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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2248 Session of  
2018

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INTRODUCED BY MILNE, O'NEILL, PEIFER, C. QUINN, MILLARD, MURT,  
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APRIL 10, 2018

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REFERRED TO COMMITTEE ON FINANCE, APRIL 10, 2018

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AN ACT

1 Amending the act of April 3, 1992 (P.L.28, No.11), entitled "An  
2 act providing for the establishment of two programs for  
3 postsecondary educational savings, a guaranteed savings  
4 program and an investment program; establishing the Tuition  
5 Account Programs Bureau within the Treasury Department and  
6 providing duties for the Treasury Department; establishing  
7 tuition account funds; providing for Tuition Account Program  
8 Contracts; providing for the establishment of scholarship  
9 programs; and further providing for duties of the  
10 Pennsylvania Higher Education Assistance Agency," in tuition  
11 account program, further providing for tuition account  
12 programs and funds and establishing the Keystone Scholars  
13 Grant Program and the Keystone Scholars Grant Program  
14 Account; and making editorial changes.

15 The General Assembly of the Commonwealth of Pennsylvania  
16 hereby enacts as follows:

17 Section 1. The heading of Chapter 3 of the act of April 3,  
18 1992 (P.L.28, No.11), known as the Tuition Account Programs and  
19 College Savings Bond Act, is amended and the chapter is amended  
20 by adding a subchapter heading to read:

21 CHAPTER 3

22 [TUITION ACCOUNT PROGRAM]

23 POSTSECONDARY EDUCATIONAL SAVINGS PROGRAMS



1 Treasury two special funds to be known as the Tuition Account  
2 Guaranteed Savings Program Fund and the Tuition Account  
3 Investment Program Fund. The money in these funds shall be  
4 invested in accordance with this [chapter] subchapter. All money  
5 in each of the funds is hereby appropriated to the department on  
6 a continuing basis to carry out the provisions of this [chapter]  
7 subchapter.

8 (b) Administration.--

9 (1) The assets of each of the funds shall be preserved,  
10 invested and expended solely pursuant to and for the purposes  
11 set forth in this [chapter] subchapter.

12 \* \* \*

13 (2.1) (i) Annually, after the department's fiscal year  
14 has ended, the department shall determine whether the  
15 Tuition Account Guaranteed Savings Program Fund has been  
16 actuarially certified as being sufficient to defray its  
17 obligations and whether the actuarial soundness of the  
18 Tuition Account Guaranteed Savings Program Fund, as  
19 actuarially evaluated, can be maintained with fewer  
20 assets and, if so, the dollar value of any excess surplus  
21 assets. In making the determination, the department shall  
22 consider the projected costs and expenses of the Tuition  
23 Account Guaranteed Savings Program, including the Tuition  
24 Account Guaranteed Savings Program Fund and the Keystone  
25 Scholars Grant Program Account, as well as any material  
26 subsequent events occurring between the end of the fiscal  
27 year and the date on which the determination is made.

28 (ii) [If] Except as provided under Subchapter C, if  
29 the department determines that there are assets in excess  
30 of those needed to maintain actuarial soundness of the

1 Tuition Account Guaranteed Savings Program Fund and the  
2 assets actuarially certified as sufficient to defray the  
3 costs of the Tuition Account Guaranteed Savings Program,  
4 the department may, but shall not be obligated to,  
5 distribute the dollar value of any excess surplus assets  
6 by making additional contributions, which will be  
7 converted to the equivalent of tuition credits pursuant  
8 to section 309(c), into accounts established pursuant to  
9 Tuition Account Guaranteed Savings Program Contracts that  
10 have not been terminated as of the date of determination.

11 (iii) Any distribution of any excess surplus assets  
12 of the fund shall be made on an equitable basis as  
13 determined by the department.

14 (3) The department, in conjunction with the board, shall  
15 make an annual report to the Governor and the General  
16 Assembly showing the condition of each of the funds. This  
17 report shall contain the findings and recommendations of the  
18 department and the board and the recommendations of any  
19 private consultant under contract or volunteering services to  
20 the department or board. The report shall detail actions  
21 taken or needed to modify the Tuition Account Guaranteed  
22 Savings Program to insure the fiscal sufficiency of the  
23 Tuition Account Guaranteed Savings Program Fund to meet its  
24 obligations under this [chapter] subchapter. With regard to  
25 the Tuition Account Guaranteed Savings Program Fund, the  
26 report shall address the relationship between existing and  
27 projected net investment returns and existing and projected  
28 tuition levels and address the advisability or necessity of  
29 modifying the authorized investment of fund assets, the  
30 tuition credit price, the amount of administrative fee or

1 charges or the amount of refunds offered upon termination of  
2 a Tuition Account Guaranteed Savings Program Contract.  
3 Further, consistent with the goal of providing for the  
4 maintenance of the fiscal sufficiency of the fund, the report  
5 regarding each of the funds shall detail those actions taken  
6 or needed to modify the programs so that the funds, account  
7 owners and beneficiaries will receive favorable treatment for  
8 purposes of Federal taxation.

