



Federal Budget Reconciliation and Fiscal Impact of Federal Education Actions

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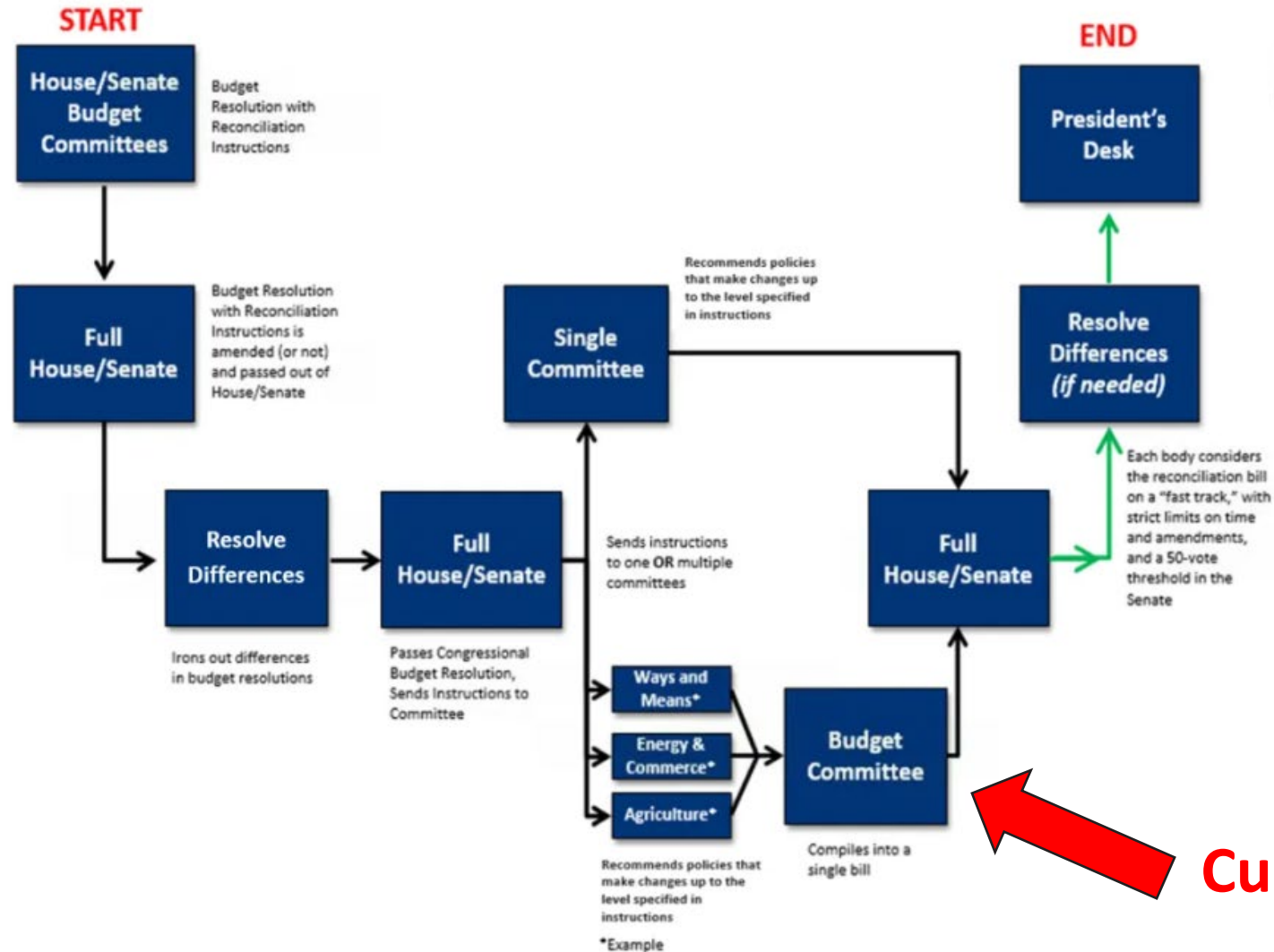
Budget Reconciliation Update

Budget Reconciliation 101



- **Privileged legislation**
 - Only requires simple majority in Senate
- **Limited scope**
 - Tax, revenues (mandatory spending), debt limit
- **Time Bound:**
 - Policy changes limited to 10 year window (or less)
- **Germane to Budget:**
 - Byrd Rule disallows “extraneous matters”
 - Determinations made by Senate Parliamentarian

