

119TH CONGRESS
2D SESSION

S. _____

To establish State-Federal partnerships to provide students the opportunity to attain higher education at in-State public institutions of higher education without debt, to provide Federal Pell Grant eligibility to DREAMer students, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. SCHATZ (for himself, Mr. PADILLA, Mr. MERKLEY, Ms. WARREN, Mr. DURBIN, Mr. BLUMENTHAL, Mr. BOOKER, Ms. BALDWIN, and Mr. LUJÁN) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To establish State-Federal partnerships to provide students the opportunity to attain higher education at in-State public institutions of higher education without debt, to provide Federal Pell Grant eligibility to DREAMer students, and for other purposes.

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 “Debt-Free College Act
5 of 2026”.

1 **SEC. 2. DEBT-FREE COLLEGE PARTNERSHIP.**

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

5 **“PART J—DEBT-FREE COLLEGE PARTNERSHIP**

6 **“SEC. 499A-1. PURPOSE.**

7 “The purpose of this part is to establish State-Fed-
8 eral partnerships that will—

9 “(1) increase investment in public higher edu-
10 cation; and

11 “(2) provide students the opportunity to attain
12 higher education at in-State public institutions of
13 higher education without debt (‘debt-free college’).

14 **“SEC. 499A-2. DEFINITIONS.**

15 “In this part:

16 “(1) COST OF ATTENDANCE.—The term ‘cost of
17 attendance’ has the meaning given the term in sec-
18 tion 472.

19 “(2) DEBT-FREE COLLEGE COMMITMENT.—The
20 term ‘debt-free college commitment’ means a com-
21 mitment by a State participating in the State-Fed-
22 eral partnership under this part to cover the unmet
23 financial need for all eligible students.

24 “(3) ELIGIBLE STUDENT.—The term ‘eligible
25 student’ means an individual who—

1 “(A) is enrolled, or is eligible to enroll, in
2 a public institution of higher education in the
3 State in which the individual resides; and

4 “(B) completes a Free Application for
5 Federal Student Aid or demonstrates eligibility
6 for a Federal Pell Grant through State or insti-
7 tutional financial aid eligibility forms.

8 “(4) HEADCOUNT.—The term ‘headcount’
9 means the unduplicated number of students enrolled
10 over a 12-month period, which shall be defined and
11 calculated in the manner determined most appro-
12 priate by the Secretary.

13 “(5) NET STATE OPERATING SUPPORT.—The
14 term ‘net State operating support’ means an amount
15 that is equal to the amount of State funds and local
16 government appropriations used to support public
17 higher education annual operating expenses and fi-
18 nancial aid programs in the State, calculated in ac-
19 cordance with subparagraphs (A) and (B).

20 “(A) CALCULATION.—A State’s net State
21 operating support shall, for a fiscal year, be an
22 amount that is equal to the difference resulting
23 from the gross amount of State funds appro-
24 priated and disbursed by the State and ex-
25 pended by the recipient institutions in the fiscal

1 year for public higher education operating ex-
2 penses in the State, minus—

3 “(i) such appropriations that are re-
4 turned to the State;

5 “(ii) State-appropriated funds derived
6 from Federal sources, including funds pro-
7 vided under this part;

8 “(iii) local government funds not ap-
9 propriated for operating support for public
10 higher education;

11 “(iv) amounts that are portions of
12 multi-year appropriations to be distributed
13 over multiple years that are not to be
14 spent for the year for which the calculation
15 is being made;

16 “(v) tuition charges remitted to the
17 State to offset State appropriations;

18 “(vi) State funding for students in
19 non-credit continuing or adult education
20 courses and non-credit extension courses;

21 “(vii) sums appropriated to private
22 nonprofit institutions of higher education,
23 or to proprietary institutions of higher
24 education, for capital outlay or operating
25 expenses; and

1 “(viii) any other funds excluded under
2 subparagraph (B).

3 “(B) EXCLUSIONS.—Net State operating
4 support does not include funds for—

5 “(i) student aid programs that provide
6 grants to students attending out-of-State
7 institutions of higher education, propri-
8 etary institutions of higher education, and
9 institutions of higher education not accred-
10 ited by an agency or association recognized
11 by the Secretary pursuant to section 496;

12 “(ii) capital outlays;

13 “(iii) deferred maintenance;

14 “(iv) financial aid to students award-
15 ed predominantly on the basis of merit;

16 “(v) hospitals, athletics, or other aux-
17 iliary enterprises;

18 “(vi) research and development; or

19 “(vii) any other funds that the Sec-
20 retary determines shall not be included in
21 the calculation of net State operating sup-
22 port for higher education for such State.

23 “(6) NET STATE OPERATING SUPPORT PER
24 STUDENT.—The term ‘net State operating support
25 per student’ means, for a fiscal year—

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

3 “(B) the headcount for the previous fiscal
4 year.

5 “(7) PARTNERSHIP OFFICE.—The term ‘Part-
6 nership Office’ means the Office created under sec-
7 tion 499A–4(a).

