Federal Update

November 6, 2025
MHEC Annual Commission Meeting

Tom Harnisch, Vice President for Government Relations
State Higher Education Executive Officers Association (SHEEO)

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State Higher Education Executive Officers Association

Issues Areas

- FY26 Appropriations/Government Shutdown
- One Big, Beautiful Bill (OBBB)
- Implementation of OBBB
  - Negotiated Rulemaking
  - Workforce Pell Grants
- Compact for Academic Excellence in Higher Education
- International Students
- Research/Grant Cuts
- Student Loan Defaults
- Other issues

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FY26 Appropriations/Government Shutdown

- Congress remains at an impasse on FY26 Appropriations
- Continuing at U.S. Dept. of Education:
  - Federal Student Aid
  - Existing Grants
  - Rulemaking
- Paused:
  - New Grantmaking
  - Office of Civil Rights (OCR) Investigations
  - Technical Assistance
- Layoffs at ED and other federal agencies, court challenge
- November SNAP benefits disbursement, court challenge

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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	0	$40M	

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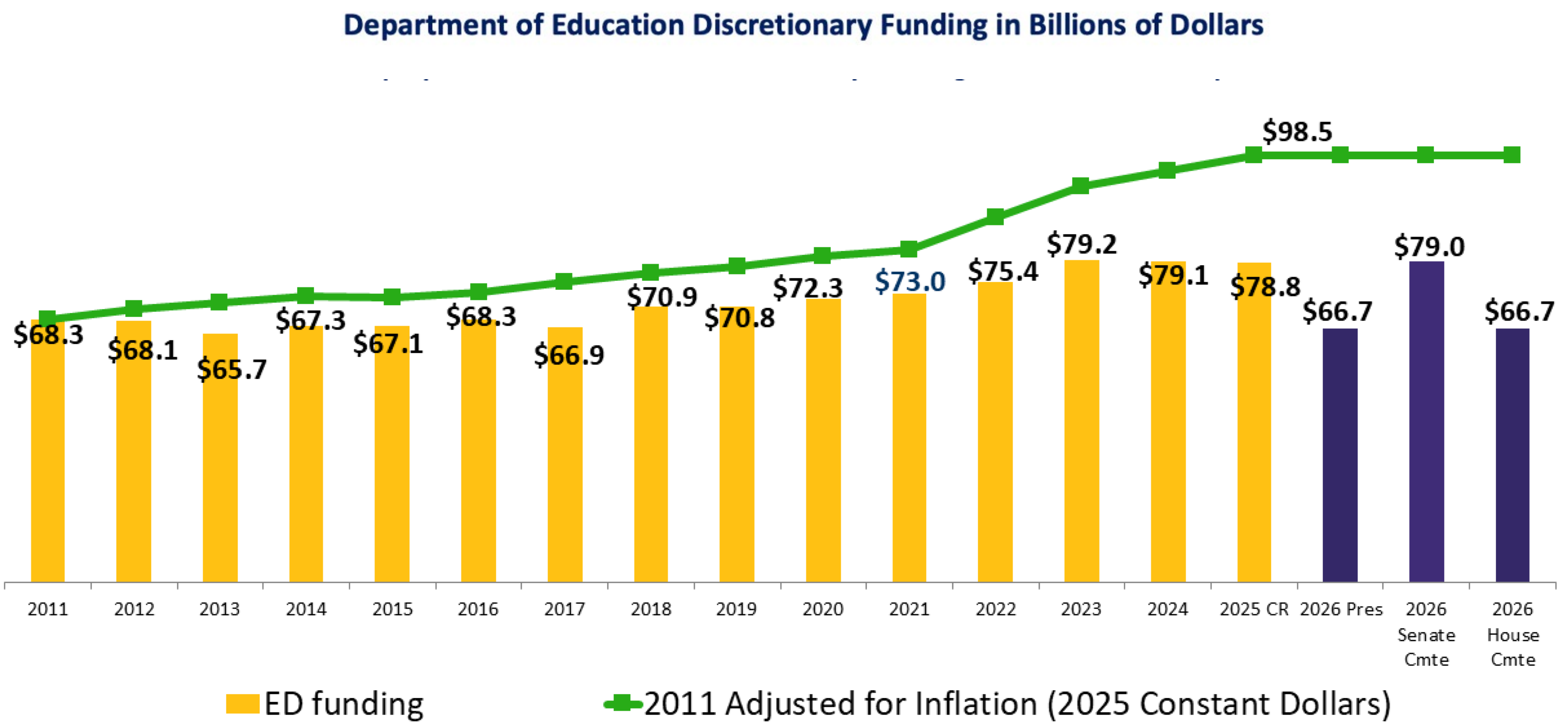

C E F
COMMITTEE FOR EDUCATION FUNDING

2017, 2019, 2020, 2021, 2022, & 2023 totals reflect rescissions of previously appropriated ED funding

The One Big Beautiful Bill (OBBB)

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

Overview-One Big Beautiful Bill (OBBB)

- **This is primarily a *tax bill*, not an education policy bill**
- Extends the 2017 Tax Cuts
- Increases the deficit by $3.4 trillion (over 10 years)
  - Decreases spending by $1.1 trillion
  - Decreases revenue by $4.5 trillion
- Makes changes to an array of programs across the federal government
- Reduces spending on education programs by ~$284 billion over 10 years
- Sweeping changes to higher education provisions

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
  - ***Estimated cost: $17 billion over 10 years***

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 on July 1, 2026.
    - Master's programs: Capped at $20,500 annually ($100,000 lifetime)
    - Professional programs: Capped by $50,000 annually ($200,000 lifetime)
    - With undergrad loan limits, total cap of $257,000 lifetime on federal loans
  - Parent PLUS Loans capped at $20K annually, $65K lifetime per student.
  - ***Estimated savings: $44 billion over 10 years***

One Big, Beautiful Bill-Higher Education Provisions

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

Category of Borrower	Loan Limits Under Previous Law	Loan Limits Under OBBB
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

Modeling and Projections on OBBB

Postsecondary Education & Economics Research Center

Table 2. Graduate Student Borrowing Relative to the New OBBBA Loan Limits by Credential Level

	Applicable Annual OBBBA Loan Limit ($)	Number of Federal Borrowers With Annual Loans Above the OBBBA Limit	Share of Federal Loan Borrowers Above the OBBBA Limit (%)	Among Borrowers Above the OBBBA Limit, Average Amount of Annual Federal Loans Above New Limits ($)	Total Federal Loan Volume Above New Limits ($ in Millions)
Certificate	20,500	5,294	9.7	19,051	101
Master's	20,500	190,055	21.9	21,660	4,117
Doctoral	20,500	49,341	27.7	22,062	1,089
Professional	50,000	125,596	37.7	22,047	2,769
Total		**370,286**	**25.8**	**21,807**	**8,075**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

