

# Examining Community College Programs That Fail the Biden Administration's Gainful Employment Test

An Essay for the Learning Curve by Jason Delisle and Jason Cohn  
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When the Obama administration implemented the first gainful employment (GE) rule in 2014 to protect students from education credentials that lead to unaffordable debts, virtually all programs at public institutions passed the test.<sup>1</sup> Although the underlying GE law applies to certificate programs offered at both public and private institutions, failing programs were confined almost entirely to the private for-profit sector under the Obama-era version.<sup>2</sup> That looks set to change under the Biden administration's proposal.

The Biden administration is developing its own GE rule after the Trump administration repealed the Obama-era rule. A discussion draft of the rule released earlier this year included a new minimum earnings test based on high school graduates' earnings.<sup>3</sup> One in five certificate programs at public institutions could fail this requirement, causing them to fail the overall GE rule and lose eligibility for federal aid.<sup>4</sup> (Nearly 70 percent of certificate programs at private for-profit institutions are at risk of failing the test.)

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<sup>1</sup> The original data for programs affected by the Obama administration's GE rule are no longer available on the US Department of Education's website but appear to be archived at the think tank Third Way at the following link: <http://thrdwy.org/2haxDRO>. See also Tamara Hiler and Wesley Whistle, "GE by the Numbers: How Students Fared at Programs Covered under the Gainful Employment Rule," Third Way, September 26, 2017, <https://www.thirdway.org/memo/ge-by-the-numbers-how-students-fared-at-programs-covered-under-the-gainful-employment-rule>; and Preston Cooper and Jason D. Delisle, "Measuring Quality or Subsidy?" (Washington, DC: American Enterprise Institute, 2017).

<sup>2</sup> Definition of Instruction of Higher Education for Purposes of Student Assistance Programs, 20 U.S.C. §1002(b)(1)(A).

<sup>3</sup> Office of Postsecondary Education, "Issue Paper 3: Gainful Employment" (Washington, DC: US Department of Education, Office of Postsecondary Education, 2022); and 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>.

<sup>4</sup> The Biden administration's GE rule outlined in the discussion draft includes a debt-to-earnings test like the original Obama-era policy, and nearly all certificate programs at public institutions pass that test. The discussion draft of the GE rule measures the median annual student loan payment for a cohort of graduates against the cohort's median earnings. If payments exceed 8 percent of earnings and 20 percent of earnings above 150 percent of the federal poverty level for any two out of three consecutive years, the program loses eligibility for federal programs.

In this essay, we examine the undergraduate certificate programs at public institutions that fail this proposed high school earnings test.<sup>5</sup> Understanding the characteristics of these programs and the students they enroll can inform the ongoing development of the GE rule. This information can help policymakers judge whether the GE rule effectively targets low-quality programs and whether these programs leave students worse off than if they had never enrolled, the commonly cited rationale for a high school earnings test.

## Certificate Programs at Public Colleges and the High School Earnings Test

The Biden administration has not yet published an official draft of its GE rule but plans to do so in early 2023. Though an official version may differ from the discussion draft the administration released during a negotiated rulemaking session in 2022, we use the proposal for the analysis in this essay. According to the proposal, programs covered by GE must pass both a debt-to-earnings test and a high school earnings test to be eligible for federal aid programs. The high school earnings test requires that the median earnings among a program's graduates exceed the median earnings for a working 25-to-34-year-old with only a high school diploma (or GED) in the state where the program is located. Nationally, median earnings for this group are \$25,569, according to GE data released by the US Department of Education, and ranges from \$20,859 in Mississippi to \$31,294 in North Dakota.<sup>6</sup>

Based on data the Department of Education released with its discussion draft, 912 undergraduate certificate programs at public institutions (mainly two-year community colleges) are covered by the GE rule and are large enough to meet the reporting requirements.<sup>7</sup> Of these, 178 programs, or 20 percent, fail the high school earnings test (1 percent of them fail the debt-to-earnings test) (figure 1). Nearly 70 percent of certificate programs at private for-profit institutions fail the test. We use only one pooled cohort for earnings information because that is what the Department of Education made available, but under the proposed rule, programs would be sanctioned if earnings were below the threshold in any two out of three consecutive years.

