



Document No. 2253

BUDGET AND CONTROL BOARD

CHAPTER 19

Statutory Authority: SC Code Section 59-4-30 (B)

Article 12. The South Carolina Tuition Prepayment Program Regulations

Synopsis:

The State Budget and Control Board propose new regulations for the implementation and administration of the South Carolina Tuition Prepayment Program. The regulations are necessary to comply with legislation passed in 1997 amending Title 59 of the SC Code to add Chapter 4 establishing the South Carolina Tuition Prepayment Program within the South Carolina Budget and Control Board. The Program is designed to allow a contributor to make affordable payments to cover future tuition expenses for up to four years of a designated beneficiary's undergraduate enrollment at a public institution of higher learning in South Carolina. The payments are fixed at a guaranteed level when the contributor purchases a tuition prepayment contract.

The State Budget and Control Board published a Notice of Drafting for the proposed South Carolina Tuition Prepayment Program regulations in the State Register on July 25, 1997. Board staff then drafted proposed regulations in accordance with the South Carolina Tuition Prepayment Program Act, SC Code Section 59-4-30 (B). Public hearings regarding the proposed regulations were publicized and held on December 22, 1997, and January 27, 1998. The proposed regulations (1) provide for the number and types of contract plans to be offered, to include both public and independent colleges and universities; (2) prescribe the terms and conditions of the prepaid tuition contracts, including the terms and conditions under which funds may be withdrawn or refunds made from the fund; (3) prescribe the requirements, procedures, and guidelines regarding prepaid tuition contracts; (4) provide for the contract contents to include, at a minimum, tuition and credit hour guarantees, beneficiary substitutions, default, withdrawal, refund, termination and penalty information, and contributor payment amounts and conditions; (5) pro-vide for the receipt of advance payments; (6) prescribe guidelines governing the program; (7) provide for the charging and retention of fees for the cost of services and administration of the fund; (8) prescribe the investment and management policies of the fund; and (9) prescribe other policies, procedures, and criteria necessary to implement and administer the program.

Following is a brief discussion of each of the subparts of proposed Article 12:

Subpart 1205 - Program Organization: Addresses the guidelines for the general daily operations of the Program including agency organization and general operating parameters as established by the enabling legislation. Also addressed are the issues of public inspection of Program records, confidentiality of information and the limit of liability to the State.

Subpart 1210 - Eligible Institutions of Higher Learning: Establishes the institutions of higher learning in South Carolina at which Program benefits may be used. Types of institutions addressed include state-chartered, public senior institutions in South Carolina; state-chartered, public two-year regional campuses of a senior institution in South Carolina; state-chartered, public technical colleges in South Carolina; private senior institutions in South Carolina; private, two-year institution in South Carolina; and other accredited institution of higher learning outside of South Carolina.

Subpart 1215 - Duties of the Board: Addresses the duties and responsibilities to be performed by the State Budget and Control Board in compliance with the South Carolina Tuition Prepayment Program Act, including development of Program guidelines, adoption of investment policy, development of contract conditions and terms, and fund management.

Subpart 1220 - Duties of the Director: Addresses the policies and procedures related to the duties of the Director in administering the Program, including contract construction, financial reporting, annual audits, evaluations of actuarial soundness, and solicitation of rulings from the Internal Revenue Service and the Securities Exchange Commission.

Subpart 1225 - The Fund: Addresses the policies and procedures governing the administration of the Program fund. Addresses issues regarding fund composition, rules for usage of the fund, and management of the fund.

Subpart 1230 - Tuition Prepayment Contract Requirements: Addresses the policies and procedures for entering into a tuition prepayment contract and contract requirements including contributor and beneficiary designation.

Subpart 1235 - Application Process: Addresses the policies and procedures for the tuition prepayment contract application process.

Subpart 1240 - Payment Schedule: Addresses the policies and procedures for scheduling of contract payments by the contributor to the Fund on behalf of a designated beneficiary.

Subpart 1242 - Payment Options: Addresses the payment options available to the contributor through the Program.

Subpart 1245 - Remittance of Payments: Addresses the policies and procedures for remittance of contract payments.

Subpart 1250 - Default: Addresses the terms associated with default on contract payments.

Subpart 1255 - Tuition Prepayment Contract Benefits: Addresses the benefits available to qualified beneficiaries of a tuition prepayment contract, including contract authority and types of available contracts.

Subpart 1260 - Contract Exclusions: Addresses benefits not provided for under the terms of a tuition prepayment contract.

Subpart 1265 - Contract Contributors: Addresses the eligibility of a contract contributor.

