

CF 7r1372

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**By: The Speaker (Administration) and Delegates Mossburg, Shriver, Heller, Conway, Fry, Workman, Baldwin, Dembrow, Kopp, Rawlings, Marriott, Cadden, McIntosh, and Rudolph**

Introduced and read first time: January 27, 1997

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Higher Education - Maryland Prepaid Tuition Program**

3 FOR the purpose of establishing a method to provide for the prepayment of tuition at the  
4 public institutions of higher education in the State; establishing the Maryland  
5 Prepaid Tuition Program; clarifying the purpose of the Program and the types of  
6 funds of which the Program shall be composed; establishing a Maryland Prepaid  
7 Tuition Program Board; specifying the membership, appointment, terms, and  
8 removal of members of the Board; establishing the powers and duties of the Board;  
9 establishing administrative rules for the Board; authorizing the Board to adopt  
10 regulations to carry out its responsibilities; requiring the Board to adopt a certain  
11 investment plan for the Program; exempting the Program from certain laws;  
12 requiring the Board to establish a program of prepaid tuition contracts for tuition at  
13 public institutions of higher education in the State; authorizing the Board to provide  
14 for circumstances under which money may be withdrawn from the Program;  
15 specifying certain requirements concerning prepaid tuition contracts; requiring the  
16 Board to provide for certain changes in circumstances of beneficiaries and  
17 purchasers of prepaid tuition contracts; prohibiting any legal attachment of contract  
18 benefits or assets of the Program; authorizing certain public agencies to provide for  
19 payroll deductions for employees to purchase prepaid tuition contracts; requiring an  
20 annual audit of the Program; requiring the Board to report to the Governor and  
21 General Assembly annually concerning the audit and certain matters concerning the  
22 Program; establishing provisions for the discontinuance of the Program; prohibiting  
23 inspection of certain records except in certain circumstances; requiring a certain  
24 appropriation for a certain fiscal year; establishing the terms of the initial members  
25 of the Board; requiring the Board to solicit a certain opinion before entering into a  
26 certain contract; and generally relating to establishing a method to provide for the  
27 prepayment of tuition at the public institutions of higher education in the State.

28 BY repealing and reenacting, with amendments,

29 Article - Education

30 Section 11-105(h)(1)

31 Annotated Code of Maryland

32 (1997 Replacement Volume)

2

1 BY adding to  
2 Article - Education  
3 Section 18-1901 through 18-1914, inclusive, to be under the new subtitle "Subtitle  
4 19. Maryland Prepaid Tuition Program"  
5 Annotated Code of Maryland  
6 (1997 Replacement Volume)

7 BY adding to  
8 Article - State Government  
9 Section 10-616(n)  
10 Annotated Code of Maryland  
11 (1995 Replacement Volume and 1996 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Education**

15 11-105.

16 (h) (1) On or before a date set by the Commission, each of the following  
17 governing boards and agencies shall submit to the Commission its annual operating  
18 budget requests and proposals for capital projects, by constituent institutions for the next  
19 fiscal year:

- 20 (i) The Board of Regents of the University of Maryland System;
- 21 (ii) The Board of Regents of Morgan State University;
- 22 (iii) The Board of Trustees of St. Mary's College of Maryland;
- 23 (iv) The Maryland Higher Education Loan Corporation;
- 24 (v) The State Advisory Council for Title I of the Higher Education Act  
25 of 1965; [and]

26 (vi) The Board of Trustees of Baltimore City Community College;  
27 AND

28 (VII) THE BOARD OF THE MARYLAND PREPAID TUITION PROGRAM.

29 SUBTITLE 19. MARYLAND PREPAID TUITION PROGRAM.

30 18-1901.

31 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
32 INDICATED.

33 (B) "BOARD" MEANS THE BOARD OF THE MARYLAND PREPAID TUITION  
34 PROGRAM.

35 (C) "PROGRAM" MEANS THE MARYLAND PREPAID TUITION PROGRAM.

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1 (D) "PREPAID TUITION CONTRACT" MEANS A CONTRACT BETWEEN THE  
2 BOARD AND A PURCHASER UNDER THE PROVISIONS OF THIS SUBTITLE FOR THE  
3 ADVANCE PAYMENT OF UNDERGRADUATE TUITION AT A FIXED AND GUARANTEED  
4 LEVEL BY THE PURCHASER FOR A QUALIFIED BENEFICIARY TO ATTEND A PUBLIC  
5 INSTITUTION OF HIGHER EDUCATION IN THE STATE, IF THE QUALIFIED  
6 BENEFICIARY IS ADMITTED TO THE INSTITUTION.

