ACE American Council on Education®

Bill Summary

# Senate Education Budget Reconciliation Bill

On June 10, 2025, the Senate Committee on Health Education Labor and Pensions (HELP) Chairman Bill Cassidy (R-SC) introduced the Senate's version of their budget reconciliation proposal to meet the reconciliation instructions found in H.Con.Res.14, a concurrent budget resolution. This budget resolution was first passed by the U.S. Senate on April 5, and then by the U.S. House of Representatives on April 10. The budget resolution includes instructions to each standing committee in the House and Senate to either increase spending or identify savings in federal programs. More specifically, the House was instructed to find at least $330 billion in savings, and the Senate was instructed to find at least $1 billion in savings.

The Senate education budget reconciliation bill outlines how the Senate HELP Committee proposes to meet the $1 billion savings directed in the concurrent budget resolution.[1] While the committee was instructed to find at least $1 billion in savings, their proposal finds over $300 billion in savings, making major changes to the student loan programs, repayment, and accountability for institutions of higher education.

This high-level summary outlines the major elements of the Senate education budget reconciliation bill. The Senate HELP Committee also provided a one-pager and section-by-section of the bill.

## Subtitle A – Student Eligibility

This section of the bill seeks to address student eligibility for federal student aid and the amount of aid students can receive.

- Amends the student eligibility criteria by:
  - Requiring that a student who applies for federal student aid be a citizen or a national of the United States or be an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act; and
  - Outlining specific criteria for students from Cuba and those who lawfully reside in the United States in accordance with a Compact of Free Association.[2]
  - These provisions would take effect on July 1, 2026, and apply to the 2026-2027 academic year.
- Beginning on July 1, 2026, and beginning with the 2026-2027 award year, excludes the assets of family farms and small businesses with no more than 100 full-time or full-time equivalent employees owned by a family when determining need for federal student aid.

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[1] Section 2002(a)(2) of H.Con.Res.14 reads, "The Committee on Health, Education, Labor, and Pensions of the Senate shall report changes in laws within its jurisdiction that reduce the deficit by not less than $1,000,000,000 for the period of fiscal years 2025 through 2034."

[2] The Compact of Free Association indicated is the one referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

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## Subtitle B – Loan Limits

This section addresses the various changes in the bill to the student loan limits.

- Terminates Grad PLUS loans for graduate and professional students beginning July 1, 2026.
- Sets an annual loan limit for parent borrowers at $20,000.
- Caps Parent PLUS loans at $65,000 regardless of any loans that may have been repaid, forgiven, canceled, or discharged beginning on July 1, 2026.
- Grandfathers in current student loan borrowers who participate in the PLUS loan program if they have no more than three academic years left to complete their program, or any lesser period of time as determined by the program length and amount of the program they still have yet to complete as of June 30, 2026.
- Sets annual loan limits for graduate students at $20,500 and $50,000 for professional students beginning on July 1, 2026.
- Decreases aggregate loan limits, beginning on July 1, 2026, for graduate borrowers from $138,500 to $100,000 if they are enrolling in a graduate degree program and have not been previously enrolled in a program as a professional student.
- Increases aggregate loan limits, beginning July 1, 2026, for:
  - Graduate borrowers from $138,500 to $200,000 if they are enrolling in a graduate degree program and were previously enrolled as a professional student. This amount is reduced by what was borrowed for their previous graduate credential;
  - Graduate borrowers who are considered professional students and have not previously enrolled in a program as a graduate student from $138,500 to $200,000; and
  - Graduate borrowers who are considered professional students and have previously enrolled in a program as a graduate student from $138,500 to $200,000. This amount is reduced by the amount borrowed for the previous graduate credential.
- Allows students enrolled less than half time to borrow proportionate to their enrollment intensity.
- Sets the maximum borrowing limit for all students at $257,500 beginning July 1, 2026.
- Allows institutions of higher education to limit the total amount of loans made for an academic year for a student and a parent as long as it is applied consistently to all students enrolled in the same program of study.

## Subtitle C – Loan Repayment

This section of the bill addresses new student loan repayment programs for borrowers and changes to the Public Service Loan Forgiveness program.

- Gives the Secretary of Education the authority to transition borrowers from an income-contingent repayment plan to the statutory income-based repayment plan.
- Prohibits a negotiated rulemaking if the Secretary of Education issues any guidance or regulations within a 270-day period after the date of enactment of this bill.
- Creates an income-based repayment assistance plan beginning July 1, 2026. Any borrower seeking a repayment plan other than the standard repayment plan must enroll in the new income-based repayment assistance plan after July 1, 2026. All current student loan repayment options, including the statutory income-based repayment plan, will cease to exist after July 1, 2026.

