

# COMPLIANCE CONVERSATIONS

## Federal Education Grants: What the Latest Changes Mean for Programs & Compliance

12-1 p.m. ET | November 4, 2025



# Polling Questions



To be awarded CPE credits or Certificates, you must answer all three polling questions. Scan the QR code below **OR** navigate to the website address.



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1. Open the camera app on your mobile device
2. Point the camera at the QR Code
3. Tap the web link

Website Address:

<https://ngma.cnf.io/sessions/kz4j/#!/dashboard>

Initial Log-in:

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- Use the email on file with NGMA for credit to be added to your NGMA record.

To Answer the Polling Question:

Click on the question when it is launched.

Answers will NOT be accepted in the chat/Q&A box.





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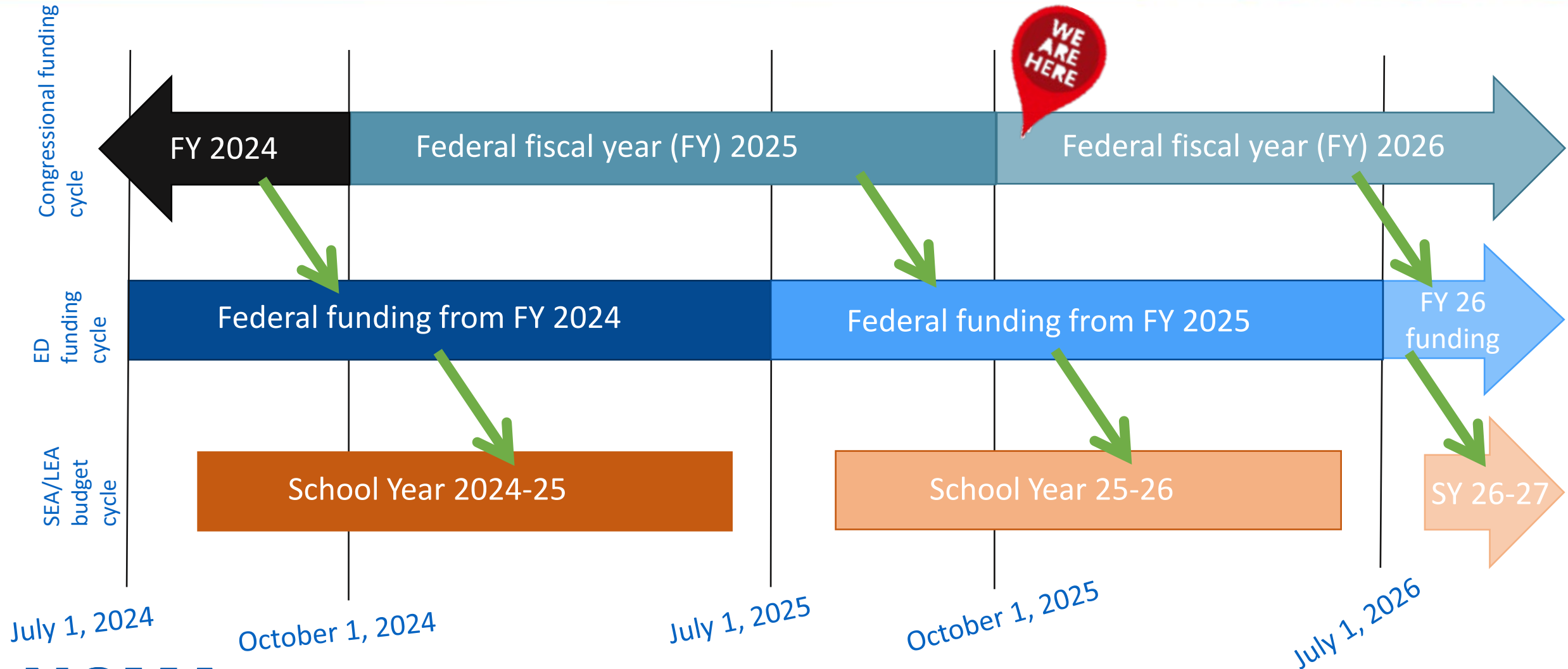