8 “(8) PUBLIC INSTITUTION OF HIGHER EDU-
9 CATION.—The term ‘public institution of higher edu-
10 cation’ means an educational institution in any State
11 that—

12 “(A) admits as regular students only per-
13 sons having a certificate of graduation from a
14 school providing secondary education, or the
15 recognized equivalent of such a certificate, or
16 persons who are eligible students;

17 “(B) is legally authorized within such
18 State to provide a program of education beyond
19 secondary education;

20 “(C) provides an educational program for
21 which the institution awards a bachelor’s degree
22 or provides not less than a 2-year program that
23 is acceptable for full credit toward such a de-
24 gree, or awards a degree that is acceptable for
25 admission to a graduate or professional degree

1 program, subject to review and approval by the
2 Secretary;

3 “(D) has the full faith and credit of the
4 State; and

5 “(E) is accredited by a nationally recog-
6 nized accrediting agency or association, or if
7 not so accredited, is an institution that has
8 been granted preaccreditation status by such an
9 agency or association that has been recognized
10 by the Secretary for the granting of
11 preaccreditation status, and the Secretary has
12 determined that there is satisfactory assurance
13 that the institution will meet the accreditation
14 standards of such an agency or association
15 within a reasonable time.

16 “(9) RELEVANT COMMITTEES OF CONGRESS.—
17 The term ‘relevant committees of Congress’ means
18 the Committee on Health, Education, Labor, and
19 Pensions and the Committee on Appropriations of
20 the Senate and the Committee on Education and the
21 Workforce and the Committee on Appropriations of
22 the House of Representatives.

23 “(10) STUDENT SUCCESS PROGRAM.—The term
24 ‘student success program’ means a program or serv-
25 ice at an institution of higher education that is dedi-

1 cated to addressing barriers to degree attainment,
2 particularly for low-income students, for the purpose
3 of increasing the percentage of students completing
4 programs of study in their entirety and attaining re-
5 lated degrees.

6 “(11) UNMET NEED.—The term ‘unmet need’
7 means the difference between a student’s cost of at-
8 tendance to attend an in-State public institution of
9 higher education and the student’s student aid index
10 plus any Federal, State, or local sources of grant
11 aid.

12 **“SEC. 499A-3. ESTABLISHMENT OF A STATE-FEDERAL PART-**
13 **NERSHIP GRANT PROGRAM.**

14 “(a) GRANTS AUTHORIZED.—The Secretary shall
15 award grants to States to establish State-Federal partner-
16 ships with a goal of providing debt-free college for all eligi-
17 ble students at in-State public institutions of higher edu-
18 cation.

19 “(b) APPLICATION.—A State that desires to partici-
20 pate in the State-Federal partnership under this part shall
21 submit an application to the Secretary at such time, in
22 such manner, and accompanied by such information as the
23 Secretary may require.

24 “(c) AMOUNT OF GRANTS.—

“(1) IN GENERAL.—The Secretary shall award a grant to a State that submits an application under subsection (b) for a fiscal year in an amount that is equal to State’s net State operating support.

5 “(2) RATABLE REDUCTION.—If the amount ap-
6 propriated to carry out this part for a fiscal year is
7 insufficient to award each State the State’s full
8 grant amount pursuant to paragraph (1), the Sec-
9 retary shall establish procedures for ratably reducing
10 each State’s award amount for such fiscal year.

“(d) AMOUNTS NOT EXPENDED.—Any amount of a grant awarded under this part that is not expended on allowable expenditures by the end of the fiscal year for which the grant was awarded shall be applied to the following year’s grant award amount, if the State remains eligible to receive a grant under this part for such following year. If such State is not eligible to receive a grant under this part for such following year, the State shall return the unexpended balance amount to the Federal Government.

21 “SEC. 499A-4. STATE-FEDERAL PARTNERSHIP RESPON-
22 SIBILITIES.

23 “(a) FEDERAL ACTIVITIES.—

24 “(1) IN GENERAL.—The Secretary shall create
25 an office in the Department of Education to admin-

1 ister the State-Federal partnerships established
2 under this part. Such Partnership Office shall be re-
3 sponsible for—

4 “(A) administering grant awards;

5 “(B) monitoring compliance with partner-
6 ship requirements;

7 “(C) providing technical assistance to
8 States in applying for participation in, and im-
9 plementing, a partnership; and

10 “(D) providing information to students in
11 participating States.

12 “(2) EVALUATIONS.—The Partnership Office
13 shall develop metrics of evaluation and perform an
14 annual evaluation of each State participating in a
15 State-Federal partnership under this part. The eval-
16 uation shall assess the State’s success in meeting the
17 partnership’s goals, including—

18 “(A) providing debt-free college for all eli-
19 gible students;

20 “(B) increasing State investment in higher
21 education;

22 “(C) maintaining access to in-State public
23 institutions of higher education for low-income
24 and underserved students;

1 “(D) maintaining and improving rates of
2 student success and academic quality;

3 “(E) maintaining or reducing the cost of
4 public higher education and the price charged
5 to students; and

6 “(F) investing in improving capacity, ac-
7 cess, quality, and student achievement of in-
8 State public institutions of higher education.

9 “(3) ANNUAL REPORT.—The Partnership Of-
10 fice shall submit an annual report to the relevant
11 committees of Congress and include information
12 gained from the annual evaluation under paragraph
13 (2).

14 “(4) WEBSITE.—The Partnership Office shall
15 create a public, consumer-oriented website with in-
16 formation about State-Federal partnerships estab-
17 lished under this part, including information from
18 the annual evaluation under paragraph (2).

