



#PRESERVE
HOPE



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Georgia's HOPE Scholarship

A victim of its own success?

A Special Report from the Committee to Preserve HOPE Scholarships
August 2016

About this analysis

Since its creation in 1993, the HOPE Scholarship has taken on the status of a birthright for Georgia students who want to go to college. More than 1.7 million of them have received substantial tuition assistance worth more than \$8 billion. It's no wonder that Georgians love HOPE and the opportunities it offers to families throughout the state.

Despite the abundance of cash from the Georgia Lottery, the public demand threatens to overwhelm available funding. The Committee to Preserve HOPE Scholarships wanted to determine if that could actually happen.



To help uncover and analyze the facts, the Committee hired award-winning journalist Nancy Badertscher to study HOPE from its beginning. Nancy covered politics, government and education for more than 30 years at Georgia newspapers, including the last 16 years at *The Atlanta Journal-Constitution*. She has won more than a dozen state and national writing awards and has been a finalist for the Pulitzer Prize.

For months, Nancy searched through scores of documents and interviewed numerous experts, parents and students on all aspects of HOPE. Her mission was to help assess the financial future of HOPE. In simple terms, can it last?

“As a journalist, I’m naturally curious — and skeptical,” said Nancy. “I approached this assignment as I would any investigative piece of journalism: Drill down into the facts, and then let them speak for themselves.”

Here’s what Nancy found.

Chip Lake
President
Committee to Preserve HOPE Scholarships

Is this the year HOPE runs out of money?

In 2018, funds for the general HOPE Scholarships will start to decline. By 2022, funds for full-tuition Zell Miller Scholarships will exceed HOPE. By 2028, HOPE could be in the red despite an expanding lottery.

<i>In millions</i>	2017	2018	2022	2028
Lottery Funds	\$1,074	\$1,100	\$1,213	\$1,404
HOPE Scholarship	\$406	\$390	\$287	-\$70
Zell Miller Scholars	\$164	\$187	\$316	\$691
HOPE Grant/Other Programs	\$137	\$147	\$197	\$304
Pre-K	\$358	\$367	\$404	\$468
HOPE Admin	\$8	\$9	\$9	\$11

Scenario assumes annual increases of 7.5% in tuition, 2.5% in lottery funds and 6% in Zell Miller Scholars

Twenty-three years after Gov. Zell Miller introduced the idea of free college tuition for any Georgia high school student with a B average or better, the dream is out of reach for many.

The popular HOPE Scholarship is in jeopardy, in part, because of HOPE's own success. Even a tidal wave of cash from the Georgia Lottery could not sustain the original dream — full tuition for those meeting and maintaining HOPE's academic standards.

Two major funding gaps loom. If current trends continue, by the time today's Pre-K student is in college, only the best and brightest will qualify for free college tuition. The rest will be saddled with student debt or a larger personal responsibility for the cost of attending college in Georgia.

And unless something changes, that portion of HOPE that supports the state's average students — those for whom the program was created — will be out of money.

From the experts

"Given current facts . . . the projection that (spending) of lottery proceeds will outrun revenue sometime in the next 12 years seems realistic."

Michael Wald, an independent economics analyst

"The risk is that HOPE goes into deficit even sooner."

Jon T. Gabrielsen, president and chief executive officer of J.T. Gabrielsen Consulting

"You are just presenting – given the historical context – the most likely scenario. That's how modeling works."

Thomas Smith, assistant professor in the Practice of Finance at Emory University's Goizueta Business School

Even if the lottery continues to grow at the same pace it has in the last five years, it won't be enough. In 2018, the HOPE funds designated for those students will start going down. By as early as 2028, those funds will be gone.

The bottom line is stark, and for many Georgians counting on HOPE, hard to believe: The students for whom HOPE Scholarships were intended will be factored out.

Asked to comment on the data and conclusions that point to a deficit in 2028, Jon T. Gabrielsen, CEO of an Atlanta-based firm specializing in market economic research and strategic consulting, said: "This model passes all the tests. It's solid, and easily supports the results. If anything it suggests the best-case scenario. If there is a bias in this model, the risk is that it could go into deficit sooner."

For years, HOPE seemed like an endless parade of good fortune. Georgia was reversing the "brain drain" of high-achieving students going out of state for a quality education. Because they could find and afford it here, they stayed. At its peak in 2010, HOPE was picking up the annual tuition costs for more than 250,000 students and the program was well on the way to putting more than \$8 billion into higher education for 1.7 million college, university and technical school students.

By HOPE's 10th anniversary, the number of annual scholarship and grant recipients had grown from 42,797 to 222,552, an impressive increase of 420 percent. The amount of money awarded through the HOPE Scholarship program grew about 1,800 percent.

By 2011, it was clear that the dream of full college tuition for everyone was in trouble. There were 238,489 students on HOPE. The costs were \$679 million, or \$2,847.09 per student. When a deficit of \$243 million was forecast for that year, newly elected Gov. Nathan Deal warned of tough choices ahead. HOPE, which had largely taken on "birthright" status in Georgia, could no longer be promised to future generations of students.

The tough choices were made. Academic standards for obtaining and keeping HOPE were raised dramatically, forcing many out of the program.

