

Guaranteed tuition plan guarantees debate

By Tim Richard
staff writer

Two fiscal experts disagree sharply on how Michigan colleges will respond 20 years from now to Gov. 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 party (trust fund) guaranteeing to cover tuition. There will be a larger and larger pool of persons for whom tuition is irrelevant because it's guaranteed."

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

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

Bowman predicts the current level of \$6,000 for four years at a state university will soar to \$23,000 by the time a newborn reaches college age.

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

— Sen. Patrick McCollough
D-Deerborn

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 tuition at a state university.

Chief Senate sponsor is Patrick McCollough, D-Deerborn. The issue could help him in a tough re-election fight in his blue-collar western Wayne County district.

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

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

COLLEGES CHARGE a tuition 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 administration's plan "artificially inflates not deflates tuition. There will be more people watching what's happening (to tuition and fees). The universe watching the universities will be much greater."

Bowman saw this parental watchdogging as "downward pressure on shenanigans" such as colleges shifting 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 Legislature could hold back its appropriation."

But Sen. Lana Pollack, D-An Arbor, whose district includes two state universities, said the universities are "very squeamish about the potential for the state to have a better handle on their tuition increases."

This will increase state control on tuition at universities.

No chance of passing — Cruce

The tuition investment fund bill has 27 co-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

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

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, D-Deerborn, said that "along the line you could add private colleges . . . but you have to

start somewhere."

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

THE LIST of sponsors includes six of the seven Observer & Eccentric area senators — Democrats McCollough, Jack Faxon of Farmington Hills and William Faust of Westland, and Republicans Cruce, Richard Fessler of West Bloomfield and Rudy Nichols of Waterford.

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

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

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

Economist Wolfram gave another: The Legislature had better get a written commitment from the Internal Revenue Service 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.

Oakland County auction Saturday

The gates will open for Oakland County's annual spring auction at 8 a.m. Saturday behind the central garage in the County Service Center complex at 1200 N. Telegraph, Pontiac.

Items are either surplus or recovered stolen property.

Special-interest items in the auction are a late model Sea Ray speed-

boat and trailer, a post-World War II vintage armored personnel carrier (alias "half track") and an Army surplus 2½-ton wrecker truck, according to County Executive Daniel T. Murphy.

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