Finance Committee Reviews Higher Ed Tax Incentives

The Senate Finance Committee held a hearing July 22 on “The Role of Higher Education Financing in Strengthening U.S. Competitiveness in a Global Economy.” Committee Chairman Charles Grassley (R-Iowa) opened the hearing by noting that tax incentives are just one piece of education funding policy, albeit an important one. He asked the witnesses whether current tax incentives, such as the Hope and Lifetime Learning tax credits and various types of education savings plans, were working. He also asked for suggestions on how they might be improved.

Opening statements by committee members and testimony by the witnesses acknowledged the critical importance of higher education to the economic prospects of the United States. All agreed that, as other nations strive to expand and improve their own colleges and universities, the United States must not fall behind.

Witnesses included Susan Dynarski, assistant professor of public policy, Kennedy School of Government, Harvard University; Robert Paxton, president, Iowa Central Community College; and Randall Edwards, state treasurer of Oregon, among others. They testified on how Hope and Lifetime Learning tax credits and savings incentives are being used.

Some witnesses urged the committee to simplify the tax incentive programs by standardizing definitions of education expenses and even merging the Hope and Lifetime Learning tax credits, as well as making the credit refundable. Other suggestions included increasing the family income level of those who can take advantage of these tax credits, and lowering the tuition threshold (currently $10,000) that can be considered.

Another concern expressed by several witnesses was that some of the tax provisions are not permanent. At one point, Grassley asked if any of the panelists did not agree with the statement that these provisions should be made permanent, showing the committee’s apparent support of a permanent extension. During the NAICU 2004 Annual Meeting, Grassley introduced two bills to permanently extend the tax provisions enacted in 2001, which will expire unless made permanent.

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NLRB Rules against Graduate Student Unions

In a case involving graduate teaching and research assistants at Brown University, the National Labor Relations Board (NLRB) decided that the relationship between the university and the assistants was primarily as students and not employees, and therefore they did not have a right under federal law to form a union. The decision, issued July 13, specifically reversed the board’s most recent prior decision, involving graduate students at New York University (NYU). The board decided in 2000 that NYU students had the right to unionize.

In reversing its NYU decision, the board concluded that “graduate-students, including those at Brown, are primarily students and have a primarily educational, not economic, relationship with their university.” This had been the board’s consistent position for a quarter-century before the NYU decision.

The Brown decision was supported by the board’s three Republican-appointed members, and prompted a strong dissent

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House Subcommittee Explores Textbook Costs

On July 20, the House Subcommittee on 21st Century competitiveness held a hearing, “Are College Textbooks Priced Fairly?” The hearing was one of a series on college cost issues convened by subcommittee Chairman Howard “Buck” McKeon (R-Calif).

Merriah Fairchild, higher education director of the California Student Public Interest Research Group, testified on her report, RIPOFF 101: How the Current Practices of the Textbook Industry Drive Up the Cost of College Textbooks. The January 2004 report was based on a survey of ten colleges in California and Oregon. She found that:
- Textbooks are expensive, averaging $900 per year per student.
- Publishers add unnecessary “bells and whistles” by bundling other materials, thereby increasing prices.
- Publishers put out new editions frequently, often without making significant content changes.

Fairchild recommended that Congress oversee publishers to prevent anticompetitive practices. She said Congress should encourage them to unbundle textbook packages, disclose textbook prices to faculty, and end needless updates. She also suggested that federal grant support could be provided to cover the start-up costs of textbook rental programs.

Virgil Monroe, manager of textbook services at the University of Wisconsin-River Falls, described the textbook rental program offered by his institution. Students pay a rental fee of $59 per semester to check out textbooks and return them at the end of the semester with the option to then purchase the books at a discount. Monroe said start-up costs were a major impediment to establishing such rental programs. Over time, however, the program becomes self-supporting and can generate some revenue—$29,000 annually, in the case of the River Falls program.

Marc Fleischaker, representing the National Association of College Stores (NACS), discussed the margins on textbook sales for college stores and the discrepancies between domestic and foreign sales prices. He said the average mark-up for textbooks is 22 percent, and has remained at that level for many years.

Fleischaker said that, like prescription drugs, textbooks are sold much cheaper overseas than in the U.S. NACS strongly opposes this dual-pricing policy, and has objected to publishers—to no avail. However, he said NACS is not currently seeking a legislative solution.

John Isley, representing the Association of American Publishers, defended current industry practices. He noted that faculty can choose textbooks in a range of prices for any given subject. Bundling offers significant savings to students, Isley said, and textbooks will not be used if they are not regularly reviewed. He said he was confident that any issues will be resolved in the marketplace.

The hearing did not indicate what steps, if any, the subcommittee may take on textbook prices. McKeon indicated the subcommittee was awaiting the findings of a Government Accountability Office (GAO) report on textbook prices. Legislation calling for the GAO study (H.R. 3567) was introduced by Rep. David Wu (D-Ore.).

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from the two Democratic appointees, who described it as “woefully out of touch with contemporary academic reality.” The NYU decision was issued when the board had a Democratic majority.

The unionization rights of graduate assistants at state institutions are governed by state laws, and graduate student unions have been organized at many of the state universities. For more information, contact Jon Fuller at NAICU, (202) 785-8866, or jon@naicu.edu.