Subpart 1270 - Beneficiary Eligibility: Addresses the eligibility of a designated beneficiary.

Subpart 1272 - Beneficiary Substitution: Addresses the policies and procedures for substitution of a designated beneficiary.

Subpart 1275 - Contract Termination: Addresses the procedures for termination of a tuition prepayment contract.

Subpart 1278 - Contract Cancellation: Addresses the procedures for cancellation of a tuition prepayment contract.

Subpart 1280 - Transfer Provisions: Addresses the policies and procedures for transfer of tuition prepayment contract benefits.

Subpart 1285 - Limitations: Addresses the policies related to other limitations of a tuition prepayment contract.

Subpart 1290 - Administrative Fees: Addresses the guidelines for establishing administrative and programmatic fees to offset the costs of administering the Program. This subpart includes a schedule of proposed fee types.

Subpart 1295 - Refunds: Addresses the policies and procedures for providing refund of payments to contributors. Addresses refunds in the case of scholarship, in the event of death or disability of the beneficiary, and for other than educational expenses.

Subpart 1298 - Unclaimed Refunds: Addresses procedures for handling unclaimed refunds.

Instructions:

This document proposes a new Article to be added to Chapter 19 of the SC Code.

Text:

19-1200. Definitions:

For the purpose of Article 12, the following definitions should be used:

1. Average Tuition - the per semester cost calculated by summing the tuition charged to each in-state resident student at a public, four-year college or university in South Carolina and dividing that sum total by the total number of in-state resident students attending a

public, four-year college or university in South Carolina.

2. Board - the State Budget and Control Board.

3. College or University - a state-chartered public educational institution of higher learning located in South Carolina.

4. Contributor - a person who makes or is obligated to make advance payments in accordance with a tuition prepayment contract; or, in the event of multiple individual contributors, the primary party responsible for contract obligations.

5. Designated Beneficiary - the individual who is designated as the beneficiary of amounts paid or to be paid to the Tuition Prepayment Program or, in the case of a change in beneficiaries as permitted under Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, the individual who is the new beneficiary.

6. Director - the head of the South Carolina Tuition Prepayment Program.

7. Disabled - the designated beneficiary is unable to benefit from higher education as a result of sickness, disease, mental incapacity or injury contracted or incurred after the date of the tuition prepayment contract.

8. Fund - the South Carolina Tuition Prepayment Program Fund.

9. Independent Institution of Higher Learning - any independent eleemosynary junior or senior college in South Carolina whose major campus and headquarters are located within South Carolina and which is accredited by the Southern Association of Colleges and Secondary Schools.

10. Member of the Family - any individual defined by such term as 26 U.S.C. sec. 529(e)(2) or any successor provision.

11. Payment(s) - payment(s) required to be made under the payment schedule that are received by the Fund and credited to the designated beneficiary's account.

12. Payment Schedule - the document furnished by the Program to the contributor upon enrollment of the designated beneficiary in the Program, and describing the due dates and amounts of payments required of the contributor under the selected payment plan.

13. Program - the South Carolina Tuition Prepayment Program.

14. Projected Enrollment Date - the semester specified in the tuition prepayment contract as the first semester in which a designated beneficiary may use the tuition benefits of a tuition prepayment contract. The projected enrollment date is based on the designated beneficiary's age and/or educational grade level at the time of application to the Program.

15. Tuition - the credit hour charges imposed for full time enrollment by a public higher education institution in this State and all mandatory fees required as a condition of full time enrollment of all students.

16. Tuition Prepayment Contract - the contract entered into by the Director of the South

Carolina Tuition Prepayment Program or his designee on behalf of the Program and a contributor pursuant to this chapter for the advance payment by the contributor of in-state tuition at a fixed, guaranteed level for a designated beneficiary to attend for up to four years on a full-time basis a public educational institution of higher learning in South Carolina or to another educational institution of higher learning that may be provided for at Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, and to which the designated beneficiary is admitted, enrolled, and classified as a degree-seeking undergraduate student.

19-1205. Program Organization

A. Scope and Purpose: This regulation sets forth the guidelines for the general daily operations of the Program.

B. Agency Organization:

1. The Program is created as a program within the Board.
2. The Program staff is composed of the following persons:
 - (a) The director who must be appointed and supervised by the Executive Director of the Board. The director must be a state official or employee upon assuming the position.
 - (b) Other support staff as determined by the director.

C. Statutory Provision: The primary statutory provisions affecting the operation of the Program are located at Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, and any additional provisions enacted by the Legislature addressing the Program.