19 “(b) STATE ACTIVITIES.—

20 “(1) IN GENERAL.—A State that receives a
21 grant under this part to establish a State-Federal
22 partnership shall—

23 “(A) distribute the grant funds according
24 to the allowable uses of funds described in sec-
25 tion 499A–5 in a manner designed to best

1 achieve the partnership’s goal of providing debt-
2 free college for all eligible students at in-State
3 public institutions of higher education;

4 “(B) maintain access at each in-State pub-
5 lic institution of higher education for low-in-
6 come and underserved students;

7 “(C) cap tuition and fees at public institu-
8 tions of higher education in the State at levels
9 as of the date of enactment of the Debt-Free
10 College Act of 2026, with a yearly increase al-
11 lowed based on the Consumer Price Index (as
12 determined by the Secretary);

13 “(D) commit to working with in-State pub-
14 lic institutions of higher education to reduce
15 tuition and fees as the net State operating sup-
16 port increases;

17 “(E) maintain State need-based financial
18 aid programs in effect on the date of enactment
19 of the Debt-Free College Act of 2026 or use
20 State funds for such programs to further the
21 debt-free commitment made under the State-
22 Federal partnership;

23 “(F) maintain or increase levels of net
24 State operating support in effect on the date of
25 enactment of the Debt-Free College Act of

1 2026, subject to the maintenance of effort pro-
2 visions contained in this part;

3 “(G) develop, adopt, and implement a
4 State formula for calculating the cost of attend-
5 ance at in-State public institutions of higher
6 education;

7 “(H) develop statewide credit transfer poli-
8 cies to—

9 “(i) facilitate credit transfers among
10 in-State public institutions of higher edu-
11 cation; and

12 “(ii) provide students with clear and
13 timely information about credit transfer
14 policies at in-State public institutions of
15 higher education; and

16 “(I) clearly communicate to prospective
17 students, their families, and the general public
18 how the State plans to implement the State-
19 Federal partnership and how eligible students
20 can attend a public institution of higher edu-
21 cation in the State without debt, including early
22 notification for students of their eligibility for
23 financial aid under the partnership.

24 “(2) 5-YEAR PLAN.—

1 “(A) IN GENERAL.—In order to receive a
2 grant under this part, a State shall provide to
3 the Secretary a 5-year plan for achieving the
4 goals of the State-Federal partnership that is
5 approved by the Secretary under subparagraph
6 (C). A State shall update and resubmit a plan
7 every 5 years thereafter.

8 “(B) PLAN TO MEET GOALS.—The 5-year
9 plan shall detail how the State plans to meet
10 the goal of providing debt-free college for all eli-
11 gible students at in-State public institutions of
12 higher education within 5 years and increase
13 the State’s investment in higher education, with
14 specific benchmarks detailed for each year.

15 “(C) APPROVAL BY THE SECRETARY.—In
16 order to receive grant funds under the State-
17 Federal Partnership award—

18 “(i) the State shall have a 5-year plan
19 approved by the Secretary; and

20 “(ii) the State shall demonstrate an-
21 nual progress.

22 “(D) WAIVER OF 5-YEAR DEADLINE.—A
23 State may apply for a waiver from the deadline
24 of meeting all of the State-Federal partner-
25 ship’s goals within 5 years if the State—

1 “(i) provides a credible plan for mak-
2 ing progress towards the goals; and

3 “(ii) is able to demonstrate that the
4 State will, at a minimum, provide debt-free
5 college within 5 years to eligible students
6 who are Federal Pell Grant recipients
7 under subpart 1 of part A.

8 “(3) REFORMS AND INNOVATIVE PRACTICES.—
9 After receiving a grant under this part, a State shall
10 provide to the Secretary a description of the prom-
11 ising and evidence-based institutional reforms and
12 innovative practices to improve student outcomes, in-
13 cluding transfer and completion rates, that have
14 been or will be adopted by each public institution of
15 higher education in the State that will receive grant
16 funds, such as—

17 “(A) providing comprehensive academic,
18 career, and student support services (including
19 mentoring, advising, case management services,
20 and career pathway navigation), especially for
21 low-income, first-generation, and adult stu-
22 dents, and other students belonging to racial
23 and other groups that are historically underrep-
24 resented in higher education; or

1 “(B) providing direct support services, or
2 assistance in applying for such services, such
3 as—

4 “(i) child care, transportation, and
5 emergency financial assistance;

6 “(ii) assistance in obtaining health in-
7 surance coverage and accessing health care
8 services, including behavioral and mental
9 health services;

10 “(iii) assistance in obtaining afford-
11 able housing; and

12 “(iv) nutrition assistance programs or
13 free or discounted food; and

14 “(C) helping to enroll eligible students in
15 means-tested Federal benefit programs, or simi-
16 lar State, tribal, or local benefit programs, in-
17 cluding—

18 “(i) the Medicaid program under title
19 XIX of the Social Security Act (42 U.S.C.
20 1396 et seq.);

21 “(ii) the supplemental nutrition assist-
22 ance program under the Food and Nutri-
23 tion Act of 2008 (7 U.S.C. 2011 et seq.);

24 “(iii) the program of block grants for
25 States for temporary assistance for needy

1 families established under part A of title
2 IV of the Social Security Act (42 U.S.C.
3 601 et seq.);

4 “(iv) the special supplemental nutri-
5 tion program for women, infants, and chil-
6 dren established by section 17 of the Child
7 Nutrition Act of 1966 (42 U.S.C. 1786);
8 and

9 “(v) benefits through the Child Care
10 Development Fund under the Child Care
11 and Development Block Grant Act of 1990
12 (42 U.S.C. 9857 et seq.).

