

Supreme Court Stays Order Requiring Reinstatement of Department of Education Employees

August 20, 2025
Number 34

Written by:

Sloan R. Simmons
Partner
Sacramento

Angela J. Okamura
Senior Counsel
San Diego

Arielle S. Egan
Associate
Walnut Creek

On July 14, 2025, in *State of New York, et al. v. McMahon*, the U.S. Supreme Court granted a temporary stay of a preliminary injunction issued by a federal district court which had halted the United States Department of Education (U.S. DOE) from moving forward with the reduction of staff. The preliminary injunction had ordered the reinstatement of U.S. DOE employees who had lost their positions on or after January 20. The preliminary injunction had also temporarily blocked President Trump's March 20, 2025 Executive Order (EO) 14242 titled "[Improving Education Outcomes by Empowering Parents, States, and Communities](#)," and stopped the transfer of management of federal student loans and special education functions from the U.S. DOE to other departments.

The stay ordered by the Supreme Court allows the Trump Administration's prior decisions regarding the U.S. DOE to stand pending the outcome of the district court's decision regarding the merits of the underlying case and any potential, subsequent appeal to the United States Court of Appeals for the First Circuit.

While the stay does not represent a decision regarding the ultimate legality of those staffing decisions made by the U.S. DOE, it does prevent the preliminary injunction from being effectuated.

State of New York, et al. v. McMahon

In *State of New York, et al. v. McMahon*, the plaintiffs (a group of states, school districts, non-profits, and labor unions under two consolidated suits) argued that defendants (Secretary of Education McMahon and President Trump) had effectively closed the U.S. DOE without Congressional approval, and sought injunctive relief.

The injunctive relief at issue here, namely a preliminary injunction, is a temporary hold on certain actions while the court decides whether those actions are legal. The trial court (the federal district court in Massachusetts) has not yet reached a determination on the merits of underlying actions. While the trial court issued a preliminary injunction in part due to its finding that the plaintiffs were likely to prevail in the merits, the preliminary injunction ruling does not constitute a ruling on the merits of the case.

The case arose after the March 11, 2025, Reduction in Force (RIF) which, according to a U.S. DOE press release, reduced the U.S. DOE's workforce by

fifty percent. Shortly after, seven out of twelve offices of the U.S. DOE's Office for Civil Rights (OCR) shuttered. On March 20, 2025, President Trump issued EO 14242, which directed Secretary of Education McMahon to "take all necessary steps to facilitate the closure of the Department of Education." The following day, March 21, 2025, President Trump announced, during a press conference, that the federal student loan portfolio, as well as special needs programs, would be transferred out of the U.S. DOE.

The defendants acknowledged that closing the U.S. DOE required Congressional approval and the goal of closing the U.S. DOE was distinct from its ultimate administrative goal to improve efficiency.

In assessing the request for preliminary injunction, the district court found no evidence that the RIF made the U.S. DOE more efficient. Rather, the district court determined that "the Department will not be able to carry out its statutory functions – and in some cases, is already unable to do so – and Defendants have proffered no evidence to the contrary."

As a result, the district court granted the requested preliminary injunction and ordered the defendants to "return the Department to the status quo such that it can comply with its statutory obligations." The injunction prevented the defendants from implementing EO 14242 to transfer management of federal student loans and special education functions out of the U.S. DOE, and from carrying out the RIF.

First Circuit and Supreme Court Response

On May 22, 2025, the same day that the district court issued the preliminary injunction, the defendants appealed to the First Circuit Court of Appeals. On June 4, 2025, the First Circuit upheld the district court's issuance of the injunction and, in doing so, found that the defendants were unable to show that they were likely to succeed on the merits of the underlying case. The defendants then appealed to the U.S. Supreme Court.

On July 14, 2025, the Supreme Court granted the defendants' their requested stay of the preliminary injunction, thereby preventing the preliminary injunction from being effectuated. The Supreme Court granted the stay in a 6-3 unsigned decision. (unsigned decisions are typical of emergency application decisions).

Further Proceedings in the District Court

The district court has not yet issued a decision regarding the legality of the RIF, EO 14242, or the transfer of federal student loans or special education functions. The plaintiffs retain several pending causes of action in the underlying litigation, which may now proceed forward to an eventual ruling on the merits.

Takeaways

The U.S. DOE is no longer directed to return to the "status quo," however this litigation may still result in a decision from the district court on the merits that the defendants violated the Constitution or the Administrative Procedures Act. Any such decision is very likely to be appealed.

Lozano Smith is monitoring additional developments and potential litigation in this area and will issue further guidance as needed. If you have any questions about this matter or regarding any other federal policy decisions, please contact the authors of this Client News Brief or an attorney at one of our [eight offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#) and [LinkedIn](#), or download our [mobile app](#).

As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.