

The HOPE Scholarship and the Law of Unintended Consequences
Matt Thompson

Abstract

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Background

After World War II and the introduction of the G.I. Bill of Rights, the federal government and then the state governments began to search for ways to encourage college attendance by increasing access to higher education. The government found financial aid to be an effective mechanism. For this reason, financial aid has become the most used incentive by government to both encourage collegiate attendance and increase access. During 2002, the federal government used tax dollars to supply \$22.8 billion in various student financial aid programs (Goldstein, 2005).

Historically, low-income students are the recipients of college aid from the government (Dynarski, 2000). At the national level, numerous aid programs, such as the Pell Grant and Stafford Loan, support higher education. It is important to note the difference between grants and loans: grants do not require repayment, while the recipient of a loan must repay the funds, typically with interest. In both cases, student need is the main criterion for available funds.

State governments also make substantial contributions to defraying the cost of higher education. During the last forty years, state governments overwhelmingly chose lotteries as the mechanism for funding financial aid. By recent count, 37 states have a state lottery with the stated goal of raising funds for education. Despite one's moral convictions on the use of lotteries,

the voting public generally believes that lottery funds supplement current education funds (Erekson, 2002). This misperception arises when legislators are not honest about the role of lotteries in education funding. In many states, such as Florida, the money raised by the lottery is simply replacement money. This replacement of allocated dollars is known as fungibility (Erekson, 2002). For every post-expenses dollar earned in lottery revenues, there is a one-dollar reduction in the state's education budget, thereby creating no net gain or loss for education. In these instances, the only winner is the legislature, which now may use these additional dollars to reallocate to other state expenditures.

Fundamental to understanding state financing of higher education is why a state would decide to enact a lottery as opposed to increasing taxes. States often consider lotteries when there is political pressure to keep taxes low or to have no increase. "Lotteries are attractive to state officials because they generate revenues without increasing taxes or implementing new ones. They yield as much revenue in one year as increasing a state sales tax rate by 1 percentage point. Another often cited advantage of lotteries over taxation is their voluntary nature" (Erekson, 2002, p. 302). However there are many negative aspects to lotteries as well. Lotteries do not create the same amount of net income as a tax does. This is because lotteries have high overhead costs. National data indicates that taxes have a 1 percent administrative cost, while lotteries have a ten percent administrative cost (Erekson, 2002). Additionally, as lotteries are voluntary, they become a self-imposed tax on those who play. The self-imposed tax problem typically affects people from the lowest socio-economic backgrounds who participate at a disproportionately higher rate than other citizens. This action creates a regressive tax as it imposes a higher percentage cost on lower income citizens (Cornwell & Mustard, 2002).

Need-based aid programs exist in states throughout the country. The largest state "aid" program is low tuition at public institutions. This state aid comes as a subsidy that keeps the tuition low. States support higher education annually to the tune of \$50 billion. These subsidies allow public institutions to keep tuition prices low (Dynarski, 2002). One should note, importantly, that the states, not the federal government, are the largest suppliers of aid to students. Student

aid comprises most of the funds for an institution's operating costs. "State appropriations to public colleges form the most significant higher education aid policy in the United States. During the 2002-03 school year, contributions by state governments totaled \$63.6 billion, nearly four times the amount of grant aid administered by the federal government" (Long, 2004a, p. 1).

For years, the subsidies distributed to students came from either the state or national government directly to the institution. Flagship institutions benefit the most from these subsidies. Interestingly, these institutions typically draw the best students. Therefore, the largest merit aid programs in the country are at these institutions. The schools themselves determine which students are sufficiently meritorious to gain access to their school. Therefore, the schools have traditionally controlled access to this subsidy. "Recently, however, the rules of the game have changed. State legislatures have gotten into the business of awarding merit aid to large numbers of students. . . . Merit aid has a political advantage over low tuition in that it has a high profile. Parents [voters] generally do not understand that the public university tuition they pay is kept artificially low by state appropriations to the schools" (Dynarski, 2002, p. 2). However, these voters do understand tuition waiver scholarships that their children receive.

