

Washington Update: What's Next from Congress and the Administration?

Tom Harnisch, State Higher Education Executive Officers Association (SHEEO)
Louisa Woodhouse, National College Attainment Network (NCAN)

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SHEEO
State Higher Education
Executive Officers Association

Pell Grant Faces Significant Funding Shortfall

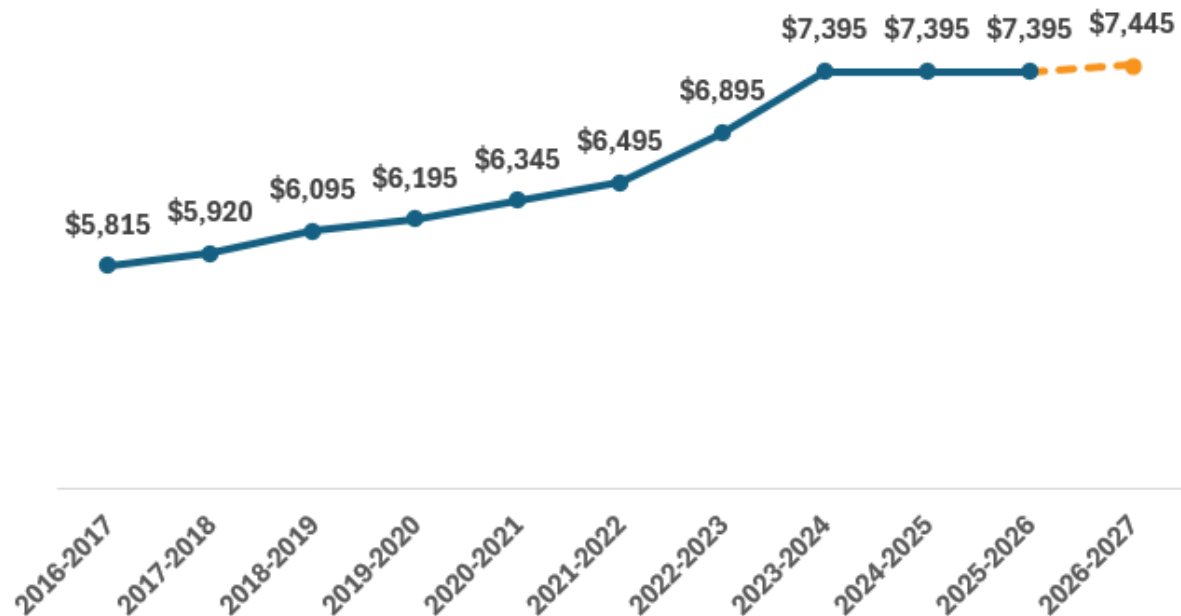
- CBO predicts **\$17 billion** shortfall by FY27
- Result of expanded access to Pell through FAFSA Simplification Act
- Congress must take action to address the shortfall this fiscal year
- President's Budget Request included **\$10.5 billion** to address shortfall

And, Pell also needs an increase to the maximum award:

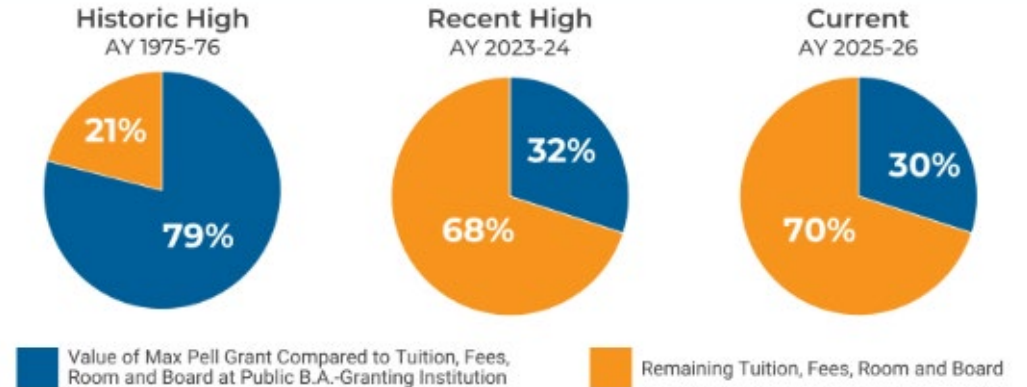
- Level funded since FY23 at **\$7,395**
- Should be **\$8,108** if indexed to inflation since it's last increase (**+\$713**)
- Cost of living increases driving up affordability challenges as Pell stays stagnant