- What we cover:
  - UGG, EDGAR, GEPA, FERPA, FFATA, False Claims, etc.
  - Federal Grants Compliance
  - Education Program Compliance, including ESEA, IDEA, Perkins, School Nutrition, Head Start, Federal Financial Aid, Civil Rights, etc.
- How we can help:
  - General consulting services, legal advice, and support
  - Develop/Review Grants Policies and Procedures
  - Internal Control Testing / Mock Audits
  - Training and Workshops (in-person or virtually)
  - Audit Resolution and Defense
  - Administrative Appeals
  - Legislative Services

# Education Funding



# The Appropriations Cycle and Forward Funding



Program	FY 2025 Final	FY 2026 President's Proposal	FY 2026 Senate Bill	FY 2026 House Bill
ESEA Title I-A	\$18,407	\$18,407	\$18,457	\$14,626
ESEA Title I-C, Migrant Education	\$376	\$0	\$376	\$0
ESEA Title II-A, Supporting Effective Instruction	(not specified)	\$0	\$2,190	\$0
ESEA Title III-A, English Language Acquisition	\$890	\$0	\$890	\$0
Title IV-A, SSAE	\$1,380	\$0	\$1,380	\$1,385
ESEA Title IV-B, 21 <sup>st</sup> CCLC	\$1,330	\$0	\$1,330	\$1,330
IDEA Part B State Grants	\$14,214	\$14,891 (as consolidated with other programs)	\$14,264	(not specified, but category increases 0.2% as a whole)
CTE State Grants	\$1,440	\$1,440	\$1,440	\$1,465
AEFLA	\$715	\$0	\$715	\$0
Maximum Pell grant (in dollars)	\$7,395	\$5,710	\$7,395	\$7,395
Head Start	\$12,272	\$12,272	\$12,357	\$12,272

# What Happens in a Government Shutdown?



- Impacts so far:
  - Flight delays, tax hotlines are unavailable, farmers don't have access to federal loans, other frozen/cut spending projects
  - Federal employees without pay
  - Military pay? (Trump admin "identified funds" to pay during shutdown)
- Reductions in Force (**subject to temporary restraining order**):
  - Education – 466 employees, mostly from program offices (OESE, OSERS)
  - HHS – 1100-1200 employees
  - Treasury – 1446 employees



# Rescissions: What are they and why are we talking about them?



- One of a number of special budget processes that have been used this Congress
- A budget bill that allows Congress to revoke previously authorized spending authority with a majority vote in the Senate
- Makes Impoundment Control Act concerns moot since there is no longer authority to spend funds
- The President may submit a formal rescission request to Congress, containing:
  - How much money is to be rescinded
  - What account or authority it comes from
  - The reason for the rescission
  - Estimated budgetary impact
  - Impact on the purposes of the programs and any other facts



# Rescissions Process



- Congress has 45 days to consider the request
  - During that time, President may withhold funds named in the request
- If Congress does not act within 45 days, request is deemed to be rejected and President must spend funds in question
- If Congress doesn't pass a rescission, cannot name funds for rescission again
- One package already passed in July (foreign aid)
- Administration has suggested “pocket” rescission of funds starting August 15<sup>th</sup>

