Guaranteed tuition plan guarantees debate

Two fiscal experts disagree sharply on how Michigan colleges will respond 20 years from now to Gov. Blanchard's tuition trust fund plan.

Blanchard's tuition trust fund plan.

Democrat Robert Bowman, the
state treasurer, thinks parents will
keep a sharp eye on college tuitions
and fees. "There will be a downward
pressure on shenanigans," he predicted.

Dr. Gary Wolfram, a Republican Senate staff economist, predicted just the opposite. He told the Senate Finance Committee last week:

"What we will have is a third par-ly (trust fund) guaranteeing to cover juition. There will be a larger and larger pool of persons for whom tul-lon is irrelevant because it's guar-anteed.

"With an inelastic demand, a small university can raise its tuition to \$50,000 because there's no incen-live to hold it down."

THE ISSUE began to develop on the first day of Senate committee hearings on the Blanchard adminis-tration's popular plan in tration's popular plan to help par-ents cover whatever colleges charge for tuition in 2004.

Bowinan predicts the current level of \$8,000 for four years at a state university will soar to \$23,000 by the time a newborn reaches col-

every parent in the state is, will I have money to send my child to college when the time comes?'

— Sen. Patrick McCollough D-Dearborn

His Treasury Department would house a trust fund, independent from general state government, that would invest money from parents or other purchasers, accumulating interest and dividends so that the child would be guaranteed four years of the state university. Child Senate sponsor is Patrick McCollough, D-Dearborn, The issue McCollough, D-Dearborn, The issue full western light in his blue-collar western Wayne County district.

"The major concern of yeary par-

"The major concern of every parent in the state," said McCollough, the lead-off withress, "is, will I have money to send my child to college when the time comes?"

when the time comes?"

Compared to private investment programs, McCollough said a state trust fund would have this advantage: "It's a guarantee (of coving four years). It's not just a lump sum back."

rate per credit hours. They also charge fees — for student activities, the college paper, laboratory courses, locker rooms, computer usage, health service and so on.

The questions become: Will colleges jack up these fees? Will Blanchard's tuition trust fund cover

them?

Interviewed in a fourth-floor corridor after his testimony, Bowman answered that the administrations plan "neither artificially inflates nor deflates tuition. There will be more people watching what's happening (to tuttion and Ices). The universe watching the universities will be much greater."

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Bowman saw this parental watch-dogging as "downward pressure on shenanigans" such as colleges' shift-ing costs to the "fee" area,

mg costs to the "fee" area.

An aide added that "institutions will still have to compete in the marketplace. Not every student will be part of the (tuition guarantee) fund."

To a senator's question of whether universities could raise tuition to \$50,000, Bowman said, "To think they will do it and the Legislature won't care is absurd. The Legisla-

No chance of passing — Cruce

The tultion investment fund bill has 27 to-sponsors among the Senate's 38 members. What are its chances of sailing through the state Legislature?
"In this form here, zero," replied Sen. Doug Cruce, R-Troy, a member of the Senate Finance Committee holding the hearing.

Cruce said many questions need resolving:

"There's nothing to prevent a university from charging any rate it wants.

"Carry that a step further: What

ture could hold back its appropria-But Sen. Lana Pollack, D-Ann Ar-bor, whose district includes two state universities, said the universi-ties are "very squeamish about the potential for the state to have a bet-ter handle on their tultion increases . This will increase state control on tuition at universities."

WOLFRAM, A University of Michigan-Dearborn economist on

if universities across the board raised rates higher than inflation? What about low-income students who aren't pre-paid?"

start somewhere."

But Sen, Lana Pollack, D-Ann Arbor, dislikes the idea of including private colleges because "we do not have a handle on private institutions."

THERE IS a question whether community colleges, which have lower tuitions than the four-year schools, should be in the plan, Cruce went on There is some pressure to include private colleges.

Chief sponsor Patrick McCollough, Jack Faxon of Farmic area sensors — Democrats McCollough, Jack Faxon of Farmic area sensors — Chief sponsor Patrick McCollough, Jack Faxon of Farmic area sensors of Farmic area sensors of Farmic area sensors includes its of the seven Observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven of the sensors of the seven of the seven of the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the seven observer & Excention (Collough, Jack Faxon of Farmic area sensors) and the

leave to work with the Senate GOP policy staff, replied he expects colleges to rely increasingly on fees.
"To the extent they're real user fees, it's OK, he added.
But he noted it would be possible for a college to use the same maintenance staff on both classrooms and dormitories. It could load some classroom charges into the dormiti-

Oakland County auction Saturday

ONE UNANSWERED question, noted Sen. Doug Cruce, R-Troy, is whether the federal government could tax the income earned by the trust fund.

chaser (parent investing in the tui-tion plan) that it will not cover fees," Wolfram warned.

Treasurer Bowman gave one answer: "We believe it is tax exempt."

swer: "We believe it is tax exempt."
Economist Wolfram gave another:
The Legislature had better get a
written commitment from the Internal Revenue, Serice that it will be
non-taxable before the trust fund becomes law.
"Under the IRS code, you do have
to pay a gift tax if you give a gift
beyond a certain amount," Wolfram
said. boat and trailer, a post-World War II vintage armored personnel carrier (alias "half track") and an Army sur-plus 23s-ton wrecker truck, accord-ing to County Executive Daniel T. Murphy.



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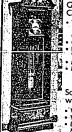
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