D. Public Information and Inspection of Records: The public records of the Program are generally available for public inspection pursuant to the "Freedom of Information Act". Persons wishing to inspect public records may ordinarily do so during normal business hours subject to the scheduling of Program staff to assist. Appointments for public inspection of records should be made to ensure staff availability.

E. Program Parameters:

1. The Program is authorized to enter into all necessary contracts for services, supplies, goods, space, and equipment including the authority to hire temporary consultants, employees, actuaries, managers, legal counsel, auditors, marketing services, and other professional and technical expertise.
2. The Fund must be invested and managed as directed by the Board.
3. The Program may accept gifts, grants, and other financial assistance from any source.
4. The Program shall establish the procedures by which a contributor may purchase a tuition prepayment contract on behalf of a designated beneficiary entitling the designated beneficiary to the waiver, payment, or partial payment of certain qualified higher

educational expenses.

5. The Program shall establish and implement application procedures, prepare and distribute necessary forms and documents, and prepare and distribute Program annual reports.

6. The Program shall establish other policies, procedures, and criteria to implement and administer the provisions of the enabling Act.

7. The Program shall establish eligibility requirements for designated beneficiaries including, but not limited to, a requirement of residency in this State.

8. The Program shall provide adequate safeguards to prevent a contributor from making contributions to an account on behalf of a designated beneficiary in excess of those necessary to provide for the qualified higher education expenses of the designated beneficiary.

9. The Program shall prepare reports required by state and Federal law.

F. Confidentiality of Information: Information that identifies the contributors or designated beneficiaries of a tuition prepayment contract and their advance payment account activities is confidential and must not be disclosed without the consent of the designated beneficiary, in accordance with a judicial order, or to those persons with an official need to access the information.

G. Limited Liability to the State: Any act or undertaking of the Program shall not constitute a debt of the State or any agency, department, institution, or political subdivision, or a pledge of the full faith and credit of the State or any agency, department, institution, or political subdivision, but is payable solely from the Fund.

19-1210. Eligible Institutions of Higher Learning

A. Scope and Purpose: This regulation establishes the institutions of higher learning in South Carolina at which a designated beneficiary may apply the benefits of a tuition prepayment contract and any other similar institutions of higher learning as may be recognized by the Board.

B. Colleges and Universities:

1. Tuition prepayment contract benefits may be used for the payment of a designated beneficiary's in-state tuition for up to four years, not to exceed eight semesters, or the equivalent, of undergraduate study to the following colleges or universities and any other similar institutions as may be recognized by the Board in accordance with the meaning of "college or university" as defined in section 19-1200.3 of these Tuition Prepayment Program Regulations:

(a) The Citadel, Charleston

(b) Clemson University, Clemson

- (c) Coastal Carolina University, Conway
- (d) College of Charleston, Charleston
- (e) Francis Marion University, Florence
- (f) Lander University, Greenwood
- (g) Medical University of South Carolina, Charleston
- (h) South Carolina State University, Orangeburg
- (i) University of South Carolina, Columbia
- (j) University of South Carolina, Aiken
- (k) University of South Carolina, Spartanburg
- (l) Winthrop University, Rock Hill

2. Tuition prepayment contract benefits may be used for the payment of a designated beneficiary's in-state tuition for undergraduate study for up to two years, not to exceed four semesters or the equivalent, of the benefits provided by the tuition prepayment contract to the following state-chartered, public two-year regional campuses of a senior institution in South Carolina and any other similar institutions as may be recognized by the Board:

- (a) University of South Carolina, Beaufort
- (b) University of South Carolina, Lancaster
- (c) University of South Carolina, Salkehatchie
- (d) University of South Carolina, Sumter
- (e) University of South Carolina, Union

3. A tuition prepayment contract guarantees the payment of a designated beneficiary's in-state tuition for undergraduate study for up to two years, not to exceed four semesters or the equivalent, of the benefits provided by the tuition prepayment contract to the following state-chartered, public technical colleges in South Carolina and any other similar institutions as may be recognized by the Board:

- (a) Aiken Technical College, Aiken
- (b) Central Carolina Technical College, Sumter
- (c) Chesterfield-Marlboro Tech, Cheraw
- (d) Denmark Technical College, Denmark

- (e) Florence-Darlington Tech, Florence
- (f) Greenville Technical College, Greenville
- (g) Horry-Georgetown Tech, Conway
- (h) Midlands Technical College, Columbia
- (i) Orangeburg-Calhoun Tech, Orangeburg
- (j) Piedmont Technical College, Greenwood
- (k) Spartanburg Technical College, Spartanburg
- (l) Technical College of the Lowcountry, Beaufort
- (m) Tri-County Technical College, Pendleton
- (n) Trident Technical College, Charleston
- (o) Williamsburg Technical College, Kingstree
- (p) York Technical College, Rock Hill

