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Senate Education Budget Reconciliation Summary and Analysis

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Overview

On June 10, the Senate Health, Education, Labor, and Pensions (HELP) Committee Chair, Senator Bill Cassidy (R-LA), released proposed legislative text for the Senate's version of the budget reconciliation bill currently being advanced in Congress. The education portion of the bill focuses entirely on higher education, providing an estimated budget savings of more than $300 billion over fiscal years 2025-2034. The modifications in this bill—if enacted into law—would represent significant changes to the federal financial aid programs, particularly with respect to graduate and parent borrowing, loan repayment, and programmatic eligibility. Other Senate committees will likely include in their bills additional provisions impacting education, including changes to SNAP, Medicaid, tax credits for K-12 vouchers, or increased excise taxes on higher education endowments.

Among other things, the HELP Committee bill would:

- Eliminate Grad PLUS loans but provide for some new, limited loan eligibility for graduate programs,
- Scale back Parent PLUS loans and slightly modify undergraduate loan eligibility,
- Eliminate nearly all repayment plans for new borrowers and replace them with a standard payment and a new income-based "Repayment Assistance Program,"
- Eliminate Pell Grant eligibility for certain students,
- Establish a new "Workforce Pell Grant" for very short programs, and
- Create a new accountability regime for all *degree* programs with low earnings, similar to Gainful Employment, but that would not cover certificate programs, which typically have the lowest earnings.

Overall, many critical provisions are nearly equivalent between the House and Senate bills—replacement of Grad PLUS loans with more limited graduate lending and reduction in Parent PLUS loan amounts, repayment plan changes, and creation of "Workforce Pell Grants"—and these provisions are the most likely to survive in a bill that eventually is signed by the President. However, significant areas of divergence remain, particularly with respect to accountability, undergraduate loan limits, and Pell eligibility restrictions. These latter provisions will require further negotiation between the House and Senate so are more likely to be modified or even dropped from the final bill. (For more on the House's bill, see our May 1 Deep Dive on it.)

Because the bill 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. Final legislation would have to be agreed to by both a majority of the House and Senate. Following the large staff reductions and the significant implementation challenge of standing up a new accountability system and repayment plan, it is an open question whether the U.S. Department of Education (USED) has the remaining staff capacity and expertise to make the 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. Please note that federal policy developments are sometimes changing rapidly, and *nothing in this Deep Dive constitutes specific legal advice*.

Student Loans

Eliminates Grad PLUS loans and scales back Parent PLUS loans, but modifies undergraduate lending far less than the House reconciliation bill

Beginning on July 1, 2026, 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 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; unlike the House bill, subsidized loans would not be eliminated and annual loan limits would remain 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.

→ *House/Senate Comparison*: Overall, the loan limit provisions differ significantly from the House version, which would institute differential loan limits for every program based on the national median cost of attendance. The Senate version would maintain the existing loan limits and subsidized loans for undergraduate students but would lower the loan limits for graduate and parent borrowers. This is in contrast to the House bill, which proposes different loan limits for different programs of study.

Eliminates nearly all repayment plans for new borrowers and replaces them with a standard payment and a new income-based "Repayment Assistance Program"

Beginning on the date of enactment (and completed no later than nine months later), USED would have to transition all borrowers currently on any income-driven repayment (IDR) plan 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. For new borrowers on or after July 1, 2026, 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.

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 July 1, 2026 would have to be repaid under the two new repayment options.

→ *House/Senate Comparison*: Overall, the provisions governing loan repayment for new borrowers are remarkably similar between the House and Senate versions—both would sunset existing repayment plans; the legislative language for the repayment plans for new borrowers are identical in the House and Senate bills.

Does not significantly modify Public Service Loan Forgiveness

Like the House bill, the Senate bill does not propose material changes to Public Service Loan Forgiveness (PSLF), a noteworthy divergence from the Trump Administration's Executive Order seeking to modify the program (with the exception of excluding medical or dental internships and residencies). However, given the changes to income-driven repayment, 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. This treatment is effectively equivalent between the House and Senate versions, making it much more likely that PSLF will survive largely unscathed from the reconciliation process.

