

# ***Higher Education in the One Big Beautiful Bill***

*Council for Christian Colleges & Universities*



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## ***Presenters***



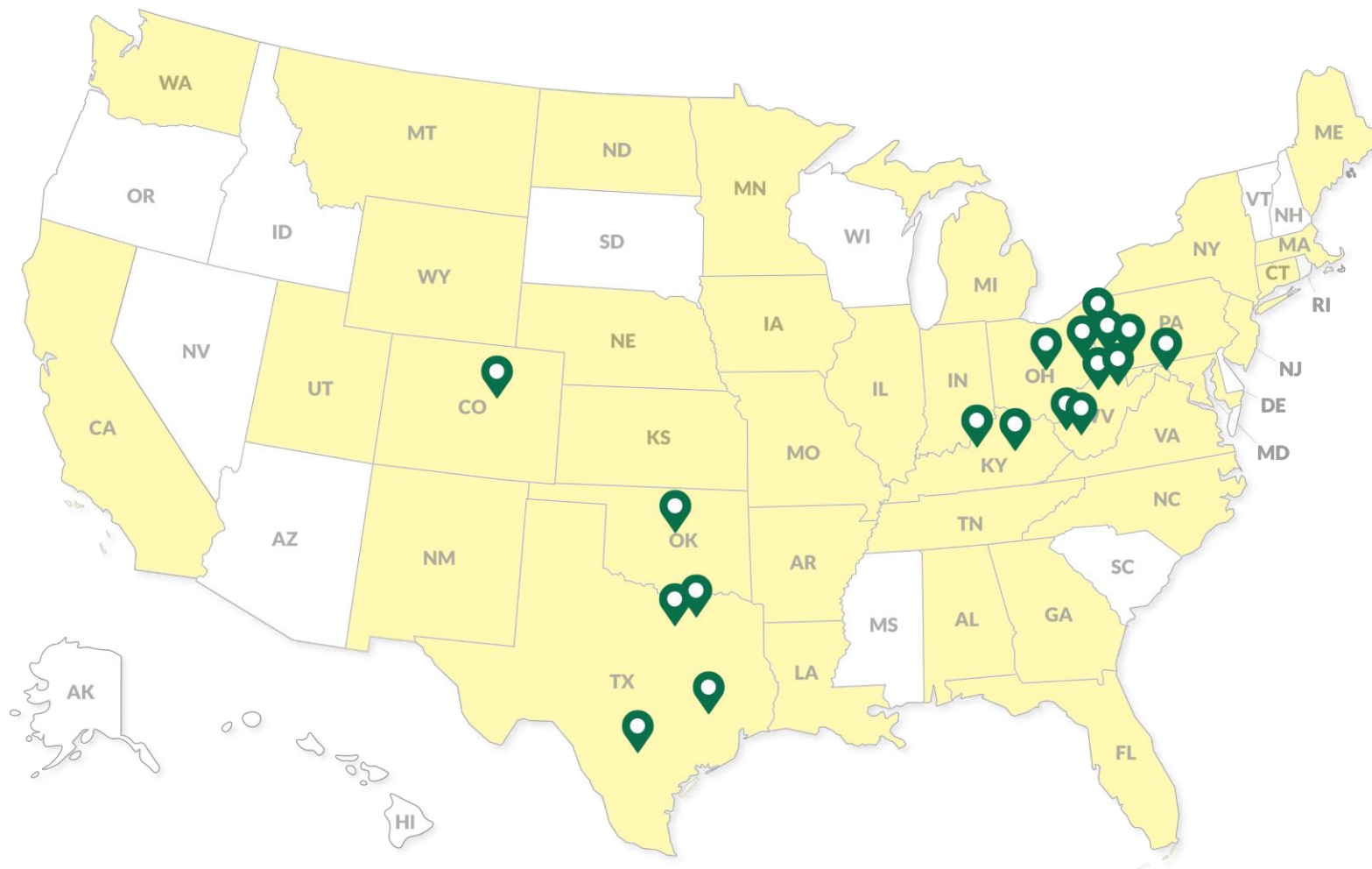
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 **Attorney Licensure**

- The “One Big Beautiful Bill” Overview
  - PLUS Loan changes
  - New accountability framework for academic programs
  - Pell Grant eligibility changes
  - Endowment tax
- Broader Implications for Governance and Compliance Efforts

*The “One Big Beautiful Bill”*

## *What Is the "One Big Beautiful Bill"?*

- Introduced in May 2025 by House Republicans as part of a broader economic and social policy overhaul
- Nicknamed "One Big Beautiful Bill" (OBBB) — a sprawling, 1,100+ page reconciliation bill
- Reshaped tax, education, healthcare, and family policy using fast-track budget reconciliation rules



*Changes to Graduate and Parent  
PLUS Loan Caps*

## *Aggregate Cap and PLUS Loan Updates*

- Effective July 1, 2026, students will not be able to borrow more than \$257,500 in total across all federal loan programs and during all years of postsecondary study.
- Parent PLUS - Capped at \$20,000 per year, with a lifetime cap of \$65,000.
- Graduate PLUS - Terminates this program for new borrowers. Students who have already borrowed from Graduate PLUS program before changes take effect in July of next year will reportedly still have access to their loans.





