Federal Higher Education Update

Virginia Private College Caucus

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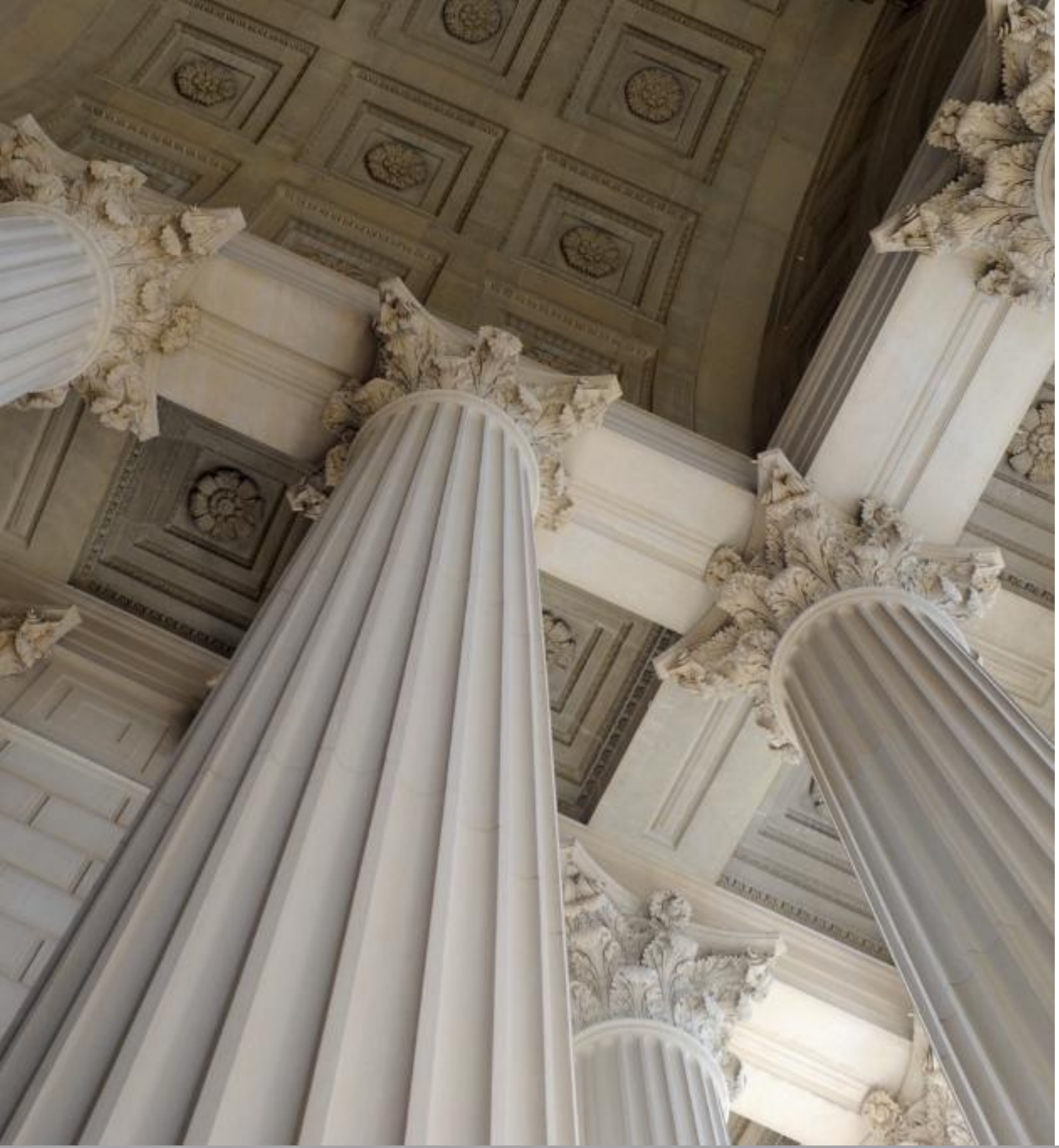