Modeling and Projections on OBBB

Postsecondary Education & Economics Research Center

Table 6. Current Borrowing of Parent PLUS Loans

	Total Number of Dependent Under-graduate Students	Number of Under-graduates Whose Parents Took Out Parent PLUS Loans	Share of Undergraduates Whose Parents Took Out Parent PLUS Loans (%)	Average Parent PLUS Loan Amount Among Those with Parent PLUS Loans ($)	Total Volume Disbursed ($ in Millions)
Public	7,431,328	420,272	5.7	15,152	6,368
Private	2,256,333	328,706	14.6	17,706	5,820
Total	**9,687,661**	**748,978**	**7.7**	**16,273**	**12,188**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

Table 7. Current Borrowing of Parent PLUS Loans Above New OBBBA Loan Limits

	Annual OBBBA Loan Limit ($)	Number of Under-graduates Whose Parents Took Out PLUS Loans Above New Limit	Share of Under-graduates Whose Parents Took Out PLUS Loans Above New Limit (%)	Average Amount of Parent PLUS Loan Above New Limit ($)	Total Parent PLUS Loan Volume Above New Limit ($ in Millions)
Public	20,000	109,842	26.1	8,255	907
Private	20,000	107,043	32.6	12,972	1,389
Total	**20,000**	**216,885**	**29.0**	**10,583**	**2,295**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

One Big, Beautiful Bill-Higher Education Provisions

- *Loan Repayment*
  - Loan 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 standard repayment 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
  - ***Estimated savings: $269 billion over 10 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

- *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 have 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
- ***Estimated cost: $10 billion over 10 years***

One Big, Beautiful Bill-Higher Education Provisions

- *Pell Grants-Workforce Pell* (provisions start July 1, 2026)
  - Between 150 to 599 clock hours and 8 to 15 weeks in duration
  - Must be from an **accredited** institution
  - No correspondence courses
  - Governors, in consultation with state workforce boards, must approve the programs
    - Aligned with high-wage, high-demand jobs or in-demand industry sectors
    - Must meet employer requirements
    - Lead to a recognized, stackable/portable credential across multiple employers or a recognized credential of a single occupation
    - Must provide credit toward a certificate or degree program
  - The U.S. Secretary of Education must determine:
    - That it has been operating for at least a year prior to approval from the Secretary
    - Completion: 70% verified completion rate
    - Job Placement: 70% job placement rate within 180 days
    - Value-Added Earnings: Tuition and fees must not exceed value-added earnings (median earnings minus 150% of poverty)

One Big, Beautiful Bill-Higher Education Provisions

- *Pell Grants-Workforce Pell* (provisions start July 1, 2026)
  - Students must qualify for Pell Grants
  - Cannot have enrolled in or completed a graduate-level program
  - The Pell Grant funding will be prorated for length
  - Cannot receive Workforce Pell Grant and regular Pell Grant at the same time
  - Workforce Pell Grant count toward regular Pell Grant duration (12 semesters)

One Big, Beautiful Bill-Higher Education Provisions

- *Accountability (Do Not Harm Provisions-starts July 1, 2026)*
  - *Undergraduate students*
    - **Bans new student loans from undergraduate programs where 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 a 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.
- **Estimated savings: $777 million over 10 years**

Modeling and Projections on OBBB

Postsecondary Education & Economics Research Center

- Accountability Standard
  - 1.8% of students are in programs that would fail the threshold, 1.4% in the public sector.
  - “These students are concentrated in associate degree programs, as well as in the fields of study of health, the visual and performing arts, and liberal arts and general studies.”

Modeling and Projections on OBBB

Postsecondary Education & Economics Research Center

Figure 3: Share of Students in Programs Estimated to Have Earnings Below the OBBBA Earnings Threshold, by Credential Level

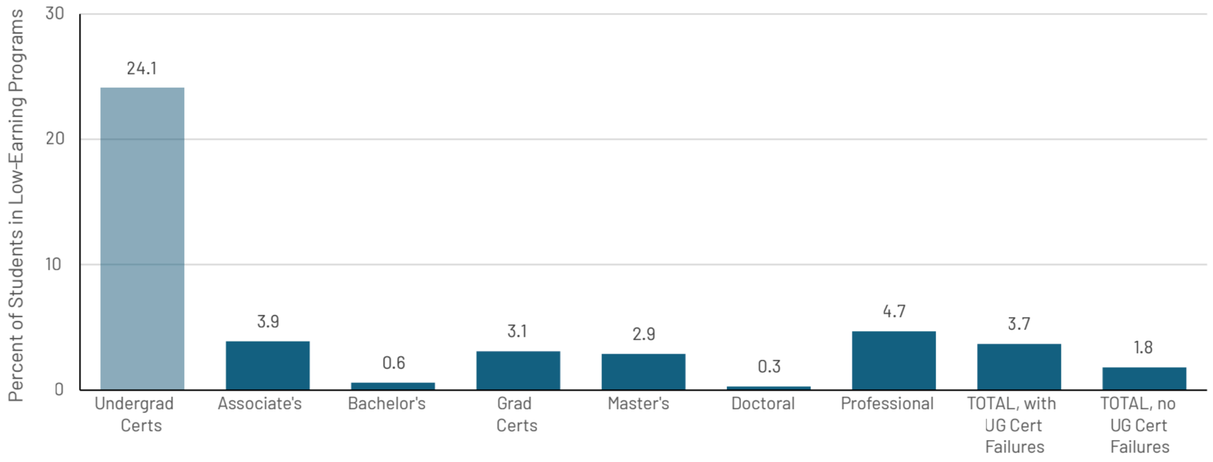

Figure 4: Share of Students in the Twenty Largest Fields in Programs Estimated to Have Earnings Below the OBBBA Earnings Threshold