## *Updates to Loan Issuing*

- Direct unsubsidized loans – more limited for graduate students but expanded for professional students.
- Borrowing caps for graduate and professional students
  - Past - All graduate and professional students were capped at \$20,500 per academic year in Direct Unsubsidized loans.
  - Future - Graduate students will remain at that level, but professional students will be able to borrow \$50,000 per year.
- Aggregate borrowing caps (which exclude undergraduate borrowing)
  - Past - Graduate and professional students were previously allowed to borrow up to \$138,500 in Direct Unsubsidized Loans
  - Future - Caps will be lowered to \$100,000 for graduate students but raised to \$200,000 for professional students.

## *Updates to Loan Repayment*

- U.S. Department of Education (“Department”) consolidating 7 repayment plans
- New borrowers will choose between a standard plan and an income-driven repayment (IDR) plan.
  - Standard Plan - Fixed repayment schedule based on total amount of debt they accrue
  - IDR - Monthly payments based on borrower’s income and family size.
- Current borrowers’ plans will have until July 1, 2028, to switch to one of the two new options or to one of two income-based repayment plans.

*New Accountability Framework -  
Navigating the Shift to Earnings-  
Based Program Evaluation*

# IHE Accountability

- Programs at institutions of higher education (“IHEs”) evaluated based on their graduates’ post-college earnings
- Programs which fail to clear thresholds for their graduates’ typical earnings, and which fail to improve, would lose eligibility for federal student loans (not Pell Grants) going forward
- Typical earnings measured four years after graduation
  - Undergraduate programs – Alum’s typical earnings compared with typical earnings of working adults aged 25 to 34 with only a high school diploma in state where school is located or, for programs where most students live out of state, nationally
  - Graduate programs – Compared with typical earnings of working adults aged 25 to 34 with only a bachelor’s degree, using:
    - Programs where most students live in same state as school’s location, lowest of median earnings for (1) those with any type of bachelor’s degree in state; (2) those with a bachelor’s degree in same area of study (defined by two-digit Classification of Instructional Program [CIP] codes) and in same state; or (3) those with a bachelor’s degree in same area of study nationally
    - Programs where most students live out-of-state, lowest of median earnings for (1) those with any type of bachelor’s degree nationally; or (2) those with a bachelor’s degree in same area of study nationally

# IHE Accountability

- An educational program shall not lose eligibility under this subsection unless IHE has had opportunity to appeal programmatic median earnings determination through a process established by Secretary. During such appeal, Secretary may permit educational program to continue participation
- Student Notice – If program fails to meet required median earnings for one year — but not two — IHE must promptly notify enrolled students that program is at risk of losing eligibility for federal student loans
- Secretary to create process allowing IHEs to apply to regain federal loan eligibility after at least two ineligible years
- Analysis is based on graduates, not program dropouts
- Analysis does not consider cost of programs and student debt load
- American University study estimates that only about 1% of students would be enrolled in programs that fail these earnings tests in a given year, with most of those programs concentrated in for-profit sector

# Next Steps

- Statute delegates to Secretary discretion to determine key details, such as how Department will measure median income for graduates—an essential metric for evaluating IHE compliance with new test.
- New program resembles “Gainful Employment” or “GE” rules that apply to for-profit IHEs and certificate programs at nonprofit and public IHEs.
- IHEs may refer to GE rules for guidance, which, for example, utilize data from IRS and SSA to determine median income.
- IHEs not currently subject to these reporting requirements will need to:
  - Develop new programs and processes for data reporting
  - Implement systems for ongoing compliance monitoring
- Stay tuned for the Secretary’s details!



