

Federal Update

May 21, 2025

Prepared for the Montana Board of Regents

Tom Harnisch, Vice President for Government Relations

State Higher Education Executive Officers Association (SHEEO)



SHEEO

State Higher Education
Executive Officers Association

About SHEEO

- The State Higher Education Executive Officers Association (SHEEO) serves the chief executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs.
- Founded in 1954, SHEEO promotes an environment that values higher education and its role in ensuring the equitable education of all Americans, regardless of race/ethnicity, gender, or socioeconomic factors.
- Offices in Boulder and Washington DC, with a focus on policy research, leadership, and advocacy.
- We are the leading nonpartisan national association representing states in higher education.

Key Observations on Federal Policy

- Separate the signal from the noise
- Keep track of how federal changes are affecting your state and campus. Share information with your Congressional delegation.
- Budget for uncertainty
- Look for opportunities to reimagine the federal role in higher education

Key Goals by Trump Administration and GOP Congress

- Sharply reduce the federal role in higher education
- More accountability for public funds and deference to market-based forces
- More scrutiny of
 - DEI and transgender student issues
 - Antisemitism
 - Foreign gifts/contracts/scholars/students
- Refocus on skilled trades
- Returning to student loan repayment

Federal Update-Outline

- **Congress**
 - Budget Reconciliation Package
 - FY26 Appropriations
- **Executive Branch**
 - Changes at the U.S. Department of Education
 - Executive Orders
- **Judicial Branch**
 - Lawsuits



Congress-Budget Reconciliation

- Different than the annual appropriations process
 - Only requires a majority vote in House/51 votes in Senate
 - Focuses on mandatory budget programs (Medicare, Medicaid, SNAP, student loans), which is about 60% of the federal budget.
 - Must have budgetary impact (taxes and revenue)
- This is the vehicle to enact President Trump's domestic agenda (the "big, beautiful bill")
- GOP hopes to send bill to President Trump this summer
- **This could represent the biggest set of changes to federal higher education policy in a generation**



Congress-Budget Reconciliation Process

- Trump's priorities include:
 - Extending the 2017 Tax Cuts
 - Border Security
 - Defense spending
- The House Majority has sent instructions to various committees on borrowing and savings.
- The tax/spending package costs \$4.8 trillion (over 10 years), and they are looking for \$2 trillion in savings (10 years). Borrowing of \$2.8 trillion (over 10 years).
- This is “in progress” right now. The bill still needs to pass the House and then the Senate



Congress-Budget Reconciliation Process

- Key issues for higher education are spread across the different committees
 - **Energy and Commerce Committee (Medicaid)**
 - Medicaid cuts could leave states making difficult budgetary decisions, as well as effect the 3.4 million students on Medicaid
 - **Ways and Means Committee (Taxes)**
 - Sweeping new taxes on large private college endowments
 - **Education and Workforce Committee (Range of higher education issues)**
 - Changes to student loans, Pell Grants, and other issues
 - **Other Committees**
 - Changes to SNAP, possible implications for states

Source: Committee for a Responsible Federal Budget

Deficit Impact of the House Reconciliation Package

Committee	FY 2025-2034 Deficit Increase(-)/Decrease	
	As Written	If Made Permanent
Ways & Means [*]	-\$3,819 billion	-\$5,320 billion
Armed Services [*]	-\$144 billion	-\$410 billion
Judiciary [#]	-\$110 billion	-\$110 billion ⁺
Homeland Security [*]	-\$67 billion	-\$100 billion
Financial Services [*]	\$5 billion	\$5 billion
Natural Resources [*]	\$19 billion	\$19 billion
Transportation & Infrastructure [*]	\$37 billion	\$37 billion
Oversight & Government Reform [*]	\$51 billion	\$51 billion
Agriculture [#]	\$230 billion	\$230 billion
Education & Workforce [*]	\$351 billion	\$351 billion
Energy & Commerce [^]	\$910 billion	\$910 billion
Interactions [']	-\$150 billion	-\$150 billion
Subtotal, All Committees	-\$2,690 billion	-\$4,480 billion
Interest	-\$580 billion	-\$750 billion
Total Deficit Impact	-\$3,260 billion	-\$5,230 billion

Budget Reconciliation

- **Subtitle A-Student Eligibility** *Student Eligibility*
 - Tightens language regarding noncitizens and their eligibility for federal student aid
 - *Amount of Need*
 - Caps the total amount of federal student aid at the median cost of attendance in the same program of study nationally
 - Restores the family farm/small business exemption on FAFSA
 - **Decrease of spending=\$518m/10 years**
- **Subtitle B-Loan Limits** *Termination of Loans*
 - Ends GRAD Plus and subsidized undergraduate student loans
 - *Unsubsidized Loans*
 - Caps loans at median cost of a program of study. Aggregate loans caps of \$50,000 for undergrad, \$100,000 for grad, and \$150,000 for professional.
 - **Decrease of spending=\$51.2 billion/10 years**