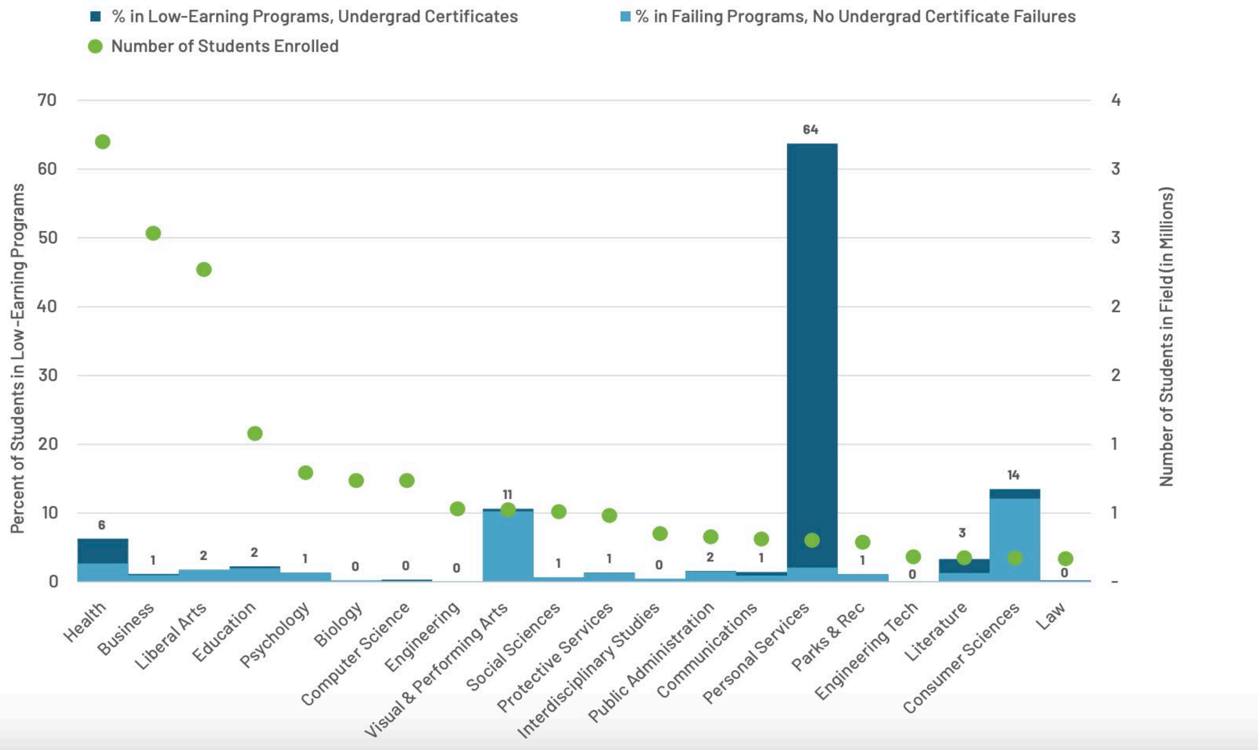

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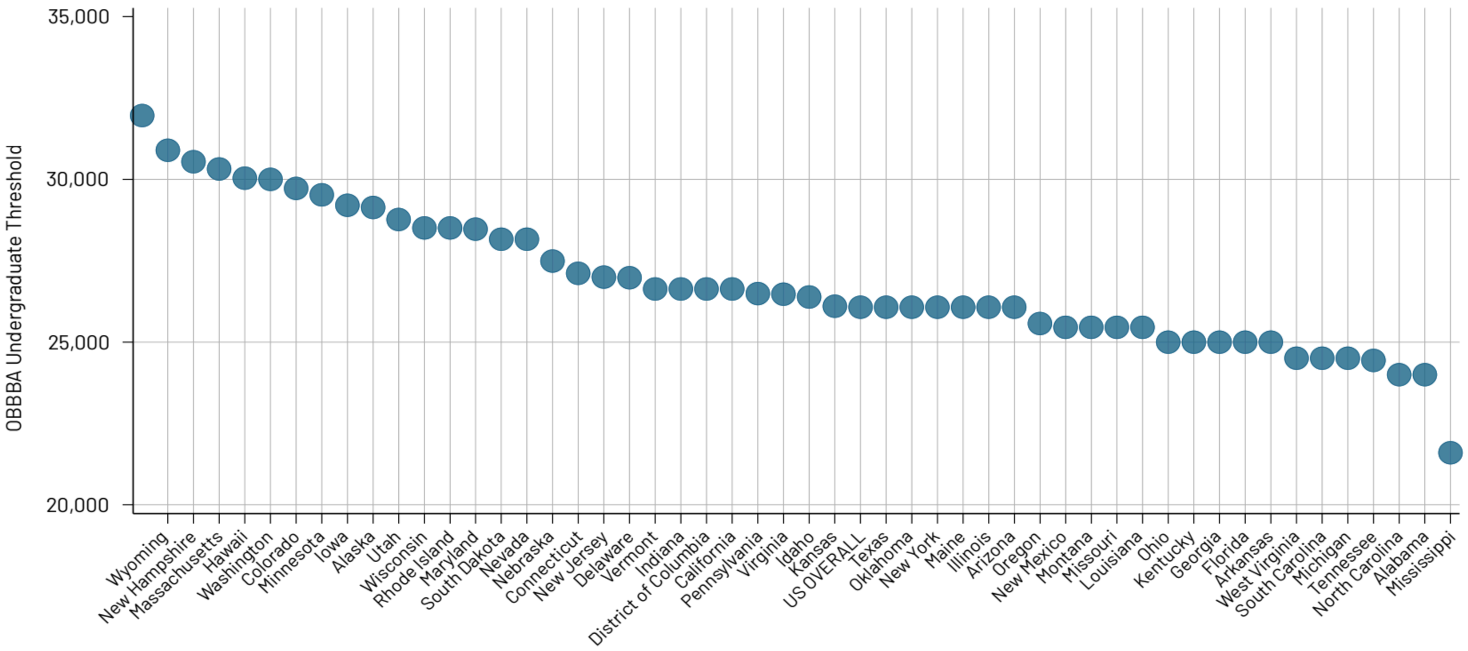
Figure 1: OBBBA Threshold for Undergraduate Programs, by State



Thresholds estimated in 2019 dollars, using the five-year American Community Survey. The figures display thresholds for undergraduate programs that would apply at schools where most students are in-state. For thresholds applied to schools where most students come from out of state, see "US OVERALL" in the figure. For more on the methodology, see Appendix B.

