

Memo on Using Alternative Earnings Data to Determine Eligibility for Workforce Pell Grants

Submitted to the AHEAD Negotiated Rulemaking Committee

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The One Big Beautiful Bill Act (OBBBA) requires eligible programs for Workforce Pell Grants to meet a value-added earnings test. Specifically, OBBBA requires that, in order to gain and maintain eligibility, programs must show that three years after completion of the program, the median earnings of students who received federal financial aid (as adjusted by the State and metropolitan area regional price parities of the Bureau of Economic Analysis based on the program's location) exceed 150 percent of the federal poverty line for a single person by at least the amount of the program's published tuition and fees.

The discussion paper and proposed regulatory text that the Department distributed to negotiators on December 4, 2025, includes language to faithfully implement this provision of the law using federal data, once that data becomes available.

However, because almost all students in programs that could potentially become eligible for Workforce Pell Grants do not currently receive federal financial aid, the Department is likely to lack information on the earnings outcomes of students when programs are being considered for initial eligibility. Moreover, the Secretary will not be able to determine whether programs comply with the value-added earnings test for several years after programs receive initial eligibility for Workforce Pell Grants.

From a taxpayer perspective, this is problematic. Programs that do not comply with the value-added earnings test could receive Workforce Pell Grant funding for several years before the Secretary can determine that they are ineligible based on their earnings outcomes. This represents a significant waste of taxpayer dollars. It is also problematic from a legal perspective, because allowing programs to gain and maintain eligibility when they have not demonstrated they can pass the test is inconsistent with the intent of Congress, which included the value-added earnings test to ensure that only programs which generate strong economic outcomes relative to their prices are eligible for Workforce Pell Grants.

Proposal

In light of these considerations, we submit a proposal below that would have the Secretary **assess whether a program is likely to be in compliance with the value-added earnings test before formal value-added earnings data become available.** This will allow the Secretary to determine whether the program is likely to meet the value-added earnings test when the program's *initial* eligibility for Workforce Pell Grants is determined. Specifically, the proposal allows the Secretary to rely on alternative sources of administrative data that provide the earnings of program completers to determine whether the program is likely to meet value-added earnings requirements for award years in which the Secretary is not able

to formally calculate value-added earnings under the Department's proposed 34 CFR § 690.95.

In the Department's proposed 34 CFR § 690.92(f), an educational program is only an eligible workforce program for Workforce Pell Grants if the Secretary determines it "complies with the annual value-added earnings requirements as described in 34 CFR § 690.95." We propose adding language to this clause also allowing a program to qualify as an eligible workforce program if the Secretary determines the program is *likely to comply with such requirements*, through the process described below.

In the Department's proposed 34 CFR § 690.93(d), the Secretary accepts a certification from the state Governor including information about each eligible workforce program under consideration for Workforce Pell Grants. We propose adding subparagraph (d)(6), which augments these certifications to include "the median annualized earnings of students who completed the workforce program either one, two, or three years prior to the year of determination, based on the Governor's analysis using administrative data, including wage records."

Under the Department's current proposal, the Governor must certify "using administrative data, including wage records," that the workforce program has a job placement rate of at least 70 percent. This requirement presupposes that the Governor is able to identify completers of each workforce program in administrative datasets such as state unemployment insurance systems. In addition to employment information, these datasets also include each individual's quarterly wage and salary income. If the Governor is able to identify program completers in an administrative dataset for the purposes of calculating job placement rates, it is highly likely that the Governor may also calculate the median quarterly earnings of program completers using the same administrative dataset.

Under our proposal, the Governor would submit to the Secretary, as part of this certification, "the median annualized earnings of students who completed the program one, two, or three years prior to the year of determination" based on this administrative data. When the Secretary formally calculates value-added earnings, she uses annual earnings three years after completion. To allow for maximum flexibility based on the availability of administrative data, we propose allowing the Governor to submit annualized earnings data (i.e., quarterly earnings multiplied by four). We also propose allowing the Governor to submit earnings one or two years after completion, in case the program has not been in existence long enough to yield earnings three years after completion. As earnings tend to rise over time, a program that is in compliance with a value-added earnings test based on first-year or second-year earnings is extremely likely to be in compliance based on third-year earnings.

