

EducationCounsel Alert for July 1, 2025

This EducationCounsel Alert shares updates about various recent actions by the federal government relevant to education, including:

1. [Senate Passes Budget Reconciliation Bill](#)
2. [Supreme Court Provides Parents a Right to Opt Out of Public School Lessons for Religious Reasons](#)
3. [Supreme Court Limits the Availability of Universal Injunctions](#)
4. [Trump Administration Withholds Federal Education Funds](#)
5. [USED Reinstates Original Late Liquidation Deadlines for All States](#)
6. [USED Issues Guidance on Using Title I School Improvement Funds to Expand School Choice](#)
7. [Other Significant Updates](#)

You can also find summaries and brief analysis of many other developments in our ongoing [Executive Actions Chart](#). Our [Executive Actions Tracker](#) is a companion resource that lists the specific actions called for in all Executive Orders affecting education, with due dates and status updates for each.

All of our summaries and analysis of the Administration's executive actions are available in one place by [clicking here](#). Please note that these developments are sometimes changing rapidly, and *this Alert and all our materials are meant to provide general guidance and do not constitute specific legal advice.*

1. Senate Passes Budget Reconciliation Bill

On 7/1/25, the Senate voted 51-50 (with Vice President Vance casting the decisive vote) to approve its budget reconciliation bill, officially titled the "One Big Beautiful Bill Act." The bill represents major changes to a wide range of domestic policies, including many that affect students, families, and education systems and institutions. The bill now heads back to the House of Representatives for an up-or-down vote on the Senate's version. If the House also approves it, the bill will proceed to the President to sign into law, likely by the Administration's self-imposed July 4th deadline. If the House does not pass the exact same version as the Senate's, then the bill would require further negotiations between the two houses of Congress before it could become law.

Summaries of key provisions of the Senate bill affecting education are listed below. Where appropriate, we have also indicated how the final bill's provisions have changed since our earlier summaries of the Senate committees' initial proposals (which we covered in our [June 13](#) and [June 23](#) Alerts). Any such revisions appear in bullets under each summary that are introduced by "Key Changes." Note that some changes represent negotiations among Senate Republicans to secure 50 votes while others were necessary responses to the Senate Parliamentarian's rulings about whether a policy could pass with a simple majority instead of being subject to the 60-vote threshold of a Senate filibuster. Some proposed provisions—like a moratorium on state regulation of artificial intelligence—fell out of the final bill altogether.

Medicaid & SNAP Provisions

Medicaid: Overall, the Senate bill would cut [\\$930 billion](#) from Medicaid, imposing even deeper cuts than what was included in the House-passed bill. Like the House-passed bill, the Senate bill would make a number of changes to the Medicaid program, including frequent eligibility redeterminations, increased costs to states to cover some recipients, increased costs to patients for some services, and additional work requirements. The work requirements in the Senate bill would apply to parents with children over 14 years old, whereas the

House-passed bill exempted parents of any dependent children from new work requirements. The Senate bill removes a provision that would have reduced Medicaid funding for states that contribute state and local funds to support the health care of undocumented individuals. The Center for Budget and Policy Priorities [estimates](#) that applying work requirements to parents with children over 14, as the Senate bill proposes, would put an additional 100,000 to 400,000 people at risk of losing coverage. Based on [estimates](#) from the Georgetown Center for Children and Families, the Senate bill's provisions on Medicaid, the Children's Health Insurance Program, and the Affordable Care Act would increase the number of uninsured people by 11.8 million by 2034. The House-passed bill would increase the number of uninsured people by 10.9 million over the same time period. For an analysis on the impact of the most recent version of the Senate bill, please refer to this [report](#) from the Center on Budget and Policy Priorities.

