

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

CHAPTER 88
SENATE BILL 1528

AN ACT

AMENDING SECTIONS 15-1871, 15-1872, 15-1873, 15-1874, 15-1875, 15-1878, 15-1879, 35-311 AND 41-172, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 1, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-175; APPROPRIATING MONIES; RELATING TO THE FAMILY COLLEGE SAVINGS PROGRAM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 15-1871, Arizona Revised Statutes, is amended to
3 read:
4 15-1871. Definitions
5 In this article, unless the context otherwise requires:
6 1. "Account" means an individual trust account in the fund
7 established as prescribed in this article.
8 2. "Account owner" means the person who enters into a tuition
9 savings agreement pursuant to this article, who is an account owner within
10 the meaning of section 529 of the internal revenue code and who is
11 designated at the time an account is opened as having the right to
12 withdraw monies from the account before the account is disbursed to or for
13 the benefit of the designated beneficiary.
14 ~~3. "Commission" means the commission for postsecondary education~~
15 ~~established by section 15-1851.~~
16 ~~4. "Committee" means the family college savings program oversight~~
17 ~~committee.~~
18 3. "BOARD" MEANS THE STATE BOARD OF INVESTMENT.
19 ~~5.~~ 4. "Designated beneficiary" means a person who qualifies as a
20 designated beneficiary under section 529 of the internal revenue code and,
21 except as provided in section 15-1875, subsections P and Q, with respect
22 to an account, who is designated at the time the account is opened as the
23 person whose qualified higher education expenses are expected to be paid
24 from the account or, if this designated beneficiary is replaced in
25 accordance with section 15-1875, subsections D, E and F, the replacement
26 beneficiary.
27 ~~6.~~ 5. "Eligible educational institution" means an institution of
28 higher education that qualifies under section 529 of the internal revenue
29 code as an eligible educational institution.
30 ~~7.~~ 6. "Financial institution" means THE STATE TREASURER'S OFFICE
31 OR any bank, commercial bank, national bank, savings bank, savings and
32 loan association, credit union, insurance company, brokerage firm or other
33 similar entity that is authorized to do business in this state.
34 ~~8.~~ 7. "Fund" means the family college savings program trust fund
35 that constitutes a public instrumentality of this state and that is
36 established by section 15-1873.
37 ~~9.~~ 8. "Member of the family" means any of the following:
38 (a) A son or daughter of a person or a descendant of the son or
39 daughter of the person.
40 (b) A stepson or stepdaughter of a person.
41 (c) A brother, sister, stepbrother or stepsister of a person. For
42 the purposes of this subdivision, "brother" and "sister" includes a
43 brother or sister by the half-blood.
44 (d) The father or mother of a person or the ancestor of the father
45 or mother of a person.

1 (e) A stepfather or stepmother of a person.

2 (f) A son or daughter of a person's brother or sister. For the
3 purposes of this subdivision, "brother" and "sister" includes a brother or
4 sister by the half-blood.

5 (g) A brother or sister of the person's father or mother. For the
6 purposes of this subdivision, "brother" and "sister" includes a brother or
7 sister by the half-blood.

8 (h) A son-in-law, daughter-in-law, father-in-law, mother-in-law,
9 brother-in-law or sister-in-law of a person.

10 (i) The spouse of a person or the spouse of any individual
11 described in this paragraph.

12 (j) A first cousin of a person.

13 (k) Any individual who meets the criteria for family membership
14 described in this paragraph as a result of legal adoption.

15 ~~10-~~ 9. "Nonqualified withdrawal" means a withdrawal from an
16 account other than one of the following:

17 (a) A qualified withdrawal.

18 (b) A withdrawal made as the result of the death or disability of
19 the designated beneficiary of an account.

20 (c) A withdrawal that is made on the account of a scholarship, or
21 the allowance or payment described in section 135(d)(1)(B) or (C) of the
22 internal revenue code, and that is received by the designated beneficiary,
23 but only to the extent of the amount of this scholarship, allowance or
24 payment.

25 (d) A rollover or change of designated beneficiary.

26 ~~11-~~ 10. "Person" means an individual, an individual's legal
27 representative or any other legal entity authorized to establish a savings
28 account under section 529 of the internal revenue code and the
29 corresponding regulations.

30 ~~12-~~ 11. "Program" means the family college savings program that is
31 established under this article and that constitutes a qualified tuition
32 program as defined in section 529 of the internal revenue code.

33 ~~13-~~ 12. "Qualified higher education expenses":

34 (a) Means:

35 (i) Tuition, fees, books, supplies, room and board and equipment
36 required for a designated beneficiary to enroll at or attend an eligible
37 educational institution.

38 (ii) Expenses for special needs services in the case of a special
39 needs beneficiary that are incurred in connection with enrolling or
40 attending, if these expenses meet the definition of qualified higher
41 education expenses in section 529 of the internal revenue code.

42 (iii) Expenses to purchase a computer, peripheral equipment,
43 computer software or internet access and related services if the computer
44 equipment, software or services are to be used primarily by the
45 beneficiary during the years the beneficiary is enrolled at an eligible

1 educational institution and if these expenses meet the definition of
2 qualified higher education expenses in section 529 of the internal revenue
3 code.

