

1 SB597
2 121750-1
3 By Senator Little (T) (Constitutional Amendment)
4 RFD: Finance and Taxation Education
5 First Read: 13-APR-10

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8 SYNOPSIS: This bill would propose an amendment to the
9 Constitution of Alabama of 1901, to (1) mandate
10 that the Board of Directors of the Wallace-Folsom
11 College Savings Investment Plan invest all of the
12 assets of the Prepaid Affordable College Tuition
13 (PACT) Trust Fund, with certain exceptions, in
14 investments that will generate a return of
15 principal and interest that provides equal annual
16 payments to the PACT Trust Fund over a twenty-year
17 amortization period; (2) prohibit new enrollees
18 from being accepted into the PACT program after the
19 ratification of this amendment; and (3) allow the
20 Board of Directors of the Wallace-Folsom College
21 Savings Investment Plan to borrow from the Alabama
22 Trust Fund the difference between the PACT
23 program's investment returns and benefit payments.

24
25 A BILL
26 TO BE ENTITLED
27 AN ACT

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2 Proposing an amendment to the Constitution of
3 Alabama of 1901, to mandate that the Board of Directors of the
4 Wallace-Folsom College Savings Investment Plan invest all of
5 the assets of the Prepaid Affordable College Tuition (PACT)
6 Trust Fund, with certain exceptions, in investments that will
7 generate a return of principal and interest that provides
8 equal annual payments to the PACT Trust Fund over a
9 twenty-year amortization period; to prohibit new enrollees
10 from being accepted into the PACT program after the
11 ratification of this amendment; and to allow the Board of
12 Directors of the Wallace-Folsom College Savings Investment
13 Plan to borrow from the Alabama Trust Fund the difference
14 between the PACT program's investment returns and benefit
15 payments.

16 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

17 Section 1. The following amendment to the
18 Constitution of Alabama of 1901, as amended, is proposed and
19 shall become valid as a part thereof when approved by a
20 majority of the qualified electors voting thereon and in
21 accordance with Sections 284, 285, and 287 of the Constitution
22 of Alabama of 1901, now appearing as Section 284, 285, and 287
23 of the Official Recompilation of the Constitution of Alabama
24 of 1901, as amended:

25 PROPOSED AMENDMENT

26 (a) The Board of Directors of the Wallace-Folsom
27 College Savings Investment Plan shall, not later than 12

1 months following the ratification of this amendment, invest
2 all of the assets of the Prepaid Affordable College Tuition
3 (PACT) Trust Fund, except assets needed to pay obligations
4 that will be incurred within 12 months or less, in investments
5 that will generate a return of principal and interest that
6 provides equal annual payments to the PACT Trust Fund over a
7 twenty-year amortization period. The investments must be
8 purchased from an entity that is rated A+ by A.M. Best
9 Company. The board shall purchase the investments after a
10 competitive bid process, and the investments shall be
11 purchased from the bidder that offers the highest rate of
12 return.

13 (b) No new enrollees shall be accepted into the PACT
14 program following the ratification of this amendment, and no
15 benefits shall be paid except to a beneficiary of a PACT
16 contract purchased prior to the ratification of this amendment
17 that is still in force when this amendment is ratified.

18 (c) In the event that the amounts received in any
19 fiscal year by the PACT Trust Fund are not sufficient to pay
20 the benefit payment obligations during that fiscal year, the
21 Board of Directors of the Wallace-Folsom College Savings
22 Investment Plan is authorized to borrow from the Alabama Trust
23 Fund an amount necessary to pay the balance of benefit
24 payments due to PACT beneficiaries during that fiscal year.
25 The board shall be required to repay the amounts borrowed to
26 the Alabama Trust Fund in subsequent fiscal years when the
27 revenues of the PACT program exceed the benefit payments due

1 to PACT beneficiaries. All borrowed amounts must be repaid
2 within 20 years following the date the funds were borrowed.

3 Section 2. An election upon the proposed amendment
4 shall be held in accordance with Sections 284 and 285 of the
5 Constitution of Alabama of 1901, now appearing as Sections 284
6 and 285 of the Official Recompilation of the Constitution of
7 Alabama of 1901, as amended, and the election laws of this
8 state.

9 Section 3. The appropriate election official shall
10 assign a ballot number for the proposed constitutional
11 amendment on the election ballot and shall set forth the
12 following description of the substance or subject matter of
13 the proposed constitutional amendment:

14 "Proposing an amendment to the Constitution of
15 Alabama of 1901, to mandate that the Board of Directors of the
16 Wallace-Folsom College Savings Investment Plan invest all of
17 the assets of the Prepaid Affordable College Tuition (PACT)
18 Trust Fund, with certain exceptions, in investments that will
19 generate a return of principal and interest that provides
20 equal annual payments to the PACT Trust Fund over a
21 twenty-year amortization period; to prohibit new enrollees
22 from being accepted into the PACT program after the
23 ratification of this amendment; and to allow the Board of
24 Directors of the Wallace-Folsom College Savings Investment
25 Plan to borrow from the Alabama Trust Fund the difference
26 between the PACT program's investment returns and benefit

1 payments, provided that the board shall repay amounts borrowed
2 within 20 years.

3 "Proposed by Act _____."

4 This description shall be followed by the following
5 language:

6 "Yes () No ()."