UNIVERSITY OF CALIFORNIA

Senate Budget Reconciliation Legislation

Background

The House of Representatives approved its budget reconciliation bill, H.R. 1, on May 22, 2025 by a vote of 215-214. The bill extends the tax cuts from the Tax Cuts and Jobs Act of 2017 and makes significant cuts to student financial aid, Medicaid and Supplemental Nutrition Assistance Program (SNAP) to offset the loss of revenue. During consideration of H.R. 1, UC weighed in with the California congressional delegation to oppose the bill, raising concerns over the impact of the legislation on the University community as well as to the budget of the State of California.

Following House passage, the U.S. Senate began work on its version of a budget reconciliation bill. The Senate package includes a significant number of differences from the House version that will need to be resolved before being signed into law.

Senate Budget Reconciliation Summary

Education Provisions

The Senate Health, Education, Labor and Pensions (HELP) Committee, which has jurisdiction over education issues, released its version of reconciliation legislation on June 10. The bill includes a number of provisions of concern to UC that would reduce access to higher education for students and families and make college less affordable.

- **Pell Grants** (Sec. 83001): While the Senate bill does not make large-scale changes to Pell Grant eligibility as compared to the House bill, it does propose that students who receive grants or scholarships covering their entire cost of attendance (COA) will be ineligible to receive a Pell Grant, even if otherwise eligible for the program. *This provision was not included in the House version*.
- **Subsidized Loans for Undergraduate Students**: The Senate bill does not eliminate subsidized loans for undergraduate students. The House bill does eliminate subsidized loans.
- **Borrowing Limits for Undergraduate and Graduate Students** (Sec. 81001):
    - Undergraduate Loan Limits: The Senate bill maintains current limits for annual and aggregate borrowing. The House bill proposes calculating the annual limit using the national median cost of the specific program of study, less the amount of any federal Pell Grant received by the student and limiting aggregate undergraduate borrowing to $50,000.
    - Graduate Loan Limits: The Senate bill proposes that the annual graduate loan limits be capped at $20,500 for graduate students and $50,000 for professional students. The aggregate limit would be capped at $100,000 for graduate students and $200,000 for professional students. The House bill contains similar provisions except for a lower threshold for professional students, capping aggregate borrowing at $150,000 instead of $200,000.

- **Parent PLUS Loan Program** (Sec. 81001): Unlike the House bill, which requires students to borrow the maximum unsubsidized loan in order for parents to borrow a PLUS loan, the Senate bill includes new Parent PLUS loan limits: a $20,000 per year cap per dependent student and a $65,000 aggregate limit per dependent student (without regard to amounts forgiven, repaid, canceled or discharged).
- **Student Loan Repayment Plans** (Sec. 82001): Like the House bill, the Senate proposal eliminates nearly all repayment plans for new borrowers and replace them with a standard payment and a new income-based "Repayment Assistance Program."
- **Risk-Sharing** (Sec. 84001): The Senate proposal does not include a risk-sharing model like the House bill; however, it does create an accountability measure for institutions of higher education. The provision compares median earnings of cohorts of students who have exited the program within a certain timeframe, depending on the credential level, against the earnings of high school or bachelor's degree graduates, depending on the program credential level. Similar to the Gainful Employment framework, programs failing to meet this earnings threshold in two of three years would lose eligibility to participate in the Direct Loan Program for two years. After one year of failure, institutions would have to provide disclosures to students.

The Senate HELP Committee also includes the following provisions that appear largely unchanged from the House version of the bill:

- **Title IV Eligibility** (Sec. 80001): The Senate bill, similarly to the House bill, restricts eligibility for Title IV aid for non-citizens, including refugees, asylees, parolees and human trafficking victims.
- **Grad PLUS Loan Program** (Sec. 81001): Similar to the House reconciliation bill, the Senate bill proposes eliminating the Grad PLUS Loan program.
- **Deregulation** (Sec. 85001): The Senate bill would revert the Borrower Defense and Closed School Discharge regulations to those in place prior to promulgation of regulations by the Biden Administration, but unlike the House version, the Senate would not prohibit further rulemaking on the topics. The Senate bill would not eliminate legislative provisions or regulations related to Gainful Employment or 90/10 non-federal revenue requirements, which the House bill would. The Senate bill, like the House package, would prohibit the Secretary of Education from promulgating any regulation or taking any executive action that is economically significant and results in a subsidy cost to the government.