Each state is different in its merit aid programs, but commonalities exist. These common objectives include: a) merit-based aid encourages students to perform well in high school, b) the aid program requires students to maintain strong collegiate academic standing, c) students must attend in-state institutions, and d) middle-class families are the target for the aid (Creech, 1998). One of the first and most prominent of such programs was created in Georgia.

Overview of the HOPE Scholarship Program

Citizens in the state of Georgia voted in 1993 to adopt a lottery for education. Higher education was the designee for a major portion of these funds. Learning from the fungibility mistakes of other states, the then-governor Zell Miller and the Georgia legislature intentionally chose to not allow such practices with these new lottery-created state education funds. Instead,

the HOPE (Helping Outstanding Pupils Educationally) Scholarship money goes directly to students. The disbursement decision proved to be a very good political tactic.

The intent of the HOPE Scholarship is straightforward. HOPE aims to prevent “brain drain”. The goals of HOPE support Creech’s observations on other state merit-aid programs: to increase college enrollment, to retain the best and brightest in state for college, and to promote academic achievement (Cornwell, Mustard, & Sridhar, 2004).

Students who perform well in high school and continue to meet academic milestones in college receive HOPE. The only requirements for performing well is defined as earning a “B” average in high school and attending an accredited institution in the state of Georgia (2004-2005 Academic year HOPE regulations, 2004).¹ Additionally, the student must maintain a “B” average in college at certain checkpoints (2004-2005 Academic year HOPE regulations, 2004). It is important to note that this is not a particularly high threshold. Across the country “in 1999, 40 percent of high school seniors met this standard” (Dynarski, 2002, p. 2).

Only institutions within Georgia may receive HOPE money. The HOPE award can be used at eighty-three degree-granting institutions in Georgia, of which twenty are 4-year public; thirty are 4-year private; fifteen are 2-year public; five are 2-year private; and thirteen are degree granting private technical schools.² “Just over 72 percent of HOPE Scholars attended 4-year public institutions which absorbed 77 percent of all scholarship aid. Another 8.4 percent attended private 4-year colleges, which collected 12.5 percent of these funds. Thus, 4-year public and private schools together enrolled over 80 percent of HOPE scholars, receiving almost 90 percent of all merit-based aid” (Cornwell, Mustard, & Sridhar, 2004, p. 4).

The HOPE Effect on High School Performance

At least two questions arise when one looks at high school performance after the introduction of the HOPE Scholarship: Did the HOPE Scholarship really encourage students to study harder and thus increase the numbers of students with a “B” or better grade point average? Alternatively, are these changes the result of grade inflation? Cornwell and Mustard report that in

the first five years of the HOPE Scholarship program that there was a seventeen percent increase in the proportion of high-school graduates satisfying the merit requirements of HOPE (2002). These statistics show there was a rise in grades awarded to Georgia students after the implementation of HOPE. However, if this were simply grade inflation, then it would not explain the changes in SAT scores, which also rose in the post-HOPE years. "Average scores for 1997 are 35 points higher than for the 1994 group. If high school grades were being inflated to make more students eligible for HOPE Scholarships, high SAT scores would not be expected" (Creech, 1998, p. 6). One may conclude that HOPE has acted as an incentive for studying and better academic preparation. Therefore, HOPE has achieved one of its intended goals: to promote academic achievement initially at the secondary level.

The HOPE Effect on Institutions

Many policy-makers and law makers around the country have spent considerable time worrying about the effect merit-aid has on institutions. The primary concern is that institutions will try to absorb the money by raising tuition, room and board, and other fees, and thus financial aid will not be an offset for a student's out of pocket expenses. William Bennett, the former United States Secretary of Education, in a 1987 *The New York Times* editorial, most notably raised the issue that government aid could induce schools to raise their tuition price. He thought schools would think students could pay more because of increased aid. Further, he worried that schools would reduce their own financial aid awards allowing the government aid to act as a substitution. Therefore, students would pay no more in tuition, but also no less in tuition (Long, 2003).

Research on HOPE supports this hypothesis. According to Dynarski:

Public college costs were relatively flat in Georgia before HOPE, with costs in 1993-4 only about 6 percent higher than their level in 1986-7. . . . After the introduction of HOPE, the situation was reversed, with public college costs in Georgia rising at a rate higher than that of the U.S. Between 1993-4 and 1997-8, schooling costs rose about 21 percent in Georgia and 8 percent in the rest of the U.S. . . . These results suggest that HOPE has had an inflationary effect on college costs in Georgia, especially on the public schools (2000, p. 640).

