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# HOUSE BILL No. 1465

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 21-9.

**Synopsis:** Prepaid college tuition. Establishes the Indiana prepaid college program. Requires the Indiana education savings authority to administer the program. Provides for the advance payment of tuition (including registration fees) or room and board, or both, at a community college or university. Makes an appropriation.

**Effective:** July 1, 2005.

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January 18, 2005, read first time and referred to Committee on Education.

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First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

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# HOUSE BILL No. 1465



A BILL FOR AN ACT to amend the Indiana Code concerning education and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 21-9-1-1 IS AMENDED TO READ AS FOLLOWS
- 2 [EFFECTIVE JULY 1, 2005]: Sec. 1. The following are the purposes
- 3 of this article:
- 4 (1) To encourage education and the means of education.
- 5 (2) To encourage attendance at higher education institutions.
- 6 (3) To provide families additional means of striving for higher
- 7 education through an education savings program that may be
- 8 established under this article.
- 9 (4) To help provide the benefits of higher education to the people
- 10 of Indiana.
- 11 (5) To promote the economic development of the state by creating
- 12 opportunities for a more highly educated workforce.
- 13 (6) To increase employment opportunities in Indiana.
- 14 (7) To encourage a working partnership among the people of
- 15 Indiana, including Indiana families, and elementary and
- 16 secondary schools, higher education institutions, financial
- 17 institutions, and state government in furthering a greater rate of



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savings and greater participation in higher education.

**(8) To establish a program for the prepayment of college tuition and room and board at a guaranteed fixed cost at a higher education institution.**

SECTION 2. IC 21-9-2-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 7.5. "Advance payment contract" means a contract entered into by the board and a purchaser under IC 21-9-11 for the prepayment of tuition or room and board, or both, at a higher education institution.**

SECTION 3. IC 21-9-2-9.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 9.3. "Community college" refers to a higher education institution included in the community college system established under IC 20-12-75.**

SECTION 4. IC 21-9-2-17.4 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 17.4. "Prepaid college fund" refers to the Indiana prepaid college fund established by IC 21-9-5-1(4).**

SECTION 5. IC 21-9-2-17.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 17.7. "Prepaid college program" refers to the Indiana prepaid college program established under IC 21-9-11.**

SECTION 6. IC 21-9-2-18.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 18.5. "Purchaser" means a person who enters into an advance payment contract with the board for the prepayment of tuition or room and board, or both, at a higher education institution.**

SECTION 7. IC 21-9-2-19.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 19.1. "Qualified beneficiary", for purposes of IC 21-9-11, means an individual:**

- (1) for whom a purchaser enters into an advance payment contract for the prepayment of tuition or room and board, or both, at a higher education institution; and**
- (2) who is:**
  - (A) an Indiana resident at the time a purchaser enters into an advance payment contract on behalf of the Indiana resident; or**
  - (B) a nonresident who is the child of a noncustodial parent who is an Indiana resident at the time the noncustodial**

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1                   **parent enters into an advance payment contract on behalf**  
2                   **of the child.**

3                   SECTION 8. IC 21-9-2-20.5 IS ADDED TO THE INDIANA CODE  
4 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY  
5 1, 2005] **Sec. 20.5. "State university" means Indiana University,**  
6 **Purdue University, Ball State University, Indiana State University,**  
7 **Vincennes University, the University of Southern Indiana, and any**  
8 **other state university.**

9                   SECTION 9. IC 21-9-2-25 IS ADDED TO THE INDIANA CODE  
10 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY  
11 1, 2005]: **Sec. 25. "Tuition" includes the payment of registration**  
12 **fees.**

13                   SECTION 10. IC 21-9-3-3 IS AMENDED TO READ AS  
14 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. The authority:  
15                   **(1) may establish any number of education savings programs; and**  
16                   **(2) shall establish the Indiana prepaid college program as**  
17                   **described in IC 21-9-11.**

18                   SECTION 11. IC 21-9-5-1 IS AMENDED TO READ AS  
19 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. The following are  
20 established:

- 21                   (1) The general operating fund.
- 22                   (2) The endowment fund.
- 23                   (3) The **Indiana family college savings** trust fund and, in the  
24 trust fund, the following:
  - 25                   (A) The administrative account.
  - 26                   (B) The program account.

