



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1539

PRINTERS NO. 1670

PRIME SPONSOR: Peifer

COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
Tuition Account Guaranteed Savings Program	\$0	See fiscal impact

SUMMARY: House Bill 1539, printer's number 1670, amends Act 11 of 1992, known as the Tuition Account Programs and College Savings Bond Act (TAP Act), by making updates to reflect changes made in Federal law, and repeals the Keystone Scholars Grant Program from the Fiscal Code and places it in the TAP Act.

ANALYSIS: House Bill 1539 amends the TAP Act by making several updates to the Pennsylvania statute to reflect changes made in the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S. Code §529 (Qualified Tuition Programs)) to allow for distributions from TAP 529 accounts for payment of qualified education expenses for attendance at eligible elementary and secondary educational institutions.

This bill also repeals Section 312 of the Fiscal Code and places identical language in the TAP Act as new Section 320 (Keystone Scholars Grant Program). The Keystone Scholars Grant Program Account was established in 2018 as a separate account within the Tuition Account Guaranteed Savings Program Fund. Money in the account shall be used for the exclusive purpose of providing scholarship grants to eligible children to pay for qualified higher education expenses associated with the attendance at an eligible educational institution.

An eligible child is defined as an individual that is born after December 31, 2018, who is a resident of this Commonwealth at the time of birth and at the time that the grant for qualified higher education expenses is applied for or received. An adoptee in receipt of a valid decree of adoption, whose adopting parent(s) were residents of this Commonwealth at the time the decree of adoption was entered, and who is a resident at the time that the grant for qualified higher education expenses is applied for or received shall also be considered an eligible child.

At the end of each fiscal year, assets of the Tuition Account Guaranteed Savings Program Fund that are in excess of 10% of the actuarially determined liabilities of the Tuition Account Guaranteed Savings Program Fund shall be allocated to the account. Annual allocations may not exceed an amount equal to \$100 multiplied by the number of children born in this Commonwealth in the fiscal year. An allocation may not be made if the allocation would cause the actuarially determined surplus of the Tuition Account Guaranteed Savings Program to fall below 10% of the

program's actuarially determined liabilities. The department shall have the authority to invest and reinvest money in the account. The Keystone Scholars Grant Program Account shall expire December 31, 2029.

Scholarship grants shall be in the amount of \$100, plus investment earnings attributed to the initial grant amount since the birth date of the eligible child as calculated by the Treasury Department. Treasury shall make program account balances available to each parent or guardian of an eligible child through a secured Internet account. Individuals over the age of 29 shall not be eligible to receive a Keystone Scholars Grant.

Subject to the availability of money received by contributions from any person or legal entity to the Keystone Scholars Grant Program Account, the State Treasurer may establish an annual match of contributions made by a parent or guardian of an eligible child into an established Guaranteed Savings Plan Account. The State Treasurer may also establish financial incentives, such as school attendance, for additional grants for an eligible child with an established Guaranteed Savings Plan Account, subject to the availability of money received by contributions from any person or legal entity to the Keystone Scholars Grant Program Account.

This act shall take effect in 60 days.

FISCAL IMPACT: The enactment of this legislation will have no adverse impact on Commonwealth funds. The bill is simply repealing the Keystone Scholars Grant Program language from the Fiscal Code and placing it in the TAP Act. The Treasury Department has reported that as of June 11, 2021, the Tuition Account Guaranteed Savings Program Fund is 136.51% funded. Annual administrative and operating costs of the Keystone Scholars Grant Program are paid from the Keystone Scholars Grant Program Account.

PREPARED BY: Casey Martin
House Appropriations Committee (R)

DATE: June 14, 2021

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.