

No. 1992-11

AN ACT

SB 2

Providing for the advance purchase of tuition at certain institutions of higher education; establishing the Tuition Account Program Bureau within the Treasury Department and providing duties for the Treasury Department; establishing the Tuition Payment Fund; providing for tuition account payment contracts; providing for the issuance and sale of certain bonds; and further providing for duties of the Pennsylvania Higher Education Assistance Agency.

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

**CHAPTER 1
PRELIMINARY PROVISIONS**

Section 101. Short title.

This act shall be known and may be cited as the Tuition Account Program and College Savings Bond Act.

**CHAPTER 3
TUITION ACCOUNT PROGRAM**

Section 301. Declaration of policy.

The General Assembly finds and declares as follows:

(1) Tuition at institutions of higher education is difficult for many to afford and difficult to predict. As a result, the ability of individuals and families to plan for future educational expenses has been adversely affected.

(2) It is in the best interest of the citizens of this Commonwealth to foster higher education in order to provide well-educated citizens.

(3) It is in the best interest of the citizens of this Commonwealth to encourage State residents to enroll in institutions of higher education.

(4) Providing a mechanism to help assure the higher education of the citizens of this Commonwealth is necessary and desirable for the public health, safety and welfare.

(5) The purposes of this chapter are to:

(i) Provide wide and affordable access to institutions of higher education, both public and private, for the residents of this Commonwealth.

(ii) Encourage attendance at institutions of higher education, both public and private, and help individuals plan for educational expenses.

(iii) Provide a program for the advance purchase of tuition as both a means and an incentive for the citizens of this Commonwealth to provide for future higher education expenses.

Section 302. Definitions.

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

“Beneficiary.” A person who meets the eligibility criteria established by this chapter and by the department and on whose behalf a purchaser enters into a tuition account payment contract.

“Board.” The Tuition Account Program Advisory Board.

“Department.” The Treasury Department of the Commonwealth.

“Fund.” The Tuition Payment Fund.

“Lawful investment.” Any of those investments described in either 24 Pa.C.S. § 8521 (relating to management of fund and accounts) or 71 Pa.C.S. § 5931 (relating to management of fund and accounts).

“Net earnings rate of the fund.” The percentage return of the investment of fund assets after adjusting for any taxes and operating expenses.

“Participating institution.” Any accredited, degree-granting college or university which is required to participate in the tuition account program under section 308.

“Purchaser.” A person, including a natural person, corporation, association, partnership or other legal entity, who enters into a tuition account payment contract.

“Tuition.” The total of all fees and charges required for attendance at an institution of higher education for a full-time, undergraduate academic year, excluding charges for room and board.

“Tuition account payment contract.” A contract entered into by a purchaser and the department on behalf of the Commonwealth to provide for the advance purchase of tuition credits for a beneficiary attending a participating institution.

“Tuition credits.” Credits as determined in section 309(c).

“Tuition shortfall.” The positive difference between the tuition for the number of tuition credits used at a participating institution accepting a beneficiary for enrollment and the tuition payment as determined in section 309(g).

Section 303. Tuition Account Program Bureau.

The State Treasurer is directed to establish a bureau within the Treasury Department, which shall be known as the Tuition Account Program Bureau, for the purpose of establishing and administering the tuition account program. The program shall provide for the advance purchase of tuition credits for a beneficiary attending a participating institution.

Section 304. Tuition Account Program Advisory Board.

(a) Creation.—There is created a Tuition Account Program Advisory Board. The board shall be composed of the State Treasurer, the Chairman of the Board of Directors of the Pennsylvania Higher Education Assistance Agency, the Commissioner of Higher Education within the Department of Education, the Chairman of the Council of Higher Education and the Chancellor of the State System of Higher Education, all of whom shall be ex officio members. There also shall be 12 other members of the board. Of these 12 other members, three shall be appointed by the President pro tempore of the Senate, three shall be appointed by the Speaker of the House of Representatives and six shall be appointed by the Governor. Of the three members appointed by the President pro tempore of the Senate, one must be a member of the Senate and one must be recommended by the Minority Leader of the Senate. Of the three members appointed by the Speaker of the House of Representatives, one must be a member of the House of Representatives and one must be recommended by the Minority Leader of the House of Representatives. The remaining members of the board appointed by the President pro tempore of the Senate and the Speaker of the House of Repre-

sentatives must have knowledge, skill and expertise in financial affairs. Of the six members appointed by the Governor, one must be the president of a State-related institution; one must be the president of one of the institutions operating under Article XIX-A of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949; one must be the president of a university in the State System of Higher Education; and one must be a president of a private or independent four-year, degree-granting college or university located within this Commonwealth.

