

FISCAL RESEARCH CENTER

AN ANALYSIS OF THE FINANCING OF HIGHER EDUCATION IN GEORGIA

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An Analysis of the Financing of Higher Education in Georgia

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An Analysis of the Financing of Higher Education in Georgia

I. Introduction

This report addresses the issue of the financing of higher education in Georgia. According to the Southern Regional Education Board (SREB)¹ 2005 fact book, state appropriations in Georgia to public two-year and four-year colleges and universities have increased by 7 percent and 1 percent respectively between 2001 and 2004. The equivalent figures in the SREB region were 9 percent and 1 percent respectively. However, the growth in state appropriations has been largely outpaced by the growth in tuition and fees revenues, making the latter the largest source of new funds to postsecondary institutions in Georgia. For example, in Georgia public four-year colleges and universities tuition and fees revenues increased by \$13.50 for every dollar increase in state appropriations between 2001 and 2004; in public two-year colleges, the ratio was 2.40 to 1 during the same period. Furthermore based on *Measuring Up* (National Center for Public Policy and Higher Education 2006), the state of Georgia received an “F” letter grade on affordability² compared to its performance in 1992 despite the significant amount invested in HOPE (Helping Outstanding Pupils Educationally) scholarships; meaning that, compared with best-performing states, families in Georgia devote a fairly large share of their income, even after financial aid, to attend postsecondary institutions.

The main focus of this report is on the financing of the higher education system of Georgia. In particular, the report compares financing in Georgia with other states and examines how financing affects the student population in terms of performance, and retention rates. This report begins with an overview of the institutional environment of the higher education system in Georgia. Section III presents a snapshot of some trends in the Georgia higher education system, while Sections IV and V analyze the primary sources of financing of higher education. In Section VI, we look at on some of the main issues facing the higher education system

¹ SREB's 16 member states are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

² The affordability measure examine whether students and families in Georgia can afford to pay for higher education, given income, financial aid, and the type of colleges and universities (*Measuring Up* 2006).

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of Georgia and examine how the state of Georgia is dealing with them. Finally, Section VII concludes the report.

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II. Institutional Environment of Higher Education in Georgia: Overview

The higher education system in Georgia consists of two principal types of postsecondary institutions:

- Public postsecondary institutions regulated by the University System of Georgia (hereafter USG) and by the Department of Technical and Adult Education (hereafter DTAE).
- Private postsecondary institutions administered by the Georgia Nonpublic Postsecondary Education Commission (NPEC).³

1. The University System of Georgia (USG)

The USG is composed of 35 colleges and universities offering a variety of academic programming, including certificates, associate's, baccalaureate's, master's, doctoral and professional degrees. They are in general classified into the following categories: 4 Research Universities, 2 Regional Universities, 13 State Universities, 7 State Colleges, and 9 Two-year Colleges (see Table 1 below).

The USG is governed and managed by a Board of Regents created in 1931 and composed of 18 members appointed by the Governor among whom 5 are appointed from the state-at-large and 13 come from each of the congressional districts. The Board elects a chancellor who serves as its chief executive officer and the chief administrative officer of the University System. The term of each regent is seven years.

³ Website: <http://www.gnpec.org>.

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TABLE 1: POSTSECONDARY INSTITUTIONS IN THE USG

Research Universities	Regional Universities
Georgia Institute of Technology	Georgia Southern University
Georgia State University	Valdosta State University
Medical College of Georgia	
University of Georgia	
	State Colleges
State Universities	Abraham Baldwin Agricultural College
Albany State University	Dalton State College
Armstrong Atlantic State University	Gainesville State College
Augusta State University	Georgia Gwinnett College
Clayton State University	Gordon College
Columbus State University	Macon State College
Fort Valley State University	Middle Georgia College
Georgia College & State University	
Georgia Southwestern State University	Two-Year Colleges
Kennesaw State University	Atlanta Metropolitan College
North Georgia College & State University	Bainbridge College
Savannah State University	Coastal Georgia Community College
Southern Polytechnic State University	Darton College
University of West Georgia	East Georgia College
	Georgia Highlands College
Independent Research Unit	Georgia Perimeter College
Skidaway Institute of Oceanography	South Georgia College
	Waycross College

Source: USG.edu.

2. The Department of Technical and Adult Education (DTAE)

The DTAE administers Georgia’s system of technical colleges. It encompasses 34 technical colleges (see Table 2 below), the economic development programs, and the adult literacy education programs. The DTAE offers a variety of associate degree and diploma programs. The DTAE is governed by the State Board of Technical and Adult Education which establish standards and policies and regulate the management of the public postsecondary technical and adult education. The State Board members are appointed by the Governor and confirmed by the Senate for five-year terms, 13 from each of the congressional districts and 9 members at-large. The Board appoints a Commissioner who the Chief Executive Officer of the DTAE and exercises overall supervision and direction of the Department.

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TABLE 2: GEORGIA'S SYSTEM OF TECHNICAL COLLEGES

Albany Technical College	Lanier Technical College
Altamaha Technical College	Middle Georgia Technical College
Appalachian Technical College	Moultrie Technical College
Athens Technical College	North Georgia Technical College
Atlanta Technical College	North Metro Technical College
Augusta Technical College	Northwestern Technical College
Central Georgia Technical College	Ogeechee Technical College
Chattahoochee Technical College	Okefenokee Technical College
Columbus Technical College	Sandersville Technical College
Coosa Valley Technical College	Savannah Technical College
DeKalb Technical College	South Georgia Technical College
East Central Technical College	Southeastern Technical College
Flint River Technical College	Southwest Georgia Technical College
Georgia Aviation Technical College	Swainsboro Technical College
Griffin Technical College	Valdosta Technical College
Gwinnett Technical College	West Central Technical College
Heart of Georgia Technical College	West Georgia Technical College

Source: DTAE.org.

3. Private Postsecondary Institutions

Private postsecondary institutions also play an important role in the higher education environment in Georgia and are not under the tutelage of the USG. There is a great variety of private postsecondary institutions in Georgia, from small religious colleges and women's colleges to institutions like Emory and Mercer, which are major research universities.⁴ Emory University, ranked 18th in the list of America's best colleges in 2007 is the highest ranked private school in Georgia (US News & World Report 2007). There are different types of private institutions in Georgia: private independent non-profit postsecondary institutions which are accredited or hold candidate status for accreditation by the Southern Association of Colleges and Schools; private proprietary (for-profit) postsecondary institutions accredited by regional accrediting agencies recognized by the United States Department of Education; and some private colleges and universities which are reviewed and approved for operation by the Georgia Nonpublic Postsecondary Education Commission (NPEC) created in 1990. However, traditional private colleges and universities, occupational schools and educational institutions, such as cosmetology, nursing, barbering, and real estate are, in general, exempt from NPEC regulations. The NPEC board is composed of 14 members appointed by the governor, 13 from

⁴ For an exhaustive list of Georgia's private colleges and universities, visit <http://gacollege411.org>.

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each congressional districts and 1 appointed at-large. Each member serves a term of three years.

