

Federal Policy Developments Digest

July 7, 2025

Trump Signs Reconciliation Bill Into Law (7.4.25)

The Senate [passed](#) their version of the reconciliation bill last week, which was then sent back to the House. The House approved it without any changes, and Trump then [signed](#) the bill into law on July 4. Major higher ed provisions that are included are listed below:

- New Endowment Excise Tax Rates:** The new tax rates will be as follows: 8% for institutions with over \$2M in endowment value per student, 4% for institutions with \$750K-2M in endowment value per student, and 1.4% for institutions with \$500-750K in endowment value per student. Institutions are exempt if they have fewer than 3,000 tuition-paying students. International students are also now included in the total enrollment when calculating endowment value per student. The new tax rate will be [enacted](#) for taxable years after December 31, 2025.
Implications: The current endowment excise tax is 1.4%, but it only applies to a few dozen private institutions that have at least 500 tuition-paying students and at least \$500K endowment assets per student. The proposed changes will benefit small, wealthy colleges since they are now not subject to the endowment excise tax. Larger wealthy institutions will still be impacted. The majority of institutions' endowment spending has gone [towards](#) financial aid plus academic programs and research; thus, these areas could be impacted under the new tax rates.
- Earnings Test for Institutional Access to Federal Student Loans:** If graduates' earnings in a particular academic program are too low (i.e., at the undergraduate level, graduates earn less than a median worker in that state with a high school degree; at the graduate level, graduates earn less than the median worker with a bachelor's degree working in the same field and/or state) for two out of three consecutive years, the program will lose eligibility for student loans. Undergraduate certificates are excluded from the requirement.
Implications: One [analysis](#) reviewing earnings data indicates that most programs will easily pass the test, and those that could fail are concentrated in the for-profit sector. There is concern that undergraduate certificates are excluded, given that they hold a disproportionate share of the low-value programs, and concern that this test does not consider high-value programs where students make more money but still take on high amounts of debt that they will struggle to repay.
- Creation of Workforce Pell Grants:** Workforce Pell Grants can be [applied](#) to short-term workforce programs at accredited institutions. The amount of aid given will be prorated based on the number of clock hours, credits, or weeks of the program. Students who have obtained a graduate credential will not be eligible. Workforce Pell is supposed to go into effect on July 1, 2026.
Implications: Before the creation of Workforce Pell Grants, federal grant aid for lower-income students could only be applied to programs that were at least 600 clock hours and 15 weeks long. This meant that lower-income students often couldn't receive federal financial aid to pursue short-term training programs, but with Workforce Pell Grants, they now can. Please note that the timeline for implementation is aggressive, and it is possible the Department of Education may not be able to implement by July 1, 2026. The Department of Education will also likely hold negotiated rulemaking on the details and implementation of Workforce Pell.
- Changing Pell Eligibility:** Students who receive full-ride scholarships to an institution will not be eligible for Pell. In other words, students will be ineligible if their total aid from other sources equals or exceeds their cost of attendance for that period.
Implications: Students with full-ride scholarships use Pell Grants for other [expenses](#), so eliminating this source of funding may create difficulties for full-ride students who have traditionally received Pell.

5. **Capping Loan Programs and Eliminating Grad PLUS Loan Program:** Federal student loans will be capped at \$100K/borrower for graduate programs, at \$200K/borrower for professional programs such as for law or medical school, and at \$65K/student for Parent PLUS loans for undergraduate students. The Grad PLUS loan program is eliminated. Student loan program changes will become [effective](#) in July 2026; current borrowers [enrolled](#) in a program by June 30, 2026, are excluded from the borrowing caps for three years.
Implications: These [changes](#) may lead to potential borrowers - particularly from lower-income families - not pursuing higher education or taking out private loans, which could be riskier or harder to obtain. A decrease in graduate enrollment would financially impact institutions that rely on graduate tuition and could disrupt the professional degree pipeline. Additionally, Black and Latino families have disproportionately [used](#) the Parent PLUS loans, and thus will be more impacted by this cap.
6. **Consolidation of Student Loan Repayment Options:** New student loan borrowers only have two repayment options starting July 1, 2026: a new standard plan and a new income-driven repayment plan, known as the Repayment Assistance Plan (RAP). RAP includes loan forgiveness after 30 years, which is longer than any current plan. This consolidation phases out the Income Contingent Repayment (ICR), Pay As You Earn (PAYE), and Savings on a Valuable Education (SAVE).
Implications: The average monthly payments of many borrowers will [increase](#), particularly those enrolled in PAYE and SAVE, according to advocacy organizations. A *New York Times* [analysis](#) showed that borrowers with a college degree and annual income of \$80,300K will pay an additional \$2,929 per year.
7. **Delays to Biden-era Regulations Protecting Student Borrowers:** Two Biden-era [regulations](#) are delayed for 10 years: borrower defense to repayment (which made it easier for students whose colleges defrauded them to receive loan forgiveness) and closed-school discharges (which gave student loan relief to students whose institutions suddenly closed).
Implications: Even before these delays, the Biden-era borrower defense and closed school discharge rules had been blocked by a federal court; thus, the Department of Education had not been using the rules.
8. **Changes to Student Loan Deferment, Forbearances, and Loan Rehabilitation:** [Borrowers](#) will no longer be able to defer loans due to unemployment or economic hardship. Discretionary forbearances will be shortened to no more than 9 months during any 24-month period; borrowers currently have 36 months of forbearance available to them for up to 12 months at a time. Finally, borrowers will be given the ability to rehabilitate defaulted loans twice. Currently, borrowers can only rehabilitate defaulted loans once; however, the minimum required monthly rehabilitation payment amount increases from \$5/month to \$10/month.
Implications: [Borrowers](#) who are experiencing a hardship or unemployment may face more difficulties than previously because they will not be able to defer under the Repayment Assistance Plan, which requires a minimum monthly payment. Critics are concerned this requirement will lead to a spike in defaults.