13 “(4) NO ADDITIONAL ELIGIBILITY REQUIRE-
14 MENTS.—A State that receives a grant under this
15 part to establish a State-Federal partnership may
16 not impose additional eligibility requirements on stu-
17 dents other than those contained in this part.

18 **“SEC. 499A-5. USES OF FUNDS.**

19 “(a) IN GENERAL.—

20 “(1) NEED-BASED AID FOR PELL RECIPI-
21 ENTS.—From amounts remaining after reserving
22 funds in accordance with subsections (b) through
23 (d), a State that receives a grant under this part to
24 establish a State-Federal partnership shall disburse
25 funds from the net State operating support and the

1 partnership grant funds on the basis of need, as de-
2 termined by the Free Application for Federal Stu-
3 dent Aid or an institutional financial aid eligibility
4 form, to cover the unmet need for each eligible stu-
5 dent who receives a Federal Pell Grant under sub-
6 part 1 of part A.

7 “(2) DISBURSEMENT OF REMAINING FUNDS.—

8 “(A) IN GENERAL.—Any funds that re-
9 main after a State disburses funds in accord-
10 ance with paragraph (1) shall be used by the
11 State to cover part or all of the unmet need for
12 eligible students who do not receive a Federal
13 Pell Grant under subpart 1 of part A, with pri-
14 ority based on student financial need, in a man-
15 ner determined by the State.

16 “(B) PRIVATE AID NOT TAKEN INTO AC-
17 COUNT.—In disbursing funds under this para-
18 graph, the State shall not take into account any
19 private sources of aid or loans available to an
20 eligible student.

21 “(b) STUDENT SUCCESS PROGRAMS.—

22 “(1) IN GENERAL.—A State that receives a
23 grant under this part for a fiscal year to establish
24 a State-Federal partnership shall use 4 percent of

1 the grant funds for such fiscal year to establish or
2 increase funding for student success programs.

3 “(2) DISTRIBUTION.—From the total amount
4 of grant funds available under paragraph (1) for a
5 fiscal year, the State shall provide to each public in-
6 stitution of higher education in the State that is eli-
7 gible to participate in programs under this title for
8 such fiscal year an amount that bears the same rela-
9 tion to such total amount as the number of students
10 enrolled in such institution of higher education who
11 are eligible to receive a Federal Pell Grant bears to
12 the number of students enrolled in all public institu-
13 tions of higher education in the State who are eligi-
14 ble to receive a Federal Pell Grant.

15 “(3) ALLOWABLE USES.—An institution of
16 higher education that receives funds under para-
17 graph (2) shall use such funds to establish, imple-
18 ment, or expand a student success program, includ-
19 ing for the following purposes:

20 “(A) Providing information to prospective
21 and current students to assist and improve
22 completion, including creating materials clari-
23 fying different program completion require-
24 ments and costs, holding seminars for prospec-
25 tive or current students on course schedules

1 and program costs, and updating school
2 websites to make information publically avail-
3 able.

4 “(B) Hiring additional counselors and ad-
5 visors to focus on student completion support
6 and training existing personnel to implement
7 the student success program.

8 “(C) Increasing academic support pro-
9 grams, such as writing coaches, tutors, pre-
10 requisite skill courses, and study materials, and
11 enhancing academic facilities for students.

12 “(D) Providing microgrants for students
13 participating in the student success program
14 who maintain good academic standing and
15 progress toward on-time graduation.

16 “(4) REPORTING.—

17 “(A) REPORTS FROM INSTITUTIONS.—An
18 institution of higher education that receives
19 funds under paragraph (2) shall submit to the
20 State in which the institution is located at the
21 end of each fiscal year a report that details the
22 uses of funds, changes in the ratios of students
23 to counselors, and 2-year and 4-year degree at-
24 tainment rates, disaggregated by race and Fed-
25 eral Pell Grant recipient status.

1 “(B) SUSPENSION.—If a State determines
2 that an institution of higher education that re-
3 ceives funds under paragraph (2) for a fiscal
4 year used such funds for activities that were
5 not allowable uses under paragraph (3), the
6 State may suspend distribution of funds to the
7 institution for the following fiscal year and re-
8 quire the institution to submit proposed expend-
9 itures for approval before receiving funds again
10 under paragraph (2).

11 “(C) REPORT FROM STATE.—A State that
12 receives a grant under this part for a fiscal year
13 to establish a State-Federal partnership shall
14 submit to the Secretary at the end of each fis-
15 cal year a report that details the uses of grant
16 funds under this subsection in public institu-
17 tions of higher education in the State that are
18 eligible to participate in programs under this
19 title, changes in the ratio of students to coun-
20 selors in such institutions in the State, and 2-
21 year and 4-year degree attainment rates in such
22 institutions in the State, disaggregated by race
23 and Federal Pell Grant recipient status.

