

Federal Higher Education Update

September 4, 2025

Illinois Trustees Conference

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State Higher Education Executive Officers Association (SHEEO)



SHEEO

State Higher Education
Executive Officers Association

Issue Areas

- The One, Big Beautiful Bill (OBBB)
- Negotiated Rulemaking
 - PSLF
 - OBBB
- Other ED/Executive Branch Activities
- Judicial Rulings and Activities
- Appropriations Update



One Big, Beautiful Bill-Higher Education Provisions

- Key higher education features of the new law signed on July 4th (*One Big, Beautiful Bill*)
 - Exemptions of assets on FAFSA
 - Loan Limits
 - Loan Repayment
 - Pell Grants
 - Accountability
 - Regulations
 - Tax Policy



One Big, Beautiful Bill-Higher Education Provisions

- *Exemption of assets on FAFSA*
- Federal student aid will exempt the assets of family farms, small businesses with fewer than 100 full-time employees, or a commercial fishing business
- Takes effect on July 1, 2026



One Big, Beautiful Bill-Higher Education Provisions

- *Loan Limits*
 - Undergraduate loans, loan limits, and subsidies will remain unchanged (outside of Parent PLUS)
 - Ends Grad PLUS Loans for grad/professional students starting July 1, 2026.
 - Master's programs (3 years or less) will be capped at \$20.5K annually, total of \$100K lifetime
 - Professional programs (MD, Ph.D., JD, etc.) will be capped at \$50K annually, \$200K lifetime
 - Graduate limits are in addition to undergrad, \$257K lifetime cap.
 - Parent PLUS Loans capped at \$20K annually, \$65K lifetime per student.

One Big, Beautiful Bill-Higher Education Provisions

Table 1: Federal Student Loan Limits Under Previous Law and OBBA

Category of Borrower	Loan Limits Under Previous Law	Loan Limits Under OBBA
Undergraduate Students	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate
Nonprofessional Graduate Students	Cost of attendance (as defined by the institution)	\$20,500 annually; \$100,000 in aggregate
Professional Graduate Students	Cost of attendance (as defined by the institution)	\$50,000 annually; \$200,000 in aggregate
Parents of Undergraduates	Cost of attendance (as defined by the institution)	\$20,000 annually; \$65,000 in aggregate (per child)

Source: US Department of Education, Federal Student Aid, <https://studentaid.gov/help-center/answers/article/how-much-money-can-i-borrow-federal-student-loans>; and One Big Beautiful Bill Act, H.R. 1, 119th Cong. (2025).

Source: Preston Cooper, American Enterprise Institute, July 2025

One Big, Beautiful Bill-Higher Education Provisions

- *Loan Repayment*
 - Loans distributed after July 1, 2026, can only be repaid using a standard repayment plan or an income-driven repayment plan, known as the Repayment Assistance Plan (RAP)
 - Loans before July 1, 2026, will be able to access RAP and the IBR plan created by Congress, as well as non-income-based plans
 - Pre-2014 Borrowers: 15% of discretionary income with forgiveness after 25 years
 - Post-2014 Borrowers: 10% of discretionary income with forgiveness after 20 years

One Big, Beautiful Bill-Higher Education Provisions

Repayment Terms: New Standard Repayment Plan

Balance	Repayment Term
Up to \$25k	10 years
\$25-50k	15 years
\$50-100k	20 years
\$100k+	25 years

Source: TICAS

Monthly Payment Determination: Repayment Assistance Plan

AGI	RAP Annual Payment (Divide By 12 For Monthly Payment)
Up to \$10,000	\$120
\$10,001-\$20,000	1% of AGI, minus \$50/month per dependent child
\$20,001-\$30,000	2% of AGI, minus \$50/month per dependent child
\$30,001-\$40,000	3% of AGI, minus \$50/month per dependent child
\$40,001-\$50,000	4% of AGI, minus \$50/month per dependent child
\$50,001-\$60,000	5% of AGI, minus \$50/month per dependent child
\$60,001-\$70,000	6% of AGI, minus \$50/month per dependent child
\$70,001-\$80,000	7% of AGI, minus \$50/month per dependent child
\$80,001-\$90,000	8% of AGI, minus \$50/month per dependent child
\$90,001-\$100,000	9% of AGI, minus \$50/month per dependent child
\$100,001+	10% of AGI, minus \$50/month per dependent child