Pell Grants

Provides $10.5 billion 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 would provide $10.5 billion in additional funds to partially cover the Pell shortfall. While 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. It differs from the House bill in that the Senate would make such funds available immediately, rather than being phased in over three years per the House's version.

Eliminates Pell Grant eligibility for certain students, but to a lesser degree than the House bill

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. This provision is equivalent to the House version. However, for students receiving other non-Title IV grant aid, the Senate bill would restrict Pell eligibility in ways that were not included in the House bill. Specifically, for "any period" that the student receives grant aid—from other federal programs, the institution, state, or private source—that together equals or exceeds the student's cost of attendance (COA), the student would be 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.). Note that it is unclear from the bill's text if the GI bill would be included in the list of other funding sources, though it is typically considered an earned benefit, not grant aid. Furthermore, such periods would count against a student's 12 semesters of Pell eligibility even though students would not receive Pell grants.

→ *House/Senate Comparison*: Overall, the Senate and House versions have some important differences on Pell eligibility. The Senate would restrict eligibility only based on the SAI and if the student's costs are already covered by institutional or other grant aid. The House has the same SAI restriction, but does not have restrictions for students receiving other grant aid. However, the House would eliminate eligibility for students enrolled on a less than half-time basis (15 credits per year) and would increase the number of credits for full-time enrollment from 12 credits per semester to 30 credits per year. These latter restrictions are completely absent from the Senate version and would therefore be far less restrictive than the House.

Establishes new "Workforce Pell Grant" for very short programs, nearly the same as the House

Like the House bill, the Senate version would create a new Pell Grant program beginning on July 1, 2026, for very short programs between 150–600 clock hours or 8–15 weeks of instruction. It sets out the same requirements as the House related to State determination that the program must prepare students for jobs that are "high-skill and high-wage" and must confer a recognized credential. Provisions that also track the House bill include USED's determination 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. It is unclear whether the Senate version would allow for unaccredited programs to be eligible for these new Workforce Pell Grants—the bill text eliminates the parenthetical included in the House version specifying that unaccredited programs could be eligible, but the Senate bill summary states that unaccredited programs could be eligible. Given the nearly equivalent language of the two bills, it is likely that Workforce Pell Grants will survive to the final legislation.

Accountability

Creates a new accountability regime for all *degree* programs with low earnings, similar to Gainful Employment, but would not cover *certificate* programs, which typically have the lowest earnings

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 former student who is not currently enrolled in further education and is working would have to—for 2 out of 3 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 is 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.

→ House/Senate Comparison: Overall, this is the biggest area of difference between the Senate and House bills. Whereas the House version would create a risk-sharing regime where institutions would owe (or be paid) funds based on the earnings outcomes of its students, the Senate version would take a much simpler approach of slightly modifying the "high school earnings premium" measure of the Gainful Employment regulations and applying it to all enrolled students at all *degree* programs.

Eliminates several student protection provisions, but not to the same extent as the House bill

The Senate bill would revert the Borrower Defense regulations and Closed School Discharge regulations to those in place prior to promulgation of regulations by the Biden Administration, but unlike the House version, the Senate would not prohibit further rulemaking on the topics. The Senate bill would not eliminate legislative provisions or regulations related to Gainful Employment or 90/10 non-federal revenue requirements, which the House bill would. However, the bill would prohibit the Secretary of Education from promulgating any regulation or taking any executive action that is both economically significant (economic impact of $100 million or more) and results in a subsidy cost to the government, similar to the House bill. Finally, the Senate bill would appropriate $1 billion for additional loan servicing, an amount equivalent to the House bill.

Conclusion

If passed into law, this legislative proposal would significantly alter numerous provisions governing student loan eligibility and repayment, Pell Grant eligibility, and institutional accountability. This bill will be combined with the provisions agreed to by other Senate Committees and voted on by the full Senate in the coming weeks, which can pass the bill by a simple majority vote not subject to the filibuster. Before it can become law, the House and Senate must pass identical bills. Accordingly, provisions in the two bills that mirror each other are more likely to become law whereas areas where the proposals differ could change significantly or be excluded from the final law entirely as the legislative process continues.