

# Program Completer Earnings Accountability From the One Big Beautiful Bill Act: Brief for Campus Leadership

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. This legislation contains provisions that reshape student financial aid, including institutional accountability for program completers' earnings, which becomes effective for enrollment periods beginning on or after July 1, 2026.

The Department of Education (ED) has proposed a new accountability framework that directly links a program's federal student aid eligibility to its students' post-graduation earnings. Under the OBBBA, and the accountability framework created under it, the Student Tuition and Transparency System (STATS), programs whose graduates do not earn more than a typical high school graduate (for undergraduate programs) or a typical bachelor's degree holder (for graduate programs) risk losing access to federal student loans, and in some cases, all federal aid eligibility.

**All academic programs**, whether a short-term certificate, an undergraduate degree, or a PhD, and whether at a public, private, or for-profit institution, are subject to this earnings test and **can now lose their federal loan eligibility**, or all federal aid eligibility, if their graduates' earnings fall below a specific threshold.

## From GE/FVT to "STATS"

The Department is transitioning away from the current "Gainful Employment" (GE) and "Financial Value Transparency" (FVT) terminology, incorporating them into a new, unified system called the Student Tuition and Transparency System (STATS).

GE and FVT are the current federal accountability frameworks that evaluate the financial outcomes of postsecondary programs, and will be replaced by STATS beginning July 1, 2026.

- GE applies only to programs that are required to lead to "gainful employment," which are all programs at for-profit institutions and all non-degree programs at public and nonprofit institutions. Programs that fail GE metrics can lose access to federal student aid.
- FVT applies to all federal student aid-eligible programs and focuses on transparency, requiring schools to report data so ED can publish information on program costs, borrowing, and earnings. There is no loss of federal aid penalty related to FVT.

## The "Earnings Premium" Test

A program passes the earnings test if its graduates, four years after completion, earn more than a set threshold, described below. Failing this test in any two of three consecutive years labels that program a "Low-Earning Outcome Program."

- Undergraduate Programs: The median U.S. Census Bureau earnings of a working high school graduate, aged 25-34 who was not enrolled in postsecondary education during the year of the associated measured earnings, in the state in which the institution is located.
- Graduate Programs: The median U.S. Census Bureau earnings of a working bachelor's degree recipient, aged 25-34, who was not enrolled in postsecondary education during the year of the associated measured earnings. The median earnings used for graduate programs will be the lesser of the earnings:
  - In the state the institution is located; or
  - In the same field of study under the 2-digit or 4-digit Classification of Instructional Programs (CIP) in the state in which the institution is located;
- "Out-of-State" Rule: If more than 50% of an institution's students are from out of state, they are measured against national medians rather than the state median.

## Consequences: The "Two Strike" Rule and Institutional Risk

The penalties for "Low-Earning Outcome Programs" are automatic and follow a specific timeline:

1. Programmatic Loss of Federal Loan Eligibility: If a program fails the earnings test in two out of three consecutive years, it automatically loses eligibility for federal Direct Loans for two years.
2. The "50% Institutional Trigger": A new "Administrative Capability" standard creates significant risk for the entire college. If more than 50% of an institution's total federal aid dollars or 50% of its federal aid recipients are associated with failing programs, the institution will be considered not administratively capable.
  - If this is the case in two of three consecutive award years, those failing programs also lose all federal aid (including Pell Grants), and the institution may face much stricter federal oversight.

## Orderly Program Closure

To prevent a "forced" loss of eligibility that could harm current students, the framework allows for a "Teach-Out" option:

- If a program fails in a single year, the school can commit to an orderly program closure.
- The school would agree to cease new enrollments, and in exchange, the government allows the program's current students to retain their federal loan eligibility until they complete their studies (up to three years).
  - This avoids the "second failure" penalty and protects the institution's standing.

## Timeline

- July 1, 2026: The new framework officially goes into effect.
- July 1, 2027: The government publishes the first earnings premium results for all programs.
- July 1, 2028: The earliest a program could face penalties for Low-Earning Outcome Programs.

All information provided here is based on NASFAA's understanding of the Department of Education's implementation of the One Big Beautiful Bill Act, as outlined in draft regulatory text. All details are subject to change pending the release of the final regulatory text, which is expected to be released in the first half of 2026.

## Resources

- NASFAA One Big Beautiful Bill Act [web center](#)
- NASFAA Chart: [Federal Student Aid Changes from the One Big Beautiful Bill Act](#)
- NASFAA article: [Trump Signs Sprawling Reconciliation Package Into Law, Here's How it Impacts Higher Ed](#)