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Workforce Pell Is Finally Here...and So Is Accountability

The reconciliation package's higher ed section is a Higher Education Act reauthorization in all but name.

BY CARRIE WARICK-SMITH

SINCE MY LAST *TRUSTEE QUARTERLY* COLUMN, Congress has passed into law a legislative package that includes massive changes to higher education. The FY25 Budget Reconciliation bill, known as the One Big Beautiful Bill Act (OBBBA), was not focused on higher education, but it did include significant changes that impact colleges nonetheless. In fact, Title VIII of the law is being referred to around Washington as a Higher Education Act reauthorization in all but name.

Included among the changes is the community college sector's long-sought goal to authorize a Workforce Pell program. The law also creates a first-of-its-kind accountability program for all degree programs, and it makes substantial changes to student loans. Finally, it makes eligibility changes for the Pell grant and invests much needed dollars toward the program shortfall. Let's break down each one.

Workforce Pell

After over a decade of advocating for Pell grant funding for short-term programs, community college advocates finally secured the Workforce Pell grant program, which supports programs that are 150-599 clock hours or 8-15 weeks long. Students may begin receiving Pell Grant dollars for eligible programs starting July 1, 2026. To be deemed eligible, a program must receive state approval for meeting high-skill, high wage, or in-demand occupations. The program must also lead to portable, stackable credentials and be in operation for at least one year. For outcomes measures, the program must meet at least 70% completion

and job placement rates and demonstrate value-added earnings that justify program costs as measured by the earnings bump compared to the cost of the program.

Next Steps: Colleges should immediately review which of their programs could be eligible and consider a short list of the most likely to put forward in the first year. Each state must set its own list of high-demand fields, which must be taken into consideration. The turnaround time for implementation will be very fast, with negotiated rulemaking scheduled for December and January.

Accountability

The new law also includes an accountability measure to prohibit institutions from offering funds from the federal direct student loan program to students enrolled in programs deemed “low-earning outcome undergraduate programs.” The measurement for bachelor’s and associate degree programs will be to compare the median earnings of a cohort of students who completed the program to the median earnings of working adults ages 25-34 who have only a high school diploma.

Median earnings are calculated by using data from the Bureau of the Census for the state in which the institution is located. The program loses its eligibility in the student loan program if the program student cohort earns less than the high school graduate cohort over two of three years following completion. The loss of eligibility is for two years, and there will be a process to reapply after the two-year period.

Next Steps: Review your data-collection practices in relation to this measure. Also monitor the negotiated rulemaking mentioned above, as it will also address this accountability measure. ACCT has submitted comments asking to align data requirements with other measures already in use and to centralize data collection at the federal level wherever possible.

Student Loans

Significant changes are coming to the federal student loan programs. This new law overhauls borrowing limits for all categories of borrowers, puts limits on the Parent PLUS loan program, and replaces all existing loan repayment plans with one standard and one income-related plan called Repayment Assistance Plan. The details of these new borrowing categories are available on the FY25 Reconciliation fact sheet at www.acct.org/advocacy/fact-sheets.

Two additional borrower changes are of particular interest to

community colleges. First, colleges are now able to set borrowing limits for certain programs that are lower than the federal maximums. This will allow colleges greater control over borrowing in courses with lower earning outcomes. In addition to supporting responsible borrowing, this change also will help institutions concerned about their cohort default rates for certain programs. Second, part-time students will only be able to borrow loans proportional to their enrollment intensity, as is the case with Pell Grant award.

Next Steps: Consider what steps your financial aid office needs to take based on the changes mentioned above, particularly if there are programs for which your college would like to limit borrowing thresholds. Negotiated rulemaking for student loans will take place in September and November.

Pell Grant Eligibility Changes and Funding Gaps

This law also makes some changes to the calculation of student eligibility for the Pell grant. They include adding foreign income to adjusted gross income, eliminating students with “full rides” covering full cost of attendance from receiving Pell, eliminating automatic Pell grants for students whose Student Aid Index is double that of the maximum Pell Grant, and excluding assets from families that have small business, family farms, or family fisheries.

Finally, this law also makes a much-needed investment into the Pell Grant program to ensure that it has enough funds to provide grants to all eligible students for the next two or three years. While a short-term band aid, it is a much needed one.

Thank you for your continued advocacy promoting federal investment in community colleges and our students and your voice to help prevent detrimental changes. The final version of this law is by far more favorable to community colleges than the initial version. Please stay tuned to updates from ACCT on implementation by joining our Latest Action in Washington email updates by signing up on our blog at now.acct.org.



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