



General Assembly

February Session, 2024

Raised Bill No. 5343

LCO No. 2152



Referred to Committee on BANKING

Introduced by:
(BA)

***AN ACT ESTABLISHING A CONNECTICUT PREPAID COLLEGE
TUITION PROGRAM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-22f of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2024*):

3 As used in sections 3-22f to 3-22p, inclusive, as amended by this act,
4 and sections 2 to 6, inclusive, of this act:

5 (1) "Account" means the prepaid college tuition account established
6 in section 6 of this act;

7 (2) "Advance payment contract" means a participation agreement
8 entered into by the Treasurer and a purchaser pursuant to the
9 provisions of sections 2 to 6, inclusive, of this act;

10 [(1)] (3) "Depositor" means any person making a deposit, payment,
11 contribution, gift or otherwise to the trust pursuant to a participation
12 agreement or advance payment contract;

13 [(2)] (4) "Designated beneficiary" means (A) any individual (i) state

14 resident originally designated in the participation agreement, (ii)
15 subsequently designated who is a family member as defined in Section
16 2032A(e)(2) of the Internal Revenue Code, or (iii) receiving a scholarship
17 from interests in the trust purchased by a state or local government or
18 an organization described in Section 501(c)(3) of the Internal Revenue
19 Code and qualified under Section 529 of the Internal Revenue Code, or
20 (B) any other designated beneficiary qualifying under said Section 529
21 enrolled in the trust;

22 [(3)] (5) "Eligible educational institution" means an institution of
23 higher education qualifying under Section 529 of the Internal Revenue
24 Code as an eligible educational institution;

25 [(4)] (6) "Internal Revenue Code" means the Internal Revenue Code
26 of 1986, or any subsequent corresponding internal revenue code of the
27 United States, as [from time to time] amended from time to time;

28 [(5)] (7) "Participation agreements" means agreements between the
29 trust and depositors for participation in the program or a savings plan
30 for a designated beneficiary;

31 (8) "Program" means the Connecticut prepaid college tuition program
32 established in section 2 of this act;

33 (9) "Public institution of higher education" means an eligible
34 educational institution that is part of the state system of public higher
35 education described in section 10a-1;

36 (10) "Purchaser" means a depositor who makes or is obliged to make
37 advance tuition payments in accordance with an advance payment
38 contract;

39 [(6)] (11) "Qualified higher education expenses" means tuition, fees,
40 books, supplies and equipment required for the enrollment or
41 attendance of a designated beneficiary at an eligible educational
42 institution, including undergraduate and graduate schools and any
43 other higher education expenses that may be permitted by Section 529

44 of the Internal Revenue Code; and

45 [(7)] (12) "Trust" means the Connecticut Higher Education Trust.

46 Sec. 2. (NEW) (*Effective July 1, 2024*) There is established the
47 Connecticut prepaid college tuition program for the purpose of enabling
48 designated beneficiaries to pay tuition for enrollment at institutions of
49 higher education in advance and in an amount that is lower than the
50 projected tuition cost at the time of enrollment. The Treasurer shall
51 combine and invest such payments pursuant to section 6 of this act in a
52 manner that yields, at a minimum, sufficient interest to cover the
53 difference between the amount of the prepaid tuition and the actual cost
54 of tuition at a public institution of higher education at the time of
55 enrollment. Students may use an advance payment contract for
56 attendance at a public or independent institution of higher education in
57 the state or another state. If an advance payment contract is used to pay
58 the cost of attendance at an independent institution of higher education
59 or a public institution of higher education in another state, the cost of
60 such attendance shall be paid pursuant to the advance payment contract
61 up to the amount of the tuition at the public institution of higher
62 education in the state covered by such advance payment contract. For
63 purposes of this section and sections 3 to 6, inclusive, of this act, "tuition"
64 means the tuition at a public institution of higher education and
65 includes, but is not limited to, dormitory room expenses at such an
66 institution, as delineated in an advance payment contract.

67 Sec. 3. (NEW) (*Effective July 1, 2024*) The Connecticut prepaid college
68 tuition program shall be administered by the Treasurer in accordance
69 with the provisions of sections 3-22f to 3-22p, inclusive, of the general
70 statutes, as amended by this act, and sections 2 to 6, inclusive, of this act.
71 The Treasurer may: (1) Contract for the operation of, or any necessary
72 services for, the program; (2) contract with an insurance company to
73 offer purchasers a policy to cover the cost of payments due under an
74 advance payment contract upon the death of the purchaser; (3) restrict
75 the number of participants in the program, provided any person denied
76 participation in the program on the basis of such restriction is granted

77 priority for participation during the succeeding year; (4) require a
78 reasonable length of state residence for designated beneficiaries; (5)
79 require and collect administrative fees and charges in connection with
80 any transaction, including, but not limited to, fees resulting from the
81 maintenance of an advance payment contract; (6) impose reasonable
82 penalties, including, but not limited to, default, for delinquent payments
83 or for entering into an advance payment contract on a fraudulent basis;
84 (7) impose reasonable time limits on the use of the tuition benefits
85 provided by the program, provided any such limitation is specified in
86 the advance payment contract; (8) delineate the terms and conditions
87 under which money may be withdrawn from the account and impose
88 reasonable fees and charges for such withdrawals, provided such terms
89 and conditions are set forth in the advance payment contract; (9)
90 provide for the receipt of contributions in lump sums or installment
91 payments; (10) provide for different advance payment contracts (A) for
92 attendance at the regional community-technical colleges, institutions of
93 the Connecticut State University System and The University of
94 Connecticut, and (B) based on whether the purchaser chooses to include
95 the cost of dormitory room expenses, if appropriate, based on the type
96 of institution; (11) provide for conversion of an advance payment
97 contract for attendance at an institution that is part of one constituent
98 unit of the state system of public higher education to attendance at an
99 institution that is part of another constituent unit of such system; (12)
100 provide for advance payment contracts to be used for attendance at
101 independent institutions of higher education and out-of-state public
102 institutions of higher education based on the amount of tuition at the
103 appropriate public institution of higher education in the state; and (13)
104 adopt such other policies, procedures and criteria as the Treasurer
105 deems necessary to implement and administer the program. The
106 Treasurer shall provide an annual actuarial analysis of the fiscal
107 viability of the program to the General Assembly.

108 Sec. 4. (NEW) (*Effective July 1, 2024*) (a) Advance payment contracts
109 shall provide prepaid tuition for a specified number of undergraduate
110 semester credit hours not to exceed the average number of hours

111 required for the conference of: (1) An associate degree, if the advance
112 payment contract is for tuition at a community-technical college; or (2)
113 a baccalaureate degree, if the advance payment contract is for
114 attendance at an institution of the Connecticut State University System
115 or The University of Connecticut. The cost of participation in the
116 program shall be based on the current and projected tuition and
117 dormitory expenses at the appropriate institution of higher education
118 and the number of years expected to elapse between the purchase of the
119 advance payment contract on behalf of the designated beneficiary and
120 the beneficiary's exercise of benefits provided in the advance payment
121 contract.

122 (b) The Treasurer shall construct advance payment contracts that
123 include: (1) The amount of the payment or payments a purchaser is
124 required to make on behalf of a designated beneficiary; (2) the terms and
125 conditions under which purchasers shall remit payments, including, but
126 not limited to, the date or dates upon which each payment is due; (3)
127 provisions for late payments; (4) provisions for penalty fees for
128 withdrawal from the account; (5) the name and date of birth of the
129 designated beneficiary on whose behalf the advance payment contract
130 is drawn and the terms and conditions under which another person may
131 be substituted as the designated beneficiary; (6) the name of any person
132 who may terminate the advance payment contract, such as the
133 purchaser, the designated beneficiary or a third person; (7) the terms
134 and conditions under which the advance payment contract may be
135 terminated, the name of the person entitled to any refund due as a result
136 of termination and the amount of such refund; (8) the time limits, if any,
137 within which the designated beneficiary is required to claim such
138 beneficiary's benefits through the program; (9) the number of credit
139 hours contracted by the purchaser and, if appropriate, the number of
140 semesters of dormitory residence contracted by the purchaser; (10) the
141 constituent unit of the state system of public higher education at which
142 the contracted credit hours shall be applied and provisions for the
143 purchaser or designated beneficiary to change such designation and
144 adjust the amount of payments accordingly; and (11) such other terms

145 and conditions as the Treasurer deems necessary.

146 (c) An advance payment contract may provide that if the advance
147 payment contract has not been terminated, or the benefits under such
148 advance payment contract have not been exercised, within a specified
149 period of time, such advance payment contract shall be deemed to have
150 been terminated. Time expended by a designated beneficiary as an
151 active duty member of any of the armed services of the United States
152 shall extend such specified period of time for a period of time equal to
153 the amount of time expended by such beneficiary while on active duty.

154 Sec. 5. (NEW) (*Effective July 1, 2024*) (a) If the designated beneficiary
155 of an advance payment contract is awarded a scholarship, the terms of
156 which cover the benefits included in the advance payment contract,
157 moneys paid for the purchase of such contract shall be returned to the
158 purchaser in semester installments coinciding with the matriculation by
159 such beneficiary in amounts equal to the lesser of: (1) The purchase price
160 plus five per cent interest per annum compounded monthly, or (2) the
161 current rate of tuition at the appropriate public institution of higher
162 education.

163 (b) In the event of the death or total disability of the designated
164 beneficiary, moneys paid for the purchase of the advance payment
165 contract shall be returned to the purchaser in an amount that is equal to
166 the lesser of: (1) The principal balance of such contract plus five per cent
167 interest per annum compounded monthly, or (2) the current rate of
168 tuition at the appropriate public institution of higher education.

169 (c) If a designated beneficiary is not accepted to the institution of
170 higher education covered by the advance payment contract, the
171 designated beneficiary may: (1) Convert the contract to an advance
172 payment contract for attendance at a different institution of higher
173 education in accordance with the procedures prescribed by the
174 Treasurer and specified in the advance payment contract, provided the
175 beneficiary is accepted at such institution; or (2) terminate the advance
176 payment contract.

177 Sec. 6. (NEW) (*Effective July 1, 2024*) There is established an account
178 to be known as the "prepaid college tuition account" which shall be a
179 separate, nonlapsing account within the Connecticut Higher Education
180 Trust established in section 3-22g of the general statutes, as amended by
181 this act. The account shall contain any moneys required by law to be
182 deposited in the account. Moneys in the account shall be expended by
183 the Treasurer for the purposes of the Connecticut prepaid college tuition
184 program established in section 2 of this act. The Treasurer shall invest
185 the moneys deposited in the prepaid college tuition account in
186 accordance with the provisions of section 3-22i of the general statutes,
187 as amended by this act.

188 Sec. 7. Section 3-22g of the general statutes is repealed and the
189 following is substituted in lieu thereof (*Effective July 1, 2024*):

190 (a) There is established the Connecticut Higher Education Trust to
191 promote and enhance the affordability and accessibility of higher
192 education for residents of the state. The trust shall constitute an
193 instrumentality of the state and shall perform essential governmental
194 functions, as provided in sections 3-22f to 3-22p, inclusive, as amended
195 by this act, and sections 2 to 6, inclusive, of this act. The trust shall
196 receive and hold all payments and deposits or contributions intended
197 for the trust, including contributions made pursuant to section 12-743,
198 as well as gifts, bequests, endowments or federal, state or local grants
199 and any other funds from any public or private source and all earnings
200 until disbursed in accordance with sections 3-22f to 3-22p, inclusive, as
201 amended by this act, and sections 2 to 6, inclusive, of this act.

202 (b) The amounts on deposit in the trust shall not constitute property
203 of the state and the trust shall not be construed to be a department,
204 institution or agency of the state. Amounts on deposit in the trust shall
205 not be commingled with state funds and the state shall have no claim to
206 or against, or interest in, such funds. Any contract entered into by or any
207 obligation of the trust shall not constitute a debt or obligation of the state
208 and the state shall have no obligation to any designated beneficiary or
209 any other person on account of the trust and all amounts obligated to be

210 paid from the trust shall be limited to amounts available for such
211 obligation on deposit in the trust. The amounts on deposit in the trust
212 may only be disbursed in accordance with the provisions of sections 3-
213 22f to 3-22p, inclusive, as amended by this act, and sections 2 to 6,
214 inclusive, of this act. The trust shall continue in existence as long as it
215 holds any deposits or has any obligations and until its existence is
216 terminated by law and upon termination any unclaimed assets shall
217 return to the state. Property of the trust shall be governed by section 3-
218 61a.

219 (c) The Treasurer shall be responsible for the receipt, maintenance,
220 administration, investing and disbursements of amounts from the trust.
221 The trust shall not receive deposits in any form other than cash. No
222 depositor or designated beneficiary may direct the investment of any
223 contributions or amounts held in the trust other than in the specific fund
224 options provided for by the trust.

225 Sec. 8. Section 3-22h of the general statutes is repealed and the
226 following is substituted in lieu thereof (*Effective July 1, 2024*):

227 The Treasurer, on behalf of the trust and for purposes of the trust,
228 may:

229 (1) Receive and invest moneys in the trust in any instruments,
230 obligations, securities or property in accordance with section 3-22i, as
231 amended by this act;

232 (2) Establish consistent terms for each participation agreement, bulk
233 deposit, coupon or installment payments, including, but not limited to,
234 (A) the method of payment into the trust by payroll deduction, transfer
235 from bank accounts or otherwise, (B) the termination, withdrawal or
236 transfer of payments under the trust, including transfers to or from a
237 qualified tuition program established by another state pursuant to
238 Section 529 of the Internal Revenue Code, (C) penalties for distributions
239 not used or made in accordance with Section 529(b)(3) of the Internal
240 Revenue Code, (D) changing of the identity of the designated
241 beneficiary, and (E) any charges or fees in connection with the

242 administration of the trust;

243 (3) Enter into one or more contractual agreements, including
244 contracts for legal, actuarial, accounting, custodial, advisory,
245 management, administrative, advertising, marketing and consulting
246 services for the trust and pay for such services from the gains and
247 earnings of the trust;

248 (4) Procure insurance in connection with the trust's property, assets,
249 activities, or deposits or contributions to the trust;

250 (5) Apply for, accept and expend gifts, grants, or donations from
251 public or private sources to enable the trust to carry out its objectives;

252 (6) Adopt regulations in accordance with chapter 54 for purposes of
253 sections 3-22f to 3-22p, inclusive, as amended by this act, and sections 2
254 to 6, inclusive, of this act;

255 (7) Sue and be sued;

256 (8) Establish one or more funds or accounts within the trust and
257 maintain separate accounts for each designated beneficiary; and

258 (9) Take any other action necessary to carry out the purposes of
259 sections 3-22f to 3-22p, inclusive, as amended by this act, and sections 2
260 to 6, inclusive, of this act and incidental to the duties imposed on the
261 Treasurer pursuant to said sections.

262 Sec. 9. Section 3-22i of the general statutes is repealed and the
263 following is substituted in lieu thereof (*Effective July 1, 2024*):

264 Notwithstanding sections 3-13 to 3-13h, inclusive, the Treasurer shall
265 invest the amounts on deposit in the trust in a manner reasonable and
266 appropriate to achieve the objectives of the trust, exercising the
267 discretion and care of a prudent person in similar circumstances with
268 similar objectives. The Treasurer shall give due consideration to rate of
269 return, risk, term or maturity, diversification of the total portfolio within
270 the trust, liquidity, the projected disbursements and expenditures, and

271 the expected payments, deposits, contributions and gifts to be received.
272 The Treasurer shall not require the trust to invest directly in obligations
273 of the state or any political subdivision of the state or in any investment
274 or other fund administered by the Treasurer. The assets of the trust shall
275 be continuously invested and reinvested in a manner consistent with the
276 objectives of the trust until disbursed for qualified educational expenses
277 or tuition pursuant to an advance payment contract, expended on
278 expenses incurred by the operations of the trust, or refunded to the
279 depositor or designated beneficiary on the conditions provided in the
280 participation agreement or advance payment contract.

281 Sec. 10. Section 3-22m of the general statutes is repealed and the
282 following is substituted in lieu thereof (*Effective July 1, 2024*):

283 The state pledges to depositors, designated beneficiaries and with
284 any party who enters into contracts with the trust, pursuant to the
285 provisions of sections 3-22f to 3-22p, inclusive, as amended by this act,
286 and sections 2 to 6, inclusive, of this act, that the state will not limit or
287 alter the rights under said sections vested in the trust or contract with
288 the trust until such obligations are fully met and discharged and such
289 contracts are fully performed on the part of the trust, provided nothing
290 contained in this section shall preclude such limitation or alteration if
291 adequate provision is made by law for the protection of such depositors
292 and designated beneficiaries pursuant to the obligations of the trust or
293 parties who entered into such contracts with the trust. The trust, on
294 behalf of the state, may include this pledge and undertaking for the state
295 in participation agreements and such other obligations or contracts.

296 Sec. 11. Section 3-22n of the general statutes is repealed and the
297 following is substituted in lieu thereof (*Effective July 1, 2024*):

298 Nothing in sections 3-22f to 3-22p, inclusive, as amended by this act,
299 sections 2 to 6, inclusive, of this act or in any participation agreement
300 shall constitute [nor] or be deemed to constitute an agreement, pledge,
301 promise [,] or guarantee of admission or continued enrollment of any
302 designated beneficiary or any other person to any eligible educational

303 institution in the state or any other institution of higher education.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2024</i>	3-22f
Sec. 2	<i>July 1, 2024</i>	New section
Sec. 3	<i>July 1, 2024</i>	New section
Sec. 4	<i>July 1, 2024</i>	New section
Sec. 5	<i>July 1, 2024</i>	New section
Sec. 6	<i>July 1, 2024</i>	New section
Sec. 7	<i>July 1, 2024</i>	3-22g
Sec. 8	<i>July 1, 2024</i>	3-22h
Sec. 9	<i>July 1, 2024</i>	3-22i
Sec. 10	<i>July 1, 2024</i>	3-22m
Sec. 11	<i>July 1, 2024</i>	3-22n

Statement of Purpose:

To establish a Connecticut prepaid college tuition program, procedures related to such program and a related account.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]