

1 AN ACT concerning finance.

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  
5 changing 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  
12 Pool, may receive moneys paid into the pool by a participant  
13 and may serve as the fiscal agent of that participant for the  
14 purpose of holding and investing those moneys.

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

22 New accounts in the College Savings Pool shall be  
23 processed through participating financial institutions.  
24 "Participating financial institution", as used in this  
25 Section, means any financial institution insured by the  
26 Federal Deposit Insurance Corporation and lawfully doing  
27 business in the State of Illinois and any credit union  
28 approved by the State Treasurer and lawfully doing business  
29 in the State of Illinois that agrees to process new accounts  
30 in the College Savings Pool. Participating financial  
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until  
2 the year 2001. Beginning in 2001 and every year thereafter,  
3 the maximum fee limit shall be adjusted by the Treasurer  
4 based on the Consumer Price Index for the North Central  
5 Region as published by the United States Department of Labor,  
6 Bureau of Labor Statistics for the immediately preceding  
7 calendar year. Every contribution received by a financial  
8 institution for investment in the College Savings Pool shall  
9 be transferred from the financial institution to a location  
10 selected by the State Treasurer within one business day  
11 following the day that the funds must be made available in  
12 accordance with federal law. All communications from the  
13 State Treasurer to participants shall reference the  
14 participating financial institution at which the account was  
15 processed.

16 The Treasurer may invest the moneys in the College  
17 Savings Pool in the same manner, in the same types of  
18 investments, and subject to the same limitations provided for  
19 the investment of moneys by the Illinois State Board of  
20 Investment. To enhance the safety and liquidity of the  
21 College Savings Pool, to ensure the diversification of the  
22 investment portfolio of the pool, and in an effort to keep  
23 investment dollars in the State of Illinois, the State  
24 Treasurer shall make a percentage of each account available  
25 for investment in participating financial institutions doing  
26 business in the State. The State Treasurer shall deposit  
27 with the participating financial institution at which the  
28 account was processed the following percentage of each  
29 account at a prevailing rate offered by the institution,  
30 provided that the deposit is federally insured or fully  
31 collateralized and the institution accepts the deposit: 10%  
32 of the total amount of each account for which the current age  
33 of the beneficiary is less than 7 years of age, 20% of the  
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%  
2 of the total amount of each account for which the current age  
3 of the beneficiary is at least 12 years of age. The State  
4 Treasurer shall adjust each account at least annually to  
5 ensure compliance with this Section. The Treasurer shall  
6 develop, publish, and implement an investment policy covering  
7 the investment of the moneys in the College Savings Pool.  
8 The policy shall be published (i) at least once each year in  
9 at least one newspaper of general circulation in both  
10 Springfield and Chicago and (ii) each year as part of the  
11 audit of the College Savings Pool by the Auditor General,  
12 which shall be distributed to all participants. The  
13 Treasurer shall notify all participants in writing, and the  
14 Treasurer shall publish in a newspaper of general circulation  
15 in both Chicago and Springfield, any changes to the  
16 previously published investment policy at least 30 calendar  
17 days before implementing the policy. Any investment policy  
18 adopted by the Treasurer shall be reviewed and updated if  
19 necessary within 90 days following the date that the State  
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed  
22 from the College Savings Pool for qualified expenses at  
23 eligible educational institutions. "Qualified expenses", as  
24 used in this Section, means the following: (i) tuition, fees,  
25 and the costs of books, supplies, and equipment required for  
26 enrollment or attendance at an eligible educational  
27 institution and (ii) certain room and board expenses incurred  
28 while attending an eligible educational institution at least  
29 half-time. "Eligible educational institutions", as used in  
30 this Section, means public and private colleges, junior  
31 colleges, graduate schools, and certain vocational  
32 institutions that are described in Section 481 of the Higher  
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible  
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at  
2 least half-time if the student is enrolled for at least half  
3 the full-time academic work load for the course of study the  
4 student is pursuing as determined under the standards of the  
5 institution at which the student is enrolled. Distributions  
6 made from the pool for qualified expenses shall be made  
7 directly to the eligible educational institution, directly to  
8 a vendor, or in the form of a check payable to both the  
9 beneficiary and the institution or vendor. Any moneys that  
10 are distributed in any other manner or that are used for  
11 expenses other than qualified expenses at an eligible  
12 educational institution shall be subject to a penalty of 10%  
13 of the earnings unless the beneficiary dies, becomes  
14 disabled, or receives a scholarship that equals or exceeds  
15 the distribution. Penalties shall be withheld at the time  
16 the distribution is made.

