Board Briefing: Federal Restructuring and Its Impact on Higher Education

March 2025 Update on the Department of Education, Title IX, Student Loans, and Institutional Risk

The U.S. Department of Education is undergoing significant restructuring, marked by substantial staff reductions and the transfer of key functions to other federal agencies. These changes, along with recent federal enforcement actions against institutions like Columbia University, have profound implications for higher education institutions, students, and policymakers.

Executive Order to Dismantle the Department of Education

President Donald Trump signed an executive order initiating the process of dismantling the Department of Education. The move directs Education Secretary Linda McMahon to develop a plan to shift responsibilities to other federal agencies, aligning with the administrations push to decentralize federal oversight of education.

Significant Workforce Reductions

The Department of Education has implemented a reduction in force affecting nearly 50% of its workforce – over 2,100 employees will be laid off. Impacted offices include:

- Federal Student Aid (FSA)
- Office for Civil Rights (OCR)
- Institute of Education Sciences

This raises concerns about the departments capacity to fulfill its statutory responsibilities and support institutions.

Student Loan Management Shifted to SBA

The federal student loan portfolio of approximately $1.7 trillion is being transferred to the Small Business Administration (SBA). While the Department of Education will still handle disbursement, the SBA will oversee loan collections. This shift creates uncertainty over borrower servicing and institutional oversight of cohort default rates. There are concerns from some that this is illegal, as the HEA states that the Education Department must administer student loans

Legal Challenges and Policy Opposition

The National Education Association and other advocacy groups have filed lawsuits challenging the dismantling of the Department, arguing it violates constitutional principles and endangers educational equity and support structures.

New Enforcement Tactics: Columbia University Case

In a separate but related development, Columbia University was sanctioned by the federal government, losing $400 million in funding due to alleged failures to address antisemitic harassment. To possibly restore funding, Columbia agreed to:

- Ban face masks during protests
- Allow campus police to arrest students
- Appoint a federal-approved academic overseer in specific departments

These measures represent an unprecedented federal incursion into institutional governance. The implications for academic freedom, faculty governance, and protest management are significant and raise red flags for boards across the country.

Student Activism and Policy Response

Despite new restrictions, Columbia students staged mask-wearing protests, testing the universities

willingness to enforce the new policies. This highlights a broader challenge that institutions now face: navigating between federal compliance and campus culture.

Implications for Higher Education Institutions

These developments bring both operational and philosophical risks. Key concerns include:

- Financial Aid Administration: Disruptions in processing and servicing
- Regulatory Compliance: Reduced support from the OCR and legal offices
- Academic Freedom: Risk of federal intervention in departmental affairs
- Campus Governance: Conflicting expectations between federal orders and student activism

Three Takeaways for Higher Education Presidents and Boards

1. Reassure and Educate Students

Federal loans and Pell Grants remain in place. Students must be informed about repayment obligations and the transition of loan collections to the SBA.

2. Strengthen Internal Systems

Support financial aid and compliance staff. Ensure policies and practices are up-to-date given rapidly changing guidance and diminished federal support channels.

3. Review Civil Rights, DEI, and Free Speech Policies

Audit current Title IX compliance, DEI training protocols, and campus protest policies. Institutions must ensure alignment with both legal mandates and institutional values while preparing for federal scrutiny.

This briefing reflects current policy shifts based on government actions, public statements, and verified news reports. Boards must be proactive in adapting governance frameworks to navigate this new higher education policy environment.