4 (iv) EXPENSES FOR FEES, BOOKS, SUPPLIES AND EQUIPMENT REQUIRED FOR
5 A DESIGNATED BENEFICIARY TO PARTICIPATE IN AN APPRENTICESHIP PROGRAM THAT
6 IS REGISTERED AND CERTIFIED WITH THE UNITED STATES SECRETARY OF LABOR
7 UNDER SECTION 1 OF THE NATIONAL APPRENTICESHIP ACT (50 STAT. 664; 29
8 UNITED STATES CODE SECTION 50) IF THESE EXPENSES MEET THE DEFINITION OF
9 QUALIFIED HIGHER EDUCATION EXPENSES IN SECTION 529 OF THE INTERNAL REVENUE
10 CODE.

11 (b) Includes tuition to enroll in or attend an elementary or
12 secondary public, private or religious school pursuant to section 529 of
13 the internal revenue code.

14 (c) INCLUDES AMOUNTS PAID AS PRINCIPAL OR INTEREST ON ANY QUALIFIED
15 EDUCATION LOAN AS DEFINED IN SECTION 221(d) OF THE INTERNAL REVENUE CODE
16 OF THE DESIGNATED BENEFICIARY OR A BROTHER, SISTER, STEPBROTHER OR
17 STEPSISTER OF THE DESIGNATED BENEFICIARY PURSUANT TO SECTION 529 OF THE
18 INTERNAL REVENUE CODE.

19 ~~14.~~ 13. "Qualified withdrawal" means a withdrawal from an account
20 to pay ~~either~~ ANY OF THE FOLLOWING:

21 (a) The qualified higher education expenses of the designated
22 beneficiary of the account, but only if the withdrawal is made in
23 accordance with this article.

24 (b) Tuition of less than \$10,000 to enroll in or attend an
25 elementary or secondary public, private or religious school pursuant to
26 section 529 of the internal revenue code of the designated beneficiary of
27 the account, but only if the withdrawal is made in accordance with this
28 article.

29 (c) AMOUNTS PAID AS PRINCIPAL OR INTEREST ON ANY QUALIFIED
30 EDUCATION LOAN AS DEFINED IN SECTION 221(d) OF THE INTERNAL REVENUE CODE
31 OF THE DESIGNATED BENEFICIARY OR A BROTHER, SISTER, STEPBROTHER OR
32 STEPSISTER OF THE DESIGNATED BENEFICIARY, BUT ONLY IF THE WITHDRAWAL IS
33 MADE IN ACCORDANCE WITH THIS ARTICLE. THE AMOUNT OF QUALIFIED WITHDRAWALS
34 UNDER THIS ARTICLE WITH RESPECT TO THE LOANS OF ANY DESIGNATED BENEFICIARY
35 OR A BROTHER, SISTER, STEPBROTHER OR STEPSISTER OF THE DESIGNATED
36 BENEFICIARY MAY NOT EXCEED \$10,000, REDUCED BY THE AMOUNT OF WITHDRAWALS
37 SO TREATED FOR ALL PRIOR TAXABLE YEARS.

38 ~~15.~~ 14. "Section 529 of the internal revenue code" means section
39 529 of the internal revenue code of 1986, as amended, and the final
40 regulations issued pursuant to that section.

41 15. "TREASURER" MEANS THE STATE TREASURER.

42 16. "Trust interest" means an account owner's interest in the fund
43 created by a tuition savings agreement for the benefit of a designated
44 beneficiary.

1 17. "Tuition savings agreement" means an agreement between the
2 ~~commission~~ BOARD, as trustee of the fund, and an account owner that
3 creates an interest in the fund and that provides for participation in the
4 program.

5 Sec. 2. Section 15-1872, Arizona Revised Statutes, is amended to
6 read:

7 15-1872. Family college savings program; state board of
8 investment; powers and duties

9 ~~A. The family college savings program oversight committee is~~
10 ~~established in the commission for postsecondary education. The committee~~
11 ~~consists of the following members:~~

12 ~~1. The state treasurer or the state treasurer's designee.~~

13 ~~2. The chairperson of the state board for private postsecondary~~
14 ~~education or the chairperson's designee.~~

15 ~~3. Three members of the general public, each of whom possesses~~
16 ~~knowledge, skill and experience in accounting, risk management or~~
17 ~~investment management or as an actuary. The governor shall appoint these~~
18 ~~members to serve staggered four year terms pursuant to section 38-211.~~
19 ~~The initial members appointed pursuant to this paragraph shall assign~~
20 ~~themselves by lot to serve two, three and four year terms. The~~
21 ~~chairperson shall notify the governor's office on appointments of these~~
22 ~~terms. All subsequent members appointed pursuant to this paragraph serve~~
23 ~~four year terms.~~

24 ~~4. A certified financial planner who is appointed by the governor.~~

25 ~~5. A certified public accountant who is appointed by the governor.~~

26 ~~6. An attorney with a state bar of Arizona certification in estates~~
27 ~~and trusts who is appointed by the governor.~~