- *Key Changes:* The bill reflects a number of changes from the legislation originally introduced by the Senate Finance Committee, including changes to address some rulings from the Parliamentarian and some to mitigate the predicted harm to hospitals in rural communities (which the Urban Institute [estimates](#) could lose as much as \$84 billion in revenue over the next ten years under the provisions included in the reconciliation bill). For a comprehensive analysis of the changes made, please refer to this [report](#) from Health Affairs.

SNAP: The bill would shift a portion of Supplemental Nutrition Assistance Program (SNAP) costs to states if they have a payment error rate above 6%. States with higher error rates would contribute more toward SNAP benefits, though their share would be capped at no more than 15%. Cost-sharing would begin in Fiscal Year 2028 with some flexibility in how error rates are determined at the beginning of the implementation period. In the revised version, for Fiscal Year 2028, states will be able to choose their error rate from either Fiscal Year 2025 or Fiscal Year 2026, presumably to provide states with the opportunity to reduce the error rate below the threshold that would trigger cost-sharing. Starting in Fiscal Year 2029, and for every year after that, the federal government will use each state's error rate from three years earlier to calculate how much of the SNAP costs the state has to cover. So for example, in 2029, the 2026 error rate will be used. The bill also delays implementation of the cost-sharing provisions if the error rates are particularly high. If the state chooses Fiscal Year 2025's error rate, and that rate multiplied by 1.5 is higher than 20%, the implementation date for the cost-sharing provisions is Fiscal Year 2029. If the state chooses Fiscal Year 2026, and that rate multiplied by 1.5 is higher than 20%, the implementation date is Fiscal Year 2030. Accordingly, if the error rate is above 13.33% in either Fiscal Year, the state's implementation of the cost-sharing provision is delayed. SNAP would be limited to citizens, legal permanent residents, and certain Cuban and Haitian entrants. For an analysis of the provisions in reconciliation that impact immigrant communities, please refer to the National Immigration Law Center's work [here](#).

- *Key Changes:* While the original proposal provided states with no flexibility regarding their error rates, the current text was revised to allow for states to select their error rate in Fiscal Year 2028 and delay implementation if the error rate is particularly high. The Parliamentarian also held the Byrd rule applied to a provision ending SNAP eligibility for non-green-card holders; the provision about eligible recipients was modified in response.

Student Aid Provisions

Student Loan Limits: Beginning on 7/1/26, the bill would discontinue [Grad PLUS loans](#), and new loan limits would apply to graduate students. Nonprofessional graduate students (e.g., MA, PhD) would be limited to \$20,500 per year in unsubsidized Stafford loans and a \$100,000 lifetime limit; professional students (e.g., JD, MD, DO, DDS) would be limited to \$50,000 per year and a \$200,000 lifetime limit less any other graduate loans already received. The bill would reduce annual limits for [Parent PLUS loans](#) from the current, essentially

unlimited, “cost of attendance” to \$20,000 per year for each dependent student, and it would reduce the aggregate limit for Parent PLUS loans from having no limit to \$65,000 per dependent student. The bill also would establish a new aggregate lifetime loan limit for all borrowers of \$257,500 regardless of any amounts repaid or forgiven but would exclude Parent PLUS loans from that aggregate maximum. Current students would be allowed to continue receiving loans under the existing limits until the end of the expected completion of their currently enrolled program, up to three years. For undergraduate students, loan provisions would remain largely unchanged. However, loan limits would be prorated for students enrolled on a less-than-full-time basis, similar to how Pell grants are currently prorated based on the number of credits taken below full time. Institutions would be permitted, for the first time, to reduce the annual loan limit for student and parent borrowers, so long as the loan limit was the same for all students in a given program.

- *Key Changes:* None

Student Loan Repayment: For new borrowers on or after 7/1/26, two repayment plans would be available: (1) a standard repayment plan with different repayment terms based on the amount borrowed or (2) the Repayment Assistance Plan (RAP) described below. Borrowers could switch between plans at any time and prepay loans without penalty. The bill would prohibit the Secretary of Education from establishing any new repayment plan. Beginning on 7/1/28, all borrowers with loans taken prior to 7/1/26 currently on any income-driven repayment (IDR) plan would have the option of switching to RAP or to the income-based repayment (IBR) plans created in statute in 2008, which limit repayment to 10% or 15% of discretionary income, depending on when a borrower first received a loan. All existing regulatory IDR plans would be sunsetted.