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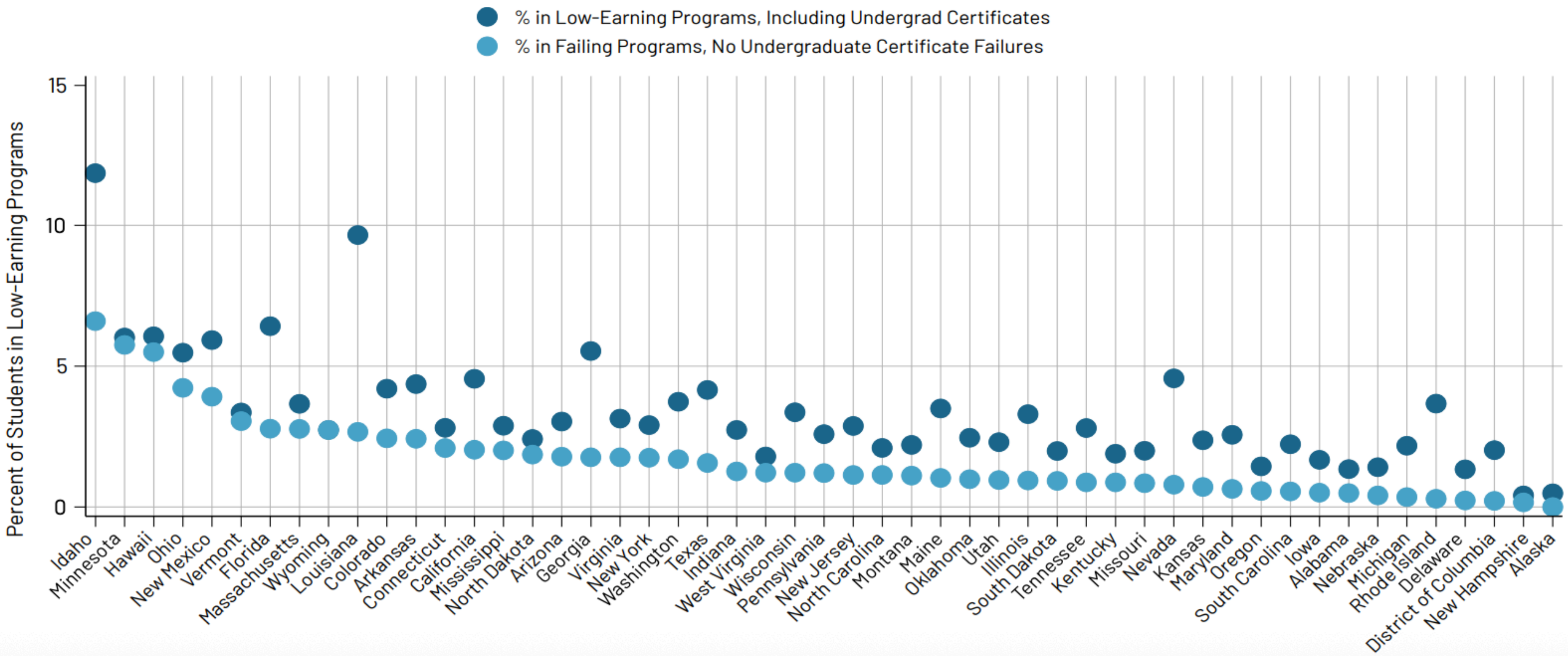
Figure 5: Share of Students in Programs Estimated to Have Earnings Below the OBBBA Earnings Threshold, by State



Estimates based on if the policy was in place in 2019. For more on the methodology, see Appendix B.

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

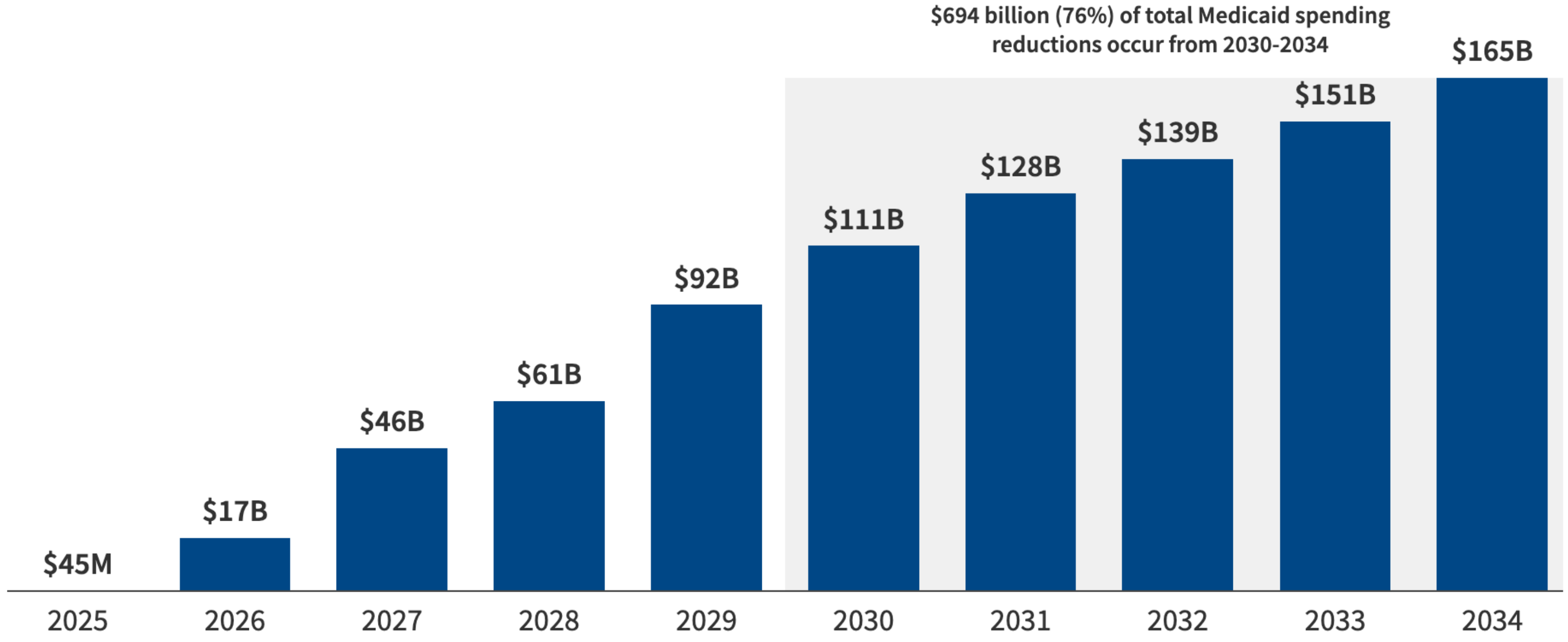
One Big, Beautiful Bill-Other Provisions

- Medicaid: $1 trillion in cuts to health care, mostly directly at Medicaid
  - For states, the provider tax is a key issue
  - Millions of students are on Medicaid
  - University hospitals will be strained
- SNAP: SNAP Cuts, particularly the 5% to 15% payments based on state error payment rates, plus new administrative costs
- The sharpest cuts will be delayed until 2028, but states will be preparing

One Big, Beautiful Bill-Other Provisions

Figure 2

Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year



Note: Estimated interaction effects are included each year. Over the 10-year period, the Medicaid spending reductions total $911B, including $79B in estimated Medicaid spending interactions. Without accounting for interactions, the total is $990B. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package" for more details.

Source: KFF analysis of CBO estimates of the enacted reconciliation package • Get the data • Download PNG

