Postsecondary Education & Economics Research Center

Workforce Pell

Expensive for Taxpayers and Risky for Students

STEPHANIE RIEGG CELLINI

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House Republicans recently passed legislation to extend Pell Grants to short-term job training programs—those lasting just 8 to 15 weeks—through their reconciliation bill. While the bill has not yet been approved by the Senate, the new "Workforce Pell" proposal is intended to expand access to training programs for low-income students, but there are two key design flaws as it is currently proposed. First, it would open up billions of dollars of aid to unaccredited vocational programs. Second, it would set only minimal guardrails to ensure value for students and taxpayers. Research suggests that extending taxpayer subsidies to a new set of unaccredited and mostly for-profit programs with limited oversight by a gutted Department of Education will put students at risk and waste taxpayer dollars.

ALLOWING UNACCREDITED PROVIDERS TO ACCESS FEDERAL FUNDS WILL BE EXPENSIVE

The federal government does not currently collect data on unaccredited training providers or programs, so we have very little information on them. Noticing the dearth of data more than a decade ago, my colleague (Nobel-prize-winning economist Claudia Goldin) and I made an attempt to estimate just how prevalent unaccredited institutions and programs were in the United States. We also asked about their price and quality.

We gathered data from five states that made an effort to track unaccredited institutions and programs. Based on those data, we estimated that as of 2010 there were over 4,500 unaccredited, non-federal-aid-participating institutions offering large numbers of short-term programs to nearly 700,000 students—almost all of them for-profit entities. More recent research into Texas postsecondary programs in 2022 shows that there are over 700 unaccredited cosmetology and barbering institutions in that state alone that do not currently participate in federal student aid programs, compared with just 117 accredited institutions in Texas in the same fields that currently participate. All 700 would presumably be eligible to apply for the Workforce Pell program under the current proposal—at least for their programs that are shorter than a semester (16 weeks)—representing a 600% increase in the number of eligible institutions in this field and state alone.

The proposal to open Workforce Pell to thousands of unaccredited programs is particularly surprising since Republican lawmakers have pushed for significant savings through the education provisions of the reconciliation bill. This provision would certainly incur substantial costs, some of which may be under-counted in current budget estimates. Allowing potentially thousands of new institutions access to federal funds—even if only for short-term programs with relatively small grant amounts—could even threaten the solvency of the Pell program more broadly.

THE QUALITY AND VALUE OF UNACCREDITED PROGRAMS IS UNKNOWN

Expanding the Pell Grant program to unaccredited short-term training programs would come with significant risks. Accreditation, although by no means perfect, serves as a one key part of the federal accountability triad, ensuring that institutions meet some basic standards around financial management, faculty, and curriculum—an area in which the federal government is prohibited from interfering.

Nevertheless, accreditation tends to measure only inputs into education, rather than student outcomes, such as earnings, employment, and loan repayment, that are better indicators of student success. Unfortunately, we know very little about how unaccredited programs perform on these metrics. There is no existing federal infrastructure to collect data on these institutions (or even count them), or even the legal authority to assess their outcomes before they would gain eligibility for federal aid; and few, if any, states reliably track student outcomes for unaccredited programs.

In our own attempt to measure quality, Goldin and I were only able to obtain data from a single state, for a single type of program (year-long cosmetology certificates), for a single outcome: licensing exam pass rates. From these, we saw that students from unaccredited and accredited cosmetology programs performed similarly on exams in the state of Florida. Given the very low earnings of cosmetology graduates from even accredited schools in other data, the similarity in pass rates suggests labor market outcomes for unaccredited programs may also be similarly poor. For example, the College Scorecard shows median earnings of just $17,113 for graduates of accredited cosmetology programs one year after completion.

Beyond the lack of existing data and infrastructure, it would be difficult to measure students' outcomes for these programs even if this legislation passed as-is. It is hard to imagine how the newly pared-down Department of Education would be able to stand up adequate program-quality monitoring for the thousands of new programs allowed to access billions in short-term Pell funds. As I describe in more detail below, with only very limited guardrails proposed, there are serious questions about the quality and value of unaccredited programs that would be permitted under the Workforce Pell proposal.

EXPANDING THE PELL GRANT TO UNACCREDITED PROGRAMS COULD RAISE THE PRICE OF TRAINING

It is also very possible that the creation of Workforce Pell would cause the price of training programs to rise. We know that relatively short vocational programs (i.e., about 15 weeks) that currently access Title IV dollars charge nearly 80 percent more in tuition than similar programs in unaccredited institutions. Goldin and I find that this difference in dollars is about equal to the value of the average Pell Grant, suggesting that for-profit institutions may raise tuition to capture aid dollars. Evidence of aid capture by for-profit institutions has been found in other contexts, including for the G.I. Bill. Rather than continuing to exert what limited market pressure they have now to keep prices low, it seems likely that allowing these lower-tuition, unaccredited providers into the aid system would encourage them to raise prices to generate more revenue from taxpayers, pushing the price of training higher for all. As a result, the net price (i.e., tuition and fees minus grant aid) that students would pay for short-term training programs would be the same or even higher than it is now, so the proposal would do nothing to improve access for low-income students.

Aid capture might be of particular concern in this context because the reconciliation bill would also repeal the 90–10 rule. The rule requires that for-profit colleges generate at least 10 percent of their revenue outside of taxpayer-funded federal programs like Pell Grants and veterans education benefits. Without this requirement, institutions would have an even stronger incentive to set their prices as high as possible, letting Pell Grants and student loans generate up to 100 percent of revenue. Furthermore, because the broader accountability framework for risk-sharing proposed in the House reconciliation bill relies on the measurement of unpaid *loans*, not Pell Grants, institutions could maximize their Pell Grant dollars by enrolling large numbers of low-income students in very short programs.

