

Federal Policy Developments Digest

October 17, 2025

Federal Court Halts Education Department Layoffs During Federal Shutdown (10.15.25)

The Education Department (ED) issued workforce reduction notices last week to employees outside its core student-aid functions, with [reportedly](#) over 400 employees being laid off. The ED has not yet [provided](#) details about the layoffs. This is the second round of layoffs to hit the ED this year; the first round in March cut the number of ED staffers nearly in half, from around 4,200 to 2,400. Particularly relevant to the higher ed sector is that the Office of Postsecondary Education (OPE) – which manages over 60 grant programs – has reportedly let go of the majority of its staffers. Other ED offices affected by the layoffs include: the Offices of Special Education and Rehabilitation Services, Communications and Outreach, Formula Grants, and Program and Grantee Support Services. Federal Judge Susan Illston has now [paused](#) ongoing layoffs and blocked additional layoff notices from being sent at 30+ federal agencies where unions represent staffers, including the ED.

Implications/next steps: If the cuts proceed, programs [managed](#) by OPE – including TRIO, GEAR UP, and Title III and V institutional aid – could experience significant disruption. College-access advocates [warn](#) that institutions may not be able to offer as much support for low-income and first-generation students. As far as next steps, Judge Illston will [consider](#) whether to issue a more permanent ban on the layoffs, with the next court hearing expected within two weeks.

Trump Administration Opens “Compact for Academic Excellence in Higher Education” to All Institutions (10.13.25)

The Trump administration has extended the “Compact for Academic Excellence” to all higher education institutions, expanding it from a limited invitation to a nationwide open offer. *The Chronicle* [confirmed](#) that Trump’s October 13th [Truth Social post](#) was intended to be an invitation to all other institutions, with the ED following up to confirm: “We welcome any institution that wants to adopt these principles to sign the compact.” Massachusetts Institute of Technology, Brown University, University of Pennsylvania, and University of Southern California – part of the original nine institutions sent the compact – have officially [declined](#) it.

Implications/next steps: While details on enforcement or funding remain unclear, the shift suggests the compact is evolving from a targeted test to a sweeping instrument of federal leverage over institutional policy. Ted Mitchell at ACE [noted](#) that because of institutional pushback from the original nine institutions that received the compact, the White House decided to look for more “buyers.” Many higher education associations and experts have warned institutions against signing the compact due to the threat to institutional independence and academic freedom. The initial nine institutions that were sent the compact for feedback were given an October 20th deadline to respond.

Federal Court Vacates Department of Defense’s Cap on Indirect Research Costs (10.10.25)

Judge Brian Murphy [sided](#) with the Association of American Universities, American Council on Education, Association of Public and Land-grant Universities, and 12 research universities, granting their [request](#) to vacate the Department of Defense’s policy that would have sought to limit reimbursement for institutions’ indirect research costs – which covers expenses such as laboratory maintenance and administrative support – to 15% for all new grants. Judge Murphy declared the DoD policy arbitrary and capricious, “contrary to law already on the books.” He had previously temporarily blocked the DoD from capping

research overhead for new awards issued to either the plaintiffs or their members. This [ruling](#) aligns with other recent orders that have struck down or blocked similar caps proposed by the National Institutes of Health, Department of Energy, and National Science Foundation.

Implications/next steps: The DoD has not [responded](#) regarding whether it will appeal the ruling or not. The administration has been appealing comparable rulings about indirect research cost caps, although the administration did voluntarily [dismiss](#) its appeal for the ruling on the National Science Foundation cap, meaning that the district court's decision to vacate the NSF's 15% cost cap is now permanent.