4. A tuition prepayment contract guarantees payment of a designated beneficiary's tuition, up to an amount equal to the average tuition charged by colleges and universities (as delineated in Section 19-1210B(1)) at the time of matriculation, for up to four years, not to exceed eight semesters, or the equivalent, of undergraduate study to the following private independent institutions of higher learning in South Carolina, which are accredited by the Southern Association of Colleges and Secondary Schools, and any other similar institutions as may be recognized by the Board:

- (a) Allen University, Columbia
- (b) Anderson College, Anderson
- (c) Benedict College, Columbia
- (d) Charleston Southern University, Charleston
- (e) Claflin College, Orangeburg
- (f) Coker College, Hartsville
- (g) Columbia International University, Columbia
- (h) Columbia College, Columbia
- (i) Converse College, Spartanburg
- (j) Erskine College, Due West
- (k) Furman University, Greenville

- (l) Limestone College, Gaffney
- (m) Lutheran Theological Seminary, Columbia
- (n) Morris College, Sumter
- (o) Newberry College, Newberry
- (p) North Greenville College, Tigerville
- (q) Presbyterian College, Clinton
- (r) Sherman College of Straight Chiropractic, Spartanburg
- (s) Southern Wesleyan College, Central
- (t) Voorhees College, Denmark
- (u) Wofford College, Spartanburg

5. A tuition prepayment contract guarantees payment of a designated beneficiary's tuition, up to an amount equal to the average tuition charged by colleges and universities (as delineated in Section 19-1210B(1)) at the time of matriculation, for undergraduate study to the following private, two-year institution in South Carolina, which is accredited by the Southern Association of Colleges and Secondary Schools, and any other similar institutions as may be recognized by the Board:

- (a) Spartanburg Methodist College, Spartanburg

6. A tuition prepayment contract guarantees payment of a designated beneficiary's tuition, up to an amount equal to the average tuition charged by colleges and universities (as delineated in Section 19-1210B(1)) at the time of matriculation less an administrative fee to be determined annually by the Board, for up to four years of undergraduate study, or the equivalent as determined in Section 19-1255C.1, to an accredited institution of higher learning outside of South Carolina at which the designated beneficiary applies and is accepted.

19- 1215. Duties of the Board

- A. Scope and Purpose: The Board shall perform those duties and responsibilities prescribed in the "South Carolina Tuition Prepayment Program Act".
- B. The Board is responsible for developing and adopting the guidelines and strategies for the Program fund.
- C. The Board is responsible for developing and adopting the investment policies for the Program fund. The Board may establish any necessary mechanisms to seek advice relative to the development, adoption, and management of investment policies for the Program fund.

D. The Board is responsible for developing and adopting the costs, termination, and withdrawal options of the tuition prepayment contracts.

E. The Board is responsible for directing the investments of the Fund. The Fund shall be expended only for the purposes of Title 59, Chapter 4 of the South Carolina Code of Laws, 1976.

19-1220. Duties of the Director

A. Scope and Purpose: This regulation sets forth the policies and procedures related to the duties of the director in administering the Program.

B. The director shall have the tuition prepayment contracts prepared in accordance with the provisions of Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, and with the direction of the Board.

C. The director or his designee shall prepare an annual financial report of the fund and the program. This report must be submitted to the Board on the date required by the Board and in the format prescribed by the Board.

D. The Program and the Fund shall be subject to audit by the State Auditor or his designee. The director shall provide reports on audit activities and findings to the Board at the request of the Board and in a format prescribed by the Board.

E. The director or his designee annually shall evaluate the actuarial soundness of the fund and report this information to the Board.

F. Solicitation of Rulings:

1. The director shall solicit answers to applicable ruling requests from the Internal Revenue Service regarding the tax status of fees paid pursuant to a tuition prepayment contract to the contributor and to the designated beneficiary. The director shall make the status of these requests known to the Board.

2. The director shall solicit answers to applicable ruling requests from the Securities and Exchange Commission regarding the application of federal securities laws to the program. The director shall make the status of these requests known to the Board.

19-1225. The Fund

A. Scope and Purpose: This regulation sets forth the policies and procedures governing the administration of the Fund.

B. Fund Composition:

1. The Fund is created as a nonpublic special, revolving fund and established and maintained by the State of South Carolina.

