

**The Role of Higher Education Financing in Strengthening  
U.S. Competitiveness in a Global Economy  
Statement of Senator Max Baucus  
July 22, 2004**

Thank you, Chairman Grassley.

This hearing is very important to the discussion of the role that education financing plays in a global economy. Today, jobs are not limited by geographical barriers. Technological advances are striving to make it possible to perform any job at any place in the world. In this era of increased global job opportunities, we must make education a priority.

Our global competitors are investing in education. I am committed to ensuring that America's workforce is not left behind. To guarantee our position as the most competitive and innovative country in the world, we must continue to

invest in the education of our next generations. And we must increase job opportunities for displaced workers.

This issue is especially important to my home state of Montana. In Montana, over 30,000 students will take advantage of some type of financial aid. Roughly 3 out of every 4 students in Montana borrow money or utilize some type of financial aid. Excluding Pell Grants, private scholarships, and school based aid, Montana will deliver about \$6 million in combined state and federal assistance for the upcoming academic year. In addition, students will borrow approximately \$150 million in student loans. The average Montana borrower will leave the university system with just under \$21,000 in student loan debt.

Research confirms the value of investing in education. A nation that invests in its education, invests in its future. Increased investment in education provides future returns to

the economy through increases in worker productivity. Education increases workers' average earnings and generates real results not only for workers but also for businesses. If American businesses do not have an appropriately educated workforce, they will be less competitive in today's global economy.

Last year, the cost of college attendance at a 4-year public college was almost \$43,000 for tuition, fees, room and board. And more than \$105,000 at a 4-year private college. During 1981 through 1995, tuition at 4-year public colleges and universities increased by 234% while median household income rose only 82% and the cost of living rose only 74%.

Congress has made college affordability a high priority. In recent years, Congress has enacted many 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 plans and college savings plans are intended to increase college affordability for American families.

Over the past year, I have had the opportunity to meet with Montana University and college officials as well as tribal college and community college officials. During those meetings, my staff and I listened to recommendations on:

- making college more affordable for Montana students
- creating more opportunities for Montana students returning to college for worker retraining and
- expanding existing tax programs or enacting new ones.

The dominant tax incentive recommendations from many of those meetings were:

- refundable credits
- increased tax deductions for tuition

- expansion and simplification of the Hope and Lifetime Learning credits.

Other dominant themes were partnering with businesses coupled with tax incentives for those businesses that partner with Montana community colleges and universities

I look forward to hearing from the 2 panels. I'm eager to hear recommendations for higher education financing and its role in a competitive global economy. The first panel will include Dr. Susan Dynarski, a professor at Harvard University Kennedy School of Government, who will provide a general overview of tax changes, including credits and deductions, that have been enacted. Dr. Dynarski will explain how these tax incentives are being utilized.

Our next witness is Dr. Peter Corr. Dr. Corr is Senior Vice President for Science and Technology at Pfizer, where he is responsible for aligning the company's worldwide research

and development organization with licensing activities, science and medical advocacy, global medical relations and science policy. Prior to joining Pfizer, he held senior leadership positions in research, development and discovery at both Warner-Lambert Company and Monsanto/Searle.

Another witness, Dr. Watson Swail, President of the Educational Policy Institute, will compare the U.S. higher education financing system with other countries. I am eager to learn how the U.S. compares to other countries.

The 2<sup>nd</sup> panel will include Dr. Robert Paxton, President, Iowa Central Community College, who will Focus on student utilization of various deductions and credits.

I am especially honored to hear from Dr. David Forbes, University of Montana, Dean, School of Pharmacy. Out of the 94 pharmacy programs in the nation, UM's program currently 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, Oregon State Treasurer, will provide a state perspective on 529 plans and education savings incentives. In my home state of Montana, we have the Montana Family Education Savings Program created in 1997 by the Montana State Legislature. In 1997, the Montana Legislature passed the enabling state legislation for the

MFESP. The legislature recognized that “the general welfare and well-being of Montana are directly related to the educational levels and skills of its citizens. As of December 31, 2003, Montana has over 10,000 accounts and over \$100,000,000 in deposits.

Mr. Chuck Toth, Director, Education Savings, Merrill Lynch & Co., will provide a vendor perspective on 529 plans and education savings incentives.

The final witness on the 2nd panel, Dr. James Fadule, President of UPromise Investments, will explain the Upromise college savings program and will provide innovative ideas to help families save for higher education costs.

I welcome all of the witnesses here today. And I look forward to hearing how education financing strengthens our global economy.

