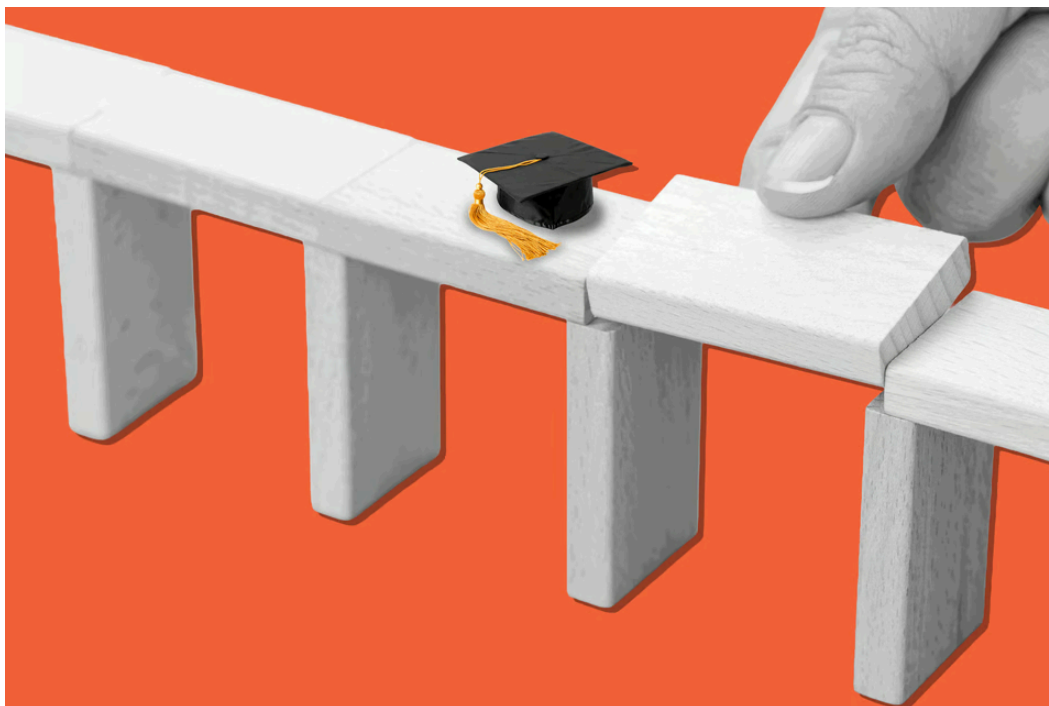


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Graduate Access Preservation Fund

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For two decades, the federal government has been the backstop for affordability gaps in graduate and professional education. With no downward pressure on tuition and no incentive for states to share responsibility for the cost of training, states had little reason to develop alternative aid systems or lending infrastructure for graduate students. Whether by design or default, federal policy became the primary mechanism for ensuring access.

While that model was long overdue for reform, the one-year wind-down of Grad PLUS access puts states at a stark disadvantage. Ideally, this will be an opportunity for states to build sustainable systems that make graduate and professional education accessible to students at all income levels while protecting programs vital to local and regional economies. But that is a tall order. States are facing this challenge while contending with simultaneous budget disruptions that will reduce the resources available for higher education. The tight timeframe and states' varying capacities to manage the transition may result in students with high financial need losing access to graduate programs in the short term. Programs that are crucial to filling workforce shortages could likewise be forced to scale back or close.

The federal government cannot simply withdraw from a financing system it has dominated for decades. To make the most of this window, Congress should prioritize a smooth handoff to states through a one-time investment match in state efforts to expand graduate program affordability while better aligning offerings with state labor market demands.

The Problem

States lack the fiscal capacity to respond quickly and effectively to Grad PLUS elimination.

The elimination of Grad PLUS loans is going to create an immediate financing gap that states and their existing financial aid systems are ill-equipped to respond to. States will need dedicated resources to assess which programs, fields, and institutions will be most affected; model the enrollment and revenue impacts across public institutions; and design solutions to address student need and ensure continued access to essential programs of study for their labor markets. At the same time, state budgets are facing an influx of competing pressures beyond the graduate loan changes, including absorbing new Medicaid cost shifts that will constrain their capacity to invest in expanded student aid initiatives. Without coordinated efforts to boost state capacity and planning resources, responses will likely be slow and ad hoc—missing a genuine opportunity to leverage this change toward structural improvements in how graduate training is financed.

Graduate student aid and workforce needs vary significantly by state, making a one-size-fits-all federal solution insufficient.

The costs of graduate degrees and available state financial aid vary widely across state contexts. Some offer robust state graduate loan programs that could be adapted to address new graduate lending gaps; others were built almost exclusively around undergraduate need, relying on Grad PLUS to be the backstop for graduate students who needed financial support. Likewise, the programs and fields that will be most affected differ by state. State leaders will be best positioned to identify regional needs and the graduate programs that are essential to filling them. The federal government should act as a partner, providing flexible one-time funding that empowers states to develop solutions calibrated to their own workforce demand, institutional landscape, and existing aid systems rather than conforming to a national replacement design.

Without bridge support, the financial burden of the new loan changes will reduce access for students with the most need.

