



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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February 20, 2018

Honorable Fran Millar  
Chairman, Senate Higher Education  
319-B Coverdell Legislative Office Bldg.  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
Senate Bill 405 (LC 21 5937)

Dear Chairman Millar:

This bill would create a needs-based grant of no more than \$1,500 per semester for full-time students in the University System of Georgia (USG). Eligible students must have an annual family income of less than \$48,000 and must not qualify for the HOPE scholarship. Students must also receive a Pell Grant, have a high school grade point average between 2.3 and 2.99, and meet at least one criteria related to ACT or SAT scores; advanced placement, international baccalaureate, or end-of-pathway assessments; or work-based learning experience.<sup>1</sup> Finally, recipients must work at least 15 hours per week during the semester.

As shown in the table below, if all eligible students receive \$1,500 for each semester they attend a USG institution, the bill would cost approximately \$26.1 million in FY 2019, increasing to approximately \$33.4 million by FY 2022. Direct grants would increase from \$25.0 million to \$32.5 million over the period, while USG and the Georgia Student Finance Commission (GSFC) administrative costs would be \$1.2 million in FY 2019 and decline to below \$900,000.

**Table 1. Needs-Based Grant and Administrative Costs (FY19-22)<sup>1</sup>**

	Number of Awards	Grant Amount (in millions)	Administrative Costs <sup>2</sup>	Total Funding (in millions)
2019	16,700	\$25.0	\$1,172,000	\$26.1
2020	18,800	\$28.2	\$827,000	\$29.0
2021	20,900	\$31.3	\$858,000	\$32.2
2022	21,700	\$32.5	\$870,000	\$33.4

1. Numbers may not sum due to rounding

2. FY 2019 administrative costs assume the midpoint for the USG estimates below

<sup>1</sup> Though not explicitly mentioned in the bill, USG also assumed that eligible students would be in-state residents. According to the Georgia Student Finance Commission, this requirement would be included in regulations.

### Grant Distribution

USG estimates nearly 17,000 grant awards would be given in the summer, fall, and spring semesters comprising fiscal year 2019, totaling approximately \$25.0 million. Based on students' retention in the program, as well as the addition of new students, USG estimates approximately 21,700 awards by fiscal year 2022, totaling approximately \$32.5 million.

Grant awards for three types of eligible students are described below, based on enrollment during fiscal years 2013 through 2017 and a 2.6% growth rate observed over that time.<sup>2</sup>

- **First-Year Students** – Based on historic data, approximately 60% of first-time students who had a family income of less than \$48,000, obtained a Pell Grant, and did not receive HOPE also had a GPA between 2.3 and 2.99. Approximately 15% of those students also met the additional criteria.<sup>3</sup> Based on enrollment patterns from fiscal years 2013 through 2017, USG estimates that the number of awards provided to first-year students would decrease from approximately 1,400 in fiscal year 2019 to 1,100 in fiscal year 2022.
- **Continuing Students** – First-year continuing students remain eligible for the grant if they maintain satisfactory performance in subsequent semesters. In fiscal year 2019, an estimated 670 grants would be provided to these students (primarily in the spring semester); however, based on the retention rates observed during fiscal years 2013 through 2017, USG estimates the awards to this population would increase to approximately 4,400 by fiscal year 2022.
- **Former HOPE Recipients** – The bill allows continuing students to obtain the grant if they become ineligible for HOPE but have a family income of less than \$48,000 and qualify under one of the six criteria applying to first year students (e.g., ACT or SAT scores). These students would receive the majority of total grant awards each fiscal year—increasing from approximately 14,600 grants in fiscal year 2019 to approximately 16,200 in fiscal year 2022.

### Administrative Costs

According to USG, institutions would incur costs related to certifying students' eligibility and monitoring academic performance and work requirements, totaling an estimated \$545,000 per year. USG also estimates initial costs between \$200,000 and \$300,000 to implement a new application within the student information system and between \$2,000 and \$3,000 to train staff.

GSFC, which is charged with distributing the grant, estimates approximately \$125,000 in start-up costs to develop an invoicing system and create rules and regulations pertaining to the grant. GSFC also estimates annual administrative costs of 1% of the grant amount, starting at \$250,000 in FY 2019 and increasing to \$325,000 in FY 2022.

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<sup>2</sup> FY 2019 estimates are based on assumed growth of 2.6% over FY 2014 enrollment, FY 2020 estimates on a 2.6% increase over FY 2015 enrollment, etc.

<sup>3</sup> This comprises students who are eligible due to ACT or SAT scores or performance on the advanced placement or international baccalaureate exams. USG does not have data on the number of students who passed an end-of-pathway assessment or completed a work-based learning experience.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a large initial "G".

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink that reads "Teresa A. MacCartney". The signature is written in a cursive style with a large initial "T".

Teresa A. MacCartney, Director  
Office of Planning and Budget

GSG/TAM/ed