Federal Education Funding Update

FY26 Appropriations: State-of-Play

- **FY26 Appropriations** (FY26 runs Oct. 1, 2025-Sept. 30, 2025)
  - May 2-30, 2025: President proposes FY26 “skinny”, then full budget.
  - July 31, 2025: Senate Approps Cmte approves draft education bill (26-3)
  - Sept 9, 2025: House Approps Cmte approves draft education bill.
- **Shutdown: Day 16- no resolution in sight.**
- **Congress**
  - House: Passed clean CR through Nov. 21.
    - House currently not in session.
  - Senate: At least 7 Dem Senate votes are required to pass a CR.
    - Dems: Asking for extension of ACA tax credits (expire on Oct. 31).
- **Administration**
  - Finding ways to pay for military, law enforcement, WIC.
  - Enacting RIFs across multiple agencies, cutting projects, threatening broader cuts.

FY26 Budget Comparison for Higher Education Programs

Programs	FY25 Enacted	POTUS Request	House Labor-H sub	Senate Labor-H full
Pell Grant- Maximum	$7,395*	$5,710*	$7,395*	$7,395*
TRIO	$1.2	$0	$1.2	$1.2
GEAR UP	$.388	$0	$.388	$.388
Work Study	$1.2	$.480	$.778	$1.2
FSEOG	$.910	$0	$0	$.910
HEA Title III	$.926	$.823	$.926	$.926
HSI Aid	$.351	$.356	$.351	$.351
Total	**$79.1**	**$66.7 (-$12)**	**$66.7 (-$12)**	**$79.0**

* Amounts in thousands, all others in billions

Sept. 10: ED says MSI grants with racial quotas are unconstitutional, cancels $350m grants

Sept. 15: ED announces additional $495m to HBCUs and TCCUs

One Big Beautiful Bill Act: Education Provisions

H.R. 1 Student Loan Rulemaking Timeline

- **Schedule for Negotiated Rulemaking (Neg Reg)**
  - Reimagining and Improving Student Education Committee (RISE Committee).
    - Broadly covers loan limits, loan repayment provisions.
    - Meets Sept. 29-Oct. 3, Nov. 3-7 (authorized to meet during shutdown).
    - Big question: which programs will be defined as professional degrees?
      - Discussion draft: Pharmacy, dentistry, vet med, chiropractic, law, medicine, optometry, osteopathic med, podiatry, theology OR any other degrees designated by Secretary via rulemaking.
  - Accountability in Higher Education Access through Demand-driven Workforce Pell (AHEAD Committee)
    - Covers Workforce Pell, accountability provisions.
    - Meets Dec. 8-12, Jan. 5-9.
- **Post Neg Reg Timeline**
  - Department notices proposed rule, offers 30-day comment window.
  - Final rules likely go into effect on July 1, 2026.

Student Loan Limits

- **All Student Loans**
  - Institutions can now set lower loan limits
  - Borrowing prorated based on enrollment intensity
- **Undergraduate Loans**: No changes
- **Graduate Loans:** New limits
  - Graduate program cap of $100k ($20.5k/yr)
  - Professional program cap of $200k ($50k/yr)
- **Parent Loans:** New limits
  - $20k/yr per student, $65k lifetime per student
- **State Fiscal Impact**: Minimal, maybe for institutions
- **Federal Fiscal Impact**: -$44 billion / 10 yrs

Federal Student Loan Limits

Changes via OBBBA

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).

Analysis by Preston Cooper, American Enterprise Institute

Student Loan Repayment

- **New borrowers**: only have two plans available after July 1, 2026:
  - Standard plan: Fixed payments like a mortgage.
    - 10 years for less than $25,000 borrowed, 5 years added for every $25,000 borrowed, max of 25 years.
  - Repayment Assistance Plan (RAP): Income-based payments (see right)
    - Subsidizes unpaid interest, provides matching principal payment of up to $50 monthly, payments reduced by $50 per dependent.
- **Current borrowers**: Select income-driven repayment plans (ICR, PAYE, SAVE) must choose new plan by July 1, 2028, including RAP and exiting Income-based Repayment (IBR) plan.
- Eliminates economic hardship and unemployment deferments by July 1, 2027, limits forbearance to 9 months every two years.
- **State Impact**: Supporting borrowers to successfully repay loans.
- **Federal Fiscal Impact**: -$269 billion / 10 yrs.

