

1 AN ACT relating to the Commonwealth postsecondary education prepaid tuition
2 trust fund.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. KRS 164A.700 is amended to read as follows:

5 As used in KRS 164A.700 to 164A.709, unless the context requires otherwise:

- 6 (1) "Academic year" means the time period specified by each eligible educational
7 institution;
- 8 (2) "Board" means the board of directors of the Kentucky Higher Education Assistance
9 Authority acting in the capacity of the board of directors of the Commonwealth
10 postsecondary education prepaid tuition trust fund;
- 11 (3) "Eligible educational institution" means an institution defined in the Internal
12 Revenue Code of 1986, as amended, 26 U.S.C. sec. 529(e)(5);
- 13 (4) "Fund" means the prepaid tuition payment fund created in KRS 164A.701 and
14 known as the "Commonwealth Postsecondary Education Prepaid Tuition Trust
15 Fund" or "Kentucky's Affordable Prepaid Tuition" (KAPT);
- 16 (5) "Prepaid tuition" means the amount of tuition estimated by the board for the tuition
17 plan under the prepaid tuition contract;
- 18 (6) "Prepaid tuition academic year conversion" means the difference between the
19 amount of prepaid tuition required in the original prepaid tuition contract and the
20 amount of prepaid tuition required in an amended prepaid tuition contract as the
21 result of the change in the academic year;
- 22 (7) "Prepaid tuition academic year conversion shortfall" means the amount by which
23 the prepaid tuition required in an amended prepaid tuition contract as the result of
24 the change in the academic year exceeds the amount of prepaid tuition required in
25 the original prepaid tuition contract;
- 26 (8) "Prepaid tuition account" means the account for a qualified beneficiary as specified
27 in the prepaid tuition contract;

- 1 (9) "Prepaid tuition contract" means the contract entered into by the board and the
2 purchaser for the purchase of prepaid tuition for a qualified beneficiary to attend any
3 eligible educational institution as provided in KRS 164A.700 to 164A.709;
- 4 (10) "Prepaid tuition conversion" means the difference between the value of a prepaid
5 tuition account and the tuition at an eligible educational institution;
- 6 (11) "Prepaid tuition conversion shortfall" means the amount by which the actual tuition
7 cost at an eligible educational institution exceeds the amount of the value of a
8 prepaid tuition account;
- 9 (12) "Purchaser" means a person, corporation, association, partnership, or other legal
10 entity who enters into a prepaid tuition contract;
- 11 (13) "Qualified beneficiary" means a designated beneficiary, as defined in 26 U.S.C. sec.
12 529(e)(1), who is:
- 13 (a) A Kentucky resident designated as beneficiary at the time a purchaser enters
14 into a prepaid tuition contract; or
- 15 (b) A nonresident designated at the time a purchaser enters into a prepaid tuition
16 contract who intends to attend an eligible institution in Kentucky; or
- 17 (c) A new beneficiary, in the case of a change of beneficiaries under provisions of
18 KRS 164A.707; or
- 19 (d) An individual receiving a scholarship in the case of a prepaid tuition contract
20 purchased by a state or local government or agency or instrumentality thereof
21 or an organization described in 26 U.S.C. sec. 501(c)(3), and exempt from
22 federal income taxation pursuant to 26 U.S.C. sec. 501(a) as part of a
23 scholarship program offered by the government entity or the organization;
- 24 (14) "Qualified postsecondary education expenses" means qualified higher education
25 expenses as defined in 26 U.S.C. sec. 529(e)(3);
- 26 (15) "Tuition" means the prevailing tuition and all mandatory fees charged as a condition
27 of full-time enrollment in an undergraduate program for an academic year for a

1 qualified beneficiary to attend an eligible educational institution;

2 (16) "Tuition Account Program Office" or "office" means the office in the Kentucky
3 Higher Education Assistance Authority that is responsible for administering the
4 prepaid tuition program and its accounts;