(b) Terms.—Board members appointed by the President pro tempore of the Senate, the Speaker of the House of Representatives and the Governor shall be appointed for terms of four years each. Vacancies shall be filled for the unexpired terms of appointed members of the board in the same manner as original appointments.

(c) Organizational meeting.—The Commissioner of Higher Education shall call the organizational meeting of the board, at which time a chairman shall be selected from among the members. Meetings of the board shall be held at least quarterly or at the call of the chairman.

(d) Duties.—The board shall consider, study and review the work of the Tuition Account Program Bureau, shall advise the department on request and shall make recommendations on its own initiative for the improvement of the tuition account program. The board shall report annually to the Governor and to the General Assembly, and may make such interim reports as are deemed advisable.

(e) Employees.—The department shall have the power and its duty shall be to provide the board with experts, stenographers and assistants as necessary to carry out the work of the board. In addition, the board may enlist voluntary assistance as available from citizens, research organizations and other agencies.

Section 305. Powers of department.

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

- (1) Administer the tuition account program and the fund.
- (2) Enter into tuition account payment contracts with purchasers.
- (3) Contract and make any arrangements necessary with institutions of higher education.
- (4) Pay directly to an institution, upon the receipt of appropriate documentation, the funds which the department is obligated to transfer to the institution upon a beneficiary's use of tuition credits.
- (5) Contract for goods and services, and engage and employ personnel, including, but not limited to, the services of private consultants, actuaries, managers, legal counsel and auditors for rendering professional, managerial and technical assistance and advice.
- (6) Solicit and accept gifts, grants, loans and other aid from any person, corporation or other entity or from Federal, State or local government and participate in any Federal, State or local government program, if necessary for prudent management.

(7) Charge and collect administrative fees and charges in connection with any transaction, including continued participation in the tuition account program.

(8) Terminate tuition accounts and make refunds.

(9) Contract for insurance, letters of credit and collateral agreements.

(10) Restrict the number of participants in the program.

(11) Adjust the terms of subsequent tuition account payment contracts.

(12) Solicit answers from the appropriate Federal agencies regarding the application of security laws to the program.

(13) Limit the times and dates during which tuition account payment contracts may be sold.

(14) Consider means whereby a purchaser may have installment payments deducted from salary.

(15) Promulgate regulations.

Section 306. Tuition Payment Fund.

(a) Establishment.—There is established in the State Treasury a special fund to be known as the Tuition Payment Fund. This fund shall be invested in accordance with this chapter. All money in the fund is hereby appropriated to the department on a continuing basis to carry out the provisions of this chapter.

(b) Administration.—

(1) The assets of the fund shall be preserved, invested and expended solely pursuant to and for the purposes set forth in this chapter.

(2) The department shall obtain appropriate actuarial assistance to establish, maintain and certify that the fund is sufficient to defray the tuition account program's obligations and shall annually evaluate, or cause to be evaluated, the actuarial soundness of the fund. If the department finds a need for additional assets in order to preserve actuarial soundness or if the department finds that actuarial soundness can be maintained with fewer assets, it may adjust the purchase prices of the tuition credits calculated under section 309(c)(3) to ensure such soundness.

