

### At a Glance

## H.R. 4054, Accreditation Choice and Innovation Act

As ordered reported by the House Committee on Education and Workforce on June 25, 2025

By Fiscal Year, Millions of Dollars	2026	2026-2030	2026-2035
Direct Spending (Outlays)	0	125	437
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	125	437
Spending Subject to Appropriation (Outlays)	0	290	1,130

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2036? <span style="float: right;"><b>&lt; \$2.5 billion</b></span>	Statutory pay-as-you-go procedures apply?	<b>Yes</b>
	<b>Mandate Effects</b>	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2036? <span style="float: right;"><b>&lt; \$5 billion</b></span>	Contains intergovernmental mandate?	<b>No</b>
	Contains private-sector mandate?	<b>No</b>

**The bill would**

- Allow states to recognize accrediting agencies for postsecondary educational institutions
- Require accrediting agencies to incorporate certain accreditation standards
- Prohibit accrediting agencies from using an institution’s religious mission as a criterion for imposing adverse actions, including denial of accreditation

**Estimated budgetary effects would mainly stem from**

- Increasing spending for federal student aid programs attributable to an increase in the number of accredited postsecondary institutions

**Areas of significant uncertainty include**

- Anticipating the ways that states and accrediting agencies would respond to the bill’s provisions
- Identifying the extent to which federal rules concerning gainful employment of graduates, financial transparency, and accountability of institutions would affect the number of postsecondary institutions and programs.

**Detailed estimate begins on the next page.**

## Bill Summary

H.R. 4054 would amend the Higher Education Act of 1965 to allow states to recognize agencies that confer accreditation on postsecondary institutions. Under current law, only the Department of Education can recognize such agencies. The bill also would set new requirements for agencies’ state recognition and provide additional protections for institutions that face adverse accreditation actions, such as increased monitoring, probation, or denial of accreditation, because of their religious affiliation.

## Estimated Federal Cost

The estimated budgetary effect of H.R. 4054 is shown in Table 1. The costs of the legislation fall within budget function 500 (education, training, employment, and social services).

Table 1. Estimated Budgetary Effects of H.R. 4054													
	By Fiscal Year, Millions of Dollars										2026- 2030	2026- 2035	
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035			
	<b>Increases in Direct Spending</b>												
Estimated Budget Authority	0	18	31	48	66	66	66	67	67	72	163	501	
Estimated Outlays	0	7	25	38	55	61	61	61	62	67	125	437	
	<b>Increases in Spending Subject to Appropriation</b>												
Estimated Authorization	0	41	82	124	166	167	168	169	170	171	413	1,258	
Estimated Outlays	0	11	51	93	135	166	167	168	169	170	290	1,130	

## Basis of Estimate

For this estimate, CBO assumes that H.R. 4054 will be enacted late in 2025 and that the estimated amounts of spending subject to appropriation will be provided each year.

### Budgetary Treatment of Federal Student Aid Programs

CBO estimates that enacting H.R. 4054 would increase the number of accredited postsecondary institutions and programs, resulting in larger postsecondary enrollments and higher costs for federal direct student loans and the Federal Pell Grant Program. Those programs are treated differently in the federal budget from most other programs.

**Student Loans.** The Federal Credit Reform Act of 1990 (FCRA) requires the lifetime costs of the federal direct student loan program to be estimated on a net-present-value basis.<sup>1</sup> The

1. A present value is a single number that expresses a flow of current and future payments or receipts in terms of an equivalent lump sum paid or received at a specific time. The value depends on the rates of interest, known as the discount rates, used to translate future cash flows into current dollars. FCRA specifies those discount rates as the rates on Treasury securities with similar terms to maturity.



changes to the estimated costs of outstanding loans are shown for the year in which their terms are modified by legislation. Administrative costs are estimated on a cash basis.