GUARDRAILS IN THE BILL ARE UNLIKELY TO PROTECT AGAINST LOW-QUALITY PROGRAMS

In addition to the lack of infrastructure at the Department of Education to oversee thousands of new programs, the House reconciliation bill includes several proposed "guardrails" for both accredited and unaccredited programs that are loosely defined and easily manipulated by institutions.

First, the bill would require participating programs to have a completion rate of 70 percent and a job placement rate of 70 percent (known elsewhere as the 70–70 rule). The rates are self-reported by the institution and must be verified by an independent auditor of the school's choosing. Research shows that, for a small number of short-term workforce programs that access federal student loans, both the 70–70 provision generally, and job placement rates specifically, are completely unrelated to the earnings of graduates. There are several reasons why this might be.

Completion rates are not well-suited for very short programs, nor for accountability more generally. Extremely short programs have higher completion rates than longer programs, all else equal, because there is simply less time for unexpected life changes to occur, fewer classes to fail, and less time for students to change their minds after learning about the program's quality. More problematic: Completion rates are easily manipulated. A college can choose to pass students along to maintain a high completion rate, despite poor performance, lack of attendance, or other problems, essentially acting as a diploma mill.

Job placement rates are similarly problematic because there is no clear definition of job placement in federal law, so institutions can largely determine for themselves whether a student is "placed." For example, a college could decide that a student working as the cashier in a salon after obtaining an education to be a manicurist is considered placed in-field, despite the job not requiring the skills for which they were trained. The result is that job placement rates are easily manipulated by an institution.

PRICE-TO-EARNINGS METRIC SEEKS TO ENSURE VALUE, BUT COULD ENABLE HIGHER PRICES

There is just one accountability measure proposed in the reconciliation bill that is a meaningful attempt at accountability: a price-to-earnings test. In short, the median value-added earnings of graduates must exceed the median total price of the program—a metric that would both set a floor for the earnings of any eligible program, and constrain the prices charged to students. It is a reasonable idea at first pass, but it generates a number of questions and concerns as it is currently proposed.

First, the earnings floor would set a very low bar. To establish "value-added" earnings, the bill proposes comparing students' earnings a year after completing a certificate to 150 percent of the federal poverty level for an individual. Although there would be an adjustment for the location of the school (not the student), this averages out to be a very low standard nationally: just $23,475 in 2025, or $11.74 per hour for a full-time worker—below the minimum wage in 25 U.S. states.

Last year's version of short-term Pell, the Bipartisan Workforce Pell Act, would have upped this standard by requiring programs to also meet or exceed the typical earnings of someone with only a high school diploma—$30,00 per year, nationally, in 2023. The latest version of the bill drops the standard back down. By definition, if median earnings of graduates are at 150 percent of the federal poverty line, *half* of the students in the graduating class earn even less than $11.74 an hour—and many may be unemployed. In 25 states, programs where just half of students earn the legal minimum—which is typically paid for jobs with no minimum education or training requirements—would pass with room to spare.

Second, the price constraint for these programs may not be effective—especially for programs that easily clear the low earnings floor. The calculation uses the "median total price" of the program, as measured by tuition and fees minus non-federal grant aid (state or institutional scholarships, for instance) for the median graduate. A program would be allowed to receive taxpayer subsidies in the Workforce Pell program if the value-added earnings of the median student exceed the median price by even $1. The result is that programs can set their maximum price up to an amount equivalent to the difference. For example, an 8-week program could charge the typical student $1,000—an amount that would be fully covered by the maximum Pell Grant—provided the median earnings of its graduates are at least $1,000 higher than the poverty line benchmark, at just $24,475 (or $12.20 per hour).

For programs with somewhat higher earnings levels among their graduates, there would be no incentive for institutions to lower prices or reduce costs. After meeting the very low earnings threshold, profit-seeking institutions could and likely would charge well above what they need to cover costs. A program whose median graduate makes $34,000 (again, with half of students earning less than that) could safely charge $10,000 for an 8-week program and remain eligible for Workforce Pell. Students' Pell Grants would likely be around $2,200 (according to CBO estimates)—not nearly high enough to cover those costs, pushing students to pay the balance out-of-pocket and/or take out private loans.

FOR-PROFIT COLLEGES WILL LIKELY EXPAND UNDER THE PROPOSAL

There is a very real possibility that relatively low-value for-profit programs—those barely clearing the low earnings bar in the proposal—would proliferate under this policy, ultimately harming students and wasting taxpayer dollars. While the short-term Pell expansion would be available to all sectors, research has found that for-profit institutions in particular respond by growing their programs and expanding their presence as the generosity of federal student aid programs increases. It seems evident that existing for-profit institutions that already access federal student aid would be incentivized to start new short-term programs in a range of fields that may not require training beyond high school and or lead to meaningful earnings gains for students.

Research repeatedly shows that for-profit certificate and associates degree programs have worse labor market outcomes than similar programs with similar students in the public sector, so there are reasons to be concerned about the rapid expansion of even shorter for-profit programs. Add to this the thousands of unaccredited institutions and programs that will be able to access billions in taxpayer funding and the result is not only expensive for taxpayers, but enormously risky for students.