HIGHER ED DIVE

What's inside the Senate megabill for higher education?

The chamber narrowly passed its version of the sweeping domestic policy package, which would reshape federal student lending and delay major regulations.

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U.S. Vice President JD Vance, center, arrives during a vote-a-rama at the U.S. Capitol, on July 1, 2025, in Washington, D.C. Vance cast the tiebreaking vote to pass the massive domestic policy bill in the Senate. *Al Drago via Getty Images*

The Senate on Tuesday passed its mammoth domestic policy package, which would reshape the federal student lending system and delay major higher education regulations.

Vice President JD Vance cast the tie-breaking vote to pass the legislative package 51-50. Lawmakers passed the bill through the reconciliation process, which allows the Senate to bypass the usual 60 votes needed to overcome a filibuster.

The House and the Senate will have to reconcile their two versions of the bill before they can send it to President Donald Trump's desk.

That could prove difficult. Although the two proposals would both extend tax cuts and fund Republican priorities like increased immigration enforcement, some aspects are dramatically different.

That includes for the higher education sector. For instance, while the House version would put colleges on the hook for their former students' unpaid student loans, the Senate's version creates an entirely different system intended to hold institutions accountable for their student outcomes.

Below, we're rounding up some of the Senate bill's major provisions.

Cutting off student loan eligibility to college programs

One of the biggest provisions in the Senate's bill would prevent college programs from being eligible to receive student loan funding if their graduates can't meet certain earnings thresholds.

For undergraduate degree programs, they would have to prove that at least half of their graduates earn more than the typical worker in their state with only a high school diploma. Similarly, graduate programs would have to show their graduates earn more than the typical bachelor's degree holder working in the same field and region.

College programs would lose their eligibility for federal student loans if they fail the earnings test in two out of three consecutive years.

Reshaping federal student loans

Like the House-passed version, the Senate bill would end Grad PLUS loans, which allow graduate students to borrow up to the cost of the attendance for their programs, including tuition, fees, textbooks and living expenses.

The bill would moreover cap graduate student lending to $100,000 per borrower, or $200,000 for students enrolled in professional programs, such as law or medicine. It would also cap Parent PLUS loans to $65,000 per student.

Additionally, the Senate's plan would consolidate the number of repayment options for federal student loans. Starting July 1, 2026, borrowers taking out new loans would only have access to two plans: one standard plan with fixed payments and one income-driven repayment plan with remaining balances forgiven after 30 years.

Major changes to Pell

The Senate's version of the bill would allow Pell Grants to be used for short-term programs between eight and 15 weeks.

However, lawmakers took out a controversial provision that would have also extended short-term Pell Grants to unaccredited providers. The move came after the Senate's parliamentarian said the original provision should be subject to a 60-vote approval versus the simple majority needed for reconciliation.

The package also would increase funding for Pell Grants to cover expected shortfalls while removing eligibility for students if they receive scholarships that cover their full cost of attendance.

Endowment tax hikes

The Senate's version of the bill would raise the tax that wealthy private nonprofit colleges pay on their endowment returns. The new system would introduce a tiered tax, starting at the current rate of 1.4% and jumping up to 4% and 8% based on endowment assets per student.

Currently, only colleges with at least $500,000 in endowment assets and 500 tuition-paying students pay the tax. But the new bill provides an exemption for smaller colleges, excluding those with 3,000 tuition-paying students or fewer from having to pay the tax. Like the initial short-term Pell proposal, lawmakers took out an earlier proposed exemption for religious colleges after scrutiny from the chamber's parliamentarian.

Delays to Biden-era regulations

The Senate's original plan would have rolled back permanently two Biden-era versions of regulations: the borrower defense to repayment and closed school discharge rules. The former allows borrowers to receive debt relief if they were defrauded by their colleges while the latter offers forgiveness if their institutions closed before they could finish their programs.

The version the Senate passed Tuesday, however, would instead delay those regulations for 10 years. Federal judges have already blocked both of the rules, and the U.S. Supreme Court plans to review them.

It would also prevent the U.S. secretary of education from issuing regulations that increase costs to the federal student loan program.