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Making the New Higher Education Accountability Framework Pay Off

On July 4, 2025, President Trump signed the "One Big Beautiful Bill Act" (OBBBA), into law. The new law represents a massive upward transfer of wealth, which EdTrust has dubbed The Great American Heist. This law erodes the safety net for millions of people while including large tax cuts for big corporations and the wealthiest Americans. What's more, it adds an estimated $3.3 trillion to the national debt over the next 10 years. The law makes devastating cuts to Medicaid (health insurance) and SNAP (food assistance) and upends education in a way that would make it harder for low and middle-income students to pursue their dreams through higher education.

The OBBBA is the biggest overhaul in higher education policy since the reauthorization of the Higher Education Act (HEA) in 2008. The bill eliminates Grad Plus loans and caps the amount of money students can borrow for graduate education, fundamentally changes income-driven repayment for student loan borrowers, and delays crucial protections for students defrauded by their schools. Taken together, these changes are likely to limit access, resources, and protections for students who need them most.

There is, however, one silver lining in the bill: a new higher education accountability framework that aims to ensure students only borrow money for postsecondary programs that pay off via higher earnings after graduation.

Policymakers and advocates across the partisan political spectrum have been angling for greater accountability in the sector for years. After all, student debt has ballooned to more than $1.7 trillion, loan defaults are catapulting back up after years of COVID-related payment pauses, graduation rates vary widely across institution types, and the unemployment rate is rising for recent college graduates.

The HEA of 1965 codified the concept of "gainful employment," but the definition and implementation has been debated and changed through regulations under the last three administrations, featuring a tug-of-war focused primarily on for-profit colleges and career training programs. The HEA requires all career training programs (non-degree programs at all institutions as well as degree programs at for-profit colleges), to lead students to "gainful employment in a recognized occupation" in exchange for access to federal student loans and grants authorized by Title IV of the HEA.

The Obama and Biden administrations argued for greater scrutiny on the for-profit sector and career training programs, as they have been responsible for a disproportionate share of loan defaults, which have catastrophic financial consequences for student loan borrowers. The Obama-era regulation assessed the amount of graduates' debt compared to their earnings to determine if programs passed the gainful employment (GE) test. However, the rule was only in effect for one year, as it became mired in lawsuits and subsequently repealed by the first Trump administration. Then, in 2023, the Biden administration finalized a new gainful employment rule that not only included a debt-to-earnings metric but also looked at whether program graduates earned more than a typical high school graduate to judge whether GE programs could remain eligible for federal aid.

The New Approach to Accountability

The accountability framework passed by Congress is reminiscent of the "high school earnings premium" test from the current GE regulation but expands it to degree programs at all Title IV eligible institutions (not just for-profits), aiming to cut off federal loans for programs that lead to low earnings. The new framework aims to ensure that students completing postsecondary programs earn more than peers who did not pursue the same level of education.

Table 1: Earnings Threshold Requirements Under the New Accountability Framework, Effective July 1, 2026

	Program Types Covered	Who Is Measured	Earnings Comparison	Requirement
Workforce Pell	Newly Pell-eligible programs that are at least 150 but less than 600 clock hours of instruction during a minimum of 8 weeks, but less than 15 weeks	Completers, **3 years later**, who are working	Tuition & fees are less than the median earnings minus 150% of poverty level *Programs also must have at least a 70% completion rate and at least a 70% job placement rate	Must meet requirements each award year
Undergraduate Programs	Associate and bachelor's degree programs at all institutions	Completers, **4 years later**, who are working and not enrolled in further education	Median earnings of 25- to 34-year-olds in the state with **only a high school diploma**	Must exceed comparison earnings in **2 of 3 consecutive years** to remain eligible for federal loans
Graduate Programs	Master's, doctoral, professional programs, graduate certificates	Completers, **4 years later**, who are working and not enrolled in further education	Median earnings of 25- to 34-year-olds in the state with a **bachelor's degree**	Must exceed comparison earnings in **2 of 3 consecutive years** to remain eligible for federal loans

See Table 2 that includes the current GE rule, page 6.

Programs that fail this test for two out of three consecutive years will lose access to federal loans. If a program fails the earnings requirement for one year, the institution will have to inform students enrolled in the program of the low earnings and that it will be at risk of losing eligibility to disburse loans. Programs that fail the earnings test will have recourse: the bill requires the Department of Education to establish an appeals process for challenging the calculation of a given program's median earnings and a process whereby a program that loses eligibility could regain it after two years.

