Decision

Matter of: Harry S. Truman Scholarship Foundation—Availability of Trust Fund’s Interest and Earnings

File: B-320543

Date: November 12, 2010

DIGEST

The Harry S. Truman Scholarship Foundation may obligate and expend the accumulated interest and earnings in its Scholarship Trust Fund in fiscal years subsequent to the fiscal year in which earned. The Harry S. Truman Memorial Scholarship Act authorizes the Secretary of the Treasury to pay to the Foundation from the interest and earnings of the Fund such sums as the Foundation’s Board of Trustees determines are necessary and appropriate to enable the Foundation to carry out its purposes. 20 U.S.C. § 2010(a). Nothing in the Act limits the availability of these funds to the fiscal year earned.

DECISION

This responds to a request for a decision from the Executive Secretary and Chief Executive Officer of the Harry S. Truman Scholarship Foundation (Foundation) on whether the accumulated interest and earnings from the Foundation’s investments are available for obligation and expenditure in fiscal years subsequent to the fiscal year in which earned. Letter from the Executive Secretary and Chief Executive Officer, Foundation, to Acting Comptroller General, GAO, Aug. 26, 2010 (Request Letter). For the reasons stated below, we have no objection to the Foundation obligating interest and earnings accumulated in its Trust Fund without regard to the fiscal year in which earned.

Our practice when issuing decisions is to obtain the views of the relevant agency to establish a factual record and to establish the agency’s legal position on the subject matter of the request. GAO, Procedures and Practices for Legal Decisions and Opinions, GAO-06-1064SP (Washington, D.C.: Sept. 2006), available at www.gao.gov/legal/resources.html. The Executive Secretary and Chief Executive Officer included the relevant factual material and the Foundation’s legal views in his request for a decision and in subsequent telephone conversations with GAO.
BACKGROUND


The Foundation finances its scholarships and pays its operating expenses from the interest and earnings of a trust fund in the U.S. Treasury, the Harry S. Truman Memorial Scholarship Trust Fund (Trust Fund). 20 U.S.C. §§ 2009, 2010(a). The Secretary of the Treasury invests amounts appropriated to the Trust Fund in interest bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States. 20 U.S.C. § 2009(b). The Foundation then uses the interest and earnings from the sale or redemption of these obligations to carry out its purposes. 20 U.S.C. § 2010(a). Congress appropriated $10,000,000 in 1975 and $20,000,000 in 1976 into the Trust Fund.\(^1\)

The Foundation has always paid its operating expenses from the interest earned by the securities purchased by the Fund. Request Letter. According to the Foundation, because of double-digit interest and extremely high yields on Treasury securities in the first two decades of the Foundation’s existence, the Trust Fund accumulated approximately $24 million more than what was needed to finance the program in interest earnings. Id. Recently, however, the fund’s earnings on its investments have declined because of the significant downturn in Treasury securities interest rates.\(^2\) In response to this decline, the Foundation reported that it has reduced its spending by 29 percent since 2002. Id. Congress also appropriated $500,000 in March 2009 and $660,000 in December 2009 for salaries and expenses to remain available until expended. Omnibus Appropriations Act, 2009, Pub. L. 111-8, 123 Stat. 524, 665 (Mar. 11, 2009); Consolidated Appropriations Act, 2010, Pub. L. 111-117, 123 Stat. 3034, 3192, (Dec. 16, 2009). Id.

In the past, the Foundation has covered each fiscal year’s operating expenses from both that year’s earnings, as well as past earnings. At the beginning of the fiscal year,


\(^2\) The Foundation has indicated that it has experienced a 33 percent decline in fiscal year interest and earnings from the trust fund since 2002. Request Letter.
it uses the previous year’s earnings to pay expenditures it makes from October 1 through February 15 each year. Request Letter. It does this because the Treasury securities that the Foundation owns pay interest and earnings only on February 15 and on August 15. The Foundation uses interest and earnings from the August 15 Treasury securities payout date to pay all expenditures from October 1, the beginning of the fiscal year, through February 15 even though the interest and earnings were paid to the fund in the previous fiscal year. If it did not do so, the Foundation reported that it would have no funds to operate from October 1 until it received another payout on February 15.

The Foundation asks whether the interest and earnings from the Foundation’s investments are available for obligation and expenditure in fiscal years subsequent to the fiscal year in which earned, including amounts accumulated since 1976.

DISCUSSION

This case presents a question of statutory construction. Under the plain meaning rule, we look to the language of a statute to understand how to apply the statute. Robinson v. Shell Oil Co., 519 U.S. 337 (1997). Here, the Act provides, “The Secretary [of Treasury] is authorized to pay to the Foundation from the interest and earnings of the Fund such sums as the board determines are necessary and appropriate to enable the Foundation to carry out the purposes of the act.” 20 U.S.C. § 2010. The plain language of the Act indicates that the availability of the Fund’s interest and earnings is not restricted to the fiscal year in which such funds are earned. Rather, the Fund, both interest and earnings, is available for obligation any time that the board determines is “necessary and appropriate” to enable the Foundation to carry out its purposes. Accordingly, the Foundation may obligate accrued interest and earnings at any time it deems necessary in accordance with the Act.

The recent appropriations to the Foundation are consistent with this conclusion. There is no language in any of the subsequently enacted appropriations acts, cited above, that restricts the time in which Trust Fund earnings or interest may be obligated.

The Foundation asks whether section 2009(d) requires that interest and earnings once made are to be directly incorporated into the Fund only to be invested and never distributed to the Foundation generally or at any time following the fiscal year in which earned. Section 2009(d) reads, “The interest on, and the proceeds from the sale or redemption of, any [investments] held in the fund shall be credited to and form a part of the fund.” We read this section in conjunction with section 2010. It states, as discussed above, that the earnings or interest are available to the Foundation whenever the Board determines the funds are “necessary and appropriate” for the Foundation to carry out its responsibilities under the Act. To read section 2009(d) as literally as the question suggests would clearly thwart the Act’s essential purpose—awarding scholarships using interest or earnings to fund the program. We are unwilling to read the statute so literally as to result in absurd consequences. See Church of the Holy Trinity v. United States, 143 U.S. 457 (1892);

CONCLUSION

In our view, the Harry S. Truman Scholarship Foundation may obligate and expend the accumulated interest and earnings in its Scholarship Trust Fund in fiscal years subsequent to the fiscal year in which they are earned through Fund investments. We have no objection to the Foundation’s practice of using the interest and earnings to pay its expenditures regardless of the year earned.

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