Declines in Pell Purchasing Power

Maximum Pell Grant Award, AY 2016-27 to 2026-27



#Protect Pell to Address College Affordability Gap



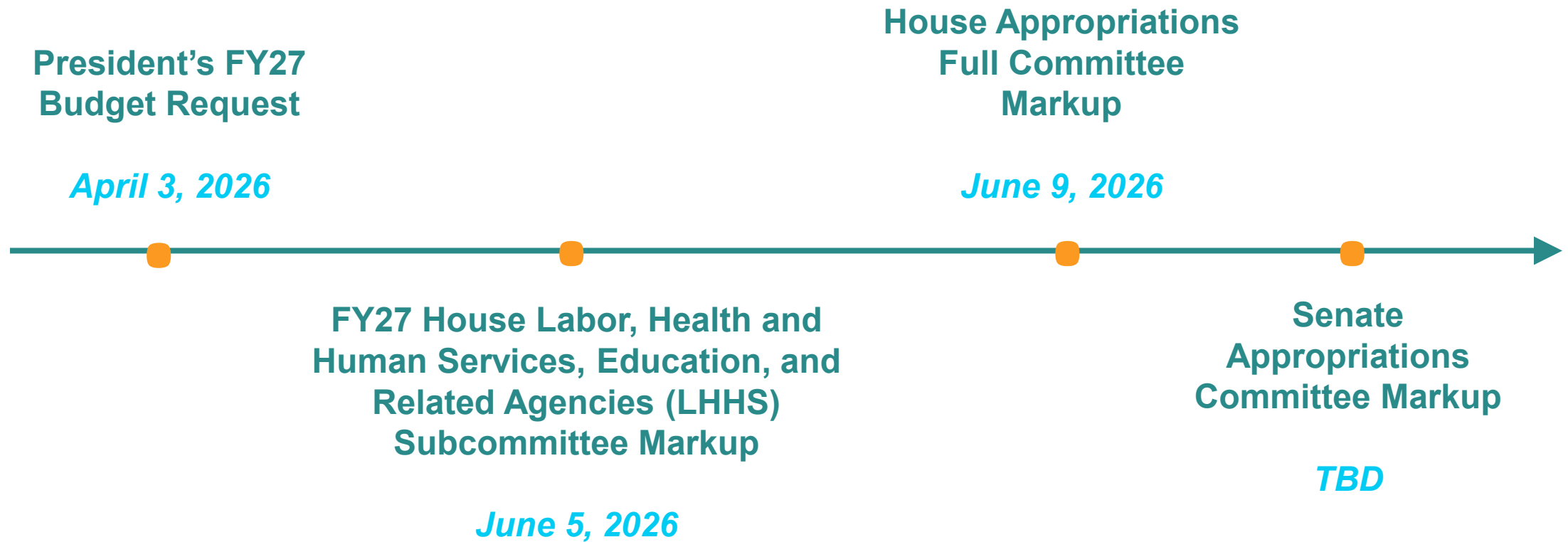
Learn more: ncan.org/Pell

FY2027 Budget Appropriations: House Bill

Program	FY26 Enacted Level	FY27 House Bill	Change
Pell Grant	\$7,395 maximum award	\$7,445 maximum award	+\$50 to max (Discretionary increase of \$250 million + \$16 billion in mandatory funds)
TRIO	\$1.191 billion	\$1.197 billion	+\$6 million (+0.5%)
GEAR UP	\$388 million	\$394 million	+\$6 million (+1.5%)
Federal Work Study	\$1.23 billion	\$908 million	-\$322 million (-26.2%)
FSEOG	\$910 million	\$546 million	-\$364 million (-40.0%)
Student Aid Administration	\$2.059 billion	\$2.059 billion	+\$0