Health Care Provisions

The Senate Finance Committee released its reconciliation text on June 16, including the following new or changed provisions:

- **Lowering Limits on Medicaid State-Directed Payments (SDPs)** (Section 71121): The Senate bill caps new Medicaid SDPs at the Medicare rate similar to the House approach and includes some limited grandfathering for existing state-directed payments approved prior to May 1, 2025. However, the Senate bill requires the Centers for Medicare and Medicaid Services (CMS) to reduce SDPs in Affordable Care Act (ACA) expansion states by 10 percent per year starting in 2027 until reaching Medicare rates. This provision would significantly increase the financial burdens safety net healthcare providers face who care for a disproportionate share of Medicaid patients. UC currently shoulders over $1.3 billion annually in uncompensated Medicaid costs even after our current supplemental and state-directed payments are applied.

- **Lowering Limits on Medicaid Provider Taxes** (Sec. 71120): Currently, states are allowed to tax health care providers for up to 6 percent of net patient revenue for funding to pay the non-federal share of supplemental and state-directed payments. The Senate provision would gradually reduce the 6 percent limit by 0.5 percent per year until it reached 3.5 percent. The provision cuts Medicaid financing for hospitals to a much greater extent than the House bill, which would have frozen in place existing provider fees.
- **Federal Medical Assistance Percentage (FMAP) Cut for Utilization of Emergency Medicaid by Undocumented Individuals** (Section 71112): The bill cuts the FMAP paid for undocumented individuals served by the Emergency Medicaid program from the ACA adult expansion FMAP to the state's traditional Medicaid FMAP.
- **Removal of Medicaid Disproportionate Share Hospital (DSH) cut delay:** The House bill includes a two-year delay to Medicaid DSH cuts. The Senate bill removed this provision.
- **Removal of Modification for the Conversion Factor for the Medicare Physician Fee Schedule**: The House bill includes a temporary patch to the Medicare physician fee schedule. The Senate bill removes this provision.

The Senate Finance Committee also includes the following provisions that appear largely unchanged from the House version of the bill:

- **Restricting the Use of Medicaid Provider Taxes** (Sec. 71122): Both versions of the bill will put California's Managed Care Organization (MCO) tax and Hospital Provider Fee in jeopardy by changing how CMS measures when a tax is "generally redistributive" for the purpose of waiving the uniformity requirements.
- **Restrictions on Medicaid Eligibility and Enrollment** (Sections 71103, 71107, 71114, 71124): Both versions of the bill put significant new bureaucratic barriers in place for Medicaid-eligible patients seeking health insurance—including new paperwork for work requirements, more frequent redetermination and new cost sharing provisions. These hurdles are likely to result in many Californians who should be covered by Medicaid losing their health care coverage due to technicalities and financial burdens they are unable to meet. The reduction in retroactive coverage will make it harder for those who lose coverage from these changes to get care when they need it. The bill does include some changes to the application of work requirements.
- **Reducing expansion FMAP for certain states providing payments for health care furnished to certain individuals** (Sec. 71111): Both versions of the bill include a 10 percent reduction in the FMAP for the Medicaid expansion population for states that use their own funds to support health care coverage for undocumented immigrants.
- **Prohibiting federal Medicaid and Children's Health Insurance Program (CHIP) funding for gender transition procedures for minors** (Sec. 71117): The Senate bill continues the House ban on Medicaid and CHIP reimbursement for gender affirming care.

Tax Provisions

The Senate Finance Committee text includes changes to the U.S. Tax Code that could impact UC, including the following new or changed provisions:

- **Phase-out and restrictions on clean electricity investment credit** (Sec. 70513): This provision phases out the clean electricity investment credit at various phases depending on the technology involved. The provision phases out investments in wind and solar energy sooner than other types of technologies, which disincentives important investments in clean energy. UC has invested significant resources to utilize these critical investments in energy infrastructure for energy efficiency and cost savings, such as investments in solar, batteries, microgrids and other energy technologies. The repeal of this credit removes one of the financing mechanisms available to support these investments. Both House and Senate bills phase out these credits, with the Senate offering slightly longer periods before phase-out.
- **Termination of energy efficient commercial buildings deduction** (Sec. 70507): This section phases out Section 179D of the tax code, which is a critical energy tax incentive that has contributed towards the construction and design of energy efficient buildings, including at UC. Removing this provision will eliminate one of the tax incentives that has helped to provide cost savings for making investments in the construction and design of energy efficient buildings. This section is in the Senate bill but not the House bill.
- **0.5 percent floor on deduction of charitable contributions made by individuals who elect to itemize** (Sec. 70425): This provision requires taxpayers to meet a floor of at least 0.5 percent in charitable donations of their total income, before qualifying to deduct charitable giving from their itemized tax returns. This provision could impact charitable giving negatively to charitable organizations, including universities, by setting new limits on when taxpayers can take a deduction for charitable giving when filing itemized returns. This section is in the Senate bill but not in the House bill.
- **Permanent deduction for charitable contributions made by individuals who do not elect to itemize** (Sec. 70424): This provision allows individuals who do not choose to itemize their tax returns to take a deduction of up to $1,000 for single tax filers, and $2,000 for married filing jointly beginning for tax years after Dec. 31, 2025. This provision is an improvement over current law, which does not allow for charitable deductions from taxes for non-itemizers. This provision will encourage charitable giving including at universities. The Senate language is favorable to the House language which provides a deduction of only up to $150 for individual tax filers and $300 for couples filing jointly.
- **Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts** (Sec. 70413): This provision expands the types of expenses that 529 education savings accounts can be used for to pay for qualified higher education expenses, which could be helpful in covering education related expenses for students and their families. The House bill does not include this section.