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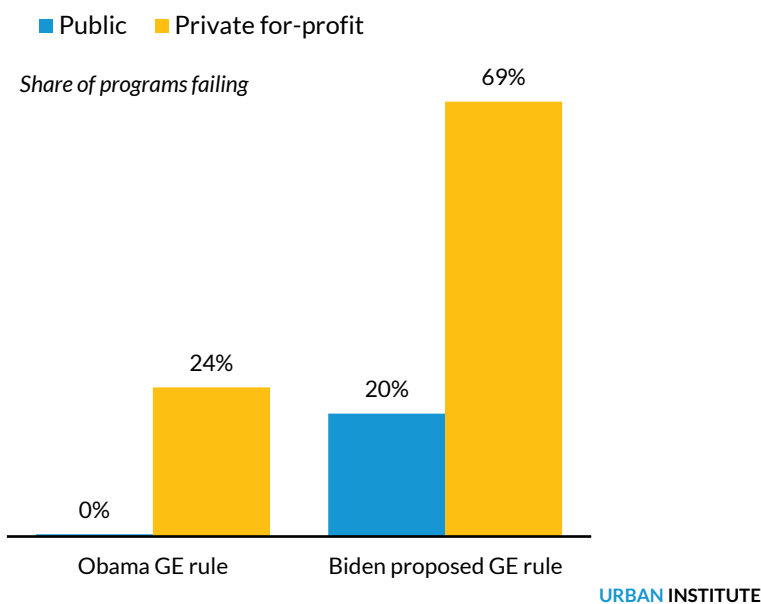
<sup>5</sup> We exclude the relatively small number of postbaccalaureate certificates offered at public institutions and for-profit institutions.

<sup>6</sup> "Negotiated Rulemaking for Higher Education 2021-22," US Department of Education, last updated October 31, 2022, <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/index.html>; <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/geinforattedata.xlsx>; and US Department of Education, "Gainful Employment Informational Rate Data Description" (Washington, DC: US Department of Education, n.d.).

<sup>7</sup> Programs must have at least 30 graduates in a cohort to have their debt and earnings data included. See US Department of Education, "Gainful Employment Informational Rate Data Description."

FIGURE 1

A Larger Share of Certificate Programs Would Fail the Proposed Biden GE Rule



Source: Urban Institute analysis of data from the US Department of Education.

Notes: GE = gainful employment. Includes only undergraduate certificate programs.

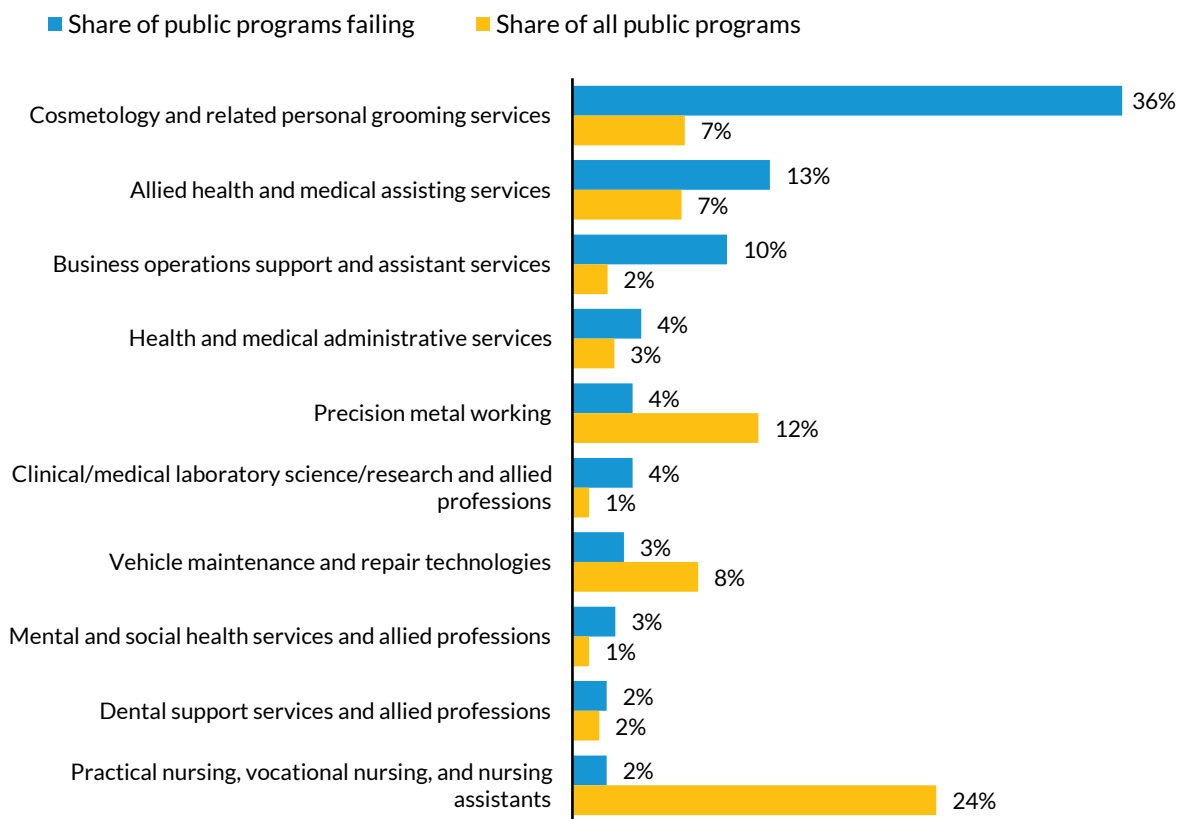
We find that the failing programs at public institutions are notably different from the broader set of certificate programs offered at public institutions and included in the GE data. It is no surprise that earnings are lower among programs that fail, but the gap is substantial. Typical earnings among all certificate programs at public institutions are \$34,669, which is well above the high school earnings threshold nationally. Programs that fail the test, however, result in average graduate earnings of only \$18,348, about \$7,000 below typical earnings for someone with only a high school diploma (table 1). There are other key differences between programs at public institutions that fail the high school earnings test and those that pass, including differences in debt burdens, program type, geographic location, and racial and gender makeup.