The research shows private institutions reflect the same effect. However, it is difficult for researchers to isolate why tuition rises at either private or public institutions. One cannot completely understand the effects simply by comparing tuition changes and aid dollars. However, both public and private institutions with an increased percentage of HOPE recipients are more likely to have an increase in room and board and fees, than institutions with low HOPE Scholar attendance.

The research indicates concern that private institutions have used the HOPE Scholarship to reduce the institutional aid they awarded. Further, the research shows that institutions, especially the private four-year institutions have reduced their aid by 19.4 % compared to similar public institutions. While, this may be the result of the substitution effect, it appears that these institutions are, in fact, giving less aid to merit recipients and thereby providing more aid to non-merit aid recipients. The intent of shifting the aid is to hold the socio-economically disadvantaged students harmless from increases in tuition (Long, 2004b). For the development of a conclusive understanding, this topic requires further research.

Dynarski (2000) and Long (2004b) believe that the action by institutions to raise tuition, room and board, and fees has led to a negative impact on enrollment, which is not just an unintended consequence of the HOPE Scholarship, but is antithetical to its mission of increasing attendance.

It is estimated that the enrollment rate of 18-19 year olds in Georgia was nearly one-percentage point less than what it could have been without an institutional response. This suggests that the student enrollment impact of HOPE would have been 11 percent larger than it was if colleges had not raised their prices. . . . In total, over 100,000 students are estimated to have been affected each year by the price increases brought on by the institutional response [to] HOPE (Long, 2004b, p. 10 & 11).

Therefore, it is important for policy makers are confident that students, and not institutions, are the recipients of the benefits of such an aid program.

How Students Make College Decisions

For years, students have based their college attendance decision on mainly financial considerations and distance to the institution. However, these are no longer the main criteria. Additionally, one can assume that today's college-going students are more perceptive with regard to their college attendance decision-making process. This generation of student consumers understands how to make the most out of its college investment. For example, today's leading students are interested not just in the cost of college, but in the expected effect attending a certain college will have on their careers and ability to earn a living after graduation. Long notes in her research that today's students understand that certain institutions provide better long-term opportunities (2004c). The amount the institution invests in each student, the number and quality of academic programs, the level of extra-curricular programs, and the success of prior graduates, reflect these opportunities. "Given that resources vary substantially among colleges and that they are positively correlated with price, policy-makers should be concerned now with not only if students are attending college but also *where* they are enrolling" (Long, 2004c, p. 21). Despite price, the costs, both real and opportunity, remain important. For this reason, some institutions provide their students with more tangible and intangible benefits. This is why quality, which is purely perception on the part of the observer, has become so important. Therefore, students are willing to weigh the option of staying in state if there is a quality institution. Or, students who are less inclined to attend a college or a four-year institution will look to these institutions as options when cost is removed as a barrier.

HOPE seeks to increase college enrollment. The intent is that the financial support provided by HOPE will drive students to make the decision to attend college. Some students without financial means do not intend to attend college. The research shows HOPE has a consumer, or what might be termed an "up-sizing," effect on attendance. For example, students who do not consider college an option because of cost, will now consider a two-year school. Students considering a two-year institution now up-size their decision to attend a four-year

institution. And finally, students who considered an out-of-state four-year institution now consider an in-state school (Dynarski, 2000).

Another major aim of HOPE is to retain the state's best students. In determining if this has happened and why, it is important to understand the effect that aid dollars have on a student's decision-making rationale. In her study, Long (2004c) compared today's student's college-making decision with that of a student 20 years ago. "The results suggest that while in general college costs are no longer as important in choosing between colleges, low-income students in 1992 were as negatively affected by price as students in 1972 when choosing between colleges. . . . Additionally, quality is found to have become more influential in college choice" (Long, 2004c, p. 3). The role of choice has one of the most dramatic effects on whether a student remains in state for their baccalaureate degree. If students do not believe there is a quality institution in the state, then they will go out-of-state for their collegiate education.

