

# HB4129



## 101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB4129

Introduced 1/22/2020, by Rep. Joe Sosnowski

### SYNOPSIS AS INTRODUCED:

110 ILCS 979/45

Amends the Illinois Prepaid Tuition Act. Provides that Illinois prepaid tuition contracts may not be entered into after the effective date of the amendatory Act. Effective June 30, 2020.

LRB101 16482 CMG 65862 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning education.

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

4 Section 5. The Illinois Prepaid Tuition Act is amended by  
5 changing Section 45 as follows:

6 (110 ILCS 979/45)

7 Sec. 45. Illinois prepaid tuition contracts.

8 (a) The Commission may enter into an Illinois prepaid  
9 tuition contract with a purchaser under which the Commission  
10 contracts on behalf of the State to pay full tuition and  
11 mandatory fees at an Illinois public university or Illinois  
12 community college for a qualified beneficiary to attend the  
13 eligible institution to which the qualified beneficiary is  
14 admitted. However, Illinois prepaid tuition contracts may not  
15 be entered into after the effective date of this amendatory Act  
16 of the 101st General Assembly. Each contract shall contain  
17 terms, conditions, and provisions that the Commission  
18 determines to be necessary for ensuring the educational  
19 objectives and sustainable financial viability of the Illinois  
20 prepaid tuition program.

21 (b) Each contract shall have one designated purchaser and  
22 one designated qualified beneficiary. Unless otherwise  
23 specified in the contract, the purchaser owns the contract and

1 retains any tax liability for its assets only until the first  
2 distribution of benefits. Contracts shall be purchased in units  
3 of 15 credit hours.

4 (c) Without exception, benefits may be received by a  
5 qualified beneficiary of an Illinois prepaid tuition contract  
6 no earlier than 3 years from the date the contract is  
7 purchased.

8 (d) A prepaid tuition contract shall contain, but is not  
9 limited to, provisions for (i) refunds or withdrawals in  
10 certain circumstances, with or without interest or penalties;  
11 (ii) conversion of the contract at the time of distribution  
12 from accrued prepayment value at one type of eligible  
13 institution to the accrued prepayment value at a different type  
14 of eligible institution; (iii) portability of the accrued value  
15 of the prepayment value for use at an eligible institution  
16 located outside this State; (iv) transferability of the  
17 contract benefits within the qualified beneficiary's immediate  
18 family; and (v) a specified benefit period during which the  
19 contract may be redeemed.

20 (e) Each Illinois prepaid tuition contract also shall  
21 contain, at minimum, all of the following:

22 (1) The amount of payment or payments and the number of  
23 payments required from a purchaser on behalf of a qualified  
24 beneficiary.

25 (2) The terms and conditions under which purchasers  
26 shall remit payments, including, but not limited to, the

1 date or dates upon which each payment shall be due.

2 (3) Provisions for late payment charges and for  
3 default.

4 (4) Provisions for penalty fees payable incident to an  
5 authorized withdrawal.

6 (5) The name, date of birth, and social security number  
7 or taxpayer identification number of the qualified  
8 beneficiary on whose behalf the contract is drawn and the  
9 terms and conditions under which the contract may be  
10 transferred to another qualified beneficiary.

11 (6) The name and social security number or taxpayer  
12 identification number of any person who may terminate the  
13 contract, together with terms that specify whether the  
14 contract may be terminated by the purchaser, the qualified  
15 beneficiary, a specific designated person, or any  
16 combination of these persons.

17 (7) The terms and conditions under which a contract may  
18 be terminated, the name and social security number or  
19 taxpayer identification number of the person entitled to  
20 any refund due as a result of the termination of the  
21 contract pursuant to those terms and conditions, and the  
22 method for determining the amount of a refund.

23 (8) The time limitations, if any, within which the  
24 qualified beneficiary must claim his or her benefits  
25 through the program.

26 (9) Other terms and conditions determined by the

1 Commission to be appropriate.

2 (f) In addition to the contract provisions set forth in  
3 subsection (e), each Illinois prepaid tuition contract shall  
4 include:

5 (1) The number of credit hours contracted by the  
6 purchaser.

7 (2) The type of eligible institution and the prepaid  
8 tuition plan toward which the credit hours shall be  
9 applied.

10 (3) The explicit contractual obligation of the  
11 Commission to the qualified beneficiary to provide a  
12 specific number of credit hours of undergraduate  
13 instruction at an eligible institution, not to exceed the  
14 maximum number of credit hours required for the conference  
15 of a degree that corresponds to the plan purchased on  
16 behalf of the qualified beneficiary.