28 ~~7. An individual with investment, asset management and financial~~
29 ~~related expertise who is appointed by the governor.~~

30 ~~8. An individual employed by a community college or university with~~
31 ~~investment, asset management and financial related expertise who is~~
32 ~~appointed by the governor.~~

33 ~~B. The commission shall select a chairperson and a vice-chairperson~~
34 ~~from among the committee's membership. A majority of the membership~~
35 ~~constitutes a quorum for the transaction of business. The committee shall~~
36 ~~meet at least once each calendar quarter. The chairperson may call~~
37 ~~additional meetings.~~

38 ~~C. The member of the family college savings program oversight~~
39 ~~committee appointed pursuant to subsection A, paragraph 6 of this section~~
40 ~~is eligible to receive compensation as determined pursuant to section~~
41 ~~38-611 for each day of attendance at committee meetings, except that the~~
42 ~~compensation of the member shall not exceed five hundred dollars in any~~
43 ~~year. The commission shall pay compensation pursuant to this subsection~~
44 ~~from monies of the commission.~~

1 ~~D.~~ A. The ~~committee~~ BOARD shall ~~recommend~~ APPROVE financial
2 institutions ~~for approval by the commission~~ to act as the depositories and
3 managers of family college savings accounts pursuant to section 15-1874.

4 ~~E.~~ B. The ~~committee~~ BOARD may ~~submit proposed~~ ADOPT rules ~~to the~~
5 ~~commission~~ to assist in ~~the implementation~~ IMPLEMENTING and ~~administration~~
6 ~~of~~ ADMINISTERING this article.

7 ~~F.~~ C. Members of the ~~committee~~ BOARD are immune from personal
8 liability with respect to all actions that are taken in good faith and
9 within the scope of the ~~committee's~~ BOARD'S authority.

10 Sec. 3. Section 15-1873, Arizona Revised Statutes, is amended to
11 read:

12 15-1873. Treasurer; powers and duties; family college savings
13 program trust fund

14 A. The ~~commission~~ TREASURER shall:

15 1. Develop and implement the program in a manner consistent with
16 this article ~~through the adoption of~~ BY ADOPTING rules, guidelines and
17 procedures.

18 2. Retain professional services, if necessary, including
19 accountants, auditors, consultants and other experts.

20 3. Seek rulings and other guidance from the United States
21 department of the treasury and the internal revenue service relating to
22 the program.

23 4. Make changes to the program required for the participants in the
24 program to obtain the federal income tax benefits or treatment provided by
25 section 529 of the internal revenue code.

26 5. Interpret, in rules, policies, guidelines and procedures, ~~the~~
27 ~~provisions of~~ this article broadly in light of its purpose and objectives.

28 6. Charge, impose and collect administrative fees and service
29 charges in connection with any agreement, contract or transaction relating
30 to the program.

31 7. Negotiate and select the financial institution or institutions
32 to act as the depository and manager of the program in accordance with
33 this article. ON APPROVAL BY THE BOARD, THE TREASURER MAY USE EXISTING
34 INVESTMENT FUNDS ESTABLISHED PURSUANT TO SECTIONS 35-314.03, 35-316 AND
35 35-326 FOR THIS PURPOSE.

36 ~~8. As an agency of this state, act as trustee of the fund.~~

37 ~~9.~~ 8. Maintain the program on behalf of this state as required by
38 section 529 of the internal revenue code.

39 ~~10.~~ 9. Enter into tuition savings agreements with account owners
40 pursuant to this article.

41 B. The family college savings program trust fund is established
42 consisting of the assets of the family college savings program. The
43 ~~commission~~ TREASURER shall administer the fund and THE BOARD shall act as
44 the ~~sole trustee~~ TRUSTEE of the fund. Monies in the fund are continuously
45 appropriated. The fund is designated a public instrumentality of this

1 state that is created for an essential public purpose. Trust interests in
2 the fund shall be designated by the ~~commission~~ TREASURER for each account
3 owner. The fund shall be separated into a trust account and an operating
4 account. The trust account shall include amounts received by the family
5 college savings program from account owners pursuant to tuition savings
6 agreements and interest and investment income earned by the fund. The
7 ~~commission~~ TREASURER shall make transfers from the trust account to the
8 operating account as necessary for the immediate payment of obligations
9 under tuition savings agreements, operating expenses and administrative
10 costs of the family college savings program. The ~~commission~~ TREASURER
11 shall deposit and invest monies or other amounts in the fund with
12 financial institutions in accordance with section 15-1874.

13 Sec. 4. Section 15-1874, Arizona Revised Statutes, is amended to
14 read:

15 15-1874. Use of contractor as account depository and manager

16 A. The ~~commission~~ TREASURER shall implement the operation of the
17 program through the use of one or more financial institutions to act as
18 the depositories of the fund and managers of the program. Under the
19 program, persons may submit applications for enrollment in the program and
20 establish accounts in the fund at the financial institution. Monies paid
21 by account owners to the fund for deposit in accounts maintained by the
22 fund at a financial institution shall be paid to the financial institution
23 as an agent of the fund and the tuition savings agreements shall provide
24 that all monies paid by account owners to fund accounts held at financial
25 institutions are being paid to the fund.