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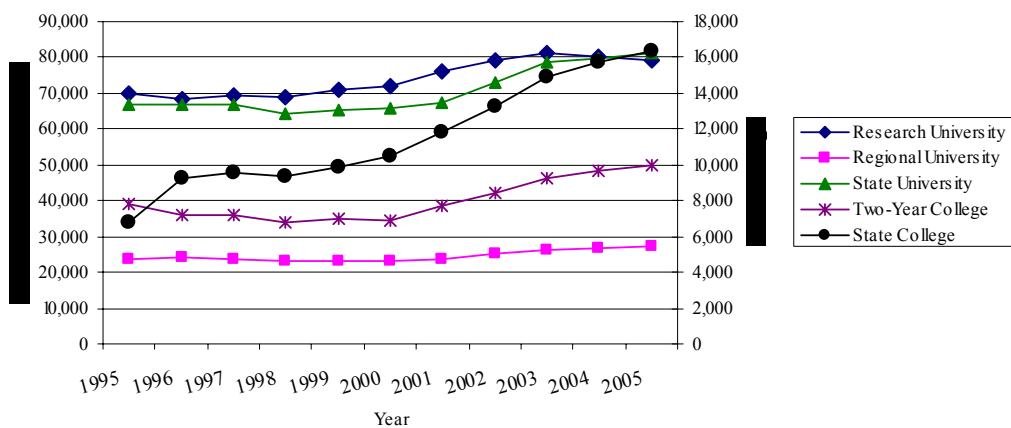
III. A Snapshot of the Higher Education System in Georgia

This section presents a synopsis of some academic and financial aspects of the higher education in Georgia such as enrollments, state appropriations, and residence and migration.

1. Enrollments

Over the last decade (1995-2005), headcount enrollments in the University System of Georgia increased by 22.8 percent. State colleges experienced the fastest growth, with an increase in fall enrollments of 140.1 percent between 1995 and 2005 (USG 2005a). Figure 1 below shows the trends in headcount enrollments between 1995 and 2005 for the five types of postsecondary institutions within the USG. Interestingly, the overall USG headcount enrollment growth from 1995 to 2005 was almost similar to the population growth in Georgia over the same period. In fact, from 1995 to 2005 the total population in Georgia increased by 26.2 percent and is projected to increase by 12.8 percent between 2005 and 2015 (SREB 2005, Table 1).

FIGURE 1. USG, HEACOUNT ENROLLMENT (FALL 1996-2005)



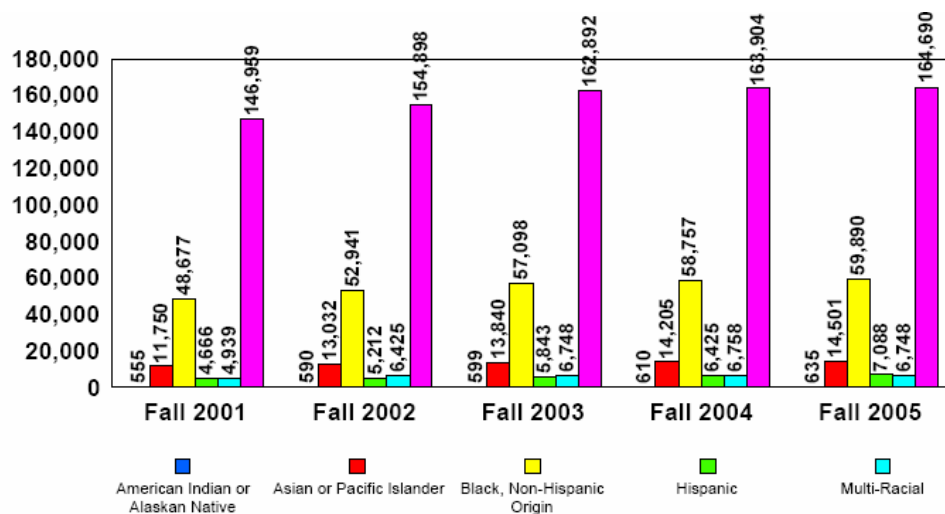
Source: USG, Office of Strategic Research and Analysis (2005a).

In fall 2005, the University System of Georgia enrolled 253,552 students among which 64.95 percent were white, 23.62 percent were black, 2.8 percent Hispanic, 5.72 percent Asian or Pacific Islander; and the other represented 2.91 percent. Compared to fall 2001, fall 2005 headcount enrollment among whites has

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increased by 12 percent, while enrollment among blacks and Hispanics has increased by 23 percent and 52 percent respectively (see Figure 2 below). Considering the entire Georgia higher education system, the total enrollment in fall 2004 was 434,283 students representing a 40.7 percent increase from 1994 to 2004. In the U.S. and in the SREB states, total enrollment in higher education increased by 21.3 percent and 26.1 percent respectively during the same period. Female enrollments between 1994 and 2004 rose by 49 percent in Georgia, 31.5 percent in the SREB region and 25.3 percent in the U.S. On the other hand, male enrollments in the same period increased by 30.1 percent in Georgia, 19.2 percent in the SREB region and 16.3 percent in the U.S. (SREB 2005, Tables 22, 25 and 26).

FIGURE 2. USG, ENROLLMENT BY RACE/ETHNICITY (FALL 2001-2005)⁵



Source: USG, Student Information Reporting System.

⁵ In Figure 2, the bars from left to right represent the following race/ethnicity: (1) American Indian or Alaskan Native, (2) Asian or Pacific Islander, (3) Black, Non-Hispanic Origin, (4) Hispanic, (5) Multi-Racial, and (6) White, Non-Hispanic Origin.

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2. Residence and Migration

In fall 2004, of the total number of first-time freshmen enrolled in degree-granting institutions located in Georgia, 83.3 percent were Georgia residents. Similarly, of the total number of first-time freshmen attending college in the SREB region in fall 2004, 82.7 percent were from the Southern states. As for the entire U.S., 81.1 percent of all first-time freshmen attending college in the U.S. in fall 2004 were Americans.

During the same year, there were more freshmen students entering the state of Georgia (13,886)⁶ to attend college than freshmen students leaving the state to attend college (10,949); resulting in a net gain of 2,937 freshmen students in the state of Georgia. In the SREB region, the net gain was 2,949 freshmen students and for the U.S. in general, the net gain was 54,432 freshmen students⁷ (NCES 2005, Table 202).

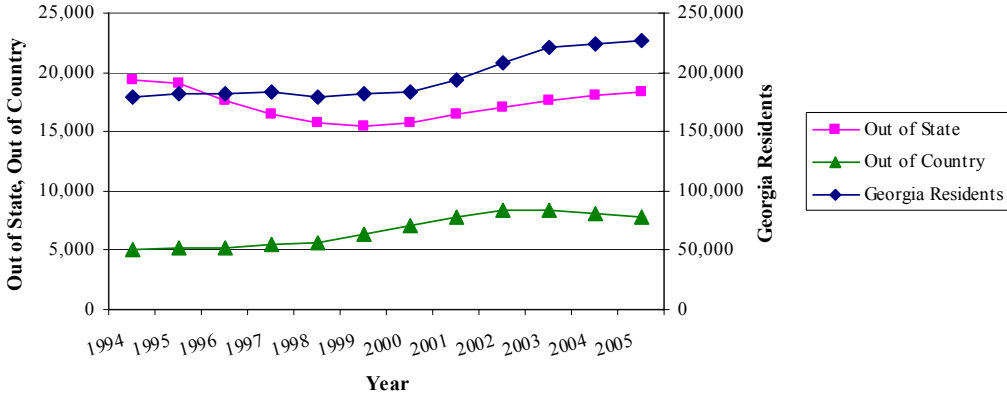
In fall 2005, 89.7 percent of students enrolled in the USG came from Georgia, 7.2 percent from out-of-state and 3.1 percent were non U.S. citizens, mostly from India, South Korea, China, and Nigeria. Based on these relative enrollments, we could conclude that, overall, Georgia is educating is “own” (USG, Office of Strategic Research & Analysis 2005a, 2005b). Between fall 2001 (9/11 attacks) and fall 2005, out-of-country enrollment increased by 0.62 percent and in fall 2005, there were 7,818 alien non-residents students enrolled in the USG (see Figure 3 below).