Technical colleges were hit especially hard. For the first time they were required to have a minimum grade point average (GPA) — the 3.0 that existed for HOPE scholars at public colleges and universities. And they, too, were no longer guaranteed that HOPE would cover full tuition. The Legislature in 2013 lowered the GPA requirement to 2.0, but technical college enrollment is still not back to 2010-2011 levels.

Those students represent “a large chunk of our potential working economy,” said state Rep. Stacey Evans, D-Smyrna, a champion of HOPE and former HOPE recipient. “Without them in our technical colleges, we are seeing the growth of a skills gap, which is the gap between available jobs and those qualified to fill them.”

As part of the reforms of 2011, HOPE became a two-tier program. Suddenly, only high school whiz kids — those achieving a high school GPA of 3.7 or higher (out of a possible 4.0) and scoring 1200 on the SAT or 26 on the ACT — could qualify for the full-tuition Zell Miller Scholarships. In order to maintain their top-tier status, these students were required to maintain a college GPA of 3.3, up from HOPE’s original 3.0.

But very few could qualify. The number of scholars receiving full tuition fell from 102,311 in 2010-11 to 10,809 in the first year of the more rigorous standards, a drop of 89 percent.

As a result of the 2011 reforms, HOPE funding immediately fell for the 3.0 student to 90 percent of tuition. For the 2016 school year, HOPE will cover 71 to 88 percent of tuition costs, depending on the college or university. Georgia Tech students on HOPE receive the smallest amount of help — 71 percent of their semester’s \$4,906 tuition bill, or about \$1,411 shy of the full costs.

This fall, HOPE will cover about 82 percent of tuition for full-time, in-state students at Georgia State University, leaving the students and their families to find ways to make up about \$784 a semester to cover tuition. At UGA, HOPE pays about 75 percent of tuition, leaving HOPE scholars with a tuition bill of \$1,171.

'If it weren't for HOPE, I probably wouldn't be in school.'

Georgia Southern: Inspired by the health of her siblings, she uses HOPE for nursing degree

Christina Catchings wanted a little independence and a change of pace and thought she might find both at an out-of-state college.

But when her push for a scholarship to The College of Wooster (Ohio) didn't pan out, a friend suggested that Christina set her sights on Georgia Southern University in Statesboro and the HOPE Scholarship.



Photo by J. Glenn Photography

"I toured the campus, and I loved it. It was probably the best decision I made," said Christina, who lives in Ellenwood. She graduated in May 2014 from Mt. Zion High School ranked No. 19 in a class of about 300.

"HOPE was a game-changer, and it still is," she said.

"If it weren't for HOPE, I probably wouldn't be in school."

Christina will be a junior this year. She makes financial ends meet with grants, financial aid, HOPE and an on-campus job. She also is carrying \$20,000 in student loans, she said. Christina's high school GPA was a 3.7, high enough to qualify her for the full-ride Zell Miller Scholarship, but she did not meet the minimum SAT requirement of 1200.

HOPE, which pays a majority but not all of her tuition, was well within reach. And Christina is grateful. Her parents, she said, try to help out as they can. But they have three younger children to care for as well. Savings bonds that Christina's grandmother tucked away for her college were used up her first fall at Georgia Southern.

Christina is in Georgia Southern's pre-nursing program. She wants to be a nurse anesthetist, a specialist in administering anesthesia. Her inspirations were younger sister Alana Marie, who died in 2015 of Charge Syndrome, a

rare genetic pattern of birth defects, and 14-year-old brother Caleb, who has what is commonly referred to as brittle bone disease.

"A hospital is basically my second home," she said. Christina has a 3.5 GPA, well above the 3.0 required to retain HOPE. She said she is focused on her studies. But that GPA requirement "is always in the back of my mind."

The HOPE Scholarship has been an educational bright spot beyond the state's classrooms. It has helped stem a "brain drain" by keeping many of the best and brightest students at home with the offer of free tuition.

That attraction enabled the state's colleges and top research institutions to set higher standards of admission, which in turn attracted higher-performing students to study with stronger faculties working with expanded endowments and research grants. It was a cycle of success.

The University of Georgia, now considered one of the nation's top research universities, welcomes about 5,300 new freshmen this fall. These students, nearly all of whom will be receiving full tuition through the Zell Miller

Scholarship, have a GPA of nearly 3.98 out of a possible 4.0, and SAT scores averaging about 1300, said Charles Carabello, UGA associate director of enrollment management.

The impact of HOPE is hard to quantify. But both UGA's current president, Jere Morehead, and his predecessor, Michael Adams, have suggested that it has been huge.

"If you look at the last 20 years since HOPE was established, it parallels the rising academic reputation of our university," Morehead said in a 2015 interview. "It's hard for me to imagine what the University of Georgia would be like if the HOPE Scholarship had not been established."

HOPE also became a selling point to persuade regional and national companies to expand into Georgia. Executives of all companies could promise employees access to quality higher education and the opportunity for tuition help through HOPE Scholarships.

Chris Clark, president of the Georgia Chamber of Commerce, told *The Atlanta Journal-Constitution* in a 2015 interview that his staff talks at length to potential business recruits about HOPE and Pre-K. "We always lead with our University System of Georgia and the Technical College System of Georgia. They are the envy of the nation."