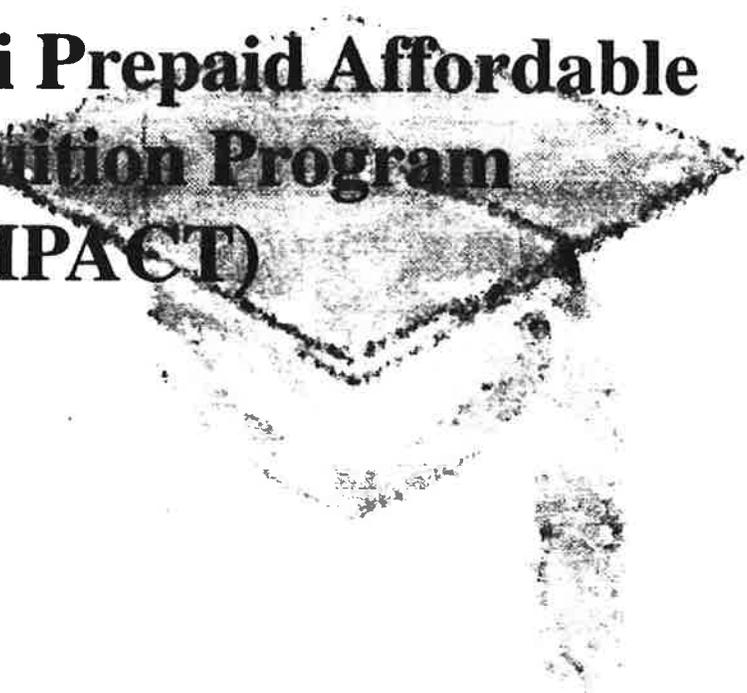


The Mississippi Prepaid Affordable College Tuition Program (MPACT)



Recommendation

Wednesday, January 17, 1996

Impact Your Future with MPACT!

RECOMMENDATION

Over the last ten years, the constantly rising costs of higher education have outpaced inflation, the rate of increase in assistance to students, and the growth in family income, posing a serious threat to the ability of parents to ensure their children's access to postsecondary education. It has also become apparent that families must prepare themselves to assume a greater share of the costs of educating their children.

The focus of the state's efforts should be the promotion of an education savings program or legislation to encourage families to save early for their children's education. The crux of the matter is that the only program that fits the bill for Mississippi is the Mississippi Prepaid Affordable College Tuition Program. This program has been selected for the following reasons:

1. It offers a greater rate of return than bond programs.
2. It provides a program through which many of the costs associated with postsecondary attendance may be paid in advance and fixed at a guaranteed level for the duration of the undergraduate enrollment.
3. The monies are designated for educational expenses and are paid directly to the school.
4. It makes a postsecondary education affordable for a greater population.
5. It encourages more families to save in advance for future costs of higher education.
6. It encourages attendance at Mississippi institutions of higher education.
7. It encourages recipients to stay in the state.
8. The full faith and credit of the state stands behind this plan.

STATE LIABILITY SAFEGUARDS

1. The program is designed to conserve funds. Most refunds do not include interest earned on the principal. Similarly, the amount that may be transferred to private and out-of-state postsecondary institutions is limited.
2. Any program surplus funds are maintained for contingency purposes. The contingency funds are the first funds to be used if the program experiences a shortfall.

3. Annual monitoring prevents the program from getting out of hand without the knowledge of policy makers. The Board must undergo an annual financial audit and an analysis of actuarial adequacy. These reports enable policy makers to make decisions regarding the program in a timely manner.
4. The Board is authorized to limit the number of participants in the program. This limitation automatically limits the extent to which the state is liable.

ECONOMIC IMPACT

Based on the proposed legislation and the historical data relating to tuition and fees in Mississippi, Coopers and Lybrand, L.L.P. developed a pricing study. The actuarial conclusions are based on various assumptions regarding the number of contracts that are projected to be sold, the projected rate of increase in tuition over time, the projected rate of return on investments in the trust fund, the age of the beneficiary at the time of the purchase of the contract, and the length of the payment period. Different scenarios have been created to show the differences in price that result from using different assumptions. For example, Enclosure 1 of this section shows that one year of Senior College tuition could be bought for a newborn for a lump sum of \$2,105.00, and four years could be bought for a lump sum of \$8,420.00 ($\$2,105.00 \times 4$). These figures are based on the assumption that 11,000 contracts will be sold in the first year and 4,400 contracts will be sold each year thereafter. These figures are also based on the assumptions that tuition will grow at 7.00% and that the yield from the trust fund will average 8.10% per year.

If the same set of assumptions are maintained and a parent wants to buy a year's tuition for a newborn on a three-year installment plan, the monthly payment would be \$66.36. (See Enclosure 3 of this section.) If the parent wishes to buy all four years of Senior College tuition over the three-year period, the monthly payment would be \$265.44 ($\66.36×4). If the same set of assumptions are maintained and a parent wants to buy a year's tuition for a newborn on a nine-year installment plan, the monthly payment would be \$28.03. (See Enclosure 5 of this section.) If the parent wishes to buy all four years of Senior College tuition over the nine-year period, the monthly payment would be \$112.12 ($\28.03×4).