**Pell Grants.** A combination of discretionary and direct appropriations fund the Federal Pell Grant Program, which provides need-based aid to undergraduate students. For the 2025-2026 academic year, which began on July 1, 2025, the maximum grant is \$6,335 for the portion of the program that is funded through annual discretionary appropriations. Both that maximum award and the total discretionary funding for the program are determined in the annual appropriation act for the Department of Education. CBO’s estimates for the program are based on an assumption that the maximum award remains constant through 2035.

The Pell grant program also has direct spending authority to support a “mandatory add-on” that currently increases the maximum award by an additional \$1,060; thus, the total award for the current academic year is \$7,395.

The bill’s effects on mandatory and discretionary spending are discussed separately.

### Direct Spending

CBO estimates that enacting H.R. 4054 would increase total direct spending for federal student aid by \$437 million over the 2026-2035 period (see Table 2). Of that amount, \$225 million would be for direct student loans and \$212 million would be attributable to an increase in the mandatory add-on for Pell grants.

**Table 2.**  
**Estimated Increases in Direct Spending Under H.R. 4054**

	By Fiscal Year, Millions of Dollars										2026-2030	2026-2035
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
<b>Student Loans</b>												
Estimated Budget Authority	0	10	15	25	35	35	35	35	35	40	85	265
Estimated Outlays	0	5	15	20	30	30	30	30	30	35	70	225
<b>Pell Grant Add-On</b>												
Estimated Budget Authority	0	8	16	23	31	31	31	32	32	32	78	236
Estimated Outlays	0	2	10	18	25	31	31	31	32	32	55	212
<b>Total Changes</b>												
Budget Authority	0	18	31	48	66	66	66	67	67	72	163	501
Estimated Outlays	0	7	25	38	55	61	61	61	62	67	125	437

**Recognizing Accrediting Organizations.** H.R. 4054 would amend the Higher Education Act to allow states to recognize accrediting agencies. States that choose to do so would be required to submit plans to the Department of Education specifying the requirements that accrediting agencies must meet to attain recognition. The department would be directed to approve state plans if the required elements have been submitted.



Under current law, the Department of Education certifies the accrediting agencies that determine whether postsecondary institutions are eligible for federal aid under title IV of the Higher Education Act. A recognized accrediting agency must demonstrate its ability to monitor and assess certain areas of institutional strength, such as student performance, faculty quality, and financial solvency.

The states currently serve as the first step in the process before federal review of an accrediting agency's application. A review of the literature indicates that state requirements vary considerably as do the states' resources for processing accrediting agencies' applications.<sup>2</sup> CBO expects that under the bill, state-recognized agencies would accredit some institutions that would not receive accreditation under current law. CBO also expects that accrediting agencies would have an incentive to reduce their requirements to avoid having a postsecondary institution select another agency that uses less stringent accreditation requirements; institutions could maintain their current accreditation while they change to a new accrediting agency.

Using information from the Department of Education's Database of Accredited Postsecondary Institutions and Programs (DAPIP), CBO estimates that in 2025, roughly 15 percent of actions taken by accrediting agencies were adverse actions toward institutions that failed to meet accreditation requirements. That share does not account for postsecondary institutions that closed or moved. The adverse actions included requiring increased monitoring of an institution, placing an institution on probation, or, in roughly a quarter of those cases, removing accreditation altogether. Using statistics from the Council for Higher Education, CBO also estimates that only a small percentage of institutions are denied initial accreditation, while a slightly larger percentage withdraw. Based on that analysis, and discussions with people who are knowledgeable about accreditation, CBO expects that only a small number of institutions lose or are denied accreditation under current law. Under the bill, CBO expects, the percentage of institutions facing adverse action or loss of accreditation would decline. Thus, more institutions (or programs within institutions) would receive or maintain accreditation under the bill, resulting in a small increase in the number of students who are eligible for federal financial aid.

