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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2287 Session of  
2020

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INTRODUCED BY PASHINSKI, McCLINTON, CIRESI, MULLERY, MURT,  
SCHLOSSBERG, STURLA, HILL-EVANS, READSHAW, LEE, CALTAGIRONE  
AND SCHWEYER, FEBRUARY 18, 2020

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REFERRED TO COMMITTEE ON EDUCATION, FEBRUARY 18, 2020

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AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An  
2 act relating to the public school system, including certain  
3 provisions applicable as well to private and parochial  
4 schools; amending, revising, consolidating and changing the  
5 laws relating thereto," providing for Delayed Payment Plan  
6 Program; and establishing the Delayed Payment Plan Program  
7 Fund.

8 The General Assembly of the Commonwealth of Pennsylvania  
9 hereby enacts as follows:

10 Section 1. The act of March 10, 1949 (P.L.30, No.14), known  
11 as the Public School Code of 1949, is amended by adding an  
12 article to read:

13 ARTICLE XIX-H

14 DELAYED PAYMENT PLAN PROGRAM

15 Section 1901-H. Definitions.

16 The following words and phrases when used in this article  
17 shall have the meanings given to them in this section unless the  
18 context clearly indicates otherwise:

19 "Agency." The Pennsylvania Higher Education Assistance  
20 Agency.

1 "Department." The Department of Education of the  
2 Commonwealth.

3 "Fund." The Delayed Payment Plan Program Fund established  
4 under section 1905-H.

5 "Income." Salary, wages, interest, dividends and other  
6 earnings that are reportable for Federal income tax purposes.

7 "Income share agreement." An agreement between the agency  
8 and a student under which the student commits to pay a specified  
9 percentage of the student's future income, for a specified  
10 period of time, in addition to the requirements and terms  
11 specified under sections 1903-H and 1906-H, in exchange for  
12 payments to, or on behalf of, the student for a portion of the  
13 student's tuition for attendance at the institution of higher  
14 education.

15 "Institution of higher education." As defined under section  
16 118(c).

17 "Participating institution." A participating institution of  
18 higher education.

19 "Program." The Delayed Payment Plan Program established  
20 under section 1902-H.

21 "Tuition." A sum of money charged for teaching or  
22 instruction by a school, college or university.

23 Section 1902-H. Establishment of program.

24 Subject to receipt of grants, contributions or amounts  
25 appropriated specifically for this purpose, the Delayed Payment  
26 Plan Program is established. The agency may enter into an income  
27 share agreement with students accepted for enrollment at any of  
28 the 14 Pennsylvania State community colleges or the Thaddeus  
29 Stevens College of Technology beginning with the 2021-2022  
30 academic year. The agency may decide to offer the program to

1 students accepted or enrolled in any of the 14 PASSHE  
2 institutions beginning with the 2026-2027 school year.  
3 Section 1903-H. Eligibility requirements.

4 In order to qualify for participation in the program, a  
5 student must meet all of the following requirements:

6 (1) The student must be a resident of this Commonwealth,  
7 as defined by the Pennsylvania State Grant Program.

8 (2) The student must agree to remain a resident of this  
9 Commonwealth 10 years after graduation or until the tuition  
10 is repaid, whichever occurs first.

11 (3) The student must pursue a degree in a high-need  
12 area, as identified by the participating institution and  
13 approved by the agency.

14 (4) The student demonstrates Federal Direct Student Loan  
15 eligibility.

16 Section 1904-H. Powers and duties of agency.

17 The agency shall have the following powers and duties:

18 (1) Impose reasonable limits on the terms of income  
19 share agreements.

20 (2) Partner with participating institutions of higher  
21 education to publicize the availability of the program to  
22 students and to select participants for the program, subject  
23 to the number of students that may be supported by the fund.

24 (3) Distribute income share agreement program money to  
25 participating institutions of higher education based on the  
26 total annual tuition cost for participating students.

27 (4) Contract with a program administrator for execution  
28 of income share agreements.

29 (5) Ensure transparency in investment decisions and  
30 processes.

1           (6) Make, execute and deliver contracts, conveyances and  
2           other instruments necessary to the exercise and discharge of  
3           the agency's powers and duties under this article.

4 Section 1905-H. Delayed Payment Plan Program Fund.

5           (a) Establishment.--The Delayed Payment Plan Program Fund is  
6           established within the State Treasury, from which income share  
7           agreement money shall be disbursed to program administrators  
8           through the agency. Expenditures from the fund may be used only  
9           for the program. Administrative costs for the program may not  
10           exceed \$400,000 in the first year of the program or \$300,000  
11           annually thereafter. Only the agency may authorize expenditures  
12           from the fund.

13           (b) Sources of fund.--The fund may consist of:

14                   (1) Grants and contributions from private sources.

15                   (2) Appropriations made to the fund by the General  
16           Assembly.

17                   (3) Money collected under income share agreements.

18                   (4) Interest on money deposited into the fund.

19                   (5) An annual appropriation of \$45,000,000 from the  
20           General Fund by the General Assembly.