2. The Fund shall consist of monies received from contributors, state appropriations, other monies acquired from governmental and private sources,

and earnings from the investments of the Fund.

C. Rules for Usage of the Fund:

1. The Fund shall be expended only for the purposes of Title 59, Chapter 4 of the South Carolina Code of Laws, 1976.
2. Interest in the Fund or any portion of the Fund shall not be used as security for a loan. An attempt to use the Fund, a tuition prepayment contract, or a portion of either as security for a loan is void.
3. The earnings from Fund investments become a part of the Fund and shall be expended only for the purposes of Title 59, Chapter 4 of the South Carolina Code of Laws, 1976.

D. Management of the Fund:

1. The Fund shall be invested as directed by the Board.
2. The Board is responsible for the investment policies of the Fund which may be invested in any manner authorized by law.
3. The custody and management of the Fund shall be directed by the Board, which may develop any mechanism it sees fit to seek advisement relative to the investment of the assets of the Fund.
4. Separate accountings shall be maintained for each designated beneficiary.
5. A contributor or designated beneficiary may not direct the investment of contributions to the Program or earnings on the Program.

19-1230. Tuition Prepayment Contract Application and Payment

A. Scope and Purpose: This regulation sets forth the policies and procedures for the purchase and payment of tuition prepayment contracts.

B. Contract Requirements:

1. The director may enter into tuition prepayment contracts with contributors who may be an individual or individuals, a corporation, partnership, association, trust, nonprofit organization, any legally recognized organization that has the authority to enter into contracts, or other entities approved by the Board. The contributor, if an individual or individuals, must be eighteen (18) years of age or older, or must be represented by a court appointed conservator or guardian, or a trustee, or a designated custodian under the provisions of Title 20, Chapter 7, Sections 140 through 240, Code of Laws of South Carolina, 1976, as may be amended.
2. A contributor must designate, on the application, the social security number, the age and, if applicable, the educational grade level of the designated beneficiary. For children under the age of one (1), the social security number must be provided to the Program within a reasonable period of time following the date

the application is submitted. The contributor must also indicate on the application the payment plan that will be purchased under the tuition prepayment contract.

3. Only one (1) corporation, partnership, association, trust, nonprofit organization, or other entity may be named on the application and in the tuition prepayment contract as the contributor. Joint contributors where the named contributors are individuals may be permitted. In the event of joint individual contributors, one individual must be named as the primary party responsible for contract obligations.

4. Only one (1) designated beneficiary is allowed per tuition prepayment contract.

5. A single individual may be named as the designated beneficiary in up to two (2) tuition prepayment contracts provided that both of the tuition prepayment contracts naming the same designated beneficiary are for the two year benefit option plan. Under no circumstances may a single individual be named as a designated beneficiary on more than one tuition prepayment contract when one of the contracts purchased on behalf of the designated beneficiary provides for the full four years of contract benefits. In the event tuition prepayment contracts are processed with combined benefits extending beyond four years for the same designated beneficiary, the tuition prepayment contract processed first shall be deemed valid and the remaining tuition prepayment contract(s) shall be deemed canceled.

6. The contributor does not have to specify at the time of application the institution of higher learning that the designated beneficiary will attend.

7. The projected enrollment date specified on the application shall correspond to the age and/or grade of the designated beneficiary at the time of application.

19-1235. Application Process

A. The annual application period shall commence and terminate on the dates prescribed by the Board. The dates of the application period will be publicly advertised. The application period shall be determined by the Board annually and be set for a duration period of at least ninety (90) days.

B. Applications may be obtained from the Program Office.

C. An application will be considered incomplete and will not be accepted unless it is accompanied by the Application Processing Fee described in Section 19-1290B.1(a).

D. An application must contain all of the information that the Board determines is necessary for proper administration of the Program enrollment process.

E. After acceptance by the Program of the contributor's application, a payment schedule and master agreement shall be mailed to the contributor. The tuition prepayment contract documents shall be comprised of the contributor's application, master agreement, and the payment schedule.

19-1240. Payment Schedule

- A. The Board at least annually shall evaluate the payment schedule and revise that schedule as appropriate for the future.
- B. Tuition prepayment contract prices shall be evaluated based on, among other factors as deemed appropriate by the Board, the average tuition at four-year colleges and universities; the type of payment plan selected by the contributor at the time of application; and the age and/or educational grade level of the designated beneficiary at the time of application.
- C. All tuition prepayment contract prices shall be publicized.

