

## **The PARTNERSHIPS Act**

Student debt has increased astronomically as a result of rising tuition costs that are far outpacing inflation leaving many Americans questioning the value of higher education. Rising tuition is a barrier to economic mobility for students and families and inhibits economic growth in general. Accordingly, students, families and taxpayers across the country are rightly demanding reform to the American higher education system. This proposal addresses rising tuition from two vantage points—helping keep costs down from the start and providing students and families additional tax-based resources to pay for college.

A key driver of college tuition increases is the continued withdrawal of state funding from the higher education equation. A recent report by the research organization Demos found that declining state support was responsible for nearly 80 percent of the rise in net tuition costs between 2001 and 2011.<sup>1</sup> That same report found that more than six years after the most recent recession, state funding for higher education remains 27 percent below its pre-recession level. Because of these steep reductions in state funding, an increasing share of college costs fall on students and families—in the form of tuition and fees—and the federal government—in the form of student aid programs.

In order to stem the tide of escalating tuition, ballooning student debt, and inadequate postsecondary completion rates, this bill would create a new federal-state funding partnership to drive down tuition, improve student outcomes, and improve the overall efficacy of the U.S. higher education system.

Specifically, the *Promoting Access and Retention Through New Efforts to Require Shared Higher Investments in Postsecondary Success (or PARTNERSHIPS) Act*:

- Establishes a new federal-state funding partnership under which states receive new federal funding to invest in public higher education operating costs when they invest more state funding in public colleges and universities.
- Sets state allocations based on how much funding the state provides for public higher education operating support on a per student basis, compared and indexed to the maximum Pell Grant award.
- Establishes a state allocation calculation giving states that spend more per student a higher federal match rate.
- Conditions funding on a requirement that states and public institutions reduce or hold constant tuition for in-state students.
- Delivers certainty to families and students by making the American Opportunity Tax Credit permanent, allowing students to claim it for 5 years and increasing its refundability.
- Doubles the maximum amount of tax-free employer educational assistance and makes the employee's spouse and dependents also eligible for the benefit.
- Excludes Pell Grants, certain loan forgiveness and certain loan repayments from tax.

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<sup>1</sup> <http://www.demos.org/press-release/new-demos-report-shows-state-disinvestment-public-higher-education-driving-tuition-inc>