

114TH CONGRESS
2D SESSION

H. R. 5756

To establish Federal-State higher education financing partnerships to drive down the cost of tuition for millions of American students.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2016

Mr. POCAN (for himself and Mr. ELLISON) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To establish Federal-State higher education financing partnerships to drive down the cost of tuition for millions of American students.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Degrees Not Debt
5 Act”.

6 **SEC. 2. STATE-FEDERAL COLLEGE AFFORDABILITY AND**
7 **COMPLETION PARTNERSHIPS.**

8 Title IV of the Higher Education Act of 1965 (20
9 U.S.C. 1070 et seq.) is amended by adding at the end
10 the following:

1 **“PART J—STATE-FEDERAL COLLEGE AFFORD-**
2 **ABILITY AND COMPLETION PARTNERSHIPS**

3 **“SEC. 499–1. PURPOSE.**

4 “The purpose of this part is to establish a State-Fed-
5 eral partnership that incentivizes State investment in pub-
6 lic higher education.

7 **“SEC. 499–2. DEFINITIONS.**

8 “In this part:

9 “(1) **ELIGIBLE STATE.**—The term ‘eligible
10 State’ means a State that provides, to public institu-
11 tions of higher education, net State operating sup-
12 port per FTE student in an amount equal to not
13 less than 50 percent of the amount that reflects the
14 maximum Federal Pell Grant award amount for the
15 most recent academic year.

16 “(2) **FULL-TIME EQUIVALENT STUDENT NUM-**
17 **BER.**—The term ‘full-time equivalent student num-
18 ber’ means a number reflecting the number of stu-
19 dents enrolled full time at a public institution of
20 higher education in the State, and shall be defined
21 and calculated in the manner determined most ap-
22 propriate by the Secretary.

23 “(3) **LOW-INCOME STUDENT.**—The term ‘low-
24 income student’ means a student who is eligible for
25 a Federal Pell Grant under section 401.

26 “(4) **NET STATE OPERATING SUPPORT.**—

1 “(A) IN GENERAL.—The term ‘net State
2 operating support’ means an amount that is
3 equal to the amount of State funds and local
4 government appropriations used to support pub-
5 lic higher education annual operating expenses
6 in the State, calculated in accordance with sub-
7 paragraphs (B) and (C).

8 “(B) CALCULATION.—A State’s net State
9 operating support shall, for a fiscal year, be an
10 amount that is equal to the difference resulting
11 from the gross amount of State funds appro-
12 priated and disbursed by the State and ex-
13 pended by the recipient institutions in the fiscal
14 year for public higher education operating ex-
15 penses in the State, minus—

16 “(i) such appropriations that are re-
17 turned to the State;

18 “(ii) State-appropriated funds derived
19 from Federal sources, including funds pro-
20 vided under this part;

21 “(iii) local government funds not ap-
22 propriated for operating support for public
23 higher education;

24 “(iv) amounts that are portions of
25 multi-year appropriations to be distributed

1 over multiple years that are not to be
2 spent for the year for which the calculation
3 is being made;

4 “(v) tuition charges remitted to the
5 State to offset State appropriations;

6 “(vi) State funding for students in
7 non-credit continuing or adult education
8 courses and non-credit extension courses;

9 “(vii) sums appropriated to private
10 nonprofit institutions of higher education,
11 or to proprietary institutions of higher
12 education, for capital outlay or operating
13 expenses; and

14 “(viii) any other funds excluded under
15 subparagraph (C).

16 “(C) EXCLUSIONS.—Net State operating
17 support does not include—

18 “(i) funds for—

19 “(I) student aid programs that
20 provide grants to students attending
21 in-State private nonprofit institutions
22 of higher education, in-State propri-
23 etary institutions of higher education,
24 independent institutions, in-State pub-

1 lic institutions, and out-of-State insti-
2 tutions;

3 “(II) capital outlay;

4 “(III) deferred maintenance; or

5 “(IV) research and development;

6 or

7 “(ii) any other funds that the Sec-
8 retary may exclude.

9 “(5) NET STATE OPERATING SUPPORT PER FTE
10 STUDENT.—The term ‘net State operating support
11 per FTE student’ means, for a fiscal year—

12 “(A) the net State operating support for
13 the previous fiscal year; divided by

14 “(B) the full-time equivalent student num-
15 ber for the previous fiscal year.