⁶ This number includes students coming from foreign countries and other states.

⁷ The net gain for the United States is the number of first-time college students coming to U.S. colleges from foreign countries and territories, such as Puerto Rico. The net gain for the SREB region is that of the median SREB state. It is not a count of net migration into and out of the region.

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FIGURE 3. SEMESTER ENROLLMENT BY TYPE OF RESIDENCY (FALL 1994-2005)



Source: USG, Office of Strategic Research and Analysis (2005a).

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IV. Financing Georgia's Postsecondary Institutions

In this section, we explore the most important sources of funding of Georgia's institutions of higher education. Postsecondary institutions' educational and general budgets generally stem from three principal sources: federal funding, state appropriations, and tuition and fees revenues. The USG educational and general revenue budget was around \$4 billion in fiscal year 2004 and \$4.2 billion in fiscal year 2005 (USG 2004).

1. Federal Funding

Federal participation in educational and general budgets of postsecondary institutions essentially comes in the form of appropriations, unrestricted and restricted grants and contracts (excluding Pell grants), and revenues associated with major federally funded research and development centers (FFRD). In 2002-03, Emory University, Georgia Institute of Technology, and University of Georgia received from the federal government,⁸ current-fund revenues that amounted to \$265,558,000, \$223,163,000, and \$122,073,000 respectively. The 120 degree-granting institutions receiving the largest amounts received in total \$29,960,593,000 that same year, while all degree-granting institutions in the U.S. received \$40,611,245,000 (NCES 2005, Table 338). Table 3 below provides a detail of the federal grants and contracts to Georgia State University from 1999 to 2006.

TABLE 3. FEDERAL GRANTS & CONTRACTS TO GSU (\$ IN THOUSANDS) FY99-FY06

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Total Grants & Contracts [‡]	\$14,889	\$15,710	\$18,120	\$21,306	\$20,330	\$25,241	\$24,800	\$24,443

[‡]Includes Research, Public Service, Instruction plus academic support funds.
Source: Office of the Vice President for Research, GSU.

⁸ Revenue from the federal government includes federal appropriations, unrestricted and restricted federal contracts and grants, and revenue for independent operations. Independent operations generally include only the revenues associated with major federally funded research and development centers. It excludes Pell Grants. Federally supported student aid that is received through students is excluded.

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Federal appropriations to postsecondary institutions often take two forms: individual earmarks and shared earmarks.⁹ In 2003, federal appropriations earmarked for higher education and to individual institutions amounted to \$35 million in Georgia, \$746 million in the SREB region, and \$1.8 billion in the U.S. as a whole. Earmarks shared among institutions during the same year amounted to around \$11 million in Georgia, \$243 million in the SREB region, and \$535 million in the U.S. In particular, Georgia State University received in 2003 individual earmarks from the following federal agencies: a) agriculture (\$414,000) for “research to promote better management of water supplies for agricultural and urban uses in areas where demand for groundwater is growing”, b) health and human services (\$393,426) to “design a laboratory building for science teaching and research,” c) and justice (\$1,500,000) for “the Great Cities' Universities Coalition to gather and analyze data on criminal justice” (SREB 2005, Table 91).

2. State Appropriations versus Tuition and Fees Revenues

There are three state appropriations for higher education in Georgia: one for the University System of Georgia, one for the Department of Technical and Adult Education, and one for the Georgia Student Finance Commission (GSFC). Money set aside for the GSFC comes from the Georgia lottery and is allocated to the HOPE scholarship and other scholarship programs (Bracco 1997). The University System and the Department of Technical and Adult Education both operate under a formula funding system.

The University System Funding Formula

The state appropriations for the USG consist of two parts: a formula driven instructional budget which represents 90-95 percent of the state appropriations to the USG; and a non-formula budget set aside to fund special initiatives and which goes directly to postsecondary institutions (Bracco 1997).

⁹ Earmarks are appropriations that members of Congress give for specific projects (defense, agriculture, transportation, health and human services...) involving academic institutions. See <http://chronicle.com/stats/pork>.

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The formula funding system was developed in 1982 and first implemented in 1984. It is used to request funds from the state and to appropriate state funds in a lump sum back to the Board of Regents. It is important to note that the formula is not used to allocate state funds to individual postsecondary institutions. In order to determine the Resident Instruction funding needs, the formula is based on total instruction expenditures and research. It also includes variables such academic support, student services and institutional support, operation and maintenance of plant; fringe benefits, public service and community education; and technology enhancement program. *The total state appropriations request* is equal to the total expenditures generated by the above-cited variables less the revenue from student tuition and fees and other institutional revenues. Student tuition and fees are generally set at 25 percent of the total formula requirement for instructional, academic services and student services support. Hence, tuition and fees are in theory linked to the level of state funding, with the state providing 75 percent of the University System's instructional budget while tuition covers the remaining 25 percent (USG 1982). In practice however, the tuition and fees often cover more than 25 percent of the total formula requirement. For instance, in 2004-05, state appropriations represented 63 percent of total funding while tuition and fees revenues covered the remaining 37 percent in public four-year colleges in Georgia. The equivalent figures were 66 percent and 34 percent in public two-year colleges in Georgia during the same year.

The Department of Technical and Adult Education Funding Formula

The current funding formula for the DTAE was developed by the Governor's Education Reform Study Commission's Funding Committee of 1999. It was first enacted in the 2000 Legislative Session through HB 1187. The formula currently includes four variables: personal services derived from the instructional costs of the technical colleges, operating expenses, minor repair and renovations, and replacement of obsolete equipment.

However, the current funding formula is being phased out. The DTAE created a workgroup to revised the current formula and develop recommendations for a new funding formula. The inadequacy of the current funding formula resides in the fact that it does not have an equalization or base funding adjustment process in place like

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many other state systems. In fact, before being part of the DTAE in 1988, 26 colleges existed as locally-operated campuses. They were run by the local county board of education and funded at various levels across the state depending on each county millage rate and on the maintenance/operating funds it allocated to its college. Once the technical colleges were integrated into the DTAE, several other factors affected the base allocation of each college: amount of conversion dollars; new positions allocated for that college; allocation for new facilities funded by the General Assembly; distribution of formula dollars over the last four years; and reductions due to austerity cuts. These factors contributed to the 34 colleges having widely differing levels of base funding. Considerable progress has been made towards the creation of a new funding formula; however, there is still some work to be done before the new formula is recommended (DTAE 2006).