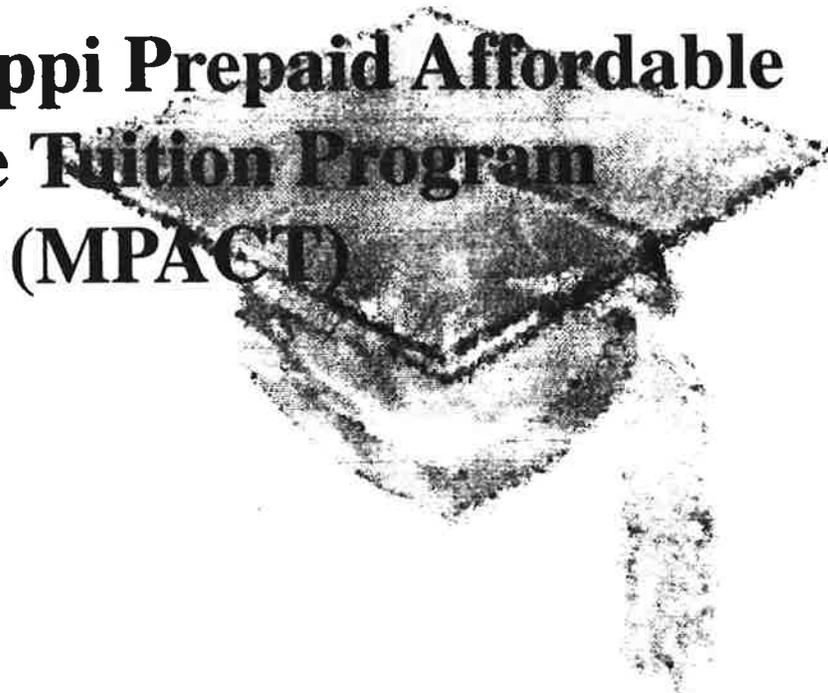
If the same set of assumptions are maintained for Junior College costs and the parent wishes to pay a lump sum amount for one year of college education for a newborn, the cost would be \$972.00. (See Enclosure 2 of this section.) For two years of Junior College, the lump sum cost would be \$1,944.00 ($\972.00×2). If the same set of assumptions are maintained and a parent wants to buy a year's tuition for a newborn on a three-year installment plan, the monthly payment would be \$31.18. (See Enclosure 9 of this section.) If the parent wishes to buy two years of Junior College tuition over a three-year period, the monthly payment would be

\$62.36 ($\31.18×2). If the same set of assumptions are maintained and a parent wants to buy a year's tuition for a newborn on a nine-year installment plan, the monthly payment would be \$13.48. (See Enclosure 11 of this section.) If the parent wishes to buy two years of Junior College tuition over a nine-year period, the monthly payment would be \$26.96 ($\13.48×2).

CONCLUSION

An investment in education savings programs will be an investment in the state's future by contributing to the development of an educated citizenry and a state prepared to prevail over the challenge of international competition which will characterize the twenty-first century.

The Mississippi Prepaid Affordable College Tuition Program (MPACT)



Actuarial Tables

Wednesday, January 17, 1996

These actuarial conclusions are based on various assumptions regarding the number of contracts that are projected to be sold, the projected rate of increase in tuition over time, the projected rate of return on investments in the trust fund, the age of the beneficiary at the time of the purchase of the contract, and the length of the payment period.

Impact Your Future with MPACT!

**Mississippi Student College Assistance Program
1996 Enrollment -- Senior College Plan
Lump Sum Prices Under Alternative Assumptions**

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	Yield:			Yield:				
	6.00% per year	8.10% per year	8.10% per year thereafter	6.00% per year	6.00% per year	8.10% per year thereafter		
Tuition:	7.00%	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%	
0	\$2,764	\$2,312	\$2,105	\$1,764	\$2,795	\$2,344	\$2,135	\$1,794
1	2,754	2,324	2,126	1,796	2,807	2,356	2,156	1,828
2	2,744	2,337	2,147	1,830	2,776	2,369	2,178	1,862
3	2,735	2,349	2,168	1,865	2,767	2,381	2,199	1,897
4	2,726	2,364	2,190	1,902	2,757	2,396	2,221	1,931
5	2,716	2,376	2,212	1,936	2,748	2,408	2,242	1,968
6	2,707	2,388	2,235	1,973	2,739	2,420	2,265	2,005
7	2,698	2,403	2,257	2,010	2,730	2,435	2,288	2,042
8	2,689	2,415	2,280	2,049	2,721	2,447	2,311	2,081
9	2,680	2,430	2,303	2,088	2,712	2,462	2,334	2,120
10	2,671	2,442	2,326	2,128	2,702	2,474	2,357	2,160
11	2,662	2,457	2,350	2,170	2,694	2,489	2,380	2,201
12	2,653	2,472	2,373	2,211	2,685	2,504	2,404	2,241
13	2,645	2,484	2,398	2,253	2,676	2,516	2,427	2,283
14 or older	2,700	2,591	2,591	2,591	2,700	2,591	2,591	2,591

