Colleges impact on economy

By Doug Funke
staff writer

Higher education means big dollars as well as sense.

There's Oakland University in Rochester with an annual budget of $61.8 million, Lawrence Technological University in Southfield with a budget of $18-20 million and Madonna University in Livonia with a budget of $17.5 million.

Those three institutions, along with Walsh College in Troy, St. Mary's College in Orchard Lake and William Tyndale College in Farmington Hills provide some 2,400 jobs.

While colleges are exempt from property taxes, people with jobs there pay all kinds of taxes, buy houses, cars, appliances,food and other things associated with day-to-day living. And often right in the community.

"Higher education is a major industry in southeast Michigan," said Robert Ellis, provost at Lawrence Tech.

David A. Spencer, interim president at Walsh, added, "There are some folks aware of the impact, but more probably see it as a community service rather than economic development operations."

Sister Mary Francilene Van de Vyver, Madonna president, figures that her university annually pumps some $42 million directly and through dollar turnover into the economy.

"WE HAVE a mathematical formula the Association of Independent Colleges and Universities of Michigan has developed based on college revenue, student expenditures, college visits, increased alumni earnings," she said.

"Obviously, our faculty and staff and school does a lot of purchasing in the area," said Edward Meyer, St. Mary's president. "I would say the vast majority of money out of this institution goes locally. I know we make an impact, but to pin it down would be tough."

Oakland University spearheaded development of the 1,100-acre Oakland Technology Park adjacent to its campus in the early 1980s, said *Keith Kleckner, provost there.*

"Tremendous dollars are getting pumped into the area," he said. "This will ensure the economic viability of Michigan's basic industry, the auto industry."

RESEARCH PROJECTS conducted at OU, especially on health-care issues, should lead to cost avoidance in the future, Kleckner added.

Ellis believes that a campus contributes more to a local economy than an industrial plant with the same number of workers due to the student factor.

"Most of our students do commute," he said. "Those who do use gas, eat lunches here. Restaurants around campus get an enormous amount of business from faculty and students.

"Lawrence Tech engineering students are very paramount at all major industrial and manufacturing companies in the area," Ellis said. "Engineers are out there generating knowledge, jobs and income for other people."

Spencer concurred. "As we produce graduates, they go out and create businesses, new jobs . . . and maintain growth in the community."

COLLEGES HAVE to survive to remain economic factors.

Together, OU, Lawrence Tech, Madonna, Walsh, St. Mary's and William Tyndale serve some 26,500 students pursuing degrees. All six of those institutions have been around a while. OU, which opened as a branch of Michigan State University in 1959, is the youngest.

The competition includes Wayne State University, University of Detroit Mercy, University of Michigan-Dearborn, Eastern Michigan University and the University of Michigan in Ann Arbor, some a short drive from local campuses.

Central Michigan University and MSU also offer degree programs in O&E communities through extension classes.

The key is carving a niche, then getting that information out to prospective students.

COLLEGES STILL recruit at high schools and community colleges. But more and more focus on older, part-time, non-traditional students who earn while they learn.

"Because of diversity and the number of adult learners, there's a strong market as long as colleges relate to schedule needs, content needs and pricing needs," Van de Vyver said.

Madonna is especially known for its nursing program, Walsh, a concentrated approach to business, Lawrence Tech, for architecture and engineering.

"Eighty to 85 percent of our students are here because they heard about us from other students," Van de Vyver said. "Happy students will bring in other students."

St. Mary's is reluctant to accept an application from a prospective student unless meeting the candidate first, Meyer said. "It's silly for us to recruit a student if we can't prepare him.

"WE'RE A SMALL school . . . where research isn't so strong. We are a Catholic school. We market that. Students are drawn to that, drawn to the smallness (486) of the place. We have high standards. They want to be pushed," he said.

"We try to market ourselves as a university offering a broad background," Kleckner said. "Students don't know where they're going to end up, so all of our programs have a strong liberal arts background.

"We're sort of in the middle," he continued. "We don't have as many programs as Ann Arbor or Michigan State, but more than a small place like Walsh or Madonna that is much more specialized."

Price isn't the major reason most students settle on a particular college or university, administrators agree.

"One fact we find in research is price is the third or fourth determinant," Spencer said. "First is program, second is the institution's reputation or image. A real close third is location."

Higher education is a major industry in southeast Michigan. Commuting students and faculty pump money into local businesses. Purchasing by colleges and universities runs into the millions of dollars.

Education advice sought

By Dan Boyce
and Alan Ferrara
special writers

Local financial planning experts reviewed the data of the family profiled here and made general recommendations based on the participants' resources and goals. The information is for educational purposes only; references are not intended as discrimination or endorsements by Observer & Eccentric Newspapers or the advisers. To receive a free financial planning brochure or to obtain a questionnaire to have your finances reviewed in this column, contact the Center for Financial Planning, Dept. 100, 26211 Central Park Blvd., Suite 604, Southfield 48076, or call 948-7900.

"Some people get the breaks; others make their own."

Mike and Jo Austin are beginning to face the harsh realities of college costs for their two children, Jill, who will be finishing her sophomore year in high school, and Ted, who is just completing his freshman year. A modest income and and other financial pressures have kept them from saving more than a modest amount for future college costs. They wonder what steps they should be taking now to allow their children the opportunity of attending the college of their choice.

