



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB0261

Introduced 01/25/11, by Rep. Linda Chapa LaVia

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

Amends the State Treasurer Act. Requires that the Office of the State Treasurer collect data to produce a report that provides information about participants in the College Savings Pool. Sets forth the requirements for the report. Provides that on December 1, 2012, and each December 1 thereafter, the Office of the State Treasurer must submit the report to the General Assembly and the Governor and make the report available to the public.

LRB097 06331 RLJ 46411 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may
8 establish and administer a College Savings Pool to supplement
9 and enhance the investment opportunities otherwise available
10 to persons seeking to finance the costs of higher education.
11 The State Treasurer, in administering the College Savings Pool,
12 may receive moneys paid into the pool by a participant and may
13 serve as the fiscal agent of that participant for the purpose
14 of holding and investing those moneys.

15 "Participant", as used in this Section, means any person
16 who has authority to withdraw funds, change the designated
17 beneficiary, or otherwise exercise control over an account.

18 "Donor", as used in this Section, means any person who makes
19 investments in the pool. "Designated beneficiary", as used in
20 this Section, means any person on whose behalf an account is
21 established in the College Savings Pool by a participant. Both
22 in-state and out-of-state persons may be participants, donors,
23 and designated beneficiaries in the College Savings Pool.

1 New accounts in the College Savings Pool may be processed
2 through participating financial institutions. "Participating
3 financial institution", as used in this Section, means any
4 financial institution insured by the Federal Deposit Insurance
5 Corporation and lawfully doing business in the State of
6 Illinois and any credit union approved by the State Treasurer
7 and lawfully doing business in the State of Illinois that
8 agrees to process new accounts in the College Savings Pool.
9 Participating financial institutions may charge a processing
10 fee to participants to open an account in the pool that shall
11 not exceed \$30 until the year 2001. Beginning in 2001 and every
12 year thereafter, the maximum fee limit shall be adjusted by the
13 Treasurer based on the Consumer Price Index for the North
14 Central Region as published by the United States Department of
15 Labor, Bureau of Labor Statistics for the immediately preceding
16 calendar year. Every contribution received by a financial
17 institution for investment in the College Savings Pool shall be
18 transferred from the financial institution to a location
19 selected by the State Treasurer within one business day
20 following the day that the funds must be made available in
21 accordance with federal law. All communications from the State
22 Treasurer to participants and donors shall reference the
23 participating financial institution at which the account was
24 processed.

25 The Treasurer may invest the moneys in the College Savings
26 Pool in the same manner and in the same types of investments

1 provided for the investment of moneys by the Illinois State
2 Board of Investment. To enhance the safety and liquidity of the
3 College Savings Pool, to ensure the diversification of the
4 investment portfolio of the pool, and in an effort to keep
5 investment dollars in the State of Illinois, the State
6 Treasurer may make a percentage of each account available for
7 investment in participating financial institutions doing
8 business in the State. The State Treasurer may deposit with the
9 participating financial institution at which the account was
10 processed the following percentage of each account at a
11 prevailing rate offered by the institution, provided that the
12 deposit is federally insured or fully collateralized and the
13 institution accepts the deposit: 10% of the total amount of
14 each account for which the current age of the beneficiary is
15 less than 7 years of age, 20% of the total amount of each
16 account for which the beneficiary is at least 7 years of age
17 and less than 12 years of age, and 50% of the total amount of
18 each account for which the current age of the beneficiary is at
19 least 12 years of age. The Treasurer shall develop, publish,
20 and implement an investment policy covering the investment of
21 the moneys in the College Savings Pool. The policy shall be
22 published (i) at least once each year in at least one newspaper
23 of general circulation in both Springfield and Chicago and (ii)
24 each year as part of the audit of the College Savings Pool by
25 the Auditor General, which shall be distributed to all
26 participants. The Treasurer shall notify all participants in

1 writing, and the Treasurer shall publish in a newspaper of
2 general circulation in both Chicago and Springfield, any
3 changes to the previously published investment policy at least
4 30 calendar days before implementing the policy. Any investment
5 policy adopted by the Treasurer shall be reviewed and updated
6 if necessary within 90 days following the date that the State
7 Treasurer takes office.

8 Participants shall be required to use moneys distributed
9 from the College Savings Pool for qualified expenses at
10 eligible educational institutions. "Qualified expenses", as
11 used in this Section, means the following: (i) tuition, fees,
12 and the costs of books, supplies, and equipment required for
13 enrollment or attendance at an eligible educational
14 institution and (ii) certain room and board expenses incurred
15 while attending an eligible educational institution at least
16 half-time. "Eligible educational institutions", as used in
17 this Section, means public and private colleges, junior
18 colleges, graduate schools, and certain vocational
19 institutions that are described in Section 481 of the Higher
20 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
21 participate in Department of Education student aid programs. A
22 student shall be considered to be enrolled at least half-time
23 if the student is enrolled for at least half the full-time
24 academic work load for the course of study the student is
25 pursuing as determined under the standards of the institution
26 at which the student is enrolled. Distributions made from the

1 pool for qualified expenses shall be made directly to the
2 eligible educational institution, directly to a vendor, or in
3 the form of a check payable to both the beneficiary and the
4 institution or vendor. Any moneys that are distributed in any
5 other manner or that are used for expenses other than qualified
6 expenses at an eligible educational institution shall be
7 subject to a penalty of 10% of the earnings unless the
8 beneficiary dies, becomes disabled, or receives a scholarship
9 that equals or exceeds the distribution. Penalties shall be
10 withheld at the time the distribution is made.