### Program Type

Certain program types are heavily overrepresented among those that fail the high school earnings test (figure 2) relative to certificate programs at public institutions overall. Cosmetology programs make up 36 percent of those failing the high school earnings test (the largest share of failing programs) but just 7 percent of all the certificate programs public institutions offer. Allied health and medical assisting services accounts for 13 percent of programs failing the high school earnings test, making it the second most common among that group. These programs account for only 7 percent of certificate programs at public institutions overall, meaning they are heavily overrepresented among programs failing the high school earnings test.

FIGURE 2

**Cosmetology, Allied Health, and Business Operations Support Programs Are Overrepresented among Programs at Public Institutions Failing the High School Earnings Test**



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Source: Urban Institute analysis of data from the US Department of Education.

Programs in business operations support and assistance services also stand out in the data. They make up 10 percent of failing programs at public institutions but are not even among the 10 largest certificate programs at public institutions (they make up only 2 percent of programs overall). Put another way, these programs are not common among certificate programs at public institutions, but they are prevalent among those failing the earnings test.

*Geographic Location*

We also find a strong regional bias among the certificate programs at public colleges that fail the high school earnings test. Fifty-nine percent of these programs are in the southeastern part of the US, whereas only 40 percent of certificate programs offered at public institutions are located in that region overall. Public institutions in Georgia are a major component of this overrepresentation. About a quarter of certificate programs at public institutions that fail the high school earnings test are located in that state, but Georgia accounts for just 13 percent of certificate programs at public institutions nationally (see appendix table A.1 for a full state-by-state breakdown). The data do not offer many clues

about this overrepresentation. The types of programs in Georgia that fail the test look similar to the programs that fail the test nationally, suggesting that the geographic concentration is not attributable to Georgia offering an unusual set of programs. And Georgia’s high school earnings benchmark is not unusually high—the state’s median earnings are slightly lower than the average of all states—suggesting the large number of programs that fail the test cannot be explained by unusually high earnings among high school graduates in the state.

## Demographics

TABLE 1

### Certificate Programs at Public Institutions That Fail a High School Earnings Test Are Concentrated in the Southeast and Enroll Large Shares of Black Students and Women

	Failing programs at public institutions	All programs at public institutions
Median earnings	\$18,348	\$34,669
Median debt	\$1,684	\$3,100
Share of white students	48%	60%
Share of Black students	27%	17%
Share of Hispanic students	18%	14%
Share of female students	78%	55%
Share of programs in the Southeast	59%	40%
Zip code median income	\$48,160	\$53,610
Number of programs	178	912

**Source:** Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the National Historical Geographic Information System.

**Notes:** Earnings and debt are measured as averages of program-level medians. Race and gender shares are averages calculated based on awards. Table includes only undergraduate certificate programs.

