

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1671 Session of 2019

INTRODUCED BY PEIFER, JUNE 24, 2019

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, JUNE 27, 2019

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 declaration of policy,
12 for definitions, for Tuition Account Programs Bureau, for
13 powers of department, for Tuition Account Guaranteed Savings
14 Program, for Tuition Account Investment Program, for general
15 provisions governing both tuition account programs, for State
16 tax exemption and for Federal taxation; establishing the
17 Keystone Scholars Grant Program and the Keystone Scholars
18 Grant Program Account; and making a related repeal.

19 The General Assembly of the Commonwealth of Pennsylvania
20 hereby enacts as follows:

21 Section 1. Section 301(5)(iv) of the act of April 3, 1992
22 (P.L.28, No.11), known as the Tuition Account Programs and
23 College Savings Bond Act, is amended to read:

24 Section 301. Declaration of policy.

25 The General Assembly finds and declares as follows:

26 \* \* \*

1 (5) The purposes of this chapter are to:

2 \* \* \*

3 (iv) Provide to the citizens of this Commonwealth  
4 means of saving for elementary, secondary and  
5 postsecondary education that provides them with the  
6 advantages of "qualified State tuition programs" as  
7 defined by section 529 of the Internal Revenue Code of  
8 1986 (Public Law 99-514, 26 U.S.C. § 529).

9 Section 2. The definitions of "other educational expense  
10 credits" and "Tuition Account Program Contract" in section 302  
11 of the act are amended and the section is amended by adding a  
12 definition to read:

13 Section 302. Definitions.

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

17 \* \* \*

18 "Eligible elementary or secondary educational institution."  
19 A day or residential school which provides kindergarten,  
20 elementary or secondary education in this Commonwealth,  
21 including both public and nonpublic schools, at which a resident  
22 of this Commonwealth may legally fulfill the compulsory school  
23 attendance requirements of Article XIII of the act of March 10,  
24 1949 (P.L.30, No.14), known as the Public School Code of 1949,  
25 and which meets the requirements of Title VI of the Civil Rights  
26 Act of 1964 (Public Law 88-352, 78 Stat. 241).

27 \* \* \*

28 "Other educational expense credits." Tuition credits that  
29 are converted for payment of qualified higher education expenses  
30 other than tuition for an eligible educational institution, as

1 provided in section 309(h).

2 \* \* \*

3 "Tuition Account Program Contract." A Tuition Account  
4 Guaranteed Savings Program Contract or a Tuition Account  
5 Investment Program Contract entered into by an account owner and  
6 the department to provide for savings to meet the future  
7 qualified [higher] education expenses [of a beneficiary  
8 attending an eligible educational institution].

9 \* \* \*

10 Section 3. Sections 303 and 305(4) of the act are amended to  
11 read:

12 Section 303. Tuition Account Programs Bureau.

13 The State Treasurer is directed to establish a bureau within  
14 the Treasury Department, which shall be known as the Tuition  
15 Account Programs Bureau, for the purpose of establishing and  
16 administering two programs for [postsecondary] educational  
17 savings, a guaranteed savings program for postsecondary  
18 education and an investment program for elementary, secondary  
19 and postsecondary education. The guaranteed savings program  
20 shall provide that money may be contributed pursuant to a  
21 Tuition Account Guaranteed Savings Program Contract for the  
22 future payment of qualified higher educational expenses for  
23 attendance at eligible educational institutions as described in  
24 section 309. Money contributed pursuant to a Tuition Account  
25 Guaranteed Savings Program Contract shall increase in value by,  
26 at a minimum, the increase in the tuition at the tuition level  
27 designated in the contract. The investment program shall provide  
28 that money may be contributed pursuant to a Tuition Account  
29 Program Investment Contract for the future payment of qualified  
30 [higher] educational expenses for attendance at eligible

1 elementary or secondary educational institutions, or eligible  
2 educational institutions as described in section 309.1. The  
3 investment program shall have no guarantee. Money contributed  
4 pursuant to a Tuition Account Guaranteed Savings Program  
5 Contract may be withdrawn for the payment of qualified  
6 educational expenses for attendance at eligible elementary or  
7 secondary educational institutions under section 309.

8 Section 305. Powers of department.

9 In addition to the powers granted by other provisions of this  
10 chapter, the department shall have the powers necessary or  
11 convenient to carry out this chapter, including, but not limited  
12 to, the power to:

13 \* \* \*

14 (4) Pay directly to an eligible educational institution  
15 or an eligible elementary or secondary educational  
16 institution, an account owner, a beneficiary or a third party  
17 authorized by the account owner, upon the receipt of  
18 appropriate documentation, the funds due pursuant to a  
19 Tuition Account Program Contract.

