

# Plan would help pay for college

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3A

LANSING — Gov. Blanchard has proposed that the state set up a fund guaranteeing four years of tuition for students at Michigan's public colleges and universities by letting their parents invest money in a program to be managed by the state.

Details of the plan have not been worked out. Here is what is known:

#### How would the plan work?

Parents, at any time after the birth of their child, could give the state a minimum of \$2,400, either in a lump sum or in monthly or semiannual installments. The state would invest the money for the family, and it would earn interest. The plan has been compared to an Individual Retirement Account in that no taxes are paid on the interest. (IRA investors, however, pay taxes on the interest once the money is withdrawn from the account.) The older the child, the greater the amount the parents' would have to give the state because there would be less time for interest to accumulate.

The state has not figured out how much the plan would cost for parents of older children.

When the child enters one of Michigan's 15 public colleges or universities, the state would pay the tuition directly to the college. Michigan is the first state in the country to propose such a plan.

#### Does it matter which of the schools my child attends?

No. The average tuition this year at one of the state's public colleges or universities is \$1,631.

#### How can the state do this?

The state would set up a special fund, much like its

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pension fund that pays retirement incomes to hundreds of thousands of state employees. In 1985, the pension fund investments earned a 24 percent rate of return, according to Treasurer Robert Bowman. The state would try to make sure its tuition fund investments had a rate of return that, at a minimum, would make enough money to cover what they expect tuition to cost by the time a child enrolls in college.

#### What if tuition costs go up more than the state expects?

The state would lose money, but the tuition guarantee would still be honored, Bowman said. Blanchard said tuition for four years of college could be \$20,000 by 2000. Other estimates are much higher. One brokerage firm, Merrill Lynch & Co. Inc., estimates that four years of tuition at public colleges could cost \$40,000 by 2000.

#### Does the tuition guarantee include Michigan's private colleges?

No. The state can only make such an arrangement with its public schools. Some private colleges across the nation, however, have set up programs to help finance students' education. Dartmouth College, for example, in 1982 established a student loan program financed by selling tax-exempt bonds.

#### What happens if we give the state a payment and then leave Michigan?

Bowman said that there was no reason he could think of why a family who gave the state money and then moved should be excluded from the tuition guarantee if their child decides to come back to Michigan for college.

#### What happens if we give the state a payment and my child decides to attend an out-of-state school — or decides not to attend college at all?

The state would refund the money and at least part of the interest, though there are now no details of how this would work.

#### What if my child dies?

The refund also would apply.

#### Does anyone else have to approve this plan?

The Democratic-controlled state House and Republican-controlled state Senate have to agree to the plan before it could begin.

#### What are the advantages of the state's plan?

Under the state's plan, a family would be able to turn its money over to a group of professional money managers without paying service or brokerage fees. The family would not have to pay taxes on interest that accumulated, and — no matter how expensive tuition became — their child would be able to attend college without it costing the family more than the original investment.

#### How have college presidents responded to the governor's proposal?

They like it. U-M President Harold Shapiro said he was "intrigued and encouraged" by the proposal while John DiBiaggio, president of Michigan State University, termed it, "a very attractive proposal."

Said Wayne State University President David Adamany: "I think this is a great plan. . . . It would have a major impact for middle-class and working-class families to support their children's education. . . . You make a lump-sum payment and you walk away from the problem."

#### What do lawmakers think of the idea?

They like it, too, but are a little more cautious. Sen. William Sederburg, R-East Lansing, chairman of the Appropriations subcommittee on higher education, termed the plan "creative," but said he wanted more information. Sederburg said he also wanted to know how the state would estimate tuition costs in the future. "There are innumerable little technical questions, but the concept really appeals to me."

Rep. Lynn Jondahl, D-East Lansing, said it "sounds really smart and good." But Jondahl also noted that "the potential is there that if tuition soared in unanticipated ways and the investments didn't work, the state could lose money."