RAP, the new IDR plan, would steadily increase the percentage of income (from 1%–10%) that must be used to calculate the monthly payment amount. Compared to most of the existing IDR plans, RAP would likely result in slightly higher payments for low-income borrowers and moderately higher payments for higher-income borrowers, and largely equivalent payments for middle-income borrowers. 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 would be 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 low- and high-income borrowers on balance would be likely to pay more over their repayment terms on RAP compared to existing IDR plans. Parent PLUS borrowers would no longer be eligible to repay loans under any IDR plan and any consolidation loan made after 7/1/26 would have to be repaid under the two new repayment options.

- *Key Changes:* The new version provides for two additional years before existing borrowers are moved from their current IDR plan and allows them to enroll in RAP in addition to the statutory IBR plan for which they would otherwise be eligible. It removes the proposed provision that payments made during medical/dental residencies do not count toward Public Service Loan Forgiveness (PSLF). It allows Parent PLUS borrowers who have consolidated their loan to repay loans under IBR if they are enrolled in an IDR plan before 7/1/28.

Pell Funds: Recognizing the looming Pell Grant shortfall projected by the Congressional Budget Office beginning in Fiscal Year 2026, the bill would provide \$10.5 billion in additional funds to partially cover the Pell shortfall. Although this would not completely address the approximately \$70 billion Pell Grant shortfall projected over the next 10 years, it represents a partial down payment to shore up funding for the Pell Grant program for next year.

- *Key Changes:* None.

Pell Eligibility: The bill would eliminate eligibility for students (and their families) with high enough incomes and assets that their Student Aid Index (SAI) is twice the amount of the maximum Pell Grant. For students receiving other non-Title IV grant aid—from non-federal sources like the institution, state, or private source—that together equals or exceeds the student’s cost of attendance (COA), the Senate bill would restrict Pell eligibility for “any period” that the student receives grant aid, making the student ineligible to receive a Pell Grant in any amount. This could exclude student athletes with full ride scholarships, institutional merit scholarship recipients, and students receiving grants from free college programs, private foundations, or other entities so long as those funds fully cover the student’s COA (i.e., not just tuition, but also housing, transportation, books, childcare, etc.). Other federal funds like the GI bill would not be included in the list of such other funding sources.

- *Key Changes:* The bill would now limit the funds that count toward restricting Pell to only those from non-federal sources, ensuring that students who receive the GI Bill would still be eligible for Pell awards.

Workforce Pell Grant: The Senate bill would create a new Pell Grant program beginning on 7/1/26 for very short programs between 150–600 clock hours or 8–15 weeks of instruction. It would require a state determination that the program must prepare students for jobs that are “high-skill and high-wage” and must confer a recognized credential. USED would also have to determine that the program has at least a 70% completion rate, has existed for at least a year, and the program’s graduates are earning wages that exceed 150% of the federal poverty line. The proposal would only apply to *eligible* institutions, not non-institutional providers.

- *Key Changes:* Workforce Pell Grants would not be available to students attending programs provided by non-accredited providers.