Graduates of certificate programs at public institutions tend to have low debt burdens (at least according to how the GE rule measures debt burdens), which is largely why they all pass the GE rule’s separate debt-to-earnings test.<sup>8</sup> But many of these programs also produce low earnings and therefore fail the high school earnings test. Debt burdens among programs that fail the high school earnings test are lower than those for certificate programs at public institutions generally (table 1).<sup>9</sup>

Incomes are somewhat lower in the communities where the institutions with failing programs are located. Median household earnings in the zip code where the public institution with the failing program

<sup>8</sup> The Biden administration’s proposed GE rule measures median debt burdens among borrowers and nonborrowers who received federal grant aid as a group, meaning nonborrowers are included in calculating the annual debt payments and recorded as having \$0 payments. See Jason D. Delisle and Jason Cohn, “A Student Debt Blind Spot in the Gainful Employment Rule for College Programs,” *Urban Wire* (blog), Urban Institute, March 29, 2022, <https://www.urban.org/urban-wire/student-debt-blind-spot-gainful-employment-rule-college-programs>.

<sup>9</sup> That discrepancy highlights one of the potential weaknesses of using only a debt-to-earnings test in the GE rule. Programs where students’ federal grants may cover much or all of their costs, and therefore lead to low debt levels, can remain eligible for federal aid even if graduates’ earnings are very low. Given that typical debts in the failing programs are just \$1,684, these programs would not fail the debt-to-earnings test unless graduates’ typical earnings were below \$2,700.

is located are \$48,160, compared with \$53,610 among all certificate programs at public institutions included in the GE data. This difference could explain part of why earnings are low among graduates of programs in these areas and may suggest that graduates are working in labor markets with below-average wages. This could temper the assumption that programs where students do not earn more than a high school graduate are failing to deliver value for students and taxpayers, especially when a program's postcompletion earnings are not below the high school earnings threshold by a wide margin.

The racial and gender makeup of the certificate programs at public institutions that fail the high school earnings test are considerably different than for these programs across the sector generally. Failing programs enroll a much higher proportion of Black students and a slightly higher share of Hispanic students, on average, than certificate programs across all public institutions.<sup>10</sup> They also enroll a substantially higher share of women than certificate programs at public institutions generally (table 1).

This finding presents a dilemma for policymakers, as others have noted.<sup>11</sup> It could signal that the high school earnings test helps to identify low-payoff programs that disproportionately enroll Black and Hispanic students and women. In that regard, the test helps protect these students from such programs. The test could also encourage institutions offering these programs to provide these students better training options that lead to higher earnings. There is some evidence that community colleges that enroll higher shares of nonwhite students are more likely to offer programs in fields that lead to lower earnings than community colleges that enroll higher shares of white students.<sup>12</sup>

Alternatively, the high school earnings test could be identifying programs where large shares of graduates face labor market discrimination and thus lower earnings—but still benefit from having access to the education nonetheless. The high school earnings test might also identify programs that leave students better off (in their earnings or other measures) than the alternatives that were available to them, even if they do not earn more than typical high school graduates in their state. In that case, the policy could inadvertently penalize programs that enroll high shares of nonwhite students and women under the incorrect assumption that these programs were of dubious quality.

## Comparing Failing Programs at Public Institutions and Private For-Profit Institutions

Another way to better understand the certificate programs at public institutions that fail the high school earnings test is to compare them with their peers at private for-profit institutions. The Biden administration has indicated that weak student outcomes at for-profit institutions are a major

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<sup>10</sup> Data on race and gender are from the Integrated Postsecondary Education Data System. These data report the number of awards in a particular program by race and gender, which can vary from the number of students enrolled and those receiving federal student aid.

<sup>11</sup> 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>.

<sup>12</sup> Cody Christensen and Lesley J. Turner, *Student Outcomes at Community Colleges: What Factors Explain Variation in Loan Repayment and Earnings?* (Washington, DC: Brookings Institution, 2021).

motivation for the GE rule.<sup>13</sup> Programs at for-profit institutions also make up the vast majority of certificate programs covered by the GE rule, and they account for a disproportionate share of the programs failing the high school earnings test. But the fact that one in five certificate programs at public institutions fails the high school earnings test suggests that factors beyond institution type may be at play when programs lead to low earnings.

