

FISCAL NOTE

This bill contains a transfer of all unencumbered, unobligated funds in the HATHAWAY STUDENT SCHOLARSHIP RESERVE ACCOUNT (Reserve Account) to the HATHAWAY SCHOLARSHIP EXPENDITURE ACCOUNT (Expenditure Account). The estimated balance of the Reserve Account at the end of FY 2022, to be transferred in FY 2023, is \$25,100,000.

This bill contains a transfer of \$2,000 from the GENERAL FUND to the HATHAWAY STUDENT SCHOLARSHIP ENDOWMENT FUND (Endowment Fund). A transfer of \$1,000 is required in FY 2023 and FY 2024.

The bill repeals the Reserve Account and transfers the funds to the Expenditure Account. The bill establishes a limit of the maximum balance that can be retained in the Expenditure Account at 9 percent of the previous five-year average market value of the Endowment Fund. The Reserve Account, under current law, has a limit of 4.5 percent of the previous five-year average market value of the Endowment Fund. This bill doubles the maximum amount that can currently be retained before any amount is transferred to the Endowment Fund, which is approximately \$28.2 to \$30 million per year through the forecast period.

The bill also provides for the State Treasurer to invest the Expenditure Account into Pool A. The State Treasurer's Office indicates it may invest a portion of the Expenditure Account in Pool A once the balance reaches an appropriate level. Allowing a portion of the Expenditure Account to be invested in Pool A could offset a potential revenue decrease in the form of lower investment earnings from transfers to the Endowment Fund that may occur under current law. The State Treasurer's Office projects the following yields for impacted funds. Yield is defined as the interest and dividend income from the investment.

FUND	FY 2023	FY 2024	FY 2025
Hathaway Endowment Fund	2.45%	2.57%	2.64%
State Agency Pool	1.15%	1.67%	1.70%
Pool A	2.61%	2.76%	2.85%
	FY 2023	FY 2024	FY 2025
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
HATHAWAY SCHOLARSHIP EXPENDITURE ACCOUNT	\$850,000	\$850,000	\$850,000

Source of expenditure increase:

This bill increases the Program's student scholarship awards by approximately 5 percent resulting in an estimated \$850,000 annual expenditure increase from the Expenditure Account beginning FY 2023. The bill also removes the requirement for a student to enroll in at least six semester hours to be awarded a scholarship, which results in an indeterminable fiscal impact.

Assumptions:

The above estimates are based on scholarships awarded in the 2019-20 school year.

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