How Many Short-Term Training Programs Would Gain Access to Pell Grants under the New Proposal?

An Essay for the Learning Curve by Jason Cohn

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There has long been bipartisan interest in offering Pell grant aid to students attending short-term workforce training programs, but there have also been concerns about supporting low-value programs that do not pay off for students or taxpayers.[1] A new bill introduced by House Republicans would address these concerns by implementing an economic value test that sets a high bar for short-term program participation in Pell, with only one in five students in these programs able to access Pell grants.

Pell grants are the main source of federal grant aid for undergraduate students, providing up to $7,395 per year.[2] But many short-term workforce training programs do not have access to Pell grants because Pell has a minimum program length requirement of 600 hours over 15 weeks. Evidence suggests many programs that are not currently eligible for Pell grants because they require less than 600 hours to complete provide financial value to students, often at least as much value as programs that are Pell eligible.[3]

House Republicans on the Committee on Education and the Workforce recently introduced the Promoting Employment and Lifelong Learning (PELL) Act, which aims to provide Pell grant aid for short-term programs while addressing concerns about value by imposing eligibility requirements to gain Pell access.[4] To qualify for Workforce Pell grants, newly eligible programs would have to offer 150 to 600 clock hours of instruction, take place over 8 to 15 weeks, and charge no more in total tuition and fees than their "economic value," which is measured as the amount by which median earnings three years after completion exceed 150 percent of the federal poverty level.[5]

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[1] Lilah Burke, "Short-Term Pell Didn't Make It into August's CHIPS Act. Where Does It Go from Here?" Higher Ed Dive, September 9, 2022, https://www.highereddive.com/news/short-term-pell-didnt-make-it-into-augusts-chips-act-where-does-it-go-fr/631319/.

[2] "Federal Pell Grants," US Department of Education, Office of Federal Student Aid, accessed March 14, 2023, https://studentaid.gov/understand-aid/types/grants/pell.

[3] Sandy Baum, Harry Holzer, and Grace Luetmer, *Should the Federal Government Fund Short-Term Postsecondary Certificate Programs?* (Washington, DC: Urban Institute, 2020).

[4] Promoting Employment and Lifelong Learning Act, H.R. 496, 118th Cong. (2023).

[5] The proposal includes other eligibility requirements, such as minimum completion and job placement rates, but this analysis focuses on the economic value requirement.

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Offering Pell grants for short-term programs could lead to increased enrollment in and completion of these credentials.[6] But because many private for-profit institutions have historically offered short-term programs that led to poor labor market and student debt outcomes, there are concerns about providing Pell grant funds to institutions that offer low-quality programs that do not pay off.[7] Requiring short-term programs to pass an economic value test is meant to alleviate some of these concerns, but how tough is the PELL Act's proposed test likely to be in practice?

My analysis of data on the tuition and earnings of vocational certificate programs suggests that the PELL Act sets a relatively high bar for eligibility. Because of this requirement, most students in short-term programs—particularly those at private for-profit institutions—would not be able to access Workforce Pell grants because typical postcompletion earnings are not high enough to pass the proposed test for economic value.[8] The proposed eligibility requirement would also limit Pell access substantially more for women than for men.

Most Short-Term Programs Would Not Be Eligible for Workforce Pell Grants

The main components of the proposed economic value calculation are published tuition and fees, postcompletion earnings, and an earnings baseline (150 percent of the federal poverty level for a single individual). Earnings would be measured using median earnings in the third year after program completion, adjusted for geographic differences.[9] The amount by which earnings exceed 150 percent of the federal poverty level (or "value-added earnings," in the language of the PELL Act) is compared with tuition and fees, and a program passes the test if its tuition and fees are not greater than its value-added earnings. For example, because 150 percent of the federal poverty level is $21,870, a program that charges $10,000 in tuition and fees would need to produce postcompletion earnings of at least $31,870 to pass the test.

Because data on short-term programs are limited, this analysis uses 2015 tuition data and earnings data for the pooled 2014–15 and 2015–16 cohort of completers for vocational undergraduate certificate programs that currently qualify for Pell grants (see the appendix for details on data and assumptions). The most common fields of study among programs in this analysis are cosmetology, practical and vocational nursing, and allied health and medical assisting services. These three fields make up almost two-thirds of the sample.

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[6] Jaime Thomas, Naihobe Gonzalez, Nora Paxton, Andrew Wiegand, and Leela Hebbar, "The Effects of Expanding Pell Grant Eligibility for Short Occupational Training Programs: Results from the Experimental Sites Initiative" (Washington, DC: US Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, 2020).