KFF

Source: Kaiser Family Foundation

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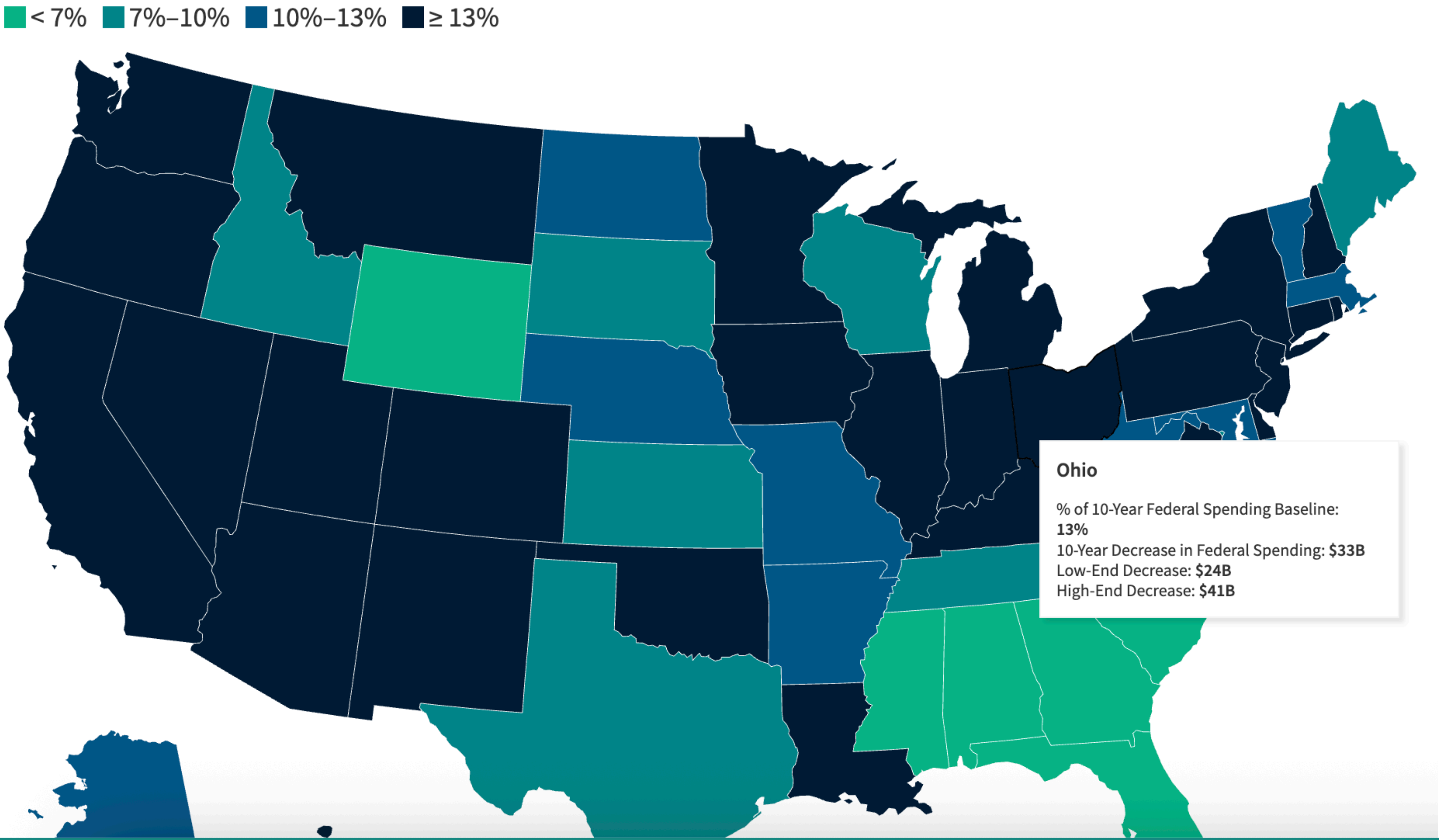
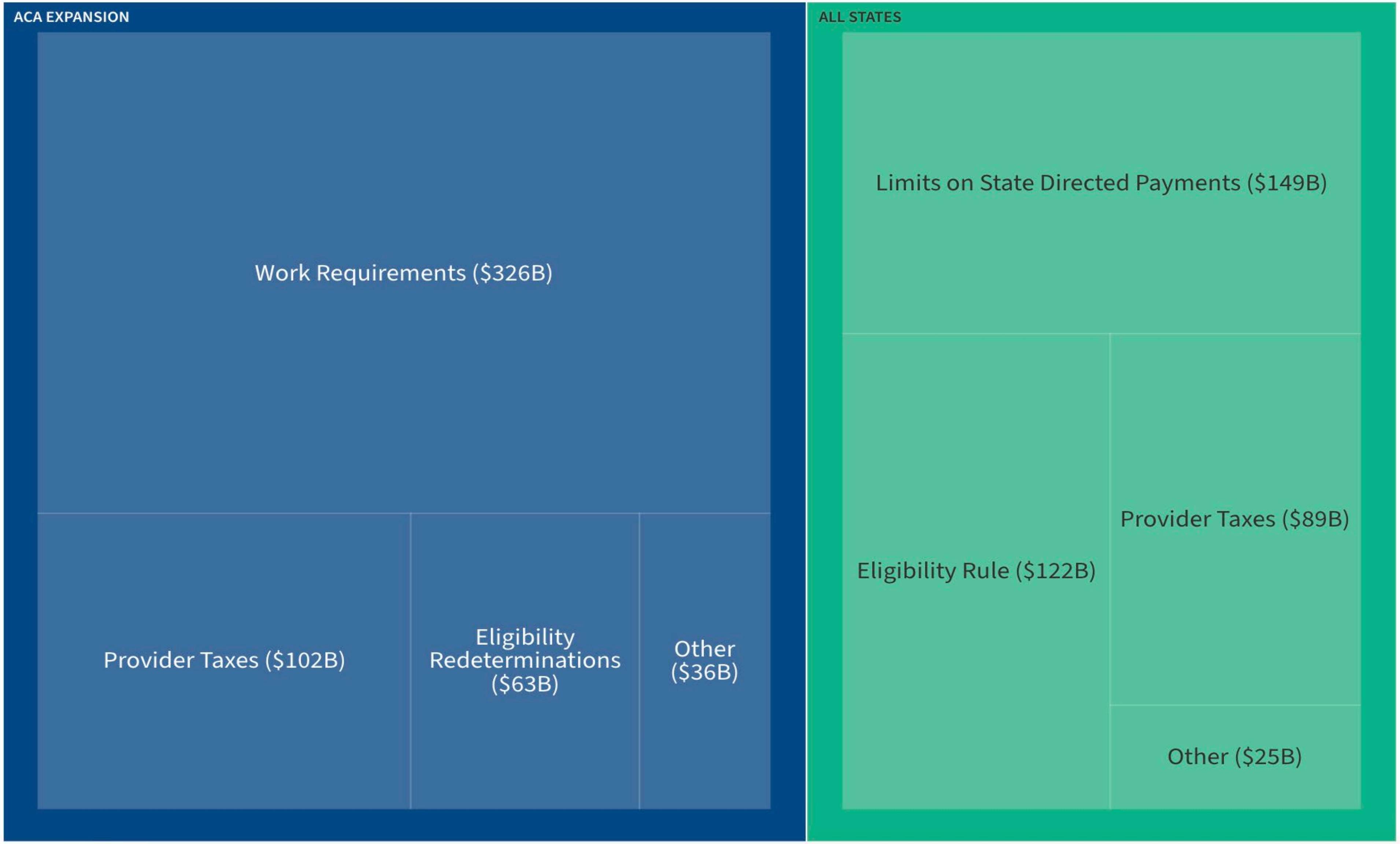
Federal Medicaid Cuts in the Enacted Reconciliation Package, By State

As a % of 10-year baseline federal spending (2025-2034)



Source: Kaiser Family Foundation



Note: Over the 10-year period, the Medicaid spending reductions total $911B, including $79B in estimated Medicaid spending interactions.