# July 2025 Rescissions Package



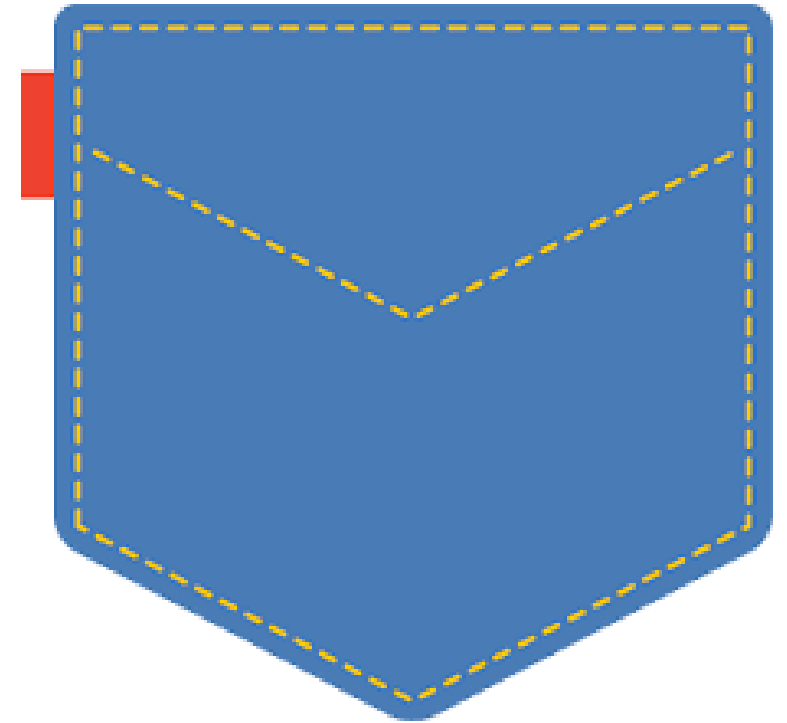
- H.R. 4
- Rescinded \$9.4 billion in funding for:
  - Corporation for Public Broadcasting
    - NPR
    - PBS
  - Some foreign aid (USAID) programs
    - PEPFAR removed
- Passed 51-48 in Senate on July 17<sup>th</sup>, signed into law July 24<sup>th</sup>



# The “pocket rescission”



- Administration has attempted “pocket” rescission of funds including foreign aid
  - Name funds for rescission after August 16th and wait for the clock to run out
  - Unlikely to work for most of ED funding because of:
    - Restrictions in law
    - Congress may not be on board
    - GAO says you can’t do this (OMB says it doesn’t care)
  - ...but does it buy time/ reduce spending in the interim?



# GEPA to the Rescue?



Funds available for academic/school year

- “(a) Appropriations for any fiscal year for grants ... may, in accordance with regulations of the Secretary, **be made available for obligation by the recipient on the basis of an academic or school year differing from such fiscal year.**” (Section 421(a))
- Required Carryover
- “... funds were appropriated shall remain available for obligation and expenditure **by such agencies and institutions** during such succeeding fiscal year”. (Section 421(b)(1)).
- “The authorization of appropriations for, or duration of, an applicable program shall **be automatically extended for one additional fiscal year** unless Congress... has passed legislation that becomes law and extends or repeals the authorization or duration of such program.” (Section 422)



# More Rescissions Talk?



- Concern among Senators that Congress will pass appropriations with a 60-vote threshold, then turn around and pass education rescissions.
- Right now this is *just a theory*
- Would be focused on programs not funded in President's request
  - *i.e.* NOT Title I/IDEA
  - Titles II, III, IV

# Poll Question 1

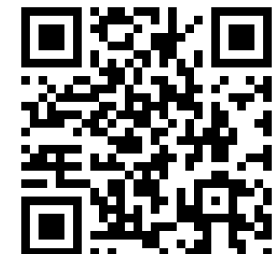


What is the biggest concern for federal education administrators at the moment?

- Federal Government Shutdown
- Reductions in Annual Appropriations
- Additional Recission Requests by the Administration

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# Dismantling ED



# The Department of Education Organization Act (public law 96-88)



- Outlines which ED offices and staff are required by law
- There shall be in the Department, for example:
  - Assistant Secretaries of OESE, Post Secondary, OCTAE, OSERS, Civil Rights and related offices and staff
  - Inspector general, general counsel
- Outlines limits to Secretary to reorganize, move, discontinue or transfer functions vested by statute
- Items not listed/ discretionary, within Secretary's authority
- Statutes Vesting ED with Authority:
  - Impact Aid (1950)
  - HEA (1965)
  - ESEA (1965)
  - GEPA (1968)
  - Rehabilitation Act (1973)
  - IDEA (1975)



# Executive Order: Dismantle ED



Directs Secretary McMahan to “take all necessary steps to facilitate the closure the Department of Education and return education authority to the States, while continuing to ensure the effective and uninterrupted delivery of services, programs, and benefits on which Americans rely.”