**Mississippi Student College Assistance Program
1996 Enrollment -- Junior College Plan
Lump Sum Prices Under Alternative Assumptions**

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	Yield:		Tuition:	Yield:		Tuition:		
	6.60% per year	8.10% per year		6.60% per year	8.10% per year			
	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%		
0	\$1,231	\$1,067	\$972	\$852	\$1,291	\$1,128	\$1,033	\$911
1	1,226	1,069	980	859	1,289	1,135	1,041	923
2	1,224	1,076	988	871	1,286	1,139	1,049	935
3	1,220	1,081	997	885	1,284	1,144	1,057	947
4	1,216	1,086	1,006	901	1,280	1,148	1,066	960
5	1,210	1,093	1,014	914	1,276	1,155	1,075	975
6	1,210	1,098	1,023	929	1,273	1,161	1,084	992
7	1,207	1,103	1,032	942	1,270	1,165	1,094	1,007
8	1,204	1,107	1,041	958	1,268	1,172	1,103	1,022
9	1,200	1,113	1,051	975	1,263	1,177	1,111	1,037
10	1,197	1,118	1,058	990	1,260	1,183	1,122	1,052
11	1,194	1,125	1,070	1,006	1,257	1,190	1,130	1,067
12	1,190	1,130	1,079	1,024	1,253	1,193	1,141	1,085
13	1,187	1,134	1,089	1,040	1,250	1,198	1,148	1,102
14 or older	1,225	1,175	1,225	1,070	1,275	1,225	1,175	1,150

**Mississippi Student College Assistance Program
1996 Enrollment -- Senior College Plan
Installments for Three Years Under Alternative Assumptions**

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	Yield:			Yield:				
	6.60% per year	7.00%	8.10% per year	6.60% per year	7.00%	8.10% per year		
Tuition:			Tuition:					
	6.00%	7.00%	6.00%	6.00%	7.00%	6.00%		
0	\$85.15	\$71.39	\$66.36	\$55.77	\$86.09	\$72.36	\$67.29	\$56.70
1	\$84.84	\$71.75	\$67.01	\$56.76	\$86.46	\$72.73	\$67.94	\$57.76
2	\$84.54	\$72.15	\$67.66	\$57.82	\$85.51	\$73.12	\$68.62	\$58.81
3	\$84.27	\$72.51	\$68.31	\$58.91	\$85.24	\$73.49	\$69.28	\$59.90
4	\$83.99	\$72.97	\$69.00	\$60.05	\$84.94	\$73.95	\$69.96	\$60.95
5	\$83.69	\$73.34	\$69.68	\$61.11	\$84.66	\$74.31	\$70.61	\$62.10
6	\$83.41	\$73.70	\$70.39	\$62.26	\$84.39	\$74.68	\$71.32	\$63.25
7	\$83.14	\$74.16	\$71.08	\$63.41	\$84.11	\$75.13	\$72.04	\$64.40
8	\$82.87	\$74.52	\$71.79	\$64.62	\$83.84	\$75.50	\$72.75	\$65.61
9	\$82.59	\$74.98	\$72.50	\$65.83	\$83.57	\$75.95	\$73.47	\$66.82
10	\$82.32	\$75.35	\$73.22	\$67.07	\$83.26	\$76.32	\$74.18	\$68.06
11	\$82.04	\$75.80	\$73.96	\$68.38	\$83.02	\$76.78	\$74.90	\$69.34
12	\$81.77	\$76.26	\$74.68	\$69.65	\$82.74	\$77.23	\$75.64	\$70.58
13	\$81.53	\$76.62	\$75.45	\$70.95	\$82.47	\$77.60	\$76.35	\$71.88
14 or older	\$83.20	\$79.88	\$81.45	\$81.45	\$83.20	\$79.88	\$81.45	\$81.45