27                   **(4) The Indiana prepaid college fund described in IC 21-9-11.**

28                   SECTION 12. IC 21-9-5-2 IS AMENDED TO READ AS  
29 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. The authority shall  
30 establish and implement investment policies in accordance with  
31 IC 5-13 for the following:

- 32                   (1) Money in the general operating fund.
- 33                   (2) Money in the administrative account **of the Indiana family**  
34 **college savings trust fund.**
- 35                   (3) Any other money of the authority other than money in:
  - 36                   (A) the endowment fund **and established under this chapter**  
37 **for the benefit of the education savings program;**
  - 38                   (B) the program account **of the Indiana family college**  
39 **savings trust fund; and**
  - 40                   (C) **the Indiana prepaid college fund.**

41                   SECTION 13. IC 21-9-5-4 IS AMENDED TO READ AS  
42 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4. The board shall

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1 establish and implement investment policies for money in:

2 (1) the endowment fund ~~and established under this chapter for~~  
3 **the benefit of the education savings program;**

4 (2) the program account **of the Indiana family college savings**  
5 **trust fund; and**

6 **(3) the Indiana prepaid college fund described in IC 21-9-11;**  
7 for investment in the manner provided by IC 30-4-3-3.

8 SECTION 14. IC 21-9-7-1 IS AMENDED TO READ AS  
9 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. In addition to any  
10 other powers granted by this article, the board has all powers necessary  
11 or convenient to carry out and effectuate the purposes and objectives  
12 of this chapter, ~~and IC 21-9-8,~~ **and IC 21-9-11,** the purposes and  
13 objectives of an education savings program that may be established  
14 under this article, and the powers delegated by other laws or executive  
15 orders, including the following:

16 (1) To establish policies and procedures to govern distributions  
17 from accounts that are not:

18 (A) made on account of the death or disability of an account  
19 beneficiary;

20 (B) made on account of the receipt of a scholarship (or  
21 allowance or payment described in Section 135(d)(1)(B) or (C)  
22 of the Internal Revenue Code) by the account beneficiary to  
23 the extent the amount of the distribution does not exceed the  
24 amount of the scholarship, allowance, or payment; or

25 (C) rollovers.

26 (2) To establish penalties for withdrawals of money from accounts  
27 that are not used exclusively for the qualified higher education  
28 expenses of an account beneficiary unless a circumstance  
29 described in subdivision (1) applies.

30 (3) To establish policies and procedures regarding the transfer of  
31 individual accounts and the designation of substitute account  
32 beneficiaries.

33 (4) To establish policies and procedures for withdrawal of money  
34 from accounts for, or in reimbursement of, qualified higher  
35 education expenses.

36 (5) To enter into agreements with account owners, account  
37 beneficiaries, and contributors, with the agreements naming:

38 (A) the account owner; and

39 (B) the account beneficiary.

40 (6) To establish accounts for account beneficiaries. However:

41 (A) the authority shall establish a separate account for each  
42 account beneficiary; and

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- (B) an individual may be the beneficiary of more than one (1) account.
- (7) To enter into agreements with financial institutions relating to accounts as well as deposits, withdrawals, penalties, allocation of benefits or incentives, and transfers of accounts, account owners, and account beneficiaries.
- (8) To conform the education savings program to federal tax advantages or incentives, as the advantages or incentives may exist periodically, to the extent consistent with the purposes and objectives of this article.
- (9) To interpret, in rules, policies, guidelines, and procedures, the provisions of this article broadly considering the purposes and objectives of this article.
- (10) To do the following with respect to the prepaid college program described in IC 21-9-11:**
  - (A) Establish agreements or other transactions with federal, state, and local agencies, including state universities and community colleges.**
  - (B) Establish residency requirements for qualified beneficiaries.**
  - (C) Restrict the number of participants in the prepaid college program. However, any person denied participation solely on the basis of such restriction shall be granted priority for participation during the succeeding year.**
  - (D) Segregate contributions and payments to the prepaid college fund into various accounts and funds.**
  - (E) Require and collect administrative fees and charges in connection with any transaction and impose reasonable penalties, including default, for delinquent payments or for entering into an advance payment contract on a fraudulent basis.**
  - (F) Procure insurance against any loss in connection with the property, assets, and activities of the prepaid college fund or the board.**
  - (G) Impose reasonable time limits on use of the tuition benefits provided by the prepaid college program.**
  - (H) Establish the terms and conditions under which payments may be withdrawn from the prepaid college fund and impose reasonable fees and charges for a withdrawal.**
  - (I) Provide for the receipt of contributions in lump sums or installment payments.**

