

## Federal Policy Digest

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February 19, 2026

### Department of Education Posts Updated Data on Borrower Nonpayment Rates by Institution (2.18.26)

The Department of Education released [updated data](#) this week on student loan borrower nonpayment rates by institution, reporting that more than 1,800 institutions have nonpayment rates at or above 25%. In its [July 2025 announcement](#), Federal Student Aid (FSA) had defined the nonpayment rate as the percentage of Direct Loan borrowers who entered repayment since January 2020 and whose federal student loans were more than 90 days delinquent. The nonpayment rate differs from the official Cohort Default Rate (CDR) calculation, which [measures](#) the percentage of borrowers who default within a specified period after entering repayment; however, federal officials have [described](#) the nonpayment rate as a potential early warning indicator that an institution may be at risk of failing the CDR measure. Because federal student loan repayment was paused for an extended period during the COVID-19 emergency, which [distorted](#) traditional CDR calculations, officials note that the nonpayment rate may be a more reliable indicator of how successful current borrowers are in repayment.

**Implications/next steps:** FSA notes that institutions with a CDR greater or equal to 30% in a single year must develop and submit a default prevention plan to the ED. Under federal law, an institution may [lose](#) eligibility to participate in the Direct Loan and Pell Grant programs if its cohort default rate is 30% or higher for three consecutive years. An institution may also lose access to the Direct Loan program if its default rate is 40% or higher in a single year. FSA plans to release draft FY2023 CDR notification packages in the coming weeks and is encouraging institutions to take proactive steps to communicate with borrowers and support repayment success.

### Department of Labor Allocates \$65M to Community Colleges for Workforce Pell (2.17.26)

The Department of Labor [announced](#) that \$65M in funding is available to community colleges that are seeking to develop programs aligned with Workforce Pell eligibility requirements. This funding [represents](#) the sixth round of the Strengthening Community College Training Grants program. Individual awards of up to \$11M will support community colleges in developing short-term programs designed to qualify for Workforce Pell. Funds may also support systems-level infrastructure for tracking student outcomes, a key accountability requirement under Workforce Pell.

**Implications/next steps:** The Department of Labor states that this funding is intended to strengthen partnerships between community colleges and employers. This announcement comes after four-year institutions won almost half of the Fund for the Improvement of Postsecondary Education (FIPSE) grants, which were awarded for short-term programs eligible for Workforce Pell. This distribution of grants [surprised](#) some community college leaders, whose institutions have historically shown deep commitment to short-term workforce programming. Interest among four-year institutions in short-term credential offerings may reflect a strategic response to enrollment pressures and new federal funding streams. At the same time, some researchers, including Thomas Brock of the Community College Research Center, have cautioned that short-term programs may not necessarily lead to meaningful earnings gains, underscoring ongoing debates about program quality and return on investment.

## Department of Defense Considers Ending Graduate Tuition Assistance for Military Students at Top Universities (2.13.26)

The Department of Defense (DoD) is [considering](#) restricting graduate-level tuition assistance for active-duty service members at certain universities it characterizes as exhibiting anti-military bias or maintaining problematic partnerships with foreign adversaries. In a policy memo released last week, Defense Secretary Pete Hegseth stated that beginning with the 2026-27 academic year, the Pentagon would discontinue all graduate-level professional military education, fellowships, and certificate programs for active-duty service members at Harvard University. According to CNN reporting, in the same memo, Hegseth also directs the military to “evaluate all existing graduate programs for active-duty members at Ivy League universities and any other universities that similarly diminish critical thinking and have significant adversary involvement, and determine whether they deliver cost-effective, strategic education for future senior leaders when compared to public universities and military masters programs.”

**Implications/next steps:** This memo has reportedly [led](#) to confusion across military branches, which have begun compiling lists of institutions at risk of being impacted. A preliminary list for Army troops enrolling in law school includes 33 U.S. universities at risk of having tuition assistance cut off. Sources have reported that the memo has created concern among military members who are applying or who have been accepted into competitive law, medical, and engineering programs, given the uncertainty about tuition assistance.

## Congressional Budget Office Projects \$11.5B Pell Grant Funding Shortfall (2.12.26)

The Congressional Budget Office’s recent [report](#) estimates a \$5.45B shortfall in Pell Grant funding for FY26, growing to nearly \$11.5B in FY27. By 2036, the cumulative shortfall could reach approximately \$132B (about \$104B in inflation-adjusted dollars) if current funding levels and policies remain unchanged. The Pell Grant program is [funded](#) through a combination of mandatory funding (authorized in the Higher Education Act) and discretionary funding provided annually through the appropriations process. Because discretionary appropriations are based on cost projections, mismatches can occur when actual participation or award levels exceed expectations, contributing to funding gaps. NAFSAA has [called](#) for shifting Pell to fully mandatory funding, given the annual uncertainty created during the appropriations process. While Congress has maintained the maximum Pell award at largely flat levels in recent years, other policy changes have increased program costs. The FAFSA Simplification Act expanded Pell eligibility; a recent [analysis](#) indicates that 1.7M additional students qualified for the maximum Pell Grant in 2025–26 compared to 2023–24. In addition, short-term Workforce Pell eligibility—once implemented—could further increase program expenditures. It is unclear whether and how CBO’s projections fully account for new costs associated with Workforce Pell, as the CBO does not publish its methodology.

**Implications/next steps:** This projected shortfall does not [affect](#) Pell Grant awards for the 2025-26 academic year, according to experts. However, absent additional appropriations, Congress could address future gaps through award reductions or eligibility restrictions (such as reducing the number of semesters students can use the award). Similar eligibility cuts were proposed by House Republicans during OBBBA negotiations, suggesting such options could resurface. Although the Pell Grant has historically received bipartisan support, Education Under Secretary Nicholas Kent [noted](#) that this funding shortfall may require the ED to make “hard decisions.” Congressional Republicans’ support for an additional \$16B in FY27 Pell funding may be limited amid broader efforts to reduce federal spending. Congress must pass a federal budget for FY27 by September 30, 2026. Though Congress has provided funding in the past when shortfalls occur, including most recently \$10.5B through the budget reconciliation act, these one-time fixes do not resolve the program’s underlying structural imbalance.