Mississippi Student College Assistance Program

1996 Enrollment – Senior College Plan

Installments for Six Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter					
	Yield:		Yield:					
	6.60% per year	8.10% per year	6.60% per year	8.10% per year				
Beneficiary	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%		
	0	\$47.10	\$39.56	\$37.48	\$31.57	\$47.61	\$40.09	\$38.00
1	\$46.93	\$39.76	\$37.84	\$32.12	\$47.81	\$40.29	\$38.36	\$32.68
2	\$46.76	\$39.97	\$38.21	\$32.71	\$47.30	\$40.51	\$38.74	\$33.27
3	\$46.61	\$40.17	\$38.57	\$33.32	\$47.15	\$40.71	\$39.11	\$33.87
4	\$46.46	\$40.43	\$38.95	\$33.96	\$46.98	\$40.96	\$39.49	\$34.46
5	\$46.30	\$40.63	\$39.33	\$34.55	\$46.83	\$41.16	\$39.85	\$35.10
6	\$46.15	\$40.83	\$39.73	\$35.19	\$46.68	\$41.36	\$40.25	\$35.75
7	\$46.00	\$41.08	\$40.11	\$35.83	\$46.53	\$41.61	\$40.65	\$36.39
8	\$45.85	\$41.28	\$40.51	\$36.51	\$46.38	\$41.81	\$41.05	\$37.06
9	\$45.70	\$41.53	\$40.91	\$37.18	\$46.23	\$42.06	\$41.45	\$37.74
10	\$45.55	\$41.73	\$41.31	\$37.88	\$46.06	\$42.26	\$41.85	\$38.43
11	\$45.39	\$41.98	\$41.72	\$38.61	\$45.93	\$42.51	\$42.24	\$39.14
12	\$45.24	\$42.23	\$42.12	\$39.32	\$45.78	\$42.76	\$42.66	\$39.84
13								
14 or older								

**Mississippi Student College Assistance Program
1996 Enrollment -- Senior College Plan
Installments for Nine Years Under Alternative Assumptions**

Age of Beneficiary	11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	6.60% per year		8.10% per year	6.60% per year		8.10% per year		
	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%		
0	\$34.57	\$29.08	\$28.03	\$23.65	\$34.94	\$29.47	\$28.41	\$24.03
1	\$34.44	\$29.22	\$28.30	\$24.06	\$35.09	\$29.61	\$28.68	\$24.47
2	\$34.32	\$29.38	\$28.57	\$24.50	\$34.71	\$29.77	\$28.96	\$24.91
3	\$34.21	\$29.53	\$28.83	\$24.94	\$34.60	\$29.91	\$29.23	\$25.36
4	\$34.10	\$29.71	\$29.12	\$25.42	\$34.48	\$30.10	\$29.52	\$25.79
5	\$33.98	\$29.85	\$29.40	\$25.86	\$34.37	\$30.24	\$29.78	\$26.27
6	\$33.87	\$30.00	\$29.69	\$26.33	\$34.26	\$30.39	\$30.08	\$26.74
7	\$33.76	\$30.18	\$29.98	\$26.81	\$34.15	\$30.57	\$30.38	\$27.22
8	\$33.65	\$30.33	\$30.27	\$27.31	\$34.04	\$30.72	\$30.67	\$27.72
9	\$33.55	\$30.51	\$30.57	\$27.81	\$33.93	\$30.90	\$30.97	\$28.22
10								
11								
12								
13								
14 or older								

Mississippi Student College Assistance Program

1996 Enrollment -- Senior College Plan

Installments for Twelve Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter		
	Yield:	6.60% per year	8.10% per year	6.60% per year	
	Tuition:	7.00%	7.00%	6.00%	
		6.00%	6.00%	7.00%	
		6.00%	6.00%	8.10% per year	
		6.00%	6.00%	6.00%	
0	\$28.41	\$23.93	\$19.79	\$23.75	\$20.11
1	\$28.31	\$24.05	\$20.13	\$23.84	\$20.47
2	\$28.22	\$24.18	\$20.50	\$23.53	\$20.84
3	\$28.13	\$24.30	\$20.87	\$23.44	\$21.21
4	\$28.04	\$24.45	\$21.26	\$23.34	\$21.57
5	\$27.94	\$24.57	\$21.63	\$23.26	\$21.97
6	\$27.85	\$24.68	\$22.02	\$23.17	\$22.36
7					
8					
9					
10					
11					
12					
13					
14 or older					

Mississippi Student College Assistance Program

1996 Enrollment -- Senior College Plan

Installments for Fifteen Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter	
	Yield:	Tuition:	Yield:	Tuition:	Yield:	Tuition:
0	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
1	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
2	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
3	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
4	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
5	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
6	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
7	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
8	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
9	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
10	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
11	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
12	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
13	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%
14 or older	6.60% per year	7.00%	8.10% per year	6.00%	6.00%	6.00%

**Mississippi Student College Assistance Program
1996 Enrollment -- Senior College Plan
Installments for Eighteen Years Under Alternative Assumptions**

	11,000 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter	
Contracts:				
Yield:	6.60% per year	8.10% per year	6.60% per year	8.10% per year
Tuition:	7.00%	7.00%	6.00%	6.00%
	\$22.48	\$18.97	\$22.72	\$19.32
		\$16.14	\$19.22	\$16.40

Age of Beneficiary
 0
 1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14 or older