For two decades, Grad PLUS ensured that students would not be blocked from access to advanced training based on financial need—allowing virtually unlimited borrowing that was not contingent on passing a credit check. In the absence of intentional state planning and federal bridge support, states and institutions will be left to respond to new lending constraints entirely on their own. Colleges may tighten admissions requirements, reduce class sizes, or close valuable programs. Students with the largest financial aid gaps—who may be unable to obtain private loans due to creditworthiness requirements—will absorb the most risk and be the most likely to divert or delay their education plans. In turn, programs that require borrowing beyond the new limits (even those that have high costs *and* high returns) may see smaller applicant pools. Any of these scenarios could reduce access for low-income students and contribute to workforce shortages. States are best positioned to assess and respond to projected impacts, but most can't do it alone, and low-income students would pay the steepest price of federal retreat.

The Solution

To support a successful transition into the post-Grad PLUS era, Congress should establish a Graduate Access Preservation (GAP) Fund—a one-time, competitive matching grant program to help states expand affordable financing options and invest in high-need fields that require advanced study. Rather than creating an ongoing subsidy or reopening access

to unchecked federal loans, this approach would provide temporary federal support to complement state efforts to take greater ownership of graduate education affordability.

Through a one-time appropriation, Congress could establish a pot of funds from which states could apply for 3–5-year transition grants. A state match of 25 to 50% should be required to ensure sufficient state commitment. States should have broad flexibility to deploy their grants to meet their unique context, with potential eligible uses including:

- Conducting **comprehensive reviews of graduate programs** at public institutions to evaluate how offerings correspond to current and projected workforce needs, how typical student debt compares to earnings, and how existing resources could be redirected toward high-value, in-demand programs.
- Endowing new **state-supported scholarship programs** to support Pell Grant or state aid recipients who pursue advanced degrees, or to strengthen pipelines into shortage fields like nursing, primary care, or mental health counseling.
- Investing in **apprenticeship structures** to extend the apprenticeship model of classroom instruction paired with paid practical experience into more graduate fields, including teaching and health care.
- Creating and expanding **state-sponsored student loan programs** that offer better rates and more robust consumer protections than the private market, and educating residents about those options.
- Piloting **“pay-it-forward” programs** that allow students to receive upfront financial aid that they will later repay into a self-sustaining pool of support for future students.
- Offering **completion grants** for students to finish degrees in high-need fields that are impacted by new loan limits, or relocation expenses for faculty whose programs are slated for elimination but whose expertise can benefit another public institution.
- Strengthening **state education and workforce data systems** to ensure information on the return on investment from graduate credentials is publicly accessible and user-friendly for students and families.

In awarding grants, the Department of Education could set competitive preferences for states that center program improvement and student earnings outcomes, focus on identifying and meeting workforce needs, or leverage partnerships with employers. Above all, successful grant applications should demonstrate commitment to sustaining access to essential graduate training programs after the federal funding ends.

Critiques and Responses

Congress decided to eliminate Grad PLUS loans. Why should it put *more* money into graduate training now?

This program would offer temporary transition funding, not a broad or permanent federal subsidy for graduate and professional education. The purpose would be to help states build and sustain their own viable alternatives for reducing cost and maintaining access after Grad PLUS is phased out, without perpetuating unlimited federal loan access. Even accounting for grant awards large enough to have a meaningful impact, the one-time nature of the investment would still be significantly less than the massive, ongoing expense the federal government has incurred through Grad PLUS.

This funding could prop up poor-quality programs.

The elimination of Grad PLUS was partially motivated by the weak earnings outcomes some programs deliver relative to their cost and their graduates' debt loads. If misused, GAP grants could end up bailing out poor-performing programs that would be at risk of closing without supplemental resources, rather than encouraging innovative long-term solutions. To avoid this, eligible uses of funds and competitive preferences should prioritize proposals that address access challenges for high-need, high-return training and present a credible and data-supported plan for sustaining interventions beyond the grant period. Additionally, grant dollars could be prohibited from going to programs that fail the new federal earnings-based accountability standards, helping ensure funds are directed toward graduate training options that deliver a baseline level of economic value for students.

Competitive grant programs favor the states that already have more resources.

States that have more resources to offer matching funds and more staff capacity to apply for federal grants have an advantage in any competitive process and could end up receiving larger awards than states with fewer resources if the program is not designed carefully. To level the playing field, Congress and the Department of Education could tie scoring criteria to financial need, set the matching funds requirement on a sliding scale, provide multiple opportunities for technical assistance or peer review, or guarantee a minimum award amount to ensure that states with resource constraints can participate.

Conclusion

A Graduate Access Preservation Fund would provide a one-time federal infusion to help states cushion against immediate disruptions resulting from reduced loan access. Targeted transition grants would take a responsible approach to preserving enrollment opportunities in high-demand programs during a period of significant change, while encouraging states

to take greater ownership of graduate education affordability. The key will be ensuring that the one-time federal investment is coupled with long-term state commitments so that states emerge from the transition with stronger, more cohesive systems for meeting graduate students' financial need, supporting high-value programs, and sustaining critical workforce pipelines.