# Reductions in Force (RIFs) (March)



- On March 11, the Department reduced about half its workforce
  - Closed 7 of 12 OCR regional offices
  - Reduced Federal Student Aid offices by approx. 50%
  - Reduced Office of General Counsel by approx. 75%
  - Reduced Institute of Education Sciences office by approx. 90%
  - One employee remaining in English Learner office
- Other Actions:
  - Terminated IES contracts; other federal contracts
  - Terminated discretionary grants (teacher preparation, mental health, competitive IDEA grants, etc.)

# The Lawsuits



## The Plaintiffs:

- Teachers Unions
- NAACP
- Democratic Attorney Generals (RIFs)
- COPAA
- Research Associations
- Etc.

## The Arguments:

- Separation of powers
- Ultra vires action
- Appropriations/spending clause
- Excess of statutory authority (APA)
- Not in accordance with law (APA)
- Arbitrary and capricious (APA)

# Government's Response (NY, et al)



“President Trump ran on the promise to close the Department of Education (“Department”). After he was elected, he entrusted Secretary of Education Linda McMahon with reducing the bureaucratic excess in the Department in anticipation of ultimately closing it. But both President Trump and Secretary McMahon have been unequivocal that it will take an act of Congress to ultimately shutter the Department.”



# The Lawsuits (cont.)



- Lower courts provided preliminary injunctions, stopping the March RIFs and other actions by the Dept to dismantle ED
  - The multi-state case was eventually appealed to the Supreme Court
- **Supreme Court (July 14, 2025)** issued a three sentence, majority opinion that overturned the lower court preliminary injunctions, allowing ED to move forward with RIFs and other steps to close ED
  - Approx 18-page dissent: “When the Executive publicly announces its intent to break the law, and then executes on that promise, it is the Judiciary’s duty to check that lawlessness, not expedite it. ... Rather than maintain the status quo, however, this Court now intervenes, lifting the injunction and permitting the Government to proceed with dismantling the Department.”

# Joint Management Agreement with DOL: Perkins/AEFLA



- Interagency agreement signed in May; follow-through after Supreme Court decision in July (announced July 15)
- Moves the day-to-day administration of Perkins and AEFLA to Dept of Labor
  - Unified state plan portal and timeline for submitting required plans for WIOA and Perkins
  - DOL to manage competitions, provide technical assistance, and monitoring of programs
  - GANs reissued in September to provide draws through DOL systems
  - “ED will maintain all statutory responsibilities and will continue its oversight of these programs”

# New Interagency Agreement with HHS?



- Individuals with Disabilities Education Act (IDEA) possibly moving to HHS under new interagency agreement
  - Managed by newly created Office of Disability at HHS
  - ED staff detailed to HHS
  - Official responsibility still with ED subject to legislative authority, but jointly managed by ED/HHS

# Other Moves?

- ED and Treasury executed agreement in May, which proposes moving student loan management to Treasury
  - Remains paused to date – unclear on next steps
- Could other programs be moved?
  - Student Financial Aid → Treasury, Small Business Association
  - McKinney-Vento → HHS
  - All civil rights enforcement → DOJ
  - Impact Aid → DOD
  - Indian Education → Interior





# Reductions in Force (RIFs) (October)



- On October 10, the Department issued RIFs to 466 employees\*\*
- Program offices were significantly impacted, leaving only 1-2 positions (Director) in:
  - Office of Elementary and Secondary Education
  - Office of Special Education and Rehabilitative Services
  - Postsecondary Grant Offices (TRIO, etc.)
- Additional cuts impacting:
  - Office of Civil Rights
  - Office of Impact Aid

**\*\*Subject to Temporary Restraining Order\*\*\***

# What's Next



## Complete shuttering of ED would involve Congress

- Signs that Congress opposes closing ED:
  - Senate bill included “bill strengthening” language;
  - Senate Republicans supported the release of withheld Title funds over the summer
- However, what we’ve seen so far and might anticipate:
  - Significant reduction in force, impacting administration and oversight capabilities at ED (less monitoring, technical assistance, etc.)
  - Interagency agreements to transfer the operation of programs to other agencies, maintaining bare minimum authority within ED