16 “(6) POVERTY LINE.—The term ‘poverty line’
17 means the poverty line (as defined by the Office of
18 Management and Budget and revised annually in ac-
19 cordance with section 673(2) of the Community
20 Services Block Grant Act) applicable to a family of
21 the size involved.

22 “(7) PUBLIC INSTITUTION.—The term ‘public
23 institution’ means an institution of higher education
24 (as defined in section 101) whose liabilities are
25 backed by the full faith and credit of the State or

1 its equivalent, as determined in accordance with sec-
2 tion 668.15 of title 34, Code of Federal Regulations,
3 or any successor regulation.

4 “(8) PRIVATE NONPROFIT INSTITUTION OF
5 HIGHER EDUCATION.—The term ‘private nonprofit
6 institution of higher education’ means an institution
7 of higher education, as defined in section 102, that
8 is a private nonprofit institution.

9 “(9) PROPRIETARY INSTITUTION OF HIGHER
10 EDUCATION.—The term ‘proprietary institution of
11 higher education’ has the meaning given the term in
12 section 102(b).

13 **“SEC. 499–3. AUTHORIZATION; USE OF FUNDS.**

14 “(a) AUTHORIZATION.—The Secretary shall award
15 annual block grants to eligible States to encourage States
16 to provide additional funding for public higher education.

17 “(b) USE OF FUNDS BY STATES.—An eligible State
18 receiving a block grant under this part shall allocate 100
19 percent of block grant funding to public institutions for
20 public higher education expenditures in accordance with
21 subsection (c).

22 “(c) USE OF FUNDS BY PUBLIC INSTITUTIONS.—A
23 public institution that receives funds under this part
24 shall—

1 “(1) use a portion of such funds to directly re-
 2 duce tuition costs or mitigate the need to raise tui-
 3 tion and fees for students residing in the State;

4 “(2) use a portion of such funds to support the
 5 enrollment of low-income students in the institution;

6 “(3) use a portion of such funds to support re-
 7 tention and degree completion of low-income stu-
 8 dents; and

9 “(4) create a publicly available report that doc-
 10 uments the institution’s efforts to satisfy the re-
 11 quirements described in paragraphs (1) through (3).

12 “(d) PROHIBITIONS.—

13 “(1) NO USE FOR ENDOWMENTS.—A public in-
 14 stitution may not use funds received under this part
 15 to increase the endowment of the public institution.

16 “(2) NO USE FOR ATHLETIC OR COMMERCIAL
 17 VENUES.—No funds awarded under this part may be
 18 used for the modernization, renovation, or repair of
 19 stadiums or other facilities of a public institution
 20 primarily used for athletic contests or events for
 21 which admission is charged to the general public.

22 “(e) STATE LIMITATIONS ON INSTITUTIONS.—Noth-
 23 ing in this section shall be construed to prohibit a State
 24 from establishing additional requirements for public insti-

1 tutions in the State for the purpose of increasing the af-
 2 fordability of higher education.

3 **“SEC. 500. GRANT FORMULA.**

4 “(a) GRANT FORMULA.—The Secretary shall award
 5 a block grant to an eligible State for a fiscal year in an
 6 amount equal to the product of—

7 “(1) the marginal Federal match amount for
 8 the fiscal year, as determined under subsection (b);
 9 multiplied by

10 “(2) the full-time equivalent student number for
 11 the previous fiscal year.

12 “(b) FEDERAL MATCH AMOUNT FOR ELIGIBLE
 13 STATES.—The marginal Federal match amount shall be
 14 the following:

15 “(1) ELIGIBLE STATES WITH NET STATE OPER-
 16 ATING SUPPORT PER FTE STUDENT BETWEEN 50
 17 PERCENT AND 130 PERCENT OF THE MAXIMUM FED-
 18 ERAL PELL GRANT.—The marginal Federal match
 19 amount for an eligible State with a net State oper-
 20 ating support per FTE student for the fiscal year
 21 that is equal to or more than 50 percent of the
 22 amount of the maximum Federal Pell Grant under
 23 section 401 for the most recent fiscal year but is less
 24 than 130 percent of such amount, shall be equal to
 25 the product of—

1 “(A) the amount of the maximum Federal
 2 Pell Grant for the most recent fiscal year; mul-
 3 tiplied by

4 “(B) the result of the mathematical ex-
 5 pression $0.26x^2 - 0.14x + 0.005$, where x rep-
 6 resents the ratio obtained by dividing the eligi-
 7 ble State’s net State operating support per
 8 FTE student by the amount of the maximum
 9 Federal Pell Grant for the most recent fiscal
 10 year.