Higher Education Accountability: The Senate bill proposes a new accountability regime for all Title IV-eligible programs requiring that most students are earning more than they would have had they not attended the program; otherwise the program would risk losing loan eligibility. For undergraduate degree programs, the median completer who is not currently enrolled in further education and is working would have to—for two out of three consecutive years—have earnings that exceed the median earnings of 25–34 year olds in the state who only have a high school diploma or recognized equivalent. For graduate programs (e.g., MA, JD, PhD, MD, etc.) the calculation would be the same except that the comparison would be the median bachelor’s degree holder in the state, aged 25–34, working, and not currently enrolled in further education. The Senate bill includes measures to reduce the comparison earnings group (e.g., only those currently working, within a certain age cohort). Notwithstanding these provisions, it is likely that the Senate version would result in certain institution and program types facing loss of loan eligibility due to their students’ particularly low earnings. Notably, however, the accountability system would not cover non-degree certificate programs, many of which have the lowest earnings outcomes of all postsecondary offerings. The bill would require USED to establish an appeals process for challenging the calculation of a given program’s median earnings, during which time the program could not lose its eligibility. USED would also have to establish a process whereby a program that lost eligibility could regain it after two years. If a program failed the earnings requirement for one year, the institution would have to promptly inform students enrolled in the program of the low earnings and that it would be at risk of losing eligibility to disburse loans.

- *Key Changes:* Earnings would be calculated only for students who completed a program, rather than all students who previously enrolled. This makes the accountability system possible to implement, because USED would be able to ascribe an individual’s earnings to a specific program, which is not feasible before a student completes the program.

Effective Dates of Biden Regulations: The Senate bill would delay for ten years the Borrower Defense regulations and Closed School Discharge regulations promulgated by the Biden Administration, effectively reverting the effective regulations to those already in place. The Senate bill would not eliminate legislative provisions or regulations related to Gainful Employment or 90/10 non-federal revenue requirements. Finally, the Senate bill would appropriate \$1 billion for additional loan servicing.

- *Key Changes:* Rather than eliminating the Borrower Defense and Closed School Discharge regulations, the Senate bill now would delay them for the bill's entire ten-year budget window. The bill no longer contains a proposed prohibition on Secretarial promulgation of economically significant regulations that result in a subsidy cost to the government; this change was made to bring the bill into conformity with a ruling by the Senate Parliamentarian.

Tax Provisions

School Choice Tax Credit: The bill would create a new, permanent income tax credit only in those states opting into the program. The dollar-for-dollar credit would apply to qualifying charitable contributions to tax-exempt state and local organizations included by the state on an annual list of "scholarship granting organizations" (SGOs) that provide scholarships (or vouchers) to elementary or secondary school students in their same state. The scholarships could be used for a range of educational expenses including, but not limited to, private or religious school tuition. Students from families earning up to 300% of an area's median income would be eligible to receive a qualifying scholarship while the maximum credit available to donors would be \$1700 annually. The bill would also exclude the scholarships from being considered taxable income for the receiving student. The proposal is based on prior legislation introduced by Senate Health, Education, Labor, and Pensions Committee Chair Bill Cassidy (R-LA) and Representative Adrian Smith (R-NE), known as the [Educational Choice for Children Act](#) (ECCA), although several provisions in the final reconciliation bill differ from ECCA.

- *Key Changes:* The tax credit program underwent significant changes. Rather than apply nationwide, states would now opt in. The \$4 billion cap on the credits and individual limits of \$5000 or 10% of adjusted gross income were replaced with no overall cap and a lower individual limit of \$1700. New language would also require that SGOs must (i) be approved to operate in the state in which such organization grants scholarships and (ii) spend not less than 90% of its income on scholarships for eligible students. The final version also removed language that previously stated that the federal government could not exercise control over any aspect of private schools.

Child Tax Credit: Beginning in 2025, the bill would make permanent and increase the non-refundable Child Tax Credit (CTC) by \$200 to \$2,200. Additionally, the non-refundable credit would be indexed to inflation after 2025. Also, it would make permanent and adjust for inflation the refundable CTC resulting in a \$1,700 credit for 2025. The bill would require that at least one parent provide a Social Security Number (SSN).

- *Key Changes:* None.

Deductions for Unreimbursed Employee Expenses for Eligible Educators: The bill would permanently terminate the ability to deduct most miscellaneous itemized deductions, except for the deduction of educator expenses. This appears to leave in place the current law allowing an eligible educator to deduct up to \$300 for unreimbursed employee expenses, including books, supplies, computer equipment and supplementary materials used by eligible educators as part of instructional activity.