19-1242. Payment Options

- A. A contributor may choose to make payments under one (1) of three (3) different payment plans as follows:
 - 1. A lump sum payment due in full on or before the date designated by the Board and published in the payment schedule;
 - 2. Monthly payments over a period of forty-eight (48) continuous months. The payments shall begin on the date specified in the payment schedule and will continue on a monthly basis thereafter until the tuition prepayment contract is fully paid. The final payment must be received by the Program not later than July 1st of the year immediately preceding the projected college enrollment date of the designated beneficiary; or
 - 3. Continuous monthly payments beginning on the date prescribed in the tuition prepayment contract and continuing on a monthly basis until not later than July 1st of the year immediately preceding the projected enrollment date of the designated beneficiary.
- B. A tuition prepayment contract may only name a designated beneficiary who is under 21 on the first day of the month in which the application period begins, who has not completed the 10th or any higher grade and is not within two (2) years of his or her projected enrollment date, on the first day of the Program application period during which the tuition prepayment contract is purchased.
- C. Calculations for monthly payments shall include, among other things, an implied rate of interest and a monthly Account Maintenance Fee.
- D. The amount of each monthly payment for contributors choosing one of the monthly payment options shall be specified in the tuition prepayment contract.
- E. The specific due date of the final payment for contributors choosing one of the monthly payment options will be specified in the tuition prepayment contract.
- F. Tuition prepayment contract payments are due in full on the dates specified in the tuition prepayment contract.

19-1245. Remittance of Payments

- A. All payments to the Program must be made in cash only.
- B. A contributor may select from various payment methods as authorized by the director. A contributor may make a written request for a change in payment method. The request is subject to review and approval by the director whose decision shall be final.
- C. Automatic payroll deduction is provided for State of South Carolina employees. Any other employer desiring to establish automatic payroll deduction for tuition prepayment contract contributors may do so as long as the payroll deduction is administered in accordance with specifications provided by the Board.
- D. Payments shall be due upon the prescribed payment due date regardless of whether the process for making the payment has been implemented.
- E. A contributor will be responsible for making all payments on time, prior to implementation of payroll deduction or automatic deduction from a checking or savings account.
- F. Any contributor whose payment is delayed beyond the payment due date shall be assessed late payment fees as described in Section 19-1290.
- G. A contributor may request a change in payment method at any time during the application period in which the contributor enters the Program and extending through the tenth (10th) day of the month in which the first payment is due for monthly contributors, or in which the one time, lump sum payment is due for lump sum contract contributors. A change to the payment schedule at any other time, including at the time of a designated beneficiary substitution, must be approved by the director and may require the contributor to cancel the existing tuition prepayment contract and to purchase a new tuition prepayment contract during a subsequent application period.
- H. A contributor who has selected a monthly payment plan may pay off the plan early. In such cases, the contributor can obtain a payoff amount by contacting the Program office.

19-1250. Default

Failure to make any payment within thirty (30) days of the due date shall constitute default by the contributor and a cancellation of the contributor's and the designated beneficiary's rights and benefits under the tuition prepayment contract. Within 180 days of the tuition prepayment contract default, a contributor may reinstate the tuition prepayment contract provided that all delinquent amounts, including an actuarial assessment, and all administrative fees, including late payment fees, have been paid. If within 180 days of default, payment of all monies required to reinstate the tuition prepayment contract are not received, the tuition prepayment contract will be canceled. Refund provisions are provided in Section 19-1295.

19-1255. Tuition Prepayment Contract Benefits

- A. Scope and Purpose: This regulation sets forth the benefits available to qualified

beneficiaries of a tuition prepayment contract.

B. The tuition prepayment contract is entered into between the director, on behalf of the Program, and the contributor. The tuition prepayment contract shall consist of the completed application, the master agreement, and the payment schedule. Additional documents relating to the tuition prepayment contract, issued or received by the Board, on behalf of the Program, and pursuant to the various terms and conditions described at Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, will be incorporated into the tuition prepayment contract as appropriate.

C. Contract type:

1. A tuition prepayment contract provides, unless otherwise stated therein, payment by the Fund of in-state tuition, on behalf of the designated beneficiary of the tuition prepayment contract, to the college or university in which the designated beneficiary matriculates. A tuition prepayment contract for the four-year plan will provide payment of in-state tuition for not more than four years, or the equivalent. A tuition prepayment contract for the two-year plan will provide payment of in-state tuition for not more than two years, or the equivalent. In no event will the total payout by the Program exceed the cost for a full time, in-state resident student to attend eight semesters at a college or university.

2. Tuition benefits for a designated beneficiary may begin for the semester of the projected enrollment date.

19-1260. Contract Exclusions

A. The tuition prepayment contract will not provide for benefits associated with graduate programs. Fund payments may only be applied toward the attainment of an undergraduate degree.

