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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1539 Session of  
2021

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INTRODUCED BY PEIFER, JUNE 3, 2021

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REFERRED TO COMMITTEE ON FINANCE, JUNE 3, 2021

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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  
16 Federal taxation; establishing the Keystone Scholars Grant  
17 Program and the Keystone Scholars Grant Program Account; and  
18 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  
12 definitions 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 "Qualified education loan." Any indebtedness on behalf of a  
4 beneficiary or sibling of a beneficiary to pay qualified higher  
5 education expenses as defined under section 221 of the Internal  
6 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 221) as of  
7 the time the indebtedness was incurred, which are:

8 (1) paid or incurred within a reasonable period of time  
9 before or after the indebtedness is incurred; and

10 (2) attributable to education furnished during a period  
11 during which the recipient was an eligible student.

12 \* \* \*

13 "Registered apprenticeship program." An apprenticeship  
14 program registered and certified with the United States  
15 Secretary of Labor under section 1 of the National  
16 Apprenticeship Act (50 Stat. 664, 29 U.S.C. § 50).

17 "Sibling." A brother, sister, stepbrother or stepsister.

18 \* \* \*

19 "Tuition Account Program Contract." A Tuition Account  
20 Guaranteed Savings Program Contract or a Tuition Account  
21 Investment Program Contract entered into by an account owner and  
22 the department to provide for savings to meet the future  
23 qualified [higher] education expenses [of a beneficiary  
24 attending an eligible educational institution].

25 \* \* \*

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

28 Section 303. Tuition Account Programs Bureau.

29 The State Treasurer is directed to establish a bureau within  
30 the Treasury Department, which shall be known as the Tuition

1 Account Programs Bureau, for the purpose of establishing and  
2 administering two programs for [postsecondary] educational  
3 savings, a guaranteed savings program for postsecondary  
4 education and an investment program for elementary, secondary  
5 and postsecondary education. The guaranteed savings program  
6 shall provide that money may be contributed pursuant to a  
7 Tuition Account Guaranteed Savings Program Contract for the  
8 future payment of qualified higher educational expenses for  
9 attendance at eligible educational institutions as described in  
10 section 309. Money contributed pursuant to a Tuition Account  
11 Guaranteed Savings Program Contract shall increase in value by,  
12 at a minimum, the increase in the tuition at the tuition level  
13 designated in the contract. The investment program shall provide  
14 that money may be contributed pursuant to a Tuition Account  
15 Program Investment Contract for the future payment of qualified  
16 [higher] educational expenses for attendance at eligible  
17 elementary or secondary educational institutions, or eligible  
18 educational institutions as described in section 309.1. The  
19 investment program shall have no guarantee. Money contributed  
20 pursuant to a Tuition Account Guaranteed Savings Program  
21 Contract may be withdrawn for the payment of the following:

- 22       (1) Qualified educational expenses.  
23       (2) Qualified education loans.  
24       (3) Fees, books and supplies for participation in a  
25       Registered Apprenticeship Program.  
26       (4) Attendance at an eligible elementary or secondary  
27       educational institution under section 309.

28 Section 305. Powers of department.

29       In addition to the powers granted by other provisions of this  
30 chapter, the department shall have the powers necessary or

1 convenient to carry out this chapter, including, but not limited  
2 to, the power to:

3 \* \* \*

4 (4) Pay directly to an eligible educational institution  
5 or an eligible elementary or secondary educational  
6 institution, an account owner, a beneficiary or a third party  
7 authorized by the account owner, upon the receipt of  
8 appropriate documentation, the funds due pursuant to a  
9 Tuition Account Program Contract.

10 \* \* \*

11 Section 4. Section 309 is amended by adding subsections to  
12 read:

13 Section 309. Tuition Account Guaranteed Savings Program.

14 \* \* \*

15 (g.1) Conversion of tuition credits for use at an eligible  
16 elementary or secondary educational institution.--Upon the  
17 request of the account holder, the department shall permit the  
18 use of tuition credits for the payment of qualified education  
19 expenses at eligible elementary or secondary educational  
20 institutions, subject to an appropriate conversion as determined  
21 by the department.

22 (g.2) Conversion of tuition credits for repayment of  
23 qualified education loans.--Upon the request of an account  
24 holder, the department shall permit the use of tuition credits  
25 to repay qualified education loans, subject to appropriate  
26 conversion as determined by the department.

27 (g.3) Conversion of tuition credits for use in a registered  
28 apprenticeship program.--Upon the request of an account holder,  
29 the department shall permit the use of tuition credits to pay  
30 fees, books and supplies for participation in a registered

1 apprenticeship program, subject to an appropriate conversion as  
2 determined by the department.

3 \* \* \*

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

6 Section 309.1. Tuition Account Investment Program.

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

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

27 \* \* \*

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

30 (1) Except as provided in paragraph (2), a minimum

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

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

9 \* \* \*

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

17 \* \* \*

18 Section 6. Section 317 of the act is amended to read:

19 Section 317. Federal taxation.

20 The department may take appropriate action in order to obtain  
21 a determination from the Internal Revenue Service or the Federal  
22 courts as to whether contributions made pursuant to a Tuition  
23 Account Program Contract, the increase in value of such  
24 contributions and payment of qualified [higher] education  
25 expenses pursuant to a Tuition Account Program Contract shall be  
26 a transaction which will subject account owners or the income of  
27 either or both of the funds to Federal taxation and may respond  
28 to such determination in any manner permitted under this  
29 chapter.