- *Key Changes:* None.

529 Plan Expansion: Beginning 1/1/26, the bill would expand allowable tax-free distributions for K-12 expenses under 529 accounts in connection with enrollment or attendance at elementary and secondary school, whether public, private, or religious. Although tax-free withdrawals from 529 accounts of up to \$10,000 annually for K-12 education are already permitted, the bill would increase this amount to \$20,000 and expand the list of allowable expenses to include curriculum and curricular materials, online education materials, tutoring, testing fees, and fees for dual enrollment, among other things. The bill would also expand allowable tax-free distributions to some additional industry-recognized credentials and apprenticeships.

- *Key Changes:* Increases the limit for annual 529 withdrawals to \$20,000 instead of \$10,000. Applies to taxable years beginning after 12/31/25 instead of the date of enactment.

Employer-Provided Child Care Credit (45f): The bill would permanently increase the credit from \$150,000 to \$500,000 and the percentage of qualified expenses from 25% to 40%, with more generous benefits for small business employers directing expenditures to child care.

- *Key Changes:* None.

Dependent Care Assistance Program (DCAP): The bill would increase the limit for pre-tax contributions for dependent care assistance, such as child care, from \$5,000 (current law) to \$7,500 annually. The improvement will go into effect after 12/31/25.

- *Key Changes:* None.

Child and Dependent Care Tax Credit (CDCTC): Under the CDCTC, taxpayers can claim a credit to be used for expenses for the care of a qualifying individual (e.g., dependent child under the age of 13) that enable the taxpayers to work or actively look for work. The credit is calculated by multiplying the amount of qualifying expenses—a maximum of \$3,000 if the taxpayer has one qualifying individual, and up to \$6,000 if the taxpayer has two or more qualifying individuals—by the appropriate credit rate. Currently, the credit rate varies by the taxpayer's adjusted gross income (AGI), with a maximum credit rate of 35% that declines, as AGI increases, to 20% for taxpayers with AGI above \$43,000. The Senate bill would increase the maximum credit rate to 50% and on a sliding-scale basis increase the maximum AGI at which the credit rate is phased down until reaching 20% for AGIs between \$75,001 and \$105,000 for single-income households and \$150,001 and \$210,000 in the case of joint-income households. (For additional information on updates to tax policy in the Senate proposal that could help make child care more affordable for more working families with young children, First Five Years Fund has created [this new resource](#), which includes their calculation that almost four million families would see an increased tax credit.). The improvements to the CDCTC take effect after 12/31/25.

- *Key Changes:* None.

Student Loan-Related Provisions: The bill would permanently extend the exclusion from a taxpayer's income of any income resulting from the discharge of student debt on account of death or total disability of the student, ensuring that a borrower's death or permanent disability would not result in being taxed for the resultant student loan discharge. At the same time, the bill adds Social Security Number requirements for the taxpayer to be able to claim such an exclusion. Additionally, under current law, the first \$5,250 of employer-provided educational assistance—which includes payments by an employer of tuition, fees, books, supplies, etc.—is excluded from an employee's gross income; however, only student loan payments made before 1/1/26 currently qualify as educational assistance. The Senate bill would make permanent the exclusion from gross income for qualified education loan payments and would index for inflation the maximum exclusion from gross income for educational assistance programs. In total, these changes would result in additional borrower benefits relative to a scenario in which these provisions had been allowed to expire.

- *Key Changes:* None.

American Opportunity Tax Credits (AOTC) and Lifetime Learning Credits (LLC): The bill would add requirements for the individual student and taxpayer (if filing on behalf of the student) to include their Social Security Number (SSN) on their tax return in order to receive either the AOTC or LLC.

- *Key Changes:* No longer would require the inclusion of a spouse's SSN on the tax return in order to be eligible for the AOTC or LLC.