20 \* \* \*

21 Section 4. Section 309 is amended by adding a subsection to  
22 read:

23 Section 309. Tuition Account Guaranteed Savings Program.

24 \* \* \*

25 (g.1) Conversion of tuition credits for use at an eligible  
26 elementary or secondary educational institution.--Upon the  
27 request of the account holder, the department shall permit the  
28 use of tuition credits for the payment of qualified education  
29 expenses at eligible elementary or secondary educational  
30 institutions, subject to an appropriate conversion as determined

1 by the department.

2 \* \* \*

3 Section 5. Sections 309.1 and 309.2(b) and (d) of the act  
4 are amended to read:

5 Section 309.1. Tuition Account Investment Program.

6 The department shall establish an investment plan that  
7 defines the Tuition Account Investment Program structure and  
8 sets forth investment policies and guidelines to be utilized in  
9 administering the program and may, in its discretion, obtain the  
10 services of investment managers, program managers and trustees  
11 as described in section 307(b) to assist in establishing and  
12 administering the plan. The department, pursuant to a Tuition  
13 Account Investment Program Contract, shall specify the minimum  
14 and maximum amounts of contributions, the terms and conditions  
15 for transferring the Tuition Account Investment Program Contract  
16 to another account owner or substituting a beneficiary for the  
17 originally named beneficiary, the terms and conditions for  
18 withdrawing contributions or terminating the Tuition Account  
19 Investment Program Contract, the method and procedures for  
20 making payments pursuant to the Tuition Account Investment  
21 Program Contracts for the payment of beneficiaries' qualified  
22 [higher] education expenses and all other rights and obligations  
23 of the account owner and the department.

24 Section 309.2. General provisions governing both tuition  
25 account programs.

26 \* \* \*

27 (b) Period of participation.--Notwithstanding any of the  
28 provisions of this chapter, the following shall apply:

29 (1) Except as provided in paragraph (2), a minimum  
30 period of one year must elapse between the time a

1 contribution is made pursuant to a Tuition Account Program  
2 Contract and the time that contribution and any increase in  
3 its value may be used for payment of qualified [higher]  
4 education expenses pursuant to section 309 or 309.1.

5 (2) The board may prescribe an alternative minimum  
6 period of time which must elapse between a contribution and  
7 its use for payment of qualified [higher] education expenses.

8 \* \* \*

9 (d) Excess contributions.--The department shall institute  
10 adequate safeguards to prevent contributions to an account or  
11 multiple accounts that are in excess of those necessary to  
12 provide for the qualified [higher] education expenses of the  
13 beneficiary of that account or accounts, as specified in section  
14 529 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
15 U.S.C. § 529).

16 \* \* \*

17 ~~Section 6. Section 316 heading of the act is amended and the <--~~  
18 ~~section is amended by adding a subsection to read:~~

19 ~~Section 316. State [tax] taxation exemption.~~

20 \* \* \*

21 ~~(c) Elementary and secondary educational institution~~  
22 ~~expenses. Notwithstanding section 303(a.7)(2)(i)(A) of the act~~  
23 ~~of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of~~  
24 ~~1971, elementary and secondary educational expenses paid from a~~  
25 ~~qualified tuition program under section 529 of the Internal~~  
26 ~~Revenue Code of 1986 (Public Law 99 514, 26 U.S.C. § 529), other~~  
27 ~~than a Pennsylvania qualified tuition program, shall be subject~~  
28 ~~to taxation under Article III of the Tax Reform Code of 1971.~~

29 Section 7 6. Section 317 of the act is amended to read: <--

30 Section 317. Federal taxation.

1 The department may take appropriate action in order to obtain  
2 a determination from the Internal Revenue Service or the Federal  
3 courts as to whether contributions made pursuant to a Tuition  
4 Account Program Contract, the increase in value of such  
5 contributions and payment of qualified [higher] education  
6 expenses pursuant to a Tuition Account Program Contract shall be  
7 a transaction which will subject account owners or the income of  
8 either or both of the funds to Federal taxation and may respond  
9 to such determination in any manner permitted under this  
10 chapter.

11 Section 7. The act is amended by adding a section to read: <--  
12 Section 320. Keystone Scholars Grant Program.

13 (a) Establishment.--The department shall establish a grant  
14 program as part of the Tuition Account Guaranteed Savings  
15 Program Fund established under section 306 to be known as the  
16 Keystone Scholars Grant Program. The purpose of the program  
17 shall be to promote access to postsecondary educational  
18 opportunities for each eligible child.

19 (b) Administration.--

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

28 (2) Following receipt of the information under paragraph  
29 (1), the department shall notify each parent or guardian of  
30 each eligible child about the program.

1       (3) The department shall provide an opportunity to be  
2 excluded from the program.

3       (4) The department shall ensure the security and  
4 confidentiality of the information and record data provided  
5 under paragraph (1).

