: Center for American Progress

Budget Reconciliation

- **Subtitle E-Accountability**
 - *Creates a risk-sharing accountability mechanism*
 - Institutions on the hook for a share of the non-repayment balance
 - *PROMISE Grants created based on risk-sharing revenue for higher-performing institutions*
 - **Federal Savings=\$6.2 billion over 10 years**
- **Subtitle F-Regulatory Relief**
 - *Ends 90/10*
 - *Ends Gainful Employment*
 - *Ends Biden-era borrower defense and closed school discharge*
 - **Federal Savings=\$9.0 billion over 10 years**
- **Subtitle G-Limitations on Authority**
 - *Limits new regulations*
 - **Federal Savings=\$31.8 billion over 10 years**

Congress-FY26 Appropriations Process

- **This is the annual budget and appropriations process, not budget reconciliation. This deals with discretionary programs and requires 60 votes in the Senate.**
- President Trump announced his skinny budget earlier this month, which outlines the administration's priorities and kick offs the process.
- A full budget is not available at this time, but will be available in the weeks ahead
- Congress has already pushed back against some Trump proposals.

Proposed FY26 Budget

- **Eliminated TRIO and GEAR UP (-\$1.579b)**
 - Admin: Relic of the past, access to college is not the obstacle it was for low-income students. Institutions should use their own resources. Institutions should not focus on woke ideology.
- **Federal Work Study reduced by nearly 80% (-\$980m, \$250 million remaining)**
 - Admin: This is a handout to woke universities. The remaining funds should be targeted to institutions serving the most low-income students and provide a wage subsidy to low-income students.
- **Eliminated Supplemental Educational Opportunity Grants (SEOG). (-\$910m)**
 - Admin: Contributes to rising college costs. Duplicative of Pell Grants and poorly targeted. A disproportionate share of SEOG goes to private institutions.
- **Eliminated Improvement of Postsecondary Education and Graduate Assistance (-\$195m)**
 - Admin: Institutions and states should be responsible for funding innovations in higher education. Funds woke ideologies.
- **Eliminated Strengthening Institutions Program (-\$195m)**
 - Admin: Institutions, states, and local communities should invest in the fiscal health of institutions. Used to fund DEI.

Proposed FY26 Budget

- **Teacher Quality Partnerships** *(-\$70m)*
 - Admin: Used to train teachers in divisive ideologies
- **Child Care Access Means Parents in School** *(\$-75m)*
 - Admin: Unaffordable and duplicative
- **Office for Civil Rights reduced by 35%** *(-\$49m)*
 - Admin: Refocus away from DEI and transgender cases.
- **Other cuts**
 - Dept of Labor
 - NIH
 - SAMSHA

SHEEO Daily Policy Update

- SHEEO provides daily policy updates with links to research, news stories, etc.
- Free and open to the public.
- <https://sheeo.org/sheeo-newsletter-signups/>

Monday, March 31, 2025

[Call for Nominations: SHEEO Excellence Awards 2025](#)

National Policy

[Report: Top Public Policy Issues Facing Governing Boards in 2025–2026](#)

AGB (Date posted: March 28, 2025)

[Report: Title IX and Athletics: Legal Basics](#)

Congressional Research Service (Date posted; March 27, 2025)

[Report: Deep Dive: How the Fiscal Year 2025 Long-term Continuing Resolution May Impact Federal Funding for the U.S. Department of Education](#)

EducationCounsel (Date posted: March 28, 2025)

[Report: Investing in College Readiness: Societal Benefits and Costs of the El Dorado College Promise Program](#)

EdWorkingPaper (Date posted: March 2025)

[Report: To Give or to Take: Exploring Effects of Reductions in Pell Lifetime Eligibility](#)

The Journal of Higher Education (Date posted: March 27, 2025)

Questions and Contact Information

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