Statement before the House Committee on Education & Workforce
Subcommittee on Higher Education and Workforce Development
On Runaway College Spending Meets the Working Families Tax Cuts

Protecting Students and Taxpayers: Strengthening Accountability and Value in Higher Education

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February 4, 2026

Chairman Owens, Ranking Member Adams, and members of the subcommittee:

Thank you for the opportunity to appear before you today. I appreciate your leadership and your willingness to engage seriously with the hard questions surrounding higher education and workforce development in the United States. These issues touch nearly every American family and shape our nation's economic future.

I am an economist who has spent much of her career studying how federal higher education policy affects students, taxpayers, and institutions. I am also someone who believes deeply in the promise of postsecondary education as a critical vehicle for social mobility in the American economy. My testimony today will focus on three points: first, the problems we are facing in higher education and workforce development; second, what was achieved through the recent reconciliation legislation and why those changes were necessary; and third, what work remains unfinished and what Congress could consider in a second reconciliation package.

The Problems We Are Facing

Higher education and workforce development in the United States are at an inflection point. For decades, federal policy has been guided by a well-intentioned assumption: that expanding access to postsecondary education through financial aid would reliably translate into better economic outcomes for students and a stronger workforce.

While on average, higher education delivers those results, it is also true that there is tremendous heterogeneity in the value created by different programs in the sector. And policy can better serve students and taxpayers by recognizing that fact.

Evidence shows substantial variation in the economic returns to postsecondary education across institutions, programs, and fields of study. A recent return-on-investment analysis of tens of thousands of degree and certificate programs finds not only wide dispersion in outcomes but a meaningful share of programs that leave the typical student financially worse off after accounting for costs, completion risk, and earnings trajectories.[1] While many programs offer students a clear pathway to stable employment and upward mobility, others leave students no better off financially than when they started.[2] Federal policy has historically done too little to distinguish between these outcomes.

The key policy implication is not that college does not pay off—it often does—but that outcomes are highly program specific, which means federal aid policy should be more sensitive to program-level results rather than treating higher education like a commodity.

Students often enroll without clear, comprehensible information about costs, completion likelihood, and expected earnings.[3] This information gap is especially harmful for first-generation and lower-income students, who are more likely to borrow and less able to absorb poor outcomes.[4] Taxpayers bear increasing exposure through loan programs that have not always included strong outcomes-based guardrails.[5]

The core problem is not that higher education lacks value. It is that federal policy has too often subsidized enrollment without sufficient regard to results—favoring volume rather than value.

What the Reconciliation Legislation Achieved—and Why It Was Necessary

The recent reconciliation legislation represented an important and necessary shift in federal higher education policy.

Most importantly, it moved federal aid policy toward clearer outcomes-based accountability. By tying program eligibility more directly to student and labor market performance, Congress established a basic but critical principle: Academic programs that consistently leave students worse off financially than when they started should not retain access to federal lending programs.

These reforms were necessary because the prior framework lacked even minimal safeguards. Federal lending expanded significantly over time, yet institutions faced limited consequences when programs repeatedly produced poor outcomes.[6] That imbalance placed too much risk on students and taxpayers.

The reconciliation changes did not attempt to define educational success narrowly. They did not require uniformly high earnings or discount public-service careers. Instead, they established a reasonable floor—a baseline expectation that programs participating in the federal loan program will leave students better off financially than when they started.

Another important and overdue reform in the reconciliation legislation is the introduction of new limits on federal graduate student lending. These limits operate first and foremost as a consumer protection: They reduce the likelihood that students will unknowingly assume debt levels that are out of proportion to the economic value of their degrees. Research has also shown that the previously unconstrained access to debt led to significant inflation in the cost of graduate and professional education.[7] Reintroducing borrowing limits helps restore price discipline, strengthens institutional accountability, and better protects students from unaffordable debt.

What Work Remains—and What Congress Could Do Next

While reconciliation reforms marked incredible progress, they should be viewed as a foundation rather than a finished product.

First, accountability metrics should continue to evolve. Price should play a more explicit role in evaluating value. Programs that produce similar earnings outcomes at dramatically different prices do not deliver the same return to students or taxpayers. Strengthening value-based accountability would particularly benefit efficient, lower-cost programs that often serve more economically vulnerable students.

Second, transparency must improve. Students need better decision tools before they enroll and before they borrow. The committee has made significant strides in this direction, as demonstrated by the recent markup of two pieces of legislation that would codify the existence of the crucial College Scorecard website—an invaluable tool that consumers can use to shop for programs—and require the standardization of financial aid award letters.

Conclusion

The question before Congress is not whether higher education and workforce development matter. They do, of course. Nor is it whether the federal government should play a role. It should. The question is whether federal policy will continue to reward participation alone or whether it will increasingly reward outcomes that matter to students, workers, and taxpayers.

The recent reconciliation legislation showed that Congress is willing to move policy in that direction. Building carefully on that progress—including practical steps, such as stronger pre-loan counseling—can help ensure that postsecondary education delivers on its promise.

Thank you for the opportunity to testify. I look forward to your questions.

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[2] Tristan Stein and Shai Akabas, *Finding Consensus and Understanding Disagreement in Higher Education Accountability*, Bipartisan Policy Center, July 23, 2024, 6, https://bipartisanpolicy.org/report/finding-consensus-and-understanding-disagreement-in-higher-education-accountability/.

[3] Colleen Flaherty, "The Costs Students Don't See Coming—and Why They Matter," *Inside Higher Ed*, October 7, 2025, https://www.insidehighered.com/news/student-success/academic-life/2025/10/07/students-struggle-surprise-costs-dont-know-about-help; and Katherine Knott, "Education Dept. Labels Hundreds of Colleges as 'Lower Earnings,'" *Inside Higher Ed*, December 9, 2025, https://www.insidehighered.com/news/government/student-aid-policy/2025/12/09/ed-designates-23-colleges-lower-earnings.

[4] Richard Fry, *First-Generation College Graduates Lag Behind Their Peers on Key Economic Outcomes*, Pew Research Center, May 18, 2021, https://www.pewresearch.org/social-trends/2021/05/18/first-generation-college-graduates-lag-behind-their-peers-on-key-economic-outcomes/.

[5] Preston Cooper, *Risk Sharing: The Student Loan Reform Whose Time Has Come?*, American Enterprise Institute, September 4, 2025, https://www.aei.org/research-products/report/risk-sharing-the-student-loan-reform-whose-time-has-come/.

[6] Adam Looney and Constantine Yannelis, "What Went Wrong with Federal Student Loans?," *Journal of Economic Perspectives* 38, no. 3 (2024): 232, https://doi.org/10.1257/jep.38.3.209; and Rita R. Zota, *A Snapshot of Federal Student Loan Debt*, Congressional Research Service, February 19, 2025, 2, https://www.congress.gov/crs-product/IF10158.

[7] Sandra E. Black et al., "PLUS or Minus? The Effect of Graduate School Loans on Access, Attainment, and Prices," Working Paper No. 31291 (National Bureau of Economic Research, May 2023), https://www.nber.org/papers/w31291.