****House Bill adds \$16 billion in mandatory funds to address the Pell Grant shortfall and increase the maximum award, but eliminates subsidized loans.***

FY27 Budget Appropriations Timeline



Workforce Pell

-  150–599 clock hours (8–15 weeks of instructional time)
-  Aligned with high-skill, high-wage, or in-demand occupations
-  Leads to stackable, portable, recognized postsecondary credential
-  In existence for at least one year
-  70% completion rate and 70% job placement rate
-  Governor then Department of Education approval required
-  Meets Value Added Earnings (VAE) requirement

Final Workforce Pell Rule: Key Changes

- Students enrolled in another education program during measurement period will **be excluded from VAE calculations**, but not from the job placement rate. This change supports the goal of building stackable pathways.
- Registered Apprenticeships are allowed to **outsource up to 49% of instruction** if they lead to a recognized credential and meet performance standards. The draft rule capped all outsourced instruction at 25%.

Programs can launch as early as July 1, though many may come later.

Changes to Federal Student Loans in OBBBA

Coming online July 1:

- New lifetime borrowing limit (\$257.5k)
- Grad PLUS loans eliminated
- Graduate loan limits (\$50k/yr, \$200k total for professional students; \$20.5k/yr, \$150k total for grads)
- Caps on Parent PLUS (\$20k annually, \$65k total per dependent student)
- Loan proration for part-time students
- ICR, PAYE, and SAVE are being phased out
- New repayment plan options (Standard or RAP)

As a result, likely increased reliance on private borrowing to meet COA.

"Do No Harm" Accountability Rule

- **Threshold:** Program median earnings must meet or exceed those of high school graduates (undergraduate) or bachelor's degree holders (graduate)
- **Replaces GE/FVT** with a single earnings premium metric under renamed framework (STATS)
- **Fail 2 of 3 years** → lose Direct Loan eligibility; institutions with $\geq 50\%$ of Title IV funds/recipients in failing programs risk broader Title IV loss
- **Teach-out option** protects currently enrolled students
- **First calculations July 2027; earliest sanctions July 2028**
- **Status:** NPRM issued April 2026; comment period closed May 20; final rule pending

New Accreditation Changes

- AIM Committee reached consensus on sweeping accreditation overhaul (May 21, 2026)
- Rulemaking driven by Trump executive order; NPRM expected July 2026, final rule November, effective July 2027
- Seeks to ease barriers to entry for new accreditors and facilitate institutional changes in accreditation
- Addresses transfer transparency, viewpoint diversity, research integrity, DEI standards, conflicts of interest, and program-level outcomes
- Legal challenges widely anticipated

OMB Proposal to Overhaul Federal Grant Administration

- Establishes a single government-wide grant framework
- Increases political oversight of grantmaking
- Expands compliance and grant termination authorities
- Raises potential administrative burdens and uncertainty for institutions
- Comments due July 13; implementation targeted for Oct. 1, 2026

FAFSA Verification

- ED implemented real-time FAFSA identity verification April 2026 to combat "ghost student" fraud
- Most applicants unaffected; high-risk applicants must complete automated ID verification using a mobile device
- Rejected applicants may verify identity through institutions using existing V4/V5 procedures
- Responsibility for identity screening shifts largely from colleges to the Department
- Institutions remain responsible for Title IV stewardship and monitoring suspicious activity

Other Issues

- Professional Degree definition lawsuits
- Legislation on state student loan programs

Questions?

- Louisa Woodhouse, Senior Associate, Policy and Advocacy, NCAN woodhouse@ncan.org
- Tom Harnisch, Vice President for Government Relations, SHEEO tharnisch@sheeo.org