

## House Education Budget Reconciliation Summary and Analysis

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### Overview

On April 29, the House Education and Workforce Committee approved, on a 21-14 party-line [vote](#), its [legislative text](#) for the Budget Reconciliation bill currently being advanced in Congress. The bill text focuses entirely on higher education, providing an estimated budget savings of \$351 billion over fiscal years 2025-2034. **If enacted into law, the modifications in this bill would represent some of the most significant changes to the federal financial aid programs in a generation.**

Among other things, the bill would:

- eliminate subsidized loans and generally decrease the availability of loans for graduate education and parental borrowing through the government;
- eliminate most student loan repayment options and replace them with a standard repayment plan based on amount borrowed and a new income-driven repayment plan based on earnings;
- reduce Pell Grant amounts for students attending less than 15 hours per semester and eliminate Pell Grants for students enrolled less than half time;
- create a new “workforce Pell” program for students enrolled in short term (8 to 14 week) programs aligned with labor market demand; and
- establish a “risk sharing” regime requiring institutions to annually reimburse the Secretary for some unpaid loans of their formerly enrolled students, using the proceeds to fund a new institutional grant program that creates price guarantees and supports student success work.

Because the bill<sup>1</sup> is designed to comply with the rules of Budget Reconciliation, final legislation would not be subject to the 60-vote threshold for a filibuster and could pass the Senate *with a simple majority vote*. However, this bill only represents the position of House Republicans, and it remains to be seen whether the Senate Republicans’ version will mirror all, some, or none of the House’s provisions. Final legislation would have to be agreed to by both a majority of the House and Senate. It is an open question whether the U.S. Department of Education and the Office of Federal Student Aid have the remaining staff capacity and expertise to implement the numerous and significant changes outlined in this bill.

The following is a high-level summary and analysis of the bill’s major provisions. Because of the length of the bill and the complexity of the federal student aid programs, this summary omits certain details and exceptions that do not significantly affect the major substance of the proposal.

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<sup>1</sup> Many of the bill’s provisions are highly similar or equivalent to the provisions laid out in House Republicans’ [College Cost Reduction Act](#), passed out of Committee on a party-line 22-19 vote on January 31, 2024. The bill never came to the full House for a vote before the end of the 118th Congress.

## **Student Loans**

### Eliminates subsidized loans and Grad PLUS loans; significantly scales back Parent PLUS loans

Beginning on July 1, 2026, the bill would eliminate subsidized loans (i.e., loans made to lower-income undergraduate students that do not accrue interest while the borrower completes their studies) and Grad PLUS loans made to graduate and professional students. It would also significantly scale back Parent PLUS loans made to parents of eligible students by imposing new limits on annual and lifetime borrowing.

The elimination of subsidized loans would make college more expensive for the approximately [25 percent of borrowers](#) (according to the National Association of Student Financial Aid Administrators) who are low-income and therefore receive subsidized loans. When combined with the new loan limits and revised cost of attendance (see next section), these changes could also restrict loan eligibility for some students and parents at relatively more expensive programs, while allowing for additional borrowing by some dependent students compared to current law. Loans made to graduate students now comprise nearly half of all borrowing, so this would constitute a large scaling-back of federal lending for a significant and growing share of the student loan portfolio, particularly at professional health programs where borrowing is highest.

### Significantly changes annual and aggregate student loan limits & establishes a lifetime borrowing maximum

Under current law, undergraduate students can borrow \$5,500–\$12,500 per year based on their year in school (graduate students are limited to \$20,500 in unsubsidized loans but have effectively unlimited borrowing under Grad PLUS). Beginning in award year 2026-27, the annual loan limit under the proposed bill would instead be the difference between the program’s cost of attendance (COA) and the student’s Pell Grant award. Instead of being set by the institution, the cost of attendance would now be the “median cost of college of the program of study” across all institutions offering such a program. Under this proposal, the COA becomes the maximum amount of loans a student could borrow in a given year. The bill also sets new aggregate loan limits: \$50,000 for undergraduate borrowers (compared to \$31,000 for dependent students and \$57,500 for independent students under current law), \$100,000 for first time graduate students (currently limited only by the COA estimated by each institution at its discretion), and \$150,000 for professional students or graduate students enrolled at a second or subsequent program (currently limited only by COA estimated by each institution at its discretion). Finally, the bill sets a lifetime maximum borrowing limit of \$200,000 (currently unlimited).