24 “(c) HIGHER EDUCATION RELATED ACTIVITIES.—A
25 State that receives a grant under this part to establish

1 a State-Federal partnership may use not more than 5 per-
2 cent of the grant funds for the following higher education
3 related activities:

4 “(1) Increasing the capacity within the public
5 higher education system of the State, including
6 through the following:

7 “(A) Construction of new facilities.

8 “(B) Renovation of existing facilities.

9 “(C) Hiring of faculty.

10 “(D) Student support services.

11 “(2) Increasing the enrollment of low-income
12 and underserved students.

13 “(3) Improving student outcomes, including
14 meeting student learning goals, increasing comple-
15 tion rates, and improving post-graduate job place-
16 ment, in consultation with faculty and staff at in-
17 State public institutions of higher education.

18 “(4) Providing information to prospective stu-
19 dents and families.

20 “(5) Developing new higher education programs
21 to meet the State’s workforce needs, in consultation
22 with faculty and staff at in-State public institutions
23 of higher education, employers, and other relevant
24 stakeholders.

1 “(6) Programs and student support services at
2 public secondary schools if those programs and serv-
3 ices directly support an activity described in any of
4 paragraphs (1) through (5).

5 “(7) Other activities as approved by the Sec-
6 retary to improve the State’s public higher education
7 system, particularly for low-income and underserved
8 students.

9 “(d) ADMINISTRATION AND OTHER USES.—A State
10 that receives a grant under this part to establish a State-
11 Federal partnership may use not more than 1 percent of
12 the grant funds—

13 “(1) to administer the partnership; and

14 “(2) for—

15 “(A) higher education research and data
16 tools, such as those that link education and em-
17 ployment data systems;

18 “(B) forming agreements with other States
19 participating in the partnership for reciprocal
20 student eligibility; and

21 “(C) developing and implementing systems
22 to provide early notification to students and
23 families of their eligibility for financial aid.

1 “(e) PROHIBITION ON USE OF FUNDS.—A State that
2 receives a grant under this part to establish a State-Fed-
3 eral partnership may not use grant funds for—

4 “(1) endowments; or

5 “(2) the construction of athletic or commercial
6 venues.

7 **“SEC. 499A-6. MAINTAINING NET STATE OPERATING SUP-**
8 **PORT FOR HIGHER EDUCATION.**

9 “A State that receives a grant under this part to es-
10 tablish a State-Federal partnership shall maintain net
11 State operating support for a fiscal year at a level that
12 is not less than the level that is equal to the average of
13 such net State operating support per full-time equivalent
14 student for the 3 most recent consecutive State fiscal
15 years preceding such fiscal year.

16 **“SEC. 499A-7. OVERSIGHT.**

17 “(a) IN GENERAL.—If a State that receives a grant
18 under this part to establish a State-Federal partnership
19 breaches a term of the partnership, the Partnership Office
20 shall notify the State and provide the State an opportunity
21 to correct the record or cure the breach within 30 days
22 of the notification.

23 “(b) RECOMMENDATION.—Based on the State’s re-
24 sponse to a notification under subsection (a), the Partner-
25 ship Office shall recommend that the Secretary—

1 “(1) take no action;

2 “(2) place the State on probation; or

3 “(3) deem the State ineligible to continue to
4 participate in the partnership.

5 “(c) IMPLEMENTATION.—

6 “(1) IN GENERAL.—Except as provided in para-
7 graph (2), the Secretary shall implement the rec-
8 ommendation of the Partnership Office under sub-
9 section (b).

10 “(2) EXCEPTION.—

11 “(A) IN GENERAL.—Subject to subpara-
12 graph (B), the Secretary may choose not to im-
13 plement the recommendation of the Partnership
14 Office under subsection (b).

15 “(B) REASONS AND REPORT.—If the Sec-
16 retary chooses not to implement the rec-
17 ommendation of the Partnership Office under
18 subsection (b), the Secretary shall—

19 “(i) provide an explanation for such
20 decision; and

21 “(ii) notify the relevant committees of
22 Congress in a report.

23 “(d) PROBATION.—

24 “(1) IN GENERAL.—If a State is placed on pro-
25 bation by the Secretary due to a breach of a term

1 of the partnership, the State shall develop a plan to
2 remedy the breach.

3 “(2) WITHHOLDING.—With respect to a State
4 that is placed on probation by the Secretary due to
5 a breach of a term of the partnership, the Secretary
6 shall withhold half of the State’s partnership grant
7 award until the breach has been remedied or the
8 State has demonstrated credible progress towards
9 remedying the breach.

10 “(e) INELIGIBILITY.—

11 “(1) IN GENERAL.—If a State is determined to
12 be ineligible to continue to participate in a partner-
13 ship due to a breach of a term of the partnership,
14 the State shall not receive its partnership grant
15 award for the subsequent year.

16 “(2) REMAINING INELIGIBLE.—A State that is
17 determined to be ineligible to continue to participate
18 in a partnership due to a breach of a term of the
19 partnership, shall remain ineligible for participation
20 until the State has demonstrated that the State
21 meets the partnership’s requirements.

22 **“SEC. 499A-8. STATE WITHDRAWAL OR INELIGIBILITY.**

23 “(a) IN GENERAL.—If a State that receives a grant
24 under this part to establish a State-Federal partnership
25 intends to withdraw from the partnership or becomes ineli-

1 gible to continue participation under this part, the State
2 shall comply with the requirements of this section, includ-
3 ing, if the State intends to withdraw, notifying the Sec-
4 retary and the Partnership Office 60 days prior to the
5 withdrawal.

