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Federal Government Update - 7.25.25 [1]

July 25, 2025 by Riley Black [2]

Dear Colleagues,

Please find a federal government update from our teams.

Preliminary Injunction Halts DOD Indirect Cost Cap
A U.S. District Court judge issued a preliminary injunction [3] on July 18 preventing the U.S. Department of Defense (DOD) from implementing a 15 percent indirect cost reimbursement rate for grants to colleges and universities. The national higher education associations led a lawsuit challenging the policy. CU Boulder provided a declaration of impact at their request. Injunctive relief will benefit the plaintiffs in the case and their member universities, reports APLU. The injunction will remain in effect until a final decision, or the injunction is overturned.

The National Institutes of Health, Department of Energy and National Science Foundation are bound by similar injunctions preventing implementation of the 15 percent indirect cost cap. APLU is tracking updates on the various legal cases here [4].

Department of Education Begins Implementing One Big Beautiful Bill Act
The U.S. Department of Education (ED) issued a Dear Colleague Letter [5] on July 18 with preliminary information on how it will implement changes to federal student aid programs following the passage of H.R. 1 [6], the *One Big Beautiful Bill Act (OBBB)*. The new guidance only addresses changes to federal student loan programs that became effective upon enactment of the law. Most changes to federal student aid programs will be implemented on July 1, 2026, or later. The guidance discusses eligibility requirements for Income-Based Repayment, repayment options for Parent PLUS borrowers, and changes to the Public Service Loan Forgiveness program. The guidance also delays implementation of Borrower Defense to Repayment regulations. In addition, the Department is developing a “schedule of reductions” to annual loan limits for part-time students as required by H.R. 1. The schedule will be put out for public comment later this year.

The Department also announced [7] this week that it will commence negotiated rulemaking sessions to implement additional provisions in H.R. 1. The Department will establish two committees: one focused on implementing changes to federal student loans and the other to address workforce, Pell, and institutional accountability. The Department is currently accepting nominees to serve on both committees. Please contact [8]the Federal Relations team if you are interested in being nominated. The Department will host one virtual public hearing on August 7.

White House Unveils College Sports Executive Order
The White House issued an executive order entitled *Saving College Sports* [9] on July 24, which creates new rules for name, image, and likeness (NIL) in college sports. The order

requires preserving scholarships for women's and non-revenue sports and directs administration officials to consult with the U.S. Olympic and Paralympic teams. The order also prohibits third-party pay-for-play payments to college athletes. It further directs the Secretary of Labor and the National Labor Relations Board to clarify the status of student athletes through new guidance and regulations. The Attorney General and Federal Trade Commission are directed to advance litigation and guidance to protect college athletics from antitrust lawsuits. Federal administration officials are given 30 days to develop a plan to advance the policies contained in the order. It is unclear how the administration plans to enforce the order. For more information: Executive Order [9], Fact Sheet [10].

The executive order comes on the heels of congressional action in the U.S. House this week where the Energy and Commerce and Education and Workforce committees each voted along party lines to advance H.R. 4312 [11], the *Student Compensation and Opportunity through Rights and Endorsements (SCORE) Act*, legislation that would establish national NIL rules consistent with the *House vs. NCAA* settlement finalized in June.

White House Releases Artificial Intelligence Action Plan

The White House released a new report [12] entitled "Winning the AI Race: America's AI Action Plan" on July 23, in accordance with the executive order *Removing Barriers to American Leadership in AI* [13]. The plan highlights efforts to expand the nation's AI infrastructure, increase AI workforce initiatives and address international "tech diplomacy," or the use of AI globally.

The plan directs the Office of Science and Technology Policy to solicit information on federal regulations that hinder the innovation and adoption of AI. It also directs the Office of Management and Budget to review and repeal federal laws that hinder AI development or deployment and ensure federal agencies do not award AI-related discretionary funding to states with "burdensome AI regulations."

Department of Education Issues Artificial Intelligence Guidance

The U.S. Department of Education issued a Dear Colleague Letter [14] on July 22 to grantees regarding improving educational outcomes through the use of AI. The guidance focuses on three areas: AI-based high-quality instructional materials, AI-enhanced high-impact tutoring, and AI for college and career pathway exploration, advising, and navigation. The letter also addresses principles for the responsible adoption of AI, including attention to user data privacy and education on the appropriate use of AI when using social media. This guidance was issued in response to the executive order, entitled *Advancing Artificial Intelligence Education for American Youth* [15], issued in April.

EPA Eliminates Scientific Division

The Environmental Protection Agency (EPA) announced [16] on July 18 a reduction in force (RIF) that will close the Office of Research and Development. The office also oversees EPA grant programs for universities and provides scientific expertise to inform environmental policies and regulations, according to NPR. Scientific expertise and research efforts will now be housed within the agency's program offices. EPA also announced it is "forging ahead" with creating a new Office of Applied Science and Environmental Solutions. The number of EPA employees has decreased from 16,155 to 12,448 since January.

NIH Issues Clarification on Grants Using Animal Research Models

The National Institutes of Health (NIH) issued a clarification [17] on July 18 regarding a policy to

prioritize human-based research models over animal research models. In its clarification, the NIH stated that it hopes to “encourage investigators to choose the best models for their research without constraints.” NIH will continue to support grants “that use laboratory animal models if scientifically appropriate, justifiable, and with appropriate animal welfare oversight.”

The clarification follows an FDA-NIH workshop [18], “Reducing Animal Testing,” where the NIH said it would no longer seek proposals exclusively for animal models.

USDA Announces Reorganization

The U.S. Department of Agriculture (USDA) announced [19] on July 24 that it will close nearly all of its buildings in Washington, DC, and relocate employees to five locations across the country, including Fort Collins, Colorado; Salt Lake City, Utah; Indianapolis, Indiana; Kansas City, Missouri; and Raleigh, North Carolina. USDA staff will receive their new assignments over the coming months, reports [20] *Politico*. No new reductions in force (RIFs) were announced. Over 15,000 employees have left USDA since January through the federal administration’s deferred resignation program.

White House and Columbia University Reach Settlement Over Frozen Funds

The White House and U.S. Department of Education jointly announced [21] on July 23 a settlement with Columbia University ending months of investigations regarding potential civil rights violations stemming from campus protests over the Israel-Hamas war. The settlement is in response to the administration freezing over $400 million in grants [22] to Columbia in March.

Columbia agreed to pay $200 million over three years to the federal government to settle investigations into the university’s handling of the protests. In turn, the federal administration has begun the process of releasing frozen federal funds to the university.

The Federal Relations and General Counsel teams are actively monitoring developments. We are working closely with the President and Chancellors as well as the Colorado congressional delegation to champion CU priorities. We are committed to keeping you informed. Please visit the CU System Federal Updates and Actions page [23] (previously titled Federal Transition Updates) for up-to-date communications and federal memos.

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[6] https://www.congress.gov/bill/119th-congress/house-bill/1/text [7] https://www.ed.gov/about/news/press-release/us-department-of-education-announces-negotiated-rulemaking-implement-president-trumps-one-big-beautiful-bill

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[12] https://www.whitehouse.gov/wp-content/uploads/2025/07/Americas-AI-Action-Plan.pdf
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