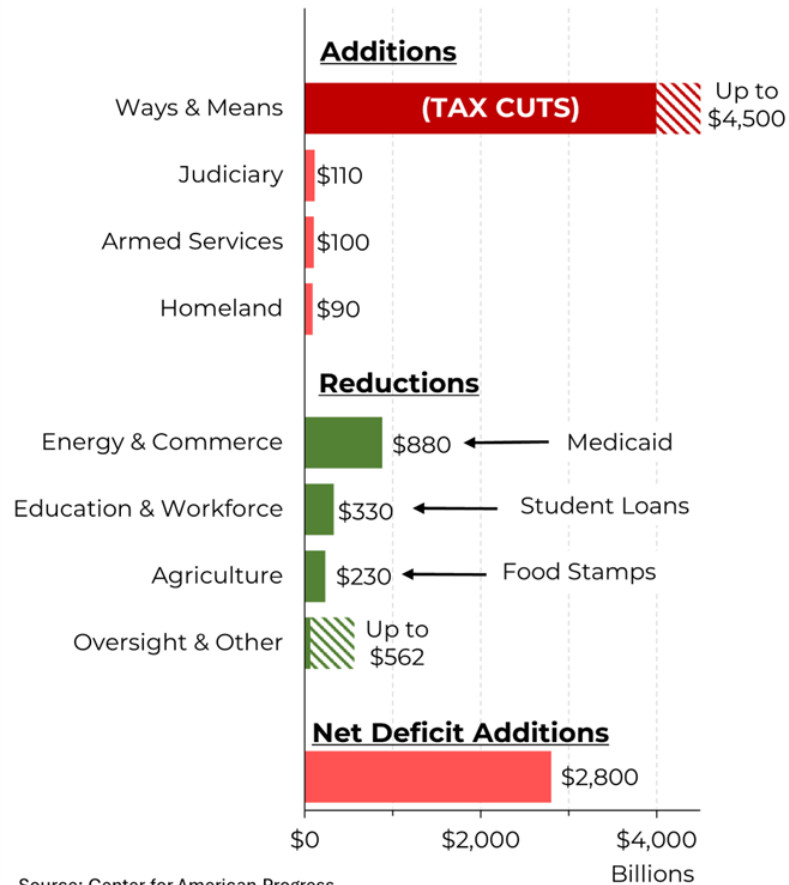
Budget Reconciliation Process



House and Senate Budget Resolution Instructions

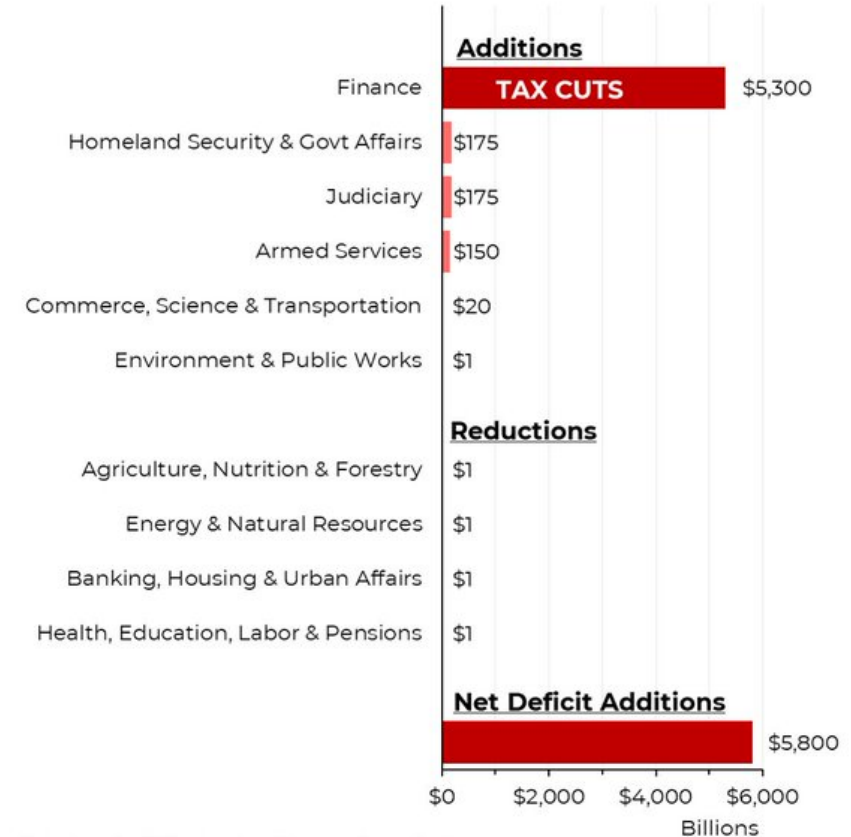
House

House Reconciliation Instructions: Changes to 10-Year Deficits



Senate

Senate Budget Resolution: Changes to 10-Year Deficits



Note: Based on TCJA extension with current law estimate
Source: Committee for a Responsible Federal Budget