9 \* \* \*

10 Section 307. Investment policies and guidelines.

11 (a) General rule.--The policies governing the investment of  
12 the Tuition Account Guaranteed Savings Program Fund shall be  
13 directed to obtaining sufficient income to meet the fund's  
14 obligations under this [chapter] subchapter, maintaining  
15 necessary reserves and covering operating expenses. The policies  
16 governing the investment of the Tuition Account Investment  
17 Program Fund shall be directed to providing for an appropriate  
18 balance of risk, liquidity and return commensurate with the  
19 management of a prudent investor. With regard to each of the  
20 funds, the department, its investment managers, program managers  
21 and trustees shall have the authority to invest and reinvest the  
22 funds in all lawful investments.

23 (b) Investment manager and trustee.--The department may  
24 contract with one or more persons or other legal entities to  
25 serve as investment managers, program managers and trustees to  
26 the department on behalf of either or both of the tuition  
27 account programs. If the department contracts with investment  
28 managers, program managers or trustees in order to fulfill the  
29 objectives of the tuition account programs, the investment  
30 managers, program managers and trustees shall work with the

1 department to create an investment program or programs, to  
2 develop investment portfolios and to supervise investments and  
3 the investment programs selected. If the department contracts  
4 with investment managers, program managers and trustees, the  
5 department may require that the investment managers, program  
6 managers and trustees agree, based on actuarial projections of  
7 program costs and expenses supplied by the department, to meet  
8 any obligations of the Tuition Account Guaranteed Savings  
9 Program Fund if, as a result of the imprudent selection or  
10 supervision of investments or the investment program by the  
11 investment managers, program managers or trustees, the Tuition  
12 Account Guaranteed Savings Program Fund is not fiscally  
13 sufficient to meet the fund's obligations under this [chapter]  
14 subchapter. The department, through contract, may also impose  
15 liability on investment managers, program managers and trustees  
16 for losses incurred by the Tuition Account Guaranteed Savings  
17 Program Fund, the Tuition Account Investment Program Fund or the  
18 account owners as a result of the investment managers', program  
19 managers' and trustees' negligent, fraudulent or imprudent  
20 selection or supervision of investments.

21 Section 309.2. General provisions governing both tuition  
22 account programs.

23 \* \* \*

24 (b) Period of participation.--Notwithstanding any of the  
25 provisions of this [chapter] subchapter, the following shall  
26 apply:

27 \* \* \*

28 Section 314. Safeguards and protections.

29 (a) General rule.--Nothing in this [chapter] subchapter or  
30 in a Tuition Account Program Contract entered into pursuant to

1 this [chapter] subchapter shall be construed as a promise or  
2 guarantee by the department that a person will be admitted to an  
3 institution of higher education, will be allowed to continue to  
4 attend an institution of higher education after having been  
5 admitted or will be graduated from an institution of higher  
6 education.

7 \* \* \*

8 (c) Construction.--Nothing in this [chapter] subchapter can  
9 be construed to:

10 \* \* \*

11 Section 317. Federal taxation.

12 The department may take appropriate action in order to obtain  
13 a determination from the Internal Revenue Service or the Federal  
14 courts as to whether contributions made pursuant to a Tuition  
15 Account Program Contract, the increase in value of such  
16 contributions and payment of qualified higher education expenses  
17 pursuant to a Tuition Account Program Contract shall be a  
18 transaction which will subject account owners or the income of  
19 either or both of the funds to Federal taxation and may respond  
20 to such determination in any manner permitted under this  
21 [chapter] subchapter.

22 Section 5. Chapter 3 of the act is amended by adding a  
23 subchapter to read:

24 SUBCHAPTER C

25 KEYSTONE SCHOLARS GRANT PROGRAM

26 Section 321. Definitions.

27 The following words and phrases when used in this subchapter  
28 shall have the meanings given to them in this section unless the  
29 context clearly indicates otherwise:

30 "Account." The Keystone Scholars Grant Program Account

1 established under section 324(a).

2 "Eligible child." An individual born after December 31,  
3 2018, who is a resident of this Commonwealth at the time of  
4 birth and at the time that the grant for qualified higher  
5 education expenses is applied for or received. The term shall  
6 not include an individual over 29 years of age.

7 "Program." The Keystone Scholars Grant Program established  
8 under section 322(a).

9 Section 322. Keystone Scholars Grant Program.

10 (a) Establishment.--The department shall establish a grant  
11 program as part of the Tuition Account Guaranteed Savings  
12 Program Fund established under section 306 to be known as the  
13 Keystone Scholars Grant Program.