7 (E) "PURCHASER" MEANS AN INDIVIDUAL WHO MAKES OR UNDERTAKES THE  
8 OBLIGATION TO MAKE ADVANCE PAYMENTS OF UNDERGRADUATE TUITION AS  
9 PROVIDED UNDER A PREPAID TUITION CONTRACT.

10 (F) "QUALIFIED BENEFICIARY" MEANS AN INDIVIDUAL WHO IS:

11 (1) ELIGIBLE TO APPLY ADVANCE TUITION PAYMENTS TO  
12 UNDERGRADUATE TUITION AT A PUBLIC INSTITUTION OF HIGHER EDUCATION IN  
13 THE STATE UNDER THE PROVISIONS OF THIS SUBTITLE; AND

14 (2) A RESIDENT OF THE STATE AT THE TIME THAT THE PURCHASER  
15 ENTERS INTO A PREPAID TUITION CONTRACT.

16 (G) "TUITION" MEANS THE CHARGES IMPOSED BY A PUBLIC INSTITUTION OF  
17 HIGHER EDUCATION IN THE STATE FOR ENROLLMENT AT THE INSTITUTION AND  
18 INCLUDES REGISTRATION AND ALL FEES REQUIRED AS A CONDITION OF  
19 ENROLLMENT.

20 18-1902.

21 IT IS THE INTENT OF THE GENERAL ASSEMBLY TO ENHANCE THE  
22 ACCESSIBILITY AND AFFORDABILITY OF HIGHER EDUCATION FOR ALL CITIZENS OF  
23 THE STATE BY ESTABLISHING A METHOD TO PROVIDE FOR THE PREPAYMENT OF  
24 TUITION AT THE PUBLIC INSTITUTIONS OF HIGHER EDUCATION IN THE STATE.

25 18-1903.

26 (A) THERE IS A MARYLAND PREPAID TUITION PROGRAM.

27 (B) THE PURPOSE OF THE PROGRAM IS TO PROVIDE:

28 (1) A MEANS FOR PAYMENT OF THE COST OF TUITION IN ADVANCE OF  
29 ENROLLMENT AT ANY PUBLIC INSTITUTION OF HIGHER EDUCATION IN THE STATE;  
30 AND

31 (2) AN ASSURANCE TO A BENEFICIARY WHO ENROLLS AT A PUBLIC  
32 INSTITUTION OF HIGHER EDUCATION IN THE STATE THAT THE PREPAID TUITION  
33 CONTRACT WILL COVER THE COST OF TUITION.

34 (C) THE FUNDS OF THE PROGRAM CONSIST OF:

35 (1) PAYMENTS RECEIVED FROM PREPAID TUITION CONTRACTS MADE  
36 UNDER THE PROVISIONS OF THIS SUBTITLE;

37 (2) BEQUESTS, ENDOWMENTS, OR FUNDS FROM ANY OTHER  
38 AVAILABLE PRIVATE SOURCE;

4

1 (3) INTEREST AND INCOME EARNED FROM THE INVESTMENTS OF THE  
2 PROGRAM; AND

3 (4) FEDERAL, STATE, OR LOCAL FUNDS, OR FUNDS FROM ANY OTHER  
4 AVAILABLE PUBLIC SOURCE.

5 (D) MONEY REMAINING IN THE PROGRAM AT THE END OF THE FISCAL YEAR  
6 SHALL REMAIN IN THE PROGRAM AND MAY NOT REVERT TO THE GENERAL FUND  
7 OF THE STATE.

8 (E) THE DEBTS AND OBLIGATIONS OF THE PROGRAM ARE NOT DEBTS OF THE  
9 STATE OR PLEDGES OF THE CREDIT OF THE STATE.

10 18-1904.

11 (A) THERE IS A MARYLAND PREPAID TUITION PROGRAM BOARD.