[7] Wesley Whistle, "Short Memories Lead to Long-Term Consequences: Lessons from Three Decades of Short-Term Programs in Higher Education Policy" (Washington, DC: New America, 2021).

[8] This analysis uses data released by the Department of Education with a discussion draft of the gainful employment (GE) rule. Data are available at https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/index.html.

[9] The PELL Act proposes to adjust program-level median earnings using the Bureau of Economic Analysis's state and metropolitan area regional price parities.

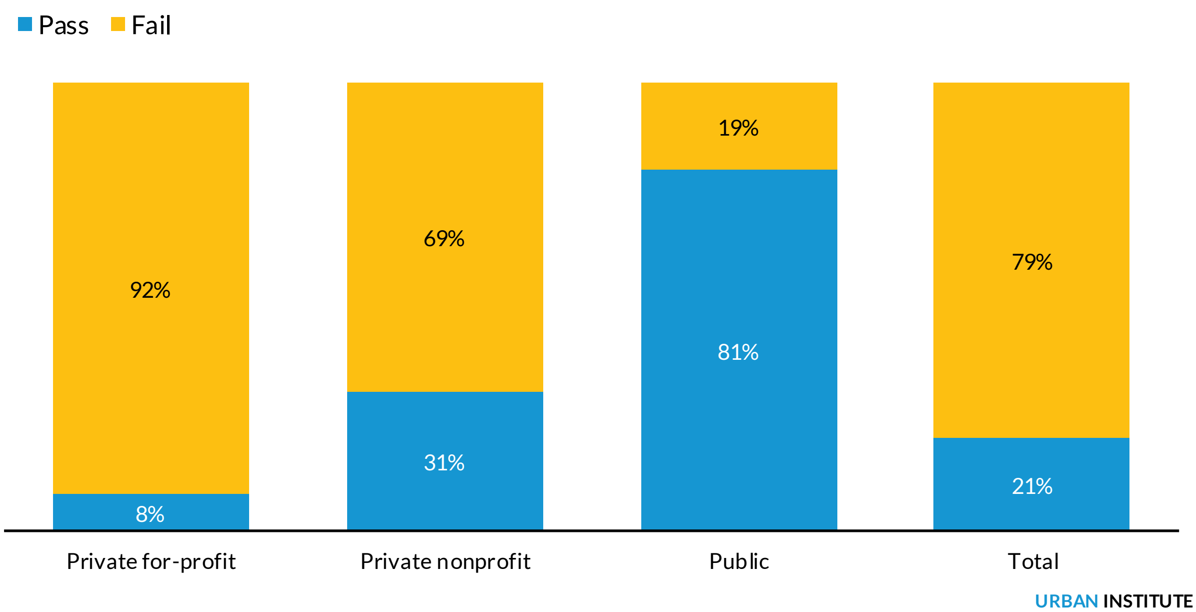
The average tuition and fees charged for programs included in this analysis is $12,473.[10] The average earnings, after adjusting for geographic variation, are $24,268, and the average value-added earnings are $5,533.[11] This value-added earnings measure suggests that the typical program would have to charge no more than $5,533 in tuition and fees to be able to access Workforce Pell grants.

An analysis of individual programs' tuition and earnings levels suggests that 79 percent of vocational certificate programs would not pass the economic value requirement included in the PELL Act and would not gain access to Workforce Pell grants as a result (figure 1). Just 8 percent of programs at private for-profit institutions would be able to pass this test while 81 percent of programs at public institutions (mainly community colleges) would pass. Private for-profit institutions offer 80 percent of the programs I analyzed, so this sector drives the overall results.

FIGURE 1

Most Short-Term Programs Would Not Be Eligible for Workforce Pell Grants under the PELL Act

Share of programs passing and failing the economic value test, by sector



Source: Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the Bureau of Economic Analysis.
Notes: The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities. Programs at private nonprofit institutions make up less than 5 percent of the sample.

[10] Because many of these programs are longer than 15 weeks, this is likely an overestimate of the typical tuition and fees for short-term programs between 8 and 15 weeks, as program length is positively correlated with tuition and fees.

[11] Earnings data are reported in 2019 dollars, so this analysis uses the 2019 federal poverty level for single-person households ($12,490) for the value-added earnings calculation.

