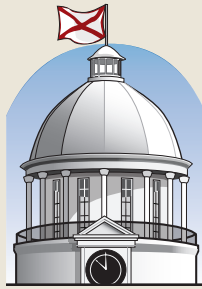




March 5, 2010



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The Capital Breaks

PACT solution under assault by higher education forces and GOP leader

There is a determined effort to scuttle a permanent solution to the insolvency of PACT, the state prepaid college tuition program. An AEA-backed PACT bill using debt service funds and tuition caps passed the House last week and now moves to the Senate.

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Since the beginning of the recession in 2007, PACT has rapidly been moving toward financial insolvency. More than 44,000 families that bought PACT policies, including thousands of AEA members, saw the dream of sending a child or grandchild to a public university threatened.

PACT was set up in the early 1990s as a way for families to prepay tuition by buying policies from the state. In the early days of the program there was an explicit guarantee. The guarantee was removed a few years later, but the promise was still implied.

Then the board entrusted with PACT fell asleep at the wheel.

PACT was designed to invest the money conservatively and generate returns large enough to cover future tuition costs. The PACT Board, populated with do-nothing members like gubernatorial candidate Bradley Byrne, let the fund go heavily into investments that took a huge hit when the stock market tanked.

Bad investments were only part of the problem.

Tuition at Alabama's public colleges and universities has skyrocketed over the last decade, far outpacing the rate of inflation. Even while getting the biggest increases in history to their budgets from the state, Alabama and Auburn were raising their tuition at more than double the rate of inflation. Such tuition hikes not only caused problems for students and families, it became a central issue for faltering PACT funds.

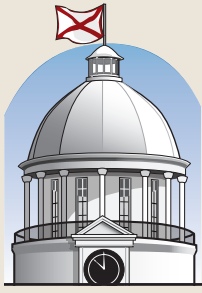
There is a moral obligation for the state to make good on the PACT promises, yet it is important that taxpayers and K-12 not be penalized while finding a permanent solution.

The PACT bill that passed the House is a permanent solution and does not hurt future education budgets.

The House bill makes available \$236 million freed when the state begins to pay off education construction bonds over the next decade. As the debt service on these bonds is reduced, remaining budgeted funds will shore up the PACT shortfall. Using these funds makes sure that no money going to K-12 classrooms will be affected.

To make sure deficits don't reoccur, the House bill caps tuition increases for PACT students at 2.5 percent a year. This rate can be increased in years when the investments by PACT make it affordable. Locking down skyrocketing tuition is absolutely necessary for a permanent solution. State officials

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AEA will work to see that the House version passes the Senate, the only permanent solution to the PACT problem.

Alabama's RTTT application moves to second phase of submissions

Alabama is not a first round finalist for the Obama administration's Race to the Top (RTTT) funds, the high profile education competition that could provide a few states a share of stimulus funds. The second round will begin June 1.

Only 16 out of 41 states that applied were selected for the first round. Winners of the first round will be announced in April.

Kentucky was a notable selection because, like Alabama, it does not have a charter school law. Gov. Riley has said that the charter law was essential to the competition, but the selection of states without charter laws, like Kentucky, clearly shows this was not the case.

Gov. Riley's desire for the RTTT funds put him in marked contrast with other

Alabama GOP officeholders. There has been little to no support among the Alabama congressional delegation for Obama's stimulus funds. GOP leaders Sen. Richard Shelby and Sen. Jeff Sessions have been outspoken opponents of federal stimulus appropriations, such anti-stimulus sentiment could have been a factor in the loss. Only Rep. Artur Davis voted in favor of the Obama plan.

As expected, Riley is blaming AEA for not being selected as a finalist in the first phase of funding because of opposition to charter schools. AEA, and other education groups, continue to express well-founded reservations about how damaging charter operations would be to local schools in Alabama.

PACT solution threatened

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have said without the cap insolvency would have inevitably returned.

The universities fought the tuition limits, losing a close 52-41 vote on an amendment that would have stripped the cap. Hubbard led the charge to strip the cap, demanding party loyalty that forced most GOP caucus members to vote with him.

The bill is in the Senate, where another attempt to strip the tuition cap has been promised by Hubbard and several GOP senators.