17 (g) The Commission shall indicate by rule the conditions  
18 under which refunds are payable to a contract purchaser.  
19 Generally, no refund shall exceed the amount paid into the  
20 Illinois Prepaid Tuition Trust Fund by the purchaser. In the  
21 event that a contract is converted from a Public University  
22 Plan described in subsection (j) of this Section to a Community  
23 College Plan described in subsection (k) of this Section, the  
24 refund amount shall be reduced by the amount transferred to the  
25 Illinois community college on behalf of the qualified  
26 beneficiary. Except where the Commission may otherwise rule,

1 refunds may exceed the amount paid into the Illinois Prepaid  
2 Tuition Trust Fund only under the following circumstances:

3 (1) If the qualified beneficiary is awarded a grant or  
4 scholarship at a public institution of higher education,  
5 the terms of which duplicate the benefits included in the  
6 Illinois prepaid tuition contract, then moneys paid for the  
7 purchase of the contract shall be returned to the  
8 purchaser, upon request, in semester installments that  
9 coincide with the matriculation by the qualified  
10 beneficiary, in an amount equal to the current cost of  
11 tuition and mandatory fees at the public institution of  
12 higher education where the qualified beneficiary is  
13 enrolled.

14 (1.5) If the qualified beneficiary is awarded a grant  
15 or scholarship while enrolled at either an eligible  
16 nonpublic institution of higher education or an eligible  
17 public or private out-of-state higher education  
18 institution, the terms of which duplicate the benefits  
19 included in the Illinois prepaid tuition contract, then  
20 money paid for the purchase of the contract shall be  
21 returned to the purchaser, upon request, in semester  
22 installments that coincide with the matriculation by the  
23 qualified beneficiary. The amount paid shall not exceed the  
24 current average mean-weighted credit hour value of the  
25 registration fees purchased under the contract.

26 (2) In the event of the death or total disability of

1 the qualified beneficiary, moneys paid for the purchase of  
2 the Illinois prepaid tuition contract shall be returned to  
3 the purchaser together with all accrued earnings.

4 (3) If an Illinois prepaid tuition contract is  
5 converted from a Public University Plan to a Community  
6 College Plan, then the amount refunded shall be the value  
7 of the original Illinois prepaid tuition contract minus the  
8 value of the contract after conversion.

9 No refund shall be authorized under an Illinois prepaid  
10 tuition contract for any semester partially attended but not  
11 completed.

12 The Commission, by rule, shall set forth specific  
13 procedures for making contract payments in conjunction with  
14 grants and scholarships awarded to contract beneficiaries.

15 Moneys paid into or out of the Illinois Prepaid Tuition  
16 Trust Fund by or on behalf of the purchaser or the qualified  
17 beneficiary of an Illinois prepaid tuition contract are exempt  
18 from all claims of creditors of the purchaser or beneficiary,  
19 so long as the contract has not been terminated.

20 The State or any State agency, county, municipality, or  
21 other political subdivision, by contract or collective  
22 bargaining agreement, may agree with any employee to remit  
23 payments toward the purchase of Illinois prepaid tuition  
24 contracts through payroll deductions made by the appropriate  
25 officer or officers of the entity making the payments. Such  
26 payments shall be held and administered in accordance with this

1 Act.

2 (h) Nothing in this Act shall be construed as a promise or  
3 guarantee that a qualified beneficiary will be admitted to an  
4 eligible institution or to a particular eligible institution,  
5 will be allowed to continue enrollment at an eligible  
6 institution after admission, or will be graduated from an  
7 eligible institution.

8 (i) The Commission shall develop and make prepaid tuition  
9 contracts available under a minimum of at least 2 independent  
10 plans to be known as the Public University Plan and the  
11 Community College Plan.

12 Contracts shall be purchased in units of 15 credit hours at  
13 either an Illinois public university or an Illinois community  
14 college. The minimum purchase amount per qualified beneficiary  
15 shall be one unit or 15 credit hours. The maximum purchase  
16 amount shall be 9 units (or 135 credit hours) for the Public  
17 University Plan and 4 units (or 60 credit hours) for the  
18 Community College Plan.

19 (j) Public University Plan. Through the Public University  
20 Plan, the Illinois prepaid tuition contract shall provide  
21 prepaid registration fees, which include full tuition costs as  
22 well as mandatory fees, for a specified number of undergraduate  
23 credit hours, not to exceed the maximum number of credit hours  
24 required for the conference of a baccalaureate degree. In  
25 determining the cost of participation in the Public University  
26 Plan, the Commission shall reference the combined



1 mean-weighted current registration fees from Illinois public  
2 universities.