(3) The department, in conjunction with the board, shall make an annual report to the Governor and the General Assembly showing the fund's condition. This report shall contain the findings and recommendations of the department and the board and the recommendations of any private consultant under contract or volunteering services to the department or board. The report shall detail actions taken or needed to modify the tuition account program to insure the fiscal sufficiency of the fund to meet its obligations under this chapter. The report shall address the relationship between existing and projected net investment returns and existing and projected tuition levels and address the advisability or necessity of modifying the authorized investment of fund assets, the purchase price of tuition credits, the amount of administrative fee or charges or the amount of refunds offered upon termination of a tuition account. Further, consistent with the goal of providing for the maintenance of the fiscal sufficiency of the fund, this report shall detail those actions taken or needed to modify

the tuition account program so that the fund, purchasers and beneficiaries will receive favorable treatment for purposes of Federal taxation.

(c) Composition.—The fund shall consist of:

(1) All payments made by purchasers pursuant to tuition account payment contracts and all interest, earnings and additions thereto.

(2) Any other money, public or private, appropriated or made available to the department for the fund from any source and all interest, earnings and additions thereto.

(d) Operating and administrative costs.—The department shall, through the Governor, annually submit to the General Assembly a budget covering the operating and administrative expenses of the Tuition Account Program Bureau and the board. Upon approval by the General Assembly in an appropriation bill, expenses as incurred by the Tuition Account Program Bureau and the board, commencing one year after tuition credits have been offered for sale to the public, shall be paid from the fees, charges and investment earnings of the fund or from any other available funds.

(e) Repayment of initial appropriation.—The department shall repay from the fees, charges and investment earnings of the fund to the General Fund any money appropriated for the initial planning, organization and administration of the tuition account program. The repayment shall take place within a ten-year period, which period commences two years after tuition credits have been offered for sale to the public.

Section 307. Investment policies and guidelines.

(a) General rule.—The policies governing the investment of the fund shall be directed to obtaining sufficient income to meet the Commonwealth's obligations under this chapter, maintaining necessary reserves and covering operating expenses. The department, its investment manager and trustee shall not engage in any investment practice or activity which entails greater risk than necessary to meet these objectives but shall have the authority to invest and reinvest the fund in all lawful investments.

(b) Investment manager and trustee.—The department may contract with one or more persons or other legal entities to serve as investment managers and trustees to the department on behalf of the tuition account program. If the department contracts with investment managers and trustees in order to fulfill the objectives of the tuition account program, the investment managers and trustees shall work with the department to create an investment program, to develop investment portfolios and to supervise investments and the investment program selected. If the department contracts with investment managers and trustees, the department may require that the investment managers and trustees agree, based on actuarial projections of program costs and expenses supplied by the department, to meet any obligations of the department if, as a result of the imprudent selection or supervision of investments or the investment program by the investment managers or trustees, the tuition payment fund is not fiscally sufficient to enable the department to fulfill its obligations under this chapter.

Section 308. Participating institutions.

The following institutions of higher education shall participate in the tuition account program:

- (1) Community colleges operating under Article XIX-A of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949.
- (2) Universities comprising the State System of Higher Education.
- (3) The following State-related institutions:
 - (i) The Pennsylvania State University.
 - (ii) The University of Pittsburgh.
 - (iii) Temple University.
 - (iv) Lincoln University.
- (4) Any institution which is hereafter designated as "State-related" by the Commonwealth.

Section 309. Tuition account program.

(a) **General description.**—Each payment made pursuant to a tuition account payment contract will purchase tuition credits at one of three standard tuition levels or, at the purchaser's designation, at a specific participating institution. All tuition credits purchased will be held in a beneficiary's account and will be converted to the tuition level of the institution to be attended by the beneficiary. A participating institution attended by a beneficiary shall accept that beneficiary's tuition credits when presented. The department shall pay from the fund to the participating institution the lesser of the actual tuition for the number of tuition credits used or the tuition payment as specified in subsection (g). Payments on account of tuition shortfalls shall be made to participating institutions as provided for in section 310.

(b) **Standard tuition levels.**—The department shall annually establish three standard tuition levels corresponding approximately to the average tuition charges for that year at the Commonwealth's community colleges, at universities in the State System of Higher Education and at State-related universities. Any purchaser may buy tuition credits at any designated standard tuition level or at the tuition rate of a specific participating institution.