# New Executive Orders: Impacting Competitive Grants and AI in Education



# EO: Improving Oversight of Federal Grantmaking (Aug. 7, 2025)



- Requires political appointees to review discretionary grants “to ensure they are consistent with agency priorities and the national interest.”
  - Advance President’s policy priorities
  - Not encourage, support or facilitate:
    - racial preferences or other forms of racial discrimination
    - grant recipient’s denial of the sex binary in humans
    - illegal immigration
    - compromising public safety or promoting anti-American values
  - Preference to lower indirect cost rates
  - Commitment to Gold Standard Science, benchmarks for success
  - Prioritize institutions commitment to scholarship over historical reputation or perceived prestige

# EO: Improving Oversight of Federal Grantmaking



- Revisions to the UGG
  - Clarify and require all discretionary grants to permit termination for convenience, including when award no longer advances agency priorities or the national interest
    - Exception for international trade agreements by Dept of Commerce, or funding under Infrastructure Investment and Jobs Act
  - Revise UGG and other relevant guidance “to appropriately limit the use of discretionary grant funds for costs related to facilities and administration”



# EO: Improving Oversight of Federal Grantmaking



- Implementation and Termination Clauses: Within 30 days, each agency must review standard grant terms and conditions and provide a report on:
  - Whether T&Cs include termination for convenience, and if award no longer effectuates program goals or agency priorities
  - Whether T&Cs permit termination based on national interest
  - Approximate number of active discretionary awards and funding obligated with the termination provisions above
- Agencies must take steps to amend T&Cs to permit immediate termination for convenience
  - Add terms to prohibit drawing funds for specific projects without affirmative agency authorization; and require written explanations or support for requests for each drawdown

# EO: Improving Oversight of Federal Grantmaking – Key Takeaways



- For all subgrants, allow for termination of the subgrant based on suspension, withholding or termination of the federal award
- For discretionary grants, if you will subgrant funding, also include in the subgrant terms termination for convenience clause and/or termination based on changed priorities / national interest.
- For discretionary grants, if you will subgrant funding, can you give a preference to entities with lower indirect cost rates?
  - *Not yet; UGG will need to be revised first.*

# Discontinuation v. Termination



## 34 CFR 75.253 Continuation of a multiyear project after the first budget period.

(f) Decision not to make a continuation award

- (1) A grantee fails to meet any of the requirements in [paragraph \(a\)](#) of this section; or
  1. Demonstrate progress in meeting goals and objectives
  2. Submit all required reports
  3. Meet all applicable eligibility requirements
  4. Maintain compliant financial and administrative management systems
  5. Receive determination from Secretary that continuation is in the best interest of the Federal Government

## 2 CFR 200.340 Termination

- (4) By the Federal agency or pass-through entity pursuant to the terms and conditions of the Federal award, including, to the extent authorized by law, if an award no longer effectuates the program goals or agency priorities.

# Discontinuation vs Termination: Why It Matters!



## Appeal Options:

- Discontinuation (34 CFR 75:253(g)): Request for reconsideration under 2 CFR 200.342.
  - Informal request for reconsideration; generally goes to the same decision-maker; submit request, receive response (not a formal appeal process; no further back-and-forth)
- Termination (20 USC 1234d): GEPA Withholding procedures.
  - Allows for an administrative appeal through Office of Hearings and Appeals whenever ED “withhold[s] from a recipient, in whole or in part, further payments (including payments for administrative costs) under an applicable program.”
  - BUT: Discontinuation of competitive grant is defined as not a withholding under GEPA (75.253(i)). Only option for grant terminations.

# Case to Watch:

## *New Jersey, et al v. Everyone (OMB)*



- The “no longer effectuates program goals or agency priorities” termination rationale at 2 CFR 200.340(a)(4) has been used to cancel billions in funding.
- Clause only intended for “limited circumstances” where “evidence reveals” an award is “ineffective” or infeasible.
- Argues
  - A&C because it permits new agency priorities after grant awards
  - A&C because no statutes are identified that grant them (a)(4) authority.
- Requests that (a)(4) be found unlawful.



