

NASFAA's "Off The Cuff" Podcast – Episode 340 Transcript

OTC Inside The Beltway: Updates from the Government Shutdown

Speaker 1:

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Melanie Storey:

Hello, hello, good to see everyone. Melanie Storey, president and CEO of NASFAA, and welcome to another edition of "Off the Cuff" Inside the Beltway. Lots happening and maybe lots happening here in Washington, DC. We are on day 16 of a government shutdown or a lapse in appropriations, which is what we like to call it here. But I'm joined today by Nalia Medina. I'm going to let her tell us about where we are in shutdown politics.

Nalia Medina:

Thanks, Melanie. Like Melanie mentioned, my name is Nalia. I'm going to give a quick overview in what's happening with the shutdown. What's happening or what's not happening, I should say, with the shutdown.

Like Melanie mentioned, we are on day 16 of the shutdown. Congress was unable to meet their funding deadline on September 30th to fund the government for fiscal year '26, and therefore we began ... Not we, the government went into a shutdown on October 1st, I should say. So I thought it would be helpful to maybe just give a little bit of context so folks know how we ended up here before we talk a little bit about what we can expect moving forward.

In a typical year, what we usually see is Congress needs to draft and pass 12 appropriations bills, and then those bills are then signed by the president by October 1st. And if not, the government will go into a shutdown. If that doesn't happen, Congress has the option to pass what's known as a continuing resolution, also known as a CR, which can temporarily fund the government for a set period of time at set funding levels, and Congress was unable to do that this time around for fiscal year '26. We did see the House pass a continuing resolution that would fund the government through November 21st, but the Senate did ultimately reject that proposal. The House has canceled their votes for this week, and I would just say it seems like that's part of their strategy to keep pressure on the Senate to pass that House CR that would fund the government through November 21st. On the Senate side, what we've seen is that they've so far failed to get their 60 votes necessary to advance the CR there.

And I think a lot of the conversation, and I'm definitely not an expert here, but it seems in what I've been seeing in government shutdown conversation is that a lot of it has to do with these healthcare subsidies, extending those healthcare tax credits, and I think a lot of the conversation is focused there. And that's obviously not really in the higher ed wheelhouse, but just some context into the dynamics that are at play here.

I think one last thing that I'll say in terms of the shutdown is that as of right now, it still does remain unclear how long the shutdown will last. The last time we saw a shutdown was back in 2018 that lasted 35 days. And if I'm not mistaken, that was the longest shutdown in our country's history I believe, those 35 days. And just in conversations with other folks in the space right now, I think everyone's just in a waiting period to see what happens and it's really hard to make predictions. I wanted to come here, give

predictions so that folks had something to look forward to, but it's hard because in this environment, you just don't really know what's going to happen. And I feel like in recent years, things can move really fast or they can move really slow and you just don't know.

So I think the only prediction that we can make at this point is that there's going to have to be some sort of compromise at some point to pass that CR, that continuing resolution, so that Congress can then continue the process of passing the full year funding bills. So unfortunately, no real insight at this time of how long the government shutdown will last, whether it's weeks, a few months, but I think that's where we are right now.

Melanie Storey:

Yeah. I often joke, Nalia, that my crystal ball on shutdowns has been broken for years. Every time I was like, "Yeah, we're definitely having one," then they would come to agreement. This time I thought, "Oh, maybe they'll get to an agreement."

Nalia Medina:

Yeah.

Melanie Storey:

And here we are, 16 days in.

But here's what I will say, what often breaks the impasse is when members have to hear from their constituents. And you're starting to see a little bit of that. There's been some chatter about, I believe yesterday was the deadline to figure out how to pay military troupes, so there was scrambling to figure out that. When constituents and the public start to feel it, the tolerance for government ... It's one thing, you think the government support is in the background and you may not realize where it is until it's not there, and then you start to feel that pressure. And I think we're starting to see a little bit of this, what is impacting the public and their frustration with the lack of ability to get appropriations bills passed.

And I'll be honest, we're starting, we haven't heard a lot on the higher ed side. The good news is during a shutdown, and we talked about this in previous Inside the Beltway, things like FAFSA processing, loan processing, that continues. It's run by a lot of the contractors, the staff that can oversee that are kept on as excepted, so that continues. But we are now starting to get some just early reports of what I'll call some pain points. We've talked in previous episodes around some of the challenges around Partner Connect, and E-App, and re-certifications. And in some cases, the inability to complete that work is preventing schools from awarding aid to students. While there are staff on board that are excepted working on that with contractors, it is a smaller staff. And as time goes on and those tickets get older and staler, that becomes an issue. So we're starting to hear a little bit. It's a little less exciting than FAFSA is broken. Let me be clear, we never want FAFSA to be broken again. But it's a slower burn, but we are starting to hear that.