12 (B) THE BOARD CONSISTS OF THE FOLLOWING SEVEN MEMBERS APPOINTED  
13 BY THE GOVERNOR:

14 (1) THE SECRETARY OF THE MARYLAND HIGHER EDUCATION  
15 COMMISSION;

16 (2) A REPRESENTATIVE OF THE OFFICE OF THE STATE TREASURER;

17 (3) A REPRESENTATIVE OF THE OFFICE OF THE STATE COMPTROLLER;  
18 AND

19 (4) FOUR MEMBERS OF THE PUBLIC WHO SHALL HAVE SIGNIFICANT  
20 EXPERIENCE IN FINANCE, ACCOUNTING, INVESTMENT MANAGEMENT, OR OTHER  
21 AREAS THAT CAN BE OF ASSISTANCE TO THE BOARD.

22 (C) BEFORE TAKING OFFICE, EACH APPOINTEE TO THE BOARD SHALL TAKE  
23 THE OATH REQUIRED BY ARTICLE I, § 9 OF THE MARYLAND CONSTITUTION.

24 (D) (1) EXCEPT FOR THE TERMS OF THE INITIAL MEMBERS OF THE BOARD,  
25 THE TERM OF A PUBLIC MEMBER OF THE BOARD IS 4 YEARS.

26 (2) THE TERMS OF THE PUBLIC MEMBERS OF THE BOARD ARE  
27 STAGGERED AS REQUIRED BY THE TERMS OF THE MEMBERS OF THE BOARD ON  
28 OCTOBER 1, 1998.

29 (3) AT THE END OF A TERM, A MEMBER CONTINUES TO SERVE UNTIL A  
30 SUCCESSOR IS APPOINTED AND QUALIFIES.

31 (4) A MEMBER WHO IS APPOINTED AFTER A TERM HAS BEGUN SERVES  
32 ONLY FOR THE REMAINDER OF THE TERM AND UNTIL A SUCCESSOR IS APPOINTED  
33 AND QUALIFIES.

34 (5) A MEMBER IS ELIGIBLE FOR REAPPOINTMENT.

35 (E) THE GOVERNOR MAY REMOVE A MEMBER FOR INCOMPETENCE OR  
36 MISCONDUCT.

5

1 18-1905.

2 (A) THE BOARD, FROM AMONG THE MEMBERS OF THE BOARD, SHALL ELECT  
3 A CHAIRMAN AND MAY ELECT ADDITIONAL OFFICERS THAT THE BOARD  
4 CONSIDERS NECESSARY.

5 (B) THE BOARD SHALL DETERMINE THE TIMES AND PLACES OF MEETINGS.

6 (C) A MEMBER OF THE BOARD:

7 (1) MAY NOT RECEIVE COMPENSATION;

8 (2) IS ENTITLED TO REIMBURSEMENT FOR EXPENSES UNDER THE  
9 STANDARD STATE TRAVEL REGULATIONS; AND

10 (3) SHALL FILE A PUBLIC DISCLOSURE OF FINANCIAL INTERESTS AS  
11 REQUIRE UNDER THE MARYLAND PUBLIC ETHICS LAW.

12 (D) (1) THE BOARD:

13 (I) SHALL APPOINT AN EXECUTIVE DIRECTOR WHO IS IN THE  
14 EXECUTIVE SERVICE OF THE STATE PERSONNEL MANAGEMENT SYSTEM; AND

15 (II) MAY EMPLOY ADDITIONAL STAFF IN ACCORDANCE WITH THE  
16 BUDGET.

17 (2) THE BOARD MAY RETAIN THE SERVICES OF CONSULTANTS,  
18 ADMINISTRATORS, AND OTHER PERSONNEL, AS NECESSARY, TO ADMINISTER THE  
19 PROGRAM.

20 (E) THE BOARD MAY ADOPT ANY REGULATIONS THAT THE BOARD  
21 CONSIDERS NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE.

22 (F) IN ADDITION, THE BOARD MAY:

23 (1) ADOPT AN OFFICIAL SEAL;

24 (2) SUE AND BE SUED;

25 (3) EXECUTE CONTRACTS AND OTHER NECESSARY INSTRUMENTS;

26 (4) HOLD, BUY, AND SELL INSTRUMENTS, OBLIGATIONS, SECURITIES,  
27 AND OTHER INVESTMENTS CONSISTENT WITH ITS COMPREHENSIVE INVESTMENT  
28 PLAN;

29 (5) ENTER INTO AGREEMENTS WITH ELIGIBLE INSTITUTIONS OF  
30 HIGHER EDUCATION AND OTHER PUBLIC OR PRIVATE ENTITIES FOR THE  
31 PROMOTION, ADMINISTRATION, OR MARKETING OF THE PROGRAM;

