

How are the Earnings Benchmarks Calculated?

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U.S. Department of Education

**The following presentation contains preliminary analysis
from the Office of the Chief Economist.**

**Unless otherwise noted, the Department's analysis on
postsecondary students is limited to Title IV aid recipients.**



Earnings Benchmarks are calculated using data from the ACS.

- OBBB specifically directs ED to use data from the **US Census Bureau** to compute the earnings benchmarks.
- The **American Community Survey (ACS)** is the only annual, nationally-representative dataset maintained by the US Census Bureau that collects the needed information to compute the earnings benchmarks specified in OBBB.
- Thus, ED plans to use the **ACS** to compute the earnings benchmarks for the earnings test in OBBB and GE.



Key Terms to Define

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- To calculate the earnings benchmarks, there are several key terms that need defined:
 - “Earnings”
 - “Working”
 - “Same Field of Study”



The Six Earnings Benchmarks

- 1. In-State High School Benchmark.** The median **earnings** of individuals aged 25-34 in the state where the college is located, who are **working**, and have only a high school diploma or its recognized equivalent.
- 2. National High School Benchmark.** The median **earnings** of individuals aged 25-34 in the entire United States, who are **working**, and have only a high school diploma or its recognized equivalent.
- 3. Same-State, Same-Field Bachelor Degree Benchmark.** The median **earnings** of individuals aged 25-34 in the state where the college is located, who are **working**, and have a bachelor's degree in the **same field of study**.
- 4. Same-State Bachelor Degree Benchmark.** The median **earnings** of individuals aged 25-34 in the state where the college is located, who are **working**, and have a bachelor's degree.
- 5. National Same-Field Bachelor Degree Benchmark.** The median **earnings** of individuals aged 25-34 in the entire United States who are **working** and have a bachelor's degree in the **same field of study**.
- 6. National Bachelor Degree Benchmark.** The median **earnings** of individuals aged 25-34 in the entire United States who are **working** and have a bachelor's degree.



Key Terms to Define

- The proposed rule does not define these terms; instead, ED plans to define them through sub-regulatory guidance.
- **The purpose of this presentation is to inform negotiators of the potential options that are available for defining these terms using data from the ACS.**



“Earnings”

- The ACS provides two primary options for defining “earnings”:
 - 1) Personal income from wages and salary
 - 2) Personal income from wages, salary, and income through self-employment
- The 2026 Program Performance Data (PPD:26) defines earnings using option #2, personal income from wages, salary, and income from self-employment.



“Working”

- The ACS provides at least four different options to define “working”:
 - 1) Individuals in the labor force (includes both employed and unemployed individuals)
 - 2) Individuals the labor force and employed (excludes unemployed individuals)
 - 3) Individuals who are in the labor force, employed, and have a positive non-zero income (excludes employed individuals who have \$0 annual income)
 - 4) Individuals who are in the labor force, employed full-time, and have a positive non-zero income (excludes part-time workers & individuals who have \$0 annual income)
- PPD:26 defines working using option #3, individuals who are in the labor force, employed, and have a positive non-zero income



National Median Income of 25-34 Year Olds with only a High School Diploma under different definitions of “Earnings” & “Working”

	In Labor Force	Employed	Employed with Positive Income	Employed Full-Time with Positive Income
Wages & Salary	\$31,958	\$33,491	\$33,491	\$36,082
Wages, Salary, & Business Income	\$32,841	\$34,808	\$34,808	\$36,497



National Median Income of 25-34 Year Olds with only a Bachelor's Degree under different definitions of "Earnings" & "Working"

	In Labor Force	Employed	Employed with Positive Income	Employed Full-Time with Positive Income
Wages & Salary	\$57,965	\$58,761	\$58,761	\$61,854
Wages, Salary, & Business Income	\$58,384	\$60,112	\$60,112	\$62,655



“Same Field of Study”

- ED has envisioned two plausible ways “Same Field of Study” could be defined with ACS data:
 - 1) “Same field of study” could refer to bachelor’s and graduate programs that share the same 2-digit CIP code
 - 2) “Same field of study” could refer to bachelor’s and graduate programs that share the same “field of study” category from the NPSAS
- PPD:26 defines working using option #1, bachelor’s and graduate programs that share the same 2-digit CIP code.



Overall, different definitions only make a marginal impact on the share of programs that fail

Figure 1. Share of Programs that Fail Using “Wages, Salary, & Income from Self-Employment” for “Earnings”

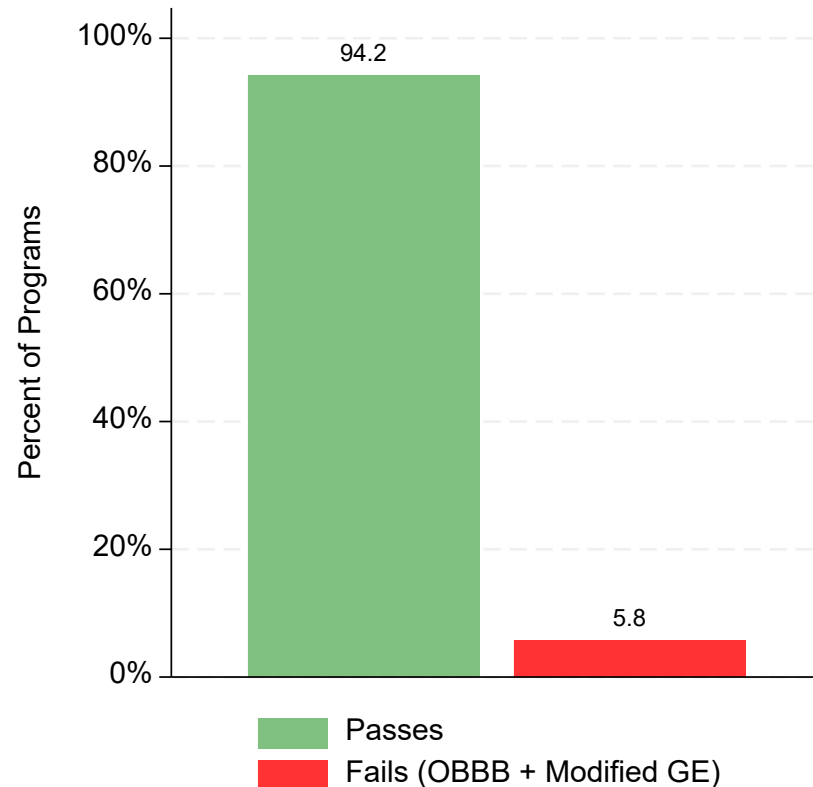


Figure 2. Share of Programs that Fail Using “Wages & Salary” for “Earnings”

