
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1267 Session of
2023

INTRODUCED BY GALLAGHER, GREINER, HOHENSTEIN, MADDEN, BRENNAN,
SANCHEZ, SAMUELSON, SCHLOSSBERG, WEBSTER, PARKER, BIZZARRO
AND NEILSON, MAY 30, 2023

REFERRED TO COMMITTEE ON FINANCE, MAY 30, 2023

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 and for
16 Federal taxation; establishing the Keystone Scholars Grant
17 Program and the Keystone Scholars Grant Program Account; and
18 making a 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:

1 * * *

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

3 * * *

4 (iv) Provide to the citizens of this Commonwealth
5 means of saving for elementary, secondary and
6 postsecondary education that provides them with the
7 advantages of "qualified State tuition programs" as
8 defined by section 529 of the Internal Revenue Code of
9 1986 (Public Law 99-514, 26 U.S.C. § 529).

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

14 Section 302. Definitions.

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

18 * * *

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

28 * * *

29 "Other educational expense credits." Tuition credits that
30 are converted for payment of qualified higher education expenses

1 other than tuition for an eligible educational institution, as
2 provided in section 309(h).

3 * * *

4 "Qualified education loan." Any indebtedness on behalf of a
5 beneficiary or sibling of a beneficiary to pay qualified higher
6 education expenses as defined under section 221 of the Internal
7 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 221) as of
8 the time the indebtedness was incurred, which are:

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

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

13 * * *

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

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

19 * * *

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

26 * * *

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

29 Section 303. Tuition Account Programs Bureau.

30 The State Treasurer is directed to establish a bureau within

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

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

29 Section 305. Powers of department.

30 In addition to the powers granted by other provisions of this

1 chapter, the department shall have the powers necessary or
2 convenient to carry out this chapter, including, but not limited
3 to, the power to:

4 * * *

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

11 * * *

12 Section 4. Section 309 of the act is amended by adding
13 subsections to read:

14 Section 309. Tuition Account Guaranteed Savings Program.

15 * * *

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

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

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

1 fees, books and supplies for participation in a registered
2 apprenticeship program, subject to an appropriate conversion as
3 determined by the department.

4 * * *

5 Section 5. Sections 309.1, 309.2(b) and (d) and 317 of the
6 act are amended to read:

7 Section 309.1. Tuition Account Investment Program.

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

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

28 * * *

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

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

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

10 * * *

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

18 * * *

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 6. 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 Fund to fall below 10% of the Tuition
17 Account Guaranteed Savings Program Fund's actuarially
18 determined 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 7. 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 8. This act shall take effect in 60 days.