



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

Contact: Chris Frenze

Phone: 202-225-3923

Fax: 202-226-3950

CHRISTOPHER FRENZE

EXECUTIVE DIRECTOR

PRESS ADVISORY

*For Immediate Release**October 15, 1997*

JEC Chairman Releases Study on College Affordability

What Does the Tax Bill Have in Store?

WASHINGTON, DC – Joint Economic Committee Chairman Jim Saxton (R-NJ) released a study today entitled, "[College Affordability: Tuition Tax Credits vs. Saving Incentives.](#)" This study describes recent trends in college affordability and explores the most effective federal policies to improve educational opportunities. The study notes that college affordability is declining despite a 65 percent increase in government funding for student aid programs over the past 10 years.

"Despite government efforts to improve access to higher education, college is getting less affordable, especially for the most financially disadvantaged students. This has occurred because of several disturbing trends – tuition keeps rising at the same time that federal subsidies are shifting away from grants for the poor. As a result, need-based programs are much less valuable than they were ten years ago, leaving college out of reach for the least well-off students," stated Saxton.

One of the problems profiled in the study is how federal financing of higher education does not provide colleges with incentives to restrain costs, thereby encouraging tuition hikes. Past government efforts to improve college affordability have simply made more aid available to more students to help them afford higher tuition instead of finding ways to keep tuition from rising in the first place. As a result, increased government subsidies benefit the colleges that raise their tuition, rather than the students.

"The federal aid system is dependent on student debt. Kids are graduating from college with larger debts creating a large burden on college graduates. We need to provide students with new educational opportunities that do not impose such a large burden on them," stated Saxton.

In addition, a large portion of student loan funding does not go to students, but to middlemen, such as banks and guarantee agencies. Alternative policies can provide more aid to more students in a more cost-effective manner.

The study examines the use of tuition tax credits, such as the HOPE Scholarship, and expanded IRAs as tools for improving college affordability. These are two of the largest educational provisions contained in the new budget bill. The study demonstrates how the HOPE Scholarship does not improve college affordability because it fails to address core problems of the federal aid system. Instead, tuition tax credits will only create windfalls for colleges that adjust their tuition upward to absorb the additional revenue.

In contrast, expanded IRA benefits will encourage families to save for their children's education, making them less reliant on student loans. At the same time, colleges will have to compete for private financial assets rather than rely on federal subsidies. This will encourage colleges to contain costs and keep tuition low. Thus, expanded IRAs can improve college affordability by making families financially independent while addressing the pressing problem of tuition inflation. Most importantly, reduced reliance on student loans can lower government costs, which allows the savings to be diverted to federal grants for the poor.

Although the IRA expansion provisions contained in the law provide benefits to higher education, evidence drawn from the report shows that a more aggressive expansion can generate more significant benefits for middle-income families and the economy.

For a copy of this report please contact the JEC at (202) 224-5171 or view our website at <http://www.house.gov/jec/>.

###

Press Release: #105-83

G-01 Dirksen Senate Office Building • Washington, DC 20510 • (202) 224-5171 Fax (202) 224-0240 • www.house.gov/jec/



[Return Home](#)