5 (17) "Tuition plan" means a tuition plan approved by the board and provided under a
6 prepaid tuition contract;

7 (18) "Utilization period" means:

8 **(a) For a prepaid tuition account depleted or terminated prior to the effective**
9 **date of this Act,** the period of time in which a prepaid tuition contract is to be
10 used beginning with the projected college entrance year and continuing for the
11 number of prepaid tuition years purchased; **or**

12 **(b) For a prepaid tuition account not depleted or terminated as of the effective**
13 **date of this Act, the period of time in which a prepaid tuition contract is to**
14 **be used beginning with the projected college entrance year and continuing**
15 **for eight (8) years;** and

16 (19) "Value of a prepaid tuition account" means the amount which the fund is obligated
17 to pay for a prepaid tuition contract, when a purchaser has paid it in full, that is
18 calculated by multiplying the plan tuition amount for the academic period by the
19 number of prepaid tuition years purchased, less any portion previously paid; except,
20 under a tuition plan for private colleges and universities, tuition shall be calculated
21 based on the same percentage that University of Kentucky tuition is increased from
22 the year the prepaid tuition contract is purchased to the year of payment.

23 ➔Section 2. KRS 164A.705 is amended to read as follows:

24 (1) The prepaid tuition contract entered into by the purchaser and the board shall
25 constitute an irrevocable pledge and guarantee by the fund to pay for the tuition of a
26 qualified beneficiary upon acceptance and enrollment at an eligible educational
27 institution in accordance with the tuition plan purchased.

- 1 (2) A board member or any employee of the Tuition Account Program Office or the
2 Kentucky Higher Education Assistance Authority shall not be subject to any
3 personal liability by reason of his or her issuance or execution of a prepaid tuition
4 contract under KRS 164A.700 to 164A.709.
- 5 (3) Under a tuition plan for private colleges and universities, tuition shall be paid based
6 on the same percentage that University of Kentucky tuition is increased from the
7 year the prepaid tuition contract is purchased to the year of payment.
- 8 (4) The purchaser or qualified beneficiary shall pay to the eligible educational
9 institution the amount of any prepaid tuition academic year conversion shortfall and
10 the amount of any prepaid tuition conversion shortfall.
- 11 (5) A qualified beneficiary attending an eligible educational institution may apply the
12 value of a prepaid tuition account to a specific academic year at the maximum
13 course load or maximum number of credit hours generally permitted to full-time
14 undergraduates at that institution.
- 15 (6) The value of a prepaid tuition account remaining after tuition is paid may be used
16 for other qualified educational expenses under administrative regulations
17 promulgated by the board in compliance with 26 U.S.C. sec. 529. The board may
18 permit the use of the value of a prepaid tuition account for part-time undergraduate
19 enrollment or graduate programs at eligible educational institutions.
- 20 (7) During an account's utilization period, the value of the prepaid tuition account shall
21 increase consistent with tuition rates for the applicable tuition plan and academic
22 year. If all tuition benefits have not been used at the conclusion of this period, ***no***
23 ***additional value shall be added to the prepaid tuition account, except that, for an***
24 ***account with a utilization period defined in subsection (18)(a) of Section 1 of this***
25 ***Act,*** the account value shall increase at a rate of three percent (3%) per annum or the
26 applicable tuition plan value increase, whichever is less, for a period not to exceed
27 two (2) additional years. ~~No additional value shall be added to a prepaid tuition~~

1 ~~account after two (2) years past the utilization period.]~~

- 2 (8) If a qualified beneficiary attends an eligible educational institution for which
3 payment of tuition is not guaranteed by the fund in whole or in part, and if the cost
4 of tuition exceeds the value of a prepaid tuition account, the fund shall have no
5 responsibility to pay the difference. If the value of a prepaid tuition account exceeds
6 the cost of tuition, the excess may be used for other qualified postsecondary
7 education expenses as directed by the purchaser.
- 8 (9) The value of a prepaid tuition account shall not be used in calculating personal asset
9 contribution for determining eligibility and need for student loan programs, student
10 grant programs, or other student aid programs administered by any agency of the
11 Commonwealth, except as otherwise may be provided by federal law.