32 (6) INVEST FUNDS NOT REQUIRED FOR IMMEDIATE DISBURSEMENT;

33 (7) SOLICIT AND ACCEPT GIFTS, GRANTS, LOANS, OR OTHER AID FROM  
34 ANY SOURCE OR PARTICIPATE IN ANY GOVERNMENT PROGRAM FOR PURPOSES  
35 CONSISTENT WITH THIS SUBTITLE;

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1 (8) IMPOSE AND COLLECT REASONABLE ADMINISTRATIVE FEES FOR  
2 ANY TRANSACTIONS INVOLVING PREPAID TUITION CONTRACTS OR TRANSACTIONS  
3 AFFECTING THE PROGRAM;

4 (9) PROCURE INSURANCE AGAINST ANY LOSS OF ASSETS OF THE  
5 PROGRAM;

6 (10) ENDORSE INSURANCE COVERAGE WRITTEN EXCLUSIVELY FOR THE  
7 PURPOSE OF PROTECTING A PREPAID TUITION CONTRACT AND THE PURCHASER  
8 AND QUALIFIED BENEFICIARY OF THE CONTRACT;

9 (11) DESIGNATE TERMS UNDER WHICH MONEY MAY BE WITHDRAWN  
10 FROM THE PROGRAM;

11 (12) ESTABLISH ADDITIONAL PROCEDURAL AND SUBSTANTIVE  
12 REQUIREMENTS FOR PARTICIPATION IN AND THE ADMINISTRATION OR  
13 MARKETING OF THE PROGRAM;

14 (13) APPEAR ON THE BOARD'S OWN BEHALF BEFORE OTHER BOARDS,  
15 COMMISSIONS, OR OTHER GOVERNMENTAL AGENCIES; AND

16 (14) TAKE ANY OTHER ACTION THAT THE BOARD CONSIDERS  
17 APPROPRIATE TO IMPLEMENT AND ADMINISTER THE PROGRAM.

18 18-1906.

19 (A) THE BOARD SHALL ADOPT A COMPREHENSIVE INVESTMENT PLAN FOR  
20 THE ADMINISTRATION OF THE PROGRAM.

21 (B) THE PLAN SHALL SPECIFY THE INVESTMENT POLICIES USED BY THE  
22 BOARD IN THE ADMINISTRATION OF THE PROGRAM.

23 (C) ASSETS OF THE PROGRAM SHALL BE INVESTED IN ACCORDANCE WITH  
24 THE COMPREHENSIVE INVESTMENT PLAN.

25 (D) (1) NOTWITHSTANDING ANY LAW RESTRICTING THE DEPOSIT OR  
26 INVESTMENT OF STATE MONEY, THE BOARD MAY PLACE ASSETS OF THE PROGRAM  
27 IN SAVINGS ACCOUNTS OR MAY USE THE ASSETS TO PURCHASE FIXED OR VARIABLE  
28 LIFE INSURANCE OR ANNUITY CONTRACTS, SECURITIES, EVIDENCE OF  
29 INDEBTEDNESS, OR OTHER INVESTMENT PRODUCTS PURSUANT TO THE  
30 COMPREHENSIVE INVESTMENT PLAN.

31 (2) ANY INSURANCE, ANNUITY CONTRACTS, SAVINGS, OR OTHER  
32 INVESTMENT PRODUCTS PROCURED BY THE BOARD SHALL BE UNDERWRITTEN  
33 AND OFFERED IN COMPLIANCE WITH APPLICABLE FEDERAL AND STATE LAWS.

34 (E) THE BOARD SHALL MAKE EVERY EFFORT TO INVEST THE ASSETS OF THE  
35 PROGRAM IN A MANNER THAT EARNS, AT A MINIMUM, SUFFICIENT EARNINGS TO  
36 GENERATE THE DIFFERENCE BETWEEN THE PREPAID AMOUNT UNDER ADVANCE  
37 PAYMENT CONTRACTS AND ACTUAL COSTS AT THE TIME OF ENROLLMENT.

38 (F) THE PLAN SHALL PROVIDE FOR THE PROGRAM TO BE ADMINISTERED IN  
39 AN ACTUARIALLY SOUND MANNER TO ASSURE THAT THE BOARD MAY DEFRAY  
40 OBLIGATIONS OF THE PROGRAM.

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1 (G) THE BOARD SHALL REVIEW THE COMPREHENSIVE INVESTMENT PLAN AT  
2 LEAST ANNUALLY TO ASSURE THAT THE PROGRAM REMAINS ACTUARIALLY  
3 SOUND.

