

**164A.705 Obligations of fund and of purchaser or qualified beneficiary --
Limitation of liability -- Use of tuition account.**

- (1) The prepaid tuition contract entered into by the purchaser and the board shall constitute an irrevocable pledge and guarantee by the fund to pay for the tuition of a qualified beneficiary upon acceptance and enrollment at an eligible educational institution in accordance with the tuition plan purchased.
- (2) A board member or any employee of the Tuition Account Program Office or the Kentucky Higher Education Assistance Authority shall not be subject to any personal liability by reason of his or her issuance or execution of a prepaid tuition contract under KRS 164A.700 to 164A.709.
- (3) Under a tuition plan for private colleges and universities, tuition shall be paid based on the same percentage that University of Kentucky tuition is increased from the year the prepaid tuition contract is purchased to the year of payment.
- (4) The purchaser or qualified beneficiary shall pay to the eligible educational institution the amount of any prepaid tuition academic year conversion shortfall and the amount of any prepaid tuition conversion shortfall.
- (5) A qualified beneficiary attending an eligible educational institution may apply the value of a prepaid tuition account to a specific academic year at the maximum course load or maximum number of credit hours generally permitted to full-time undergraduates at that institution.
- (6) The value of a prepaid tuition account remaining after tuition is paid may be used for other qualified educational expenses under administrative regulations promulgated by the board in compliance with 26 U.S.C. sec. 529. The board may permit the use of the value of a prepaid tuition account for part-time undergraduate enrollment or graduate programs at eligible educational institutions.
- (7) During an account's utilization period, the value of the prepaid tuition account shall increase consistent with tuition rates for the applicable tuition plan and academic year. If all tuition benefits have not been used at the conclusion of this period, the account value shall increase at a rate of three percent (3%) per annum or the applicable tuition plan value increase, whichever is less, for a period not to exceed two (2) additional years. No additional value shall be added to a prepaid tuition account after two (2) years past the utilization period.
- (8) If a qualified beneficiary attends an eligible educational institution for which payment of tuition is not guaranteed by the fund in whole or in part, and if the cost of tuition exceeds the value of a prepaid tuition account, the fund shall have no responsibility to pay the difference. If the value of a prepaid tuition account exceeds the cost of tuition, the excess may be used for other qualified postsecondary education expenses as directed by the purchaser.
- (9) The value of a prepaid tuition account shall not be used in calculating personal asset contribution for determining eligibility and need for student loan programs, student grant programs, or other student aid programs administered by any agency of the Commonwealth, except as otherwise may be provided by federal law.

Effective: July 15, 2014

History: Amended 2014 Ky. Acts ch. 34, sec. 2, effective July 15, 2014. -- Amended 2006 Ky. Acts ch. 252, Pt. XXXI, sec. 5, effective April 25, 2006. -- Amended 2005 Ky. Acts ch. 162, sec. 6, effective July 1, 2005. -- Amended 2002 Ky. Acts ch. 25, sec. 5, effective July 15, 2002. -- Created 2000 Ky. Acts ch. 163, sec. 5, effective July 14, 2000.