12 ➔Section 3. KRS 164A.709 is amended to read as follows:

- 13 (1) A purchaser may terminate a prepaid tuition contract at any time upon written
14 request to the office.
- 15 (2) Upon termination of a prepaid tuition contract at the request of a purchaser, the
16 office shall pay from the fund to the purchaser:
- 17 (a) The value of the prepaid tuition account or, if the contract has not been paid in
18 full, a pro rata amount calculated according to the portion of the plan that had
19 been paid, if the contract is terminated for the death of the qualified
20 beneficiary or the disability of the qualified beneficiary that, in the opinion of
21 the office, would make attendance by the beneficiary at an eligible educational
22 institution impossible or unreasonably burdensome;
- 23 (b) The amounts paid on the purchaser's prepaid tuition contract if the contract is
24 terminated and a request for refund is made before July 1 of the qualified
25 beneficiary's projected college entrance year. The board may determine a rate
26 of interest to accrue for payment on the amount otherwise payable under this
27 paragraph;

1 (c) *For a prepaid tuition account terminated after June 30 of the qualified*
2 *beneficiary's projected college entrance year and prior to the effective date*
3 *of this Act:*

4 1. The value of the prepaid tuition account for the 2014-2015 academic
5 year for accounts with a utilization period end date prior to 2012; or

6 ~~2.[(d)]~~ The value of the prepaid tuition account at the end of the account's
7 utilization period plus three percent (3%) per annum for a maximum of
8 two (2) years thereafter, or the applicable tuition plan value increase,
9 whichever is less, for accounts with a utilization period end date of 2012
10 or later; or

11 (d) *For a prepaid tuition account terminated after June 30 of the qualified*
12 *beneficiary's projected college entrance year and on or after the effective*
13 *date of this Act, the value of the prepaid tuition account at the time of*
14 *termination.*

15 (3) All refunds paid shall be less any benefits previously paid from the plan and any
16 administrative fees as determined by the board. The office may impose a fee upon
17 termination of the account for administrative costs and deduct the fee from the
18 amount otherwise payable under this section.

19 (4) If a qualified beneficiary is awarded a scholarship that covers tuition costs included
20 in a prepaid tuition contract, the purchaser may request a refund consisting of the
21 amount of the value of the prepaid tuition account, not to exceed the amount of the
22 scholarship.

23 (5) If the purchaser wishes to transfer funds from the prepaid tuition account to the
24 Kentucky Educational Savings Plan Trust, the purchaser may do so under
25 administrative regulations promulgated by the board and the board of directors of
26 the Kentucky Educational Savings Plan Trust under KRS 164A.325. The transfer
27 amount shall be calculated in the same way a refund is determined in accordance

1 with this section.

2 (6) If the purchaser wishes to transfer funds from the prepaid tuition account to another
3 qualified tuition program as defined in 26 U.S.C. sec. 529(b)(1), the purchaser may
4 do so under administrative regulations promulgated by the board. The transfer
5 amount shall be calculated in the same way a refund is determined in accordance
6 with this section.

7 (7) The board may terminate a prepaid tuition contract at any time due to the fraud or
8 misrepresentation of a purchaser or qualified beneficiary with respect to the prepaid
9 tuition contract.

10 (8) All operations of the Commonwealth postsecondary education prepaid tuition trust
11 fund and the Tuition Account Program Office shall end on June 30, ~~2028~~²⁰³⁰. On
12 or before that date, any remaining prepaid tuition account funds that have not been
13 utilized, transferred to another qualified tuition program, or refunded upon the
14 request of the purchaser shall be refunded to the purchaser in accordance with
15 subsection (2) of this section.