The House Reconciliation Bill Makes College Less Affordable—All to Pay for Tax Cuts for Millionaires and Billionaires

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By

This post is part of our ongoing series analyzing the House Republican budget reconciliation bill, known as the Student Success and Taxpayer Savings Plan, which proposes sweeping changes to federal financial aid, student loans, and college accountability. We have written about how the bill will harm the average American family, how new aid limits based on the median cost of college will be a recipe for chaos, how the bill dramatically changes loan repayment, and how it expands Pell Grants to unaccredited providers and low-return programs. Our analysis of the budget reconciliation process is ongoing.

When students dream about going to college, affordability is almost always the biggest barrier standing in the way. According to forthcoming data from New America's nationally representative Varying Degrees survey, this belief transcends party lines—nearly 90 percent of Democrats and Republicans agree that the cost of attending colleges or universities is the biggest factor that blocks any individual from enrolling. But instead of helping students afford higher education, the Republican reconciliation bill, released this week and moving quickly through the House of Representatives, does the opposite — making it harder for students to access aid, more expensive to borrow, and more punishing to repay loans. The bill would create more stratified pathways through higher education and eliminate basic consumer protections that will make it easier to profit off of students. All to pay for tax cuts for the wealthiest Americans.

In the press release for the bill, Republicans made their priorities clear: "The legislation saves over $330 billion to help advance President Trump's agenda to provide tax relief for American families and small businesses, rein in wasteful spending, and reduce the federal budget deficit." In reality, it's students who will bear the brunt of these so-called "savings" — not millionaires and billionaires. Helping students go to college isn't wasteful spending. Investing in higher education delivers high economic and social returns to society, while giving more tax breaks to the ultra-wealthy does nothing to move our country forward.

Let's walk through how the bill would impact a student's journey, from applying to college to paying off their loans.

Applying for Aid: Students Will Get Less Help, Costs and Price will Be Less Transparent

At the start of the college process, low-income students worry how they will afford the rising costs of tuition, housing, and textbooks and need transparent information on college costs. But this bill slashes who is eligible to receive a Pell Grant — the nation's foundational need-based aid program, and obscures college costs.

It narrows Pell Grant eligibility in three ways. First, it excludes students whose Student Aid Index is twice the maximum Pell award — meaning many moderate-income families who struggle to afford college due to having multiple children could lose their grants entirely. It eliminates eligibility for students enrolled less than half-time. It also requires that students enroll in at least 30 credits per year to be considered full-time and eligible for a full grant (up from 24 credits). This change has significant impacts for Pell students. According to recent data from the Department of Education, 61 percent of Pell Grant recipients who began enrollment at an institution were part-time. Furthermore, other Department data shows that 60 percent of Pell recipients attempted fewer than 30 credit hours annually (15 per semester). The data shows that 26 percent averaged between 12 and 14 credit hours a semester, approximately 21 percent attempted between 12 and 23 credit hours that year, and 12 percent were less-than-half-time at least part of the year (U.S. Department of Education, National Center for Education Statistics, Beginning Postsecondary Students: 2012/2017 (BPS). Results retrieval code: otobkx) .

While incentivizing full-time enrollment is a laudable goal if you want to increase college completion rates, this doesn't consider the lives of college students, particularly those from low-income families who will now lose out on critical Pell funds. This change cuts off part-time students — many of whom are working, parenting, or caring for family members while trying to earn a degree. There are better ways to incentivize full-time enrollment, such as providing students with the resources and support they need to work less so they can take on a larger course load or even provide a monetary bonus for those who enroll in 15 hours, like House Republicans previously proposed.

The bill doesn't just make those changes to Pell — it also puts the entire Pell Grant program, and the low-income students who depend on it, at even greater risk. By creating short-term Pell, also called workforce Pell, allowing Pell Grant dollars to go to very-short-term programs — some as brief as just eight weeks — the bill gambles taxpayer dollars on programs that are largely unproven or show subpar earnings outcomes. What's worse is that students *can already receive Pell for short-term programs*, and even for those programs outcomes have not been good. And programs as short as 10 weeks can access loans and their outcomes are also subpar, yielding wages of just $12 an hour.

While this isn't the first time short-term Pell has been proposed, the version put forward by House Republicans is one of the most reckless yet — stripping away meaningful guardrails that will ensure these programs pay off for students and taxpayers. And worse, it would open the door for new, unproven, unaccredited, alternative providers that aren't even colleges or universities to access Pell dollars, putting students and taxpayers at substantial risk. And while House Republicans are cutting eligibility elsewhere, their bill would still allow bachelor's degree holders to access short-term Pell, prioritizing those who already have a degree over Pell students who need to attend part-time.