11 “(2) ELIGIBLE STATES WITH NET STATE OPER-
 12 ATING SUPPORT EQUAL TO OR GREATER THAN 130
 13 PERCENT OF THE MAXIMUM FEDERAL PELL
 14 GRANT.—The marginal Federal match amount for
 15 an eligible State with a net State operating support
 16 per FTE student for the fiscal year equal to or
 17 greater than 130 percent of the amount of the max-
 18 imum Federal Pell Grant for the most recent fiscal
 19 year, shall be equal to the sum of—

20 “(A) the amount calculated under para-
 21 graph (1) for a State with a net State operating
 22 support per FTE student equal to 130 percent
 23 of the amount of the maximum Federal Pell
 24 Grant for the most recent fiscal year; and

1 “(B) 10 percent of the amount by which
2 the eligible State’s net State operating support
3 per FTE student exceeds 130 percent of such
4 maximum Federal Pell Grant,
5 except that in no case shall the marginal Federal
6 match under this paragraph exceed an amount equal
7 to 30 percent of the amount of the maximum Fed-
8 eral Pell Grant for the most recent fiscal year.

9 “(c) Ratable Reduction.—If the sums made avail-
10 able under this part for any fiscal year are insufficient
11 to pay the full amounts that all States are eligible to re-
12 ceive in accordance with this section for such year, the
13 Secretary shall establish procedures for ratably reducing
14 each State’s award amount.

15 **“SEC. 501. ACCOUNTABILITY AND ENFORCEMENT.**

16 “(a) ANNUAL REPORT.—

17 “(1) IN GENERAL.—Beginning for the first fis-
18 cal year after a State receives a block grant under
19 this part, the State shall prepare and submit an an-
20 nual report to the Secretary, which shall include de-
21 tailed information about the State’s use of the grant
22 funds to increase the affordability of public higher
23 education and increase the enrollment and comple-
24 tion rates of low-income students (as measured by
25 eligibility for a Federal Pell Grant).

1 “(2) CONTENTS.—A report described in para-
2 graph (1) shall—

3 “(A) describe the cause of any increases in
4 public higher education costs and the sources of
5 new funding to address such increases;

6 “(B) describe all actions taken to
7 incentivize public institutions to reduce tuition
8 costs, or mitigate the need to raise tuition and
9 fees for in-State students;

10 “(C) explain the extent to which public in-
11 stitutions supported the enrollment of low-in-
12 come students who are eligible for Federal Pell
13 Grants or other need-based financial assistance;

14 “(D) disclose how the State distributed the
15 allotment provided under this part to all public
16 institutions, and the rationale for such distribu-
17 tion;

18 “(E) include, as reported to the State by
19 each public institution in the State, the aggre-
20 gate graduation rates at such institutions for
21 low-income students (based on eligibility for
22 Federal Pell Grants), part-time students, and
23 transfer students, disaggregated by type of de-
24 gree or credential;

1 “(F) detail State efforts to improve the re-
2 tention and graduation rates of low-income stu-
3 dents at both 2-year and 4-year institutions of
4 higher education; and

5 “(G) be publicly available in a manner that
6 is easily accessible to parents, students, and
7 consumer advocates.

8 “(b) WAIVER OF UNMET FINANCIAL NEED FOR CER-
9 TAIN STUDENTS.—

10 “(1) IN GENERAL.—Each State receiving an al-
11 lotment under this part for a fiscal year shall, as a
12 condition of receiving the allotment, ensure that
13 each public institution in the State waives, or pro-
14 vides assistance (such as work study assistance,
15 State grants, or Federal grants) to assist in meet-
16 ing, any unmet financial need for a course of study
17 (as calculated under paragraph (2)) for any student
18 enrolled in such course of study—

19 “(A) who is a dependent student from a
20 family with an income at or below 350 percent
21 of the poverty line; or

22 “(B) who is an independent student with
23 an income at or below 350 percent of the pov-
24 erty line.