## Poll Question 2



What is the key difference between a termination and a discontinuation of funding?

- No longer in the best interest of the agency vs. no longer effectuates goals and priorities
- The factors that lead to either
- Only one is considered a withholding under GEPA

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# AI — Artificial Intelligence EOs and Guidance



# Executive Order on AI in Education



- Executive Order: “ADVANCING ARTIFICIAL INTELLIGENCE EDUCATION FOR AMERICAN YOUTH” April 2025
  - <https://www.whitehouse.gov/presidential-actions/2025/04/advancing-artificial-intelligence-education-for-american-youth/>
- “It is the policy of the United States to promote AI literacy and proficiency among Americans by promoting the appropriate integration of AI into education, providing comprehensive AI training for educators, and fostering early exposure to AI concepts and technology to develop an AI-ready workforce and the next generation of American AI innovators.”

# Executive Order on AI in Education (cont.)



- Within 90 days, instructed to create a Presidential Artificial intelligence Challenge
- Within 120 days:
  - Engage partners to identify and promote AI skills education coursework and certifications (including for high school students)
  - Authorize discretionary grants for teacher training under ESEA Title II and HEA Title II including for:
    - (i) reducing time-intensive administrative tasks;
    - (ii) improving teacher training and evaluation;
    - (iii) providing professional development for all educators, so they can integrate the fundamentals of AI into all subject areas; and
    - (iv) providing professional development in foundational computer science and AI, preparing educators to effectively teach AI in stand-alone computer science and other relevant courses

# New Priorities on AI in Education



- Published as a draft 7/21 for public comment:  
<https://www.federalregister.gov/documents/2025/07/21/2025-13650/proposed-priority-and-definitions-secretarys-supplemental-priority-and-definitions-on-advancing>
- Where appropriate to the grant, ED grant competitions should prioritize or require grantees to address topics related to artificial intelligence and AI literacy, like:
  - Integrating AI literacy skills and identification of disinformation
  - Expanding computer science offerings in K-12 and higher ed
  - Embed AI and computer science in teacher prep programs
  - Provide professional development on AI and computer science, “including instruction about how to use AI responsibly”
  - Dual enrollment classes and certification
  - Technical assistance on use of AI
  - Supplemental instruction, early intervention, and personalized learning
  - AI tutoring or teacher training programs



# New Guidance on AI in Education



- Issued July 2025
- Federal funds may be used for:
  - Developing or procuring AI-powered instructional tools
  - Expand access to personalized learning materials
  - Training educators, providers, and families on AI literacy
  - AI-supported tutoring, including AI systems or hybrid models, and related diagnostics
  - Using AI to help students explore careers and career pathways
  - Virtual advising for career planning, financial aid, and postsecondary transitions

# PRWORA



You can choose to live in  
the front row or the third...

# PRWORA!



aka... the Personal Responsibility and Work Opportunity  
Reconciliation Act of 1996



+



+ UH

# A change in interpretation...



- PRWORA prohibits undocumented immigrants from accessing “federal public benefits,” including:
  - Grants, loans, contracts, or professional/commercial licenses
  - Any “retirement, welfare, health, disability, public or assisted housing, postsecondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of the United States”
  - Limited exceptions for disaster relief, emergency medical treatment, etc.
  - Nonprofit charitable organizations that administer federal, state, or local benefit programs are not required to verify a participant’s immigration status.
- Since 1997, had been interpreted to exclude preK-12 education benefits



# A change in interpretation...



- New interpretations say that educational benefits are subject to PRWORA where not constrained by other laws:
  - “Therefore, the Department interprets and finds that “Federal public benefits” under [8 U.S.C. 1611\(c\)\(1\)](#) includes all educational benefits that are provided to individuals, households, or family eligibility units, regardless of age, and including when benefits are provided as in-kind services at the community level, such as through public or private nonprofit agencies, except those benefits that are basic public education benefits under Plyler.”
- Includes Perkins, AEFLA, Head Start, Community Services Block Grant, and others