Instead of strengthening the Pell Grant's promise of providing real pathways to opportunity, this move risks funneling low-income students into low-quality programs with the false promise that a few weeks of training will land them a middle-class job. It's a bait-and-switch that doesn't just shortchange students — it threatens the integrity of the entire Pell program by opening it up to waste, abuse, and disappointing results.

Enrolling in College: Students Will Borrow More, But With Worse Terms

Once enrolled, many students turn to federal student loans to cover the costs that grants and scholarships don't. But the reconciliation bill would gut the federal student loan system, too.

This bill doesn't just limit Pell eligibility. It also changes the way financial need is calculated — tying the cost of attendance, and by extension, how much aid a student is eligible for, to a *median* program cost among similar programs across the country, rather than an individual institution's actual prices. This will obscure how much college costs and how much a student's financial aid will cover. That means students attending higher-cost programs (even at public colleges) could appear to "need" less aid than they actually do, forcing them to take on more private or federal Parent PLUS debt just to fill the gap. These changes mean that students will be unsure how far their aid dollars will go to cover a college's cost, or whether it will be enough to get them through a program.

It eliminates subsidized loans for low- and middle-income undergraduates — the type of loan where the government covers the interest while a student is in school. Without subsidized loans, students from lower-income backgrounds will see their debt balances grow *while* they're still studying, making college even more expensive in the long run. Meanwhile, the ultra-wealthy who are getting the tax breaks paid for by these changes will have even more money to send their children to the most expensive colleges and get further ahead.

The bill puts new caps on or eliminates access to other types of loans. While putting reasonable limits on borrowing can make sense, the bill's rigid new loan caps — like a $50,000 lifetime limit for undergraduate students and an annual cap based on the median cost of a program of study — fail to account for the reality that college costs vary widely by state, institution, and degree program. Students attending even modestly priced four-year institutions could easily hit these limits before they finish their program and be forced to either drop out or seek private loans, which lack the protections federal loans provide. According to the Congressional Budget Office (CBO), this change will mean that "borrowers who borrow the most under current law, including in parent PLUS loans, would be likely to increase borrowing under the bill's higher limits." And we know that low-income and Black students borrow more, on average, to attend college.

The bill cuts access to Parent PLUS loans for parents to help cover college costs and currently offers unlimited borrowing by placing new caps of $50,000, and entirely eliminates the currently unlimited Grad PLUS loans for graduate students, while placing caps of up to $150,000 depending on the type of graduate program you attend. These caps are most likely to impact students enrolling in high-cost programs, such as programs that train medical doctors. Meanwhile, the bill doesn't take any steps to meaningfully reform the predatory nature of the Parent PLUS program.

Entering Repayment: Students Will Pay More and Be Stuck Repaying Longer

Graduating (or leaving college) triggers another challenge: repaying loans. And the reconciliation bill would make repayment more complicated and more expensive, too.

It sunsets all existing repayment plans and creates a new income-driven plan, "the Repayment Assistance Plan" (TRAP) for future borrowers in addition to a fixed-payment plan that is tiered based on principal balance. TRAP is also tiered, but tiered based on a borrower's Adjusted Gross Income (AGI). Under the plan, the minimum monthly payment is $10 for all borrowers. Starting with an AGI of $10,001, borrowers are required to pay 1 percent of their AGI, with the percentage increasing by one percentage point at each $10,000 interval until the percentage reaches 10 percent. This is shown in the table below, though the monthly payment is reduced by $50 for each dependent child.

Adjusted Gross Income (AGI)	Required Loan Payments
Not more than $10,000	$120 annually ($10 monthly)
$10,001-$20,000	1 Percent of AGI

Adjusted Gross Income (AGI)	Required Loan Payments
$20,001-$30,000	2 Percent of AGI
$30,001-$40,000	3 Percent of AGI
$40,001-$50,000	4 Percent of AGI
$50,001-$60,000	5 Percent of AGI
$60,001-$70,000	6 Percent of AGI
$70,001-$80,000	7 Percent of AGI
$80,001-$90,000	8 Percent of AGI
$90,001-$100,000	9 Percent of AGI
$100,001 or more	10 Percent of AGI

While TRAP includes some income-driven features, two components are likely worse than what many borrowers have today:

- It requires borrowers to pay at least $10 a month, even for those with very low incomes or no incomes at all. This would also make it more difficult for auto-enrollment in IDR for struggling borrowers. In fact, research shows that borrowers who qualify for a $0 payment experience significant reductions in delinquency and default.
- It stretches repayment out to **30 years** before any remaining balance is forgiven — trapping borrowers into a lifetime of debt. For many borrowers, this means they will still be repaying their loans when their children go to college, likely meaning they've saved little, if anything at all, to help their child afford higher education.

