



DEPARTMENT OF AUDITS AND ACCOUNTS

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Honorable Lindsey Tippins
Chairman, Senate Higher Education Committee
121-E State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill 282 (LC 49 0178S)

Dear Chairman Tippins:

This bill would require 85 percent of early action admissions by Georgia's research universities to be awarded to students who are Georgia residents. It allows affected university presidents to petition the chancellor and the Board of Regents of the University System of Georgia for an extension of time to comply if the requirement is deemed to result in a substantial hardship for the institution. These petitions may be granted on an annual basis but may not extend beyond September 1, 2023.

The bill is estimated to reduce the affected institutions' tuition revenue and increase the number and cost of Zell Miller and HOPE scholarships. As shown in **Exhibit 1**, tuition at the two research universities primarily impacted by the bill would be reduced by an estimated \$16.2 million in the first year. This would increase in subsequent years as additional freshmen classes enroll and the composition of the student body includes more in-state students. Additionally, the Georgia Student Finance Commission (GSFC) would incur \$7.8 million in additional spending for Zell and HOPE scholarships in the first year, with increasing cumulative costs over the next three years. The analysis assumes that overall freshmen enrollment would not change; therefore, no additional educational formula appropriations are expected as a result of this bill. The analysis also assumes that the distribution of in-state and out-of-state students admitted after early actions would not change.

Exhibit 1: Fiscal Impact of LC 49 0178S

<i>(in millions)</i>	Year 1	Year 2	Year 3	Year 4
Net Tuition Loss	(\$16.2)	(\$32.3)	(\$48.5)	(\$64.7)
Additional Zell/HOPE Awards	\$7.8	\$15.1	\$22.3	\$29.6

*Analysis presumes overall enrollment stays constant and there is no increase in out-of-state students admitted after the early action period

Tuition Loss for Georgia’s Research Universities

The bill would result in tuition loss for two of Georgia’s four research universities: Georgia Institute of Technology (Georgia Tech) and University of Georgia (UGA). As seen in **Exhibit 2**, Augusta University currently exceeds the 85 percent threshold for early action admissions required by this bill, while Georgia State University closely approximates it. Additionally, both Georgia State University and Augusta University currently admit all qualified applicants regardless of residency. As a result, we expect the fiscal impact on these two institutions to be minimal, if any occurs.

Exhibit 2: Early Action Admissions for Georgia Research Universities, 2019 Class

	In-State		Out of State	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Augusta University	1,213	86%	191	14%
Georgia State University	4,571	81%	1,085	19%
Georgia Institute of Technology	2,249	41%	3,191	59%
University of Georgia	5,234	69%	2,352	31%

It is assumed that neither Georgia Tech nor UGA would change the size of their freshmen classes. By increasing the portion of early action admissions for Georgia residents who enroll at a higher rate than out-of-state students who are offered a slot, the universities would need to make fewer early action admissions.

Georgia Institute of Technology

In-state applicants comprised 41 percent of all Georgia Tech early action admissions for the fall 2019 class. To achieve an 85 percent early action admission rate for in-state students, Georgia Tech would need to award early admission to 927 additional in-state students and decrease early admission to 2,631 out-of-state students.¹ Because in-state students accept the offer at higher rates than out-of-state students, it is assumed that an additional 466 Georgia residents would enroll from the early actions and that 94 percent of early admission enrollees would be Georgia residents.

As shown in **Exhibit 3**, the school would have an estimated increase of \$5.9 million in-state tuition received annually. However, the gain would be offset by the loss of \$15.7 million in out-of-state tuition lost each year. By year four, the net tuition loss would be an estimated \$39.3 million.

¹ This calculation is based on fiscal year 2019 early application volume levels.

Exhibit 3: Lost Tuition for Georgia Institute of Technology*

<i>(in millions)</i>	Year 1	Year 2	Year 3	Year 4
In-State Tuition Gained	\$5.9	\$11.8	\$17.7	\$23.6
Out-of-State Tuition Lost	<u>(\$15.7)</u>	<u>(\$31.5)</u>	<u>(\$47.2)</u>	<u>(\$63.0)</u>
Total Tuition Loss*	(\$9.8)	(\$19.7)	(\$29.5)	(\$39.3)

* This analysis assumes a constant tuition rate.