17 The Treasurer shall limit the contributions that may be  
18 made on behalf of a designated beneficiary based on an  
19 actuarial estimate of what is required to pay tuition, fees,  
20 and room and board for 5 undergraduate years at the highest  
21 cost eligible educational institution. The contributions made  
22 on behalf of a beneficiary who is also a beneficiary under  
23 the Illinois Prepaid Tuition Program shall be further  
24 restricted to ensure that the contributions in both programs  
25 combined do not exceed the limit established for the College  
26 Savings Pool. The Treasurer shall provide the Illinois  
27 Student Assistance Commission each year at a time designated  
28 by the Commission, an electronic report of all participant  
29 accounts in the Treasurer's College Savings Pool, listing  
30 total contributions and disbursements from each individual  
31 account during the previous calendar year. As soon  
32 thereafter as is possible following receipt of the  
33 Treasurer's report, the Illinois Student Assistance  
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool  
2 participants who also participate in the State's prepaid  
3 tuition program, administered by the Commission. The  
4 Commission shall be responsible for filing any combined tax  
5 reports regarding State qualified savings programs required  
6 by the United States Internal Revenue Service. The Treasurer  
7 shall work with the Illinois Student Assistance Commission to  
8 coordinate the marketing of the College Savings Pool and the  
9 Illinois Prepaid Tuition Program when considered beneficial  
10 by the Treasurer and the Director of the Illinois Student  
11 Assistance Commission. The Treasurer's office shall not  
12 publicize or otherwise market the College Savings Pool or  
13 accept any moneys into the College Savings Pool prior to  
14 March 1, 2000. The Treasurer shall provide a separate  
15 accounting for each designated beneficiary to each  
16 participant, the Illinois Student Assistance Commission, and  
17 the participating financial institution at which the account  
18 was processed. No interest in the program may be pledged as  
19 security for a loan.

20 The assets of the College Savings Pool and its income and  
21 operation shall be exempt from all taxation by the State of  
22 Illinois and any of its subdivisions. The accrued earnings  
23 on investments in the Pool once disbursed on behalf of a  
24 designated beneficiary shall be similarly exempt from all  
25 taxation by the State of Illinois and its subdivisions, so  
26 long as they are used for qualified expenses. Contributions  
27 to a College Savings Pool account during the taxable year may  
28 be deducted from adjusted gross income as provided in Section  
29 203 of the Illinois Income Tax Act. The provisions of this  
30 paragraph are exempt from Section 250 of the Illinois Income  
31 Tax Act.

32 The Treasurer shall adopt rules he or she considers  
33 necessary for the efficient administration of the College  
34 Savings Pool. The rules shall provide whatever additional

1 parameters and restrictions are necessary to ensure that the  
2 College Savings Pool meets all of the requirements for a  
3 qualified state tuition program under Section 529 of the  
4 Internal Revenue Code (26 U.S.C. 529). The rules shall  
5 provide for the administration expenses of the pool to be  
6 paid from its earnings and for the investment earnings in  
7 excess of the expenses and all moneys collected as penalties  
8 to be credited or paid monthly to the several participants in  
9 the pool in a manner which equitably reflects the differing  
10 amounts of their respective investments in the pool and the  
11 differing periods of time for which those amounts were in the  
12 custody of the pool. Also, the rules shall require the  
13 maintenance of records that enable the Treasurer's office to  
14 produce a report for each account in the pool at least  
15 annually that documents the account balance and investment  
16 earnings. Notice of any proposed amendments to the rules and  
17 regulations shall be provided to all participants prior to  
18 adoption. Amendments to rules and regulations shall apply  
19 only to contributions made after the adoption of the  
20 amendment.

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

27 No contributions to the College Savings Pool authorized  
28 by this Section shall be considered in evaluating the  
29 financial situation of the designated beneficiary or be  
30 deemed a financial resource of or a form of financial aid or  
31 assistance to the designated beneficiary, for purposes of  
32 determining eligibility for any scholarship, grant, or  
33 monetary assistance awarded by the Illinois Student  
34 Assistance Commission, the State, or any agency thereof; nor

1 shall contributions to the College Savings Pool reduce the  
2 amount of any scholarship, grant, or monetary assistance that  
3 the designated beneficiary is eligible to be awarded by the  
4 Illinois Student Assistance Commission, the State, or any  
5 agency thereof in accordance with the provisions of any State  
6 law.

7 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;  
8 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff.  
9 7-11-02.)