Our analysis reveals key similarities between programs at public institutions that fail the test and those at private for-profit institutions that also fail. But there are important differences. Typical median earnings for graduates of the programs are quite similar—the difference is less than \$1,000—but public institutions with failing programs are located in zip codes with much lower household incomes (nearly \$11,000 lower) than those in the for-profit sector (table 2). That may suggest that programs at the public institutions that fail the test are operating in a more challenging labor market and economy, which may help explain why their graduates’ earnings are low, unlike in the case of for-profit institutions that appear to be graduating students into labor markets with much higher average earnings.<sup>14</sup>

**TABLE 2**  
**Certificate Programs at Public Institutions That Fail the High School Earnings Test Are Located in Lower-Earning Areas Than Those at Private For-Profit Institutions, and the Racial and Gender Makeup of Their Students Differ**

	Failing programs at public institutions	Failing programs at private for-profit institutions
Median earnings	\$18,348	\$17,495
Median debt	\$1,684	\$8,080
Share of white students	48%	41%
Share of Black students	27%	18%
Share of Hispanic students	18%	30%
Share of female students	78%	84%
Share of programs in the Southeast	59%	24%
Zip code median income	\$48,160	\$59,007
Share of programs in sector	20%	69%

**Source:** Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the National Historical Geographic Information System.

**Notes:** Earnings and debt are measured as averages of program-level medians. Race and gender shares are averages calculated based on awards. Table includes only undergraduate certificates.

The area where failing programs appear to be most similar between public institutions and for-profit institutions is in the field of study. This suggests that certain types of programs may produce low earnings regardless of the type of institutions that provide them. Specifically, cosmetology programs are the most common programs failing the test at each institution. And allied health and medical assisting

<sup>13</sup> Office of Postsecondary Education, “Issue Paper 3: Gainful Employment.”

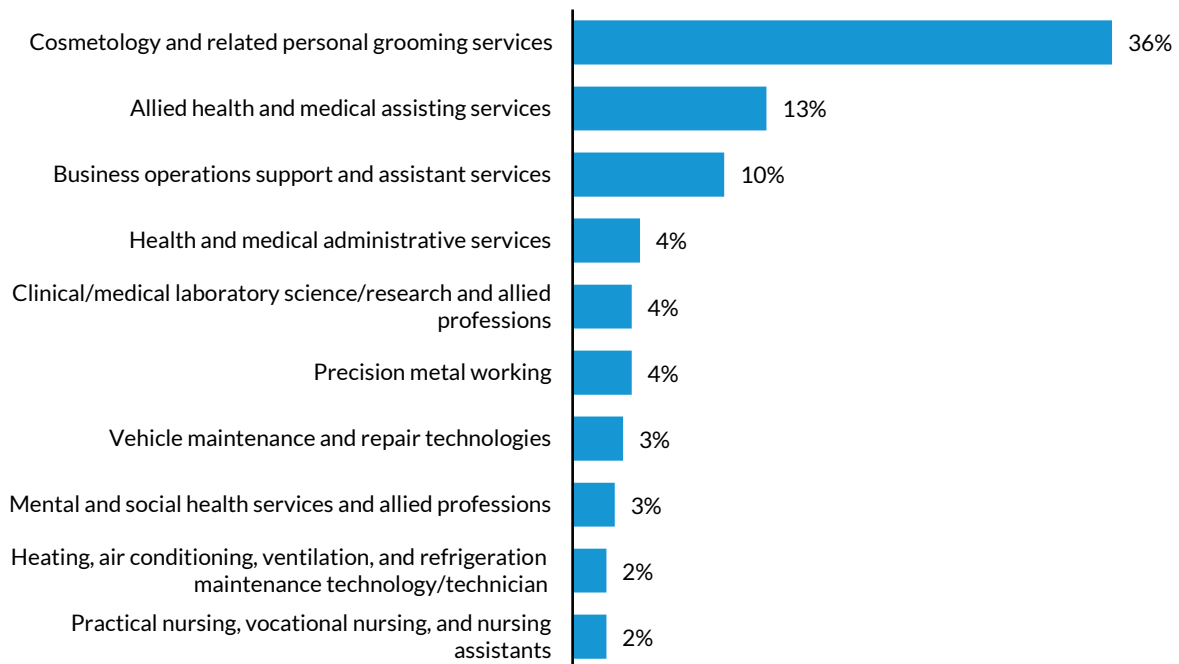
<sup>14</sup> The data on earnings by zip code reflect the location of the institution of higher education. For online programs, which may be offered to students across the country or in locations far from the higher education institution’s business address, these data may not align with earnings in the local labor markets where graduates are located. But our analysis treats each program as a single unit, which should mitigate this effect for large online programs.