Budget Reconciliation

- Subtitle B-Loan Limits (continued)

- *Parent PLUS Loans*

- Caps Parent PLUS Loans at \$50,000

- *Additional Reforms*

- Allows lower borrowing limits as long as applied equally, loans can be prorated based on less than full-time status

- Subtitle C-Loan Repayment *Income-Contingent Repayment (ICR)*

- Terminates ICR

- *Loans made after July 1, 2026*

- Standard Repayment Plan
 - Repayment Assistance Plan

Budget Reconciliation

- **Subtitle C-Loan Repayment (Continued)**
 - *End Economic Hardship Deferment and Reduce Forbearance*
 - *Loan Rehabilitation-limited to twice on defaulted student loans*
 - *Public Service Loan Forgiveness*
 - Medical/Dental residency do not count under PSLF
 - *Student Loan Servicing*
 - Adds Mandatory Funding to help with student loan repayment
 - **Federal Savings=\$294.6 billion/10 years**
- **Subtitle D-Pell Grants**
 - *Foreign Income included*
 - *Ineligibility due to high Student Aid Index (SAI)*
 - *Definition of Full-Time Student would increase to 30 credits/year*
 - *Ineligibility for less than half-time students*

Budget Reconciliation

- **Subtitle D-Pell Grants (Continued)**
 - *Workforce Pell Grants*
 - *Provides additional funding to reduce the Pell Grant shortfall*
 - **Federal Savings=\$2.8 billion/10 years**
- **Subtitle E-Accountability**
 - *Creates a risk-sharing accountability mechanism*
 - *Campus-based Aid Programs-PROMISE Grants*
 - **Federal Savings=\$6.2 billion over 10 years**
- **Subtitle F-Regulatory Relief**
 - *Ends 90/10*
 - *Ends Gainful Employment*
 - *Ends Biden-era borrower defense and closed school discharge*
 - **Federal Savings=\$9.0 billion over 10 years**
- **Subtitle G-Limitations on Authority**
 - *Limits new regulations*
 - **Federal Savings=\$31.8 billion over 10 years**

Congress-FY26 Appropriations Process

- **This is the annual budget and appropriations process, not budget reconciliation. This deals with discretionary programs and requires 60 votes in the Senate.**
- President Trump announced his skinny budget earlier this month, which outlines the administration's priorities and kick offs the process.
- A full budget is not available at this time, but will be available in the weeks ahead
- Congress has already pushed back against some Trump proposals.

Proposed FY26 Budget

- **Eliminated TRIO and GEAR UP (-\$1.579b)**
 - Admin: Relic of the past, access to college is not the obstacle it was for low-income students. Institutions should use their own resources. Institutions should not focus on woke ideology.
- **Federal Work Study reduced by nearly 80% (-\$980m, \$250 million remaining)**
 - Admin: This is a handout to woke universities. The remaining funds should be targeted to institutions serving the most low-income students and provide a wage subsidy to low-income students.
- **Eliminated Supplemental Educational Opportunity Grants (SEOG). (-\$910m)**
 - Admin: Contributes to rising college costs. Duplicative of Pell Grants and poorly targeted. A disproportionate share of SEOG goes to private institutions.
- **Eliminated Improvement of Postsecondary Education and Graduate Assistance (-\$195m)**
 - Admin: Institutions and states should be responsible for funding innovations in higher education. Funds woke ideologies.
- **Eliminated Strengthening Institutions Program (-\$195m)**
 - Admin: Institutions, states, and local communities should invest in the fiscal health of institutions. Used to fund DEI.

Proposed FY26 Budget

- **Teacher Quality Partnerships** *(-\$70m)*
 - *Admin: Used to train teachers in divisive ideologies*
- **Child Care Access Means Parents in School** *(\$-75m)*
 - *Admin: Unaffordable and duplicative*
- **Office for Civil Rights reduced by 35%** *(-\$49m)*
 - *Admin: Refocus away from DEI and transgender cases.*
- **Other cuts**
 - *Dept of Labor*
 - *NIH*
 - *SAMSHA*

Executive Branch-Dept. of Education



- **Key Initiatives**

- Reduction in Force/Transfer/Closure of ED: The administration has laid off roughly 40% of the staff at the U.S. Department of Education, including cuts at Federal Student Aid, Office of Civil Rights, and the Institute for Education Sciences.
- Increased scrutiny of DEI: February 14th letter and FAQ
- Monitoring Foreign Gifts and Contracts: Greater scrutiny of foreign gifts and contracts
- Cancelled Grants: ED has cancelled teacher training grants, Fulbright-Hays Grants
- Return to Repayment: The federal government will restart collections on defaulted student loans, including garnishing wages.
- Regulatory changes: Changes to Public Service Loan Forgiveness, SAVE repayment program
- Combating Antisemitism: Focus on combating antisemitism at the Office of Civil Rights

