ACE American Council on Education®

Bill Summary

Senate One Big Beautiful Bill Act

On July 1, 2025, the Senate passed their version of H.R. 1, the One Big Beautiful Bill Act, and sent it to the House for consideration.[1] For the education portion of the budget reconciliation proposal, the Senate Committee on Health Education Labor and Pensions (HELP) was required 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.

A previous version of the education portion of the Senate's One Big Beautiful Bill Act was introduced on June 10. This version outlined how the Senate HELP Committee proposed to meet the $1 billion savings directed in the concurrent budget resolution.[2] While the committee was instructed to find at least $1 billion in savings, their proposal found over $300 billion in savings, making major changes to the student loan programs, repayment, and accountability for institutions of higher education. In the Senate's version of the One Big Beautiful Bill Act, slight changes were made to what was proposed initially by the Senate HELP Committee due to a final decision made by the Senate Parliamentarian.[3]

This high-level summary outlines the major elements of the education portions of the Senate's One Big Beautiful Bill Act. The Senate Committee on the Budget also provided a one-pager and section-by-section of the education portions 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.

- Beginning on July 1, 2026, and beginning with the 2026-2027 award year, excludes the assets of family farms; small businesses with no more than 100 full-time or full-time equivalent employees owned by a family; or a commercial fishing businesses and related expenses, including fishing vessels and permits owned and controlled by the family, when determining need for federal student aid.

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[1] This bill replaces the language in the House's H.R.1, One Big Beautiful Bill Act. The House's version can be found here: https://docs.house.gov/meetings/BU/BU00/20250516/118284/BILLS-119pih.pdf.

[2] 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."

[3] Budget reconciliation is a legislative procedure created by the Congressional Budget and Impoundment Control Act of 1974 that allows for expeditated consideration of changes in law to align spending, revenue, and the debt limit with agreed-upon budget targets. Under these procedures, the parliamentarian evaluates policy proposals to determine whether they comply with the constraints of the Byrd Rule and other unique procedures that guide the reconciliation process. More can be found here: https://democrats-budget.house.gov/resources/fact-sheet/budget-reconciliation-explainer

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.

- Before July 1, 2028, allows borrowers to select a student loan repayment plan consisting of the new repayment assistance plan; the statutory income-based repayment plan; or the current standard, graduated repayment, extended repayment, income contingent repayment, and income-based plan that began on July 1, 2009.
- Beginning on July 1, 2028, requires a borrower to repay their student loans based on the repayment plan they identified. They are also able to start repaying their loans under their selected plan sooner than July 1, 2028, if they so choose. If a borrower fails to select a plan, the Secretary of Education is required to place the borrower in the new income-based repayment assistance plan or the statutory income-based repayment plan.
- Allows borrowers who took out a loan prior to July 1, 2026, to continue to utilize the standard, graduated repayment, and extended repayment plans.

- Allows borrowers who took out a loan prior to June 30, 2028, to continue to utilize the income contingent repayment plan.
- Creates an income-based repayment assistance plan beginning July 1, 2026. Any borrower with PLUS loans, or a consolidation loan that is repaying a PLUS loan, will not be able to repay those loans under the new income-based repayment assistance plan, and borrowers can repay these loans separately from any other loans they may have.
- Requires a borrower who defaults on their loans to repay their loans either under the income-based repayment assistance plan or the statutory income-based plan.
- Terminates all current student loan repayment options, including the statutory income-based repayment plan, 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.
- After July 1, 2026, requires a borrower to enroll in the standard repayment plan if they do not actively select a repayment plan.
- 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 and borrowers can accelerate payments without penalty.
- Allows a borrower to switch between the standard repayment plan and the income-based repayment assistance plan at any time.
- Repeals the income contingent authority in the Higher Education Act that allows the Secretary of Education to create student loan repayment plans.
- Terminates partial financial hardship for the statutory income-based repayment plan.
- Mandates that students certify their income if they are enrolled in an income-based repayment plan.
- Beginning July 1, 2027, eliminates economic hardship and unemployment deferments. 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 beginning July 1, 2027.
- Students enrolled in Public Service Loan Forgiveness 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 four years after a student completes the program;
    - 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 two of the three 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 four years after a student completes a graduate or professional degree program;
    - 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.
- Small Cohorts

    - If a cohort is smaller than 30 individuals, the Secretary Education is required to aggregate additional years of programmatic data until 30 individuals are reached.
- Appeals
    - Institutions are able to appeal the data and the Secretary of Education may allow the institution to continue to participate in student loans during the appeal.
- 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

- Delays the borrower defense rule until July 1, 2035, and restores the regulations that took effect July 1, 2020.
- Delays the closed school discharge regulations until July 1, 2035, but restores these regulations to those in effect on June 30, 2023.

Subtitle G – 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.