3 In the event that a qualified beneficiary for whatever  
4 reason chooses to attend an Illinois community college, the  
5 qualified beneficiary may convert the average number of credit  
6 hours required for the conference of an associate degree from  
7 the Public University Plan to the Community College Plan and  
8 may retain the remaining Public University Plan credit hours or  
9 may request a refund for prepaid credit hours in excess of  
10 those required for conference of an associate degree. In  
11 determining the amount of any refund, the Commission also shall  
12 recognize the current relative credit hour cost of the 2 plans  
13 when making any conversion.

14 Qualified beneficiaries shall bear the cost of any  
15 laboratory or other non-mandatory fees associated with  
16 enrollment in specific courses. Qualified beneficiaries who  
17 are not Illinois residents shall bear the difference in cost  
18 between in-state registration fees guaranteed by the prepaid  
19 tuition contract and tuition and other charges assessed upon  
20 out-of-state students by the eligible institution.

21 (k) Community College Plan. Through the Community College  
22 Plan, the Illinois prepaid tuition contract shall provide  
23 prepaid registration fees, which include full tuition costs as  
24 well as mandatory fees, for a specified number of undergraduate  
25 credit hours, not to exceed the maximum number of credit hours  
26 required for the conference of an associate degree. In

1 determining the cost of participation in the Community College  
2 Plan, the Commission shall reference the combined  
3 mean-weighted current registration fees from all Illinois  
4 community colleges.

5 In the event that a qualified beneficiary for whatever  
6 reason chooses to attend an Illinois public university, the  
7 qualified beneficiary's prepaid tuition contract shall be  
8 converted for use at that Illinois public university by  
9 referencing the current average mean-weighted credit hour  
10 value of registration fees at Illinois community colleges  
11 relative to the corresponding value of registration fees at  
12 Illinois public universities.

13 Qualified beneficiaries shall bear the cost of any  
14 laboratory or other non-mandatory fees associated with  
15 enrollment in specific courses. Qualified beneficiaries who  
16 are not Illinois residents shall bear the difference in cost  
17 between in-state registration fees guaranteed by the prepaid  
18 tuition contract and tuition and other charges assessed upon  
19 out-of-state students by the eligible institution.

20 (1) A qualified beneficiary may apply the benefits of any  
21 Illinois prepaid tuition contract toward a nonpublic  
22 institution of higher education. In the event that a qualified  
23 beneficiary for whatever reason chooses to attend a nonpublic  
24 institution of higher education, the qualified beneficiary's  
25 prepaid tuition contract shall be converted for use at that  
26 nonpublic institution of higher education by referencing the

1 current average mean-weighted credit hour value of  
2 registration fees purchased under the contract. The Commission  
3 shall transfer, or cause to have transferred, this amount, less  
4 a transfer fee, to the nonpublic institution on behalf of the  
5 beneficiary. In the event that the cost of registration charged  
6 to the beneficiary at the nonpublic institution of higher  
7 education is less than the aggregate value of the Illinois  
8 prepaid tuition contract, any remaining amount shall be  
9 transferred in subsequent semesters until the transfer value is  
10 fully depleted.

11 (m) A qualified beneficiary may apply the benefits of any  
12 Illinois prepaid tuition contract toward an eligible  
13 out-of-state college or university. Institutional eligibility  
14 for out-of-state colleges and universities shall be determined  
15 by the Commission according to standards substantially  
16 equivalent to those for an eligible institution located in this  
17 State, as described in the definition of "institution of higher  
18 learning" in Section 10 of the Higher Education Student  
19 Assistance Act. In the event that a qualified beneficiary for  
20 whatever reason chooses to attend an eligible out-of-state  
21 college or university, the qualified beneficiary's prepaid  
22 tuition contract shall be converted for use at that college or  
23 university by referencing the current average mean-weighted  
24 credit hour value of registration fees purchased under the  
25 contract. The Commission shall transfer, or cause to have  
26 transferred, this amount, less a transfer fee, to the college

1 or university on behalf of the beneficiary. In the event that  
2 the cost of registration charged to the beneficiary at the  
3 eligible out-of-state college or university is less than the  
4 aggregate value of the Illinois prepaid tuition contract, any  
5 remaining amount shall be transferred in subsequent semesters  
6 until the transfer value is fully depleted.

7 (n) Illinois prepaid tuition contracts may be purchased  
8 either by lump sum or by installments. No penalty shall be  
9 assessed for early payment of installment contracts.

10 (o) The Commission shall annually adjust the price of new  
11 contracts, in accordance with the annual changes in  
12 registration fees at Illinois public universities and  
13 community colleges.

14 (Source: P.A. 96-1282, eff. 7-26-10; 97-233, eff. 8-1-11.)

15 Section 99. Effective date. This Act takes effect June 30,  
16 2020.