Executive Branch-Other Actions

- **Key Initiatives**
 - Foreign Students: Increased scrutiny of foreign student activities in the U.S.
 - Caps on Indirect Costs: National Science Foundation (NSF), National Institutes of Health (NIH), and U.S. Dept of Energy
 - Travel Ban: A travel ban is being developed, but not formalized yet

Executive Orders

- **January 21: Ending Illegal Discrimination and Restoring Merit-based Opportunity**
 - This targeted illegal DEI programs at federal agencies and with federal contractors
 - **4/18 Preliminary Injunction**
- **February 5: Keeping Men out of Women's Sports**
 - Targeted transgender athletes in the context of Title IX
- **March 20: “Stopping Waste, Fraud, and Abuse by Eliminating Information Silos”**
 - “Agency Heads shall take all necessary steps, to the maximum extent consistent with law, to ensure the Federal Government has unfettered access to comprehensive data from all State programs that receive Federal funding, including, as appropriate, data generated by those programs but maintained in third-party databases.”



Executive Orders

- **March 20: Improving Education Outcomes by Empowering Students, Parents, and Communities**
 - Facilitate closure of the U.S. Department of Education. Higher ed will not be going back to the states, per an administration official
- **April 9: “Directing Repeal of Unlawful Regulations”**
 - Agency heads are directed to repeal regulations, or parts of regulations, that are considered unlawful or in conflict with Supreme Court rulings, consistent with the “good cause” exception in the Administrative Procedures Act
 - This will bypass the notice and comment period
 - Legal challenges are expected

Executive Orders

- **4/9/25 “Reducing Anti-Competitive Regulatory Barriers.”**
 - The EO instructs the attorney general to review and identify anti-competitive regulations for potential rescission, including licensure or accreditation requirements that unduly limit competition. The attorney general must provide a list of such regulations within 70 days.
- **4/23/25 “Transparency Regarding Foreign Influence at American Universities.”**
 - Increased transparency on foreign gifts and contracts, including Section 117 of the Higher Education Act
- **4/23/25 “Preparing Americans for High-Paying Skills Jobs of the Future”**
 - Reviews and streamline the wide array of federal workforce programs to better align with workforce needs. The EO also calls for a Comprehensive Worker Investment and Development Strategy within 90 days and for expanding apprenticeship opportunities.
- **4/23/25 “White House Initiative to Promote Excellence and Innovation at Historically Black Colleges and Universities.”**
 - Establishes the White House Initiative on HBCUs. It creates a board of advisors and outlines the initiative’s goals to strengthen historically Black colleges and universities.

Executive Orders

- 4/23/25 “Reforming Accreditation to Strengthen Higher Education”
 - The EO seeks to eliminate the use of DEI in accreditation and advance student-focused accreditation principles. These include:
 - Resuming recognizing new accreditors
 - Mandating accreditors receive program-level student outcomes without reference to race, ethnicity, or sex
 - Improving the efficiency and effectiveness of the accreditor recognition process
 - Streamlining the process for changing accreditors
 - Launching an experimental site to foster innovation and accountability
 - Updating the accreditation handbook
 - **New Guidance issued 5/1/25**

Judicial Branch-Court Cases

- Supreme Court will allow \$600 million in teacher training grants to be frozen while the court case plays out
- Ongoing lawsuits on a range of other issues, including
 - Research Grant Indirect Costs
 - DEI
 - Dissolving Department of Education
 - Cuts to IES
 - Students detained by ICE



SHEEO Daily Policy Update

- SHEEO provides daily policy updates with links to research, news stories, etc.
- Free and open to the public.
- <https://sheeo.org/sheeo-newsletter-signups/>

**SHEEO****Higher Education
Policy Update**

Monday, March 31, 2025

[*Call for Nominations: SHEEO Excellence Awards 2025*](#)

National Policy

[Report: Top Public Policy Issues Facing Governing Boards in 2025–2026](#)

AGB (Date posted: March 28, 2025)

[Report: Title IX and Athletics: Legal Basics](#)

Congressional Research Service (Date posted; March 27, 2025)

[Report: Deep Dive: How the Fiscal Year 2025 Long-term Continuing Resolution May Impact Federal Funding for the U.S. Department of Education](#)

EducationCounsel (Date posted: March 28, 2025)

[Report: Investing in College Readiness: Societal Benefits and Costs of the El Dorado College Promise Program](#)

EdWorkingPaper (Date posted: March 2025)

[Report: To Give or to Take: Exploring Effects of Reductions in Pell Lifetime Eligibility](#)

The Journal of Higher Education (Date posted: March 27, 2025)

Questions and Contact Information

Tom Harnisch

Vice President for Government Relations

State Higher Education Executive Officers Association

tharnisch@sheeo.org