26 B. The ~~committee~~ TREASURER shall solicit proposals from financial
27 institutions to act as the depositories of fund monies and managers of the
28 program. Financial institutions that submit proposals must describe the
29 financial instruments that will be held in accounts. ~~The commission shall~~
30 ~~select proposals from financial institutions to act as depositories and~~
31 ~~managers, and~~ The solicitation and selection process is exempt from the
32 procurement code requirements of title 41, chapter 23.

33 C. On the recommendation of the ~~committee~~ TREASURER, the ~~commission~~
34 BOARD shall select the financial institution or institutions to implement
35 the program from among bidding financial institutions that demonstrate the
36 most advantageous combination, both to potential program participants and
37 this state, of the following factors:

- 38 1. Financial stability and integrity.
- 39 2. The safety of the investment instruments being offered, taking
40 into account any insurance provided with respect to these instruments.
- 41 3. The ability of the investment instruments to track estimated
42 costs of higher education as calculated by the ~~commission~~ TREASURER and
43 provided by the financial institution to the account holder.

1 4. The ability of the financial institutions, directly or through a
2 subcontract, to satisfy ~~record-keeping~~ RECORDKEEPING and reporting
3 requirements.

4 5. The financial institution's plan for promoting the program and
5 the investment it is willing to make to promote the program.

6 6. The fees, if any, proposed to be charged to persons for
7 maintaining accounts.

8 7. The minimum initial deposit and minimum contributions that the
9 financial institution will require for the investment of fund monies and
10 the willingness of the financial institution to accept contributions
11 through payroll deduction plans and other deposit plans.

12 8. Any other benefits to this state or its residents included in
13 the proposal, including an account opening fee payable to the ~~commission~~
14 TREASURER by the account owner and an additional fee from the financial
15 institution for statewide program marketing by the ~~commission~~ TREASURER.

16 D. ON APPROVAL BY THE BOARD, the ~~commission~~ TREASURER shall enter
17 into a contract with a financial institution, or except as provided in
18 subsection E of this section, contracts with financial institutions, to
19 serve as program managers and depositories. Program management contracts
20 shall provide the terms and conditions by which financial institutions
21 shall sell interests in the fund to account owners, invest monies in the
22 fund and manage the program.

23 E. The ~~commission~~ BOARD may select more than one financial
24 institution and investment for the program if both of the following
25 conditions exist:

26 1. The United States internal revenue service has provided guidance
27 that giving a contributor a choice of two investment instruments under a
28 state plan will not cause the plan to fail to qualify for favorable tax
29 treatment under section 529 of the internal revenue code.

30 2. The ~~commission~~ TREASURER concludes that the choice of instrument
31 vehicles is in the best interest of college savers and will not interfere
32 with the promotion of the program.

33 F. A program manager shall:

34 1. Take all action required to keep the program in compliance with
35 the requirements of this article and all action not contrary to this
36 article or its contract to manage the program so that it is treated as a
37 qualified tuition plan under section 529 of the internal revenue code.

38 2. Keep adequate records of each of the fund's accounts, keep each
39 account segregated from each other account and provide the ~~commission~~
40 TREASURER with the information necessary to prepare statements required by
41 section 15-1875, subsections M, N and O or file these statements on behalf
42 of the ~~commission~~ TREASURER.

43 3. Compile and total information contained in statements required
44 to be prepared under section 15-1875, subsections M, N and O and provide
45 these compilations to the ~~commission~~ TREASURER.

1 4. If there is more than one program manager, provide the
2 ~~commission~~ TREASURER with this information to assist the ~~commission~~
3 TREASURER to determine compliance with section 15-1875, subsection L.

4 5. Provide representatives of the ~~commission~~ TREASURER, including
5 other contractors or other state agencies, access to the books and records
6 of the program manager to the extent needed to determine compliance with
7 the contract.

8 6. Hold all accounts in the name of and for the benefit of the fund
9 and this state.

10 G. Any contract executed between the ~~commission~~ TREASURER and a
11 financial institution pursuant to this section shall be for a term of at
12 least three years and not more than seven years.

13 H. The ~~commission~~ BOARD may terminate a contract with a financial
14 institution at any time for good cause on the recommendation of the
15 ~~committee~~ TREASURER. If a contract is terminated pursuant to this
16 subsection, the ~~commission~~ TREASURER shall take custody of accounts held
17 at that financial institution and shall seek to promptly transfer the
18 accounts to another financial institution that is selected as a program
19 manager and into investment instruments as similar to the original
20 investments as possible.

21 I. If the ~~commission~~ TREASURER determines not to renew the
22 appointment of a financial institution as a program manager, the
23 ~~commission~~ BOARD may take action consistent with the interests of the
24 program and the accounts and in accordance with its duties as the trustee
25 of the fund, including termination of all services or continuation of
26 certain management and administrative services of that financial
27 institution for accounts of the program managed by that financial
28 institution during its term as a program manager, if any continuation of
29 services is only permitted under the following conditions:

30 1. The ~~commission~~ TREASURER and the financial institution enter
31 into a written agreement specifying the rights of the program and the
32 ~~commission~~ TREASURER and the responsibilities of the financial
33 institution, including the standards that continue to be applicable to the
34 accounts as accounts of the program.