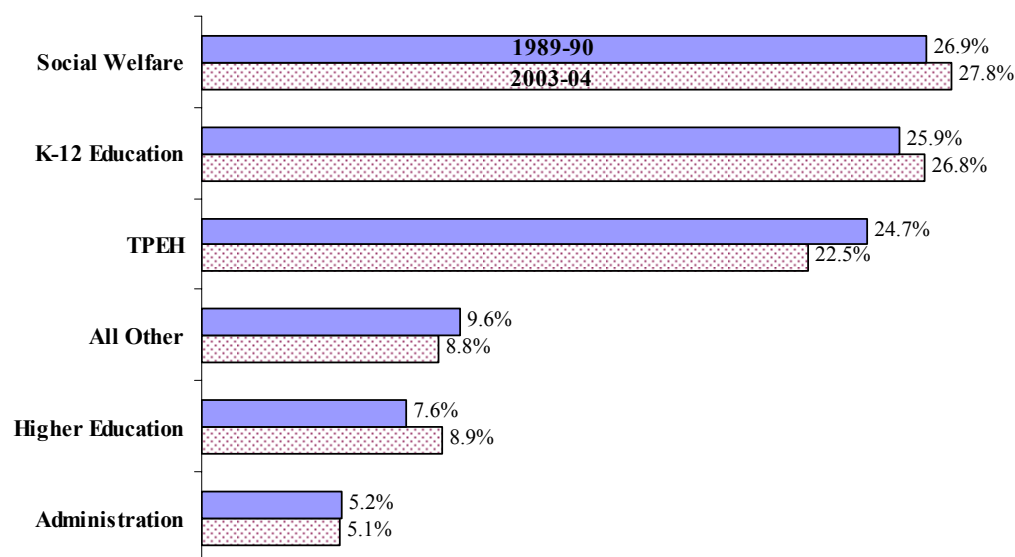
An Overview of State Appropriations and Tuition and Fees Revenues in Georgia

Between 1989-90 and 2003-04, the share of state and local expenditures devoted to higher education in Georgia has slightly increased from 7.6 percent of total general expenditures in 1989-90 to 8.9 percent of total general expenditures in 2003-04.¹⁰ In the SREB region, higher education expenditures averaged 9.8 percent of the region's total general expenditures in 1989-90 and 10.1 percent in 2003-04. During this period, the state budget priorities, in terms of the relative level of expenditures, were mostly on social welfare, elementary and secondary education; and also on transportation, public safety, environment and housing. Elementary and secondary education expenditures represented 26.8 percent of state and local total general expenditures in 2003-04 (see Figure 4).

¹⁰ Total General Expenditures = Direct General + Intergovernmental Transfers.

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FIGURE 4. STATE AND LOCAL BUDGET PRIORITIES IN GEORGIA (IN % OF TOTAL GENERAL EXPENDITURES)



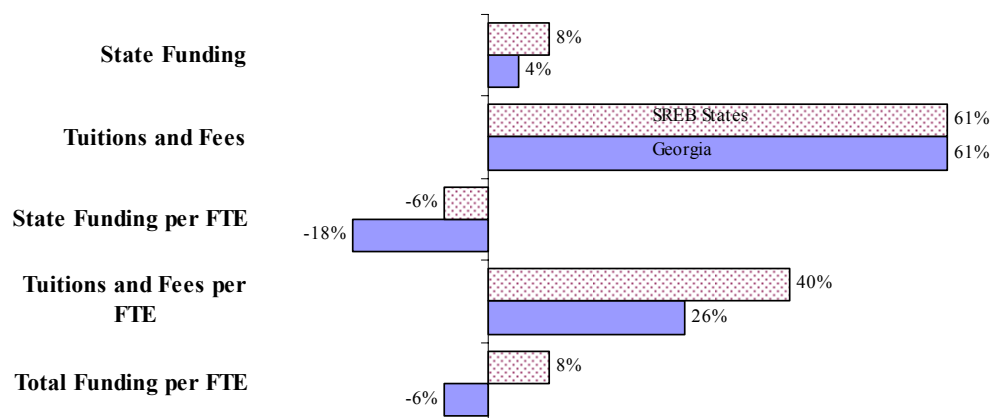
Source: SREB-State data exchange, Table 16. “TPEH” refers to Transportation, Public Safety, Environment and Housing. “All other” refers to Intergovernmental, Interest on General Debt, Miscellaneous, Commercial Activities, Other and Unallocable.

Throughout the past five years (2000-2005), the state appropriations to public four-year and two-year colleges and universities have increased by 4 percent in Georgia compared to 8 percent in the SREB states. However, during that period, higher education enrollments have largely outpaced the growth in state appropriations, resulting in a decrease in state funding per Full-Time-Equivalent (FTE) student.¹¹ For instance, between 2000-01 and 2004-05, the state appropriations to public four-year and two-year postsecondary institutions per FTE student decreased by 18 percent in Georgia compared to a 6 percent decrease in the SREB states (see Figure 5). Moreover, state appropriations for public higher education increased at lower rates than tuition and fees revenues from 2000-01 to 2004-05. Tuition and fees revenues grew by 61 percent in Georgia during that time, far

¹¹ Full-time-equivalent (FTE) enrollments are calculated according to the following procedures: first, undergraduate credit-hour FTE equals estimated annual undergraduate credit-hours divided by 30 for semester systems or 45 for quarter systems; and second, graduate FTE (including law students) equals estimated annual graduate credit-hours divided by 24 for semester systems or 36 for quarter systems. Undergraduate and graduate FTE are added together to derive the total (USG 2004, *enrollment*).

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FIGURE 5. FUNDING CHANGES IN PUBLIC FOUR-YEAR AND TWO-YEAR COLLEGES AND UNIVERSITIES (TOTAL % CHANGE FROM 2000-01 TO 2004-05)



Source: SREB-State data exchange, Tables 75, 76, and 77.

outpacing the 4 percent rate of increase in state appropriations. Overall, when enrollment growth is taken into account, per-student total funding for higher education declined by 6 percent in Georgia while rising by 8 percent in the SREB region.

In 2004-05, the median annual tuition and required fees for full time in-state undergraduate students at public four-year institutions in Georgia stood at \$2,906, an increase of 28.7 percent from 1994-95 to 2004-05, after adjusting for inflation (Table 4 below shows the annual percentage change in median annual tuition and fees for public two-year, four-year, and technical colleges and universities, not adjusted for inflation). However, this growth in tuition and fees represented one of the lowest rates of increase in the SREB region,¹² where the median annual tuition and required fees stood at \$4,043 in 2004-05; representing a 74.4 percent increase since 1994-95 after adjusting for inflation. For instance, in Texas, Tennessee, and Arkansas, the median annual tuition and fees for full time in-state undergraduate students at public four-year institutions increased by 102.1 percent, 92.6 percent, and 87.1 percent respectively from 1994-95 to 2004-05 after adjusting for inflation; however the corresponding percentage change adjusted for inflation was only 7.1 percent in

¹² Cornwell and Mustard (2006, 11) argued that the increase in real in-state tuition in public four-year colleges was much lower than in the SREB states because of the introduction of the HOPE program in 1993.

TABLE 4: MEDIAN ANNUAL UNDERGRADUATE TUITION AND REQUIRED FEES FOR FULL-TIME STUDENTS (ANNUAL % CHANGE FROM 1992-93 TO 2004-05, NOT ADJUSTED FOR INFLATION)

