DEPARTMENT OF AUDITS AND ACCOUNTS

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January 13, 2021

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

SUBJECT: Fiscal Note
House Bill (LC 49 0251)

Dear Representative Wilkerson:

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.

Data from the Georgia Student Finance Commission (GSFC) indicates that the bill would have increased HOPE expenditures by approximately $35 million in FY2021, with the additional spending reaching $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

[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.

between the HOPE and Zell scholarships. In FY2020, the difference was $1,599 per award.

- Approximately 28% of those students did not previously receive any HOPE award. For these students the cost would be an average of $3,643 per award.
- 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 Assuming 12% Annual Award Growth

	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**

There are additional factors that may increase 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 or if students decide to not go out-of-state if they qualify for Zell
- 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

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Kelly Farr, Director
Office of Planning and Budget

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