Setting a maximum loan limit based on the median of all equivalent programs nationally is a significant change from the current loan regime. In addition to creating a different loan limit for every program of study, the proposal would also likely cause loan limits to change from year to year for many programs. The bill’s loan limits could create complex effects, but in general, [would likely increase](#) the annual loan limits for most undergraduate credentials. However, compared to current law, which essentially offers unlimited federal student loans to graduate students, the annual and aggregate loan limits for many graduate and professional students would be far lower. When combined with the limits on Parent PLUS borrowing, institutions that rely on graduate students and parent borrowers for tuition revenue face significant downside risks and could decrease access to programs for low-income families. At the same time, it is possible that some institutions will lower the price of certain programs or majors, passing those savings on to students.

Eliminates nearly all repayment plans going forward and replaces them with a standard payment based on amount borrowed and a new income-based “Repayment Assistance Program”

The bill eliminates all of the income-driven repayment plans created by the Obama and Biden Administrations (including [PAYE, REPAYE, and SAVE](#)). Current borrowers in an income-driven repayment plan will be placed in a modified income-based repayment plan first created by Congress in 2008 that is *slightly* less generous than PAYE and REPAYE, and *significantly* less generous than SAVE. New borrowers will have the choice of two repayment plans: a standard plan with a duration of repayment proportionate to the amount borrowed, and a single “Repayment Assistance Plan” (RAP) that bases monthly payments on the amount the student earns.

Compared to most of the existing income-driven repayment plans, RAP would likely result in *slightly* higher payment amounts for the lowest-income borrowers and *moderately* higher monthly payment amounts for higher-income borrowers. However, for low-income borrowers, RAP would require the government to cover unpaid interest and help pay down the principal balance each month. The maximum repayment term for RAP is far longer than current IDR plans (30 years rather than 20 or 25—or as few as 10 years for some borrowers under SAVE). When combined with higher monthly payment amounts, many borrowers on balance are likely to pay more over their repayment terms on RAP compared to existing income-driven repayment plans.

Does not significantly modify Public Service Loan Forgiveness

With the exception of excluding medical or dental internships and residencies, the bill does not materially change the provisions of Public Service Loan Forgiveness (PSLF), a noteworthy divergence from the Trump Administration’s [Executive Order](#) seeking to modify the program. However, given the changes to income-driven repayment (see previous section), it would be much more difficult for higher-income borrowers to secure substantial forgiveness through PSLF under the bill. That is because compared to existing income-driven repayment plans, high-income borrowers would make moderately higher monthly payments under RAP, making it more likely those borrowers would have already paid off most or all of their balances after 10 years and would have nothing left to forgive through PSLF.

## **Pell Grants**

Appropriates \$10.5 billion over three years in additional funds to shore up the Pell Grant shortfall

Recognizing the looming Pell Grant shortfall [projected by the Congressional Budget Office](#) beginning in fiscal year 2026, the bill appropriates an additional \$3.2 billion in FY26, \$4.8 billion in FY27, and \$2.5 billion in FY28, for a total of \$10.5 billion additional in FY26-28. While this would not completely address the approximately \$70 billion Pell Grant shortfall over the next 10 years, it represents a partial down payment to shore up funding for the Pell Grant program.

Eliminates Pell Grant eligibility for students enrolled less than half time, increases minimum enrollment for full-time status, and eliminates Pell Grant eligibility for relatively higher-earning students and families

In combination with providing more funds to the Pell Grant program, the bill also restricts Pell Grant eligibility for some students. Students enrolled less than full time would no longer be eligible for prorated Pell Grant awards. The minimum number of credit hours to be considered a full-time student and therefore eligible for the maximum award would be increased from 12 hours to 15 hours per semester (or 30 per

year). Finally, the bill lowers the cap on Pell Grant eligibility for middle-income students and families compared to current law. Taken together, these restrictions on eligibility and additional funds would address a large portion of the next decade's Pell Grant shortfall. It will also result in some students currently eligible for partial or full awards getting a smaller Pell Grant – or none at all.

Creates a “workforce Pell” program allowing grants for very short programs aligned to workforce needs

The bill includes a version of a “workforce Pell” program designed for programs 8 to 14 weeks in length (the current minimum is 15 weeks). These programs would have to be approved by each state to be aligned with a “high-skill, high-wage, or in-demand industry sector or occupation” and meet the requirements of potential employers. The Secretary of Education would also have to verify that each eligible short-term program has a completion rate of at least 70%, a job placement rate of at least 70%, and earnings that exceed the average price of the program. However, providers would not necessarily need to be accredited and would be able to enter into agreements with the Department to access Pell Grant funds for these programs. This change would result in Pell Grants becoming available to shorter programs, and it remains to be seen whether availability of federal funds would improve employment outcomes for such students or create incentives for new programs of questionable value.