Higher Education "Endowment Taxes": The bill would modify the excise tax on the *investment income* of certain private colleges and universities by including a new sliding scale to determine the rate of taxation in place of the current rate of 1.4%. The proposed scale would not focus on the absolute size of the institution's endowment but instead on the endowment-per-student amount, which is the total endowment divided by the number of enrolled students, for institutions with at least 3,000 tuition-paying students in the prior tax year.

Endowment Per Student	Excise Tax Rate
Less than \$500,000	0%
\$500,000 – \$750,000	1.4%
\$750,000 – \$2,000,000	4%
Above \$2,000,000	8%

- *Key Changes:* Sets a minimum floor of 3,000 students before the excise tax will apply (up from 500 students). Removes a proposed exemption for religious institutions.

Foundations "Endowment Taxes": The Senate did *not* include a proposal to increase taxes on investment income of certain private foundations that was included in the House proposal.

- *Key Changes:* None; this provision still does not appear in the Senate bill.

Trump Accounts and Contribution Pilot Program: The bill would create a new type of tax-preferred savings account (similar to an IRA) to allow families to contribute \$5,000 annually into an account treated similar to an IRA for children under the age of eight. Distributions would not be allowed prior to age 18, after which account holders would be able to access up to 50% for education, business development, or the purchase of a first home until age 25. At age 25, account holders would be allowed to withdraw any amount up to the full balance of the account for these limited purposes. Account holders would gain access to the full balance at age 30, for any purpose. Additionally, the government would contribute \$1,000 to these accounts under a new temporary pilot program for children born between 1/1/24 and 12/31/28. To be eligible for the government contributions, the child must be a citizen and have a Social Security Number.

- *Key Changes:* Specifies the tax-deferred growth treatment of the account as similar to an IRA and makes minor modifications to uses of distributions. Additionally, the Senate stripped language it had previously for the pilot program that required that at least one parent be a United States citizen at the time of the child's birth and that at least one parent offer a Social Security Number to claim the benefit.

2. Supreme Court Provides Parents a Right to Opt Out of Public School Lessons for Religious Reasons

On 6/27/25, the Supreme Court issued a 6-3 decision in [*Mahmoud v. Taylor*](#), holding that parents who object on religious grounds to particular books or lessons have a First Amendment right to *notice* about the planned instruction and the opportunity to *opt out* their children in advance. In this case, the Court sided with a group of parents seeking a right to opt out from lessons involving story books with LGBTQ+ themes in Montgomery County Public Schools (MD). Justice Alito, writing for the majority, stressed that the opt-out right did not confer “the right to micromanage the public school curriculum” and that the majority “expressed no view on the educational value of the [challenged] curriculum.” Justice Sotomayor, however, took issue with the practical implications of the Court’s decision, warning that it was likely to have broad consequences for public schools across the nation: “Requiring schools to provide advance notice and the chance to opt out of every lesson plan or story time that might implicate a parent’s religious beliefs will impose impossible administrative burdens on schools.... Worse yet...[s]chools may instead censor their curricula, stripping material that risks generating religious objections.”

3. Supreme Court Limits the Availability of Universal Injunctions

On 6/27/25, the Supreme Court issued a 6-3 decision in [*Trump v. CASA*](#) that limits the ability of federal district courts to issue universal injunctions that prohibit the government from enforcing a challenged law beyond its impact on the plaintiffs—in essence to enforce the law against “anyone, anywhere.” The Supreme Court instructed district court judges to instead issue injunctions broad enough only to provide “complete relief” for the plaintiffs who requested it (assuming they have legal standing to sue).

There are still some open pathways to securing injunctions that apply to everyone. Nationwide class action lawsuits or challenges brought by national organizations might succeed in winning injunctions that apply universally. In addition, the Court specifically recognized that its ruling does not address the authority of federal courts to completely vacate federal agency actions under the Administrative Procedure Act (APA). (Justice Kavanaugh’s concurrence observes that parties may “ask courts to set aside new agency rules, consistent with this decision.”)

