



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB3691

by Rep. Robyn Gabel

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.8 new
30 ILCS 105/5.878 new

Amends the State Treasurer Act. Creates the Illinois Higher Education Savings Program. Provides for the implementation of and requirements for the Program. Provides for the State Treasurer's duties under the Program. Provides that the State Treasurer may adopt any rules that may be necessary to implement the Program. Amends the State Finance Act. Creates the Illinois Higher Education Savings Program Fund as a special fund in the State treasury. Defines terms.

LRB100 10242 RJF 20425 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 adding
5 Section 16.8 as follows:

6 (15 ILCS 505/16.8 new)

7 Sec. 16.8. Illinois Higher Education Savings Program.

8 (a) As used in this Section:

9 "Custodial account" means a 529 plan account under
10 Section 529 of the Internal Revenue Code where the State
11 Treasurer serves as the custodian of the account with the
12 child as the beneficiary. The custodial account is not a
13 standard account.

14 "Fund" means the Illinois Higher Education Savings
15 Program Fund.

16 "Standard account" means a 529 plan account under
17 Section 529 of the Internal Revenue Code, created pursuant
18 to Section 16.5 of this Act.

19 "Internal Revenue Code" means Internal Revenue Code of
20 1986, or any successor law, in effect for the calendar
21 year.

22 "Low-income households" means households with income
23 less than 250% of the federal poverty line.

1 "Program" means the Illinois Higher Education Savings
2 Program.

3 "Post-secondary education" means a college,
4 university, vocational school, and any two or four-year
5 degree program from an accredited educational institution.

6 "Seed" means the initial contribution into an Account.

7 "State Treasurer" means the Illinois State Treasurer.

8 (b) The State Treasurer shall establish the Illinois Higher
9 Education Savings Program as part of the College Savings Pool
10 described in Section 16.5 of this Act. The State Treasurer
11 shall administer the Program for the purposes of expanding
12 access to higher education through savings. The Program shall
13 include the following features:

14 (1) All children born or adopted in Illinois and who
15 reside in Illinois at the time of birth or adoption are
16 eligible for the Program.

17 (2) No later than 90 days after issuing a birth
18 certificate, the Illinois Department of Public Health
19 shall provide the State Treasurer with data from Illinois
20 birth records. All such information shall be strictly
21 confidential and shall not be subject to release under the
22 Freedom of Information Act.

23 (3) After receiving birth record data for a child born
24 in the State of Illinois from the Department of Public
25 Health, the State Treasurer shall open a custodial account
26 through the Program. A parent or legal guardian may choose

1 to opt out of the Program at the time of the birth
2 certificate application process.

3 (4) The Department of Public Health and the State
4 Registrar of Vital Records shall modify the Certificate of
5 Live Birth Worksheet and other necessary forms at the
6 request of the State Treasurer for the purposes of
7 implementing the Illinois Higher Education Savings
8 Program.

9 (c) The State Treasurer shall establish custodial accounts
10 in accordance with the following provisions:

11 (1) Upon establishment of a custodial account, the
12 State Treasurer shall make a seed deposit on behalf of the
13 beneficiary into the custodial account, as provided in
14 paragraphs (8) and (9) of this subsection (c).

15 (2) The State Treasurer will provide an annual match as
16 provided in paragraphs (8) and (9) of this subsection (c)
17 into the custodial account on a one-to-one dollar basis for
18 beneficiaries in low-income households, that are 18 years
19 of age or younger, and that are listed as a beneficiary of
20 a standard account under Section 16.5 of this Act. The
21 legal guardian and owner of the standard account will be
22 able to view the aggregate amount of the standard and
23 custodial accounts.

24 (3) Subject to funding, the State Treasurer may provide
25 additional savings incentives, including conditional cash
26 transfers that provide a savings incentive based on

1 specific actions taken, for beneficiaries in low-income
2 households.

3 (4) If sufficient funds are not available, the State
4 Treasurer may reduce the seed amount deposited in a
5 custodial account and any match temporarily. In the case of
6 limited funding, the seed amount will take priority over
7 the match incentives.

8 (5) Deposits into the custodial account shall be made
9 by the State Treasurer from funds appropriated by the
10 General Assembly or received as gifts, grants, or
11 contributions into the Higher Education Savings Program
12 Fund.

13 (6) Distributions from the custodial account shall be
14 permitted for qualifying post-secondary education expenses
15 in compliance with Section 529 of the Internal Revenue Code
16 only. Distributions from the custodial account must be made
17 prior to the beneficiary attaining the age of 29.

18 (7) For beneficiaries who serve in a national service
19 program, including, but not limited to, the United States
20 Military or the Peace Corp, each year of service shall
21 increase the maturity date by one year. For beneficiaries
22 that are serving a sentence as a result of a criminal
23 conviction or juvenile adjudication between the ages of 18
24 and 29, each year of confinement shall increase the
25 maturity date by one year.

26 (8) Between establishment of the Program and January 1,

1 2021, the seed and match amounts set forth in paragraphs
2 (1) and (2) of this subsection (c) shall be as follows: (i)
3 \$50 initial seed and (ii) a total match of \$150 annually
4 for low-income households.