One Big, Beautiful Bill-Higher Education Provisions

Design Details: IBR Plans

Design Detail	IBR 2/Revised IBR	IBR 1/Original IBR
Eligibility (Based on Borrowing Date)	Borrowers who took out their first loan on or after July 1, 2014	Borrowers who took out their first loan before July 1, 2014
Monthly Payment Formula	\$0 payments for income/family size up to 150% of the federal poverty level (FPL) and 10% of all income above 150% FPL, up to the fixed 10-year payment amount	\$0 payments for income/family size up to 150% FPL and 15% of income above 150% FPL, up to the fixed 10-year payment amount
Maximum Repayment Term	20 years	25 years
Treatment of Interest Accrual While Enrolled in IDR	<i>Same as IBR 1</i>	<i>Subsidized loans:</i> Unpaid accrued interest is 100% covered for up to 3 years <i>Unsubsidized loans:</i> No interest subsidy
Treatment of Married Borrowers	<i>Same as IBR 1</i>	Allows borrowers whose tax status is married filing separately to exclude their spouse from both the borrower's household income and family size

Source: TICAS

One Big, Beautiful Bill-Higher Education Provisions

- *Pell Grants* (provisions start July 1, 2026)
 - Establishes Workforce Pell Grants for accredited providers
 - Includes \$10.5 billion in mandatory funds in FY26 to stabilize Pell Grants in the short-term
 - Students are ineligible for Pell Grants if students their total cost of attendance already covered from other sources
 - Foreign income included in the adjusted gross income for Pell Grant calculations
 - If you have a high Student Aid Index (SAI), then no Pell

One Big, Beautiful Bill-Higher Education Provisions

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SEC. 83004. FEDERAL PELL GRANT EXCLUSION RELATING TO OTHER GRANT AID.

Section 401(d) of the Higher Education Act of 1965 (20 U.S.C. 1070a(d)) is amended by adding at the end the following:

“(6) **EXCLUSION.**—Beginning on July 1, 2026, and notwithstanding this subsection or subsection (b), a student shall not be eligible for a Federal Pell Grant under subsection (b) during any period for which the student receives grant aid from non-Federal sources, including States, institutions of higher education, or private sources, in an amount that equals or exceeds the student’s cost of attendance for such period.”.

One Big, Beautiful Bill-Higher Education Provisions

- *Pell Grants-Workforce Pell* (provisions start July 1, 2026)
 - Between 150 to 600 clock hours and 8 to 15 weeks
 - Must be approved by the governor in consultation with the state workforce board.
 - No correspondence courses
 - Must be stackable/portable or prepare students for a job with a single credential
 - The U.S. Secretary of Education must determine:
 - That it has been operating for at least a year
 - 70% verified completion rate
 - 70% job placement rate within 180 days
 - Tuition and fees must not exceed value-added earnings (median earnings minus 150% of poverty)

One Big, Beautiful Bill-Higher Education Provisions

- *Accountability (starts July 1, 2026)*
 - *Undergraduate students*
 - Bans new student loans for undergraduate programs in which the majority of completers earn less than the median high school graduate in the same state
 - Those working individuals with high school diplomas age 25-34 in the state
 - Earnings for bachelor's degree recipients calculated four years after graduation.
 - *Graduate students*
 - Bans new federal loans for graduate programs where the majority of completers earn less than bachelor's degree recipients in the same field in the same state
 - Certificate programs are not included
 - This is at the *program level*---programs lose eligibility if they don't meet the standards two years in a three-year period. Banned for at least two years.
 - Concerns remain over certain lower-paying degree programs, such as social work and teaching

NASFAA Chart---OBBB Accountability vs Gainful Employment

	New Accountability Framework	Gainful Employment/Financial Value Transparency
Authority	Enacted through statute (e.g. The One Big Beautiful Bill Act)	Implemented via regulation under existing HEA authority
Origin	Congress (signed into law by President)	The Department of Education through negotiated rulemaking
Programs Covered	Title IV eligible degree programs (undergraduate, graduate, professional) and graduate certificate programs	GE: non-degree programs at nonprofits/publics and all programs at for-profits FVT: all Title IV eligible programs (in some cases, previously-eligible programs)
Metrics Used	UG: median earnings of completers 4 years after program completion with the earnings of “working adults” with only a high school degree or GED who are not enrolled in higher education. GR: median earnings of completers 4 years after program completion with the earnings of “working adults” with only a bachelor’s degree who are not enrolled in higher education.	GE: Earnings premium measure (vs. high school grads) and debt-to-earnings rate FVT: same metrics but for transparency only
Program Eligibility Consequences	Loss of Direct Loan eligibility if metrics failed twice in 3 years	GE: Loss of Title IV eligibility if metrics failed twice in 3 years FVT: No impact on eligibility (disclosure only)
Implementation Frequency	Based on statutory timeline; permanent unless amended	Can be reassessed as often as an administration chooses as it aligns with the regulatory cycle