But the Court’s decision will make it significantly harder to effectively challenge this or any future Administration actions, as impacted individuals and entities may have to begin filing multiple similar lawsuits. This ruling will apply both to future cases and to existing cases that are currently subject to universal injunctions. The Department of Justice is already asking courts to revise any such injunctions, while advocates will likely seek ways to bolster existing rulings (e.g., with increased emphasis on APA-specific claims), attempt to bring class action claims, or file new lawsuits. Although nothing in the Court’s ruling categorically forecloses universal injunctions in all cases, the bar is much higher following this decision.

Note that although the underlying case here is about President Trump’s executive order attempting to eliminate the Constitution’s guarantee of birthright citizenship, the Supreme Court’s ruling did not address the legality of that effort. The Court instead delayed implementation of the executive order by 30 days, and there are already at least two attempts to form class action suits that would include every person who might be harmed if the executive order is implemented. (These attempted class action suits will face their own legal hurdles.) The coalition of states that objected to the elimination of birthright citizenship is likely to argue to a district court that the states can only receive “complete relief” in this case through a nationwide injunction.

4. Trump Administration Withholds Federal Education Funds

On 6/30/25, media outlets [reported](#) that USED and the Office of Management and Budget (OMB) informed state departments of education that the Administration is withholding nearly \$6.9 billion in federal education funds that were scheduled to be distributed on 7/1/25. The funds are part of Fiscal Year 2025 appropriations, which mostly apply to the 2025-2026 school year. Withheld funds include:

- \$376 million for Title I-C migrant education state grants
- \$2.190 billion for Title II-A supporting effective instruction state grants
- \$890 million for Title III-A English language acquisition grants
- \$1.33 billion for Title IV-B 21st century community learning centers grants
- \$1.38 billion for Title IV-A student support and academic achievement grants
- \$715 million for adult education state grants

States and school districts planned their budgets for the upcoming year expecting disbursement of these funds. They will now have to quickly decide what services, programs, and staff to cut and/or backfill with other funding sources. Note that these are all for formula-funded education programs, not competitive grant programs where USED has more discretion in how funding appropriated by Congress is disbursed. It is not yet clear whether the Department will attempt to withhold additional funds. Legal challenges will likely be filed to challenge this Administration action.

5. USED Reinstates Original Late Liquidation Deadlines for All States

On 6/26/25, USED [informed](#) all state departments of education that the Department was reversing course and would now honor the original late liquidation deadlines approved by the Biden Administration for those states seeking more time to completely expend their ESSER funds. Before this announcement, the states that had *not* joined a [lawsuit](#) against USED were subject to the termination of their liquidation extensions while the plaintiff states were protected by a federal court's preliminary injunction. Now all states will receive the reimbursements they anticipated before USED terminated their extensions on 3/28/25, at least as long as the court challenge is pending and unless the court ultimately decides that USED does have the authority to undo the agreed-upon extensions. (More information about the specifics of USED's procedures is available in this [FAQ site](#).)

6. USED Issues Guidance on Using Title I School Improvement Funds to Expand School Choice

On 6/27/25, USED issued new [guidance](#) to state and local education agencies regarding how they can use Elementary and Secondary Education Act of 1965 (ESEA) school improvement funds to support school choice initiatives. The Dear Colleague Letter (DCL) focuses on how states that allocate ESEA Sec. 1003(a) funds via a competition—rather than distributing the funds via formula—could prioritize proposals from those districts that will offer school choice options to students enrolled in schools identified for improvement. (Such schools include those identified for comprehensive support and improvement (CSI), targeted support and improvement due to consistently underperforming subgroups (TSI), and additional targeted support and improvement (ATSI).) This is the third in a series of DCLs implementing an early [executive order](#) on expanding school choice. Like the prior two issued on [3/31/25](#) and [5/21/25](#), the new DCL does *not* entail a change to current law.