6 “(b) CONTINUED COVERAGE.—

7 “(1) IN GENERAL.—Any unexpended balance
8 from a State-Federal partnership grant award that
9 remains after a State notifies the Partnership Office
10 of the State intention to withdraw from the partner-
11 ship or becomes ineligible to continue participation
12 under this part shall be placed into an escrow ac-
13 count at the Department and used solely to provide
14 need-based grant aid to an eligible student who has
15 received a Federal Pell Grant under subpart 1 of
16 part A and who was enrolled before the State noti-
17 fied the Partnership Office of the State’s intention
18 to withdraw from the partnership or the State be-
19 came ineligible.

20 “(2) COVERAGE UNTIL STUDENTS FINISH PRO-
21 GRAM.—

22 “(A) IN GENERAL.—A State that with-
23 draws from a State-Federal partnership or be-
24 comes ineligible to continue participation under
25 this part shall continue to cover the unmet need

1 for each eligible student who received a Federal
2 Pell Grant under subpart 1 of part A and who
3 was enrolled before the State notified the Part-
4 nership Office of the State’s intention to with-
5 draw from the partnership or became ineligible
6 until each such student completes the student’s
7 program of study at the institution or until the
8 allotted time for completion of such program of
9 study expires.

10 “(B) PRIORITY.—In carrying out subpara-
11 graph (A), a State shall prioritize funding
12 based on students’ financial need.

13 “(3) COMMUNICATION OF INFORMATION.—A
14 State that withdraws from a State-Federal partner-
15 ship or becomes ineligible to continue participation
16 under this part shall communicate its withdrawal or
17 ineligibility, as appropriate, to students and families
18 in the State and provide clear information to eligible
19 students described in paragraph (2)(A) that the stu-
20 dents may continue to have their cost of attendance
21 at an in-State public institution of higher education
22 covered.

23 **“SEC. 499A-9. AUTHORIZATION OF APPROPRIATIONS.**

24 “(a) IN GENERAL.—There are authorized to be ap-
25 propriated to carry out this part—

1 “(1) \$84,000,000,000 for fiscal year 2027; and

2 “(2) such sums as may be necessary for each

3 of fiscal years 2027 through 2036.

4 “(b) AVAILABILITY.—Funds made available under

5 subsection (a) shall be available for obligation through

6 September 30 of the fiscal year succeeding the fiscal year

7 for which such sums were appropriated.”.

8 **SEC. 3. DEBT-FREE COLLEGE GRANT PROGRAM FOR HBCUS**

9 **AND MSIS.**

10 Part F of title III of the Higher Education Act of

11 1965 (20 U.S.C. 1067q et seq.) is amended by adding at

12 the end the following:

13 **“SEC. 372. DEBT-FREE COLLEGE GRANT PROGRAM FOR**

14 **HBCUS AND MSIS.**

15 “(a) DEFINITION OF ELIGIBLE INSTITUTION.—

16 “(1) IN GENERAL.—In this section, except as

17 provided in paragraph (2), the term ‘eligible institu-

18 tion’ means an institution of higher education that

19 is—

20 “(A) a private, nonprofit 2-year or 4-year

21 part B institution (as defined in section 322);

22 “(B) a Tribal College or University (as de-

23 fined in section 316); or

24 “(C) a private, nonprofit 2-year or 4-year

25 institution—

1 “(i) that is—

2 “(I) a Hispanic-serving institu-
3 tion (as defined in section 502);

4 “(II) an Alaska Native-serving
5 institution (as defined in section
6 317(b));

7 “(III) a Native Hawaiian-serving
8 institution (as defined in section
9 317(b));

10 “(IV) a Predominantly Black In-
11 stitution (as defined in section 318);

12 “(V) an Asian American and Na-
13 tive American Pacific Islander-serving
14 institution (as defined in section
15 320(b)); or

16 “(VI) a Native American-serving,
17 nontribal institution (as defined in
18 section 319); and

19 “(ii) in which not less than 35 percent
20 of the students enrolled at the institution
21 are eligible to receive a Federal Pell Grant.

22 “(2) FOR-PROFIT INSTITUTION THAT CON-
23 VERTED TO A NONPROFIT INSTITUTION.—Notwith-
24 standing paragraph (1), an institution of higher edu-
25 cation is not an eligible institution if the institution

1 was a for-profit institution of higher education that
2 converted to a nonprofit institution of higher edu-
3 cation and less than 25 years have passed since the
4 date of such conversion.

5 “(b) GRANT PROGRAM AUTHORIZED.—

6 “(1) IN GENERAL.—The Secretary shall award
7 grants to eligible institutions to enable the institu-
8 tions to provide need-based financial aid to cover
9 unmet need for students enrolled at the institutions.

10 “(2) DURATION.—Grants awarded under this
11 section shall be for a period of 5 years.

12 “(c) APPLICATION.—An eligible institution that de-
13 sires a grant under this section shall submit an application
14 to the Secretary at such time, in such manner, and accom-
15 panied by such information as the Secretary may require,
16 including a plan detailing how—

17 “(1) the eligible institution will use grant funds
18 to provide debt-free college to the students enrolled
19 at the institution; and

20 “(2) the institution plans to meet the require-
21 ments of the grant program.

