

# The U.S. Department of Education's Final Rule on OBBB's Workforce Pell Grant Program and Federal Pell Grant Changes

## Background

On July 4, 2025, the [One Big Beautiful Bill \(OBBB\) Act](#) was signed into law. Among many things, this bill created an accountability measure into law to hold all programs at colleges and universities accountable to the same standard<sup>1</sup> and created a new Workforce Pell Grant program.

In December 2025, the Department of Education (Department) launched a [negotiated rulemaking committee](#) to implement the Workforce Pell Grant program and the accountability portion of OBBB. The committee finalized the draft regulations on workforce Pell in December 2025 and met in January 2026 to finalize the draft regulations on accountability, reaching consensus on both topics. When the Department issued a [notice](#) in the Federal Register establishing a negotiated rulemaking committee to implement OBBB, ACE provided [comments](#) to share the thoughts of the broader higher education community.

On May 19, 2026, the Department [issued](#) a final rule. This final rule amends the current regulations to create a new Workforce Pell Grant program and addresses the changes to the packaging of the Federal Pell Grant. These regulations will go into effect on July 1, 2026.<sup>2</sup>

The section-by-section summary below highlights the changes in the final rule by the Department. The summary is broken up into the following two sections: Federal Pell Grant and Workforce Pell Grant Program.

## Federal Pell Grant

### **Section 690.5. Ineligibility due to Grant or Scholarship Assistance from non-Federal Grants.**

A student is not able to receive a Federal Pell Grant for an award year that the student also received grant or scholarship assistance from non-federal sources. These non-federal sources can be from states, eligible institutions, or private sources in an amount that equals or exceeds the student's cost of attendance for the award year. These grants or scholarships from non-federal sources cannot be included the following:

- A tax credit taken under section 25A of the Internal Revenue Code of 1986 (IRC) or a distribution that is not includable in gross income under section 529 of the IRC, under another prepaid tuition plan offered by a state, or under a Coverdell education savings account under section 530 of the IRC;
- Assistance provided by a state and is designated by the state to offset a component of the cost of attendance;

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<sup>1</sup> The accountability section of OBBB can be found in Title VIII, Subtitle E.

<sup>2</sup> On March 9, 2026, the Department [issued](#) a Notice of Proposed Rulemaking (NPRM) to amend the current regulations to create a new Workforce Pell Grant program and address the changes to the packaging of the Federal Pell Grant. Comments in response to this NPRM were due on April 8, 2026.

- Payments made and services provided under part E of title IV of the Social Security Act to or on behalf of any child or youth over whom the state agency has responsibility for placement, care, or supervision. This includes the value of vouchers for education and training and amounts expended for room and board for the youth who are not in foster care but are receiving services under section 477 of the Social Security Act; and
- Emergency financial assistance provided to the student for unexpected expenses that are a component of the student's cost of attendance and not otherwise considered when the determination of the student's need is made.<sup>3</sup>

### **Section 690.80. Recalculation of a Federal Pell Grant Award**

If an institution finds out that a student has received, or will receive, grant or scholarship assistance from non-federal sources that equals or exceeds the student's cost of attendance prior to the final disbursement of a student's Pell Grant for an award year, the institution must either:

- Reduce the amount of the non-federal scholarship or grant assistance until it no longer meets or exceeds the student's cost of attendance; or
- Return all Pell Grant funds that the student received for that award year and cancel any future disbursements for that award year.

## **Workforce Pell Grant Program**

### **Section 600.10. Date, Extent, Duration, and Consequence of Eligibility**

An institution of higher education that is seeking to establish the eligibility of a workforce program must obtain the approval of the Secretary of Education (Secretary).