# Agency Notifications



- Published in the Federal Register on July 11
- ED: <https://public-inspection.federalregister.gov/2025-12925.pdf>
- Higher Education: <https://www.ed.gov/media/document/notification-grantees-and-subgrantees-of-assistance-under-higher-education-act-of-1965-of-updated-prwora-interpretation-of-federal-public-benefits-7102025>
- DOL TEGL: <https://www.dol.gov/sites/dolgov/files/ETA/advisories/TEGL/2023/TEGL%2010-23%20Change%202/TEGL%2010-23%20Change%202.pdf>
- HHS: <https://www.hhs.gov/sites/default/files/prwora-notice.pdf>

# Impact on K-12 education?



- Constrained by 1982 Supreme Court decision in *Plyler v. Doe*
  - Upheld the right of undocumented immigrants to attend public schools under the 5<sup>th</sup> and 14<sup>th</sup> amendments (equal protection).
    - “Even if the State found it expedient to control the conduct of adults by acting against their children, legislation directing the onus of a parent's misconduct against his children does not comport with fundamental conceptions of justice.”
  - Guidance from ED and DOJ in 2014 read *Plyler* to say that K-12 schools could not ask students for proof of immigration status and must accept any reasonable documentation of age, including from foreign countries.
- ED notices: “In codifying the exceptions under *Plyler*, Congress made clear the term “Federal public benefits” does not cover basic public education benefits that are received by children.”

# PRWORA Litigation



- *NY, et al v. US, DOJ, HHS, ED, DOL*
  - Four agencies issued guidance revoking longstanding interpretations of PRWORA; asking for verification of immigration status to access programs
    - Arguing guidance places “post acceptance” “retroactive” conditions on grants, inconsistent with underlying laws and requirements
    - Declaration that notices are unlawful; injunction against enforcement/implementation
- *WA State Assoc. of Head Start v. HHS*
  - Original case challenged the degradation of Head Start in HHS through office shuttering and RIFs
  - Case was amended to include a challenge on excluding undocumented migrants
  - Argument includes vagueness consideration: who counts as undocumented? (The kid? Their parents? Their caretakers?)

# PRWORA Litigation (cont.)



- *NY, et al v. US, DOJ, HHS, ED, DOL*
  - Rules were legislative, not interpretive, and therefore required notice and comment, which didn't happen
  - Rules did not provide adequate explanation / consideration of reliance interests, and therefore were arbitrary and capricious
  - Rules (or at least certain aspects of the rules) were contrary to law
    - HHS: PRWORA does not extend to programs that do not have eligibility requirements; Head Start is not post secondary education benefit; Block grants are not “Federal public benefit”
    - ED: Adult ed is defined as secondary education services; Perkins includes both postsecondary and non-postsecondary, and non-postsecondary is not covered
    - DOL: Broad language sweeps in programs that would be specifically exempt, such as provided in secondary school setting
  - Rules fail to provide notice and imposed conditions that function as coercive ultimatums



- *NY, et al v. US, DOJ, HHS, ED, DOL*

“The bottom line is this: the States’ Motion for a Preliminary Injunction—a temporary court order that maintains the status quo, at least while the case works its way through the judicial system—is GRANTED.”

- Next steps
  - Agencies could reissue the rules after formal rulemaking
  - Agencies could appeal District Court decision
  - Injunction only in Plaintiff states- will agencies begin enforcement in nonplaintiff states?



## Poll Question 3

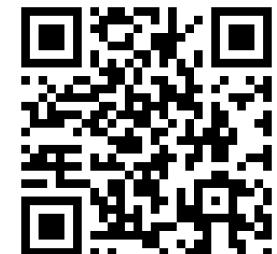


What am I required to do under the ED guidance on PREORA?

- Take every appropriate step to ensure only eligible individuals benefit from federal funding
- Completely revamp how my organization verifies eligibility
- Not sure until the lawsuit plays out

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**Need Help? Feel free to  
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# Questions?

## COMPLIANCE CONVERSATIONS Federal Education Grants: What the Latest Changes Mean for Programs & Compliance