Source: Kaiser Family Foundation

General Funds Expenditures by Function, FY 2024

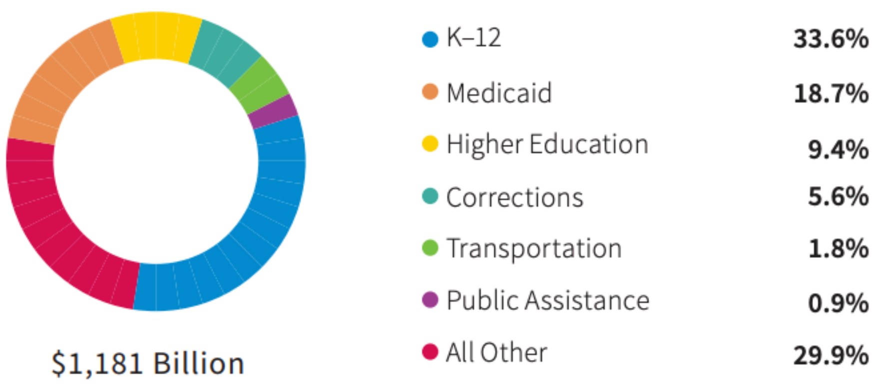
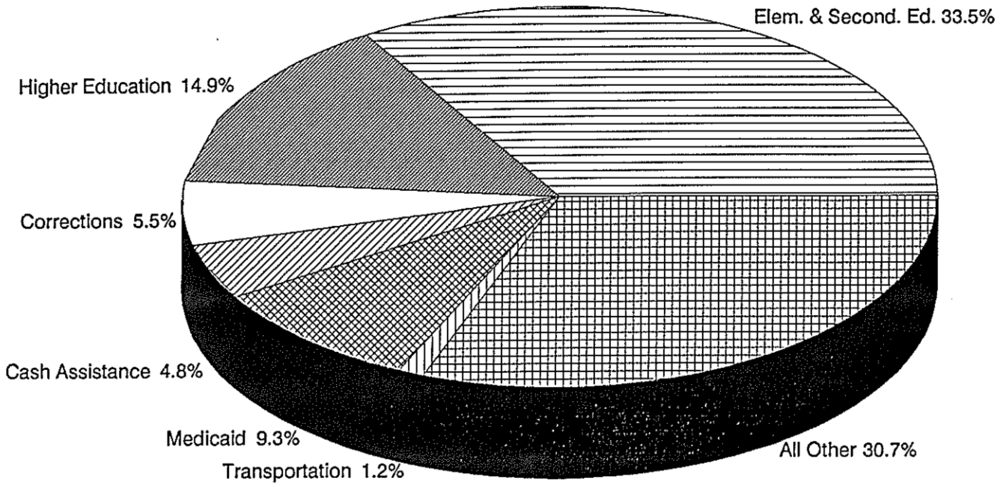


Figure 1-2
Total Fiscal 1990 State Expenditures From the General Fund



RESEARCH

Higher Education Spending: The Role of Medicaid and the Business Cycle

Peter R. Orszag and Thomas J. Kane

February 25, 2025

Public Higher Ed Ain't Seen Nothing Yet

The Impact of Federal Funding on State Budget Priorities: Public Higher Education Operating Budgets and Medicaid

F. King Alexander, Stephen G. Katsinas, Noel E. Keeney, and Nathaniel J. Bray

One Big, Beautiful Bill-Other Provisions

Source: Georgetown Center on Inequality and Poverty

SNAP Obligations	Pre OBBB	Post OBBB
Illinois	$173.1m	$930.1m
Indiana	$94.5m	$285.4m
Iowa	$27m	$67m
Kansas	$29.3m	$84.8m
Michigan	$197.2m	$601.9m
Minnesota	$87.6m	$217m
Missouri	$62.6m	$245.2m
Nebraska	$24.8m	$37.2m
North Dakota	$12.7m	$24.7m
Ohio	$145.9m	$536.6m
South Dakota	$10m	$15m
Wisconsin	$85.6m	$128.4m

OBBB-Negotiated Rulemaking

- Negotiated rulemaking for One Big, Beautiful Bill Act (OBBB) started earlier this month
- 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
- Negotiators will reconvene in early November (RISE) and early December and January (AHEAD)

OBBB-Negotiated Rulemaking

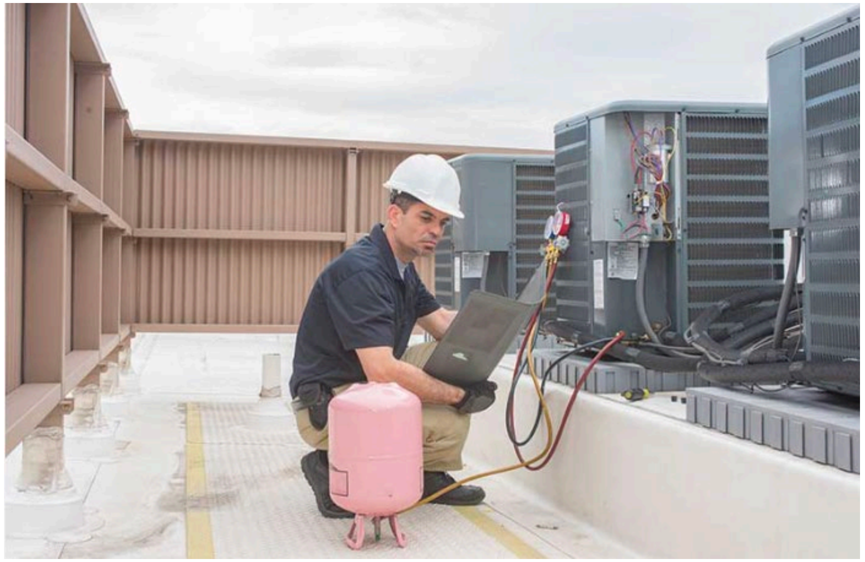
- A key issue in negotiated rulemaking is the divide between professional and master’s degree programs, and which programs will go into which categories
- Reminder on loan caps
  - Master’s annual loan cap=$20.5K ($100K lifetime max)
  - Professional annual loan cap=$50K ($200K lifetime max)
- Negotiations remain ongoing

Other Rulemaking

- The Trump Administration has approved a new rule limiting the definition of “qualifying employer” on the Public Service Loan Forgiveness Program (PSLF)
- Some employers could lose eligibility because their work was deemed as having a “substantially illegal purpose.”
  - Focus areas include immigration laws, terrorism, discrimination, transgender youth
- Critics: PSLF could be weaponized against non-profit organizations or public entities opposed to the Administration’s priorities
- Lawsuits have been filed to block the rule