To maintain eligibility for federal student aid, accredited postsecondary institutions must adhere to federal regulations for transparency concerning student costs and for tracking the gainful employment of their graduates.<sup>3</sup> The 2025 reconciliation act added other requirements with respect to students' postgraduation outcomes. CBO expects that, once fully implemented, all of those provisions will reduce the number of institutions and

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2. See, for example, David A. Tandberg, Ellie M. Bruecker, and Dustin D. Weeden, *Improving State Authorization: The State Role in Ensuring Quality and Consumer Protection in Higher Education* (State Higher Education Executive Officers Association, 2019), <https://tinyurl.com/yc6pukj2>.

3. See Federal Student Aid Knowledge Center, Department of Education, "Financial Value Transparency and Gainful Employment Information," (July 9, 2025), <https://tinyurl.com/y9568fu4>.



programs eligible to participate in federal student aid programs. The federal regulations and the requirements in the 2025 reconciliation act are more stringent than are accreditation requirements in general, and CBO expects that they will limit the increase in the number of institutions that would be newly accredited under H.R. 4054.

Based on an analysis of DAPIP and other literature and incorporating the effects of existing regulations, CBO estimates that by 2030, enacting H.R. 4054 would increase federal aid to undergraduate students by 0.5 percent annually. Roughly 50,000 more students would receive Pell grants and about \$175 million more would be disbursed in undergraduate loans each year thereafter. Because of the time that accrediting agencies and institutions would need to adapt to a new certification framework, CBO expects that any institutions newly accredited under the bill would not begin to receive federal student aid until 2027.

**Accreditation Standards.** H.R. 4054 would require agencies to create new accreditation standards for the total cost of attendance relative to the earnings of graduates and for competency attainment, among other outcomes. The bill also would prevent accrediting agencies from considering an institution’s religious mission when imposing an adverse action. CBO estimates that few institutions, if any, would be affected by that provision and that any change in costs for the direct student loan program or the Pell grant program would be insignificant.

**Spending Subject to Appropriation**

CBO estimates that implementing H.R. 4054 would increase the cost of the discretionary portion of the Pell grant program by \$290 million over the 2026-2030 period and \$1.1 billion over the 2026-2035 period (see Table 3). Any related spending would be subject to the availability of appropriated funds. This estimate of spending subject to appropriation is based on the same analysis that CBO used to estimate the bill’s direct spending effects. Implementing the bill would increase the number of students eligible to receive Pell grants.

Table 3. Estimated Increases in Spending Subject to Appropriation for Pell Grants Under H.R. 4054												
	By Fiscal Year, Millions of Dollars										2026-2030	2026-2035
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
Estimated Authorization	0	41	82	124	166	167	168	169	170	171	413	1,258
Estimated Outlays	0	11	51	93	135	166	167	168	169	170	290	1,130

**Uncertainty**

CBO’s estimate for H.R. 4054 is subject to uncertainty in at least two areas.

First, CBO cannot fully anticipate the ways that states would apply the bill’s provisions for recognizing accrediting agencies, how those agencies would apply new accreditation



requirements, and how postsecondary institutions would respond to changes in accreditation requirements.

Second, CBO cannot precisely identify the extent to which the bill’s provisions, along with current regulations concerning graduates’ gainful employment and institutions’ financial transparency and accountability, would constrain new accreditations. The accountability rules enacted in the 2025 reconciliation act have not yet been implemented. In addition, since 2009, the federal rule related to gainful employment has faced legal challenges, and a previous Administration chose to delay the implementation of that rule and then repealed it. If those federal requirements are enforced differently than CBO anticipates, more or fewer schools and programs could apply for and receive accreditation, thus changing the estimated federal costs.

### Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 4.

Table 4. CBO’s Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4054, the Accreditation Choice and Innovation Act, as Ordered Reported by the House Committee on Education and Workforce on June 25, 2025												
	By Fiscal Year, Millions of Dollars										2026-2030	2026-2035
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
	<b>Net Increase in the Deficit</b>											
Pay-As-You-Go Effect	0	7	25	38	55	61	61	61	62	67	125	437

### Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 4054 would not increase net direct spending by more than \$2.5 billion in any of the four consecutive 10-year periods beginning in 2036.

CBO estimates that enacting H.R. 4054 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2036.

### Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.



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