services programs are the second most common among failing programs at each institution type. Health and medical administrative services programs are also prevalent among the failing programs at both institution types. One exception to these similarities, however, are programs in business operations support and assistance services, which make up a large share of failing programs at only public institutions (figure 3).

**FIGURE 3A**

**Certificate Programs Failing the High School Earnings Test at Public Institutions Are Concentrated in Cosmetology, Health, and Business**

*Share of failing programs at public institutions*



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**Source:** Urban Institute analysis of data from the US Department of Education.

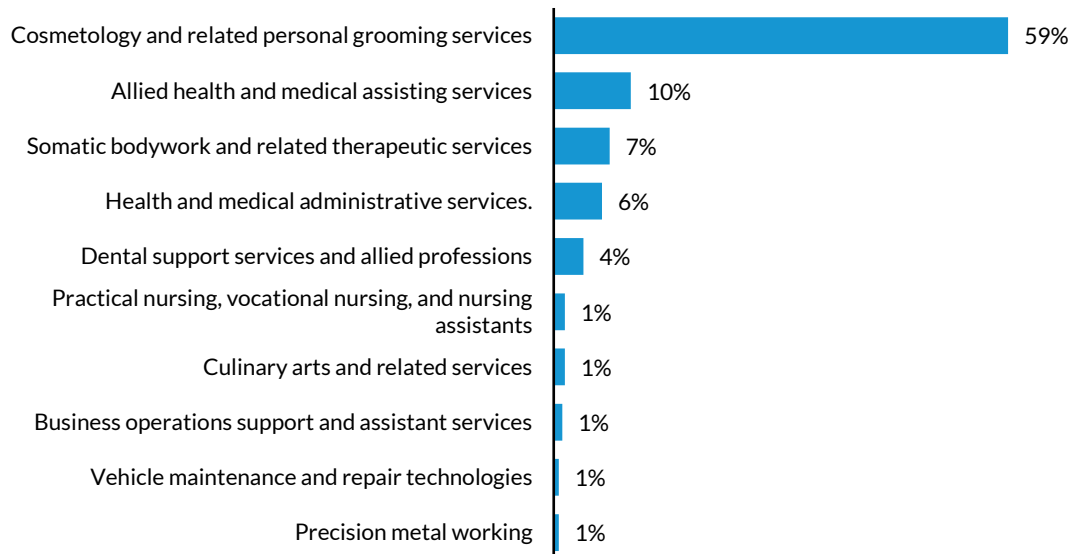
**Note:** Figure includes only undergraduate certificates.



FIGURE 3B

### Certificate Programs Failing the High School Earnings Test at Private For-Profit Institutions Are Heavily Concentrated in Cosmetology

Share of failing programs at private for-profit institutions



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Source: Urban Institute analysis of data from the US Department of Education.

Note: Figure includes only undergraduate certificates.

Statistics on the racial makeup of the student body at failing programs point to some major differences between programs at public institutions versus for-profit institutions. Failing programs at public institutions enroll much higher shares of Black students and much lower shares of Hispanic students than those at private for-profit institutions. For Hispanic students, these differences may be merely a reflection of national averages because certificate programs at public institutions enroll a lower share of Hispanic students than private for-profit institutions.<sup>15</sup> But for Black students, the differences are reversed. Public institutions enroll a smaller share of Black students in their certificate programs nationally but enroll a much larger share in the case of programs failing the high school earnings test.<sup>16</sup>

The geographic concentration of failing programs also differs markedly by sector. Although failing programs at public institutions are concentrated in the Southeast, there is not a similar regional skew for failing programs at for-profit institutions.

<sup>15</sup> Authors' calculations using data from National Center for Education Statistics PowerStats [table uqpxke](#).

<sup>16</sup> Authors' calculations using data from National Center for Education Statistics PowerStats [table uqpxke](#).