Importantly, the bill's cuts to Medicaid and the Supplemental Nutrition Assistance Program (SNAP) will likely impact public higher education institutions because historically, when federal funding to states is cut, states will cut financial support for higher education. \$930B in [cuts](#) over the next 10 years are planned for Medicaid, Medicare, and the Affordable Care Act, with over 11 million people losing coverage by 2034. The two main Medicaid-related provisions include: 1) Medicaid will include work requirements to qualify for and remain on Medicaid, and 2) the amount of money the federal government sends to states to fund Medicaid will be reduced. \$186B in [cuts](#) over the next 10 years are planned for SNAP. Over a third of these savings would come through expanding work requirements for eligibility, and another third would come through shifting costs to states. Because public institutions could be at risk of receiving less state funding, Jon Fansmith at American Council on Education [notes](#) that he expects student support services to decrease, state aid offerings to be reduced, and some institutions to close.

Court Places Limits on Nationwide Injunctions (6.27.25)

The Supreme Court – as part of the case on birthright citizenship – [repudiated](#) the concept of universal or nationwide injunctions, which are court orders that prohibit the government from enforcing a law or policy nationwide against anyone (not just the stated plaintiffs). This means that federal judges' rulings can now only apply to the actual plaintiffs in the case. The [ruling](#) only allows the possibility for federal judges to block government actions nationwide in situations where there is no narrower approach

available that would protect the actual plaintiffs. Justice Sonia Sotomayor's [dissent](#) noted that stripping federal courts of the power to grant nationwide injunctions "kneecaps the Judiciary's authority to stop the Executive from enforcing even the most unconstitutional policies."

Implications/next steps: Judith Resnik, a professor at Yale Law School, states that the ruling would drastically reduce the federal courts' ability to check the White House, given that nationwide injunctions have become a common way to block policies of [both](#) recent Republican and Democratic presidents. The Congressional Research Service reported that as of mid-May, there were over two dozen nationwide injunctions. Given this ruling, the [government](#) will likely appeal or seek to narrow universal injunctions currently in force. For higher education, this [ruling](#) means that institutions relying on nationwide injunctions to protect their interests may no longer have that protection; however, institutions may already be protected in cases where an association in which they hold membership sued on their behalf and received an injunction. Importantly, plaintiffs could still file class-action lawsuits to obtain broad rulings blocking executive actions; however, class-action lawsuits have limitations. For example, they do not allow other members of the class to automatically benefit as they do via a nationwide injunction.

Trump Administration Proposes Cap to Replace Duration of Status (6.27.25)

The Department of Homeland Security (DHS) and the Immigration and Customs Enforcement (ICE) [submitted](#) a proposal for the Office of Management and Budget (OMB) to end "duration of status" (D/S), entitled "Establishing a Fixed Time Period of Admission and an Extension of Stay Procedure for Nonimmigrant Academic Students, Exchange Visitors, and Representatives of Foreign Information Media." [Duration of status](#) allows international students and scholars to stay as long as they continue their course of studies, remain in their exchange program, or have qualifying employment. In 2020, Trump proposed a [rule](#) of the same title to change the admission period of F, J, and I nonimmigrants from duration of status to an admission for a fixed time period, which the Biden administration withdrew. NAFSA has shared that it is likely this proposal will share similarities to the rule proposed in 2020. Previously, in 2020, [NAFSA](#) urged the Trump administration not to finalize the rule, stating that it would "foster tremendous uncertainty for many international students and exchange visitors about whether they will be able to maintain their legal status in the United States through the completion of their studies or program."

Implications/next steps: If this proposed rule is the same as the 2020 rule, it would impact international students and exchange visitors, institutions that admit or sponsor international students, and employers who hire international students pursuing optional practical training (OPT). As far as next steps, after OMB review, the proposed rule would be published in the Federal Register with a period for public comment. The rule would not become final until after the submitting agency reviews public comments, submits a final rule for OMB review, and then publishes the final rule in the Federal Register with a future effective date.