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Three Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	Yield:		8.10% per year	6.60% per year		8.10% per year		
	6.60% per year	7.00%		6.00%	7.00%			
	Tuition:	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%	
0		\$38.48	\$33.48	\$31.18	\$27.45	\$40.30	\$33.07	\$29.29
1		\$38.33	\$33.55	\$31.43	\$27.67	\$40.24	\$33.32	\$29.66
2		\$38.26	\$33.76	\$31.68	\$28.04	\$40.15	\$33.57	\$30.03
3		\$38.14	\$33.91	\$31.96	\$28.48	\$40.09	\$33.82	\$30.40
4		\$38.02	\$34.06	\$32.23	\$28.97	\$39.97	\$34.10	\$30.81
5		\$37.84	\$34.28	\$32.48	\$29.38	\$39.85	\$34.38	\$31.27
6		\$37.84	\$34.43	\$32.76	\$29.84	\$39.76	\$34.66	\$31.80
7		\$37.75	\$34.58	\$33.04	\$30.25	\$39.66	\$34.97	\$32.27
8		\$37.66	\$34.70	\$33.32	\$30.74	\$39.60	\$35.25	\$32.73
9		\$37.53	\$34.88	\$33.63	\$31.27	\$39.45	\$35.49	\$33.20
10		\$37.44	\$35.04	\$33.85	\$31.74	\$39.36	\$35.84	\$33.66
11		\$37.35	\$35.25	\$34.22	\$32.23	\$39.27	\$36.08	\$34.13
12		\$37.23	\$35.40	\$34.50	\$32.79	\$39.15	\$36.43	\$34.69
13		\$37.14	\$35.52	\$34.81	\$33.29	\$39.06	\$36.64	\$35.22
14 or older		\$38.29	\$36.77	\$39.03	\$34.22	\$39.82	\$37.48	\$36.71

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Six Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter			
	Yield:		8.10% per year	6.60% per year		8.10% per year	
	6.60% per year	7.00%		6.00%	7.00%		
Tuition:	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%	
0	\$21.53	\$18.79	\$17.84	\$15.76	\$22.53	\$19.81	\$16.79
1	\$21.45	\$18.83	\$17.98	\$15.89	\$22.50	\$19.93	\$17.00
2	\$21.41	\$18.94	\$18.12	\$16.09	\$22.45	\$20.00	\$17.20
3	\$21.35	\$19.03	\$18.28	\$16.34	\$22.41	\$20.08	\$17.41
4	\$21.28	\$19.11	\$18.43	\$16.61	\$22.35	\$20.15	\$17.64
5	\$21.18	\$19.23	\$18.57	\$16.84	\$22.28	\$20.26	\$17.90
6	\$21.18	\$19.31	\$18.73	\$17.10	\$22.23	\$20.36	\$18.19
7	\$21.13	\$19.40	\$18.88	\$17.32	\$22.18	\$20.43	\$18.45
8	\$21.08	\$19.46	\$19.04	\$17.60	\$22.15	\$20.55	\$18.71
9	\$21.01	\$19.56	\$19.21	\$17.90	\$22.06	\$20.63	\$18.97
10	\$20.96	\$19.65	\$19.33	\$18.16	\$22.01	\$20.73	\$19.23
11	\$20.91	\$19.76	\$19.54	\$18.43	\$21.96	\$20.85	\$19.49
12	\$20.85	\$19.85	\$19.70	\$18.75	\$21.90	\$20.90	\$19.80
13							

14 or older

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Nine Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter			
	Yield:		8.10% per year	6.60% per year		8.10% per year	
	7.00%	6.00%		7.00%	6.00%		
0	\$15.95	\$13.96	\$13.48	\$11.94	\$16.68	\$14.26	\$12.70
1	\$15.89	\$13.98	\$13.58	\$12.03	\$16.65	\$14.37	\$12.85
2	\$15.86	\$14.07	\$13.68	\$12.18	\$16.62	\$14.47	\$13.00
3	\$15.82	\$14.13	\$13.80	\$12.36	\$16.59	\$14.57	\$13.16
4	\$15.77	\$14.19	\$13.92	\$12.57	\$16.54	\$14.69	\$13.33
5	\$15.69	\$14.27	\$14.02	\$12.73	\$16.50	\$14.80	\$13.52
6	\$15.69	\$14.33	\$14.13	\$12.93	\$16.46	\$14.92	\$13.74
7	\$15.66	\$14.39	\$14.25	\$13.09	\$16.42	\$15.05	\$13.93
8	\$15.62	\$14.44	\$14.37	\$13.30	\$16.40	\$15.16	\$14.12
9	\$15.57	\$14.52	\$14.49	\$13.52	\$16.34	\$15.29	\$14.31
10							
11							
12							
13							
14 or older							

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Twelve Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter			
	Yield:	6.60% per year	8.10% per year	6.60% per year	8.10% per year	6.60% per year	
	Tuition:	7.00%	7.00%	7.00%	7.00%	7.00%	
0		\$13.21	\$11.58	\$11.36	\$10.08	\$12.00	\$10.71
1		\$13.16	\$11.60	\$11.44	\$10.15	\$12.09	\$10.83
2		\$13.14	\$11.67	\$11.53	\$10.28	\$12.18	\$10.96
3		\$13.10	\$11.72	\$11.62	\$10.43	\$12.26	\$11.09
4		\$13.06	\$11.77	\$11.72	\$10.60	\$12.36	\$11.23
5		\$13.00	\$11.84	\$11.80	\$10.74	\$12.45	\$11.39
6		\$13.00	\$11.89	\$11.90	\$10.90	\$12.55	\$11.57
7							
8							
9							
10							
11							
12							
13							
14 or older							