    - The new income-based repayment plan will require borrowers to make minimum monthly payments of at least $10 for 30 years and allows for some assistance from the secretary to reduce loan balances by no more than $50 a month in certain circumstances. The base pay of the monthly payment amounts that are due is set to a sliding scale from $120 to 10 percent of the borrower's adjusted gross income.
- Modifies the standard repayment plan to allow borrowers to pay a fixed amount from 10 to 25 years depending on their student loan balance.
- Requires a borrower with a PLUS loan on July 1, 2026, or who receives a Parent PLUS loan after July 1, 2026, to repay the loan under a standard repayment plan.
- Allows a borrower to switch between the standard repayment plan and the income-based repayment assistance plan at any time.
- Eliminates economic hardship and unemployment deferments beginning July 1, 2026. It also reduces forbearances from 12 months at a time, for a maximum of three years, to nine months at a time during any 24-month period. Borrowers who are participating in a medical or dental internship or residency program may be eligible for forbearance in which no interest will accrue for the first four 12-month intervals. Interest will begin to accrue for any subsequent 12-month interval.
- Allows students to rehabilitate their loans twice but with a minimum payment amount of $10.
- Denies medical or dental internships or residencies from being considered as public service jobs under the Public Service Loan Forgiveness (PSLF) program for borrowers who have not borrowed loans for a program of study as of June 30, 2026. Students enrolled in PSLF would need to be enrolled in the new income-based repayment assistance plan.
- Obligates $1 billion to the Secretary of Education for administrative costs.

## Subtitle D – Pell Grants

This section makes changes to the federal Pell Grant program.

- Beginning July 1, 2026:
    - Mandates foreign income be counted in the adjusted gross income of dependent and independent students for Pell Grant determinations only. A student aid administrator could no longer evaluate the student's Free Application for Federal Student Aid and determine whether it is appropriate to make an adjustment for the student's ability to receive the maximum Pell Grant based on their foreign income; and
    - Prohibits students from accessing the Pell Grant if they have received grant aid from other sources in an amount that meets, or exceeds, the cost of attendance. The total Pell Grant eligibility period is reduced by any period that the student was ineligible for the Pell Grant due to grant funding from other sources equaling, or exceeding, the cost of attendance.
- Establishes workforce Pell Grants for students.
- Addresses the Pell Grant shortfall by adding an additional $10.5 billion of mandatory funds in 2026.

## Subtitle E – Accountability

This section establishes an accountability framework based on the earnings.

- Amends the program participation agreements to require institutions to comply with the new accountability proposal beginning July 1, 2026.
- For undergraduate programs,

    - Earnings for bachelor's degrees, or less, is captured 4 years after a student ceases to be enrolled (through either completion of the program or ceasing enrollment and not re-enrolling in the same program at any point through the year of the determination);
    - Cohorts only include working students (graduate students are not penalized);
    - Student loan eligibility is lost if median earnings are less than those working adults aged 25-34 with a high school diploma for 2 of the 3 preceding years when the data was calculated;
    - Earnings data from the U.S. Census Bureau is used at the state level first and then nationally if fewer than 50% of students reside in the state; and
    - Institutions are able to appeal the earnings data.
- For graduate/professional degree programs,
    - Earnings data is captured 6 years after enrollment for graduate or professional degree programs that are less than three academic years on a full-time basis;
    - Earnings data is captured 10 years after enrollment for graduate or professional degree programs that are three or more academic years on a full-time basis;
    - Student loan eligibility is lost if median earnings are less than those working adults aged 25-34 with a bachelor's degree for 2 of the 3 preceding years when the data was calculated;
        - To determine median earnings, the median earnings is based on data from the Bureau of the Census. The bill proposes to take the lowest median earnings of –
            - a working adult in the state that the institution is located;
            - a working adult in the same field of study (based on 2-digit CIP code) in the State in which the institution is located; or
            - a working adult in the same field of study (based on 2-digit CIP code) in the entire United States.
        - If fewer than 50% of the students enrolled reside in the state, The bill proposes to take the lowest median earnings of –
            - a working adult in the entire United States; or
            - a working adult in the same field of study (based on 2-digit CIP code) in the entire United States.
- Institutional Notice
    - Institutions of higher education must warn their students in the years that they don't pass the earnings test.
- Regain eligibility
    - An institution of higher education can reapply after at least 2 years of being ineligible.

## Subtitle F – Regulatory Relief

- Eliminates current borrower defense to repayment regulations and restores the regulations that took effect July 1, 2020.
- Eliminates closed school discharge regulations but restores these regulations to those in effect on June 30, 2023.

## Subtitle G – Limitation on Authority

- Prohibits the Secretary from issuing draft or final regulations that add to the deficit.

## Subtitle H – Funding Cost Sharing Reduction Payments

- Instructs Congress to appropriate funding for cost sharing reduction payments and these funds cannot be used to make payments for a qualified health plan that provides health benefit coverage that includes the coverage of an abortion.

## Subtitle I – Garden of Heroes

- Instructs Congress to appropriate $40 million to the National Endowment for the Humanities for fiscal year 2025 to establish the “National Garden of American Heroes.