

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 255 Session of
1989

INTRODUCED BY O'DONNELL, HAYES, COWELL, COLAFELLA, BATTISTO, KOSINSKI, COY, LESCOVITZ, LINTON, RUDY, TIGUE, YANDRISEVITS, HERMAN, FOX, PERZEL, LaGROTTA, GIGLIOTTI, RYBAK, F. TAYLOR, DeWEESE, FEE, MICHLOVIC, KASUNIC, J. L. WRIGHT, GEIST, WOZNIAK, WOGAN, LLOYD, WAMBACH, FLICK, BUNT, S. H. SMITH, HALUSKA, MOWERY, STEIGHNER, BOYES, McCALL, DOMBROWSKI, ROBINSON, PHILLIPS, DIETTERICK, MAIALE, GODSHALL, DORR, SERAFINI, MELIO, KENNEY, STABACK, LEVDANSKY, FARMER, NOYE, HUGHES, VROON, TANGRETTI, PISTELLA, VEON, KUKOVICH, FREEMAN, FARGO, MAINE, LUCYK, SAURMAN, LAUGHLIN, NAHILL, MOEHLMANN, REINARD, GLADECK, CAPPABIANCA, DeLUCA, BELARDI, D. R. WRIGHT, MERRY, WESTON, CORRIGAN, ADOLPH, STISH, PRESTON, STUBAN, HASAY, LETTERMAN, MORRIS, PRESSMANN, JAROLIN, TRELLO, ARGALL, DEMPSEY, CAWLEY, D. W. SNYDER, MURPHY, BOWLEY, McVERRY, VAN HORNE, HECKLER, LASHINGER, GANNON, CORNELL, OLASZ, COLAIZZO, SEMMEL, CIVERA, HAGARTY AND DALEY, FEBRUARY 6, 1989

REFERRED TO COMMITTEE ON EDUCATION, FEBRUARY 6, 1989

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

1 ends, it is of the utmost importance that Pennsylvania residents
2 be provided with investment alternatives to enhance their
3 financial access to institutions of higher education. It is the
4 intent of this act to encourage enrollment in institutions of
5 higher education located within Pennsylvania.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the College
10 Savings Bond Act.

11 Section 2. Definitions.

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

15 "Agency." The Pennsylvania Higher Education Assistance
16 Agency.

17 "Bonds" or "college savings bonds." Bonds issued to fund the
18 purposes of this act.

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

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

27 In order to provide investors with investment alternatives to
28 enhance their financial access to institutions of higher
29 education located within this Commonwealth, and in furtherance
30 of the public policy of this act, a certain percentage of the

1 general obligation bonds issued by the Commonwealth, as the
2 agency shall annually determine, shall be designated as college
3 savings bonds, and which shall be zero-coupon bonds. The agency
4 shall annually determine the amount needed to carry out this act
5 and shall so notify the State Treasurer prior to the beginning
6 of the respective fiscal year.

7 Section 4. Nature of bonds.

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

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

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

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

1 the State Treasurer determine otherwise.

2 Section 5. Security of college savings bonds.

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

14 Section 6. Exemption from taxation.

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

24 Section 7. Additional financial incentives.

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

1 among others, supplemental payments to the holders of such bonds
2 at maturity to be applied to tuition costs at institutions of
3 higher education. These financial incentives shall be provided
4 only if, in the sole judgment of the Governor and the agency,
5 the cost of such incentives shall not cause the cost to the
6 Commonwealth of the proceeds of the college savings bonds being
7 sold to be increased by more than 0.5%.

8 Section 8. Financial aid.

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

21 Section 9. Program.

22 The agency shall develop and implement an educational program
23 and marketing strategies designed to inform parents about the
24 options available for financing a college education and the need
25 to accumulate the financial resources necessary to pay for a
26 college education. The agency shall report to the Governor and
27 the General Assembly on the program and its operation prior to
28 April 30, 1990.

29 Section 10. Effective date.

30 This act shall take effect immediately.