**Accountability and PROMISE Grants**

Establishes a risk sharing accountability regime where institutions must repay certain percentages of their students’ loan nonpayment or lose access to the federal student aid programs

The bill requires institutions to annually reimburse the Secretary for some unpaid loans of their formerly enrolled students, an approach often known as “risk sharing.” The risk sharing payments establish institutional liability for a portion of their borrowers’ non-payment of student loans, factoring in poor completion and transfer rates, former students’ earnings, and the price of the program. Once informed of the risk sharing payment amount, institutions must pay the Secretary within 12 months or lose the ability to make loans; institutions that fail to pay for two years lose eligibility to participate in the loan programs for 10 years. Funds paid to the Secretary are reserved for use under a new PROMISE Grant program (see next section).

This is the most significant new higher education accountability provision since the creation of the cohort default rate and applies to all types of institutions and programs. Institutions with high-cost programs and with former students who have low earnings would be most likely to incur significant repayment liabilities and could be forced to shut down low-performing programs or lose access to federal student aid funds if they are unable to cover repayment liabilities. It is hard to predict how institutions will respond to these incentives—some might shut down or decrease the price of low-performing programs, others may try to increase graduation rates, and some may stop enrolling students they perceive to be less likely to repay.

Establishes PROMISE Grants using funds from risk sharing payments to enable institutions to improve affordability, access, or student success efforts

Using the funds collected from risk sharing payments, the bill creates a new PROMISE Grant program, awarded by a noncompetitive formula to institutions that establish a maximum total price guarantee for each program to students. The maximum total price guarantee would require that institutions commit to maintaining a program’s price for entering students for at least the length of the program or the median time to complete, whichever is greater (but no more than six years). Grant funds awarded to institutions can

be used to increase postsecondary affordability, access for low- and middle-income students, and student success. The latter includes improving completion rates, aligning programs of study to the needs of employers, and increasing value-added earnings. The grant amount is based on the total volume of Pell Grant dollars that went to students, and to a lesser extent the percentage of Pell Grant recipients who successfully completed or transferred, former students' earnings, and the price of the program.

This new grant program would reward institutions with a large number of low-income students that achieve positive earnings outcomes and that help low-income students complete. It also provides institutions with wide latitude for use of these funds. Low-cost public institutions, like community colleges, are likely to be disproportionate beneficiaries of these grants.

#### Eliminates several accountability provisions

The bill largely eliminates the consumer protection regime of the past several years. In its place, it establishes a statutory risk sharing approach that applies equally to all institutions and programs. It would reduce the focus on sectors of higher education that have disproportionately had the worst earnings and employment outcomes, in favor of establishing a minimum level of permissible performance for all programs at all institutions, with steadily increasing financial penalties for high costs, low completion, and poor earnings. To do this, the bill eliminates a number of accountability and borrower protection provisions that currently exist in law or regulation:

- Eliminates the requirement that proprietary institutions earn at least 10 percent of their revenue from non-federal sources (also known as the 90/10 rule).
- Eliminates the term “gainful employment” from the statute. This provision currently requires vocational programs and proprietary institutions to prepare their students for gainful employment in a recognized occupation given the career-focused nature of such programs; this language has provided the basis for regulations requiring institutions to meet thresholds for minimum earnings and affordable debt burdens to maintain federal aid eligibility. The bill’s elimination of “gainful employment” would prevent future regulations on this topic.
- Rescinds the most recent closed school and borrower defense regulations, which made it easier for borrowers to have their loans automatically cancelled if their school closed and allowed groups of borrowers to more easily apply for discharge of their loans if they alleged they were defrauded by their institution. It reinstates the previous Trump Administration’s regulations in their place.
- Prohibits the Secretary from issuing any economically significant regulations that would cost the government money. This would prevent further attempts to issue regulations that provide for loan cancellation via executive action.

#### **Conclusion**

If passed into law, this legislative proposal would fundamentally change numerous provisions governing student loans, repayment, Pell Grant eligibility, and institutional accountability. The Senate will advance its own reconciliation proposal for education in the coming weeks, which may differ in small or large ways from the House proposal. Before it can become law, the House and Senate must agree to approve equivalent language, so the likelihood that this proposal passes as written is low. However, it is still possible that some or many of these provisions will survive the reconciliation process and become law later this year.