



Committee On Finance

Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus

The Role of Higher Education Financing in Strengthening U.S. Competitiveness in a Global Economy

“This is an important hearing. Success in a global economy depends on education. And for many students, education depends on financing.

National borders no longer limit jobs. Telecommunications and the Internet make it possible to perform many tasks for American consumers anyplace in the world.

To compete successfully, America must make education a priority. Our competitors certainly are. Take training engineers. Engineers develop new jobs and new industries. Yet, Japan and Europe train twice as many engineers as we do. And China trains three times as many.

If other countries create the technologies of tomorrow, then they will create the jobs of tomorrow, as well. We cannot allow America’s workforce to be left behind. To remain the most competitive and innovative country in the world, we need to invest in education.

Education financing certainly matters in Montana. In Montana, every year, more than 30,000 students depend on some sort of financial aid. Roughly 3 out of every 4 students in Montana take out student loans or use some type of financial aid.

Every year, Montana students borrow roughly \$150 million in student loans. The average Montana student with loans will leave college with nearly \$21,000 in student loan debt. A year’s worth of tuition, fees, room, and board at a 4-year public college costs almost \$43,000. And at a 4-year private college, it costs more than \$105,000.

From 1981 to 1995, tuition at four year public colleges and universities increased by 234 percent. That’s nearly three times the growth in median household income, and more than three times the increase in the cost of living, over the same period.

Congress has responded with a number of income tax benefits for higher education financing. Tax incentives such as the Hope Scholarship and Lifetime Learning credits, the Coverdell Education Savings Account, and prepaid tuition and college savings plans help American families to pay for college.

Officials at Montana community colleges, tribal colleges, and universities regularly tell me ways to make college more affordable for Montana students, as well as to create more opportunities for students returning to college for worker retraining.

Among other ideas, they call for

- refundable credits,
- increased tax deductions for tuition,
- and expansion and simplification of the Hope and Lifetime Learning credits.

They also recommend tax incentives for businesses that partner with Montana community colleges and universities.

I look forward to hearing from our witnesses. In our first panel, Dr. Susan Dynarski, a professor at Harvard University's Kennedy School of Government, will provide an overview of current education tax incentives. Dr. Peter Corr, Senior Vice President for Science and Technology at Pfizer, will discuss the importance of an educated workforce to business. I want to thank Dr. Corr for agreeing to testify on short notice. And Dr. Watson Swail, President of the Educational Policy Institute, will compare America's higher education financing system with those of other countries.

In a second panel, Dr. Robert Paxton, President of Iowa Central Community College, will focus on student use of various deductions and credits. I especially look forward to hearing from Dr. David Forbes, Dean of the University of Montana School of Pharmacy. Out of the 94 pharmacy programs in the nation, the University of Montana's program ranks 7th for attracting federal grants, and 2nd for attracting non-federal grants. The American Association of Colleges of Pharmacy lists it among the top 15 programs overall.

In 1992, the Montana State Pharmaceutical Association honored Dr. Forbes as Pharmacist of the Year. Dr. Forbes also served on my statewide health commission in an effort to find health care solutions in Montana. Dr. Forbes will give a real-world perspective on how tax incentives are working.

The Honorable Randall Edwards, Treasurer of the State of Oregon, will provide a state perspective on college savings accounts and education savings incentives.

My home state of Montana created the Montana Family Education Savings Program in 1997. The program has more than 10,000 accounts and more than \$100 million in deposits.

Mr. Chuck Toth, Director of Education Savings for Merrill Lynch, will provide a vendor perspective on college savings accounts and education savings incentives. And Dr. James Fadule, President of UPromise Investments, will explain the Upromise college savings program to help families save for higher education costs.

I welcome all of our witnesses here today. And I look forward to hearing how we can strengthen education financing and our role in the global economy.”

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