Key House Committee Reconciliation Measures: After Markups

- **Education and Workforce: -\$351 billion / 10 years**
 - Higher Education Financial Aid: Loan limits, repayment reform, accountability, Pell changes
- **Energy and Commerce: -\$625 billion / 10 years**
 - Medicaid: Work requirements, limited state provider taxes, etc.
 - CBO estimate: loss of 10 million Medicaid enrollees and 8 million lose insurance coverage
- **Agriculture: -\$300 billion / 10 years**
 - SNAP: New cost-sharing for states
- **Ways and Means: \$3.8 trillion / 10 years**
 - Extends tax measures from Tax Cuts and Jobs Act of 2017, extends Child Tax Credit
 - Tax credit for scholarship contributions, expanded 529 uses, increased private college endowment tax

Budget Reconciliation: What's Next?



- **Process:**
 - Now: House Budget Committee votes on full package
 - Next: House Rules Committee => floor vote on package
 - Then: Senate committees consider own measures
 - Later: House and Senate reconcile differences
- **Timeline:**
 - Average reconciliation timeline: 185 days
 - Debt Limit “X” Date: Mid-August
- **Political State of Play:**
 - House: Moderates versus Hardliners
 - Senate: Expect significant differences from House measures
 - Scoring: Current policy baseline versus current law baseline



State Fiscal Impacts of Federal Education Actions

Budget Reconciliation: House Education and Workforce

- **“Student Success and Taxpayer Savings” measure: \$351 billion in savings over 10 years**
 - Pell Grant eligibility changes
 - Covers short-term workforce programs, reduces eligibility, funds shortfall
 - Student Loan Limits
 - Student lending limited to median program costs nationally
 - New graduate borrowing caps of \$100k, \$150k for professional schools
 - Eliminates Grad Plus and Parent Plus programs
 - Student Loan Repayment: Replaces all existing repayment plans with two options
 - Standard repayment: fixed payments over 10-25 years
 - Repayment Assistance Plan: Income-based, subsidizes unpaid interest
 - Accountability
 - Risk-sharing: Institutions pay feds back for portion of unrepaid student loans
 - PROMISE Grants: Institutional penalties distributed to programs with price guarantees

House Budget Reconciliation: Education-Related Provisions

- **Medicaid and SNAP**
 - Cost shifts to states could increase fiscal pressure on state education spending
 - Medicaid is 4th largest federal funding stream for K-12 schools (~\$7.5 billion annually)
- **Education tax policy changes**
 - Increased private university endowment excise tax rates
 - \$5,000 tax credit for individual contributions to scholarship granting organizations
 - Expanded uses for 529 accounts

Federal Education-Related Spending Cuts



- **Department of Education DOGE-related cuts**
 - Institute of Education Sciences: -\$881 million
 - Technical Assistance Centers: -\$576 million
 - Competitive grants for educator effectiveness: -\$600 million
 - Mental health grants: -\$1 billion
- **March “Reduction in Force” eliminates half of USED staff**
- **National Institutes of Health**
 - Proposed 15% cap on indirect costs for NIH/DOE/NSF grants
 - April 4: canceled at least 715 NIH grants worth \$815 million
 - Fewer awards: \$2.7 billion less in NIH grants over comparable period ([Senate Dems report](#))

Education Stabilization Fund: Spending Extension Cancellation

ESSER, ARP Homeless Children and Youth, & Emergency Assistance to Non-Public Schools (EANS)



- **41 states had received 14-month spending extension through March 2026 on estimated \$3.6 billion in remaining Education Stabilization Funds**
- **March 28, 2025: Department abruptly cancels all previously approved “late liquidation” expenses via letter**
 - Letter says states can request extensions on “project by project basis”
 - As of March 7, an estimated \$2.58 billion ESSER funds left to be spent
 - Remaining Virginia ESSER: \$49 million (as of March 7)
- **April 3, 2025: Letter details new process for spending extension approval**
 - Requests must be “necessary to mitigate the effects of COVID” and include “justification” for need for extension
- **April 10, 2025: 17 states sue and then win injunction against new process**
- **Today: Decisions on re-approvals trickling out to states, approvals apparently narrow to direct academic supports**



Q&A

