

OUR VIEW: The Retirement Systems of Alabama has bad news for those hoping for an easy remedy for Alabama's prepaid college tuition plan

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For those hoping for a miracle cure for Alabama's faltering prepaid tuition plan, the word from the Retirement Systems of Alabama surely came as a disappointment.

RSA said the only thing that can save the Prepaid Affordable College Tuition program is a huge bailout from state taxpayers. "It's going to take a ton of money to fill a very big hole," RSA Deputy Director Marc Reynolds told The Huntsville Times.

That's unfortunate. The state is already struggling to keep up with the other pulls on taxpayer funds, and it doesn't have hundreds of millions of dollars to spare for essential services, much less to rescue PACT. Although Reynolds threw out the idea of some kind of tax increase just to salvage the program, the political winds in Alabama are rarely favorable for sailing in that direction.

But the other option -- stiffing those who purchased PACT contracts, thinking they were securing their children's and grandchildren's futures -- is hardly politically palatable, either.

PACT was sold to the people of Alabama as a safe vehicle for paying today's prices for a college education tomorrow. The early contracts even used the word "guarantee" to describe the benefits. Even after the word was removed, the sentiment was certainly implied in the program's marketing and salespitch.

That was before college tuition costs soared, and other college-savings options started getting more takers -- and before the stock market, in which PACT was heavily invested, took all of its passengers on a sickening downhill ride.

PACT was reporting deficits at least as far back as 2004, but by the end of 2008, it reported the difference between its checkbook balance and its obligations was a whopping \$306 million. Reynolds said that number is even bigger now, and the Dow Jones would have to hit very unlikely peaks to close the gap.

Simply put, there are no easy fixes. Some state schools tried to help by freezing tuition for PACT participants, but the biggies -- the University of Alabama and Auburn University -- said no and, indeed, increased tuition last week.

So, here we are.

In our view, it's time for PACT officials, perhaps in conjunction with the RSA, to study the outstanding contracts and begin devising realistic remedies to deal with this deficit, if there are any out there. It may be that PACT can honor the older contracts and issue refunds to those who bought into the program later. In any case, PACT officials need to do what they can to come up with alternatives that are as fair as possible to the PACT participants and to the taxpayers of Alabama.

If the RSA's assessment is right, bailing out the whole program may be more than taxpayers can reasonably be expected to do.

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