B. The tuition prepayment contract will not provide for benefits payable for adult basic, adult secondary, or Postsecondary adult vocational learning programs. Fund payments may only be applied toward the attainment of an undergraduate degree.

C. The Fund shall make no payments toward expenses related to dormitory or other housing programs.

D. The Fund shall make no payments toward the expenses of books or non-mandatory fees.

E. In the event that a designated beneficiary does not meet the residency requirements for in-state tuition and fees at the time of matriculation at a college or university, the designated beneficiary shall be responsible for the difference in tuition and fees imposed by the college or university and the benefits provided by the tuition prepayment contract.

19-1265 Contract Contributors

A. Any individual or individuals meeting the requirements for an individual contract contributor under section 19-1230B.1, a corporation, partnership, association, trust,

nonprofit organization, any legally recognized organization that has the authority to enter into contracts, or other entities approved by the Board may purchase a tuition prepayment contract for a designated beneficiary. Only the contributor may execute tuition prepayment contract changes, conversions, transfers, termination, and refund requests.

B. Any requests to change the contributor designated on a tuition prepayment contract must be signed and notarized by both the original contributor and the new contributor.

C. Refunds shall be made payable to the order of the contributor, or the primary contributor in the case of multiple individual contributors for one tuition prepayment contract, only.

19-1270. Beneficiary Eligibility

A. For each annual application period, a designated beneficiary is defined as an individual who is under the age of 21 on the first day of the month in which the application period begins, has not completed the 10th grade, and is a resident of South Carolina

B. The designated beneficiary of the tuition prepayment contract must be a South Carolina resident for at least twelve (12) months prior to a contributor's application for a tuition prepayment contract. This requirement does not apply in the case of a child born in South Carolina and under the age of one (1) on the date of application.

19-1272. Beneficiary Substitution

A. A contributor may request a change in a tuition prepayment contract to substitute an eligible designated beneficiary who a member of the family of the designated beneficiary. The substitute designated beneficiary must meet all requirements, including but not limited to the residency requirement, of a designated beneficiary at the time of substitution.

B. Documentation must be submitted with the designated beneficiary transfer request evidencing the relationship of the transferee. The contributor will be required to sign and notarize any request to substitute designated beneficiaries on a tuition prepayment contract. The substitution must be made prior to the designated beneficiary matriculating at a public college or university.

C. The change to a substitute designated beneficiary is limited to individuals who are the same age as or younger than the designated beneficiary.

D. When any request for change in the designated beneficiary is made, the Program may assess an additional amount to ensure the actuarial soundness of the Fund.

19-1275. Contract Termination

A. Tuition prepayment contract termination shall be voluntary on the part of the contributor.

B. Termination shall occur within thirty (30) days of the Program receiving written notice

of a contributor's desire to cancel a tuition prepayment contract. The written notice must be signed by the contributor and notarized.

19-1278. Contract Cancellation

A. Tuition prepayment contract cancellation shall be an action by the director.

B. Cancellation will occur under the following circumstances:

1. A determination of fraud or any misrepresentation on the part of the contributor to include, but not be limited to, misrepresentation of the residency of a designated beneficiary at the time of application;
2. The nonpayment of any required payments due within the established time frames;
3. The designated beneficiary reached his or her thirtieth (30th) birthday prior to exhausting the benefits of the tuition prepayment contract; or
4. Any other event including, but not limited to, a determination of fiscal or actuarial soundness of the Fund, as may be determined by the director.

19-1280. Transfer Provisions

A. In the event the designated beneficiary matriculates in an independent institution of higher learning in South Carolina, the appropriate benefits as defined in Section 19-1210B.4 of the tuition prepayment contract will be forwarded to the institution. For purposes of the Program, the per semester benefits shall be the average tuition charged by the colleges and universities at the time of matriculation.

B. A designated beneficiary may transfer the benefits of a tuition prepayment contract to an eligible out-of-state college or university. For purposes of the tuition plans, the per semester benefits shall be average tuition charged by the colleges and universities at the time of matriculation, less an administration fee to be determined by the Board.

19-1285. Limitations

A. The master agreement shall provide that a tuition prepayment contract which has not been terminated or the benefits exhausted by the time the designated beneficiary reaches his thirtieth (30th) birthday is canceled; however, up to forty-eight (48) continuous months expended by a designated beneficiary as an active duty member of any branch of the armed services of the State of South Carolina or the United States may be added to the time specified pursuant to the terms of the tuition prepayment contract.