(c) **Tuition credits.**—Tuition credits are whole or partial units related to an academic year and are obtained as follows:

- (1) The payment for each tuition purchase shall be divided by either the tuition at a standard tuition level or the tuition at a specific participating institution, as designated by the purchaser.
- (2) For tuition purchases during the period from August 1 to July 31, tuition rates for the corresponding academic year shall be used.
- (3) If the department, in its discretion, determines that the purchase payment for tuition credits representing a unit of tuition for one academic year at a standard tuition level or at a specific participating institution is to be greater or less than actual tuition for the corresponding year at a standard tuition level or at a specific participating institution, the method of calculating tuition credits in accordance with paragraphs (1) and (2) shall be adjusted accordingly.

(4) The number of tuition credits calculated at the time of purchase in accordance with paragraphs (1), (2) and (3) shall be reduced in a manner determined by the department reasonably to reflect potential investment loss resulting from the time of year when the purchase is made.

(d) **Certifying tuition.**—On or before July 31, a participating institution shall certify to the department the tuition to be charged by that institution for the academic year beginning on or after August 1 of that year and ending on or before July 31 of the following year, and, at such times as the department shall determine, each participating institution shall certify to the department the tuition charged by that institution for the current or any previous academic year.

(e) **Conversion of tuition credits.**—Upon request of any purchaser or beneficiary, the department shall convert tuition credits purchased at standard tuition levels to actual tuition at a specific participating institution by multiplying the number of tuition credits purchased each year by the ratio of that academic year's standard tuition level divided by the tuition for the same academic year at the designated participating institution. Upon request of the purchaser or beneficiary, the department, following the same procedure, shall convert tuition credits purchased at the tuition rate of a participating institution to the tuition at another participating institution designated in the request. The sum of such conversions shall be the total tuition credits applicable to a specific participating institution.

(f) **Issuance and redemption of certified tuition credits.**—Upon application, the department shall issue to a purchaser or beneficiary a certified statement of accumulated tuition credits for the payment of all or a portion of a student's tuition for a specific academic year at a designated participating institution. Any participating institution which presents to the department a certified statement of tuition credits for a student accepted for enrollment for a specific academic year shall be paid by the department the lesser of actual tuition for the number of tuition credits used as established by the institution for that academic year or the tuition payment for the academic year calculated as specified in subsection (g).

(g) **Tuition payment.**—Upon presentation of a certified statement of tuition credits by a participating institution or in anticipation thereof, the department shall calculate the tuition payment for the academic year specified. The tuition payment under this section shall consist of the purchase price of each total annual purchase of tuition credits compounded each year from the year of purchase to the year during which such credits are to be utilized, by the average annual net earnings rate of the fund. The compounded values of annual purchases of tuition credits shall be summed in order of date of purchase until sufficient credits for one academic year are obtained.

(h) **Other uses of tuition credits.**—The department shall permit the use of tuition credits for master's degree and other postbaccalaureate programs at participating institutions, after an appropriate conversion. The department and participating institutions also may agree that tuition credits remaining in a tuition account after tuition is paid may be converted into other educa-

tional expense credits to be applied against room, board and other educational expenses. Other educational expense credits shall be determined by an appropriate conversion.

(i) **Course load or credit hours.**—A beneficiary attending a participating institution may apply tuition credits to a specific academic year at the maximum course load or maximum number of credit hours generally permitted to full-time undergraduates at that institution.

(j) **Levy and execution.**—A tuition account shall not be subject to attachment, levy or execution by any creditor of a purchaser or beneficiary.

(k) **Period of participation.**—Notwithstanding any of the provisions of this chapter, the following shall apply:

(1) Except as provided in paragraph (2), a minimum period of four years must elapse between the time the first tuition account contract is entered into on behalf of the beneficiary and the time that tuition credits may be issued and redeemed pursuant to subsection (f).

(2) The board may prescribe an alternative minimum period of time which must elapse between the time the first tuition account contract is entered into on behalf of the beneficiary and the time that tuition credits may be issued and redeemed pursuant to subsection (f).

(l) **Student aid.**—The value of tuition credits shall not be used in calculating personal asset contribution for determining eligibility and need for student loan programs, student grant programs or other student aid programs administered by any agency of the Commonwealth, except as otherwise may be provided by Federal law.