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**(J) Establish other policies, procedures, and criteria to implement and administer IC 21-9-11.**

SECTION 15. IC 21-9-10-5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: **Sec. 5. Board members and employees of the board are not prohibited from purchasing advance payment contracts by virtue of their fiduciary responsibilities as members of the board or official duties as employees of the board.**

SECTION 16. IC 21-9-11 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 11. Indiana Prepaid College Program**

**Sec. 1. (a) The Indiana prepaid college program established by the authority under IC 21-9-3-3 shall provide a means through which the cost of tuition and room and board may be paid in advance of enrollment at a state institution of higher education at a rate lower than the projected corresponding cost at the time of actual enrollment.**

**(b) A purchaser wanting to participate in the prepaid college program established under this chapter on behalf of the purchaser or another individual must enter into an advance payment contract under this chapter.**

**(c) Payments made by purchasers under advance payment contracts under this chapter shall be combined and invested in a manner that yields, at a minimum, sufficient income to generate the difference between the prepaid amount and the cost of tuition and room and board at the time of actual enrollment. A qualified beneficiary of an advance payment contract who enrolls in a state institution of higher education may not be charged fees that exceed the fees set forth in the advance payment contract.**

**Sec. 2. The board shall make advance payment contracts available under three (3) independent plans:**

- (1) The tuition plan, which provides for:**
  - (A) the prepayment of tuition at a state university; or**
  - (B) the prepayment of tuition at a community college.**
- (2) The room and board plan, which provides for:**
  - (A) the prepayment of room and board at a state university; or**
  - (B) the prepayment of room and board at a community college.**
- (3) The combination plan, which provides for:**
  - (A) the prepayment of both tuition and room and board at**

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1                   a state university; or  
 2                   **(B) the prepayment of both tuition and room and board at**  
 3                   **a community college.**  
 4           **Sec. 3. (a) This section applies to an advance payment contract**  
 5           **under the tuition plan.**  
 6           **(b) An advance payment contract shall provide for the**  
 7           **prepayment of tuition for a specified number of undergraduate**  
 8           **semester credit hours not to exceed the average number of hours**  
 9           **required to obtain:**  
 10           **(1) an associate degree at a community college; or**  
 11           **(2) a baccalaureate degree at a state university.**  
 12           **(c) With respect to an advance payment contract for tuition at**  
 13           **a community college, the total amount of tuition to be paid under**  
 14           **the plan shall be based primarily on:**  
 15           **(1) the average current and projected tuition costs within the**  
 16           **Indiana community college system; and**  
 17           **(2) the number of years expected to elapse between the**  
 18           **execution of an advance payment contract under a community**  
 19           **college plan and the exercise by the qualified beneficiary of**  
 20           **the benefits provided in the plan.**  
 21           **(d) With respect to an advance payment contract for tuition at**  
 22           **a state university, the total amount of tuition to be paid under the**  
 23           **state university plan shall be based primarily on:**  
 24           **(1) the current and projected tuition costs among the state**  
 25           **universities; and**  
 26           **(2) the number of years expected to elapse between the**  
 27           **execution of an advance payment contract under the**  
 28           **university plan and the exercise by the qualified beneficiary**  
 29           **of the benefits provided in the plan.**  
 30           **(e) For purposes of determining the amount of tuition to be paid**  
 31           **under a tuition plan, each qualified beneficiary shall be classified**  
 32           **as a resident of Indiana, regardless of the beneficiary's actual legal**  
 33           **residence.**  
 34           **Sec. 4. (a) This section applies to an advance contract under the**  
 35           **room and board plan.**  
 36           **(b) An advance payment contract may provide prepaid room**  
 37           **and board for a maximum of ten (10) semesters of full-time**  
 38           **undergraduate enrollment at a state university or community**  
 39           **college that operates a dormitory or provides residency**  
 40           **opportunities. Prepaid room and board plans shall be purchased**  
 41           **in increments of two (2) semesters.**  
 42           **(c) The total cost of room and board under the plan shall be**

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based primarily on:

- (1) the average current and projected cost of room and board among the state universities or community colleges; and
- (2) the number of years expected to elapse between the execution of the advance payment contract and the exercise of the benefits provided under the plan by a qualified beneficiary.