14 (b) Purpose.--The purpose of the program shall be to promote  
15 access to postsecondary educational opportunities for each  
16 eligible child.

17 Section 323. Procedure.

18 (a) Department of Health.--No later than 90 days following  
19 the birth of an eligible child, the Department of Health shall  
20 transmit information and record data to the department necessary  
21 to administer the program and establish the eligibility of each  
22 child born after December 31, 2018. Information under this  
23 section shall include, but not be limited to, record data such  
24 as the full name and residential address of the child's parent  
25 or legal guardian and birth date of the child.

26 (b) Notice.--Following receipt of the information under  
27 subsection (a), the department shall notify each parent or  
28 guardian of each eligible child about the program.

29 (c) Exclusion.--The department shall provide an opportunity  
30 to be excluded from the program.

1 (d) Security.--The department shall ensure the security and  
2 confidentiality of the information and record data provided  
3 under subsection (a).

4 Section 324. Keystone Scholars Grant Program Account.

5 (a) Establishment.--The Keystone Scholars Grant Program  
6 Account is established as a separate account within the Tuition  
7 Account Guaranteed Savings Program Fund. Money contained in this  
8 account shall be for the exclusive purpose of providing  
9 scholarship grants to eligible children to pay for qualified  
10 higher education expenses associated with the attendance at an  
11 eligible educational institution.

12 (b) Contributions and investment.--The following apply:

13 (1) Subject to paragraph (3), at the end of each fiscal  
14 year, assets of the Tuition Account Guaranteed Savings  
15 Program Fund that are in excess of 5% of the actuarially  
16 determined liabilities of the Tuition Account Guaranteed  
17 Savings Program Fund shall be allocated to the account.

18 (2) Annual allocations under this subsection may not  
19 exceed an amount equal to \$100 multiplied by the number of  
20 children born in this Commonwealth in the fiscal year.

21 (3) An allocation under paragraph (1) may not be made if  
22 the allocation would cause the actuarially determined surplus  
23 of the Tuition Account Guaranteed Savings Program to fall  
24 below 5% of the Tuition Account Guaranteed Savings Program's  
25 actuarially determined liabilities.

26 (4) The department shall have the authority to invest  
27 and reinvest money in the account as provided for under  
28 section 307.

29 (5) A financial contribution may not be required from an  
30 eligible child or an eligible child's parent or guardian as a

1 condition to receive a grant under this subchapter.

2 (6) Annually, the State Treasurer shall report to the  
3 Governor, the Appropriations Committee of the Senate and the  
4 Appropriations Committee of House of Representatives the  
5 actuarial status of the Tuition Account Guaranteed Savings  
6 Program Fund as required under section 306(b)(2).

7 (7) This subsection shall expire December 31, 2029.

8 (d) Purpose.--Money in the account shall be used for the  
9 purpose of providing grants for qualified higher education  
10 expenses associated with the attendance at an eligible  
11 educational institution and for costs associated with the  
12 administration of the program. Costs associated with the  
13 administration of the program shall be reported to the Governor,  
14 the Appropriations Committee of the Senate and the  
15 Appropriations Committee of the House of Representatives in the  
16 same manner as required under paragraph (b)(6).

17 (e) Scholarship grants.--Upon application and the submission  
18 of documentation necessary to establish the child's eligibility  
19 and enrollment as a student at an eligible educational  
20 institution, the department shall provide a scholarship grant in  
21 the amount of \$100, plus such investment earnings attributed the  
22 initial grant amount since the birth date of the eligible child  
23 as calculated by the department, for qualified higher education  
24 expenses associated with attendance at an eligible educational  
25 institution.

26 (f) Balances.--The department shall make program account  
27 balances available to each parent or guardian of an eligible  
28 child through a secured Internet account.

29 Section 325. Additional grants.

30 (a) Annual match.--Subject to the availability of money

1 under section 324, the State Treasurer may establish an annual  
2 match of contributions made by a parent or guardian of an  
3 eligible child into an established Guaranteed Savings Plan  
4 Account under section 309.

5 (b) Financial incentives.--Subject to the availability of  
6 money from contributions made under section 309, the State  
7 Treasurer may establish financial incentives, such as school  
8 attendance, for additional grants for an eligible child.

9 (c) Prohibition.--Money from the Tuition Account Guaranteed  
10 Savings Program Fund may not be used for purposes under  
11 subsections (a) and (b).

12 Section 326. Additional contributions.

13 Notwithstanding section 324(b)(3), the department may receive  
14 contributions from any person or legal entity to the account on  
15 behalf of, and make grants to, eligible children to pay for  
16 qualified higher education expenses associated with attendance  
17 at an eligible educational institution.

18 Section 327. Board.

19 In addition to the duties under section 304, the board shall  
20 consider, study and review the work of the program, advise the  
21 department on request and make recommendations for the  
22 improvement of the program.

23 Section 6. This act shall take effect in 60 days.