Hubbard claims that tuition caps are unconstitutional, saying it will create a two-tiered tuition system that will not pass muster in the courts. Hubbard uses this claim to make the charge that AEA is out to kill PACT altogether, and that the unconstitutionality of the bill shows it is all a ruse.

AEA has pointed out to Hubbard and others who have fought the bill that state universities already have a two-tiered tuition system in place, charging different rates for out-of-state students.

Those who live within 50 miles of an Alabama campus get to pay in-state rates, costing Alabama taxpayers more than \$20 million in 2008-2009.

Charging different tuition for PACT students will be no different than the current out-of-state policies for Alabama's universities.

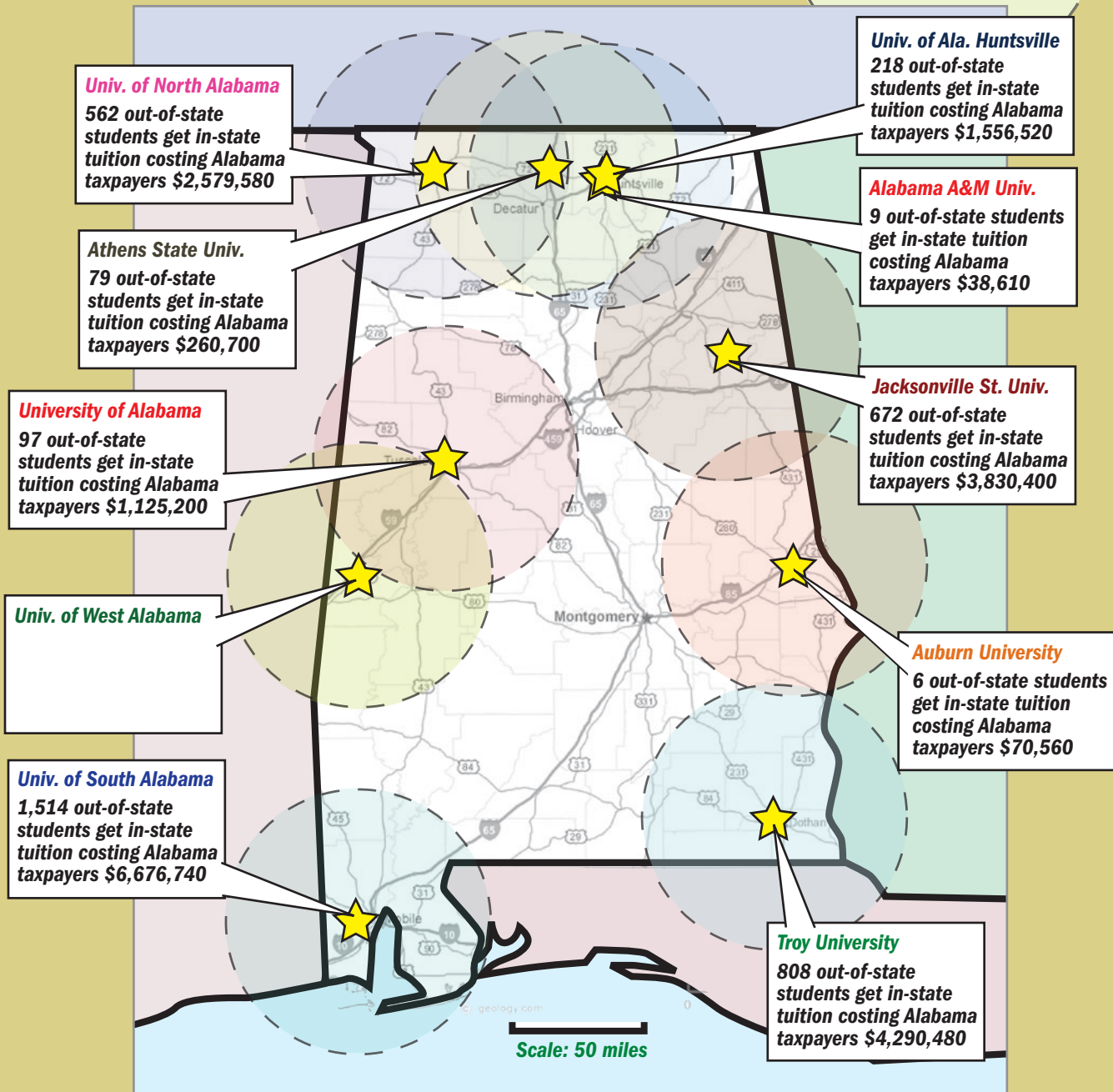
Hubbard's bidding for higher education is no surprise to Statehouse hands that have watched him operate. He has lucrative business connections to Auburn University where he has made millions in insider contracts on sports broadcasting and other services.