Workforce Pell

- State preparation for workforce Pell Grant
  - Establish a state Task Force of key stakeholders
  - Examine the state labor market for high-wage, in-demand jobs and hiring requirements of employers
  - Review state workforce strategies and plans
  - Evaluate data infrastructure
  - Review stackability and portability of programs
  - Consider additional consumer protections
- Possible occupations: healthcare, skilled trades, technology
- Timeline
  - Negotiated rulemaking ends in January 2026
  - Rule expected in spring for comments, final rule in late spring
  - Starts July 1, 2026
  - First Workforce Pell Grant expected to be distributed early 2027



Compact for Academic Excellence (1 of 2)

- **Equality in Admissions**
  - None of these factors – sex, race, ethnicity, sexual orientation, gender identity, political views, etc. – should be used in student admissions or financial support.
  - Objective measures should be used, standardized tests and GPA required. Greater transparency.
- **Marketplace of Ideas and Civil Discourse**
  - Ensure a vibrant marketplace of ideas on campus
  - "transforming or abolishing institutional units that purposefully punish, belittle, and even spark violence against conservative ideas."
  - Protect academic freedom and free speech on campus
- **Nondiscrimination in Faculty and Administrative Hiring**
  - No factor, such as sex, race, national origin, disability, etc. in faculty and administrative hiring
- **Institutional Neutrality**
  - "all university employees, in their capacity as university representatives, will abstain from actions or speech relating to societal and political events except in cases in which external events have a direct impact upon the university."

Compact for Academic Excellence (2 of 2)

- **Student Learning**
  - Combat grade inflation, commit to transparency in grading.
- **Student Equality**
  - "Students shall be treated as individuals and not based on their immutable characteristics, with due exceptions for sex-based privacy, safety, and fairness."
- **Financial Responsibility**
  - Reduce administrative cost and freeze tuition for five years
  - Any university with an endowment exceeding $2 million per undergraduate student will not charge tuition for admitted students pursuing hard science programs
- **Foreign Entanglements**
  - Anti-money laundering and foreign gift disclosure
  - No more than 15% foreign students, and no more than 5% from any individual country

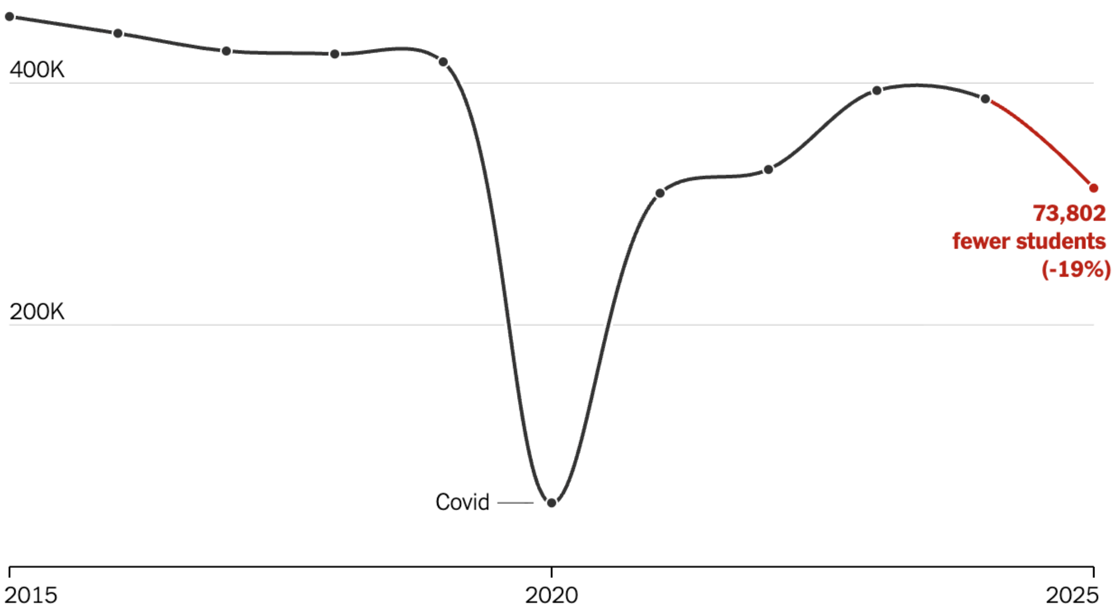
Compact for Academic Excellence

- The Compact is open to all institutions
- Some colleges have expressed interest
- The legality of it is unclear, as are the details of the benefits
- Continued concern over academic freedom and financial implications
- Elements of the compact could show up in future regulations

International Students

- 19% decline in international student arrivals in August
- Causes: delays in visa processing, travel bans, deportations, increased vetting
- Sharp declines from Asia (-24%)
  - India (-44%)
  - China (-12%)
  - South Korea (-11%)
- Africa (-32%)
- Middle East (-17%)
- Europe has remained constant (-2%)

International student arrivals to the U.S. in August



Source: Trade.gov • Note: The data for August 2025 is preliminary and excludes visitors who arrived from Mexico via land, and visitors from Canada.

Source: NYTimes

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Federal Grant and Research Funding

- Colleges and universities have lost billions in federal grant/research funding across agencies (estimated $3.2 billion in July)
  - TRIO, GEAR UP, Corporation for Public Broadcasting, and other programs
- Grants that did not aligned with the administration's priorities, particularly related to DEI, were flagged for termination
- Trump Administration has sought to lower the indirect cost rate to 15 percent across agencies (DOE, DoD, NSF, NIH). Currently in court.
- This has led to layoffs on college and university campuses