6 (c) Keystone Scholars Grant Program Account.--

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

14       (2) (i) Subject to subparagraphs (ii) and (iii), at the  
15 end of each fiscal year, assets of the Tuition Account  
16 Guaranteed Savings Program Fund that are in excess of 10%  
17 of the actuarially determined liabilities of the Tuition  
18 Account Guaranteed Savings Program Fund shall be  
19 allocated to the account.

20       (ii) Annual allocations under subparagraph (i) may  
21 not exceed an amount equal to \$100 multiplied by the  
22 number of children born in this Commonwealth in the  
23 fiscal year.

24       (iii) An allocation under subparagraph (i) may not  
25 be made if the allocation would cause the actuarially  
26 determined surplus of the Tuition Account Guaranteed  
27 Savings Program to fall below 10% of the Tuition Account  
28 Guaranteed Savings Program's actuarially determined  
29 liabilities.

30       (iv) The department may invest and reinvest money in



1 the account as provided for under section 307.

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

9 (vi) This paragraph shall expire December 31, 2029.

10 (3) Money in the account shall be used for the purpose  
11 of providing grants for qualified higher education expenses  
12 associated with the attendance at an eligible educational  
13 institution and for costs associated with the administration  
14 of the program. Costs associated with the administration of  
15 the program shall be reported to the Governor, the  
16 chairperson and minority chairperson of the Appropriations  
17 Committee of the Senate and the chairperson and minority  
18 chairperson of the Appropriations Committee of the House of  
19 Representatives in the same manner as required under  
20 paragraph (2)(v).

21 (d) Amount of grant.--To an eligible child for whom a  
22 Tuition Account Program Contract has been entered into, and upon  
23 application and the submission of documentation necessary to  
24 establish the child's eligibility and enrollment as a student at  
25 an eligible educational institution, the department shall  
26 provide a scholarship grant in the amount of \$100, plus such  
27 investment earnings attributed to the initial grant amount since  
28 the birth date of the eligible child as calculated by the  
29 department, for qualified higher education expenses associated  
30 with attendance at an eligible educational institution.

1 (e) Availability of account balances.--The department shall  
2 make program account balances available to each parent or  
3 guardian of an eligible child through a secured Internet  
4 account.

5 (f) Authorization of annual match of contributions.--

6 (1) Subject to the availability of money under  
7 subsection (g), the State Treasurer may establish an annual  
8 match of contributions made by a parent or guardian of an  
9 eligible child into an established Guaranteed Savings Plan  
10 Account under section 309.

11 (2) Subject to the availability of money from  
12 contributions made under subsection (g), the State Treasurer  
13 may establish financial incentives, such as school  
14 attendance, for additional grants for an eligible child with  
15 an established Guaranteed Savings Plan Account under section  
16 309.

17 (3) Money from the Tuition Account Guaranteed Savings  
18 Program Fund may not be used for purposes under paragraphs  
19 (1) and (2).

20 (g) Contributions from persons and entities.--

21 Notwithstanding subsection (c) (2) (iii), the department may  
22 receive contributions from any person or legal entity to the  
23 account on behalf of, and make grants to, eligible children to  
24 pay for qualified higher education expenses associated with  
25 attendance at an eligible educational institution.

26 (h) Monitoring of program by board.--In addition to the  
27 duties under section 304, the board shall consider, study and  
28 review the work of the program, advise the department on request  
29 and make recommendations for the improvement of the program.

30 (i) Definitions.--As used in this section, the following

1 words and phrases shall have the meanings given to them in this  
2 subsection unless the context clearly indicates otherwise:

3 "Account." The Keystone Scholars Grant Program Account  
4 established under subsection (c).

5 "Eligible child." An individual born after December 31,  
6 2018, who is less than 29 years of age and is:

7 (1) a resident of this Commonwealth at the time of birth  
8 and at the time that the grant for qualified higher education  
9 expenses is applied for or received; or

10 (2) an adoptee in receipt of a valid decree of adoption  
11 under 23 Pa.C.S. § 2902 (relating to requirements and form of  
12 decree of adoption), whose adopting parent or parents were  
13 residents of this Commonwealth at the time the decree of  
14 adoption was entered and who is a resident at the time that  
15 the grant for qualified higher education expenses is applied  
16 for or received.

17 "Program." The Keystone Scholars Grant Program established  
18 under subsection (a).

19 Section ~~9~~ 8. Repeals are as follows: <--

20 (1) The General Assembly finds and declares that the  
21 repeal under paragraph (2) is necessary to effectuate this  
22 act.

23 (2) Section 312 of the act of April 9, 1929 (P.L.343,  
24 No.176), known as The Fiscal Code, is repealed.

25 Section ~~10~~ 9. This act shall take effect in 60 days. <--