TRAP offers a small incentive for borrowers who make on-time payments: if a borrower's payment reduces their loan principal by less than $50 in a given month, the Department of Education will match the amount paid toward principal—up to $50. Even though this incentive means that borrowers' balances will decrease each month, for most borrowers, especially those with low incomes, this complicated formula offers little meaningful relief and does nothing to shorten their repayment timeline.

For existing borrowers, the bill eliminates the statutory authority for income-contingent repayment plans, which serves as the statutory foundation not only for the proper Income-Contingent Repayment (ICR) plan itself, but also for other critical income-driven repayment plans like Pay As You Earn (PAYE) and Revised Pay As You Earn (REPAYE), which was made more generous and rebranded as the SAVE plan under the Biden Administration, though it has been enjoined in the courts. ICR is also the only income-driven option currently available to borrowers with Parent PLUS loans who consolidate their loans, thus removing any income-driven relief for low-income parent borrowers.

By eliminating ICR from statute, the bill effectively wipes out the legal basis for these plans, forcing borrowers into a more rigid and less generous Income-Based Repayment (IBR) plan. Under the bill's changes, many borrowers would face higher required monthly payments as IBR requires borrowers to pay 15 percent of their discretionary income (income above 150 percent of the federal poverty guidelines). This is a big increase from PAYE, which requires borrowers to repay 10 percent of their discretionary income. To see how this plays out, let's consider a teacher with an AGI of $40,000. Using a back-of-the-napkin analysis, we can estimate that the teacher required to pay $145 monthly under PAYE would see their payments increase to $217 a month under the new IBR.

This bill doesn't just make borrowing more expensive for many students—it also strips away crucial borrower protections. One provision would repeal regulations that allow borrowers to discharge loans if their school closes abruptly without a plan for students to finish elsewhere, giving away $4.9 billion to the ultra-wealthy by sticking students with the bill, according to one estimate. Another would roll back borrower defense to repayment rules, which allow defrauded students to seek loan relief, cutting $9.7 billion in potential forgiveness. It's important to note that this cost estimate is also likely wrong because the federal government can recoup the cost of the loan discharges from the schools that engaged in fraud and predatory behavior. So instead of protecting students with little cost to taxpayers, this is just another giveaway to the rich at the expense of the most vulnerable students, while potentially letting those schools continue to engage in fraud. These rules exist for a reason: to protect students from the worst actors in higher education. Taking them away isn't cost-effective—it's cruel.

Redoing Accountability: Putting Students More At Risk

At the same time, the bill would also strip away several important accountability measures that protect students and taxpayers. If passed, the 90/10 rule, which requires for-profit colleges to receive at least 10 percent of revenue from non-federal sources, would be repealed. The most recent version of this regulation implements bipartisan legislation that sought to ensure for-profit institutions do not exist entirely based on taxpayer funds and to eliminate a loophole that resulted in veterans being aggressively recruited for their GI Bill funds.

The bill also would repeal the statutory concept of gainful employment. The Higher Education Act (HEA) requires that career education programs lead to gainful employment in a recognized occupation, given that employment in those occupations is the goal of those students. This requirement is solely for non-degree programs and for-profit colleges, and was one of the conditions to allow those programs and schools to access federal student aid (they were originally excluded from most aid programs when the HEA passed). This repeal is disastrous for students as it serves as the basis for an important accountability rule that requires career education programs that offer workforce training to ensure that their programs provide earnings increases and don't result in students taking on more debt than they can afford. When the latest version of this rule was finalized, it was estimated to protect 700,000 students a year from programs that left graduates with unaffordable debts and/or subpar salaries.

To top it off, the plan would limit the Education Department's ability to issue any future student loan regulations that have "economically significant effects"—a move that would prevent future efforts to improve or fix the system, such as easing student loan borrowers at risk of default into affordable repayment options or providing student loan borrowers who have been defrauded by their schools relief.

In exchange for those provisions, the bill introduces a complex—and in many ways convoluted—risk-sharing scheme for institutions of higher education. Instead of simply setting clear repayment standards and holding institutions responsible if too many of their borrowers struggle, this plan creates an intricate system where colleges must annually reimburse the Department of Education based on the non-repayment balance of individual "student cohorts." That means schools would owe money based on whether their former students, grouped by whether they completed their program or dropped out, are successfully repaying their loans. It's a tangle of administrative burden and complicated calculations that risks shifting focus away from the real goal: ensuring students can succeed and afford to repay their loans. This program presents serious risks to college access and success. When the CBO scored this proposal last year, it estimated that some colleges would leave the federal loan program altogether to avoid the payments, while others would close.

While making colleges share some of the risk is a good idea in theory, the way this is designed is likely to create more bureaucracy without necessarily improving outcomes for students. Compare this to the gainful employment rule, which holds institutions accountable and protects students, but allows institutions to improve or close failing programs. An institution could subsequently reinvest resources from closed programs into improving other programs or expanding successful ones.