(m) **Residency.**—The purchase payment for tuition credits shall be determined with reference to the residency of the beneficiary at the time of purchase. If the residency of the beneficiary changes, there shall be an appropriate conversion of tuition credits to reflect the differential in tuition caused by the change of residency, if any.

Section 310. Payments on account of tuition shortfalls.

If tuition shortfalls on account of beneficiaries attending a participating institution remain after payments are made to that institution pursuant to section 309(g) and if such tuition shortfalls are not paid on behalf of the department pursuant to section 307(b), the total shortfall with respect to that institution shall be paid from the fund as a separate payment. The amount of shortfall payments shall be considered in determining the actuarial soundness of the fund as provided for in section 306(b)(2).

Section 311. Tuition account payment contracts.

Purchasers buying tuition credits for the use of beneficiaries shall enter into tuition account payment contracts with the department. These contracts shall be in such form as is determined by the department, but shall reflect that the purchase price of tuition credits can be adjusted annually in accordance with sections 306(b)(2) and 309(c)(3).

Section 312. Eligible beneficiaries.

Notwithstanding any other eligibility criteria established by the board, the following shall apply:

(1) In order to be eligible as a beneficiary, a person must be one of the following:

(i) A resident of this Commonwealth at the time the tuition account payment contract is entered into on the person's behalf.

(ii) A nonresident if the tuition account payment contract entered into on the person's behalf is purchased by a resident of this Commonwealth, including any legal entity with its principal place of business located within this Commonwealth.

(2) The purchaser must designate a beneficiary at the time the purchaser enters into a tuition account payment contract.

(3) The purchaser may substitute for the beneficiary a member of the family of the purchaser or initial beneficiary upon approval by the department.

Section 313. Termination and refund.

(a) Inability to attend a participating or nonparticipating institution.—Upon termination of a tuition account, the purchaser or the purchaser's designee shall receive the value of the account under subsection (f) if the account is terminated upon the happening of any of the following:

(1) The death of the beneficiary.

(2) The disability of the beneficiary which, in the opinion of the department, would make attendance by the beneficiary at a participating institution impossible or unreasonably burdensome.

(3) Failure of the beneficiary who, in the opinion of the department, has made a good faith attempt to gain admission to a participating or nonparticipating institution within the time limits imposed by the department.

(b) Decision to attend a nonparticipating institution.—Upon termination of a tuition account as a result of a decision by the beneficiary to attend a nonparticipating institution, the department, at the direction of the purchaser or beneficiary and upon presentation of proof of the beneficiary's acceptance by the nonparticipating institution, shall pay to the institution the tuition for the number of tuition credits purchased calculated at the standard tuition level or at the tuition for a specific participating institution, as designated in the tuition account payment contract, or an amount equal to the value of the account under subsection (f), whichever is less. Payment under this subsection for any one academic year shall not exceed the amount of the beneficiary's tuition or other approved educational expenses for that year.

(c) Decision not to attend a participating or nonparticipating institution.—Upon termination of a tuition account as a result of a decision by the beneficiary not to attend a participating or nonparticipating institution, within time limits determined by the department, the purchaser or the purchaser's designee shall receive 90% of the tuition for the number of tuition credits purchased calculated at the standard tuition level or at the tuition for a specific participating institution, as designated in the tuition account payment contract, or an amount equal to 90% of the value of the account under subsection (f), whichever is less.

(d) Refunds for other reasons.—In circumstances other than those set forth in this section, the department shall, by regulation, provide for refunds up to but not exceeding the amount authorized under subsection (c).

(e) Fees.—The department may impose a fee upon termination of the account for administrative costs and deduct the fee from the amount otherwise payable.

(f) Value of account.—The value of the account shall be calculated by compounding annually each separate payment from the time of payment to the time the account is terminated at the actual annual net earnings rate of the fund.

(g) Taxation of refunds.—In the event of a refund upon the termination of a tuition account, to the extent the amount of the refund exceeds the sum of the payments, it shall be subject to taxation as income under the laws of this Commonwealth, except when the refund is made pursuant to subsection (b).