The average tuition and fees for programs at public institutions is under $7,000, compared with an average of more than $13,000 at private for-profit institutions. But this difference only partially accounts for the difference in failing rates across sectors. Postcompletion earnings are also much higher for programs at public institutions ($34,000) than at private for-profit institutions ($22,000). These sector differences may also affect patterns by program type. Nearly all cosmetology programs (99 percent) and most allied health and medical assisting programs (88 percent), which are primarily offered at private for-profit institutions, would fail the economic value test. Two-thirds of practical and vocational nursing programs, more than half of which are offered at community colleges, would pass.

An important limitation is that this analysis is based on data on programs that are already Pell eligible, most of which are longer than 15 weeks. Because tuition levels are correlated with program length, it is reasonable to assume the typical program included in the PELL Act would have lower tuition and fees than that of this sample. To provide context around how these potential differences in tuition levels affect the results, I use programs' earnings to determine what share of programs would pass the economic value test given several hypothetical tuition levels that I hold constant across the sample.

I find that even if all programs charged $0 in tuition and fees, 35 percent would still fail this test because their postcompletion earnings are not above 150 percent of the federal poverty level, resulting in ineligibility for Workforce Pell grants (table 1).[12] Fifty-five percent of programs would have postcompletion earnings below the minimum required level if they charged $4,000 in tuition and fees, and 69 percent would have insufficient earnings if they charged $8,000.

TABLE 1

One-Third of Programs Would Fail the Economic Value Test, Regardless of Tuition Level

Share of programs with insufficient earnings to pass economic value test, by tuition level

Hypothetical tuition and fees	Share of programs with earnings below minimum
$0	35%
$2,000	46%
$4,000	55%
$6,000	63%
$8,000	69%
$10,000	73%

Source: Urban Institute analysis of data from the US Department of Education and the Bureau of Economic Analysis.

Notes: The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities.

[12] Postcompletion earnings vary by sector: 39 percent of programs at private for-profit institutions result in earnings below 150 percent of the poverty level, compared with 12 percent of programs at community colleges.

Proposed Eligibility Rules Could Lead to Large Gender Disparities in Pell Access

When designing an accountability or eligibility system, policymakers must balance protecting students from low-quality programs with maintaining access for all population groups. Because of labor market discrimination, wage inequality, and differences in number of hours worked, designing an accountability or eligibility system around an earnings threshold can lead to disparate outcomes for programs based on the types of students they enroll. In some cases, low-quality programs may disproportionately enroll disadvantaged students in a predatory fashion. But programs that do provide value to their students can appear to lead to inadequate earnings if they enroll students who face barriers in the labor market. For example, because women earn less than men even at the same education levels, programs that enroll more women could be less likely to meet an earnings threshold than programs of similar quality that enroll more men.[13]

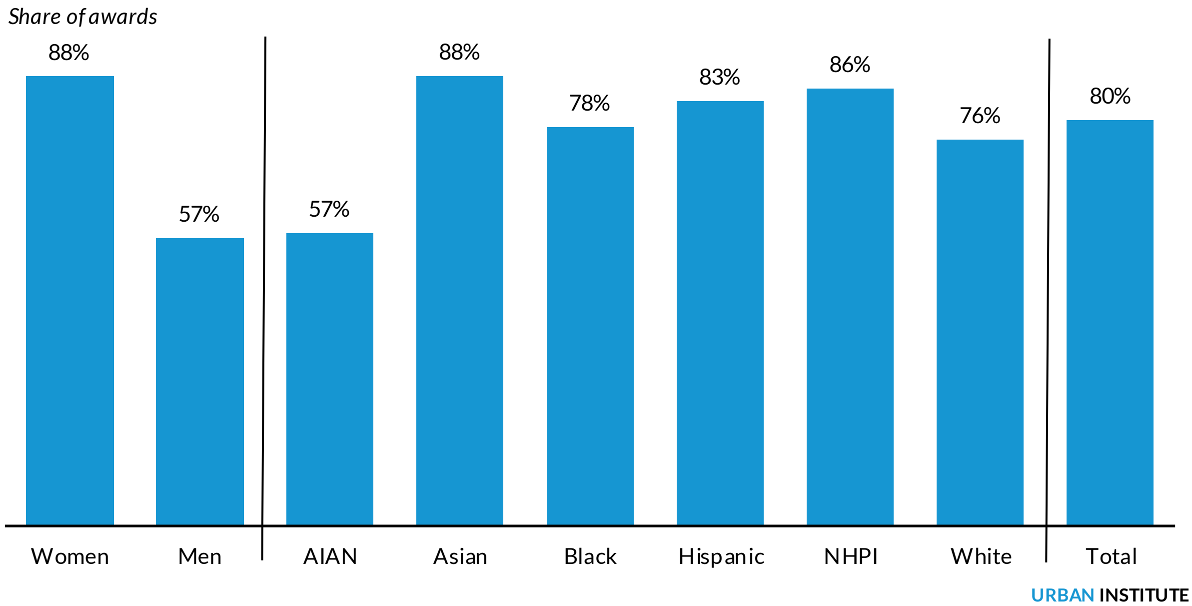
I find that gender disparities in Pell access are likely to occur under the eligibility requirements proposed in the PELL Act. Specifically, 88 percent of women completing vocational certificates were enrolled in programs that would fail the economic value test, compared with 57 percent of men (figure 2). There are also differences in these programs by race and ethnicity, but the gaps are much smaller, with the exception of American Indian or Alaska Native students, who appear to be much less likely than other racial and ethnic groups to complete certificates at programs that fail the economic value test. Asian and Native Hawaiian or Pacific Islander students are the most likely to attend programs that fail the test.