(d) A qualified beneficiary shall have the highest priority in the assignment of housing within state university or community college residence halls.

(e) A qualified beneficiary shall bear the cost of any additional elective charges.

(f) Each state university or community college may specify the residence halls or other university operated residences eligible for inclusion in the plan. In addition, a state university or community college may request immediate termination of a dormitory residence contract based on a violation or multiple violations of rules of the residence hall or other university operated or community college held residences.

(g) If sufficient housing is not available for all qualified beneficiaries, the board shall refund the purchaser or qualified beneficiary an amount equal to the fees charged for dormitory residence during that semester. If a qualified beneficiary fails to be admitted to a state university or chooses to attend a community college that operates one (1) or more dormitories or residency opportunities, the qualified beneficiary may transfer, or cause to have transferred, to the community college the fees associated with dormitory residence. Dormitory fees transferred to the community college may not exceed the maximum fees charged for state university dormitory residence for the purposes of this section or the fees charged for a community college, whichever is less.

Sec. 5. (a) This section applies to a combination plan authorized under section 2(3) of this chapter.

(b) The total cost of the tuition component of the plan shall be based primarily upon one (1) of the following:

- (1) The criteria specified in section 3(c) of this chapter concerning an advance payment contract for tuition at a community college.
- (2) The criteria specified in section 3(d) of this chapter concerning an advance payment contract for tuition at a state university.

(c) The total cost of the room and board component of the plan

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shall be based primarily upon the criteria specified in section 4(c) of this chapter.

**Sec. 6. (a) A qualified beneficiary may use a tuition plan or a room and board plan at any private higher education institution within Indiana.**

**(b) The board shall transfer, or cause to have transferred, to a private higher education institution designated by a qualified beneficiary an amount not to exceed the redemption value of the advance payment contract within a state higher education institution. If the cost of tuition or room and board at the private higher education institution is less than the corresponding costs at a state higher education institution, the amount transferred shall not exceed the actual cost of tuition or room and board. A transfer authorized under this subsection may not exceed the number of semester credit hours or semesters contracted on behalf of a qualified beneficiary.**

**Sec. 7. (a) A qualified beneficiary may use a tuition plan or a room and board plan at an out-of-state higher education institution.**

**(b) The board shall transfer, or cause to have transferred, an amount not to exceed the redemption value of the advance payment contract or the original purchase price plus five percent (5%) compounded interest, whichever is less, after assessment of a reasonable transfer fee. If the cost of tuition or room and board charged the qualified beneficiary at the out-of-state higher education institution is less than this calculated amount, the amount transferred may not exceed the actual cost of tuition or room and board. Any remaining amount must be transferred in subsequent semesters until the transfer value is depleted. A transfer authorized under this subsection may not exceed the number of semester credit hours or semesters contracted on behalf of a qualified beneficiary.**

**Sec. 8. An advance payment contract entered into under this chapter must include the following terms and conditions:**

- (1) The amount of the payment or payments and the number of payments required from a purchaser on behalf of a qualified beneficiary.**
- (2) The terms and conditions under which the purchaser shall remit payments, including the date or dates upon which each payment is due.**
- (3) Provisions for late payment charges and for default.**
- (4) Provisions for penalty fees for withdrawals from the fund.**

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(5) The name and date of birth of the qualified beneficiary on whose behalf the contract is executed, and the terms and conditions under which another person may be substituted as the qualified beneficiary.

(6) The name of any person who may terminate the contract. The terms of the contract shall specify whether the contract may be terminated by the purchaser, the qualified beneficiary, a specific designated person, or any combination of those persons.

(7) The terms and conditions under which a contract may be terminated, modified, or converted, the name of the person entitled to any refund due as a result of termination of the contract in accordance with such terms and conditions, and the amount of refund, if any, due the person so named.

(8) The number of semester credit hours or semesters of room and board contracted by the purchaser.

(9) The state higher education institution toward which the contracted credit hours or semesters of room and board will be applied.