The biggest financial winner in the HOPE effect has been four-year colleges. Four-year colleges seek to maximize quality in order to attract students and increase their prestige. Resources enable colleges to meet these goals by hiring expert faculty, maintaining first-rate facilities, and offering financial aid. . . . The introduction of HOPE . . . [affected four-year colleges] by shifting out the budget constraints to recipients and increasing the demand for Georgia colleges (Long, 2004b, p. 3).

Therefore, good in-state opportunities with tuition waivers resulting from the HOPE Scholarship are now available to higher achieving students who once sought out-of-state prestigious institutions at high costs. The availability of these waivers drove many top students to the University of Georgia and Georgia Tech. Cornwell, et al., shows this in their report that Georgia is now able to retain 76% of high school seniors with SAT scores in excess of 1500. This represents a 53 percent change from 1993 (Cornwell, Mustard, & Sridhar, 2004). Highly capable students believe there is now a reasonable in-state alternative to prestigious out-of-state institutions. Therefore, HOPE achieves another of its aims: keeping the best and brightest in state. However, longitudinal studies will need to be conducted to determine if graduates are remaining in the state for five and ten years after degree completion.

Unintended Consequences

While it is important, and surely satisfying to policy- and law-makers, that HOPE's intended goals and aims have been achieved, it must be noted that this has not happened without the creation of unintended consequences. HOPE creates behavioral changes in students. For example, students enroll in less classes each semester and look for less challenging course offerings (Cornwell, Lee, & Mustard, 2004). This action might be termed "gaming the HOPE system." Students and their parents look for ways not only to help maintain the required 3.0 average, but they also look for ways to extend the merit-aid dollars. For example, prior to this year, students were reviewed for continued HOPE eligibility at set hours marks, i.e. 30, 60, and 90 hours. For this reason, a student would take 29 hours in his first year so that he would not be reviewed and have the possibility to lose HOPE funds until after he completed three semesters and 44 hours of college work.³

HOPE only covers the first degree earned or the completion of 127 hours, whichever occurs first. Therefore, students who arrive with Advanced Placement credit (at the University of Georgia 30 plus hours of AP credit is not unusual) will use the 127 hours to earn multiple degrees and fully use all eligible hours to complete these degrees as opposed to graduating sooner and not using all of their HOPE funds. For this reason, students regularly receive instruction from academic advisors to not take physical education courses until their final semester, so that they do not accidentally complete requirements for a degree when they intend to earn two. Without this manipulation of the system, the student would lose HOPE funding before she used it to her fullest advantage.

In addition to gaming the system, parents and students also game each other. Cornwell, et al., also explain that the student does not merely make college attendance decisions based on reduced tuition, but on other family economic incentives. Students admit to being bribed with a new a car if they agree to remain in-state for college (Cornwell, Lee, & Mustard, 2004). Additionally, parents may agree to pay for graduate school if the student will stay in-state for the first four years. These bribes affect the student decision-making process.

Changes in the student decision-making process, that are a result of HOPE, affect the diverse range of institutions differently. One must believe that this is an unintentional consequence and that there were no plans to weaken private institutions or two-year schools. “First, students are induced to favor in-state, public institutions. . . . The larger the tuition subsidy, the more likely students will forego a private or four-year (out-of-state) option even if it offers far more in resources. . . . The pattern of state in-kind subsidies also favors public four-year over two-year institutions and more selective schools over those that are less competitive” (Long, 2004a, p. 22). This desire for students to get the most out of their dollars by attending the most prestigious institution they can afford has allowed for increases in the state’s enrollments, but at the sacrifice of public and private two-year schools. “Virtually all of the six-percentage point increase in Georgia enrollments has been realized in four-year public and private schools, with each accounting for about half of the increase. . . . Had it not been for the (HOPE) grant, the enrollment rates in two-year institutions would likely have decreased” (Cornwell & Mustard, 2002, p. 62). It is important to note that enrollment rates were positive because of the concurrent creation of the HOPE Grant, which does not have a merit requirement and is available to students attending non-degree programs at two-years schools.