7. Other Significant Updates

All recent updates will appear in the [Executive Actions Chart](#), but some of note include:

USED Nominations Advance: On 6/26/25, the Senate HELP Committee [advanced](#) (by party-line votes) two USED nominations: Penny Schwinn to serve as Deputy Secretary of Education, and Kimberly Richey to serve as Assistant Secretary for Civil Rights. The nominations now move to the full Senate for a final vote, although there is a large backlog of nominations in the Senate at the present moment.

USED Finds California Transgender Athletics Policy Violates Title IX: On 6/25/25, USED's Office for Civil Rights (OCR) [announced](#) that it has found that both the California Department of Education (CDE) and the California Interscholastic Federation (CIF) violated Title IX through their policies allowing transgender girls and women to participate in girls sports. OCR is providing CDE/CIF ten days to either agree to a set of remedial actions or risk further enforcement, including referral to the Department of Justice and thus a threat to all of California's federal education funding.

University of Virginia President Resigns in Face of Trump Administration Pressure: On 6/27/25, University of Virginia President James Ryan [announced](#) that he will step down amid pressure from the Department of Justice. Since April, DOJ's Civil Rights Division has been [investigating](#) allegations that the University continues to use race as a factor in admissions (and in awarding other benefits) and maintains DEI initiatives that, according to the Administration, violate its interpretation of Title VI of the Civil Rights Act of 1964. DOJ issued a letter to the University on 6/18/25 demanding policy and personnel changes, including Mr. Ryan's resignation.

Research Organizations File Lawsuit over National Science Foundation Cuts: On 6/18/25, a coalition of research and educator organizations filed a [lawsuit](#) in the Washington, DC federal court to challenge the legality of the Trump Administration's terminations of existing and freezes of new National Science Foundation (NSF) grants. The groups cite [changes](#) made to NSF's priorities, which were then used to justify mass terminations of research grants. The plaintiffs assert that many of the eliminated grants aligned directly with NSF's congressionally-mandated mission, part of which is to "expand the participation of underrepresented persons in STEM fields, including women, minorities, and persons with disabilities."

PSLF Negotiated Rulemaking Begins: From 6/30/25 to 7/2/25, USED is holding negotiated rulemaking for Public Service Loan Forgiveness (PSLF) in accordance with President Trump's Executive Order (EO), "[Restoring Public Service Loan Forgiveness](#)." That EO directed USED to update the PSLF regulations to exclude from program eligibility any employer that engages in "activities that have a substantial illegal purpose." In a 6/23/25 [issue paper](#) outlining the topics and proposed changes, USED outlined and listed amendments in alignment with the EO, redefining "Qualifying employer" and "Substantial illegal purpose" to include the following as disqualifying employer activities: violations of federal immigration law, facilitating cartels, child trafficking, "engaging in a pattern of aiding and abetting illegal discrimination," and engaging in a pattern of public nuisance or vandalism. Additionally, the draft regulations reference the use of puberty blockers or sex hormones with individuals under age 19 as constituting "chemical castration of minors" (along with surgery referred to as "surgical castration or mutilation"), which would be included as a disqualifying employer activity. The paper also added definitions for both the "Process [and] Standard for determining a qualifying employer engaged in activities that have a substantial illegal purpose."

Overall, the regulations would grant broad authority to the Secretary, the legality of which will remain undetermined until an employer loses eligibility and brings a legal challenge. EducationCounsel will continue monitoring the rulemaking process and provide further updates on the proposed and final regulations.

DISCLAIMER: Consistent with our mission, EducationCounsel is working to update and support the field as federal actions consequential to education are unfolding. The information provided above does not serve as legal counsel and, given the pace of action, could be outdated quickly. Nonetheless we hope this information is helpful. If you have any suggestions or feedback please send it to info@educationcounsel.com. Updates in this Alert are current as of July 1, 2025 at 2:00 pm ET.