The Senate Finance Committee also includes the following provisions that appear largely unchanged from the House version of the bill:

- **Expanding application of tax on excess compensation within tax-exempt organizations** (Sec. 70416): This provision expands the excise tax on employees earning over $1,000,000 per year. This change will impose new excise tax liabilities on UC and will adversely impact the university's ability to recruit and retain leaders—in particular top-level professionals. The House and Senate bills include similar language.

- **1 percent floor on deduction of charitable contributions made by corporations** (Sec. 70426): This provision would require corporations to make at least 1 percent of its income in charitable contributions prior to being able to deduct such donations from their tax returns. This provision could negatively impact charitable contributions made by corporations, which help to fund critical research, education and other activities, including at universities and other entities. The House and Senate bills include similar language.
- **Exclusion for employer payments of student loans** (Sec. 70412): This provision makes permanent and indexes for inflation, Section 127, the provision in the existing tax code which allows employees to receive up to $5,250 in educational assistance from their employer, such as tuition or student loan assistance, without any tax penalty. Section 127 is a valuable tax incentive for employers and employees to help defray the cost of attending college. The House and Senate bills include similar language.

Agriculture and SNAP Provisions

The Senate [Agriculture Committee](https://) released its reconciliation text on June 11. The bill includes changes that could impact UC, including the following provisions:

- **National Education and Obesity Prevention Grant Program** (Sec.10107): This section eliminates funding for the SNAP Education (SNAP-Ed) Program after federal fiscal year (FY) 2025. SNAP-ED provides critical nutrition education services throughout the nation. In California, the UC-based SNAP-Ed Cal Fresh Healthy Living program provides SNAP-Ed nutrition education services in 34 counties via the UC Cooperative Extension. The House bill would eliminate the program all together, while the Senate bill leaves the program authorized, but eliminates funding after FY 2025.
- **Matching Funds Requirements** (Sec. 10105): This section makes changes to SNAP to require states to provide a cost-share match, based on the state's payment error rate for processing benefits, to the federal government in order to receive SNAP benefits. The Senate bill includes an exemption from the cost-share requirement if a state has a less than 6 percent error rate while the House bill's minimum is a 5 percent cost-share match. The Senate bill also includes a lower percentage cost-share maximum rate than the House bill which could impose significant budgetary pressures on states, including California, that could make it more difficult for college students and their families facing food insecurity to receive SNAP benefits. The Senate and House bill include different matching funds requirements for states to meet.
- **Modifications to SNAP Work Requirements for Able-Bodied Adults** (Sec. 10102): This section makes changes to the SNAP program that would limit the availability of exceptions for individuals from meeting SNAP work requirements. This section could make it more difficult for low-income college students and their families to continue to access SNAP benefits. The House and Senate bills include changes to the SNAP work requirements for Able-Bodied Adults that are different.

The Agriculture Committee's reconciliation text also includes the following provisions that appear largely unchanged from the House version of the bill that would benefit agriculture research, including:

- Research (Sec. 10604), which provides funding to carry out several important programs:
    - Urban, Indoor, and Other Emerging Agriculture Production, Research Education, and Extension Initiative;

- Foundation for Food and Agriculture Research;
- Specialty Crop Research Initiative;
- The Agriculture Research Facilities Act;
- Emergency Citrus Disease research and Development Trust Fund (Sec. 10607 Miscellaneous)

Armed Services Committee provisions

Unlike the other committees, the House and Senate Armed Services Committees were tasked to develop a package that includes up to $150 billion in funding. The two committees developed relatively similar legislation. Of note, both include $250 million for quantum research and $250 million for Artificial Intelligence (AI) research.

For additional information, please contact:

Kent Springfield | Kent.Springfield@ucdc.edu | (202) 993-4810