4 (H) AFTER EACH ANNUAL REVIEW OF THE COMPREHENSIVE INVESTMENT  
5 PLAN FOR ACTUARIAL SOUNDNESS, THE BOARD MAY ADJUST THE TERMS OF  
6 SUBSEQUENT PREPAID TUITION CONTRACTS TO ENSURE CONTINUED ACTUARIAL  
7 SOUNDNESS OR, IF NECESSARY, MAY ADJUST THE TERMS OF CURRENT PREPAID  
8 TUITION CONTRACTS.

9 (I) THE BOARD MAY CONTRACT WITH AN INVESTMENT ADVISORY OR  
10 MANAGEMENT COMPANY FOR THE INVESTMENT AND MANAGEMENT OF THE  
11 PROGRAM AS LONG AS THE PROGRAM IS ADMINISTERED IN ACCORDANCE WITH  
12 THE COMPREHENSIVE INVESTMENT PLAN.

13 (J) THE BOARD:

14 (1) SHALL PRESERVE, INVEST, AND EXPEND THE ASSETS OF THE  
15 PROGRAM SOLELY FOR THE PURPOSES OF THIS SUBTITLE; AND

16 (2) MAY NOT LOAN, TRANSFER, OR USE THE ASSETS FOR ANY OTHER  
17 PURPOSE OF THE STATE.

18 (K) THE PROGRAM IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND  
19 PROCUREMENT ARTICLE.

20 (L) UNLESS THE BOARD PROVIDES OTHERWISE BY REGULATION, THE  
21 BOARD SHALL USE THE PROCEEDS IN THE PROGRAM IN THE FOLLOWING ORDER:

22 (1) TO PAY ELIGIBLE INSTITUTIONS OF HIGHER EDUCATION IN  
23 ACCORDANCE WITH THE BOARD'S OBLIGATIONS UNDER ADVANCE PAYMENT  
24 CONTRACTS;

25 (2) TO REFUND MONEY ON THE TERMINATION OF ADVANCE PAYMENT  
26 CONTRACTS; AND

27 (3) TO PAY THE OPERATING EXPENSES OF THE BOARD.

28 18-1907.

29 (A) THE BOARD SHALL ESTABLISH A PROGRAM OF PREPAID TUITION  
30 CONTRACTS TO BE KNOWN AS:

31 (1) THE COMMUNITY COLLEGE PLAN;

32 (2) THE UNIVERSITY PLAN; AND

33 (3) THE TWO PLUS TWO PLAN.

34 (B) THE COST OF A PREPAID TUITION CONTRACT SHALL BE BASED ON:

35 (1) THE AVERAGE CURRENT TUITION COSTS AT THE TIME THE  
36 CONTRACT IS PURCHASED AT PUBLIC INSTITUTIONS OF HIGHER EDUCATION IN THE  
37 STATE;

8

1 (2) THE NUMBER OF YEARS EXPECTED TO ELAPSE BETWEEN THE  
2 PURCHASE OF A PREPAID TUITION CONTRACT AND THE USE OF THE BENEFITS OF  
3 THE CONTRACT; AND

4 (3) THE PROJECTED TUITION COSTS AT THE TIME THAT THE BENEFITS  
5 WILL BE EXERCISED.

6 (C) EACH PREPAID TUITION CONTRACT MADE UNDER THE PROVISIONS OF  
7 THIS SUBTITLE SHALL INCLUDE THE FOLLOWING PROVISIONS:

8 (1) THE AMOUNT OF EACH PAYMENT AND THE NUMBER OF PAYMENTS  
9 REQUIRED FROM A PURCHASER;

10 (2) THE TERMS AND CONDITIONS UNDER WHICH PURCHASERS SHALL  
11 REMIT PAYMENTS, INCLUDING THE DATES OF THE PAYMENTS;

12 (3) PROVISIONS FOR LATE PAYMENT CHARGES AND DEFAULTS;

13 (4) PENALTIES FOR EARLY WITHDRAWAL FROM THE PROGRAM;

14 (5) THE NAME AND DATE OF BIRTH OF THE QUALIFIED BENEFICIARY  
15 ON WHOSE BEHALF THE CONTRACT IS MADE;

16 (6) TERMS AND CONDITIONS FOR A SUBSTITUTION FOR THE QUALIFIED  
17 BENEFICIARY ORIGINALLY NAMED;