	-----All Four-Year, In-State-----												
	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
United States median	2,076	2,235	2,402	2,523	2,601	2,850	2,929	3,067	3,206	3,407	3,728	4,199	4,579
<i>% Change</i>		7.66	7.47	5.04	3.09	9.57	2.77	4.71	4.53	6.27	9.41	12.65	9.05
SREB states median	1,649	1,770	1,833	1,958	2,067	2,210	2,372	2,533	2,700	2,965	3,253	3,660	4,043
<i>% Change</i>		7.34	3.56	6.82	5.57	6.92	7.33	6.79	6.59	9.81	9.71	12.51	10.46
Georgia	1,686	1,730	1,785	1,884	2,004	2,124	2,212	2,296	2,410	2,478	2,576	2,784	2,906
<i>% Change</i>		2.61	3.18	5.55	6.37	5.99	4.14	3.80	4.97	2.82	3.95	8.07	4.38
	-----All Two-Year, In-State-----												
United States median	1,049	1,125	1,316	1,267	1,420	1,445	1,605	1,582	1,710	1,743	1,952	2,174	2,010
<i>% Change</i>		7.24	16.98	(3.72)	12.08	1.76	11.07	(1.43)	8.09	1.93	11.96	11.40	(7.54)
SREB states median	900	848	976	1,000	1,060	1,100	1,140	1,159	1,260	1,420	1,488	1,680	1,785
<i>% Change</i>		(5.78)	15.09	2.46	6.00	3.77	3.64	1.67	8.71	12.70	4.79	12.90	6.25
Georgia	1,092	1,134	1,164	1,128	1,188	1,275	1,312	1,366	1,474	1,450	1,522	1,582	1,656
<i>% Change</i>		3.85	2.65	(3.09)	5.32	7.32	2.90	4.12	7.91	(1.63)	4.97	3.94	4.68
	-----All Technical Institutes or Colleges, In-State-----												
United States median	1,000	647	1,300	840	792	861	1,100	1,068	1,422	1,510	1,785	1,863	1,575
<i>% Change</i>		(35.30)	100.93	(35.38)	(5.71)	8.71	27.76	(2.91)	33.15	6.19	18.21	4.37	(15.46)
SREB states median	554	576	420	786	448	858	894	877	960	1,038	1,083	1,110	1,146
<i>% Change</i>		3.97	(27.08)	87.14	(43.00)	91.52	4.20	(1.90)	9.46	8.13	4.34	2.49	3.24
Georgia	556	602	657	816	846	861	866	946	994	1,032	1,068	1,110	1,146
<i>% Change</i>		8.27	9.14	24.20	3.68	1.77	0.58	9.24	5.07	3.82	3.49	3.93	3.24

Note: The medians for the United States and SREB states are the middle values of all institutions by type. The medians for each state are the middle values of the institutions by type in that state. Numbers in parenthesis are negative.

Source: SREB-State data exchange, Table 51

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Virginia. In the U.S. real median annual tuition and fees at public four-year colleges rose by 50.7 percent between 1994-95 and 2004-05 (SREB 2005, Table 51).

As regards to full time out-of-state undergraduate students in public four-year colleges and universities in Georgia, the median annual tuition and required fees were \$9,874 in 2004-05; representing a 68.7 percentage change adjusted for inflation between 1994-95 and 2004-05. This growth in out-of-state tuition in Georgia surpassed the 62.2 percentage change adjusted for inflation in the SREB region during the same period (SREB 2005, Table 51).

This increase in tuition and required fees and the increase in the costs of college in general appear to have placed a substantial financial burden on low- and middle-income families in Georgia. In 2006, net college costs¹³ for low- and middle-income students to attend public two- or four-year colleges and universities in Georgia represented about one-third of their annual family income, even when the HOPE scholarship and other financial aid were taken into account. According to *Measuring Up* (2006), low- and middle-income families earn on average \$21,196 annually (see Table 5 below).

TABLE 5. FAMILY ABILITY TO PAY IN GEORGIA

A CLOSER LOOK AT FAMILY ABILITY TO PAY	Average family income	Community colleges		Public 4-year colleges/universities		Private 4-year colleges/universities	
		Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost
Income groups used to calculate 2006 family ability to pay							
20% of the population with the lowest income	\$13,387	\$6,576	49%	\$7,026	52%	\$21,876	163%
20% of the population with lower-middle income	\$29,004	\$7,051	24%	\$7,538	26%	\$21,790	75%
20% of the population with middle income	\$45,504	\$7,560	17%	\$8,438	19%	\$21,824	48%
20% of the population with upper-middle income	\$69,066	\$7,679	11%	\$8,130	12%	\$21,583	31%
20% of the population with the highest income	\$112,484	\$7,733	7%	\$8,104	7%	\$21,892	19%
40% of the population with the lowest income	\$21,196	\$6,813	32%	\$7,282	34%	\$21,828	103%

Note: This study used the Median Family Income by Quintile from the U.S Bureau of the Census.
Source: *Measuring Up* 2006 (affordability section).

¹³ Net college cost equals tuition, room, and board, minus financial aid.

V. Sources of Funding to Students in Higher Education

An additional aspect of the financing of Georgia's higher education deals with the financial assistance to students, which greatly affects their decision about whether or not to attend and remain in college (Cornwell and Mustard 2006; Bugler, Henry, and Rubenstein 1999). In this section, we will focus on federal student aid and state student aid. In general, there are three categories of financial aid to students in Georgia.¹⁴

- *Need-Based Assistance.* It is available to students with limited resources of their own to afford college, as determined by federal, state, and institutional formulas. In general, the need is estimated by subtracting the expected family contribution from the total educational costs to attend a college. Grants, work-study programs, and student loans for which the federal government pays the interest for the eligible students while they are in school and other qualified periods (subsidized loans) are the most common forms of need-based assistance.
- *Merit-Based Assistance.* It is provided to students who demonstrate a particular skill, achievement, talent, or characteristic, and is usually in the form of scholarships.
- *Non-Need Based Assistance.* It is available to students who, according to financial aid formula, should be able to afford a college education using their own funds. It is sometimes provided in the form of grants or in the form of student or parent loan for which the federal government does not pay the interest for the student (unsubsidized loans). The non-need based grant programs often target students who are interested in specific fields of study, or students who are members of underrepresented groups, or those who live in certain geographic areas, and for many other reasons. This type of student aid may also be provided to students with financial need. A notable aspect of the non-need based aid is that most federal and state aid still requires a determination of financial need (using the FAFSA) before approving non-need-based aid.

1. Need-Based Financial Aid

Federal Student Aid

The federal government provides financial assistance to postsecondary students in the form of grants, loans, and work study. It generally covers tuition and

¹⁴ <http://gacollege411.org>.

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mandatory fees, room and board, books, supplies, and transportation. The largest student financial aid grant programs based on financial need in Georgia are: the Federal Pell Grant and the Federal Supplemental Educational Opportunity Grant (FSEOG); they are funded by federal tax dollars and administered by the U.S. Department of Education. In addition, the federal government offers matching funds to the State of Georgia that provides need-based grants through the Leveraging Educational Assistance Partnership (LEAP) program.¹⁵

To be eligible for the Federal Pell Grant and the FSEOG, students must demonstrate financial need, as determined by federal need-analysis methodology and be enrolled in an eligible public college, university, or technical college as an *undergraduate* student seeking a college degree or technical certificate/diploma. The maximum Pell Grant award and FSEOG award are \$4,050 and \$4,000 respectively for the 2005-2006 Award Year.¹⁶ Each recipient's award amount varies, depending upon the expected family contribution compared to the cost of attendance, and the number of hours the student is enrolled. Other federal financial aid programs based on financial need are the Federal College Work-Study, the Subsidized Federal Stafford Loan, and the Federal Perkins Loan¹⁷ (U.S. Department of Education, Federal Student Aid 2006, p. xi).

In 2004-05, the state of Georgia received \$374 million in Federal Pell Grants to finance need-based assistance to postsecondary students (in public, private, and proprietary colleges), and on average \$216 million between 1994-95 and 2004-05. In 2004-05, approximately 173,172 postsecondary students altogether received Federal Pell Grants; a number 84 percent higher than in 1994-95. In 2004-05, each Federal Pell Grant recipient in Georgia received on average \$2,021 compared to \$1,292 in 1994-95; which represents a 23.7 percent increase after adjusting for inflation. By type of institutions the real average amount per recipient increased by 33 percent in public colleges, 38.3 percent in private colleges, and 29.8 percent in proprietary colleges in Georgia from 1994-95 to 2004-05. In the U.S. and in the SREB region, the Federal Pell Grants amounted to \$12.6 billion and \$4.8 billion in 2004-05,

¹⁵ <http://gacollege411.org>.

¹⁶ "Award Year" means four consecutive quarters or three consecutive semesters that begins with the Summer Term and ends with the Spring Term.