1 “(2) FORMULA.—For purposes of paragraph
2 (1), a student’s unmet financial need for enrollment
3 in a course study shall be equal to—

4 “(A) the cost of attendance for such course
5 of study for such student, minus

6 “(B) the expected family contribution for
7 such student, minus

8 “(C) estimated financial assistance not re-
9 ceived under this title (as defined in section
10 480(j)), minus

11 “(D) the amount of the Federal Pell Grant
12 awarded to such student for such course of
13 study.

14 “(c) MAINTAINING NET STATE OPERATING SUPPORT
15 PER FTE STUDENT.—

16 “(1) IN GENERAL.—Each State receiving an al-
17 lotment under this part for a fiscal year shall—

18 “(A) ensure that the amount expended by
19 the State, from funds derived from non-Federal
20 sources, for net State operating support per
21 FTE student for the preceding fiscal year was
22 not less than the amount expended by the State
23 for net State operating support per FTE stu-
24 dent for the second preceding fiscal year; and

1 “(B) demonstrate the State’s compliance
 2 with subparagraph (A) by providing the Sec-
 3 retary with a written assurance and detailed
 4 documentation.

5 “(2) PENALTY.—If a State does not comply
 6 with paragraph (1), the State’s grant award under
 7 this part shall be reduced by an amount equal to the
 8 product of—

9 “(A) the difference between—

10 “(i) the net State operating support
 11 per FTE student for the second preceding
 12 fiscal year; minus

13 “(ii) the net State operating support
 14 per FTE student for the preceding fiscal
 15 year; multiplied by

16 “(B) the full-time equivalent student num-
 17 ber for the previous fiscal year.

18 “(d) MAINTENANCE OF EFFORT FOR STATE-BASED
 19 FINANCIAL AID AND AVOIDANCE OF TUITION INFLA-
 20 TION.—Each State receiving an allotment under this part
 21 for a fiscal year shall, as a condition of receiving the allot-
 22 ment—

23 “(1) maintain the level of State student need-
 24 based financial aid support provided for costs associ-
 25 ated with postsecondary education at not less than

1 the average annual level of such support provided
2 for the 3 academic years immediately preceding the
3 year for which the State is receiving the allotment;
4 and

5 “(2) ensure that for the academic year imme-
6 diately following the academic year for which the
7 State is receiving the allotment, all public institu-
8 tions of higher education in the State will not in-
9 crease tuition for in-State students by a percentage
10 greater than the estimated percentage increase in
11 the Consumer Price Index (as determined by the
12 Secretary, using the definition in section 478(f)) for
13 the calendar year for which the State is receiving the
14 allotment.

15 “(e) AUTHORITY TO COMPROMISE.—Notwith-
16 standing subsections (c) and (d), the Secretary may waive
17 any maintenance of support and effort requirement, or the
18 avoidance of tuition requirement, described in such sub-
19 sections for a State if there is a clear case of a significant
20 economic downturn in the State as evidenced by a reduc-
21 tion in State domestic product, real per capita income, and
22 employment. Such determination shall only be made by
23 the Secretary following a written appeal by the State that
24 documents recent and significant decreases in economic
25 activity in the State.

1 “(f) REPORTING ON PERCENTAGE OF LOW-INCOME
2 STUDENTS.—Each State that received an allotment under
3 this part for a fiscal year and that desires to receive an-
4 other such allotment for the succeeding fiscal year shall,
5 as a condition of receiving such other allotment, report
6 to the Secretary—

7 “(1) on the percentage of enrollment of low-in-
8 come students at each public institution in the State
9 (out of the total student enrollment in such institu-
10 tion) for the mostly recently completed academic
11 year, as so reported by such institutions to the
12 State; and

13 “(2) with respect to any recently completed aca-
14 demic year for which the percentage of enrollment of
15 such students at a public institution in the State
16 was below the percentage of enrollment of such stu-
17 dents in public institutions in the United States as
18 a whole for such year (out of the total student en-
19 rollment in such public institutions for such year),
20 an explanation from such institution in the State for
21 the reason for such reduced enrollment for low-in-
22 come students at the institution for such year.

1 **“SEC. 502. AUTHORIZATION OF APPROPRIATIONS.**

2 “There are authorized to be appropriated to carry out
3 this part such sums as may be necessary for fiscal year
4 2017 and each of the five succeeding fiscal years.”.