35 2. Any services provided by the financial institution to accounts
36 continue to be subject to the control of the ~~commission~~ BOARD as the
37 trustee of the fund with responsibility of all accounts of the program.

38 Sec. 5. Section 15-1875, Arizona Revised Statutes, is amended to
39 read:

40 15-1875. Program requirements

41 A. The program shall be operated through the use of accounts in the
42 fund established by account owners. Payments to the fund for
43 participation in the program shall be made by account owners pursuant to
44 tuition savings agreements. An account may be opened by any person who

1 desires to invest in the fund and to save to pay qualified higher
2 education expenses by satisfying each of the following requirements:

3 1. Completing an application in the form prescribed by the
4 ~~commission~~ TREASURER. The application shall include the following
5 information:

6 (a) The name, address and social security number or employer
7 identification number of the contributor.

8 (b) The name, address and social security number of the account
9 owner if the account owner is not the contributor.

10 (c) The name, address and social security number of the designated
11 beneficiary.

12 (d) The certification relating to no excess contributions required
13 by subsection L of this section.

14 (e) Any other information that the ~~commission~~ TREASURER may
15 require.

16 2. Paying the onetime application fee established by the ~~commission~~
17 TREASURER.

18 3. Making the minimum contribution required by the ~~commission~~
19 TREASURER or by opening an account.

20 4. Designating the type of account to be opened if more than one
21 type of account is offered.

22 B. Any person may make contributions to an account after the
23 account is opened.

24 C. Contributions to accounts may be made only in cash.

25 D. An account owner may change the designated beneficiary of an
26 account to an individual who is a member of the family of the former
27 designated beneficiary in accordance with procedures established by the
28 ~~commission~~ TREASURER.

29 E. On the direction of an account owner, all or a portion of an
30 account may be transferred to another account of which the designated
31 beneficiary is a member of the family of the designated beneficiary of the
32 transferee account.

33 F. Changes in designated beneficiaries and rollovers under this
34 section are not ~~permitted~~ ALLOWED if the changes or rollovers would
35 violate either of the following:

36 1. Subsection L of this section, relating to excess contributions.

37 2. Subsection I of this section, relating to investment choice.

38 G. Each account shall be maintained separately from each other
39 account under the program.

40 H. Separate records and accounting shall be maintained for each
41 account for each designated beneficiary.

42 I. A contributor to, account owner of or designated beneficiary of
43 any account may not direct the investment, within the meaning of section
44 529 of the internal revenue code, of any contributions to an account or
45 the earnings from the account.

1 J. If the ~~commission~~ TREASURER terminates the authority of a
2 financial institution to hold accounts and accounts must be moved from
3 that financial institution to another financial institution, the
4 ~~commission~~ TREASURER shall select the financial institution and type of
5 investment to which the balance of the account is moved unless the
6 internal revenue service provides guidance stating that allowing the
7 account owner to select among several financial institutions that are then
8 contractors would not cause a plan to cease to be a qualified tuition
9 plan.

10 K. Neither an account owner nor a designated beneficiary may use an
11 interest in an account as security for a loan. Any pledge of an interest
12 in an account is of no force and effect.

13 L. On the recommendation of the ~~committee~~ TREASURER, the ~~commission~~
14 BOARD shall adopt rules to prevent contributions on behalf of a designated
15 beneficiary in excess of those necessary to pay the qualified higher
16 education expenses of the designated beneficiaries. The rules shall
17 address the following:

18 1. Procedures for aggregating the total balances of multiple
19 accounts established for a designated beneficiary.

20 2. The establishment of a maximum total balance for the purpose of
21 prohibiting contributions to accounts established for a designated
22 beneficiary if the contributions would cause the maximum total balance to
23 be exceeded.

24 3. The ~~commission~~ BOARD shall review the quarterly reports received
25 from participating financial institutions and certify that the balance in
26 all qualified tuition programs, as defined in section 529 of the internal
27 revenue code, of which that person is the designated beneficiary does not
28 exceed the lesser of:

29 (a) A maximum college savings amount established by the ~~commission~~
30 BOARD from time to time.

31 (b) The cost in current dollars of qualified higher education
32 expenses that the contributor reasonably anticipates the designated
33 beneficiary will incur.

34 4. Requirements that any excess contributions with respect to a
35 designated beneficiary be promptly withdrawn in a nonqualified withdrawal
36 or rolled over to another account in accordance with this section.

37 M. If there is any distribution from an account to any person or
38 for the benefit of any person during a calendar year, the distribution
39 shall be reported to the internal revenue service and the account owner or
40 the designated beneficiary to the extent required by federal law.

41 N. The financial institution shall provide statements to each
42 account owner at least once each year within thirty-one days after the
43 twelve-month period to which they relate. The statement shall identify
44 the contributions made during a preceding twelve-month period, the total
45 contributions made through the end of the period, the value of the account

1 as of the end of this period, distributions made during this period and
2 any other matters that the commission requires be reported to the account
3 owner.