¹⁷ See also http://www.gsfc.org/GSFA/dsp_gsfa.cfm.

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respectively. Between 1994-95 and 2004-05, the U.S. and in the SREB states experienced a 25 percent and a 28.5 percent increase in real average Pell Grant per recipient, respectively (SREB 2005, Table 56). Table 6 below provides a detail of the federal Pell Grant and the federal Supplemental Educational Opportunity Grant (SEOG) to Georgia State University from 1999 to 2006.

TABLE 6. FEDERAL PELL GRANTS AND SEOG TO GSU (\$ IN THOUSANDS) FY99-FY06

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
SEOG	\$626	\$734	\$381	\$448	\$607	\$966	\$791	\$862
PELL Grants	\$8,043	\$7,332	\$8,372	\$11,795	\$14,197	\$15,661	\$17,394	\$16,355
<i>Total</i>	<i>\$8,669</i>	<i>\$8,066</i>	<i>\$8,753</i>	<i>\$12,243</i>	<i>\$14,804</i>	<i>\$16,627</i>	<i>\$18,185</i>	<i>\$17,217</i>

Source: Office of the Vice President for Research, GSU.

State Student Aid

The only need-based financial aid program offered by the State of Georgia is the Leveraging Educational Assistance Partnership (LEAP) grant program,¹⁸ established by then-Governor Roy E. Barnes and which began during the fall term of 2001. The Federal LEAP funds are awarded to states to assist them in providing grants or community service work-study employment to financially needy students attending institutions of higher education. The LEAP program requires state and local matching funds on at least a 50/50 basis. For federal funds exceeding \$30 million, students receive \$3 in Special LEAP¹⁹ aid for every \$1 of federal funds, because states contribute \$2 for every federal dollar. It is necessary to note that 100 percent of LEAP and Special LEAP go directly to students for there is no administrative allowance.²⁰

To be eligible for the LEAP grant, students must be residents of Georgia and demonstrate substantial financial need, as determined by federal need-analysis methodology. They should also apply for and be eligible to receive the Federal Pell

¹⁸ http://www.gsfc.org/Main/publishing/pdf/2006/2006_leap_regs.pdf.

¹⁹ The Special LEAP (SLEAP) Program is an additional component of the LEAP Program. To participate in this program, a State must also participate in the LEAP Program. Additionally, the SLEAP Program must be administered by the same state educational agency that administers its LEAP Program. The SLEAP Program assists States in providing student aid programs for eligible students pursuing their postsecondary education and who have substantial financial need. The student aid programs can be in the form of supplemental grants, supplemental community service work-study employment, or merit and academic achievement or critical career scholarships.

See <http://www.fp.ed.gov/PORTALSWebApp/fp/leap.jsp>.

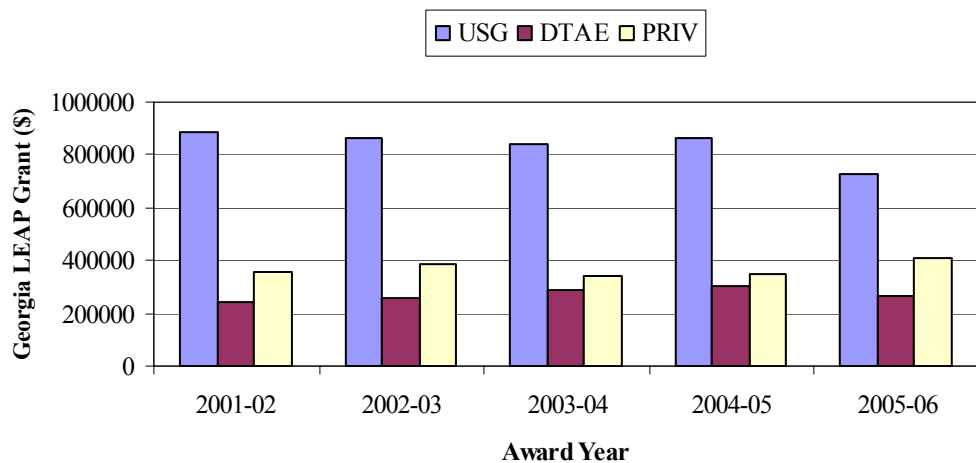
²⁰ LEAP Fact Sheet 2006, NASSGAP Position Papers.

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Grant; and be enrolled in an eligible Georgia public college, university, or technical college as an undergraduate student seeking a college degree or technical certificate/diploma. LEAP award amounts vary from \$300 to \$2,000 per academic year, depending upon the extent of the recipient's financial need.²¹

Figure 6 below compares the trend of the Georgia LEAP Grant appropriated to the University System of Georgia, the Department of Technical and Adult Education, and the private postsecondary institutions. In 2005-06, Georgia LEAP funds provided to the USG as a whole amounted to a total of \$727,075 or \$20,774 on average for each of the 35 colleges and universities in the University System. Similarly, each of the 34 technical colleges received on average \$7,805 in 2005-06 from the State of Georgia to support their students who would demonstrate substantial financial need. With respect to private colleges and universities, they altogether received on average \$366,749 per year in need-based LEAP grant from the State of Georgia between 2001-02 and 2005-06.

FIGURE 6. GEORGIA LEAP GRANT PER AWARD YEAR



Source: Georgia Student Finance Commission (GSFC).

Overall, expenditures for undergraduate student aid programs based solely on need represented 0.3 percent of the total state expenditures for undergraduate student

²¹ <http://gacollege411.org>.

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aid programs (by need, merit or special purpose awards)²² in 2004-2005; indicating a very small award level for need-based student financial assistance in Georgia, unlike some of the neighboring states. In Florida for instance, 21.5 percent of the total state expenditures for undergraduate student aid programs was based on need only in 2004-05. In South Carolina, the corresponding figure was 7.2 percent and in Tennessee 27.1 percent during the same period (NASSGAP 2006, Table 8). In fact, between 1994-95 and 2004-05, the amount of need-based grant aid awarded in the state of Georgia decreased by 70.5 percent; and between 1999 and 2001, that amount was approximately nil (NASSGAP 2006, Table 4; NCES 2005, Table 327).

2. Merit-Based Financial Aid

The state of Georgia clearly favors increasing academic achievement, keeping its best and brightest students in Georgia, and encouraging access to college over providing financial assistance to students with the least ability to pay. A case in point is the fact that in 2004-2005, expenditures for undergraduate student aid programs based solely on need represented 0.3 percent of the total state expenditures for undergraduate student aid programs (by need, merit or special purpose awards), whereas expenditures based solely on merit represented 69.4 percent of the total state expenditures for undergraduate student aid programs (NASSGAP 2006, Table 8). Furthermore, Georgia is one of the states offering the largest merit-based scholarship program in the nation. For seven straight years, the state has been ranked number one in terms of the number of students assisted and the total dollars awarded each year, with most funds coming from the HOPE Scholarship program.²³

²² Special purpose awards are those that have a purpose other than general student assistance (tuition equalization, workforce development, retraining, post-service, parent or spouse service, disability, etc.)

²³ Apparently, it does not seem to be any merit-based financial assistance provided by the Federal Government (<http://gacollege411.org>).

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Georgia's HOPE Scholarship program began in 1993 and is available to Georgia residents attending “Eligible Postsecondary Institutions”²⁴ located in Georgia, who have demonstrated academic achievement throughout high school and maintain that achievement while in college. The amount of the award is not based on the family’s ability to pay for college. It is entirely funded by the Georgia Lottery for Education and administered by the Georgia Student Finance Commission.