30 Section 7. The act is amended by adding a section to read:

1 Section 320. Keystone Scholars Grant Program.

2 (a) Establishment.--The department shall establish a grant  
3 program as part of the Tuition Account Guaranteed Savings  
4 Program Fund established under section 306 to be known as the  
5 Keystone Scholars Grant Program. The purpose of the program  
6 shall be to promote access to postsecondary educational  
7 opportunities for each eligible child.

8 (b) Administration.--

9 (1) No later than 90 days following the birth of an  
10 eligible child, the Department of Health shall transmit  
11 information and record data to the department necessary to  
12 administer the program and establish the eligibility of each  
13 child born after December 31, 2018. Information under this  
14 subsection shall include, but not be limited to, record data  
15 such as the full name and residential address of the child's  
16 parent or legal guardian and birth date of the child.

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

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

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

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

26 (1) The Keystone Scholars Grant Program Account is  
27 established as a separate account within the Tuition Account  
28 Guaranteed Savings Program Fund. Money contained in this  
29 account shall be for the exclusive purpose of providing  
30 scholarship grants to eligible children to pay for qualified



1 higher education expenses associated with the attendance at  
2 an eligible educational institution.

3 (2) (i) Subject to subparagraphs (ii) and (iii), at the  
4 end of each fiscal year, assets of the Tuition Account  
5 Guaranteed Savings Program Fund that are in excess of 10%  
6 of the actuarially determined liabilities of the Tuition  
7 Account Guaranteed Savings Program Fund shall be  
8 allocated to the account.

9 (ii) Annual allocations under subparagraph (i) may  
10 not exceed an amount equal to \$100 multiplied by the  
11 number of children born in this Commonwealth in the  
12 fiscal year.

13 (iii) An allocation under subparagraph (i) may not  
14 be made if the allocation would cause the actuarially  
15 determined surplus of the Tuition Account Guaranteed  
16 Savings Program to fall below 10% of the Tuition Account  
17 Guaranteed Savings Program's actuarially determined  
18 liabilities.

19 (iv) The department may invest and reinvest money in  
20 the account as provided for under section 307.

21 (v) Annually, the State Treasurer shall report to  
22 the Governor, the chairperson and minority chairperson of  
23 the Appropriations Committee of the Senate and the  
24 chairperson and minority chairperson of the  
25 Appropriations Committee of the House of Representatives  
26 the actuarial status of the Tuition Account Guaranteed  
27 Savings Program Fund as required under section 306(b)(2).

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

29 (3) Money in the account shall be used for the purpose  
30 of providing grants for qualified higher education expenses

1 associated with the attendance at an eligible educational  
2 institution and for costs associated with the administration  
3 of the program. Costs associated with the administration of  
4 the program shall be reported to the Governor, the  
5 chairperson and minority chairperson of the Appropriations  
6 Committee of the Senate and the chairperson and minority  
7 chairperson of the Appropriations Committee of the House of  
8 Representatives in the same manner as required under  
9 paragraph (2) (v).

10 (d) Amount of grant.--To an eligible child for whom a  
11 Tuition Account Program Contract has been entered into, and upon  
12 application and the submission of documentation necessary to  
13 establish the child's eligibility and enrollment as a student at  
14 an eligible educational institution, the department shall  
15 provide a scholarship grant in the amount of \$100, plus such  
16 investment earnings attributed to the initial grant amount since  
17 the birth date of the eligible child as calculated by the  
18 department, for qualified higher education expenses associated  
19 with attendance at an eligible educational institution.

20 (e) Availability of account balances.--The department shall  
21 make program account balances available to each parent or  
22 guardian of an eligible child through a secured Internet  
23 account.

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

25 (1) Subject to the availability of money under  
26 subsection (g), the State Treasurer may establish an annual  
27 match of contributions made by a parent or guardian of an  
28 eligible child into an established Guaranteed Savings Plan  
29 Account under section 309.

30 (2) Subject to the availability of money from

1 contributions made under subsection (g), the State Treasurer  
2 may establish financial incentives, such as school  
3 attendance, for additional grants for an eligible child with  
4 an established Guaranteed Savings Plan Account under section  
5 309.

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

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

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

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

19 (i) Definitions.--As used in this section, the following  
20 words and phrases shall have the meanings given to them in this  
21 subsection unless the context clearly indicates otherwise:

22 "Account." The Keystone Scholars Grant Program Account  
23 established under subsection (c).

24 "Eligible child." An individual born after December 31,  
25 2018, who is less than 29 years of age and is:

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

29 (2) an adoptee in receipt of a valid decree of adoption  
30 under 23 Pa.C.S. § 2902 (relating to requirements and form of

1 decree of adoption), whose adopting parent or parents were  
2 residents of this Commonwealth at the time the decree of  
3 adoption was entered and who is a resident at the time that  
4 the grant for qualified higher education expenses is applied  
5 for or received.

6 "Program." The Keystone Scholars Grant Program established  
7 under subsection (a).

8 Section 8. Repeals are as follows:

9 (1) The General Assembly finds and declares that the  
10 repeal under paragraph (2) is necessary to effectuate this  
11 act.

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

14 Section 9. This act shall take effect in 60 days.