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Fifteen Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter			4,400 first year; 4,400 each year thereafter				
	Yield:	6.60% per year	8.10% per year	6.60% per year	8.10% per year	8.10% per year		
Tuition:	7.00%	6.00%	7.00%	6.00%	7.00%	6.00%		
0	\$11.60	\$10.19	\$10.13	\$9.00	\$12.12	\$10.72	\$10.70	\$9.55
1	\$11.56	\$10.21	\$10.20	\$9.06	\$12.10	\$10.78	\$10.77	\$9.67
2	\$11.54	\$10.27	\$10.28	\$9.18	\$12.08	\$10.81	\$10.85	\$9.78
3	\$11.51	\$10.31	\$10.36	\$9.31	\$12.06	\$10.86	\$10.92	\$9.89
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14 or older								

Mississippi Student College Assistance Program

1996 Enrollment -- Junior College Plan

Installments for Eighteen Years Under Alternative Assumptions

Age of Beneficiary	Contracts: 11,000 first year; 4,400 each year thereafter		4,400 first year; 4,400 each year thereafter					
	Yield:	6.60% per year	8.10% per year	8.10% per year				
	Tuition:	7.00%	7.00%	7.00%				
0		\$10.57	\$9.29	\$8.31	\$11.03	\$9.77	\$9.86	\$8.82
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14 or older								

Mississippi Student College Assistance Program

Annual Tuition and Fees

	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
1980-1981	\$768	\$720	\$750	\$930	\$729	\$750	\$954	\$826
1981-1982	825	770	832	1,030	800	800	1,085	916
1982-1983	825	770	900	1,132	800	800	1,167	1,040
1983-1984	875	800	972	1,238	825	850	1,321	1,140
1984-1985	975	900	1,072	1,358	925	975	1,401	1,226
1985-1986	1,250	1,130	1,172	1,492	1,075	1,200	1,517	1,401
1986-1987	1,650	1,480	1,472	1,700	1,475	1,600	1,727	1,600
1987-1988	1,650	1,600	1,500	1,778	1,580	1,760	1,780	1,684
1988-1989	1,670	1,600	1,500	1,794	1,580	1,760	1,790	1,684
1989-1990	1,820	1,734	1,726	1,987	1,780	1,825	1,987	1,834
1990-1991	1,870	1,846	1,786	2,061	1,840	1,850	2,059	1,948
1991-1992	2,068	2,000	2,029	2,223	2,053	1,952	2,221	2,120
1992-1993	2,376	2,194	2,223	2,473	2,239	2,164	2,435	2,404
1993-1994	2,376	2,194	2,230	2,473	2,239	2,164	2,456	2,404
1994-1995	2,389	2,294	2,380	2,498	2,244	2,189	2,546	2,429
1995-1996	2,389	2,294	2,380	2,591	2,244	2,278	2,546	2,468

Mississippi Student College Assistance Program

Annual Rate of Increase in Tuition and Fees

	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	Average
1980-1981									
1981-1982	7.42%	6.94%	10.93%	10.75%	9.74%	6.67%	13.73%	10.90%	9.64%
1982-1983	0.00%	0.00%	8.17%	9.90%	0.00%	0.00%	7.56%	13.54%	4.90%
1983-1984	6.06%	3.90%	8.00%	9.36%	3.13%	6.25%	13.20%	9.62%	7.44%
1984-1985	11.43%	12.50%	10.29%	9.69%	12.12%	14.71%	6.06%	7.54%	10.54%
1985-1986	28.21%	25.56%	9.33%	9.87%	16.22%	23.08%	8.28%	14.27%	16.85%
1986-1987	32.00%	30.97%	25.60%	13.94%	37.21%	33.33%	13.84%	14.20%	25.14%
1987-1988	0.00%	8.11%	1.90%	4.59%	7.12%	10.00%	3.07%	5.25%	5.00%
1988-1989	1.21%	0.00%	0.00%	0.90%	0.00%	0.00%	0.56%	0.00%	0.33%
1989-1990	8.98%	8.38%	15.07%	10.76%	12.66%	3.69%	11.01%	8.91%	9.93%
1990-1991	2.75%	6.46%	3.48%	3.72%	3.37%	1.37%	3.62%	6.22%	3.87%
1991-1992	10.59%	8.34%	13.61%	7.86%	11.58%	5.51%	7.87%	8.83%	9.27%
1992-1993	14.89%	9.70%	9.56%	11.25%	9.06%	10.86%	9.64%	13.40%	11.04%
1993-1994	0.00%	0.00%	0.31%	0.00%	0.00%	0.00%	0.86%	0.00%	0.15%
1994-1995	0.55%	4.56%	6.73%	1.01%	0.22%	1.16%	3.66%	1.04%	2.37%
1995-1996	0.00%	0.00%	0.00%	3.72%	0.00%	4.07%	0.00%	1.61%	1.17%
Compounded	7.86%	8.03%	8.00%	7.07%	7.78%	7.69%	6.76%	7.57%	7.60%