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Alabama universities charge two different tuition rates for out-of-state students.

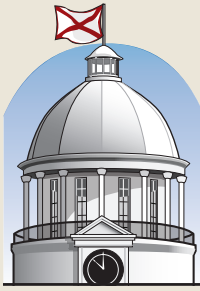
Policy of Alabama universities let students who live within 50 miles of a campus pay in-state tuition rates, while the rest pay higher out-of-state rates.

50 mile radius



Higher ed lobbyists and GOP leader Rep. Mike Hubbard, of Auburn, claims that charging different tuition rates for a similar class of students is unconstitutional. They are wrong on the facts, state universities already charge different rates to out-of-state students, at the expense of Alabama taxpayers. Those who

live within 50 miles (or more in the case of UA,) of a campus are charged in-state rates, while out-of-state students living farther distances are charged out-of-state rates. (Auburn University allows the children of faculty and employees tuition at a 50 percent discount.)



Supporters of the measure point out that when it becomes law, hand-picking of politically-connected individuals by employing boards will become much more difficult.

State Senate sends vacancy posting bill to governor

On Thursday morning, Senate Democrats and two Republicans resisted Republican efforts to weaken the much-needed vacancy posting bill (HB79) and gave it final passage by an 18-11 vote.

As reported in last week's *Capitol Breaks*, the bill aims to correct a long-standing flaw in the state's requirements for posting vacancies in public education positions.

Under current law, vacancies in all but the highest-paid jobs must be posted in a manner that provides sufficient time and opportunity for interested parties to apply and for employing boards to consider a variety of applicants.

HB 79 requires that the same opportunity be provided when vacancies occur in jobs such as superintendent, Chancellor of Postsecondary Education, and state superintendent. Supporters of the measure point out that when it becomes law, hand-picking of politically-connected individuals by employing boards will become much more difficult.

Sen. Larry Dixon (R-Montgomery) tried to tack an amendment on the bill which would have weakened its enforcement but his effort was overcome as Sen.

Quinton Ross (D-Montgomery) led a successful effort to table the amendment in a 17-12 vote. Sen. Ross shepherded the bill to final passage in the Senate as Rep. James Buskey (D-Mobile) had done in the House earlier in the legislative session.

The legislation will shortly be transmitted to the governor who can either try to amend it, veto it, or allow it to become law.

Voting for a requirement for more transparency by publicly posting job openings for highest paid positions in public education were: Sens. Lowell Barron, Roger Bedford, Tom Butler, Linda Coleman, Bobby Denton, Pricilla Dunn, Jimmy Holley, Marc Keahey, Zeb Little, Larry Means, Wendell Mitchell, Arthur Orr, Phil Poole, Jim Preuitt, Quintin Ross, Hank Sanders, and Bobby Singleton.

Voting against transparency in hiring of highly paid public education employees were: Sens. Ben Brooks, Larry Dixon, Hank Erwin, Steve French, Rusty Glover, Ted Little, Del Marsh, Trip Pittman, Paul Sanford, and Harri Anne Smith.

Bill clarifies abuse report requirement

On Tuesday, Sen. Linda Coleman (D-Jefferson) introduced a bill (SB 492) aimed at protecting teachers and support personnel who may get "caught in the middle" in disputes over required reporting of suspected child abuse.

State law requires educators to report suspected abuse of children and the record proves that educators strenuously comply. Many educators assert, however, that occasionally when they report the abuse to a principal or other administrator, no further attempt to report the abuse is undertaken by the administrator.

The administrator's failure to follow up on the report results in action taken against the educator. Sen. Coleman's bill would amend reporting requirements by establishing, as a matter of law, that when an educator files a written report of suspected abuse with a principal or other supervisor, the educator has met the full reporting requirement and cannot be held liable if the administrator fails to act on the written report.

Sen. Coleman's bill has been assigned to the Senate Education Committee.