22 “(d) AWARDING OF GRANTS.—

23 “(1) IN GENERAL.—

1 “(A) IN GENERAL.—A grant amount
2 awarded to an eligible institution under this
3 section for a year—

4 “(i) shall be in an amount equal to
5 the amount of the institution’s expendi-
6 tures on student undergraduate instruction
7 and academic support for the year; and

8 “(ii) shall not be disbursed for the
9 year until the Partnership Office created
10 under section 499A–4(a) reviews and ap-
11 proves the annual update submitted by the
12 institution pursuant to subsection (f).

13 “(B) RATABLE REDUCTION.—If the
14 amount appropriated to carry out this section
15 for a fiscal year is insufficient to award each el-
16 igible institution the institution’s full grant
17 amount pursuant to subparagraph (A), the Sec-
18 retary shall establish procedures for ratably re-
19 ducing each institution’s award amount for
20 such fiscal year.

21 “(2) WAIVERS.—

22 “(A) IN GENERAL.—Subject to subpara-
23 graph (B), if the percentage of students eligible
24 to receive a Federal Pell Grant who are enrolled
25 at an eligible institution that receives a grant

1 under this section decreases to less than 35 per-
2 cent after the first year of the grant award,
3 such institution may apply to the Secretary for
4 a waiver of the requirement that an institution
5 to be eligible to receive a grant under this sec-
6 tion have not less than 35 percent of the stu-
7 dents enrolled at the institution eligible to re-
8 ceive a Federal Pell Grant.

9 “(B) RESTRICTIONS ON WAIVER.—The
10 Secretary shall grant a waiver under subpara-
11 graph (A)—

12 “(i) only if the decrease in percentage
13 is—

14 “(I) small relative to the size of
15 the student body; or

16 “(II) the result of unexpected or
17 uncontrollable circumstances; and

18 “(ii) not more than 2 times during the
19 5-year grant period.

20 “(e) USE OF GRANT FUNDS.—

21 “(1) IN GENERAL.—An eligible institution that
22 receives a grant under this section shall use the
23 grant funds as follows:

24 “(A) 95 percent of the grant funds shall
25 be—

1 “(i) used to cover the unmet need for
2 financial assistance to attend the institu-
3 tion of students who have not yet earned
4 a bachelor’s degree; and

5 “(ii) disbursed according to financial
6 need.

7 “(B) 5 percent of the grant funds shall be
8 used for the following activities:

9 “(i) Increasing capacity through con-
10 struction or renovation of facilities.

11 “(ii) Hiring faculty.

12 “(iii) Student support services.

13 “(iv) Other activities to increase en-
14 rollment of low-income and underserved
15 students, improve student outcomes, and
16 provide information to prospective students
17 and families, and other activities as ap-
18 proved by the Secretary to improve access,
19 affordability, or quality of the education
20 provided by the institution.

21 “(2) PROHIBITION ON USE OF FUNDS.—An eli-
22 gible institution that receives a grant under this sec-
23 tion may not use grant funds for endowments or the
24 construction of athletic or commercial venues.

1 “(f) ANNUAL UPDATE.—An eligible institution that
2 receives a grant under this section shall submit to the Sec-
3 retary an annual update—

4 “(1) with any changes to the institution’s ex-
5 penditures on student instruction and academic sup-
6 port; and

7 “(2) on how the institution is fulfilling the
8 terms of the grant.

9 “(g) TERMS OF THE GRANT.—

10 “(1) GRANTEE COMMITMENT.—An eligible in-
11 stitution that receives a grant under this section
12 shall carry out the following:

13 “(A) Cap tuition and fees at the institution
14 at the level as of the date of enactment of the
15 Debt-Free College Act of 2026, with a yearly
16 increase allowed based on the Consumer Price
17 Index (as determined by the Secretary).

18 “(B) Maintain expenditures on instruction
19 and academic support at the institution at a
20 level that is not less than the average of such
21 expenditures at the institution over the period
22 of 3 years preceding the date of enactment of
23 the Debt-Free College Act of 2026.

24 “(C) Maintain the enrollment of low-in-
25 come students, as defined by the Secretary, at

1 the institution at a level that is not less than
2 the level of such enrollment as of the date of
3 enactment of the Debt-Free College Act of
4 2026.

5 “(D) Maintain institutional aid at a level
6 that is not less than the average of such aid
7 over the period of 3 years preceding the date of
8 enactment of the Debt-Free College Act of
9 2026.

10 “(E) Submit to the Secretary for approval
11 the institution’s calculation of the cost of at-
12 tendance at such institution.

13 “(F) Clearly communicate to prospective
14 students and their families the following:

15 “(i) How students can attend the in-
16 stitution without debt.

17 “(ii) That a debt-free college edu-
18 cation provided pursuant to this section is
19 conditioned upon institutional eligibility
20 and participation under this section and
21 may not apply for each year that the stu-
22 dent is enrolled at the institution.

23 “(2) BREACH OF TERMS OF GRANT.—

24 “(A) IN GENERAL.—If an eligible institu-
25 tion that receives a grant under this section

1 breaches a term of the grant, the Partnership
2 Office created under section 499A–4(a) shall
3 notify the institution and provide the institution
4 with an opportunity to correct the record or
5 cure the breach not later than 30 days after the
6 date of the notification.