21           (c) Grants.--The agency may solicit and accept grants and  
22           contributions from private sources for deposit into the fund.

23 Section 1906-H. Income share agreement terms.

24           An income share agreement entered into under this article  
25           must:

26                   (1) Specify the period of repayment, which shall not  
27           exceed 10 years and shall commence six months after the later  
28           of graduation of the student from:

29                           (i) A participating institution of higher education  
30                           upon successful completion of a degree, diploma or

1           certificate program.

2           (ii) A four-year institution of higher education, if  
3           the student is admitted to the four-year institution of  
4           higher education within six months of completing required  
5           coursework or at the discretion of the agency.

6           (2) Except as provided under paragraph (5), provide that  
7           no monthly payment be owed by the student for any period of  
8           time during which the student's annual income is equal to or  
9           less than \$30,000.

10          (3) Specify the terms and conditions under which the  
11          student may extinguish the student's repayment obligation  
12          under the agreement before the end of the repayment period.

13          (4) Specify that the student be required to repay a  
14          minimum of 2% of future annual income for 10 years or when  
15          the tuition is repaid, whichever occurs first.

16          (5) Provide that a student with an outstanding balance  
17          at the end of the 10-year period under paragraph (4) be  
18          required to repay the remaining balance plus 3.5% annualized  
19          interest on the remaining balance until repaid.

20          (6) Specify a cap on the total amount that a student be  
21          required to repay under the agreement, which may not exceed  
22          200% of the amount provided to the student under the income  
23          share agreement.

24          (7) Specify that a student's obligation under an income  
25          share agreement may be forgiven if the student meets either  
26          of the following:

27                (i) Is unable to engage in any substantial gainful  
28                activity by reason of any medically determinable physical  
29                or mental impairment that:

30                    (A) can be expected to result in death;

1                   (B) has lasted for a continuous period of not  
2                   less than 60 months; or

3                   (C) can be expected to last for a continuous  
4                   period of not less than 60 months.

5                   (ii) Has been determined by the United States  
6                   Secretary of Veterans Affairs to be unemployable due to a  
7                   service-connected disability.

8                   (8) Specify that a student's obligation under an income  
9                   share agreement be discharged if the student dies.

10                  (9) Specify that an income share agreement is not a debt  
11                  instrument.

12                  (10) Provide that a participating student who does not  
13                  complete coursework after five years be required to repay the  
14                  student's outstanding balance in full plus 3.5% annualized  
15                  interest, unless the student meets any of the criteria  
16                  specified in paragraph (7).

17 Section 1907-H. Notification to student.

18                  An income share agreement is not in compliance with this  
19                  article unless the student, prior to entering into the income  
20                  share agreement, is provided with written notification that  
21                  clearly states all of the following:

22                  (1) that the income share agreement is not a debt  
23                  instrument;

24                  (2) that the amount the student will be required to pay  
25                  under the income share agreement may be more or less than the  
26                  amount provided to the student, but shall not be more than  
27                  the cap determined under section 1906-H(6);

28                  (3) the terms and conditions under which the student may  
29                  extinguish the student's repayment obligation under the  
30                  income share agreement before the end of the repayment

1 period;

2 (4) the duration of the student's obligation under the  
3 income share agreement;

4 (5) the percentage of the student's future annual income  
5 that the student is committing to pay under the income share  
6 agreement, as determined under section 1906-H(4) and the  
7 minimum amount of annual income that triggers the student's  
8 repayment obligation under the income share agreement; and

9 (6) the definition of "income" used to calculate the  
10 student's repayment obligation.

11 Section 1908-H. Reports.

12 (a) Initial report.--The agency, in consultation with  
13 participating institutions of higher education, shall submit a  
14 report to the Appropriations Committee of the Senate, the  
15 Appropriations Committee of the House of Representatives, the  
16 Education Committee of the Senate and the Education Committee of  
17 the House of Representatives no later than March 1, 2025. The  
18 report shall include, but not be limited to:

19 (1) The number of students, by credit level, who have  
20 entered into an income share agreement with a participating  
21 institution of higher education.

22 (2) The average amount of money provided to students  
23 under income share agreements.

24 (3) A complete count, by course of study, of all  
25 students who have entered into an income share agreement with  
26 a participating institution of higher education.

27 (b) Further report.--The agency, in consultation with  
28 participating institutions of higher education and the  
29 department, shall submit a report to the Appropriations  
30 Committee of the Senate, the Appropriations Committee of the

1 House of Representatives, the Education Committee of the Senate  
2 and the Education Committee of the House of Representatives no  
3 later than March 1, 2030. The report shall include, but not be  
4 limited to:

5 (1) The number of students, by credit level, who have  
6 entered into an income share agreement with the participating  
7 institution of higher education.

8 (2) The number of graduates who entered into an income  
9 share agreement with participating institutions of higher  
10 education, the average and range of annual incomes of those  
11 graduates and the average and range of the monthly payments  
12 under income share agreements.

13 (3) The balance of the fund established under section  
14 1905-H.

15 Section 2. This act shall take effect in 60 days.