While the OBBBA takes some valuable aspects of previous accountability regulations and proposals, it's still far from ideal. Lawmakers should strengthen the accountability framework by covering all programs that accept federal loans, protecting against programs that lead to unaffordable debt, restricting Pell Grants for failing programs, mitigating unintended impacts on low-paying high social-value programs, rewarding programs and institutions that deliver upward economic mobility, treating under resourced institutions fairly, and restoring and improving data systems and collections. Together, these provisions would strengthen postsecondary program offerings, ensure students can make informed decisions about postsecondary pathways, and avoid negative impacts that an incomplete accountability system could create.

An accountability system that delivers for students should:

Include all Title IV eligible programs, including undergraduate certificate programs

The accountability framework excludes undergraduate certificate programs, letting these programs off the hook for their student outcomes. The bill, which expands Pell Grants for short-term programs between eight and 15 weeks, includes an earnings test for those newly eligible short-term programs and for associate degree programs and above, but it leaves a gap for programs over 15 weeks but short of an associate degree. A Q&A document released by the Senate Health, Education, Labor, and Pensions Committee Chairman Senator Bill Cassidy (R-LA) indicates that undergraduate certificate programs were omitted because they are covered by the GE rule. While these programs are covered under the current GE rule, the rule's volatile history highlights the importance of codifying accountability for undergraduate certificate programs and would bring stability, coherence, and transparency to the postsecondary system.

Enrollment in undergraduate certificate programs is on the rise, making it even more important to have effective oversight of these programs. Non-degree certificate programs result in a wide range of outcomes — an AEI study found that only 12% of the 1.1 million credentials deliver significant wage gains. And according to a recent analysis by the Postsecondary Education & Economics Research (PEER) Center, if nondegree certificate programs were included, the highest failure rates would be concentrated at that credential level. The PEER analysis also shows that approximately 1 in 5 students is enrolled in a certificate program that wouldn't pass the earnings test, compared to only 2% of enrollment in associate degree programs, and fewer than .05% enrolled in bachelor's degree programs who wouldn't pass the test. In the meantime, without further Congressional action to cover these programs in statute, the GE rule must remain in place to ensure oversight over these programs.

Account for programs that leave students with high levels of debt relative to their earnings

The new accountability framework relies on earnings as a singular proxy for value, overlooking high-cost programs that would pass the earnings test yet leave students with a high-debt burden they can't afford to repay. The PEER analysis estimates that over 600 programs enrolling more than 350,000 students and distributing over $3 billion in loans would pass the earnings test while still leaving students with unaffordable debt relative to their earnings.

The number of borrowers currently facing delinquency and default is rising amid the end of COVID-era payment pauses. Borrowers left with unmanageable debt can be faced with significant financial consequences, such as default and garnishments, with taxpayers bearing the cost. A debt-to-earnings metric would hold these high-cost programs accountable, even if they provide a modest increase in earnings. As stated previously, without Congressional action, the GE rule that includes Financial Value Transparency requirements must continue to be enforced as it provides transparency that is essential to helping prospective students understand the risks associated with high-cost programs.

Restrict the use of Pell Grants for failing programs

In FY2023, the Pell Grant program provided $31 billion in aid to roughly 6.5 million undergraduate students from low-income backgrounds. If policymakers want to protect students and taxpayer dollars, failing programs should also lose their ability to take students' Pell Grant dollars. Under the new law, failing programs will lose access to federal student loans, but students will still be able to use their much-needed Pell Grant to attend failing programs.

Mitigate impacts on socially valuable high-need, low-wage jobs

While a very small share of students is enrolled in programs that are projected to fail the earnings test, an analysis done by the Urban Institute, projects that the new accountability framework would have the biggest impact on associate degree programs in health and education related fields. The new framework attempts to mitigate impacts on these fields at the master's degree level by allowing master's degree programs to be compared to bachelor's degree earnings in the same field, rather than aggregate bachelor's degree earnings. More program-level modeling should be done to understand the full scope of impact to high social value, low-wage fields.