University of Georgia

In-state applicants comprise 69 percent of all UGA early action admissions for the fall 2019 class. To achieve an 85 percent early action admission rate for in-state students, UGA would need to award early admission to 750 additional in-state students and decrease early admission to 1,296 out-of-state students.² Because in-state students accept the offer at higher rates than out-of-state students, it is assumed that an additional 333 Georgia residents would enroll from the early actions and that 91 percent of early admission enrollees would be Georgia residents.

As shown in **Exhibit 4**, UGA would experience an increase of \$4.0 million in-state tuition and a loss of \$10.4 million in out-of-state tuition each year. The net loss would be an estimated \$25.3 million in year 4.

Exhibit 4: Lost Tuition for University of Georgia*

<i>(in millions)</i>	Year 1	Year 2	Year 3	Year 4
In-State Tuition Gained	\$4.0	\$8.0	\$12.1	\$16.1
Out-of-State Tuition Lost	<u>(\$10.4)</u>	<u>(\$20.7)</u>	<u>(\$31.1)</u>	<u>(\$41.4)</u>
Total Tuition Loss	(\$6.3)	(\$12.7)	(\$19.0)	(\$25.3)

* This analysis assumes a constant tuition rate.

Cost to Georgia Student Finance Commission

The Georgia Student Finance Commission (GSFC) administers the HOPE and Zell Miller scholarships for eligible Georgia in-state students. As shown in **Exhibit 5**, we estimated that GSFC would require incur \$7.8 million in additional spending for Zell and HOPE scholarships in the first year, with costs reaching \$29.6 million in year four.

² This calculation is based on fiscal year 2019 early application volume levels.

Exhibit 5: HOPE and Zell Miller Expenditures for Additional In-State Students

<i>(\$ in millions)</i>	Year 1	Year 2	Year 3	Year 4
Additional In-State Students	799	1,597	2,396	3,194
Additional HOPE Awards ¹	80	176	272	368
Additional HOPE Expenditures	\$0.6	\$1.4	\$2.1	\$2.8
Additional Zell Miller Awards ²	719	1,366	2013	2,660
Additional Zell Miller Expenditures	\$7.2	\$13.7	\$20.3	\$26.8
Total HOPE/Zell Miller Expenditures³	\$7.8	\$15.1	\$22.3	\$29.6

¹ Analysis presumes 75% of students who receive a HOPE award continue to receive the award in years 2, 3, and 4. In addition, 5% of students who receive a Zell Miller scholarship in year 1 will shift to a HOPE scholarship in subsequent years.

² Analysis presumes 90% of students who receive a Zell Miller award continue to receive the award in years 2, 3, and 4.

³ Projected totals are based on current tuition rates. Over the past 5 fiscal years, in-state tuition has increased an average of approximately 2%. The estimated costs to HOPE presented above will increase along with tuition rates if increased in future years.

The HOPE award is \$3,840 per semester for both Georgia Tech and University of Georgia students (partial tuition), while the Zell Miller award subsidizes full tuition for the institution (\$5,129 for Georgia Tech and \$4,895 for UGA per semester). The vast majority of early action admission students are high-performing students with grade point averages and test scores that meet Zell Miller eligibility requirements (which are more stringent than HOPE requirements). We therefore assume all additional in-state early admission students would qualify for these two scholarships, with 90 percent awarded Zell Miller and 10 percent awarded HOPE scholarships. It is further assumed that most would continue to receive the awards in subsequent years.

Other Financial Considerations

There are other potential fiscal impacts of the bill that cannot be reliably estimated:

- Tuition revenue loss at other universities may occur as additional in-state students enroll at UGA or Georgia Tech as a result of the bill. This financial impact depends on the degree to which in-state students that do not currently receive early admission offers from UGA and Georgia Tech have been enrolling in other University System of Georgia (USG) institutions. Some of these students have likely been enrolling in private institutions or those in other states; however, USG officials indicated that some enroll in Georgia’s comprehensive universities and later transfer into UGA or Georgia Tech.

It should be noted that if the in-state students who receive early action admissions as a result of this bill are already enrolling in USG institutions, the impact of this bill on the Zell/HOPE scholarship costs would be less than estimated. If these students would enroll in a USG institution under current law, they would already receive a Zell or HOPE scholarship and the new costs would be limited to any difference in the scholarship amounts between schools.

- USG officials also noted that the reduction of out-of-state students with particularly competitive applications could result in a decline in the schools' national rankings. This could impact the school's ability to remain competitive for some faculty and the grant funding that they attract.

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget

GSG/KF/jw