[13] Kristin Blagg, "Disparities by Gender Complicate Proposed Accountability Metrics," *Urban Wire* (blog), Urban Institute, April 25, 2022, https://www.urban.org/urban-wire/disparities-gender-complicate-proposed-accountability-metrics.

FIGURE 2

The Economic Value Test Would Limit Access to Workforce Pell Grants More for Women Than for Men

Share of awards completed at programs that would fail the economic value test, by gender and race



Source: Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the Bureau of Economic Analysis.
Notes: AIAN = American Indian or Alaska Native; NHPI = Native Hawaiian or other Pacific Islander. The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities.

Cosmetology programs, which enroll many more women than men, are the most prevalent among those that fail the economic value test. But I find that even after excluding cosmetology programs from the analysis, the share of awards at failing programs is still skewed, with 70 percent of awards to women occurring at failing programs, compared with 48 percent of awards to men. Although program type may have some effect on disparities by gender, it does not fully explain the gaps under this proposed eligibility requirement, which is unsurprising, as occupational representation explains just 15 percent of the gender pay gap.[14]

Policy Implications

As Congress considers expanding Pell grant access to short-term workforce training programs, I find that the eligibility requirement for economic value included in the PELL Act would allow relatively few students to access these grants and would limit access more for women than for men. If policymakers

[14] Claudia Goldin, "Hours Flexibility and the Gender Gap in Pay" (Washington, DC: Center for American Progress, 2015).

are to use this framework for a test of economic value, lowering the threshold required to pass could allow more programs to gain eligibility for Pell grants. But a lower threshold would still result in large gender disparities in Pell access and could allow more low-payoff programs to access Pell grants.[15]

An economic mobility measure that compares students' preenrollment earnings with their postcompletion earnings could more accurately assess programs' financial value.[16] Because the economic value test uses a benchmark relative to the federal poverty level, it does not account for actual differences between students' earnings pre- and postenrollment. That is, the test's implicit assumption is that the average student's earnings counterfactual—what they could earn without attending the program—is equal to 150 percent of the federal poverty level. But if a student earns less than that amount before accessing the program, the program's value may be greater than what a test based on a fixed reference amount implies.[17]

Under a mobility measure that compares pre- and postenrollment earnings, programs would be evaluated based on how much they improve their own students' earnings, which would also reduce the effect of labor market discrimination and pay inequality on whether a program has access to Workforce Pell grants. Constructing this measure would require policymakers to link postcompletion earnings data with preenrollment earnings, which are already collected on students' financial aid applications.

I analyze data on vocational certificate programs that are similar in many ways to programs that would be covered by the PELL Act, but the short-term programs that are not currently eligible for Pell may differ in ways that lead to different outcomes on the economic value test. Further, this analysis focuses on existing programs, but the expansion of Pell access could result in providers designing new programs likely to pass the test because a new source of funds will be available, which could result in a larger share of overall programs gaining access to Workforce Pell grants.

But the PELL Act requires programs to pass the economic value test to gain Pell access for the first time, so a new program could not immediately access Pell grant funds. It must wait until it can provide the postcompletion earnings data required for the economic value test, though it can provide an alternate, comparable earnings measure if median third-year earnings are unavailable. Because of these limitations, if short-term programs do gain access to Pell grants, it will be important to monitor whether current programs' prices and outcomes change and to monitor the number of new programs that arise and gain eligibility.