To be eligible for the HOPE scholarship program, beginning May 1, 2007, all students entering college must earn a 3.0 cumulative GPA on a 4.0 scale for all core curriculum coursework in the college preparatory curriculum (CPC) or earn a 3.2 cumulative GPA on a 4.0 scale for all core curriculums in the career/technical curriculum. HOPE scholarship awards vary according to the type of institution.²⁵ *at public institutions*, the award amount covers tuition, approved mandatory fees, and a book allowance of \$300 per academic year if the student is at least half-time (six or more hours) and of \$150 per academic year if the student is less than half-time; *at private colleges or universities*, full-time students (12 hours) may receive a HOPE Scholarship award of \$3,000 per academic year, and half-time students (6-11 hours) may receive an award of \$1,500 per academic year.²⁶

The number of students earning Georgia’s HOPE scholarships and grants,²⁷ and the amount of HOPE scholarships and grants awarded since the creation of HOPE in 1993 have increased over the years and show no sign of slowing down. The figures went from 42,807 students and \$21.4 million in 1993-94 to 212,940 students and \$436.6 million in 2005-06. In fall 2004, the number of First-Time Freshmen from Georgia in the USG was 32,062, among which 74.8 percent had the HOPE

²⁴ “Eligible Postsecondary Institution” means: (1) a unit of the University System of Georgia (USG); (2) a branch of the Georgia Department of Technical and Adult Education (DTAE) or affiliated institution controlled by a local board of education; (3) a private independent non-profit or a private proprietary (for-profit) postsecondary institution located in Georgia that is eligible to participate in the Georgia Tuition Equalization Grant program. See http://www.gsfc.org/Main/publishing/pdf/2006/2006_hope_regs.pdf.

²⁵ In the first year of the HOPE Program, the scholarship was restricted to students from families with income less than \$66,000. The income cap was raised to \$100,000 in 1994 and removed entirely thereafter. Today, the HOPE Scholarship is based solely upon academic achievement. <http://www.terry.uga.edu/hope>.

²⁶ <http://www.gsfc.org/main/publishing/pdf/2004/hope.pdf> and http://www.gsfc.org/Main/publishing/pdf/2006/2006_hope_regs.pdf.

²⁷ The HOPE Grant is a non-need based grant program. See Section 3 below.

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TABLE 7. DISBURSEMENTS OF GEORGIA'S HOPE SCHOLARSHIPS AND GRANTS BY INSTITUTIONS (9/1/1993 – 9/2/2006)

	Students	Scholarships
Educational Institutions		
Public Colleges and Universities	469,200	\$2.07 billion
Private Colleges and Universities	122,998	\$440.19 million
Public Technical Colleges	539,244	\$754.02 million
<i>Total Scholarships Earned</i>	<i>957,815*</i>	<i>\$3.27 billion</i>

*Individual student count. Some students attended more than one school during this period.

Source: GSFC.org.

scholarship (USG 2005b). The disbursements of Georgia's HOPE scholarships and grants by type of institutions since 1993 are presented in Table 7.

As mentioned above, in 2004-2005, expenditures for undergraduate student aid programs based solely on merit represented 69.4 percent of the total state expenditures for undergraduate student aid programs. Overall, the HOPE program, since its introduction in 1993, has constituted a crucial factor in Georgia's higher education system, but has also given rise to state financed merit-based scholarships in neighboring states.²⁸

3. Non-Need Based Financial Aid

Besides the Unsubsidized Federal Stafford Loan and the Federal PLUS Loan²⁹ provided by the Federal government, there are some non-need based grant programs provided by the state of Georgia to students in postsecondary institutions. The purpose of these grants is to offer financial assistance to students who are studying for a particular career, or based on the type of institution they attend. Moreover, a small portion of non-need based financial assistance also comes from other sources such as colleges and universities which offer institutional scholarships and grants, civic groups, corporations, religious organizations, employers, foundations, and others. Some examples of non-need based student aid are:

²⁸ Such programs include Florida's Bright Futures Scholarships (1997); Louisiana's Tuition Opportunity Program for Students (1997); Kentucky's Educational Excellence Scholarships (1998); Maryland's Science and Technology Scholarship Program (1998); South Carolina's Palmetto Scholarships (1996) and Legislative Incentives for Future Excellence Scholarships (1998); see SREB Publications.

²⁹ The Federal PLUS Loan Program provides loans to the parents of dependent students.

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- The Georgia's HOPE Grant Program covering tuition, mandatory fees, and a book allowance and awarded to students seeking a technical Diploma or Certificate at a DTAE or USG institution.
- The Georgia Tuition Equalization Grant (GTE) awarded to students attending private colleges in Georgia. Students could receive up to \$1,350 per year.
- Accel Program giving an opportunity to high school students to earn college degree-level credit hours as they simultaneously meet their high school graduation requirements. At public institutions, it covers tuition, approved fees, and a book allowance up to \$150 per semester; and at private institutions, students could received up to \$1,500 per semester.

In 2004-2005, expenditures for undergraduate non-need based student aid programs represented 30.2 percent of the total state expenditures for undergraduate student aid programs (NASSGAP 2006, Table 8).

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VI. Need-Based versus Merit-Based Financial Aid: Should the State Rethink Its Student Aid Allocation?

As mentioned in Section IV, the increase in tuition and required fees, the increase in the costs of college in general,³⁰ and the decrease in state funding per Full-Time-equivalent student appear to have placed a substantial financial burden on low- and middle-income families in Georgia. In order to address this problem, Georgia established in 1993 the merit-based HOPE program; thus emphasizing the state's primary desire to academically prepare students to succeed in college and raise student achievement levels, rather than lowering financial barriers to ensure students with least ability to pay access to college.

Table 8 below presents the numbers of Georgia first-time freshmen receiving either HOPE or Pell aid in fall 2004 by institution class. In fall 2004, among HOPE-eligible first-time freshmen in USG, around 56 percent of students received only HOPE whereas 8 percent received only Pell, and overall 20 percent were awarded both Pell and HOPE. Pell recipients are mostly found at state colleges and two-year colleges, possibly suggesting that the need-based grant might not be enough to cover college costs in the most selective institutions (like UGA or Georgia Tech) for students with the least ability to pay. A case in point is that less than 1 percent of students enrolled at these institutions received Pell but not HOPE and around 12 percent received both Pell and HOPE.

TABLE 8. FINANCIAL AID FOR FIRST-TIME FRESHMEN-HOPE AND PELL, FALL 2004

Institution	HOPE-Eligible		No HOPE %	HOPE No.	No Pell %	Both HOPE No.	and Pell %
	First-Time Freshmen	Pell No.					
Research Universities	7,140	23	0.32	5,606	78.52	1,342	18.8
Regional Universities	4,263	160	3.75	2,761	64.77	870	20.41
State Universities	9,826	612	6.23	5,714	58.15	2,373	24.15
State Colleges	2,657	284	10.69	1,220	45.92	434	16.33
Two-Year Colleges	8,184	1,512	18.48	2,769	33.83	1,416	17.3
<i>System Total</i>	<i>32,070</i>	<i>2,591</i>	<i>8.08</i>	<i>18,070</i>	<i>56.35</i>	<i>6,435</i>	<i>20.07</i>

Note: HOPE and Pell are from the University System of Georgia Financial Aid Reporting System. The HOPE-eligible cohort is defined as Georgia high school graduates since 1993 plus any additional students receiving HOPE according to GSFC records.

³⁰Besides tuition and fees, housing, meals, books, supplies, transportation and miscellaneous items enter into the total cost to attend college in Georgia.