18 (7) TERMS AND CONDITIONS FOR THE TERMINATION OF THE  
19 CONTRACT;

20 (8) THE TIME PERIOD DURING WHICH THE QUALIFIED BENEFICIARY  
21 MAY CLAIM BENEFITS FROM THE PROGRAM;

22 (9) THE MAXIMUM NUMBER OF UNDERGRADUATE SEMESTER HOURS  
23 THAT ARE PREPAID UNDER THE CONTRACT;

24 (10) ALL OTHER RIGHTS AND OBLIGATIONS OF THE PURCHASER AND  
25 THE PROGRAM; AND

26 (11) ANY OTHER TERMS AND CONDITIONS THAT THE BOARD CONSIDERS  
27 NECESSARY OR APPROPRIATE.

28 (D) THE BOARD SHALL ALLOW THE CONVERSION OF AN ADVANCE PAYMENT  
29 CONTRACT PLAN FROM A COMMUNITY COLLEGE PLAN TO A TWO PLUS TWO PLAN  
30 OR A UNIVERSITY PLAN; FROM A UNIVERSITY PLAN TO A COMMUNITY COLLEGE  
31 PLAN OR A TWO PLUS TWO PLAN; OR FROM A TWO PLUS TWO PLAN TO A  
32 COMMUNITY COLLEGE PLAN OR A UNIVERSITY PLAN.

33 18-1908.

34 (A) (1) THE BOARD SHALL ISSUE REFUNDS AS SPECIFIED IN THIS SECTION.

35 (2) UNLESS AUTHORIZED UNDER REGULATIONS OF THE BOARD OR  
36 UNDER SUBSECTION (B) OF THIS SECTION, A REFUND MAY NOT EXCEED THE  
37 AMOUNT PAID INTO THE PROGRAM BY THE PURCHASER.



9

1 (B) A REFUND EQUAL TO THE SAME BENEFITS AS PROVIDED BY THE  
2 CONTRACT, MINUS ANY AMOUNT PAID OUT OF THE FUNDS OF THE PROGRAM ON  
3 BEHALF OF THE QUALIFIED BENEFICIARY AND FOR REASONABLE ADMINISTRATIVE  
4 CHARGES, SHALL BE MADE IF THE BENEFICIARY:

5 (1) IS AWARDED A SCHOLARSHIP THAT COVERS BENEFITS PROVIDED  
6 UNDER THE PREPAID TUITION CONTRACT; OR

7 (2) DIES OR SUFFERS FROM A DISABILITY WHICH PREVENTS THE  
8 BENEFICIARY FROM ATTENDING A PUBLIC INSTITUTION OF HIGHER EDUCATION  
9 WITHIN THE TIME ALLOWED BY THIS SUBTITLE.

10 (C) (1) A DISCOUNTED REFUND OF THE CONTRIBUTIONS MADE TO THE  
11 PROGRAM, AS DETERMINED BY THE BOARD, SHALL BE MADE IF:

12 (I) THE BENEFICIARY DOES NOT ATTEND A PUBLIC INSTITUTION  
13 OF HIGHER EDUCATION;

14 (II) BENEFITS ARE NOT EXERCISED UNDER THE CONTRACT  
15 WITHIN A TIME SPECIFIED IN THE CONTRACT; OR

16 (III) THE CONTRACT IS CANCELED BY THE PURCHASER.

17 (2) THE TIME THAT A QUALIFIED BENEFICIARY SPENDS IN ACTIVE  
18 DUTY AS A MEMBER OF THE UNITED STATES ARMED FORCES SHALL BE ADDED TO  
19 THE TIME PERIOD ALLOWED TO EXERCISE THE BENEFITS UNDER A PREPAID  
20 TUITION CONTRACT BEFORE A TERMINATION UNDER PARAGRAPH (1) OF THIS  
21 SUBSECTION.

22 18-1909.

23 THE BOARD, PROGRAM, AND PREPAID TUITION CONTRACTS ISSUED UNDER  
24 THIS SUBTITLE ARE NOT SUBJECT TO THE PROVISIONS OF THE INSURANCE ARTICLE.

25 18-1910.

26 THE ASSETS AND INCOME OF THE PROGRAM ARE EXEMPT FROM STATE AND  
27 LOCAL TAXATION.

28 18-1911.