(10) The assumption of a contractual obligation by the board to a qualified beneficiary to provide:

(A) a specified number of semester credit hours of undergraduate instruction at a state higher education institution, not to exceed the average number of credit hours required to obtain the degree that corresponds to the plan purchased on behalf of the qualified beneficiary; or

(B) a specified number of semesters of room and board, not to exceed the number of semesters of full-time enrollment required to obtain a baccalaureate degree.

(11) The time limits imposed by the board under IC 21-9-7-1(10)(G) on the use of the tuition benefits provided by the program.

(12) Other terms and conditions considered by the board to be necessary or proper.

**Sec. 9. (a) The board shall administer the prepaid college fund established by IC 21-9-5-1.**

**(b) The prepaid college fund consists of the following:**

- (1) State appropriations.**
- (2) Money from other governmental or private sources.**
- (3) Money remitted in accordance with advance payment contracts under this chapter.**
- (4) Dividends, interest, and gains accruing to the fund.**

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1 (c) The treasurer of state shall invest the money in the prepaid  
2 college fund not currently needed to meet the obligations of the  
3 fund in the same manner as other public money may be invested.  
4 Interest that accrues from these investments shall be deposited in  
5 the fund.

6 (d) The following increase the total funds available for the  
7 prepaid college program:

8 (1) Money associated with an advance payment contract  
9 terminated under section 17 of this chapter.

10 (2) Money associated with a canceled advance payment  
11 contract for which no refund has been claimed.

12 (e) Money in the prepaid college fund at the end of a state fiscal  
13 year does not revert to the state general fund.

14 (f) If dividends, interest, and gains exceed the amount necessary  
15 for program administration and disbursements, the board may  
16 designate an additional percentage of the prepaid college fund to  
17 serve as a contingency fund.

18 Sec. 10. The fund established under IC 21-9-5-1(4) shall be  
19 preserved, invested, and expended only under this chapter and may  
20 not be used for any other purpose. The fund shall be held in trust  
21 for purchasers and qualified beneficiaries.

22 Sec. 11. (a) Investment policies for the fund established by  
23 IC 21-9-5-1(4) must limit maximum participation by any account  
24 of the fund in a single security or credit to seven percent (7%) of  
25 that account's total assets.

26 (b) The limitation under subsection (a) does not apply to the  
27 following securities:

28 (1) Securities issued by the United States government.

29 (2) Securities issued by federal agencies that are guaranteed  
30 by the United States government with respect to payment of  
31 principal and interest.

32 (3) Securities issued by the following federal agencies that are  
33 not guaranteed by the United States government:

34 (A) Federal Land Banks.

35 (B) Federal Home Loan Banks.

36 (C) Federal Home Loan Mortgage Corporation.

37 (D) Bank for Cooperatives.

38 (E) Federal Intermediate Credit Banks.

39 (F) Federal Farm Credit Banks.

40 Sec. 12. Criteria for management of assets in the fund  
41 established by IC 21-9-5-1(4), including investment of assets, must  
42 provide for both asset protection and income growth relative to

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expected tuition costs while providing for the actuarial soundness of the fund.

Sec. 13. (a) The fund established by IC 21-9-5-1(4) is subject to annual audit by an independent public accounting firm retained by the board.

(b) The authority shall promptly transmit copies of each annual audit to the governor and the general assembly in an electronic format under IC 5-14-6. Upon request, the authority shall make copies of the audit available to qualified beneficiaries, account owners, and the public.

Sec. 14. A purchaser or qualified beneficiary may not direct the investment of any contributions or the earnings on any contribution.

Sec. 15. The board shall establish:

(1) procedures for notifying a purchaser of any unclaimed refund if the purchaser terminates the purchaser's contract under the terms of the contract; and

(2) a time after which the purchaser is not entitled to a refund.

Sec. 16. Notwithstanding any other provision of this chapter, the board may adopt rules under IC 4-22-2 necessary to enable the prepaid college program to retain its status as a qualified state tuition program in order to maintain the tax exempt status or other similar status of the program, purchasers, and qualified beneficiaries under Section 529 of the Internal Revenue Code. The board shall inform each purchaser of any changes to the tax or securities status of a contract purchased through the program.