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Overall, it has been shown that the HOPE program has increased freshmen enrollments in Georgia compared to the SREB region, especially in four-year public and private schools (Cornwell, Mustard, and Sridhar 2004). Between 1993 and 2000, the HOPE program has helped raised the percentage of students with SAT scores greater than 1500 from 23 percent to 76 percent in the most selective universities such as UGA and Georgia Tech. In addition, it has reduced the variance of SAT math and verbal scores in those universities. After 1993, the year when HOPE started, retention rates reached 80.4 percent throughout the USG as a whole. HOPE also led to gains in graduation rates. However, the HOPE program had no significant effect on student quality and no impact on the variances in the least selective schools. Furthermore, while the retention rates for the fall 2003 cohort of first-time freshmen were highest for the most selective schools, they declined systematically as the selectivity and scope of the institution fell (Cornwell and Mustard 2006). Bugler, Henry and Rubenstein (1999) found that the number of high school graduates eligible for HOPE has increased from 46.8 percent in 1993 to 59.5 percent in 1998; they also found that college-bound seniors' average SAT scores and high school GPA have increased since the HOPE program started; additionally, since 1993, a higher percentage of students have college prep diplomas, and a lower percentage of students require remedial courses in college (learning support). They showed that if less than 25 percent of HOPE scholars retain their scholarship through four years of college, the percentage of students who lose HOPE has declined each year. They also argued that there is no evidence that grade inflation has appeared or accelerated since the HOPE program inception.

In general, the numbers of students in specific postsecondary institutions or in the University System receiving solely need-based financial assistance are not high enough as to establish a meaningful comparison in terms of average GPA, retention and graduation rates with students receiving solely HOPE scholarships and other merit-based student aid. Conditional on the availability of this type of data, it might be possible to conduct an analysis of which category of students, whether need-based or merit-based, performs better and thus shed some light into the debate of need-based versus merit-based financial assistance in Georgia. This type of comparative analysis would be crucial in helping policymakers decide whether to rethink the

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allocation of student financial aid in Georgia based on financial need or academic achievement.

Table 9 below provides an example of such analysis, or at least an aspect of it. It has been conducted for the cohort of transfer sophomores and juniors at Georgia State University starting in fall 1999. It provides their retention and graduation rates for each year until the graduate term in fall 2006. Among the 126 transfer sophomores and juniors who received only the HOPE scholarship in fall 1999, 69 percent of them returned to Georgia State University in fall 2003 and 65 percent graduated by fall 2004. Comparatively, among the transfer sophomores and juniors who received only Pell grants in fall 1999, 43.9 percent re-enrolled the fourth year and 31.7 percent of these students graduated by fall 2004.

TABLE 9. MULTIPLE-YEAR RETENTION AND GRADUATION RATES BY FINANCIAL AID STATUS (FALL 1999) FOR TRANSFER SOPHOMORES AND JUNIORS

	N Base Cohort Fall 99	% Returned Fall 00	% Returned Fall 01	% Graduated by Fall 02	3-Year Retention Rate	% Graduated by Fall 03	4-Year Retention Rate
HOPE Only	126	79%	62%	37%	69%	58%	69%
PELL Only	41	51.2%	48.8%	14.6%	41.5%	29.3%	43.9%

	N Base Cohort Fall 99	% Graduated by Fall 04	5-Year Retention Rate	% Graduated by Fall 05	6-Year Retention Rate	% Graduated by Fall 06	7-Year Retention Rate
HOPE Only	126	65%	70%	65%	68%	66%	69%
PELL Only	41	31.7%	43.9%	31.7%	39.0%	36.6%	48.8%

Source: Office of Institutional Research, Georgia State University.

If at present there might not be any groundwork analysis on which policymakers could rely to effectively reassess student financial assistance in postsecondary institutions in Georgia, at least some facts remain: approximately 40 percent of the population with the lowest income earns on average \$21,196 in 2006 and if a family in this category were to send one of their children to a community college, a public four-year college, or a private four-year college in Georgia, the net college cost would represent about 32 percent, 34 percent, and 103 percent of their annual income, respectively (*Measuring Up* 2006). Therefore, there seems to be a need to develop strategies in order to enhance college accessibility to students from the lower-income families in Georgia. Yet, if in 1992 state investment in need-based

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financial aid as compared to the federal investment was of 4 percent, in 2006 it was virtually nil, implying that in Georgia, students with the least ability to pay might have been “left behind” (*Measuring Up* 2006).

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VII. Summary

The share of state and local expenditures devoted to higher education in Georgia has slightly increased since the 1990s. It was in the neighborhood of 8.9 percent of total general expenditures in 2003-04 compared to 7.6 percent of total general expenditures in 1989-90. However, over the years, higher education enrollments have largely outpaced the growth in state appropriations, resulting in a decrease in state funding per Full-Time-Equivalent (FTE) student; for instance, between 2000-01 and 2004-05, the state appropriations to public four-year and two-year postsecondary institutions per FTE student decreased by 18 percent in Georgia compared to a 6 percent decrease in the SREB states. At the same time, increases in tuition and required fees and increases in the costs of college in general appear to have placed a substantial financial burden on low- and middle-income families in Georgia, financial aid taken into account.

The HOPE program was introduced in 1993 with the purpose of increasing academic achievement, to keep the best and brightest students in Georgia, and to expand educational opportunities beyond high school to all Georgians. Since its inception, the number of students earning Georgia's HOPE scholarships and grants, and the disbursements of HOPE scholarships and grants awarded have drastically increased and show no sign of slowing down. For instance, in 2004-2005, expenditures for undergraduate student aid programs based solely on merit represented 69.4 percent of the total state expenditures for undergraduate student aid programs (NASSGAP 2006, Table 8).

However, the HOPE program has not really eased the burden on low-income families in terms of attending college. In 2006, Georgia received an "F" letter grade in affordability i.e. a measure of whether students and families in Georgia can afford to pay for higher education, given income, financial aid, and the type of colleges and universities. However, the nation's colleges and universities in general have become less affordable for students and their families since the early 1990s. In 2006, no states received an "A" or a "B" in affordability. California and Utah received a "C" letter grade, while Hawaii, Idaho, Minnesota, New Jersey, and Washington received a "D" letter grade. The rest of the states received an "F" in affordability (*Measuring Up* 2006)

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Indeed, Georgia's investment in need-based financial aid has been very low. From 2001-02 to 2005-06, the LEAP grant awarded to the USG decreased by 17 percent, and it increased by 11 percent and 16 percent in the DTAE and private institutions, respectively. The average Georgia LEAP grant awarded to the USG, the DTAE, and private institutions during that period was \$835,329, \$270,475, and \$366,749 respectively; which might not be large enough considering the number of public and private institutions and the number of needy students in Georgia.³¹

To compensate, more students from low-income families are applying for federal Pell Grants; the number of Pell Grant recipients has increased since the HOPE program began; in 2004-05, approximately 173,172 postsecondary students altogether received Federal Pell Grants; a number 84 percent higher than in 1994-95. Yet, there is still a long way to go since for instance, only 8 percent of all HOPE-eligible first-time freshmen in USG received Pell in fall 2004, whereas 20 percent were awarded both Pell and HOPE.

In that context, if the State of Georgia is interested in increasing student academic achievement levels to higher education, and to expand educational opportunities beyond high school to all Georgians, state leaders should invest available resources in programs that will efficiently achieve these goals. This would raise the question of whether the current state-funded merit-based scholarship program is already effectively and efficiently satisfying these goals or if a substantial need-based program should be united to the current HOPE program to help reach the State's objectives in terms of higher education.

³¹ Source: Georgia Student Finance Commission (GSFC).

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