
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1130 Session of
2018

INTRODUCED BY GORDNER, HUGHES, CORMAN, COSTA, MCGARRIGLE, BLAKE,
KILLION, YUDICHAK, STEFANO, FONTANA, WARD, BREWSTER,
RAFFERTY, SCHWANK, BAKER AND FARNESE, APRIL 16, 2018

REFERRED TO FINANCE, APRIL 16, 2018

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 SUBCHAPTER A

2 PRELIMINARY PROVISIONS

3 Section 2. The definition of "beneficiary" in section 302 of
4 the act is amended to read:

5 Section 302. Definitions.

6 The following words and phrases when used in this chapter
7 shall have the meanings given to them in this section unless the
8 context clearly indicates otherwise:

9 * * *

10 "Beneficiary." A person who meets the eligibility criteria
11 established [by this chapter] under this subchapter and by the
12 department and on whose behalf an account owner enters into a
13 Tuition Account Program Contract.

14 * * *

15 Section 3. Chapter 3 of the act is amended by adding a
16 subchapter heading after section 302 to read:

17 SUBCHAPTER B

18 TUITION ACCOUNT PROGRAMS

19 Section 4. Sections 305 introductory paragraph, 306(a) and
20 (b) (1), (2.1) and (3), 307, 309.2(b) introductory paragraph,
21 314(a) and (c) introductory paragraph and 317 of the act are
22 amended to read:

23 Section 305. Powers of department.

24 In addition to the powers granted by other provisions of this
25 [chapter] subchapter, the department shall have the powers
26 necessary or convenient to carry out this [chapter] subchapter,
27 including, but not limited to, the power to:

28 * * *

29 Section 306. Tuition account programs; funds.

30 (a) Establishment.--There are established in the State

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 to
22 the initial grant amount since the birth date of the eligible
23 child as calculated by the department, for qualified higher
24 education expenses associated with attendance at an eligible
25 educational 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 326, 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 326, the State
7 Treasurer may establish financial incentives, such as school
8 attendance, for additional grants for an eligible child with an
9 established Guaranteed Savings Plan Account under section 309.

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

13 Section 326. Additional contributions.

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

19 Section 327. Board.

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

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