We've also heard just a little bit of reporting that there might be some things happening with the entrance and exit counseling systems at studentaid.gov. Only a couple of reports, so I don't know if it's episodic or a real systems issue, but that also can have an impact on whether students can access and sign their master promissory notes, which would be an issue for accessing their loan dollars. So not sounding large alarms yet, but just to be clear, we're really carefully monitoring those kinds of things. And if it becomes a louder clang, and we encourage folks, put things in communities, reach out to us, we do, and I am grateful to say that we have had regular communications with staff at the department who the excepted. So we do have options, we do have ways to communicate if we are seeing issues or if

there are other problems that need to be reported. So as it drags on, we may see more of that and we're really paying close attention to that.

Let me just ask one quick thing, and this is not in my wheelhouse. I'm going to turn it back to you, Nalia. In a previous episode, we were talking a little bit about work study. There was some confusion around the rules around work study during the shutdown. Can you just provide-

Nalia Medina:

Sure.

Melanie Storey:

... some additional clarity on that?

Nalia Medina:

Yeah. I want to just point out a really great article that we have, an AskRegs article that includes a visual and it's broken down by the Title IV programs and their status during the shutdown. So I would really encourage folks to go look at that visual for some helpful information, but I can quickly talk through it.

In terms of Pell, direct loans, TEACH grants, schools can continue making those awards and disbursements during the government shutdown. Like Melanie mentioned, we did have some questions with those campus-based aid programs, FSEOG, federal work study, and on that chart you'll see that for 25-26, schools can continue making those offers, disbursements, and paying those funds unless they have not yet received their allocation for one or both of those campus-based aid programs. For 26-27, you'll see in that chart that we advise that schools can make their offers, but we would advise caution in doing so simply because the final budget for fiscal year '26 has not yet passed, so schools have not yet received their allocations for the 26-27 year. And there are some proposals at this time that have included the elimination of FSEOG or the significant reductions of federal work study. So again, for 26-27, schools can make their offers, but we would advise some caution in doing so until we see that final budget.

Melanie Storey:

Yeah. So it's a little tricky, these forward-funded, the allocations are up. This is of course an issue because we don't have allocations available and there are various appropriations proposals for reductions in those programs. But definitely, thanks for highlighting and we can drop in the notes as needed, details on that.

So let's just pivot one more thing to what's happening at the department. How are they managing all of this? I think it's important that we just acknowledge it's been widely reported that during the shutdown, there have been additional reduction in force or additional layoffs at the department. This is quite unusual to do this during a shutdown. Folks are not even really, they're not allowed to access any of their systems, or email, or materials, and so to then be subject to a reduction in force is quite a thing in that environment. But it is our understanding that there have been an additional, maybe a little less, maybe 20%, but about 500, a little fewer than 500 additional layoffs at the department effective immediately.

It's been widely reported, we don't have an official list. I know we've been asking, I know the press has been inquiring. I have yet to see a clear listing of those additional RIFs, but it has been pretty reliably and confirmed reported that most of it happened in the Office of Elementary and Secondary Education, which is quite clear, is working very closely with elementary and secondary schools on the programs

supporting them. Some from the Office of Special Education and Rehabilitative Services, we call OSERS, also widely reported. This is the office that oversees to make sure that states are properly implementing all of the services that are required by law for students who need special services, IEPs, and all of the various programs there. Some RIFs in the Office of Communications and Outreach. That was largely I think for the state outreach, so not something we would see as much. Some additional layoffs perhaps in OCR, Office of Civil Rights.

I do want to just take a particular moment though. We did also hear that there were some RIFs in the Office of Post-Secondary Education. Office of Post-Secondary Education is a very large office, it covers a lot of ground. We have heard of no impact on the Office of Post-Secondary Education, the portions that we have been working really closely on for things like negotiated rulemaking. So I'm fairly confident that that will continue and they're continuing to work post the first table and to move toward the future tables, both arise and ahead tables. But the staff that were laid off in OPE are very much still part of our ecosystem in higher education. Hearing that it was a number of staff who were working on things like the TRIO programs, and some of the additional grants programs supporting minority-serving institutions. So they have kept some staff, but it'll be it's really quite a skeleton staff to manage and oversee all the statutory grant programs and mandatory programs that need to be funded.