4 O. Statements and information returns relating to accounts shall be
5 prepared and filed to the extent required by federal or state tax law.

6 P. A state or local government or organizations described in
7 section 501(c)(3) of the internal revenue code may open and become the
8 account owner of an account to fund scholarships for persons whose
9 identity will be determined after an account is opened.

10 Q. In the case of any account described in subsection P of this
11 section, the requirement that a designated beneficiary be designated when
12 an account is opened does not apply and each person who receives an
13 interest in the account as a scholarship shall be treated as a designated
14 beneficiary with respect to the interest.

15 R. Any social security numbers, addresses or telephone numbers of
16 individual account holders and designated beneficiaries that come into the
17 possession of the ~~commission~~ TREASURER are confidential, are not public
18 records and shall not be released by the ~~commission~~ TREASURER.

19 S. An account owner may transfer ownership rights to another
20 eligible account owner.

21 T. An account owner may designate successor account owners.

22 U. Through December 31, 2025, on direction of an account owner, up
23 to \$15,000 of an account may roll over to an achieving a better life
24 experience act account established pursuant to 26 United States Code
25 section 529A.

26 Sec. 6. Section 15-1878, Arizona Revised Statutes, is amended to
27 read:

28 15-1878. Limits of article

29 A. ~~Nothing in~~ This article ~~shall be construed to~~ DOES NOT:

30 1. Give any designated beneficiary any rights or legal interest
31 with respect to an account unless the designated beneficiary is the
32 account owner.

33 2. Guarantee that a designated beneficiary will be admitted to an
34 eligible educational institution or be allowed to continue enrollment at
35 or graduate from an eligible educational institution located in this state
36 after admission.

37 3. Establish state residency for a person merely because the person
38 is a designated beneficiary.

39 4. Guarantee that amounts saved pursuant to the program will be
40 sufficient to cover the qualified higher education expenses of a
41 designated beneficiary.

42 B. ~~Nothing in~~ This article ~~establishes~~ DOES NOT ESTABLISH any
43 obligation of this state or any agency or instrumentality of this state to
44 guarantee for the benefit of any account owner, contributor to an account
45 or designated beneficiary any of the following:

- 1 1. The return of any amounts contributed to an account.
- 2 2. The rate of interest or other return on any account.
- 3 3. The payment of interest or other return on any account.
- 4 4. Tuition rates or the cost of related higher education
- 5 expenditures.

6 C. Under rules adopted by the ~~commission~~ TREASURER, every contract,
7 application, deposit slip or other similar document that may be used in
8 connection with a contribution to an account shall clearly indicate that
9 the account is not insured by this state and neither the principal
10 deposited nor the investment return is guaranteed by this state.

11 Sec. 7. Section 15-1879, Arizona Revised Statutes, is amended to
12 read:

13 15-1879. Annual report

14 The ~~commission~~ TREASURER shall submit an annual report to the
15 speaker of the house of representatives, the president of the senate and
16 the governor by March 1 that summarizes the ~~commission's~~ TREASURER'S
17 findings and recommendations concerning the program established by this
18 article.

19 Sec. 8. Section 35-311, Arizona Revised Statutes, is amended to
20 read:

21 35-311. State board of investment; membership; powers and
22 duties

23 A. The state board of investment is established consisting of the
24 state treasurer, the director of the department of administration or the
25 director of the department of administration's designee, the director of
26 the department of insurance and financial institutions or the director of
27 the department of insurance and financial institutions' designee and two
28 individuals appointed by the state treasurer, one of whom has verifiable
29 expertise in investment management and one of whom represents a public
30 entity with current deposits in a local government investment pool. The
31 state treasurer is chairman of the board. The board shall keep an
32 accurate record of its proceedings. A certified copy of the record is
33 prima facie evidence of the matters appearing in the record in any
34 court. A meeting of the board may be called at any time by the chairman
35 or a majority of the board members.

36 B. The state board of investment shall:

- 37 1. Hold regular monthly meetings.
- 38 2. Review investments of treasury monies.
- 39 3. Serve as ~~trustees~~ TRUSTEE of the permanent state land funds and
40 ~~provide management of~~ MANAGE the assets of the funds consistent with the
41 requirements of article X, section 7, Constitution of Arizona.
- 42 4. Serve as ~~trustees~~ TRUSTEE of any endowments established pursuant
43 to section 35-314.03.

44 5. SERVE AS TRUSTEE OF THE FAMILY COLLEGE SAVINGS PROGRAM
45 ESTABLISHED BY TITLE 15, CHAPTER 14, ARTICLE 7.

1 C. The state treasurer shall furnish to the board of investment at
2 its regular monthly meeting a report of the performance of current
3 investments and a report of the current investments as of the close of
4 business of the preceding month. The state treasurer shall make these
5 reports available for inspection by the public during normal working hours
6 at the office of the state treasurer for a period of time of not less than
7 two years after the date of the report.