The Austins have managed their financial resources relatively well over the past 20 years. Mike, 43, is a construction foreman and earns $39,000 per year. Jo is 42 and has remained home with the children, but she is thinking of going back to work as a receptionist to help pay for some of the college bills. This possibility will be discussed in a subsequent article.

They live in a comfortable house in Westland and have done a good job of setting a solid financial foundation. Mike's employer has a good insurance package of covering life and disability, and Mike has personal life insurance coverage of $250,000.

Mike insisted years ago that they establish an emergency nest egg. Despite the temptation a number of times to use this money to pay off debts or make a major purchase, it has grown to more than $15,000 and is currently in a certificate of deposit at a local bank.

THEIR FINANCIAL condition will receive a boost in June when they expect to receive a significant inheritance from Jo's mother, who recently died. They expect to receive $50,000. This was the catalyst that motivated them to write to us.

They were mulling over whether to use the inheritance to provide for Jill's and Ted's educational needs. But Jo's mother had specifically requested that the money be retained by Jo and used to ensure her personal future financial security.

They also believe that this money will be needed at retirement since Mike has no pension plan at work. The only retirement plan in place is a 401(K) savings plan that became available to Mike three years ago and which he immediately joined at the rate of 5 percent of his salary.

Financial Position

ASSETS	
Invested Assets:	
*Checking and Savings**	*$3,200*
CD (six months)	*15,600*
Savings Bonds	*1,450*
Inheritance Due	*50,000*
Life Insurance Cash Value	*3,200*
Stocks	*6,000*
IRA's (bank CD's)	*12,300*
401(k) Savings Plan	*9,700*
Total Investments	*$101,450*
** Plus children's savings of $5,000 each*	
Non-Investment Assets:	
Residence	*$135,000*
Automobiles	*14,000*
Other Personal Assets	*10,000*
Total Non-Investment	*$159,000*
Total Assets	*$260,450*
LIABILITIES	
Home Mortgage	*$41,000*
Auto Loans	*8,300*
Bank Loan	*12,100*
Charge Accounts	*5,800*
Total Liabilities	*$67,200*
NET WORTH	*$193,250*

The Bottom Line

Financial Strengths:

- ✔ *Some regular savings in place through 401(k) plan.*
- ✔ *Have sufficient emergency reserves.*
- ✔ *Appropriate estate plan in place.*
- ✔ *Insurance coverages are adequate.*
- ✔ *Inheritance provides nice boost to assets.*

Financial Weaknesses:

- ✔ *Minimal savings for upcoming educational costs.*
- ✔ *Mike has no pension plan at work.*
- ✔ *Little thought given to future planning until recently.*
- ✔ *Assets improperly positioned to obtain college financial aid.*

FAMILY FINANCES

To use this inheritance and nest egg for college costs would turn a college funding problem into a retirement problem. They ask, "We know that it is asking to have our cake and eat it too, but is there any way we can protect this asset and still provide significant help with our children's educational costs? You need to know that we put a high priority on providing the children with a good education."

First, let's review the cost of college education. Jill is an excellent student and would like to go to a small private college in the Midwest. She has looked at Albion College and Miami University of Ohio, but it appears that those institutions may be far out of grasp financially.

The cost is $15,000 per year now, and it could well be $20,000 per year by the time she enters college. Ted has had his eye on going to Michigan State University ever since he was in late elementary school. As a result, his costs would be about half of Jill's, or about $7,500 per year in current dollars.

BOTH CHILDREN plan to work at summer jobs to add to the $5,000 savings accumulated over the years from gifts and odd jobs. They are somewhat aware of their family's financial limitations.

An important point for the Austins to understand is that the cost of the institution should not necessarily be the primary factor in their choice of college for the children. This concept is sometimes hard to grasp for families of modest means, but it does not make it any less true. There are usually ways to find enough money and aid for college expenses, even after the governmental belt-tightening of the past several years.

The Austins need to start their planning right away. Some of the actions they take this year or next may significantly effect financial aid available. The earlier the process is started, the more likely it is the children will be able to attend the institutions of their choice.

A basic concept for them to understand in applying for financial aid is the concept of financial need. Each family is expected to pick up a certain specific amount of college costs, called the "expected family contribution." This family contribution does not change based upon the cost of educational institution. If the family contribution is $4,000 at College A where yearly expenses are $3,500, the family contribution will also be $4,000 at College B, which may have an annual cost of $12,000.

FINANCIAL NEED is simply defined as the difference between the cost of the college and the expected family contribution. In the illustration, financial need at College A is zero, and it is $8,000 at College B. In this case, College B can help the Austins put together a financial aid package of $8,000. This aid package may be a combination of grants, scholarships, loans and work-study programs. It bears repeating that the family's expected contribution should be no larger than $4,000 regardless of the institution.

A major part of planning for college education costs can be pursuing strategies that reduce the expected family contribution. There are a number of significant strategies that the Austins can pursue to increase their eligibility for financial aid.

As a brief overview, we would suggest that the Austins consider repositioning certain assets (including the inheritance), take out a home equity loan to consolidate debt, con-

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