(h) Change of beneficiary.—The substitution of the beneficiary of an account pursuant to section 312(3) shall not be deemed a termination of the account for purposes of this section.

(i) Scholarship.—If a beneficiary is awarded a scholarship, the terms of which cover the benefits included in tuition account payment contracts purchased on behalf of the beneficiary, the purchaser shall receive a refund consisting of the tuition for the number of tuition credits purchased calculated at the standard tuition level or at the tuition for a specific participating institution, as designated in the tuition account payment contract, or an amount equal to the value of the account under subsection (f), whichever is less. The refund under this subsection for any one academic year shall not exceed the scholarship for that year.

Section 314. Construction.

Nothing in this chapter or in a tuition account payment contract entered into pursuant to this chapter shall be construed as a promise or guarantee by the department that a person will be admitted to an institution of higher education, will be allowed to continue to attend an institution of higher education after having been admitted or will be graduated from an institution of higher education.

Section 315. Exemption from security laws.

Tuition account payment contracts are exempt from any statute regulating securities, including the act of December 5, 1972 (P.L.1280, No.284), known as the Pennsylvania Securities Act of 1972.

Section 316. State tax exemption.

(a) Property of fund.—The property of the fund and its income and operation shall be exempt from all taxation by the Commonwealth and its political subdivisions.

(b) Tuition credits.—The purchase and retention of tuition credits and their use shall not be a transaction subject to income or property taxation by the Commonwealth or any of its political subdivisions.

Section 317. Federal taxation.

The department may take appropriate action in order to obtain a determination from the Internal Revenue Service or the Federal courts as to whether the purchase and retention of tuition credits and their use shall be a transaction which will subject purchasers or the income of the fund to Federal tax-

ation and may respond to such determination in any manner permitted under this chapter.

CHAPTER 5 COLLEGE SAVINGS BONDS

Section 501. Declaration of policy.

The General Assembly finds and declares as follows:

(1) For the benefit of the citizens of this Commonwealth, the conduct and increase of their commerce, the protection and enhancement of their welfare, the development of their continued prosperity and the improvement of their health and living conditions, it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual and mental capacities and skills.

(2) To achieve the ends stated in paragraph (1), it is of the utmost importance that residents of this Commonwealth be provided with investment alternatives to enhance their financial access to institutions of higher education.

(3) Enrollment in institutions of higher education located within this Commonwealth should be encouraged.

Section 502. Definitions.

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

“Agency.” The Pennsylvania Higher Education Assistance Agency.

“Bond.” A certificate or evidence of a debt on which the issuing governmental body promises to pay the bondholders a specified amount of interest for a specified length of time and to repay the loan on the expiration date.

“College savings bonds.” A class of bonds issued by the Commonwealth as zero coupon bonds pursuant to any unissued debt authorization and the provisions of this chapter.

“Institution of higher education.” All public and private colleges and universities located within this Commonwealth, including, but not limited to, State-owned and State-related colleges and universities, member institutions of the State System of Higher Education and community and junior colleges.

“Issuing officials.” The Governor, the Auditor General and the State Treasurer.

“Zero coupon bond.” A bond sold at an initial purchase price below its maturity value which does not entitle its holder to receive periodic payments of interest but whose maturity value is payable in one payment on a fixed date.

Section 503. Issuance and sale of college savings bonds.

(a) General rule.—In order to provide investors with investment alternatives to enhance their financial access to institutions of higher education, and in furtherance of the public policy of this chapter, a portion of the bonds issued should be designated as college savings bonds. Where feasible, the issuing officials shall follow the recommendation of the agency and designate the issue, in whole or in part, as college savings bonds.

(b) Annual recommendation.—The agency shall annually recommend the amount needed to carry out this chapter and shall so notify the issuing officials.

Section 504. Nature of bonds.

Bonds to be issued and sold as college savings bonds shall be designated by the issuing officials as college savings bonds in the proceedings authorizing the issuance of such bonds. College savings bonds may be sold at such prices and in such manner as may be determined by the issuing officials.

Section 505. Sale of college savings bonds.