8 D. The board of investment may order the state treasurer to sell
9 any of the securities, and any order shall specifically describe the
10 securities and fix the time period during which they are to be sold.
11 Securities so ordered to be sold shall be sold for cash by the state
12 treasurer at the current market price. The state treasurer and the
13 members of the board are not accountable for any loss occasioned by sales
14 of securities at prices lower than their book value. Any loss shall be
15 charged against earnings received from interest or capital gains on the
16 applicable treasury monies.

17 E. The board may establish standards in addition to those
18 established by section 35-317, subsection A for the qualification of
19 agents acting pursuant to section 35-317, subsection B.

20 Sec. 9. Section 41-172, Arizona Revised Statutes, is amended to
21 read:

22 41-172. Powers and duties; administering oaths; appointment
23 of deputy state treasurer

24 A. The state treasurer shall:

25 1. Authenticate writings and documents certified by ~~him~~ THE STATE
26 TREASURER with the TREASURER'S seal of ~~his~~ office.

27 2. Receive and keep in secure custody all monies that belong to ~~the~~
28 THIS state and that are not required to be received and kept by some other
29 person.

30 3. File and keep the documentation delivered to the treasurer when
31 monies are deposited into the treasury.

32 4. Deliver to each person depositing money into the treasury a
33 confirmation showing the date, amount and depositing agency and shall
34 provide a unique identifying number for each confirmation.

35 5. Pay warrants drawn by the department of administration in the
36 order in which they are presented.

37 6. Keep an account of all monies received and disbursed, and keep
38 separate accounts of the different funds and appropriations of ~~money~~
39 MONIES.

40 7. Give information in writing as to the condition of the state
41 treasury, or on any subject relating to the duties of the treasurer, at
42 the request of a member of the legislature.

43 8. Deliver to the governor and the department of administration,
44 monthly, an accurate statement of receipts and expenditures of public
45 monies for the preceding month, containing a complete exhibit of all the

1 public monies received and paid from the state treasury, showing, under
2 separate heads, on what accounts and from what sources received, and for
3 what particular object or service the monies have been paid. The
4 treasurer shall deliver to the governor a similar statement on or before
5 November 1 each year for the preceding fiscal year. The statement shall
6 also include an estimate of the invested balance including the general
7 fund share of that balance as of June 30 of the preceding fiscal year.
8 The statements are public records available for inspection at the office
9 of the state treasurer.

10 9. On or before February 1 of each year, in coordination with the
11 director of the department of administration, submit to the joint
12 legislative budget committee a report explaining any differences between
13 the department of administration's estimate of the previous fiscal year's
14 state general fund ending balance submitted pursuant to section 35-131 and
15 the state treasurer's estimate of the invested balance including the **STATE**
16 general fund share of that balance as of June 30 of the previous fiscal
17 year submitted pursuant to paragraph 8 **OF THIS SUBSECTION**.

18 10. Exercise those specific powers of the surveyor-general as a
19 member of the selection board established under section 37-202.

20 **11. ADMINISTER THE FAMILY COLLEGE SAVINGS PROGRAM ESTABLISHED BY**
21 **TITLE 15, CHAPTER 14, ARTICLE 7.**

22 B. The state treasurer may administer all oaths prescribed by law
23 in matters touching the duties of the office of the state treasurer,
24 subject to chapter 4, article 4 of this title, may appoint a deputy state
25 treasurer, may qualify and select investment managers or advisors pursuant
26 to section 35-318 and shall perform other duties required by other laws of
27 this state.

28 C. Employees of the state treasurer's office are subject to chapter
29 4, article 4 of this title. For prospective or current employees of the
30 state treasurer's office, the state treasurer may:

31 1. Require the submission of a full set of fingerprints for the
32 purpose of obtaining a state and federal criminal records check pursuant
33 to section 41-1750 and Public Law 92-544. The department of public safety
34 may exchange this fingerprint data with the federal bureau of
35 investigation.

36 2. Conduct a periodic review of credit standing.

37 Sec. 10. Title 41, chapter 1, article 4, Arizona Revised Statutes,
38 is amended by adding section 41-175, to read:

39 **41-175. Family college savings program advisory committee;**
40 **membership; duties; committee termination**

41 **A. THE STATE TREASURER SHALL APPOINT A FAMILY COLLEGE SAVINGS**
42 **PROGRAM ADVISORY COMMITTEE TO ASSIST THE TREASURER IN PROMOTING AND**
43 **RAISING AWARENESS OF THE FAMILY COLLEGE SAVINGS PROGRAM ESTABLISHED BY**
44 **TITLE 15, CHAPTER 14, ARTICLE 7 TO RESIDENTS OF THIS STATE, WITH EMPHASIS**
45 **ON INCREASING ACCESS TO THE PROGRAM AMONG ECONOMICALLY DISADVANTAGED,**

1 MINORITY AND UNDERREPRESENTED STUDENT POPULATIONS. THE ADVISORY COMMITTEE
2 SHALL INCLUDE ALL OF THE FOLLOWING:

3 1. THE STATE TREASURER OR THE STATE TREASURER'S DESIGNEE, WHO
4 SERVES AS CHAIRPERSON OF THE COMMITTEE.