The proposal does include a "carrot" to accompany the "stick" of risk-sharing. The PROMISE Grant program in the bill is House Republicans' latest attempt to overhaul student aid — but instead of helping more students afford college, it shifts existing federal funding into a performance-based system that rewards colleges for outcomes they may not fully control. PROMISE would replace programs like the federal Supplemental Educational Opportunity

Grant (SEOG) program with up to $5,000 per student in institutional aid — but only for colleges that meet benchmarks on enrollment, graduation, tuition levels, and post-college earnings.

To qualify for the program, institutions also have to offer a “maximum total price” guarantee — locking in a set net price for students for up to six years — which sounds good in theory but could backfire in practice, especially for underfunded institutions already struggling to keep tuition low. And these grants aren’t sufficient to counter the risk-sharing payments for most colleges. In fact, according to the estimates released by the House Committee on Education and Workforce Republicans last Congress, 75 percent of institutions would be worse off from the risk-sharing payments, even after accounting for the PROMISE Grants. This raises the question of whether either policy would actually achieve their goals. Once again, it’s a plan that favors the well-resourced and leaves the rest behind.

So, let’s be clear: this isn’t about fiscal responsibility. If it were, the same budget wouldn’t be handing out new tax cuts to the wealthiest households and corporations. This is about shifting costs—from those who can afford to pay, onto those who can’t. Students would have fewer protections against bad actors *and* worse repayment options if they fall into debt.

In short: It’s about putting students and working families last.

Bureaucracy Without Benefit: A Burden on the Federal Government and Schools

This bill piles on new bureaucratic requirements—like a complicated risk-sharing system that would annually require potentially hundreds of new calculations per individual school that rely on data from the IRS and institutions, new cost calculations for every program of higher education, and repayment structures tied to median program costs—at the exact same time the Trump Administration has gutted the Department of Education. It’s a recipe for disaster. Expecting the Department to build entirely new data systems, track individualized student cohorts, calculate median costs across programs at nearly 6,000 colleges and universities, and manage complex institutional repayments—all while facing steep cuts—is simply not realistic. The agency already struggled to fully implement existing programs with its current resources and staffing, and that was before the Trump Administration fired half of the Department’s staff.

But it’s not just the Department that will be overwhelmed—colleges and universities will be too. The House Republican reconciliation bill would dramatically increase the workload on financial aid officers and higher education administrators, requiring individualized and bespoke financial aid calculations and reporting tied to every program a school offers. Those individualstime and effort will be taken away from advising students, simplifying the aid process, and improving student support. And worst of all, there's no guarantee any of this complexity will actually lead to better outcomes; it's more red tape for schools, more confusion for students, and more risk for taxpayers—with very little to show for it.

These Likely Aren't the Only Cuts

Because this bill only covers issues within the jurisdiction of the House Committee on Education and the Workforce, it doesn't include many of the other proposals being considered that would make college more expensive. Earlier this year, House Republicans released a menu of options for reconciliation that included many more cuts that could hurt students. For example, one of the options listed is considering scholarships as taxable income, to the tune of $54 billion over ten years. Another option would generate $30 billion over 10 years by eliminating the deduction of interest payments on student loans.

The menu of options would also eliminate the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC)—two tax credits that help students and families offset the cost of college. The AOTC, worth up to $2,500 per student annually, and the LLC, which provides up to $2,000 for education expenses, are tools that help millions pay for tuition, textbooks, and other costs. Repealing them would strip away $85 billion in tax credits for students and families over the next decade—$59 billion from the AOTC and $26 billion from the LLC. To be clear, it's not that these tax credits are the best way to help make higher education more affordable, but the proposals that Republicans have laid out would not reinvest that money in higher education. Instead, they'd use it to pay for tax cuts for millionaires. That's $85 billion that could have been invested in the Pell Grant program to help more students attend higher education and reduce the amount they borrow, students would have to make up for the difference out of pocket or borrow.

All So Millionaires Can Get Tax Cuts

The reconciliation bill is a stunning statement of priorities. It doesn't just nickel-and-dime students — it structurally rewrites financial aid, student loans, and repayment to make college less accessible and debt more burdensome for millions of Americans.

And for what?

To "save over $330 billion" and fund tax cuts that overwhelmingly benefit the richest Americans and big corporations — not invest in the students and hard-working Americans trying to build a better life for themselves and their families. It's hard to justify not investing more in higher education, particularly at a time when 70 percent of jobs in the U.S. economy will require some postsecondary education or training by 2027, and 66 percent of all good jobs are projected to require a bachelor's degree by 2031. But cutting those investments to benefit the rich who don't rely on federal aid to pursue the American dream is not only short-sighted, it's wrong.

The American dream should be about expanding opportunity, not pulling up the ladder behind those who aspire for more. Students deserve leaders who will invest in their futures — not sell them out to the highest bidder.