The US Department of Education is also developing its own test of program quality for the gainful employment (GE) rule, which is likely to be released this year and will apply to all Title IV vocational

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[15] A threshold requiring earnings to exceed 150 percent of the federal poverty level by at least half as much as tuition and fees would result in 35 percent of programs passing the test. Gender gaps would not narrow, with 78 percent of awards to women occurring at failing programs, compared with 38 percent of awards to men.

[16] Kristin Blagg and Matthew M. Chingos, "Toward an Economic Mobility Ranking of U.S. Colleges" (Washington, DC: Brookings Institution, 2015).

[17] Fifty-eight percent of independent undergraduate certificate students in 2015–16 had incomes below 150 percent of the federal poverty level, according to their Free Application for Federal Student Aid. See PowerStats table wjijbh.

programs.[18] The PELL Act's economic value test would be a substantially higher bar for programs to clear than the draft GE rule, under which about half of undergraduate certificate programs would fail.[19]

Because there is no clear indication that certificates currently eligible for Pell grants provide greater value than the short-term programs included in the PELL Act, it may make more sense for policymakers to require short-term programs of less than 15 weeks to pass the same outcomes test as vocational programs already eligible for Pell grants. Congress could design its own test of program quality and apply it to all vocational programs (replacing the GE rule), or it could adopt the same standard the GE rule uses for short-term programs. In either case, a consistent set of eligibility requirements would hold each program to the same standard and prevent programs from manipulating their length requirements to be held to a different quality assurance standard.

Appendix: Data and Assumptions

This analysis uses tuition and earnings data on undergraduate vocational certificate programs. Tuition data are from 2015 and are pulled from the Integrated Postsecondary Education Data System (IPEDS). Earnings data were provided by the US Department of Education as part of 2022's negotiated rulemaking for GE regulations. Earnings data are from the pooled 2014–15 and 2015–16 cohort of completers and are reported three years after completion and in 2019 dollars.

IPEDS provides program-level tuition data for vocational programs. Because the program-level tuition data do not specify credential level, I cannot be 100 percent confident I have matched the program reporting in the GE data with the correct program reported in IPEDS. I therefore exclude programs with an institution–Classification of Instructional Programs combination that occurs at more than one credential level to avoid making an incorrect match. After these exclusions, I have 1,888 certificate programs in the GE data that have earnings information. I can match tuition data for two-thirds of these programs in the GE data, resulting in 1,285 programs.

Though most of the programs in these data are longer than 15 weeks, they are the shortest programs for which data are available and offer a reasonable proxy for the short-term programs included in the PELL Act.[20] They are also vocational, and many are in the same fields of study as are common among short-term programs, particularly those in health care fields. According to the Adult Training and Education Survey, the most common fields for certificates overall are health care and mechanical studies, with 14 percent of students in each of these fields enrolling in programs from 160 to 479 hours—and another 25 and 16 percent, respectively, enrolling in programs from 480 to 959 hours—

[18] Meghan Brink, "Biden Pushes Gainful Employment to Spring," *Inside Higher Ed*, June 23, 2022, https://www.insidehighered.com/news/2022/06/23/gainful-employment-other-regulatory-matters-pushed-spring.

[19] Jason D. Delisle and Jason Cohn, "A Newly Proposed Earnings Standard for Higher Education Is Surprisingly Tough," *Urban Wire* (blog), Urban Institute, April 5, 2022, https://www.urban.org/urban-wire/newly-proposed-earnings-standard-higher-education-surprisingly-tough.

[20] Programs included in these data range from 5 to 107 weeks. Twenty-five percent of programs are 39 weeks or less, 50 percent are 39 to 52 weeks, and 25 percent are more than 52 weeks.

meaning a substantial share of these certificate types would fall within the program length requirement in the PELL Act.[21] The most common types of programs analyzed in this essay are cosmetology, practical and vocational nursing, and allied health and medical assisting services.

Under the PELL Act, median earnings would be adjusted using state and metropolitan area regional price parities from the Bureau of Economic Analysis. It is unclear which programs would be subject to an adjustment based on their state as opposed to their metropolitan area. It is possible that only programs not located in a metropolitan area would have their earnings adjusted based on their state; for programs located in a metropolitan area, it may depend on whether the state regional price parity measure is greater than or less than that of the metropolitan area. For simplicity, I adjust median earnings using only Bureau of Economic Analysis state-level regional price parities.

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[21] Baum, Holzer, and Luetmer, *Should the Federal Government Fund Short-Term Postsecondary Certificate Programs?* The available program length categories do not correspond exactly with the range proposed in the PELL Act, which is 150 to 600 hours.

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