Source: National Association of Student Financial Aid Administrators, July 2025

One Big, Beautiful Bill-Higher Education Provisions

Estimated Share of Enrollment in Failing Programs, by Control and Credential Level

	UNDERGRADUATE			GRADUATE				TOTAL, including undergraduate certificate failures	TOTAL, no undergraduate certificate failures*
	Certificate (%)	Associate (%)	Bachelor's (%)	Certificate (%)	Master's (%)	Professional (%)	Doctoral (%)		
Private, for-profit	43	8	0	9	10	0	0	15	3
Private, nonprofit	38	11	1	0	2	3	0	2	2
Public	3	1	0	0	1	0	0	1	1
TOTAL	19	2	0	1	2	2	0	3	1

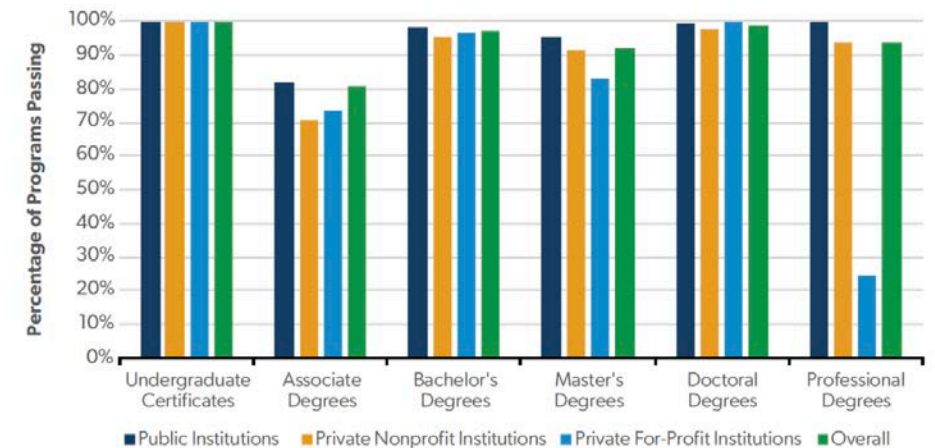
Estimate based on program completers, using 2019 Program Performance Data. For more details, see the methodological appendix.

*Includes undergraduate certificate programs in the denominator, but treats all as passing.

Source: Clare McCann, American University PEER

Source: Preston Cooper, AEI

Figure 5: Share of Programs Passing the OBBB Earnings Benchmark Test, by Credential Type and Institutional Sector



Source: College Scorecard and American Community Survey, 2018-22.

Note: Results are weighted by enrollment.

One Beautiful Bill-Higher Education Provisions

- *Regulations (starts July 1, 2026)*
 - Biden-era regulations on borrower defense to repayment and closed school discharge delayed until 2035

One Beautiful Bill-Higher Education Provisions

- *Tax Policy (Starts 2026)*
- Steeper tax on net investment income from wealthy **private** college endowments with at least 3,000 tuition-paying students
- 1.4 percent for institutions with an endowment of \$500,000 to less than \$750,000 per student;
- 4 percent for institutions with an endowment of more than \$750,000 and less than \$2,000,000 per student; and
- 8 percent for institutions with an endowment of more than \$2,000,000 per student.
- Other provisions on charitable contributions included in the bill



One Big, Beautiful Bill-Other Provisions

- Medicaid: \$1 trillion in cuts to health care directly at Medicaid
 - For states, the provider tax is a key issue
 - Millions of students are on Medicaid
 - University hospitals will be strained
 - Senate might try to make deeper cuts to Medicaid in another reconciliation package
 - Hawley (R-MO) bill to roll back Medicaid cuts
- SNAP: SNAP Cuts, particularly the 5% to 15% payments based on state error payment rates, plus new administrative costs
- The major cuts will be delayed until 2028

Negotiated Rulemaking-PSLF

- ED formed a negotiated rulemaking committee this summer to ensure nonprofit employers are not engaging in activities with “substantially illegal purpose.”
- Focus on non-profits with connection to terrorism, immigration violations, child abuse and illegal discrimination
- No consensus on a final rule was reached by the committee.
- ED has proposed regulations, currently open to public comment
- Critics: This effort to restrict PSLF is illegal. Court challenge expected.