5 2. TWO MEMBERS WHO REPRESENT COMMUNITY COLLEGE DISTRICTS IN THIS
6 STATE, ONE OF WHOM REPRESENTS A COMMUNITY COLLEGE DISTRICT IN A COUNTY
7 WITH A POPULATION OF FIVE HUNDRED THOUSAND PERSONS OR MORE AND ONE OF WHOM
8 REPRESENTS A COMMUNITY COLLEGE DISTRICT IN A COUNTY WITH A POPULATION OF
9 LESS THAN FIVE HUNDRED THOUSAND PERSONS.

10 3. ONE MEMBER WHO REPRESENTS A UNIVERSITY UNDER THE JURISDICTION OF
11 THE ARIZONA BOARD OF REGENTS.

12 4. ONE MEMBER WHO REPRESENTS AN ACCREDITED PRIVATE EDUCATIONAL
13 INSTITUTION IN THIS STATE OFFERING ASSOCIATE, BACCALAUREATE OR HIGHER
14 DEGREES.

15 5. ONE MEMBER WHO REPRESENTS AN ACCREDITED PRIVATE EDUCATIONAL
16 INSTITUTION OFFERING PRIVATE VOCATIONAL TRAINING IN THIS STATE.

17 6. ONE MEMBER WHO IS A TEACHER AND WHO CURRENTLY PROVIDES CLASSROOM
18 INSTRUCTION IN THIS STATE.

19 7. ONE MEMBER WHO REPRESENTS A FEDERALLY RECOGNIZED INDIAN TRIBE IN
20 THIS STATE.

21 8. ONE MEMBER WHO REPRESENTS A UNITED STATES DEPARTMENT OF
22 LABOR-APPROVED APPRENTICESHIP PROGRAM.

23 9. TWO PUBLIC MEMBERS WHO ARE RESIDENTS OF THIS STATE.

24 B. THE COMMITTEE SHALL DO BOTH OF THE FOLLOWING:

25 1. ASSIST AND MAKE RECOMMENDATIONS TO THE STATE TREASURER REGARDING
26 PROMOTIONAL AND INFORMATIONAL ACTIVITIES RELATING TO THE FAMILY COLLEGE
27 SAVINGS PROGRAM.

28 2. MEET AT LEAST ONCE EACH CALENDAR QUARTER. A MAJORITY OF THE
29 MEMBERSHIP CONSTITUTES A QUORUM FOR THE TRANSACTION OF BUSINESS.

30 C. COMMITTEE MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION OR
31 REIMBURSEMENT OF EXPENSES.

32 D. THE STATE TREASURER'S OFFICE SHALL PROVIDE NECESSARY STAFF
33 SERVICES TO THE COMMITTEE.

34 E. THE COMMITTEE ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2028
35 PURSUANT TO SECTION 41-3103.

36 Sec. 11. Transfer; effect; succession; cooperation

37 A. All administrative matters, contracts and judicial and
38 quasi-judicial actions, whether completed, pending or in process, of the
39 commission for postsecondary education that relate to the family college
40 savings program established by title 15, chapter 14, article 7, Arizona
41 Revised Statutes, are transferred, on the effective date of this act, and
42 retain the same status with the state treasurer.

43 B. All rules adopted by the commission for postsecondary education
44 pursuant to title 15, chapter 14, article 7, Arizona Revised Statutes,

1 remain in full force until superseded by rules adopted by the state board
2 of investment or the state treasurer, as applicable.

3 C. All FTE positions, property and records, all data and
4 investigative findings, all obligations and all appropriated and
5 nonappropriated monies remaining unspent and unencumbered of the
6 commission for postsecondary education relating to the family college
7 savings program pursuant to title 15, chapter 14, article 7, Arizona
8 Revised Statutes, are transferred to the state treasurer and may be used
9 for the purposes of this act.

10 D. The commission for postsecondary education shall cooperate and
11 coordinate with the state treasurer to ensure the successful transition of
12 the family college savings program from the commission to the state
13 treasurer during the transfer period.

14 Sec. 12. Exemption from rulemaking

15 For the purposes of this act, the state board of investment is
16 exempt from the rulemaking requirements of title 41, chapter 6, Arizona
17 Revised Statutes, for one year after the effective date of this act for
18 the purpose of adopting rules relating to the family college savings
19 program pursuant to title 15, chapter 14, article 7, Arizona Revised
20 Statutes, as amended by this act.

21 Sec. 13. Legislative intent

22 The legislature intends that the term of renewal of an existing
23 appointment of a financial institution as a depository or manager of the
24 family college savings program pursuant to title 15, chapter 14, article
25 7, Arizona Revised Statutes, as amended by this act, that occurs before
26 the effective date of this act not be for more than one year after the
27 date of renewal and that no new contracts with one or more financial
28 institutions to act as depositories or managers be entered into before the
29 effective date of this act.

30 Sec. 14. Effective date

31 This act is effective from and after September 30, 2020.

APPROVED BY THE GOVERNOR JUNE 5, 2020.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 5, 2020.