



DEPARTMENT OF AUDITS AND ACCOUNTS

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February 22, 2021

Honorable David Wilkerson
State Representative
409-G Coverdell Legislative Office Bldg.
Atlanta, Georgia 30334

SUBJECT: Revised Fiscal Note
House Bill (LC 49 0251)

Dear Representative Wilkerson:

The original fiscal note for LC 49 0251, dated January 13, 2021, has been revised and replaced. The revised fiscal note provides a range of costs based on potentially lower participation by high school graduates. It also provides additional context in relation to the cost difference between Zell and HOPE awards.

This bill would remove the SAT or ACT test score requirement for Zell Miller Scholarship (Zell) eligibility. Currently, students who graduate from an eligible high school must have a high school grade point average (GPA) of at least 3.7, meet rigor requirements, and receive a score of at least 1200 on the SAT or at least 26 on the ACT to qualify for Zell. Students who graduate with a 3.7 GPA and meet rigor requirements but do not have a qualifying test score are academically eligible to receive HOPE Scholarship but ineligible to receive Zell. The bill would not change existing testing requirements for students who graduate from home study programs or ineligible high schools. The bill has no effective date.

Using data from the Georgia Student Finance Commission (GSFC) and the assumptions below, we estimate that the bill would have increased HOPE expenditures by \$27 million to more than \$35 million in FY2021, with the additional spending reaching \$100 million to \$132 million in FY2024. After the fourth year under the bill, the annual cost increase would be more stable, changing with tuition and the number of eligible freshmen. Projected costs of the bill used the data and assumptions below.

- Approximately 33.9% (6,404) of 2018 high school graduates and 34.6% (6,974) of 2019 high school graduates had a GPA of 3.7 or higher but did not have qualifying test scores to receive the Zell. For the 2020 cohort, we assumed that 34.6% (7,357) of students had a GPA of 3.7 or higher but not a qualifying test score.¹

- Approximately 72% of those students who would be eligible for Zell under this legislation received HOPE but did not qualify for Zell due to the test score requirement. For these students, the additional cost would be the difference between the HOPE and Zell scholarships. In FY2020, the difference between the average HOPE award and average Zell award was \$1,599. If a student remains in the same institution, the additional award amount would be less; however, students that choose to change schools with the new award could have higher margin costs.
- Approximately 28% of those students did not previously receive any HOPE award. They either opted for a non-qualifying school (likely out of state) or they did not enroll in any school. For these students the cost would be an average of \$3,643 per award. We provide estimates assuming that all of these students enroll and obtain Zell (high estimate) and that one-half enroll and obtain Zell (low estimate).
- Persistence, or the number of students maintaining the scholarship from one year to the next, was estimated to decrease from 74% in year 2 to 62% by year 4.
- Zell has averaged over 12% growth per year since inception, with the test requirement in place and would add to the costs noted above.

The table below shows the projected cost in four years, assuming 12% growth each year. By FY 2024, the cost of the bill could reach \$132 million each year if current growth rates continue. It is important to note that this is the additional cost to the program, above and beyond the existing program costs.

Table 1: Four-Year Projected Fiscal Impact, High Estimate

	FY 2021	FY2022	FY2023	FY2024
2020 Cohort	\$35,391,807	\$26,252,670	\$24,150,771	\$22,078,349
2021 Cohort		\$39,638,824	\$29,402,990	\$27,048,863
2022 Cohort			\$44,395,482	\$32,931,349
2023 Cohort				\$49,722,940
Total	\$35,391,807	\$65,891,494	\$101,283,300	\$131,781,502

Note: Table assumes the 28% who had a 3.7 GPA but didn't receive HOPE would all enroll and receive Zell. It also assumes continued 12% annual award growth.

Table 2: Four-Year Projected Fiscal Impact, Low Estimate

	FY 2021	FY2022	FY2023	FY2024
2020 Cohort	\$27,070,521	\$20,080,169	\$18,472,466	\$16,887,310
2021 Cohort		\$30,318,983	\$22,489,789	\$20,689,162
2022 Cohort			\$33,957,261	\$25,188,564
2023 Cohort				\$38,032,133
Total	\$27,070,521	\$50,399,152	\$77,469,673	\$100,797,168

Note: Table assumes that one-half of the students who had a 3.7 GPA but didn't receive HOPE would enroll and receive Zell. It also assumes continued 12% annual award growth.

¹ The actual number of 2020 graduates without a qualifying test score was higher, but this was attributed to limited testing caused by the COVID-19 pandemic.

There are additional factors that may impact the cost of implementing this bill but are unknown at this time. These are described below.

- Tuition increases at any public (USG and TCSG) institution
- Changes in student behavior resulting from the bill, such as students attending higher-cost institutions due to receiving full tuition
- Growth in rates of high school eligibility or postsecondary persistence. The number of students achieving a GPA of 3.7 or higher has increased to 18.3% in FY 2020, up from 11.5% in FY 2011.
- Changes applying to current post-secondary students. The bill does not contain an effective date and does not identify which cohorts of students would be affected. If the change applies retroactively to current college students, the first-year cost would be closer to the total fourth-year impact in Table 1.

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget