AN ACT concerning State government.

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

Section 5. The State Treasurer Act is amended by adding Section 16.8 as follows:

(15 ILCS 505/16.8 new)
Sec. 16.8. Illinois Higher Education Savings Program.
(a) As used in this Section:
"Custodial account" means a 529 plan account under Section 529 of the Internal Revenue Code where the State Treasurer serves as the custodian of the account with the child as the beneficiary. The custodial account is not a standard account.
"Fund" means the Illinois Higher Education Savings Program Fund.
"Standard account" means a 529 plan account under Section 529 of the Internal Revenue Code, created pursuant to Section 16.5 of this Act.
"Internal Revenue Code" means Internal Revenue Code of 1986, or any successor law, in effect for the calendar year.
"Low-income households" means households with income less than 250% of the federal poverty line.
"Program" means the Illinois Higher Education Savings Program.

"Post-secondary education" means a college, university, vocational school, and any two or four-year degree program from an accredited educational institution.

"Seed" means the initial contribution into an Account.

"State Treasurer" means the Illinois State Treasurer.

(b) The State Treasurer shall establish the Illinois Higher Education Savings Program as part of the College Savings Pool described in Section 16.5 of this Act. The State Treasurer shall administer the Program for the purposes of expanding access to higher education through savings. The Program shall include the following features:

(1) All children born or adopted in Illinois and who reside in Illinois at the time of birth or adoption are eligible for the Program.

(2) Beginning after the effective date of this amendatory Act of the 100th General Assembly, the Illinois Department of Public Health shall provide the State Treasurer with data from Illinois birth records for each baby born in Illinois. All such information shall be provided on a quarterly basis within 30 days of the end of each quarter. The information provided shall be strictly confidential and shall not be subject to release under the Freedom of Information Act.

(3) After receiving birth record data for a child born
in the State of Illinois from the Department of Public
Health, the State Treasurer shall open a custodial account
through the Program. A parent or legal guardian may choose
to opt out of the Program at the time of the birth
certificate application process.

(c) The State Treasurer shall establish custodial accounts
in accordance with the following provisions:

(1) Upon establishment of a custodial account, the
State Treasurer shall make a seed deposit on behalf of the
beneficiary into the custodial account, as provided in
paragraphs (8) and (9) of this subsection (c).

(2) The State Treasurer will provide an annual match as
provided in paragraphs (8) and (9) of this subsection (c)
into the custodial account on a one-to-one dollar basis for
beneficiaries in low-income households, that are 18 years
of age or younger, and that are listed as a beneficiary of
a standard account under Section 16.5 of this Act. The
legal guardian and owner of the standard account will be
able to view the aggregate amount of the standard and
custodial accounts.

(3) Subject to funding, the State Treasurer may provide
additional savings incentives, including conditional cash
transfers that provide a savings incentive based on
specific actions taken, for beneficiaries in low-income
households.

(4) If sufficient funds are not available, the State
Treasurer may reduce the seed amount deposited in a custodial account and any match temporarily. In the case of limited funding, the seed amount will take priority over the match incentives.

(5) Deposits into the custodial account shall be made by the State Treasurer from funds appropriated by the General Assembly or received as gifts, grants, or contributions into the Higher Education Savings Program Fund.

(6) Distributions from the custodial account shall be permitted for qualifying post-secondary education expenses in compliance with Section 529 of the Internal Revenue Code only. Distributions from the custodial account must be made prior to the beneficiary attaining the age of 29.

(7) For beneficiaries who serve in a national service program, including, but not limited to, the United States Military or the Peace Corp, each year of service shall increase the maturity date by one year. For beneficiaries that are serving a sentence as a result of a criminal conviction or juvenile adjudication between the ages of 18 and 29, each year of confinement shall increase the maturity date by one year.

(8) Between establishment of the Program and January 1, 2021, the seed and match amounts set forth in paragraphs (1) and (2) of this subsection (c) shall be as follows: (i) $50 initial seed and (ii) a total match of $150 annually.
for low-income households.

(9) The State Treasurer shall adjust the seed deposit amount and the annual match beginning July 1, 2021, and at minimum every 5 years thereafter, based on an analysis of the consumer price index. Adjustments to the seed and match amounts shall be calculated by multiplying the current seed amount by the percentage increase, if any, in the Consumer Price Index for all Urban Consumers since the establishment of the Program or, after July 1, 2021, since the date of the last adjustment, and rounding that result to the nearest 5 dollars.

(10) If a beneficiary does not use all funds in the custodial account for a qualified expense and within the timeline described in paragraphs (6) and (7) of this subsection (c), any seed or match funds contributed by the State Treasurer and any earnings from those funds shall be forfeited and remain in the Higher Education Program Fund.

(11) If a beneficiary dies prior to the age of 29, any seed or match funds contributed by the State of Illinois, and any earnings from those funds shall be forfeited and remain in the Higher Education Program Fund.

(d) If a beneficiary is not a resident of Illinois, (i) the beneficiary shall not be eligible for the match incentives described in paragraph (2) of subsection (c) of this Section during any period of time when he or she is not residing in the state of Illinois; and (ii) the custodial account shall
otherwise be maintained by the State Treasurer as set forth is paragraph (1) and paragraphs (4) through (10) of subsection (c).

(e) A legal guardian, residing in Illinois, of a child who is born in Illinois before the implementation date or a child born outside of Illinois and who is 15 years of age or younger, may apply with the Office of the Illinois State Treasurer to enroll his or her child in the Program as a beneficiary. This new enrollee would be eligible for the match incentive described in paragraphs (8) and (9) of subsection (c) of this Section, but is not eligible for the seed amount.

(f) The Illinois Higher Education Savings Program Fund is hereby established. The Fund shall be the official repository of all contributions, appropriations, interest and dividend payments, gifts, or other financial assets received by State Treasurer in connection with the operation of the Program. All such moneys shall be deposited in the Fund and held by the State Treasurer as custodian thereof, outside of the State Treasury, separate and apart from all public moneys or funds of this State.

All interest or other earnings accruing or received on amounts in the Illinois Higher Education Savings Program Fund shall be credited to and retained by the Fund. Moneys, interest, or other earnings paid into the Fund shall not be transferred or allocated by the State Treasurer or the State Comptroller to any other fund, nor shall the Governor authorize
any such transfer or allocation, while any contracts are outstanding. In addition, no moneys, interest, or other earnings paid into the Fund shall be used, temporarily or otherwise, for inter-fund borrowing or be otherwise used or appropriated, except as expressly authorized in this Act.

(g) The State Treasurer may develop financial capability programs and education that support the financial literacy of beneficiaries and their legal guardians impacted by the Program in collaboration with State agencies, including the State Board of Education and the Department of Human Services, and existing nonprofit agencies working with low-income families that specialize in financial education delivery.

(h) The Illinois Higher Education Savings Program shall be included as part of the audit of the College Savings Pool described in Section 16.5 of this Act.

(i) The State Treasurer shall begin implementation of the Illinois Higher Education Savings Program in 2018. The State Treasurer may establish a phased implementation and beneficiary enrollment timeline based on funding availability. Upon implementation of the Program, the State Treasurer shall include information on savings rates and match savings rates in the State Treasurer's annual financial report to the Governor and General Assembly.

(j) The Higher Education Savings Program Act is subject to appropriation by the General Assembly. If the State Treasurer does not secure adequate funds to implement the Program within
the time frame set forth under this Section, Program implementation may be delayed while the State Treasurer makes good faith efforts to secure necessary funding. The State Treasurer may accept gifts, grants, awards, matching contributions, interest income and appropriations from individuals, businesses, governments, and other third-party sources to implement the Program on terms that the Treasurer deems advisable. Moneys received under this Section may be expended for purposes consistent with the conditions under which those moneys are received, subject to appropriations made by the General Assembly for those purposes.

(k) Birth certificate data from the State Registrar of Vital Records shall only be used for the Illinois Higher Education Savings Program and shall not be used for any other purpose. The State Treasurer and any contractors working on the Program shall maintain strict confidentiality of data from Illinois birth records, and shall promptly provide written or electronic notice of any security breach to the Department of Public Health. The Department of Public Health shall remain the sole and exclusive owner of data from Illinois birth records provided under this Section.

(l) The State Treasurer may adopt, in accordance with the Illinois Administrative Procedure Act, any rules that may be necessary to implement the Program as described in this Section.
Section 10. The State Finance Act is amended by adding Section 5.878 as follows:

(30 ILCS 105/5.878 new)

Sec. 5.878. The Illinois Higher Education Savings Program Fund.