

Alabama's Prepaid Affordable College Tuition (PACT) Program

Background

In 2010, the Alabama Policy Institute released a report on the funding crisis for the state's Prepaid Affordable College Tuition Program (PACT). The report noted that large annual increases in tuition and fees at the state's colleges and universities left PACT in danger of being unable to meet its tuition payment obligations.ⁱ Here are some examples of some of the largest tuition percentage increases—and the dollars they represent—for the 2010-11 academic year:

- Alabama A&M: 23 percent (\$641 more per semester);
- University of Alabama in Huntsville: 15 percent (\$491);
- Auburn University: 13 percent (\$464);
- University of Alabama: 13 percent (\$450).

Tuition rate increases have trounced annual increases in inflation. Since 1998, Alabama A&M's tuition has increased 199 percent; Alabama, by 194 percent; Auburn, 186 percent; and UAH, 155 percent. By comparison, the highest annual rate of inflation was 3.8 percent in 2008.ⁱⁱ

Public educational institutions in other states have also raised their tuition substantially. From the 2008-09 year to the 2009-10 year, undergraduate tuition and required fees for all four-year colleges and universities nationwide increased 6.7 percent. During the same time period, tuition and fees for all four-year undergraduate colleges and universities in Alabama increased 10.4 percent.ⁱⁱⁱ

Since 1998, tuition and required fees at Alabama's four-year colleges and universities have increased 151 percent

ISSUE SNAPSHOT

Large annual increases in tuition and fees at the state's colleges and universities left PACT in danger of being unable to meet its tuition payment obligations.

To keep the PACT program solvent, Auburn University and the University of Alabama must adhere to the same 2.5 percent tuition and fees growth rate as the rest of the colleges and universities in Alabama.

(88 percent after adjusting for inflation).^{iv} Increased enrollment and the subsequent improvements to each

campus' physical plant and faculty do not explain these large increases. Since 1998, enrollment among the state's four-year public institutions has increased from 123,542 to 148,932, or only about 18 percent.^v

A small part of this problem was solved in April 2010, when the Alabama Legislature voted to move \$547 million in funding from the Education Trust Fund to cover PACT losses, while barring most colleges and universities with PACT students from raising rates for PACT students (of which there are approximately 45,000) to no more than 2.5 percent per year. Unfortunately, the University of Alabama and Auburn University and the University of Alabama—where 55 percent of PACT students attend—were exempted from this limit. Not only will this exemption make higher education less affordable for most of Alabama's non-

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PACT public university students, it will drain PACT funds at a substantially faster rate.^{vi}

Policy Consideration

When the legislation to bail out the PACT program was initially proposed, it was assumed that tuition at the state's colleges and universities would increase at about 7.45 percent per year. Tuition, though, has increased 9.9 percent statewide in 2010-11 and an average of 15.9 percent for the University of Alabama and Auburn University. If these two schools are not required to abide by the 2.5 percent cap on tuition and fees, the PACT fund will run out of money in the 2016 school year, and require an additional \$269 million to remain solvent until all students pass through the program. Moreover, it will be non-PACT students who will have to absorb any cost increases.^{vii}

Recommendation

To keep the PACT program solvent, Auburn University and the University of Alabama must adhere to the same 2.5 percent tuition and fees growth rate as the rest of the colleges and universities in Alabama.

Further Reading

- John R. Hill, "Rescuing Alabama's PACT Program." Alabama Policy Institute, 2010. Available at <http://tinyurl.com/3mll4du>. Access verified January 20, 2011.

ⁱ John R. Hill, "Rescuing Alabama's PACT Program." Alabama Policy Institute, 2010. Available at <http://tinyurl.com/3mll4du>. Access verified August 4, 2011.

ⁱⁱ Paul Gattis, "Tuition at Some Alabama Colleges More than Doubles in 12 Years." *Huntsville Times*, July 18, 2010. Available at <http://tinyurl.com/2uemthg>. Access verified August 4, 2011.

ⁱⁱⁱ "2009-10 Tuition and Fee Rates: A National Comparison." Washington Higher Education Coordinating Board, March 2010. Available at <http://tinyurl.com/3dgtvur>. Access verified August 4, 2011.

^{iv} *Ibid.*, and earlier editions.

^v Alabama Commission on Higher Education, "Total Headcount Enrollment: All Alabama Higher Education Institutions—Fall 1998 – 2008." Available at <http://tinyurl.com/4w7fq75>. Access verified August 4, 2011.

^{vi} John Peck, "Editorial: Alabama's PACT in peril - again!" *The Huntsville Times*, December 3, 2010. Available at <http://tinyurl.com/6zogd2h>. Access verified August 4, 2011.

^{vii} *Ibid.*