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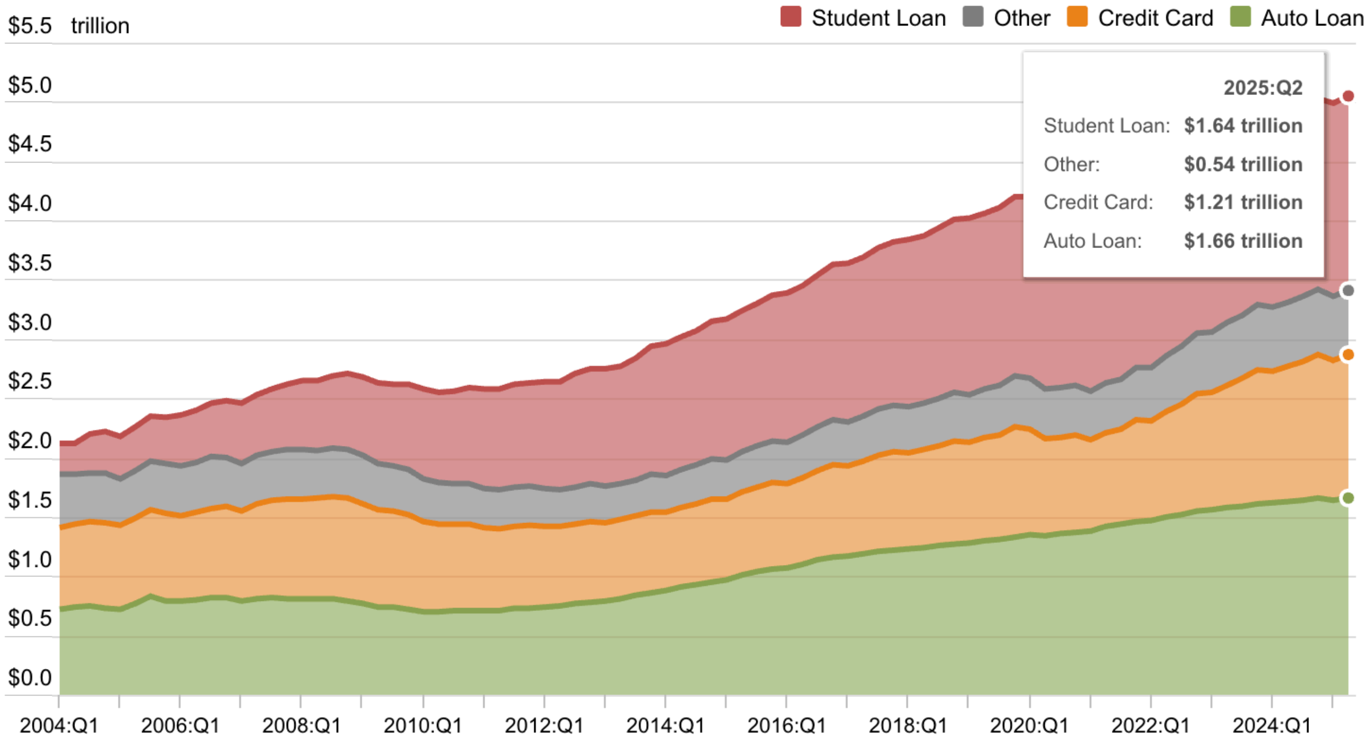
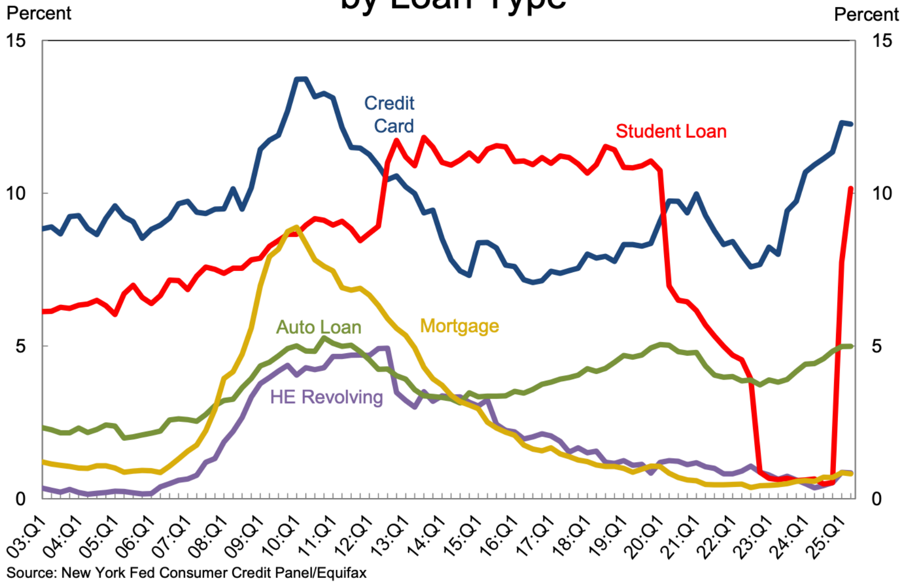
Student Loan Defaults

Non-Housing Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax

Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

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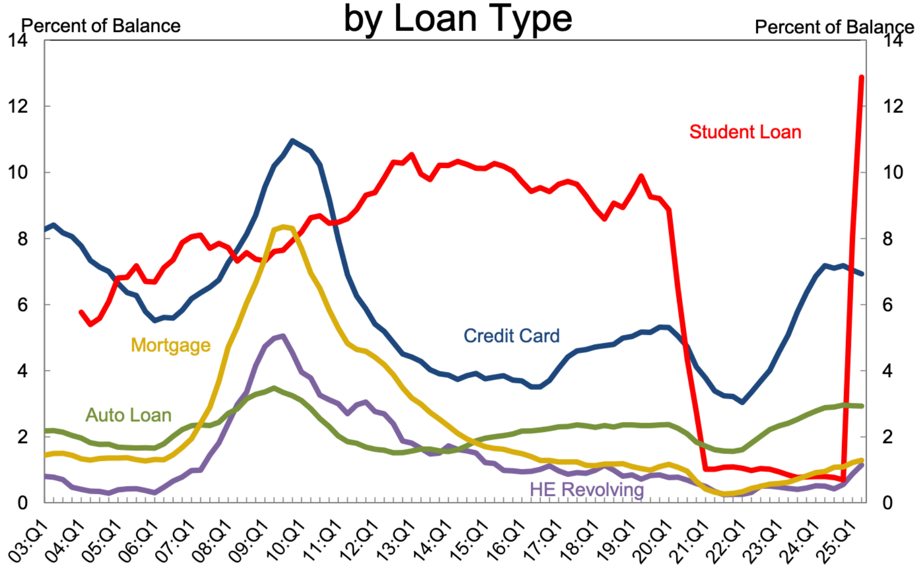
Transition into Serious Delinquency (90+) by Loan Type



Note: 4 Quarter Moving Sum

Source: New York Fed Consumer Credit Panel/Equifax

Student loan data are not reported prior to 2004 due to uneven reporting

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Student Loan Default

- Defaulted borrowers risk wage and tax refund garnishment, fees, and reductions in in their credit score
- *Institutions need to be mindful of cohort default rates*

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Other Issues

- MSI Lawsuit
- Federal Accessibility Rules-April 2026/2027
- IES Reorganization
- IPEDS Data Collection
- H1B-Visa

SHEEO Daily Policy Update

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

SHEEO | Higher Education Policy Update

Thursday, July 10, 2025

Register Today! 2025 SHEEO Policy Conference~August 11-14~Minneapolis

National Policy

Press Release: U.S. Department of Education Continues to Improve Federal Student Loan Repayment Options, Addresses Illegal Biden Administration Actions
U.S. Department of Education (Date posted: July 9, 2025)

Report: Policy Solutions: Increasing Accessibility in Higher Education for Learners with Disabilities
CHEPP (Date posted: July 2025)

Trump Signed the ‘Big Beautiful Bill.’ What’s Next?
Inside Higher Ed (Date posted: July 10, 20250

Larger fights rage on, but Trump racking up wins against colleges
The Hill (Date posted: July 9, 2025)

Latitudes: U.S. government data on international enrollments were off — by 200,000 students
The Chronicle of Higher Education (Date posted: July 9, 2025)

College Enrollment Patterns Are Changing. New Data Show Applicant and Admit Pools Are Too.
Urban Institute (Date posted: July 9, 2025)

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Questions and Contact Information

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