(a) General rule.—College savings bonds may be sold at competitive or negotiated sale, as directed by the issuing officials, for prices as the issuing officials shall determine. However, a negotiated sale shall be authorized only upon a determination by the issuing officials that a negotiated sale will result in either a more efficient sale of college savings bonds or greater access to the bonds by investors who are residents of this Commonwealth. Prior to the initial sale of the college savings bonds, the issuing officials shall develop a plan that will insure purchasing access to the individual investor as well as equitable geographic availability to all citizens of this Commonwealth.

(b) Subscriptions.—Whether college savings bonds are sold by competitive or negotiated sale, the issuing officials may direct the State Treasurer, the agency, a department or agency under the jurisdiction of the Governor, or may enter into any agreement or agreements with banks, trust companies or other firms capable of performing such duties, to accept subscriptions and payments for the purchase of college savings bonds. At the option of the issuing officials, the subscriptions shall be filled by the college savings bond underwriters, or the issuing officials shall sell bonds to subscribers residing in this Commonwealth at market prices and rates of accretion as the issuing officials shall establish.

(c) Accretion rates.—College savings bonds may bear a fixed or variable accretion rate. To the extent variable rate debt is issued, the issuing officials are empowered to enter into contractual arrangements with third parties, whereby such parties agree to absorb accretion rate risk in exchange for assuming a fixed-rate payment schedule or other consideration pursuant to accretion rate swaps, hedges and other financial devices, in order to reduce accretion rate risk to the Commonwealth. No agreement or arrangement with third parties to absorb accretion rate risk as described in this subsection shall be entered into unless, in the judgment of the State Treasurer, adequate provision has been made to collateralize or otherwise protect the ability of the Commonwealth to realize its interests under the agreement or arrangement consistent with the provisions of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

Section 506. Maximum bonds to be issued.

College savings bonds shall not be issued in any given fiscal year in an aggregate principal amount greater than one-third of the total aggregate principal amount of general obligation bonds projected to be issued by the Commonwealth during that fiscal year or \$100,000,000, whichever is greater. For purposes of calculating the aggregate principal amount of college savings

bonds for purposes of this chapter or for calculating debt within the meaning of any constitutional or statutory limitation on the incurring of debt, the aggregate principal amount of any discount bond shall be the aggregate of the initial offering prices at which such bonds are offered for sale to the public, without reduction for underwriter's discount or other expenses.

Section 507. Bond amortization and maturity.

The issuing officials shall provide for the amortization of debt represented by college savings bonds over the term of the bonds as prescribed by the Constitution for debt to be amortized in substantial and regular amounts. The first amortization shall be due prior to the expiration of a period equal to one-tenth of the term of the debt. For the purposes of this chapter, bonds are amortized in substantial and regular amounts if they mature annually or semiannually and the largest initial principal amount scheduled to mature in any one bond year does not exceed an amount equal to three times the average of the annual initial principal amounts for all other bond years of the college savings bond issue. Within the limits imposed by the Constitution and this chapter, the issuing officials shall establish periodic maturity amounts so as to reasonably meet anticipated demand by individual investors for the various maturities, but in no case shall a college savings bond have a maturity date greater than 20 years following the date of original issue.

Section 508. Financial aid.

No contributions toward the purchase of the first \$25,000 in maturity value of college savings bonds shall be considered in evaluating the financial situation of a student or be deemed a financial resource of or a form of financial aid or assistance to the student for purposes of determining the eligibility of the student for any scholarship, grant or monetary assistance awarded by the agency, the Commonwealth or any agency thereof; nor shall the first \$25,000 in maturity value of college savings bonds provided for a qualified student under this chapter reduce the amount of any scholarship, grant or monetary assistance which the student is entitled to be awarded by the agency, the Commonwealth or any agency thereof as provided by law.

Section 509. Other law.

Except as inconsistent with this chapter, all other provisions of law relating to debt authorization apply to bonds issued under this chapter.

**CHAPTER 7
MISCELLANEOUS PROVISIONS**

Section 701. Effective date.

This act shall take effect immediately.

APPROVED—The 3rd day of April, A. D. 1992.

ROBERT P. CASEY