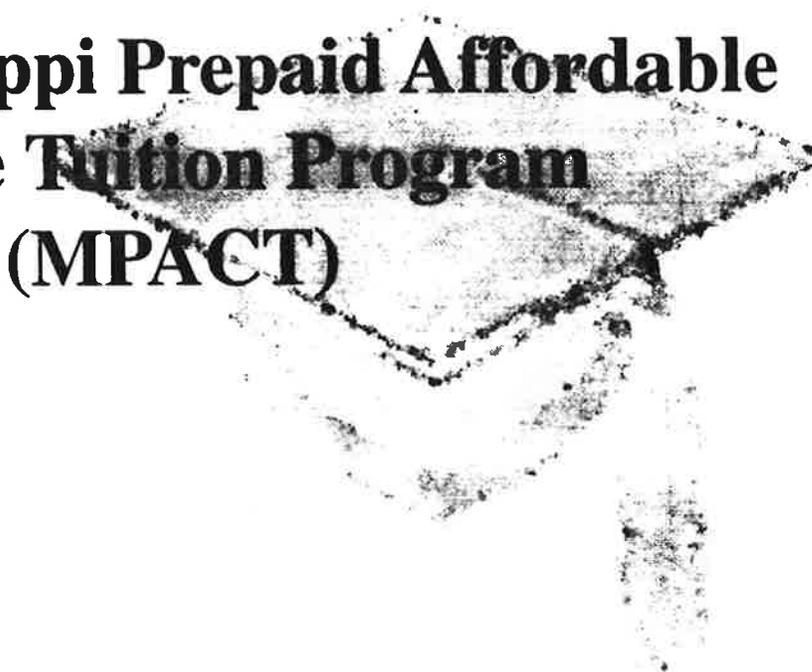
Mississippi

Public Community and Junior Colleges

Average Tuition and Fees FY 1984 through FY 1995

<u>Fiscal year</u>	<u>Average Tuition</u>	<u>Increase</u>	<u>Percentage Increase</u>
1984	454		
1985	502	48	10.6%
1986	522	20	4.0%
1987	614	92	17.6%
1988	622	8	1.3%
1989	646	24	3.9%
1990	686	40	6.2%
1991	728	42	6.1%
1992	818	90	12.4%
1993	942	124	15.2%
1994	938	-4	-0.4%
1995	938	0	0.0%
Percentage Increase FY95 over FY85			86.9%
Percentage Increase Annually FY84 to FY95			6.8%
Percentage Increase Annually FY85 to FY95			6.5%

**The Mississippi Prepaid Affordable
College Tuition Program
(MPACT)**



**State Tuition
Prepayment Programs**

**By William Montjoy
Executive Director
Florida Prepaid College Program**

Wednesday, January 17, 1996

Impact Your Future with MPACT!

STATE TUITION PREPAYMENT PROGRAMS

By William Montjoy
Executive Director, Florida Prepaid College Program

Background

The first state level programs to assist families to save for college began to emerge in 1986-87 as a response to the fast-rising rates of state university tuition increases. For example, during the 1980's tuition and required fees for state universities averaged a 8.9 percent per annum increase nationally while inflation averaged 5.6 percent. Two approaches developed to deal with this problem: tuition prepayment plans and college savings bond issuances.

The tuition prepayment plans were simply a "pay now—learn later" approach to saving for future college expenses. Contract purchasers would pay a price today giving their children the right to use the tuition benefit purchased at the time of their future college enrollment. College savings plans, on the other hand, are zero-coupon bonds issued by the state and marketed at a retail level to low and middle-income families as a tool to encourage financial planning and college savings. As with all zero-coupon bonds, these bonds were sold at a deep discount, usually with a face value of \$5,000 earning 6 to 8 percent interest per annum with maturities ranging from 5 to 20 years.

The first state with a prepayment plan was Wyoming which began accepting prepaid college contracts in August of 1987. Since then five other states have offered similar plans. Illinois was

the first state to establish the college savings bond program in December of 1987, and twenty-four states have since sold college savings bonds.

Although 12 or 13 states have passed prepayment program legislation, only six have actually implemented this program. This is primarily due to what is perceived to be an adverse IRS ruling issued to the Michigan Education Trust. However, since a rather modest beginning in 1987 with Wyoming, tuition prepayment plans have enjoyed tremendous popularity in the few states to implement the program. As of March of 1992, over 250,000 prepaid contracts have been sold and over \$650 million collected by the six operational states. A brief synopsis of each state's program follows.