Sec. 17. (a) An advance payment contract may provide that contracts that have not been terminated or the benefits exercised within a specified time shall be considered terminated.

(b) Time expended by a qualified beneficiary as an active duty member of any of the armed services of the United States shall be added to the time specified under subsection (a). A purchaser or qualified beneficiary whose advance payment contract is terminated under this section is not entitled to a refund.

(c) The board shall retain money paid by the purchaser for an advance payment contract that has been terminated in accordance with this section. Money retained by the board under this section must be used by the board to further the purposes of this chapter.

Sec. 18. (a) Except as provided in subsections (b) and (c), a refund may not exceed the amount paid into the fund by the purchaser.

(b) If a qualified beneficiary is awarded a scholarship, the terms

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1 of which cover the benefits included in the advance payment  
2 contracts, money paid for the purchase of the advance payment  
3 contracts must be returned to the purchaser in semester  
4 installments coinciding with the matriculation by the qualified  
5 beneficiary in an amount equal to the original purchase price plus  
6 five percent (5%) compounded interest.

7 (c) In the event of the death or total disability of the qualified  
8 beneficiary, money paid for the purchase of an advance payment  
9 contract must be returned to the purchaser together with five  
10 percent (5%) compounded interest.

11 (d) If an advance payment contract is converted from one (1)  
12 plan to a plan of lesser value, the amount refunded may not exceed  
13 the difference between the amount paid for the original contract  
14 and the amount that would have been paid for the contract to  
15 which the plan is converted had the converted plan been purchased  
16 under the same payment plan at the time the original advance  
17 payment contract was executed.

18 (e) A refund may not be authorized through an advance  
19 payment contract for any school year partially attended but not  
20 completed. For purposes of this subsection, a "school year partially  
21 attended but not completed" refers to a semester in which the  
22 student is still enrolled at the conclusion of the official drop-add  
23 period but withdraws before the end of the semester. If a  
24 beneficiary does not complete a community college plan or  
25 university plan for reasons other than specified in subsection (c),  
26 the purchaser shall receive a refund of the amount paid into the  
27 Indiana prepaid college fund for the remaining unattended years  
28 of the advance payment contract in accordance with rules adopted  
29 by the board.

30 Sec. 19. Information that identifies the purchasers or qualified  
31 beneficiaries of any plan authorized under this chapter and their  
32 advance payment account activities is exempt from the provisions  
33 of IC 5-14. However, the board may authorize the program's  
34 records administrator to release such information to a higher  
35 education institution in which a beneficiary may enroll or is  
36 enrolled. A higher education institution must maintain the  
37 confidentiality of the information.

38 Sec. 20. (a) The state shall meet the obligations of the board to  
39 qualified beneficiaries if money in the prepaid college fund fails to  
40 offset the obligations of the board.

41 (b) There is appropriated to the prepaid college fund from the  
42 state general fund the amount necessary to meet the obligations of

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the board to qualified beneficiaries.

**Sec. 21. Money paid into or out of the prepaid college fund by or on behalf of a purchaser or qualified beneficiary of an advance payment contract made under this chapter is exempt from all claims of creditors of the purchaser or the beneficiary. Neither money paid into the program nor benefits accrued through the program may be pledged for the purpose of securing a loan.**

**Sec. 22. The state or any state agency, county, municipality, or other political subdivision may, by contract or collective bargaining agreement, agree with any employee to remit payments toward advance payment contracts through payroll deductions made by the appropriate officer or officers of the state, state agency, county, municipality, or political subdivision. A payment remitted under this section must be administered in accordance with this chapter.**

**Sec. 23. This chapter does not constitute a promise or guarantee that a qualified beneficiary will:**

- (1) be admitted to a state higher education institution or to a particular state higher education institution;**
- (2) be allowed to continue enrollment at a state higher education institution after admission; or**
- (3) graduate from a state higher education institution.**

**Sec. 24. If the prepaid college program is discontinued, a qualified beneficiary who has been accepted by and is enrolled or is within five (5) years of enrollment in an eligible private college or university or state higher education institution is entitled to exercise the complete benefits under the advance payment contracts. All other contract holders are entitled to receive a refund of the amount paid in and an additional amount in the nature of interest at a rate that corresponds, at a minimum, to the prevailing interest rates for savings accounts provided by banks and savings and loan associations.**

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