Additionally, the proposed language does not dictate the exact source of that administrative data used to provide alternative earnings measures, but would allow, for instance, the use of state Unemployment Insurance (UI) data; UI data obtained through cross-state data exchanges; the Census Bureau's Post-Secondary Employment Outcomes initiative; or an IRS

Secure Query System. This provides flexibility to states and institutions to use the best source of administrative data available.

In the Department's proposed 34 CFR § 690.94, the Secretary determines whether the program has been in existence for at least one year, has a completion rate of at least 70 percent, and has a job placement rate of at least 70 percent—all requirements under OBBBA. We propose adding to this section language that allows the Secretary to determine whether the program is *likely to be in compliance* with the value-added earnings test under 34 CFR § 690.95.

The proposed language in 34 CFR § 690.94(d) allows the Secretary to determine that the program is likely to be in compliance with the value-added earnings test if “the program’s published tuition and fees do not exceed the difference between the median annualized earnings of students who completed the program one, two, or three years prior to the year of determination, based on the Governor’s analysis using administrative data, as adjusted by the State and metropolitan area regional price parities of the Bureau of Economic Analysis based on the location of such programs, and 150 percent of the poverty line applicable to a single individual as determined under section 673(2) of the Community Service Block Grant Act (42 U.S.C. 9902(2)) for the year of determination.”

This language mirrors the value-added earnings test in 34 CFR § 690.95, but allows the Secretary to substitute the earnings of students who completed the workforce program one or two years prior to the year of determination and drops the requirement that those students receive federal financial aid. The language does not direct the Secretary to determine whether the program meets the value-added earnings requirement—only whether the program is *likely* to meet the requirement when the Secretary has sufficient data to formally calculate value-added earnings.

Under the Department's proposed 34 CFR § 690.94(b)(2), institutions are already required to report published tuition and fees for eligible workforce programs for each award year. This information, combined with the earnings data supplied through the Governor's certification, will be sufficient for the Secretary to determine whether each program is likely to be in compliance with the value-added earnings test.

Once the Secretary has sufficient data on the earnings of program completers who receive federal financial aid, she will be able to formally determine whether the workforce program complies with the value-added earnings test under 34 CFR § 690.95. This will make the determination of likely compliance based on alternative administrative data superfluous. We therefore propose 34 CFR § 690.94(e), which directs the Secretary to waive the requirements under paragraph (d) for award years in which the Secretary is able to formally calculate value-added earnings.

Proposed Regulatory Language (additions in *red italics*)

§ 690.92: Eligible Workforce Program

An educational program is an eligible workforce program if the Secretary determines that it is an undergraduate program that—

...

(f) Complies with the annual value-added earnings requirements as described in 34 CFR § 690.95, *or is likely to comply with such requirements as described in 34 CFR § 690.94(d)*; and

§ 690.93: Components Determined by Governors

(d) The Secretary documents the Governor's approval and determination that an eligible workforce program meets the requirements in paragraph (a) of this section by accepting a certification by the Governor or their designee that includes the following—

* * *

(6) If applicable, the median annualized earnings of students who completed the program one, two, or three years prior to the year of determination, based on the Governor's analysis using local, State, or Federal administrative data, including wage records;

* * *

[Redesignate clauses (6) through (8) as (7) through (9)]

§ 690.94: Components Determined by the Secretary

* * *

(d) For each award year, the Secretary determines that the program is likely to comply with value-added earnings requirements under 34 CFR § 690.95, if the program's published tuition and fees do not exceed the difference between—

(1) The median annualized earnings of students who completed the program one, two, or three years prior to the year of determination, based on the Governor's analysis using local, State, or Federal administrative data, as adjusted by the State and metropolitan area regional price parities of the Bureau of Economic Analysis based on the location of such programs, and

(2) 150 percent of the poverty line applicable to a single individual as determined under section 673(2) of the Community Service Block Grant Act (42 U.S.C. 9902(2)) for the year of determination.

(e) The Secretary waives the requirement under paragraph (d) of this subsection and instead relies on the value-added earnings produced under 34 CFR § 690.95 beginning in the first award year for which the Secretary is able to calculate the value-added earnings for the program.