## Policy Implications

Both the Obama and Biden administrations cited weak student outcomes at for-profit colleges as a major motivation for establishing a GE rule. And when defined as a debt-to-earnings test, the GE rule aligns well with that framing. Failing programs are almost entirely in the for-profit sector, and certificate programs at public institutions that are covered by the GE rule almost universally pass the test. But the high school earnings test the Biden administration proposed as a second part of the GE rule would expand the policy's reach, causing more certificate programs to fail, including one in five of those offered at public institutions.

This outcome might signal that the high school earnings test is overly broad and sets too high a standard, one that may cause institutions to shutter worthwhile programs or one that would punish institutions for factors that are beyond their control. Our analysis offers some evidence to support this view, but it is hardly conclusive. Many of the programs at public institutions that fail the high school earnings test are located in places where earnings are lower than the state median and lower than in places where programs pass. And compared with those that pass the test, programs at public institutions that fail the high school earnings test also enroll much higher shares of female and Black students—groups that tend to have lower average earnings for reasons that colleges and students may have little control over.

On the other hand, we find that failing programs at public institutions are concentrated in certain fields of study and overlap with those failing in the for-profit sector. This could suggest that credentials in these fields are more likely to produce low earnings regardless of what type of institution offers them, meaning the high school earnings test is effectively identifying low-payoff programs regardless of sector. That some of these programs are offered at public institutions is not necessarily an indication that the rule is overly strict.

The Biden administration plans to finalize its GE rule sometime in 2023, and it is unclear whether the proposed high school earnings test will be included in the final version. A better understanding of the programs at public institutions at risk of failing that test should help policymakers assess whether the test will have the effects they intend.

## Appendix

Data on the share of programs failing the high school earnings test within each sector, the program type, and median earnings and debt for graduates are from data released by the Department of Education in 2022. The department provided these GE data during the 2022 negotiated rulemaking session it held to develop a proposed GE rule. The data correspond to the discussion draft of a GE rule the department released during that process.

The GE data do not, however, assign programs to a region or include information about student race or gender. Nor do the data include information about typical household earnings where programs are located. To obtain that information, we match the institution in the GE data to two other datasets.

To assign each program a region, we link the GE data to institution-level data in the Integrated Postsecondary Education Data System (IPEDS) and use the IPEDS regional categorization. To find programs' race, ethnicity, and gender makeup, we use program-level awards data from IPEDS. These data include only students who completed their program, which aligns with the GE measurement of debt and earnings among program graduates. But this measure may differ from one that uses the overall enrollment of students in programs, including those who do not graduate.

To find the median household income in the zip code where a program is located, we use American Community Survey data from the National Historical Geographic Information System. This measure is an estimate for all residents in the zip code and provides context for an area's overall earnings level, but it is not specific to the population the GE rule aims to protect.

TABLE A.1

**Share of Undergraduate Certificate Programs Failing the High School Earnings Test and Share of All Certificate Programs, by State**

<b>State</b>	<b>Share of failing programs at public institutions</b>	<b>Share of all programs at public institutions</b>
AK	0%	0%
AL	1%	1%
AR	1%	1%
AZ	2%	3%
CA	7%	4%
CO	2%	2%
CT	0%	0%
DE	0%	0%
FL	7%	7%
GA	25%	13%
IA	1%	1%
ID	0%	0%
IL	1%	2%
IN	1%	1%
KS	0%	2%
KY	1%	1%
LA	6%	2%
MA	0%	1%
MD	1%	0%
ME	0%	0%
MI	1%	2%
MN	1%	6%
MO	0%	1%
MS	3%	2%
MT	0%	0%
NC	2%	1%
ND	0%	0%
NE	0%	0%
NJ	1%	0%
NM	0%	0%
NY	2%	4%
OH	4%	5%
OK	3%	2%
OR	0%	1%
PA	0%	3%

State	Share of failing programs at public institutions	Share of all programs at public institutions
RI	1%	0%
SC	1%	3%
SD	1%	1%
TN	10%	7%
TX	8%	8%
UT	3%	1%
VA	3%	2%
VT	0%	0%
WA	1%	1%
WI	3%	7%
WV	1%	0%
WY	0%	0%

**Source:** Urban Institute analysis of data from the US Department of Education.

**Note:** Hawaii, Hew Hampshire, and Nevada are excluded because they do not have public certificate programs with available data.

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