29 A PERSON MAY NOT ATTACH, EXECUTE, GARNISH, OR OTHERWISE SEIZE ANY  
30 CURRENT OR FUTURE BENEFIT UNDER A PREPAID TUITION CONTRACT OR ANY  
31 ASSET OF THE PROGRAM.

32 18-1912.

33 NOTHING IN THIS SUBTITLE OR IN ANY PREPAID TUITION CONTRACT MAY BE  
34 CONSTRUED AS A PROMISE OR GUARANTEE BY THE BOARD OF ADMISSION TO,  
35 CONTINUED ENROLLMENT AT, OR GRADUATION FROM A PUBLIC INSTITUTION OF  
36 HIGHER EDUCATION IN THE STATE.

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1 18-1913.

2 THE STATE AND ITS AGENCIES OR ANY LOCAL GOVERNMENT IN THE STATE  
3 MAY AGREE, BY CONTRACT OR OTHERWISE, TO REMIT PAYMENTS ON BEHALF OF  
4 AN EMPLOYEE TOWARD A PREPAID TUITION CONTRACT THROUGH PAYROLL  
5 DEDUCTIONS.

6 18-1914.

7 (A) (1) THE LEGISLATIVE AUDITOR SHALL AUDIT THE PROGRAM  
8 ANNUALLY.

9 (2) THE BOARD SHALL PAY FOR THE AUDIT.

10 (B) (1) WITHIN 90 DAYS AFTER THE CLOSE OF EACH FISCAL YEAR, THE  
11 BOARD SHALL SUBMIT TO THE GOVERNOR AND, SUBJECT TO § 2-1312 OF THE STATE  
12 GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY A REPORT INCLUDING:

13 (I) THE LEGISLATIVE AUDIT;

14 (II) A FINANCIAL ACCOUNTING OF THE PROGRAM, INCLUDING  
15 THE ANNUAL REVIEW OF THE COMPREHENSIVE INVESTMENT PLAN;

16 (III) THE NUMBER OF PREPAID TUITION CONTRACTS ENTERED  
17 INTO DURING THE PREVIOUS FISCAL YEAR;

18 (IV) EFFORTS BY THE BOARD IN MARKETING THE PROGRAM OF  
19 PREPAID TUITION CONTRACTS; AND

20 (V) ANY RECOMMENDATIONS OF THE BOARD CONCERNING THE  
21 OPERATION OF THE PROGRAM.

22 (2) THE BOARD SHALL MAKE AVAILABLE TO EACH PURCHASER A COPY  
23 OF A SUMMARY OF THE REPORT AND THE OPTION TO PURCHASE THE FULL REPORT  
24 AT A NOMINAL CHARGE.

25 **Article - State Government**

26 10-616.

27 (N) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A CUSTODIAN  
28 SHALL DENY INSPECTION OF ANY RECORD DISCLOSING THE NAME OF A  
29 PURCHASER OR QUALIFIED BENEFICIARY OF A PREPAID TUITION CONTRACT  
30 UNDER TITLE 18, SUBTITLE 19 OF THE EDUCATION ARTICLE.

31 (2) A CUSTODIAN:

32 (I) SHALL PERMIT INSPECTION BY A PERSON IN INTEREST; AND

33 (II) MAY RELEASE INFORMATION TO AN ELIGIBLE INSTITUTION  
34 DESIGNATED IN A PREPAID TUITION CONTRACT IN ACCORDANCE WITH  
35 REGULATIONS OF THE MARYLAND PREPAID TUITION PROGRAM BOARD.

36 SECTION 2. AND BE IT FURTHER ENACTED, That, for Fiscal Year 1998,  
37 the Governor shall include in the State budget an appropriation for the Maryland Prepaid

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1 Tuition Program for the administrative and start-up costs for the Maryland Prepaid  
2 Tuition Program.

3 SECTION 3. AND BE IT FURTHER ENACTED, That the terms of the initial  
4 public members of the Maryland Prepaid Tuition Program Board shall expire as follows:

5 (1) one member in 2000;

6 (2) one member in 2001;

7 (3) one member in 2002; and

8 (4) one member in 2003.

9 SECTION 4. AND BE IT FURTHER ENACTED, That, before establishing the  
10 program of prepaid tuition contracts, the Maryland Prepaid Tuition Program Board shall  
11 solicit an opinion letter from the United States Securities Exchange Commission,  
12 concerning the application of federal security laws to the Maryland Prepaid Tuition  
13 Program.

14 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
15 October 1, 1997.