5 (9) The State Treasurer shall adjust the seed deposit
6 amount and the annual match beginning July 1, 2021, and at
7 minimum every 5 years thereafter, based on an analysis of
8 the consumer price index. Adjustments to the seed and match
9 amounts shall be calculated by multiplying the current seed
10 amount by the percentage increase, if any, in the Consumer
11 Price Index for all Urban Consumers since the establishment
12 of the Program or, after July 1, 2021, since the date of
13 the last adjustment, and rounding that result to the
14 nearest 5 dollars.

15 (10) If a beneficiary does not use all funds in the
16 custodial account for a qualified expense and within the
17 timeline described in paragraphs (6) and (7) of this
18 subsection (c), any seed or match funds contributed by the
19 State Treasurer and any earnings from those funds shall be
20 forfeited and remain in the Higher Education Program Fund.

21 (11) If a beneficiary dies prior to the age of 29, any
22 seed or match funds contributed by the State of Illinois,
23 and any earnings from those funds shall be forfeited and
24 remain in the Higher Education Program Fund.

25 (d) If a beneficiary is not a resident of Illinois, (i) the
26 beneficiary shall not be eligible for the match incentives

1 described in paragraph (2) of subsection (c) of this Section
2 during any period of time when he or she is not residing in the
3 state of Illinois; and (ii) the custodial account shall
4 otherwise be maintained by the State Treasurer as set forth in
5 paragraph (1) and paragraphs (4) through (10) of subsection
6 (c).

7 (e) A legal guardian, residing in Illinois, of a child who
8 is born in Illinois before the implementation date or a child
9 born outside of Illinois and who is 15 years of age or younger,
10 may apply with the Office of the Illinois State Treasurer to
11 enroll his or her child in the Program as a beneficiary. This
12 new enrollee would be eligible for the match incentive
13 described in paragraphs (8) and (9) of subsection (c) of this
14 Section, but is not eligible for the seed amount.

15 (f) The Illinois Higher Education Savings Program Fund is
16 hereby established. The Fund shall be the official repository
17 of all contributions, appropriations, interest and dividend
18 payments, gifts, or other financial assets received by State
19 Treasurer in connection with the operation of the Program. All
20 such moneys shall be deposited in the Fund and held by the
21 State Treasurer as custodian thereof, outside of the State
22 Treasury, separate and apart from all public moneys or funds of
23 this State.

24 All interest or other earnings accruing or received on
25 amounts in the Illinois Higher Education Savings Program Fund
26 shall be credited to and retained by the Fund. Moneys,

1 interest, or other earnings paid into the Fund shall not be
2 transferred or allocated by the State Treasurer or the State
3 Comptroller to any other fund, nor shall the Governor authorize
4 any such transfer or allocation, while any contracts are
5 outstanding. In addition, no moneys, interest, or other
6 earnings paid into the Fund shall be used, temporarily or
7 otherwise, for inter-fund borrowing or be otherwise used or
8 appropriated, except as expressly authorized in this Act.

9 (g) The State Treasurer may develop financial capability
10 programs and education that support the financial literacy of
11 beneficiaries and their legal guardians impacted by the Program
12 in collaboration with State agencies, including the State Board
13 of Education and the Department of Human Services, and existing
14 nonprofit agencies working with low-income families that
15 specialize in financial education delivery.

16 (h) The Illinois Higher Education Savings Program shall be
17 included as part of the audit of the College Savings Pool
18 described in Section 16.5 of this Act.

19 (i) The Illinois Higher Education Savings Program shall be
20 implemented, and enrollment of beneficiaries shall begin in
21 2018. The State Treasurer may establish an implementation
22 timeline based on funding availability. Upon implementation of
23 the Program, the State Treasurer shall include information on
24 savings rates and match savings rates in the State Treasurer's
25 annual financial report to the Governor and General Assembly.

26 (j) The Higher Education Savings Program Act is subject to

1 appropriation by the General Assembly. If the State Treasurer
2 does not secure adequate funds to implement the Program within
3 the time frame set forth under this Section, Program
4 implementation may be delayed while the State Treasurer makes
5 good faith efforts to secure necessary funding. The State
6 Treasurer may accept gifts, grants, awards, matching
7 contributions, interest income and appropriations from
8 individuals, businesses, governments, and other third-party
9 sources to implement the Program on terms that the Treasurer
10 deems advisable. Moneys received under this Section may be
11 expended for purposes consistent with the conditions under
12 which those moneys are received, subject to appropriations made
13 by the General Assembly for those purposes.

14 (k) The State Treasurer may adopt, in accordance with the
15 Illinois Administrative Procedure Act, any rules that may be
16 necessary to implement the Program as described in this
17 Section.

18 Section 10. The State Finance Act is amended by adding
19 Section 5.878 as follows:

20 (30 ILCS 105/5.878 new)

21 Sec. 5.878. The Illinois Higher Education Savings Program
22 Fund.