Federal Policy Developments Digest

October 1, 2025

Government Shutdown Has Limited Immediate Effects on Higher Ed Institutions, But Risks Rise If Shutdown Is Prolonged (10.1.25)

The federal government shut down this week for the first time since 2019. Higher education institutions are expected to face limited disruption if the shutdown is brief, but impacts could intensify the longer the shutdown continues, and experts predict that this shutdown could last for several weeks. Additionally, the Office of Management and Budget issued guidance last week instructing agencies to begin reductions in force during a shutdown, targeting programs not legally required to continue. Permanently downsizing the federal workforce would mark a departure from past shutdowns, when furloughed employees were reinstated once funding resumed. Below are several major areas that the shutdown will impact:

- *Education Department and Federal Student Aid*: Education Secretary Linda McMahon submitted a contingency plan that furloughs around 95% of the Education Department (ED)'s non-Office of Federal Student Aid staff. Since this shutdown is midsemester, there should be limited immediate effects on aid recipients. Federal aid will continue to be disbursed, and borrowers must continue making payments. FAFSA will continue to be processed. However, the ED will cease new grant-making activity, and the Office of Civil Rights (OCR) will suspend reviews and investigations. Shutdowns also impact the ED's public-facing services, data systems, and technical assistance; for example, public access to data tools such as IPEDS has been disrupted in prior shutdowns.

- *International Students*: The immediate impacts should be limited, as no disruption to visa eligibility or legal status are anticipated. U.S embassies and consulates will continue to process student visas as long as consular services remain funded through visa fees, although there could be delays in visa appointments or case processing. The Student and Exchange Visitor Information System will remain operational, and institutions must continue their reporting requirements.

- *Research and Federal Grant Funding*: Institutions that have already been awarded federal research grants may still be able to draw down previously obligated funds. NIH and NSF will still accept new grant applications. However, most NIH and NSF staff will now be furloughed, so NSF and NIH will generally pause new grant awards, proposal reviews, and program launches. Past shutdowns have been costly for many researchers who must stop and then restart projects, and given the Trump administration's policies towards research funding, it is likely that support for research and grants will not be prioritized during a shutdown.

- *Veterans*: Most GI Bill benefits should continue, though delays are possible if the shutdown persists. The GI Bill hotline is suspended.

Implications/next steps: Though historically shutdowns have had limited direct effects on the higher ed sector, the American Council for Education (ACE) notes that this shutdown comes amidst uncertainty about federal education programs, research funding, and shifts in executive authority over budgeting. Even after a shutdown ends, the impacts may linger as employees return to address unresolved issues. Emmanual Guillory at ACE notes that the potential loss of institutional revenue is always a concern, since institutions don't budget for a shutdown. Regarding next steps, the Senate needs 60 votes to pass the Republican-backed continuing resolution (CR), which would fund the government through November 21. Democrats want the CR to extend healthcare subsidies set to expire at the end of the year, but Republicans oppose adding that extension, which has created a stalemate.

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ED Proposes Narrow Definition of Professional Programs for $200K Loan Cap (10.1.25)

The Education Department has proposed a limited definition of professional programs. The agency is currently listing the following 10 programs as professional degrees: Pharmacy (Pharm. D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C., or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), Theology (M.Div. or M.H.L.), along with other degrees designated by the Secretary through rulemaking. Tamy Abernathy, the department's director of policy coordination, noted that while the list is not exhaustive, "it is fixed at this point in time, with the caveat that if it needs to be negotiated at a future date, it would be." This professional program distinction is important because under OBBBA, professional programs have a $200K total loan cap ($50K annually), whereas other graduate programs have a $100K cap ($20.5K annually).

Implications/next steps: Experts are concerned that programs that are not included – such as clinical psychology and occupational therapy – could see enrollment drops and may close. Without enough federal loans, some students in these programs may need to take out private loans, which not all students are able to obtain. Members of the negotiated rulemaking committee have pushed back against the department's proposal and submitted their own definition for professional programs, which will be discussed on October 1. After this week's meetings, the committee is scheduled to meet for another week in November before voting on the regulatory changes. If the committee cannot reach consensus, then the Education Department can propose its own draft regulations, which will be available for public comment. The Education Department must clarify each of OBBBA's student loan provisions and implement them by July 1, 2026.

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