# *Pell Grant Eligibility and Changes*

## Pell Grant Changes

- Congress allocated \$10.5 billion to sustain Pell Grants over next decade.
- Students whose full cost of attendance is covered by non-federal grants or scholarships are no longer Pell eligible.
- Eligibility rules remain unchanged:
  - Full-time Pell Grant requires at least 12 credits/semester
  - Half-time Pell Grant requires at least 6 credits/semester
  - Maximum award is currently \$7,395





# Workforce Pell Grants

- Students in short-term workforce training programs (8–15 weeks) are now eligible for Pell Grants.
  - Provide program of training to prepare students for gainful employment in recognized profession
  - Admit students who have not completed equivalent of an associate degree
- Workforce Pell Grants will be less than full Pell Grant maximum of \$7,395, with amounts based on program length, clock hours, or credits.
- Eligible Education Providers - Same as current Pell IHEs
- Programs must be 150–599 clock hours and run 8–15 weeks.



# Workforce Pell Grants

- State Role in Program Approval
  - States (via governors or workforce boards) will assess program eligibility using these criteria:
    - Alignment with high-skill, high-wage, or in-demand sectors
    - Meets employer hiring requirements
    - Leads to a recognized, stackable, and portable credential
    - Offers credit articulation to other certificates or degree programs
- Federal Oversight Criteria - Secretary will ensure programs:
  - Achieve a  $\geq 70\%$  completion rate within 150% of normal time
  - Achieve a  $\geq 70\%$  job placement rate within 180 days of completion
  - Meet an earnings benchmark:
  - Median value-added earnings (adjusted regionally) must exceed 150% of federal poverty line and median total program cost
- Institutional Data Requirements
  - IHEs must submit data to state and federal agencies to verify compliance.
  - No new reporting elements are required yet, but Department may introduce additional requirements as program evolves.

# Workforce Pell Grants – Next Steps

- Slated to be implemented by July 1, 2026
- IHEs must collect data to prove programs meet Workforce Pell eligibility metrics
- If data is lacking, IHEs must build necessary reporting infrastructure
- Key metrics: completion rates, job placement, program demand, credit articulation
- Develop partnerships with state government and workforce boards

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## *New Excise Tax on Private Colleges & Universities*

## ***New Excise Tax on Private Colleges & Universities***

- Applies tiered tax on net investment income
  - 1.4% if endowment = \$500K – \$750K/FTE student
  - 4% if \$750K - \$2M/FTE student
  - 8% if over \$2M/FTE student
- Based on IHE's student-adjusted endowment - Calculated by dividing IHE's total assets (excluding assets used directly for its exempt purpose) by its student count
- Student Count: Based on daily average number of full-time students, with part-time students included on a full-time student equivalent basis
- BBB Endowment Tax Rule: Net investment income must include student loan interest and certain federally subsidized royalties, overriding existing Treasury regulations.

## *Who Is Subject to Tax?*

Private colleges/universities that:

- Have **3,000+ tuition-paying students**
- Have **>50% of students in U.S.**
- Have **endowments  $\geq$  \$500K per FTE student**
- Are **not a state college/university**
- In contrast to version of bill originally passed by U.S. House of Representatives, final version **does not** exclude religious IHEs from tax.

*Broader Implications for  
Governance, Enrollment Strategy,  
and Compliance*

## *Legal Risks and Unlawful Practices*

- Facially neutral criteria (e.g., “lived experience,” “cultural competence”) may violate federal law if used as proxies for protected characteristics.
- Examples of Unlawful Practices
  - Race-based scholarships/internships that exclude otherwise qualified individuals.
  - Hiring/promotion preferences for “underrepresented” groups, where selection is based on race or sex.
  - Identity-specific safe spaces or lounges that limit access or create a segregated environment.
  - Training sessions separating participants by race or promoting stereotypes (e.g., “all white people are privileged,” “toxic masculinity”).
  - Narrative statements used to indirectly prioritize protected characteristics.
  - Geographic targeting based on racial demographics rather than legitimate institutional need.



## *Best Practices for DEI Compliance*

- Ensure all programs and opportunities are open to all qualified individuals regardless of race, sex, or other traits.
- Use objective, job-related criteria (e.g., language skills, credentials) instead of vague or identity-linked terms.
- Avoid demographic quotas or representation benchmarks in hiring, admissions, or programming.
- Avoid using protected traits (or proxies) as selection criteria, even indirectly.
- Design inclusive training programs that do not stereotype or compel ideological affirmations.
- Monitor third-party contractors and partners for compliance; include clear nondiscrimination clauses in all agreements.
- Implement anti-retaliation policies and establish confidential reporting channels for individuals raising concerns.

## ***Best Practices for General Campus Compliance***

- Create a campus culture of compliance
- Implement board-approved compliance policy
  - Create formal Compliance and Ethics Program (“CEP”)
  - Engage members of campus community with compliance obligations in CEP development and implementation
  - Create and support institutional compliance officer
  - Create and support institutional compliance committee
- Engage compliance committee members in ongoing monitoring

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