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## The Gadsden Times

# PACT looms as campaign issue for Ivey, other gubernatorial contenders

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MONTGOMERY — Like it or not, for state Treasurer Kay Ivey, the state tuition program that went south on her watch will be an issue not only in her gubernatorial campaign, but also for others, according to a tuition program watchdog.

Patti Lambert is a Decatur real estate businesswoman who has six Prepaid Affordable College Tuition plans. She said she's worried the PACT will run out of money before it can pay on all her policies.

"I've given my word as Nana that my grandkids are going to have an education and that is their legacy," Lambert said. She's set up a PACT watch Web site, Save Alabama PACT, and is looking forward to the 2010 governor's race.

"It's wonderful we have an election coming up," Lambert said. "When you have 48,000 PACT (contracts) and each has a circle of 20 or 30 relatives, you do the math, and we become a third political party."

The Wallace-Folsom PACT was established 20 years ago for parents or grandparents to buy tomorrow's college tuition at today's prices. PACT was supposed to remain solvent through a combination of new contracts and earnings from investments, assuming tuition rates remained fairly stable.

Nearly 49,000 contracts have been purchased and until the mid-1990s, tuition was guaranteed. At some point the tuition guarantee was dropped, shocking current contract holders who see contracts as implied promises.

PACT is overseen by a board of directors with the state treasurer, currently Ivey, as chairman.

Because of declining enrollment, rising tuition costs and lower investment earnings, the PACT lost half its value since last year. Right now the PACT has enough money to pay tuition through 2014.

Auburn University political science professor Paul Johnson said it's not really Ivey's fault. "Clearly, the general market has gone down and everybody has lost," Johnson said. "We could fault her for not having the magical foresight to put assets in U.S. Treasuries a year and a half ago.

"But I guess she will be faulted because she's ultimately in charge, but people shouldn't fault her because she's been out front of the issue," Johnson said.



### *SPECIAL TO THE TIMES*

State Treasurer Kay Ivey officially announced her candidacy for governor last week. She has said she remains committed to trying to find a solution for the PACT college tuition program that went south on her watch.

Ivey, a Republican who is in her second term as treasurer and cannot by law seek a third term, last week officially announced her gubernatorial campaign.

"My mission is to continue working through and finding solutions," she said. "My mission is to see the eligible students be able to use their tuition as promised."

Ivey said the program has not been mismanaged and it earned money during most of her two terms. She said the economy "took General Motors down, it took Chrysler down, it took Warren Buffett down."

"Arguably, he's the wisest American investor," she said of Buffett. "(The state retirement system) lost about the same we lost."

Not quite, but the Retirement Systems of Alabama did lose about 15 percent of its \$35 billion in total assets during the last year. Buffett's Berkshire Hathaway stock went from \$148,000 a share to about \$78,000.

At the end of March, the PACT had lost \$460 million. The next quarterly report is due in July, and the board next meets Aug. 19.

If the board keeps its meeting schedule, it probably will have available an actuarial study conducted by the Retirement Systems of Alabama as requested by the Legislature in May. RSA spokesman Marc Reynolds said it may be the end of July before the study is finished.

"We thought we'd be able to take the program and tweak it and get costs down," he said. "It doesn't look like that's going to happen. It's going to take some money to fill the holes."

Johnson said he expects politicians will prop up the fund, but the state is in a "terrible fiscal situation right now."

"Longer term, it's probably less of a problem because the market will recover," he said.

Johnson said the Legislature has some culpability in PACT losing money because legislators have not been adequately funding colleges that have had to raise tuition to cover costs, eating into the PACT program faster than anticipated.

"This whole business was a little bit of snake oil from the beginning because the nationwide trend for public colleges and universities is they're losing funding from legislators," Johnson said. "The same ones that made promises for prepaid tuitions are the same folks who have been cutting funding."

Ivey plans to seek PACT funding from the Legislature next session.

Lambert said she doesn't blame Ivey, but she promises to hold not only her feet to the fire, but also other candidates'. She also decries the lawsuits that have been filed against the PACT program as a potential drain on its assets.

"In my opinion, there may have to be some infusion of funds to get us over the hump, and we'll just have to take a look and see on everything else," she said.

Nonetheless, Ivey as a candidate will be fairly or unfairly praised or blamed for PACT's ultimate performance.

"She has challenges to start with that anyone would expect in a campaign, but the main way she's been in the news is the disaster for the prepaid college program, which is no way to walk into a campaign," Johnson said.