And this will be just another blow to the department broadly. They still have all of the same responsibilities to deliver on the programs that Congress has created and funded. I liken it to spreading it like peanut butter. People are already stretched very thin. When you lose more staff and there are still functions to be completed, we're spreading it farther. And so, continuing to monitor that. That's why it's so important if you're seeing other issues happening in our world, delays in service and responsiveness, we want to know. But our friends and colleagues over at the department are continuing to have to take on more work with fewer people and that is definitely worth us keeping a clear eye on.

Nalia Medina:

Thanks, Melanie. One other thing that I just quickly wanted to note. We are recording this episode Thursday afternoon. But yesterday, Wednesday afternoon, a federal judge did block the administration from laying off federal workers during the government shutdown. So I think this is another area that we'll just continue to be monitoring, watching as the government shutdown continues. And just prepping for this podcast, I did see that the judge had said that the administration wasn't following their legal requirements for conducting these reductions in force. So again, I think it's just another area that we'll continue to monitor and see as it develops as the government shutdown continues.

And then, just want to quickly pivot to the appropriations process. I know we talked about those appropriations bills at the beginning, but just want to touch on where that process stands and what we can expect moving forward. Like we mentioned, obviously the government is currently shut down and at some point we'll see maybe a CR, and then Congress continuing that process for those full-year funding bills. But in terms of the federal student aid programs that we follow closely at NASFAA, I do just want to point that every year our priority is really for these student aid programs to be robustly funded because we know that students are continuing to need these additional resources to cover the cost of their education.

So for fiscal year '26 for Pell, NASFAA along with the broader higher ed community, we've come out and asked for the Pell Grant award to be increased to \$7595. That includes a \$200 increase that would at a minimum cover inflation while working towards the maximum award of 13,000. And for the campus-based aid programs for fiscal year '26, we have required alongside the higher ed community, 1.31 billion for federal work study and 966 million for FSEOG.

I wanted to mention those things because we are concerned with some of the proposals that we've seen come out of the White House, as well as the budget request from the House of Representatives. The White House budget request specifically did call for decreasing the Pell Grant by \$1685, and it also called for the elimination of FSEOG, significant reduction to federal work study, and it did not include any funding for TRIO for fiscal year '26. And on the House side, the House's budget request called for flat-funding Pell, also eliminating FSEOG, and again, significantly reducing federal work study.

And we've signed on to some letters recently that I think we can include in the note so that folks can refer back to if they haven't seen those yet. But one letter specifically calling on Congressional appropriators to properly fund the labor, health, and education programs for fiscal year '26, and another letter opposing the administration's proposed cuts to Pell, campus-based aid, and TRIO.

And the last thing I'll mention in apropos is a recent thing that we published a week or so ago, I'm losing track of my dates here. But we did publish a chart comparing the final fiscal year '25 funding, and then a comparison of all of the fiscal year '26 budget proposals. So if you have not yet seen those, I would highly recommend looking at that visual so you can see what happened in fiscal year '25 and all of the various proposals of fiscal year '26.

Melanie Storey:

Fabulous. Thanks, Nalia. Good stuff there. Yeah, lots of work still to come.

Let's run down some happier news, some happier things. So I think maybe just a few days after we recorded the last Inside the Beltway episode, FAFSA officially launched on September 24th, both the online 26-27 application and the paper forms are available. I believe the department announced that they had more than about 43,000 applicants starting during the beta period. I'd love to tell you where we are now on FAFSA counts except that we don't get that data during a shutdown. But I think it continues to be good news. While we are very much in holding patterns on a lot of things, students are able to access and file their FAFSA, and you will receive your ICERs, we can continue as much as possible for the 26-27 cycle.

A couple of great things coming ahead. One, I just want to plug we had a very action-packed week with negotiated rulemaking recently. We'll be covering in detail, Jill will be covering all of that in detail at our next AskRegs episode, so please keep a look-out for that.

I would be remiss if I didn't say happy one-day belated Financial Aid Administrators Day. We appreciate you and are proud to be part of this community with you on that day and every day, so thank you so much.

And then, one other just quick plug. That next week on October 23rd at 2:00 PM, we will be hosting our NASFAA one-on-one webinar, which is really about making the most of your NASFAA membership. Which includes lots of things, AskRegs, all of our training, webinars, all of the things that are available to us. You can learn more about it, so please put that on your calendar. We would love to see you there.

So I think that's it. Thanks again for joining us for "Off the Cuff" Inside the Beltway. We will be watching lots for you, and look forward to seeing and talking with you soon. Have a great day.