
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2528 Session of
1988

INTRODUCED BY O'DONNELL, HAYES, IRVIS, SWEET, RYBAK, HECKLER,
LASHINGER, MELIO, KENNEY, BATTISTO, McVERRY, NAHILL,
PRESSMANN, KUKOVICH, RAYMOND, JOSEPHS, FOX, D. W. SNYDER,
J. L. WRIGHT, KASUNIC, MORRIS, McHALE, DeLUCA, MAINE, MAIALE,
SEVENTY, J. TAYLOR, DIETTERICK, BURD, REINARD, FISCHER,
O'BRIEN, COHEN, DAWIDA, OLASZ, ROEBUCK, ARTY, FEE, JACKSON,
LaGROTTA, VAN HORNE, FARGO, HALUSKA, ANGSTADT, TIGUE,
YANDRISEVITS, COY, BUNT, CIVERA, KITCHEN, PITTS, HAYDEN,
REBER, WOGAN, DALEY, HAGARTY, FLICK, HERMAN, BORTNER,
MICHLOVIC, PISTELLA, JOHNSON, LINTON, BELARDI, SAURMAN AND
TRELLO, JUNE 7, 1988

REFERRED TO COMMITTEE ON EDUCATION, JUNE 7, 1988

AN ACT

1 Providing for the issuance of certain bonds; and providing for
2 further duties of the Pennsylvania Higher Education
3 Assistance Agency.

4 The General Assembly finds and declares that, for the benefit
5 of the people of the Commonwealth of Pennsylvania, the conduct
6 and increase of their commerce, the protection and enhancement
7 of their welfare, the development of continued prosperity and
8 the improvement of their health and living conditions, it is
9 essential that this and future generations of youth be given the
10 fullest opportunity to learn and to develop their intellectual
11 and mental capacities and skills; and that, to achieve these
12 ends, it is of the utmost importance that Pennsylvania residents
13 be provided with investment alternatives to enhance their
14 financial access to institutions of higher education. It is the

1 intent of this act to encourage enrollment in institutions of
2 higher education located within Pennsylvania.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the College
7 Savings Bond Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall
10 have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Agency." The Pennsylvania Higher Education Assistance
13 Agency.

14 "Bonds" or "college savings bonds." Bonds issued to fund the
15 purposes of this act.

16 "Institution of higher education." All public and private
17 colleges and universities located within this Commonwealth,
18 including, but not limited to, State-owned and State-related
19 colleges and universities and member institutions of the State
20 System of Higher Education. The term does not include any
21 educational institution engaged in sectarian instruction, or any
22 place of religious teaching or worship.

23 Section 3. Issuance and sale of college savings bonds.

24 In order to provide investors with investment alternatives to
25 enhance their financial access to institutions of higher
26 education located within this Commonwealth, and in furtherance
27 of the public policy of this act, a certain percentage of the
28 general obligation bonds issued by the Commonwealth, as the
29 agency shall annually determine, shall be designated as college
30 savings bonds, and which shall be zero-coupon bonds. The agency

1 shall annually determine the amount needed to carry out this act
2 and shall so notify the State Treasurer prior to the beginning
3 of the respective fiscal year.

4 Section 4. Nature of bonds.

5 Bonds to be issued and sold as college savings bonds shall be
6 designated by the Governor, the State Treasurer and the agency
7 as college savings bonds in the proceedings authorizing the
8 issuance of such bonds. College savings bonds may bear interest
9 payable at such time or times and may be sold at such prices and
10 in such manner as may be determined by the Governor and the
11 State Treasurer. College savings bonds may be sold at negotiated
12 sale if the State Treasurer determines that a negotiated sale
13 will result in either a more efficient and economical sale of
14 such bonds or greater access to such bonds by investors who are
15 residents of this Commonwealth. If any college savings bonds are
16 sold at a negotiated sale, the underwriter or underwriters to
17 which such bonds are sold shall:

18 (1) be organized, incorporated or have their principal
19 place of business in this Commonwealth; or

20 (2) in the judgment of the State Treasurer, have
21 sufficient capability to make a broad distribution of such
22 bonds to investors resident in this Commonwealth.

23 In determining the aggregate principal amount of college savings
24 bonds which have been issued to fund this act, the aggregate
25 original principal amount of such bonds issued and sold shall be
26 taken into account. Any bond issued under this act shall be
27 payable in one payment on a fixed date, unless the Governor and
28 the State Treasurer determine otherwise.

29 Section 5. Security of college savings bonds.

30 Any college savings bonds issued to fund this act shall be

1 direct, general obligations of the Commonwealth. The Governor
2 and the State Treasurer may covenant on behalf of the
3 Commonwealth with or for the benefit of the holders of such
4 bonds as to all matters deemed advisable by such officials,
5 including the terms and conditions for creating and maintaining
6 sinking funds, reserve funds and such other special funds as may
7 be created, separate and apart from all other funds and accounts
8 of the Commonwealth, and such officials may make such other
9 covenants as may be deemed necessary or desirable to assure the
10 prompt payment of the principal of and interest on such bonds.

11 Section 6. Exemption from taxation.

12 As provided in this act, the issuance of college savings
13 bonds is in all respects for the benefit of the people of this
14 Commonwealth, the conduct and increase of their commerce, the
15 protection and enhancement of their welfare, the development of
16 continued prosperity and the improvement of their health and
17 living conditions, and the issuance of such bonds is for public
18 purposes. In consideration thereof, college savings bonds and
19 the income derived therefrom shall be free from all taxation by
20 the Commonwealth or its political subdivisions.

21 Section 7. Additional financial incentives.

22 The Governor and the agency shall also provide for additional
23 financial incentives to be provided to holders of bonds to
24 encourage the enrollment of students at institutions of higher
25 education in this Commonwealth. These financial incentives shall
26 be in such forms as determined by the agency at the time of the
27 authorization of such college savings bonds and may include,
28 among others, supplemental payments to the holders of such bonds
29 at maturity to be applied to tuition costs at institutions of
30 higher education. These financial incentives shall be provided

1 only if, in the sole judgment of the Governor and the agency,
2 the cost of such incentives shall not cause the cost to the
3 Commonwealth of the proceeds of the college savings bonds being
4 sold to be increased by more than 0.5%.

5 Section 8. Financial aid.

6 No contributions toward the purchase of the first \$25,000 of
7 bonds or accumulated bonds and interest shall be considered in
8 evaluating the financial situation of a student, or be deemed a
9 financial resource of, or a form of financial aid or assistance
10 to, such student for purposes of determining the eligibility of
11 such student for any scholarship, grant or monetary assistance
12 awarded by the agency, the Commonwealth or any agency thereof;
13 nor shall the first \$25,000 of any bond or interest provided for
14 a qualified student under this act reduce the amount of any
15 scholarship, grant or monetary assistance which such student is
16 entitled to be awarded by the agency, the Commonwealth or any
17 agency thereof as provided by law.

18 Section 9. Program.

19 The agency shall develop and implement an educational program
20 and marketing strategies designed to inform parents about the
21 options available for financing a college education and the need
22 to accumulate the financial resources necessary to pay for a
23 college education. The agency shall report to the Governor and
24 the General Assembly on the program and its operation prior to
25 April 30, 1989.

26 Section 10. Effective date.

27 This act shall take effect immediately.