Alabama

The Wallace-Folsom Prepaid College Tuition Trust Fund is marketed as the Alabama P.A.C.T. for Prepaid Affordable College Tuition. The Alabama legislation unanimously passed both houses of the state Legislature in 1989. An Alabama P.A.C.T. contract guarantees the payment of up to four years of undergraduate tuition and mandatory fees at any of Alabama's 50 public two-year and four-year colleges and universities. P.A.C.T. is administered by State Treasurer George C. Wallace Jr.'s office under the guidance of a ten-member board of trustees. The program is open for enrollment during the month of May of each year. During its first two enrollment periods in 1990 and 1991, over 20,000 P.A.C.T. contracts were purchased. As of

September 30, 1991, the market value of the assets held in the P.A.C.T. trust fund was approximately \$59 million.

Alaska

The Alaska Advance College Tuition (ACT) plan was effective on April 1, 1991. The legislation creating the Advance College Tuition Payment Fund allowed the use of "permanent fund dividends" or cash contributions to secure tuition credits at today's cost for use in the future. The "permanent fund dividend" is a program that allows qualified Alaska residents to share in the revenues the state receives from oil and gas royalties. The Alaska ACT permits a check off of 50 percent on the permanent fund dividend application to purchase tuition credits. The tuition credits go up in price each year which is different from the guaranteed prepayment plan approach which offers a fixed price for the purchase of a set amount of credit hours. In 1991 approximately 1.29 percent of the residents of the state (6,800) elected to have half of their permanent fund dividend (approximately \$500) paid into the Prepaid Tuition Program.

Florida

The Florida Prepaid College Program is the largest guaranteed prepayment plan in the United States. Contracts were first accepted in September of 1988. During a total of four enrollment periods (approximately three months each fall) over 175,000 prepaid college contracts have been purchased. Over 122,000 prepaid tuition and 34,000 dormitory contracts are currently active,

representing a cancellation rate of less than ten percent. The market value of the trust fund is approximately \$280 million as of February 28, 1992. Total future benefit payments exceed one billion dollars. The Florida Prepaid College Program offers three different tuition plans and five dormitory options with three different payment methods. The payments are guaranteed by the State of Florida to be made at the time of matriculation of the beneficiary named in the Prepaid College Contract.

Kentucky

The Kentucky Educational Savings Plan Trust (KESPT) was created by the 1988 General Assembly to inform parents and other benefactors of the expected future costs of postsecondary education and to offer a savings plan to help families prepare for projected higher education expenses. The KESPT is administered by the Kentucky Higher Education Assistance Authority (KHEAA), an agency of the Commonwealth of Kentucky. The KESPT is neither a prepaid tuition credit nor a prepaid college plan, but rather, offers competitive savings rates; investment earnings are free of Kentucky taxes; and monies to be applied toward tuition, fees, room, board, books, supplies, and other educational expenses at any two or four-year public, regionally-accredited private or nonprofit college or university, or vocational-technical school in the United States. Additionally, beneficiaries attending Kentucky institutions will be entitled to a financial bonus from the Endowment Trust. There are 983 participants and Program Fund savings have exceeded \$1,000,000.

Michigan

The Michigan Education Trust (MET) first offered guaranteed prepayment contracts in September of 1988. During this first enrollment period over 40,000 contracts were purchased. An additional 10,000 contracts were purchased in the second enrollment period in the fall of 1989. In the fall of 1990, MET offered an installment payment option for the first time and approximately 5,000 additional contracts were purchased. The MET trust fund has a current market value in excess of \$350 million. The contract covers tuition and mandatory fees at any of the public postsecondary institutions. The MET Board challenged the adverse IRS ruling in Federal District Court in 1990. Pending the outcome of the court case, the MET Board has suspended the sale of MET contracts.

Ohio

Effective on October 2, 1989, the Ohio Tuition Trust Authority has been selling prepaid tuition credits since December 15, 1989. Unlike the prepaid contract programs in Michigan, Florida and Alabama, Ohio offers tuition credits. Alaska used this program as its model. The price of a tuition credit is adjusted annually on November 30 of each year, with each tuition credit worth approximately one percent of the weighted average of the annual cost of tuition for Ohio's public universities and colleges. The plan allows parents or other benefactors to purchase up to 400 tuition credits for use by beneficiaries at the time of their future college enrollment. Approximately 25,000 children have been enrolled in the program, with a trust fund market

value of approximately \$45 million. The program is administered by the Ohio Tuition Trust Authority Board of Directors and appointed staff.

Wyoming

Wyoming's prepaid program was signed into law in February of 1987 and contracts went on sale in August of 1987. A Wyoming Prepaid College Contract includes tuition, room and board in one comprehensive package unlike other states' programs. As the only university in the state is the University of Wyoming, the plan is not transferrable to other universities. Benefits under the Wyoming prepayment plan may be used no sooner than ten years after payment is first received and may be begun no later than 17 years after receipt of first payment. The program is administered by the Deputy Treasurer of the University of Wyoming Board of Trustees and the funds are invested in a commingled pool with other University of Wyoming investments. Less than 1,000 prepayment contracts have been purchased since inception of the program.

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