Reward institutions that deliver economic mobility for students from low-income backgrounds

Institutions could be incentivized to improve access and outcomes for underserved students by accounting and rewarding them for a more comprehensive set of metrics such as Pell-eligible student enrollment — a long-held bipartisan idea — and completion rates. In the new law, students who do not complete their program are not accounted for in the earnings test as it would be difficult to assign them to a particular program they did not complete. Including a completion rate metric could help provide accountability for programs with high dropout rates.

An earlier version of the reconciliation bill that was voted on in the House included PROMISE Grants — noncompetitive grants that would fund institutions based on total volume of Pell Grant dollars that went to students, and to a lesser extent the percentage of Pell Grant recipients who successfully completed or transferred, former students' earnings, and the price of the program. Institutions would have been eligible for a PROMISE grant if they agreed to maintain costs for a certain length of time.

Metrics that assess students' economic progress relative to their starting point, such as an earnings-to-family-income ratio, could also help identify programs that are supporting economic mobility and not just reinforcing generational wealth and social capital. A forthcoming EdTrust analysis finds that institutions serving large numbers of low-income and racially diverse students often show substantial relative mobility, even if graduates' absolute earnings remain modest.

Use institutional peer benchmarking for comparability and targeting support for under-resourced institutions

While institutions with varying levels of selectivity and resources can produce vastly different student outcomes, institutions with similar characteristics can also produce a wide variety of outcomes. Peer groups could be developed to identify institutions that are serving students better than others by comparing them to institutions with similar characteristics such as enrollment size, shares of Pell enrollment, selectivity, two-year vs four-year, regional or geographic setting, and financial resources. Benchmarks could be set at meeting minimum average scores across peer group metrics. This kind of peer benchmarking would also help in identifying programs and institutions that are committed to student access and success but may need additional resources and technical assistance to improve their outcomes.

The big concern: The lack of data and capacity

A final and fundamental concern is the federal government's current lack of capacity to implement this new accountability framework while also having to overhaul the student loan repayment system and other changes in the new law. With widespread staffing reductions, particularly in key offices such as the Federal Student Aid office and the Institute of Education Sciences, implementation under tight timelines will be challenging. Additionally, significant program-level data is missing from the College Scorecard, and many federal data collections have been defunded or suspended.

Conclusion

College remains a worthwhile investment for the average student, and graduate degrees can lead to higher earnings, but the U.S. is facing a college affordability crisis that calls for more scrutiny. Accountability in higher education is long overdue, but the policy must be carefully designed and implemented so that unintended consequences are limited, students have access to the most useful information to make informed decisions, and institutions have the information needed to improve program offerings and outcomes. With more than 40 million individuals with debt but no degree, and millions more unable to repay their loans, there are real concerns about the return on investment for high-cost programs that leave students with low earnings or with debt but no degree. If policymakers truly want to increase transparency for students and decrease waste of taxpayer dollars, students should be able to compare all their options and know which programs are more likely to pay off, not rip them off.

Table 2: Earnings Threshold Requirements, Including Existing GE Rule

	Program Types Covered	Who is Measured	Earnings Comparison	Requirement
Workforce Pell	Newly Pell-eligible programs that are at least 150 but less than 600 clock hours of instruction during a minimum of 8 weeks, but less than 15 weeks	Completers, **3 years later**, who are working	Tuition & fees are less than the median earnings minus 150% of poverty	Must meet requirements each award year
Undergraduate Programs	Associate and bachelor's degree programs at all institutions	Completers, **4 years later**, who are working and not enrolled in further education	Median earnings of 25- to 34-year-olds in the state with **only a high school diploma**	Must exceed comparison earnings in **2 of 3 consecutive years** to remain eligible for federal loans
Graduate Programs	Master's, doctoral, professional programs, graduate certificates	Completers, **4 years later**, who are working and not enrolled in further education	Median earnings of 25- to 34-year-olds in the state with a **bachelor's degree**	Must exceed comparison earnings in **2 of 3 consecutive years** to remain eligible for federal loans
Current Gainful Employment Rule	Non-degree certificate programs at public, nonprofit, and for-profit institutions. All degree programs at for-profit institutions	Completers, **3 years later**, who are working	Median earnings of 25- to 34-year-olds in the state with **only a high school diploma** **Debt-to-earnings ratio**, based on graduates' annual or discretionary income	Programs that fail the same metric twice in a three-year period will no longer be eligible to receive Title IV loans and grants