11 The Treasurer shall limit the contributions that may be
12 made on behalf of a designated beneficiary based on the
13 limitations established by the Internal Revenue Service. The
14 contributions made on behalf of a beneficiary who is also a
15 beneficiary under the Illinois Prepaid Tuition Program shall be
16 further restricted to ensure that the contributions in both
17 programs combined do not exceed the limit established for the
18 College Savings Pool. The Treasurer shall provide the Illinois
19 Student Assistance Commission each year at a time designated by
20 the Commission, an electronic report of all participant
21 accounts in the Treasurer's College Savings Pool, listing total
22 contributions and disbursements from each individual account
23 during the previous calendar year. As soon thereafter as is
24 possible following receipt of the Treasurer's report, the
25 Illinois Student Assistance Commission shall, in turn, provide
26 the Treasurer with an electronic report listing those College

1 Savings Pool participants who also participate in the State's
2 prepaid tuition program, administered by the Commission. The
3 Commission shall be responsible for filing any combined tax
4 reports regarding State qualified savings programs required by
5 the United States Internal Revenue Service. The Treasurer shall
6 work with the Illinois Student Assistance Commission to
7 coordinate the marketing of the College Savings Pool and the
8 Illinois Prepaid Tuition Program when considered beneficial by
9 the Treasurer and the Director of the Illinois Student
10 Assistance Commission. The Treasurer's office shall not
11 publicize or otherwise market the College Savings Pool or
12 accept any moneys into the College Savings Pool prior to March
13 1, 2000. The Treasurer shall provide a separate accounting for
14 each designated beneficiary to each participant, the Illinois
15 Student Assistance Commission, and the participating financial
16 institution at which the account was processed. No interest in
17 the program may be pledged as security for a loan. Moneys held
18 in an account invested in the Illinois College Savings Pool
19 shall be exempt from all claims of the creditors of the
20 participant, donor, or designated beneficiary of that account,
21 except for the non-exempt College Savings Pool transfers to or
22 from the account as defined under subsection (j) of Section
23 12-1001 of the Code of Civil Procedure (735 ILCS 5/12-1001(j)).

24 The assets of the College Savings Pool and its income and
25 operation shall be exempt from all taxation by the State of
26 Illinois and any of its subdivisions. The accrued earnings on

1 investments in the Pool once disbursed on behalf of a
2 designated beneficiary shall be similarly exempt from all
3 taxation by the State of Illinois and its subdivisions, so long
4 as they are used for qualified expenses. Contributions to a
5 College Savings Pool account during the taxable year may be
6 deducted from adjusted gross income as provided in Section 203
7 of the Illinois Income Tax Act. The provisions of this
8 paragraph are exempt from Section 250 of the Illinois Income
9 Tax Act.

10 The Treasurer shall adopt rules he or she considers
11 necessary for the efficient administration of the College
12 Savings Pool. The rules shall provide whatever additional
13 parameters and restrictions are necessary to ensure that the
14 College Savings Pool meets all of the requirements for a
15 qualified state tuition program under Section 529 of the
16 Internal Revenue Code (26 U.S.C. 529). The rules shall provide
17 for the administration expenses of the pool to be paid from its
18 earnings and for the investment earnings in excess of the
19 expenses and all moneys collected as penalties to be credited
20 or paid monthly to the several participants in the pool in a
21 manner which equitably reflects the differing amounts of their
22 respective investments in the pool and the differing periods of
23 time for which those amounts were in the custody of the pool.
24 Also, the rules shall require the collection of data and
25 maintenance of records that enable the Treasurer's office to
26 produce a report that provides information concerning

1 participants, including, but not limited to, the following: (i)
2 race and ethnicity, (ii) annual household income, (iii) highest
3 level of education, (iv) how the participant first learned
4 about the program, (v) how the participant intends to finance
5 the program, and (vi) aggregate total number of participants in
6 each county and municipality within the State. On December 1,
7 2012, and each December 1 thereafter, the Treasurer's office
8 shall issue a report on these findings to the Governor and
9 General Assembly and make the report available to the public
10 for review. The rules shall also require the maintenance of
11 records that enable the Treasurer's office to produce a report
12 for each account in the pool at least annually that documents
13 the account balance and investment earnings. Notice of any
14 proposed amendments to the rules and regulations shall be
15 provided to all participants prior to adoption. Amendments to
16 rules and regulations shall apply only to contributions made
17 after the adoption of the amendment.

18 Upon creating the College Savings Pool, the State Treasurer
19 shall give bond with 2 or more sufficient sureties, payable to
20 and for the benefit of the participants in the College Savings
21 Pool, in the penal sum of \$1,000,000, conditioned upon the
22 faithful discharge of his or her duties in relation to the
23 College Savings Pool.

24 (Source: P.A. 95-23, eff. 8-3-07; 95-306, eff. 1-1-08; 95-521,
25 eff. 8-28-07; 95-876, eff. 8-21-08.)