### **Section 668.5. Written Arrangements to Provide Educational Programs**

If an eligible institution enters into a written agreement with an institution or organization that is not an eligible institution that provides a part of the educational program for the students enrolled, the Secretary considers that educational program to be an eligible program if:

- The ineligible institution has not –
  - Had its eligibility to participate in Title IV, HEA programs terminated by the Secretary or voluntarily withdrawn under a termination, show-cause, suspension, or other similar proceeding by a state licensing agency, accrediting agency, guarantor, or the Secretary;
  - Had its certification, application for certification, or application for recertification to participate in Title IV, HEA programs denied or revoked by the Secretary;
- The educational program offered by the institution that grants the degree, certificate, or other recognized educational credential is considered to be an eligible program;
- The ineligible institution or organization provides more than 25 percent but less than 50 percent of the educational program;
- The eligible and ineligible institution or organization are not owned or controlled by the same individual, partnership, or corporation;
- The eligible institution's accrediting agency or state agency as determined that the written arrangement meets the agency's standards; and
- If the educational program is an eligible workforce Pell program, it serves as a related instruction component of a Registered Apprenticeship program.<sup>4</sup>

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<sup>3</sup> This information can be found in Section 480(i) of the HEA.

<sup>4</sup> In the NPRM, the Department initially proposed not to allow a Workforce Pell Grant Program to be considered an eligible program if there was a written arrangement between an eligible and ineligible institution/organization and that ineligible institution/organization provided part of the

### Section 668.8. Eligible Program

The Workforce Pell Grant program is added to this section to be considered an eligible program.

### Section 668.20. Limitations on Remedial Coursework That is Eligible for Title IV, HEA Program Assistance

Noncredit, remedial, or reduced credit remedial courses cannot be included in a workforce program.<sup>5</sup>

### Section 668.32. Student Eligibility

A student is eligible to receive assistance from programs in Title IV of the Higher Education Act (HEA) if the student is enrolled in an eligible workforce program and (1) is not enrolled, or accepted for enrollment, in a program that leads to a graduate credential, and (2) has not attained a graduate credential.

### Section 690.2. Definitions

The term “eligible workforce program” is added as a term that is used in the regulations.

### Section 690.6. Duration of Student Eligibility

The ability of students to receive a Federal Pell Grant for the workforce program is added in this section.

### Section 690.11. Concurrent Federal Pell Grant Payments

Students enrolled in workforce programs are not able to receive a Pell Grant concurrently if they are also enrolled in another educational program, including a workforce program, at the same or different institution.

### Section 690.90. Scope and Purpose

This is the beginning of a new Subpart H titled “Workforce Pell” that includes OBBB’s statutory text.

### Section 690.91. Definitions

- **Cohort period** – an award year that ends three full award years prior to the beginning of the award year for which value-added earnings are being determined.
- **Earnings Measurement Period** – the first full tax year after the award year that the student completed the workforce program.
- **In-Demand Industry or Sector** – an industry or sector that has a substantial current or potential impact on the state, regional, or local economy, and that contributes to the growth or stability of other supporting businesses or the growth of other industry sectors.
- **In-Demand Occupation** – an occupation that currently has, or is projected to have, a number of positions in an industry sector that leads to a significant impact on the state, regional, or local economy.
- **Governor** – the chief executive of a state or outlying area. If an institution is located on tribal lands, the tribal government will be considered the Governor.
- **Recognized Postsecondary Credential** – a credential consisting of an industry-recognized certificate or certification, a certificate the completion of a registered apprenticeship, a license recognized by the state involved or federal government, or an associate or baccalaureate degree.
- **State Board** – a state workforce development board established under section 101 of the Workforce Innovation and Opportunity Act.<sup>6</sup>

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educational program to students enrolled at the eligible institution. The rationale given by the Department for this change can be found beginning on page 29259 of the preamble in the [final rule](#).

<sup>5</sup> The NPRM did not initially include a remedial course. The explanation to its inclusion can be found on page 29276 of the preamble in the [final rule](#).

<sup>6</sup> 20 CFR 679 Subpart A is also referenced here.

### **Section 690.92. Eligible Workforce Program**

An educational program is considered to be an eligible workforce program if the Secretary determines it is an undergraduate program and does the following:

- Requires a minimum of eight weeks, but less than 15 weeks of instruction;
- Is at least 150 clock hours but less than 600 clock hours, four but less than 16 semester or trimester hours, or six but less than 24 quarter hours;
- Does not include correspondence courses, coursework that takes place as part of a study abroad program, or credit or clock hour equivalencies that are part of a direct assessment program;
- Is approved by the Governor;
- Meets the requirements by the Secretary;
- Complies with the annual value-added earnings requirements; and
- Is offered by an institution that has not been subject to any suspension, emergency action, or termination of programs during the last five years preceding the date of determination.

