

FISCAL NOTE

	FY 2027	FY 2028	FY 2029
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase HATHAWAY SCHOLARSHIP EXPENDITURE ACCOUNT	\$14,700,000	\$10,500,000	\$6,000,000

Source of expenditure increase:

This bill will result in expenditure increases from the Hathaway Scholarship Expenditure Account (Expenditure Account) beginning in FY 2027. The estimated expenditure increases in the form of scholarship awards from the Expenditure Account are \$14,700,000, \$10,500,000, and \$6,000,000 in FY 2027, FY 2028, and FY 2029, respectively.

This bill modifies the Hathaway Scholarship Program (Program) beginning July 1, 2026, by providing eligible students with a "lump sum" scholarship award equal to \$3,360 for a Hathaway Provisional Opportunity Scholarship, \$6,720 for a Hathaway Opportunity Scholarship, \$10,080 for a Hathaway Performance Scholarship, and \$13,440 for a Hathaway Honors Scholarship. The lump sum scholarship award is equal to the total available amount over eight semesters.

The Expenditure Account is supplemented by the Hathaway Student Scholarship Reserve Account (Reserve Account) when scholarship awards exceed the realized investment earnings from the Hathaway Student Scholarship Endowment Fund (Endowment Fund) and subsequently deposited into the Expenditure Account. Based on current realized investment earnings revenue forecast, the Reserve Account will supplement the Expenditure Account \$12,100,000, \$8,400,000, and \$4,400,000 in FY 2027, FY 2028, and FY 2029, respectively. The Reserve Account's balance was at the statutory maximum of \$54,877,377 at the end of FY 2025 (greater of \$47,000,000 or 8 percent of the 5-year average market value of the Endowment Fund), and there was a deposit to the Endowment Fund of \$24,602,316. Accounting for the anticipated expenditure increases from the Expenditure Account, the Reserve Account is estimated to decrease to \$32,900,000 at the end of FY 2029.

Assumptions:

It is assumed students receiving scholarship awards under the previous requirements will be paid out in the same manner and students awarded a lump sum amount will expend or obligate those funds entirely in the first year awarded. Under the current Program's requirements, scholarship awards are estimated at \$16,900,000, \$17,300,000, and \$18,000,000 in FY 2027, FY 2028, and FY 2029, respectively. Total Program scholarship awards are estimated to increase to \$31,600,000, \$27,800,000, and \$24,000,000 in FY 2027, FY 2028, and FY 2029, respectively. After FY 2029, total Program scholarship awards are estimated at \$20,200,000 per year, increasing by 2 percent, annually.

This bill modifies or repeals several Program requirements to retain eligibility, resulting in interminable expenditure increases. The repealed or modified requirements include satisfactory academic progress, enrollment in at least six semester hours per semester, continuous enrollment for not less than two semesters in each successive academic year, minimum grade point average, and the ability for

the Hathaway Provisional Opportunity Scholarship to be extended an additional four semesters. There may also be an indeterminable expenditure increase from increased utilization of the Program as a result of the changes in this bill. Estimated scholarship awards under this bill assumes a similar number of scholarships awarded currently.

Forecast revenues from the Endowment Fund deposited into the Expenditure Account assume the interest and dividends forecast by the State Treasurer's Office in the Consensus Revenue Estimating Group's (CREG) October 2025 Revenue Forecast. While CREG does not forecast realized capital gains or losses, actual realized investment earnings, including capital gains, from the Endowment Fund deposited into the Expenditure Account have not met actual Program scholarship awards in only three years since the Program began in FY 2007. The remaining years, actual realized investment earnings, including capital gains, have exceeded Program scholarship awards from the Expenditure Account. From FY 2007 to 2025, actual realized investment earnings, including capital gains, from the Endowment Fund averaged \$25,000,000 per year.

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