

August 19, 2009

## No option for PACT rescue comes cheap

By Markeshia Ricks

State leaders knew that rescuing the faltering Prepaid Affordable College Tuition, or PACT, plan would be expensive, and a new study spells out exactly how costly it will be.

A study by the Retirement Systems of Alabama says if there is a fix for PACT, the best option would require the state to appropriate level amounts of funding over the next 18 years. But doing so could cost the state between \$355 million and \$932.8 million and require a cash infusion of between \$19.8 million and \$52.1 million starting in fiscal 2011.

Other options offered by the study include a lump sum payment of as much as \$641.8 million in fiscal 2011, paying \$100 million over the next seven years, or paying nothing until fiscal 2015 and having to pay \$1 billion to cover costs. But without action, the PACT program likely would run out of money by 2015.

"In light of the financial pressure experienced by state budgets due to current economic conditions, this approach (level funding) or one very similar appears to be the most realistic approach to stabilizing and ensuring the future success of the PACT program," according to the study's executive summary. But where the state will come up with that kind of money in the face of a down economy and looming education budget cuts is a question that remains to be answered.

Gov. Bob Riley and members of the state Legislature received the actuarial study Friday and are still reviewing it. A discussion of the study is not on the agenda of the PACT board meeting, which will be at 1 p.m. today, but Assistant State Treasurer Daria Story said the board could bring it up.

Todd Stacy, press secretary for Riley, said the governor is anticipating a need for a legislative solution, and he's still willing to call a special session to implement it.

"It is difficult to say what a solution will look like, especially considering that will ultimately be up to the Legislature," Stacy said. "However, Gov. Riley believes the state needs to honor its commitment to PACT families.

"Parents participated in PACT to ensure a better life for their children and Gov. Riley believes the state should live up to its commitment to help that happen."

State Rep. Craig Ford, D-Gadsden, pushed for a legislative solution to be included in the governor's most recent call for a special session but was unsuccessful.

Ford said he's prepared to reintroduce the bill during another special legislative session, or to handle any alternative legislation that would ensure that all of the nearly 49,000 outstanding contracts are honored.

Ford introduced the bill after parents and state officials were notified early this year that the assets in the PACT plan had lost 46 percent of its value and threatened the state's ability to honor all of the contracts.

"We've got to do something," he said. "We can't stand by and let this program go to waste."

Ford's bill would have redirected \$25 million a year for five years from the state's unclaimed property program and \$5 million a year for five years from a trust fund for capital improvements. His plan would have generated about \$300 million, which would not have been enough to cover what the study offers as a best option.

The most viable solution is based on several variable assumptions that could change because of the state's dire economic situation. The projections for what the state would contribute are based on decreasing interest rates from 5 to 3 percent and tuition inflation either being held at zero or going no higher than the historical average of 7.25 percent.

But the study points out that during the 2009-2010 school year several state universities raised their tuition much higher than 7.25 percent. And while the state's two-year colleges and several regional universities have frozen their tuition rates for PACT students, the University of Alabama and Auburn University -- the two most popular destination for PACT students -- have not followed suit.

Kitty Collier of Montgomery said she's just grateful that the study found no mismanagement of funds and provides some real options for fixing PACT. Her daughter is currently in school using the PACT plan Collier bought back in 1990, and she wants all of the other children represented by those nearly 49,000 contracts to have the same opportunity.

"We've got our work cut out for us and what we need to do now," said Collier, a member of the Montgomery/Central Alabama Area Save Alabama PACT, which has mobilized parents and relatives who bought PACT plans to prevail on state officials to find a way to honor all of the contracts.

"No one person or entity can solve the problem," she said. "We have to work together as a coalition of legislators, government officials and parents toward the common goal of honoring all the contracts."

*The Associated Press contributed to this report.*

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