B. Nothing in this chapter must be construed as a promise or guarantee that a designated beneficiary may be admitted to a college or university or other independent institution of higher learning, allowed to continue enrollment at a public college or university or other independent institution of higher learning after admission, or graduated from a public college or university or other independent institution of higher learning.

19-1290. Administrative Fees

A. Scope and Purpose: This regulation sets forth the guidelines for establishing administrative and programmatic fees to offset the costs of administering the Program.

B. Fee Schedule:

1. The following fees will be set annually by the Board and will apply for all tuition prepayment contract applicants and contributors:

(a) Application Fee. A nonrefundable application fee will be collected at the time the application is submitted.

(b) Termination Fee. A fee will be collected upon termination of any tuition prepayment contract purchased, except when a contributor requests a waiver as a result of the following two (2) cases:

(1) The contributor or the designated beneficiary dies or becomes disabled; or

(2) The designated beneficiary receives a scholarship which renders the tuition prepayment contract unusable.

(c) Cancellation Fee. In the event the contract has been canceled by the director, a cancellation fee will be assessed.

(d) Out-of-State School Transfer Fee. An administrative fee will be assessed for the transfer of benefits to an eligible postsecondary school outside of South Carolina.

(e) Account Maintenance Fee. An administrative fee will be included in monthly payment amounts for all contract payments that have not been made in full.

(f) Other Administrative Fees. Additional charges may be assessed under the direction and annual review of the Board. These administrative charges may include, but are not limited to, fees for substitution of a designated beneficiary, late payment, non-sufficient funds, change in payment plan option, account maintenance, change of contributor, document replacement, and early enrollment.

C. All outstanding fees must be paid by July 1 of the year of the projected enrollment date in order for the designated beneficiary to receive tuition prepayment contract benefits.

19-1295. Refunds

A. Scope and Purpose: This regulation sets forth the policies and procedures for providing refund of payments to contributors.

B. Except as provided herein, refunds shall not exceed the amount paid for any plan bought by the contributor. Termination of student status after the official drop/add period eliminates the refund option for that semester.

C. Refund amounts shall not include amounts paid by the contributor over the duration of the tuition prepayment contract for administrative or programmatic fees.

D. All refund requests must be in writing, signed by the contributor and notarized.

E. In Case of Scholarship:

1. If a designated beneficiary is awarded a scholarship, the terms of which cover the benefits included in the tuition prepayment contract, monies paid for the purchase of the tuition prepayment contract shall be returned on a pro rata basis to the contributor in semester installments coinciding with the matriculation by the designated beneficiary in amounts equal to the lesser of the original purchase price plus the compounded rate of return earned by the Fund or the current average tuition at colleges and universities (as delineated in Section 19-1210B(1)).

2. Proof of scholarship by the institution granting the scholarship shall be provided to the director by the contributor in such form as specified by the Program.

F. In the Event of Death or Disability:

1. In the event of death or disability of the designated beneficiary, monies paid for the purchase of a tuition prepayment contract shall be returned to the contributor in lump sum to include the lesser of the total of contract contributions plus the compounded rate of return earned by the Fund or the current average tuition at colleges and universities (as delineated in Section 19-1210B(1)).

2. Proof of death or disability shall be provided to the director by the contributor in such form as required by the Program.

G. Refund Requests for Other than Tuition:

1. If a designated beneficiary does not use the tuition prepayment contract benefits for tuition the contract will be terminated and the contributor will have available a pro-rata refund of the amount paid into the Fund and such earnings as the Program may deem appropriate. A refund under this rule will not include funds for any school year partially attended but not completed. A school year partially attended but not completed shall mean any one semester of a two semester school year whereby the student is enrolled at the conclusion of the official drop/add period, but withdraws before the end of such semester. A more than de minimus penalty, to be determined by the Program and under the direction of any Federal legislation addressing the Program, will be assessed against the amount available for refund to the contributor.

2. Any contributor who exhausts the benefits purchased under a tuition prepayment contract and for whom the total value of benefits received under such contract is less than the total of principal paid for the benefits may request from the Program a refund of the difference between the value of the benefits received

and the principal paid.

19-1298. Unclaimed Refunds

A. In the event that a contributor fails to request a refund, after three years the refund will be paid to the Fund.

B. The Board shall annually review and approve the transfer of unclaimed refunds and inadvertent payments, when such refunds and inadvertent payments have remained unclaimed for seven years, from the accounts in which they are held to the Fund.

Fiscal Impact Statement:

There will be no impact on State appropriations. No additional cost will be incurred to the State or its political subdivisions by implementation of the proposed regulations.