7 “(B) RECOMMENDATION.—The Partner-
8 ship Office created under section 499A–4(a)
9 shall, after considering the eligible institution’s
10 response to a notification under subparagraph
11 (A) or lack of response, make a recommenda-
12 tion to the Secretary that the Secretary—

13 “(i) take no action with respect to the
14 eligible institution;

15 “(ii) place the eligible institution on
16 probation; or

17 “(iii) revoke the eligible institution’s
18 eligibility for the grant program under this
19 section.

20 “(C) PROBATION.—An eligible institution
21 that is placed on probation by the Secretary
22 shall develop a plan to remedy the breach of the
23 term of the grant. If the eligible institution does
24 not remedy the breach, the Secretary may levy
25 a fine against the institution of an amount not

1 to exceed 1 percent of the annual grant
2 amount.

3 “(D) INELIGIBILITY.—If an eligible insti-
4 tution’s eligibility for the grant program under
5 this section has been revoked by the Secretary,
6 such institution shall—

7 “(i) place into escrow any unexpended
8 grant funds described in subsection
9 (e)(1)(A) to be disbursed directly to stu-
10 dents enrolled at the institution;

11 “(ii) return to the Secretary any un-
12 expended funds described in subsection
13 (e)(1)(B);

14 “(iii) remain ineligible to receive a
15 grant under this section during the 3-year
16 period after the date eligibility was re-
17 voked; and

18 “(iv) notify prospective and enrolled
19 students at the institution and their fami-
20 lies of such ineligibility for participation in
21 the grant program under this section.

22 “(h) WITHDRAWAL.—An eligible institution that re-
23 ceives a grant under this section that intends to withdraw
24 from the grant program under this section shall—

1 “(1) notify the Partnership Office created
2 under section 499A–4(a) not less than 60 days prior
3 to the withdrawal;

4 “(2) place into escrow any unexpended grant
5 funds to be disbursed directly to students enrolled at
6 the institution; and

7 “(3) notify prospective and enrolled students at
8 the institution and their families of such withdrawal.

9 “(i) AUTHORIZATION OF APPROPRIATIONS.—

10 “(1) IN GENERAL.—There are authorized to be
11 appropriated to carry out this section—

12 “(A) \$3,000,000,000 for fiscal year 2027;

13 and

14 “(B) such sums as may be necessary for
15 each of fiscal years 2027 through 2036.

16 “(2) AVAILABILITY.—Funds made available
17 under paragraph (1) shall be available for obligation
18 through September 30 of the fiscal year succeeding
19 the fiscal year for which such sums were appro-
20 priated.”.

21 **SEC. 4. TITLE IV ELIGIBILITY FOR DREAMER STUDENTS.**

22 Section 484 of the Higher Education Act of 1965 (20
23 U.S.C. 1091) is amended—

1 (1) in subsection (a)(5), by inserting “, or be a
2 Dreamer student, as defined in subsection (u)” after
3 “becoming a citizen or permanent resident”; and

4 (2) by adding at the end the following:

5 “(u) DREAMER STUDENTS.—

6 “(1) IN GENERAL.—In this section, the term
7 ‘Dreamer student’ means an individual who—

8 “(A) was younger than 16 years of age on
9 the date on which the individual initially en-
10 tered the United States;

11 “(B) has provided a list of each secondary
12 school that the student attended in the United
13 States; and

14 “(C)(i) has earned a high school diploma,
15 the recognized equivalent of such diploma from
16 a secondary school, or a high school equivalency
17 diploma in the United States or is scheduled to
18 complete the requirements for such a diploma
19 or equivalent before the next academic year be-
20 gins;

21 “(ii) has acquired a degree from an institu-
22 tion of higher education or has completed not
23 less than 2 years in a program for a bacca-
24 laureate degree or higher degree at an institu-
25 tion of higher education in the United States

1 and has made satisfactory academic progress,
2 as defined in subsection (c), during such time
3 period;

4 “(iii) at any time was eligible for a grant
5 of deferred action under—

6 “(I) the June 15, 2012, memorandum
7 from the Secretary of Homeland Security
8 entitled ‘Exercising Prosecutorial Discre-
9 tion with Respect to Individuals Who
10 Came to the United States as Children’; or

11 “(II) the November 20, 2014, memo-
12 randum from the Secretary of Homeland
13 Security entitled ‘Exercising Prosecutorial
14 Discretion with Respect to Individuals
15 Who Came to the United States as Chil-
16 dren and with Respect to Certain Individ-
17 uals Who Are the Parents of U.S. Citizens
18 or Permanent Residents’; or

19 “(iv) has served in the uniformed services,
20 as defined in section 101 of title 10, United
21 States Code, for not less than 4 years and, if
22 discharged, received an honorable discharge.

23 “(2) HARDSHIP EXCEPTION.—The Secretary
24 shall issue regulations that direct when the Depart-
25 ment shall waive the requirement of subparagraph

1 (A) or (B), or both, of paragraph (1) for an indi-
2 vidual to qualify as a Dreamer student under such
3 paragraph, if the individual—

4 “(A) demonstrates compelling circum-
5 stances for the inability to satisfy the require-
6 ment of such subparagraph (A) or (B), or both;
7 and

8 “(B) satisfies the requirement of para-
9 graph (1)(C).”.