Negotiated Rulemaking-OBBB

- Upcoming negotiated rulemaking for One Big, Beautiful Bill Act (OBBB)
 - Two committees
 - ***Reimagining and Improving Student Education (RISE)***
 - Focus on student loan provisions
 - ***Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD)***
 - Institutional and Program Accountability, Pell Grants, and other issues
 - Negotiations will take place in late Sept/early October and early November (RISE) and early December and early January (AHEAD)
 - Dept. of Education currently reviewing comments, potential negotiators

Other ED/Executive Branch Activities

- DOL Transition: The Dept of Labor will take a greater role in administering adult and CTE programs at US Dept of Education
 - Adult and family literacy programs under Title II of WIOA
 - Career and technical education under Perkins V
 - More guidance expected.
- Admissions:
 - New executive order on admissions data, along with concerns from the higher education community about the quality of the admissions data and capacity of ED to analyze the data.
- FAFSA
 - FAFSA is going through beta testing, will be ready and open on October 1.
- Unlawful Discrimination
 - AG Bondi released a memo on 7/29 on unlawful discrimination for entities receiving federal funding
- International Students
 - New proposed rule from Dept. of Homeland Security rule limiting student visas to four years
- Executive Order on Grantmaking
 - President Trump signed an executive order with tighter accountability measures on federal grantmaking on August 7

Judicial Branch

- HSI Lawsuit
 - Trump Administration will not defend Hispanic-serving institutions (HSIs) against lawsuit challenging their legality. The future of HSIs and other Minority-Serving Institutions (MSIs) remains unclear.
- In-state Tuition for Undocumented Students
 - Lawsuits with Texas (settled), Illinois, Kentucky, Oklahoma, and Minnesota
- February 14 Letter Permanently Blocked
 - This letter basically said that all race-based campus programs are illegal based on the 2023 Supreme Court decision.
- Reduction in Force (ED)
 - This was challenged in court, and the U.S. Supreme Court has overturned a district court block, allowing the terminations of nearly 1,400 employees to take place
 - OCR employees will be returning this fall, however.
- Indirect Cost Caps
 - Trump administration efforts to institute indirect cost caps at NIH, NSF, DoD, and DoE have been challenged in court

FY26 Appropriations

- The Fiscal Year 2025 ends on Sept. 30, Democrats seeking harder line in negotiations.
- Continuing resolution (CR) expected. Full-year CR?
- President Trump has called for deep cuts to education programs
- The Senate Appropriations Committee approved the FY26 Labor-HHS-Education spending bill on July 31 with a 26-3 vote
 - Senate bill largely flat-funds higher education programs, rejecting the Trump Administration's proposed cuts
- House bill makes cuts, but level-funds Pell Grants, GEAR UP, and TRIO. Cuts to SEOG, Federal Work-Study, and other programs.
- Rescissions remain a concern among Democrats



FY26 Appropriations

	FY25 Amount	FY26 President's Budget	FY26 House	FY26 Senate	FY26 Final
Student Aid-Pell Grants (max. award)	\$7,395	\$5,710	\$7,395	\$7,395	
Student Aid-GEAR UP	\$388M	0	\$388	\$388M	
Student Aid-TRIO Programs	\$1.191B	0	\$1.191	\$1.191B	
Student Aid-Federal Work- Study	\$1.23B	\$250M	\$779	\$1.23M	
Student Aid-SEOG	\$910M	0	0	\$910M	
Postsecondary Student Success Grants	\$45M	0		\$40M	

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/>

Tuesday, September 2, 2025

SHEEO in the News

[Colleges face financial struggles as Trump policies send international enrollment plummeting](#)

The Associated Press (Date posted: August 30, 2025)

[AL: Alabama lawmakers consider tying higher ed funding to student outcomes](#)

Alabama Daily News (Date posted: August 29, 2025)

[AZ: Arizona expands educational opportunities in state prisons amid scrutiny](#)

Arizona Capitol Times (Date posted: August 31, 2025)

National Policy

[Trump administration cuts grants for child care on college campuses](#)

The Washington Post (Date posted: August 29, 2025)

[House Republicans propose 15 percent cut to Education Department](#)

Questions and Contact Information

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