### **Section 690.93. Components Determined by Governors**

Before the Secretary determines whether a program is an eligible workforce program, the Governor has the authority to approve the program that will be offered in the state with the consultation of the state board. In approving the workforce program, the Governor will ensure that the program does the following:

- Provides an education aligned with the requirement of high-skill, high-wage, or in-demand industry sectors or occupations;<sup>7</sup>
- Meets the hiring requirements of potential employers in the aforementioned sectors or occupations;<sup>8</sup>
- Either (1) leads to a recognized postsecondary credential that is stackable and portable across more than one employer or (2) prepares students that are enrolled in the program for employment in an occupation where only one recognized postsecondary credential exists and provides those students with that credential.
- Prepares students to pursue one or more certificate or degree programs at one or more eligible institutions by ensuring that a student will receive academic credit that will transfer over to a future certificate or degree program and that the academic credit will be acceptable toward meeting such certificate or degree program requirements.

The Governor is required to establish a publicly available process for an institution to request a determination that a workforce program meets the previously outlined requirements with the consultation of the state board. To make this determination, the Governor will use the following criteria:

- The state's methodology to determine and periodically review which occupations and industry sectors are indeed high-skill, high-wage or in-demand and where this list will be made publicly available. This review shall be done no less than every two years;
- A written policy for determining whether a program meets the hiring requirements of employers;
- A written policy for determining if a credential is stackable and portable;
- A written policy for institutions to establish that an eligible workforce program will ensure the boarding of academic credit that will transfer over to a certificate or degree program after a student completes the workforce program;

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<sup>7</sup> A program that serves as a related technical instruction component of a Registered Apprenticeship Program meets these requirements.

<sup>8</sup> *Ibid.*

- The required information an institution must submit to the Governor to assess an eligible workforce program to include job place standards and, if applicable, alternative completion and placement standards;
- A process and timeline for the Governor’s consultation with the state board on determining whether the workforce program meets the requirements and a process for an institution to appeal that determination; and
- An attestation that the state board has to be consulted.

The determinations made by the Governor are documented by the Secretary. To properly document these determinations, the Secretary collects the following information:

- The name of the program;
- The six-digit Classification of Instructional Code (CIP);
- The Standard Occupational Classification (SOC) code(s);
- A signed statement that the program was approved by the Governor and that the program currently meets, and has met for the last 12 months, the necessary requirements;
- The date the eligible workforce program was approved;
- A certification that the state has determined the program to meet alternative completion and placement standards, if applicable;
- An agreement that the Governor will make available to the Secretary of Education and the Secretary of Labor a documentation of its process for making a determination, upon request of either Secretary;
- An agreement that the Governor will inform—within 15 calendar days—the Department of Education, the Department of Labor, and the institution of its final decision to withdraw approval of the eligible workforce program;
- A certification that the Governor takes into consideration the cost of the program and the anticipated wages of the industry or occupation prior to the initial determination of the program's value-added earnings; and
- Such other information as the Secretary of Education or Labor requires.

The Governor’s approval of any workforce program expires at the end of the institution’s Program Participation Agreement (PPA). Before the PPA expires, the Governor must provide the Secretary with a certification of continued approval of each eligible workforce program. Two states may enter into a bilateral agreement as long as the Governors of both states consult their respective state boards on whether the programs meet the necessary requirements. The bilateral agreement must include data-sharing provisions among the states for purposes of completion and placement rate calculations.

#### **Section 690.94. Components Determined by the Secretary**

After the Governor makes the determination that the workforce program meets the requirements, the Secretary evaluates the documentation from an eligible institution to ensure that the program has met the requirements for the previous 12 months preceding the date that the institution applied for eligibility for the workforce program.

The Secretary also looks at the program’s placement and completion rate requirements. The Secretary will initially review the 2026-2027, 2027-2028, and 2028-2029 award years only. The data for these award years will be determined through a certification from the Governor based on their analysis using administrative data. This administrative data, which will include wage records, will be used to verify that the program has a completion rate of least 70 percent of the 150 percent of normal time to completion and a job placement rate of at least 70 percent, using data on students that are employed during the second quarter after exiting the program. For each award year after the 2028-2029 award year, the 70 percent completion rate and job placement rate applies.