Repayment Assistance Plan (RAP) Payment Calculation

AGI	Annual Payment
$0-10K	$120
$10-20K	1% of AGI
$20-30K	2% of AGI
$30-40K	3% of AGI
$40-50K	4% of AGI
$50-60K	5% of AGI
$60-70K	6% of AGI
$70-80K	7% of AGI
$80-90K	8% of AGI
$90-100K	9% of AGI
>$100K	10% of AGI

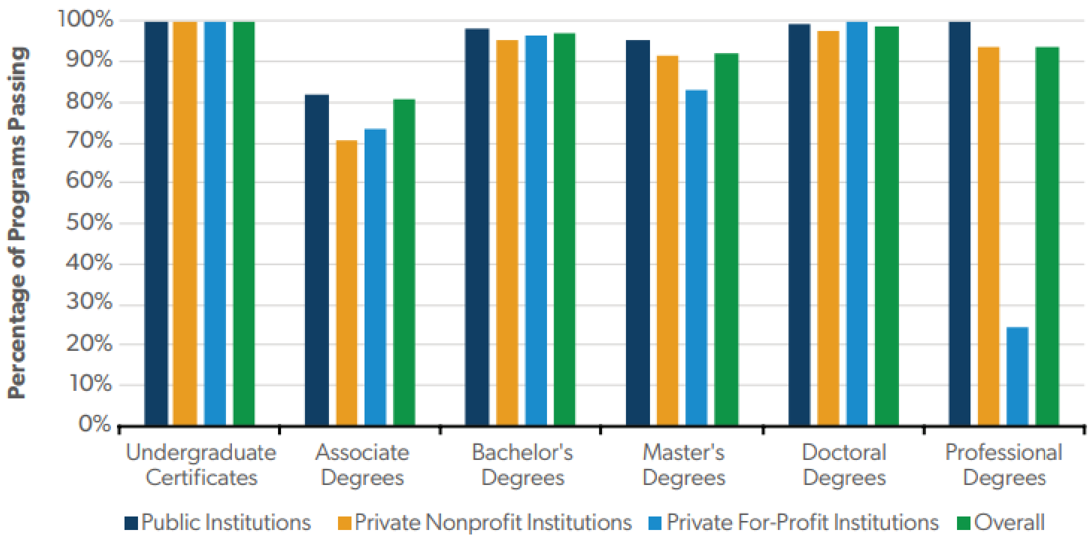
Pell Grants

- **Workforce Pell**: grant expands to cover short-term (8-14 weeks), workforce-aligned programs.
  - Fed Role: Programs must meet outcomes measures (70%+ placement rate, 70%+ completion rate, value-added earnings).
  - State Role: Governors, with state workforce board, determine which programs qualify based on fed criteria.
    - Programs must prepare students for work in high-skill, high-wage jobs or in-demand industry sectors.
    - Programs must lead to recognized postsec credential, or additional certificates or degrees.
  - Implementation date of July 1, 2026- states like receive final regulations less than 3-4 months before.
- **Pell Grant Aid Eligibility:** Changes to determinations,
  - Excludes farm and small business assets from aid eligibility.
  - Exclude families with a Student Aid Index twice the max Pell from receiving grant.
  - Excludes full-ride scholarship from Pell eligibility.

Student Loan Accountability

- **"Do No Harm" Accountability Standards**
  - Undergrad: Prohibit loans to programs where majority of completers earn less than median high school grad.
  - Graduate: Prohibit loans to programs where majority of completers earn less than median bachelor's degree.
  - Programs lose eligibility if they fail in 2 of 3 years, includes appeals process.
  - **State Impact**: Some community programs could lose access to loans, many students do not borrow for community college.

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.

Analysis by Preston Cooper, American Enterprise Institute