For each year after the workforce program is approved, the institution must submit to the Governor a list of students that completed the program during the award year and the information necessary for the Governor to verify the job placement rates for such award year. The institution must also report the published tuition and fees for the workforce program through a process to be determined by the Secretary.

The Secretary has the discretion to waive any of the requirements pertaining to the submission of completion rates or job placement rates if the Secretary determines that either rate will be calculated under a separate process established by the Secretary. The Secretary can also determine, as it relates to job placement rates, that the Governor may need an additional award year with the certification of the programs using administrative data.

For each award year, the Secretary will confirm that the workforce program's published tuition and fees do not exceed the value-added earnings. A student is not included if the student dies, experiences a medical condition that prevents employment, is ordered to service in the uniformed services, or becomes incarcerated.

### **Section 690.95. Value-Added Earnings**

The value-added earnings of students who are working, received a Pell Grant, and completed the program during the cohort period are calculated. The value-added earnings are determined by calculating the difference between the median earnings of the students in the defined cohort and 150 percent of the poverty line applicable to a single individual. The median earnings are used and adjusted as needed by the state and metropolitan area regional price parities of the Bureau of Economic Analysis based on the location of the programs. The Secretary is required to publish the value-added earnings that will apply to the workforce program for that award year no later than three months prior to the beginning of the award year.

The institution is required to keep published tuition and fees at or below the value-added earnings calculated for the program for all students who first enroll in the workforce program that begins after the annual release of the program's value-added earnings. Any program that has a value-added earnings that is negative or zero cannot participate in the Pell Grant program, and the institution must provide the Secretary with satisfactory evidence that its published tuition and fees do not indeed exceed the value-added earnings for that award year.

To calculate the value-added earnings data, the Secretary uses information that is already reported by the institution for participation in Title IV, HEA programs. In calculating the value-added earnings, the Secretary will allow for institutions to correct the list of information that is compiled by the Secretary within 60 days of providing the institution with this information.

The Secretary will obtain median earnings data from a federal agency to calculate the value-added earnings and provide it to the institution. If the final list of students who completed the program during the initial cohort period includes at least 30 students, the Secretary will send that information to the federal agency with earnings data. If the final list of students who completed the program during the initial cohort period does not include at least 30 students, the Secretary will use up to the previous three years before the cohort period to determine whether there are at least 30 students who completed the program. If there are still not at least 30 students who completed the program, value-added earnings will not be calculated for that program. When sending a cohort of students over to the federal agency to determine the median earnings, value-added earnings will also not be calculated if there are less than 16 records of earnings on

students returned from the federal agency. If a student is enrolled in another educational program at the time the value-added earnings are captured, they will not be counted in the calculation.<sup>9</sup>

#### **Section 690.96. Loss of Eligibility**

If a workforce program fails to meet the requirements by the Governor or the Secretary, it will lose its eligibility for the Pell Grant at the end of the payment period. If a workforce program fails to meet the necessary requirements due to the value-added earnings calculations, the program will become ineligible for the Pell Grant at the beginning of the award year following the release of the value-added earnings data. If an institution is under review in an appeal status or awaiting the Governor's final approval determination, the program will not lose eligibility to the Pell Grant until a final decision has been made.

#### **Section 690.97. Regaining Eligibility**

If the Secretary determines that a workforce program loses eligibility due to the completion rates or job placement rates, or the institution voluntarily discontinues the failing eligible workforce program, the institution may not seek to reestablish the eligibility of the failing program, or a substantially similar program, until two years have passed. If a program loses eligibility due to the loss of the Governor's approval, the program may become eligible after the Secretary receives the Governor's certification that the program has been approved.

If a workforce program loses eligibility because its published tuition is higher than its value-added earnings, the institution may request that the program's eligibility be reinstated by providing the Secretary with a new certification of the Governor's approval of the program, submitting documentation of the program's current published tuition and fees, submitting an attestation that the tuition and fees have been reduced and will remain so, and requesting a recalculation of the program's value-added earnings.

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<sup>9</sup> The NPRM required student earnings to be captured even if they were enrolled in program. ACE pushed back against this, and the Department made this change due to many comments regarding this issue. The rationale can be found on page 29264 in the preamble of the [final rule](#).