Another unintended consequence of HOPE’s attempt to keep the best and the brightest in the state is that the next tier of students who are nearly as impressive are going out-of-state when they cannot attend Georgia or Georgia Tech. Students are unwilling to give up the potential gains of attaining a high-ranking school by attending a less impressive in-state institution even for free tuition. These students are capable and therefore find themselves on other fine institutions’ recruiting lists. Cornwell and Mustard relate the example of a high-school graduate whose scores were impressive but below the University of Georgia’s more stringent admissions requirements. “As s result of the HOPE Scholarship, above-average-but-not-quite-outstanding students are handing over the dough to schools like Auburn, Tennessee, Clemson, Ole Miss and other larger universities throughout the South” (Cornwell & Mustard, 2002, p. 65). This is an unfortunate

effect because one can assume these above-average-but-not-quite-outstanding students will make a positive impact in whatever state they attend college.

However, what is the size of this outflux? Dynarski's research reveals that attendance by Georgia students at institutions in the neighboring states has dropped from 17 percent of the freshman class before HOPE to 9 percent after (2000). However, these percentages are deceptive. By translating these percentages into the number of freshman students, one sees that there are enough students still leaving to nearly fill an equivalent of the University of Georgia's freshman enrollment. "Data from the Residence and Migration Survey indicate that in 1992 about 5,000 Georgians were freshman at two- and four-year colleges in states that border Georgia. . . . By 1998, just 4,500 Georgians crossed state lines to enter college in border states. . . . This drop in migration was concentrated in a group of border schools that have traditionally drawn large numbers of Georgians" (Dynarski, 2000, p. 650). More on this point in the conclusion of the paper.

With regard to the Bennett Hypothesis, there is evidence to suggest that students who are not HOPE recipients are the real losers in the implementation of the scholarship. These non-recipients "inadvertently experienced increases in prices of as much as \$720 as the result of a program designed to lower costs. If these non-recipients were excluded due to receiving the Pell Grant, and so were from lower-income families, this increase may have had large enrollment impacts" (Long, 2003, p. 9). With this in mind, it is important to note that the state legislature made some adjustments. As noted earlier, the Pell rules have changed and HOPE-eligible students may now take advantage of both Pell and HOPE monies. However, students who are not eligible for HOPE still face an increase in room, board, and fees that result from the implications of the Bennett Hypothesis on fungibility. This effect is important because non-recipients comprised nearly two-thirds of freshman in 1997 (Long, 2003).

By far, the unintended consequences of HOPE affect non-whites, and whites of low socio-economic status, most of all. "One reason is that Blacks, Hispanics, and low-income youth are relatively unlikely to attend college, so *any* subsidy to college students will flow

disproportionately to white, upper-income youth. But even among those non-white, low-income youth who do attend college, academic performance is a barrier to merit aid eligibility” (Dynarski, 2002, p. 4). Since family income has proven such an important indicator in scholastic achievement, it is imperative to understand the significance of income levels. “In Georgia, 94 percent of African-American and 62 percent of white 16- to 17-year-olds live in families with [annual] income less than \$50,000. . . . The results indicate that HOPE has increased racial and ethnic gaps in college attendance in Georgia” (Dynarski, 2002, p. 12).

As standards rose at the state’s flagship institutions, black enrollments declined from averages of 9.6 percent in 1990 to 5.4 percent in 1996. However, there were gains in black educational enrollments by 2.7 percent, but these are mostly attributable to a large presence of Historically Black Colleges and Universities (HBCUs) in Georgia where enrollments increased after the introduction of HOPE (Cornwell, Mustard, & Sridhar, 2004). It is important to note that *Barron’s* rates all but one of Georgia’s HBCUs as “less competitive,” the fifth of the six ranking categories. College choice, not college access, has been the major change for blacks after the creation of HOPE (Cornwell & Mustard, 2002). Based on the socio-economic status of black students, and the counties in which they attend high school, these students are less likely in Georgia to benefit from a merit-based aid program. “Among those members of the high school class of 1992 intending to go to college, 21 percent of whites had a high school GPA of 3.5 or above, while only 4 percent of blacks had such high grades” (Dynarski, 2000, p. 646).

Further evidence shows that black students do not receive equality in the distribution of HOPE funds. “Large HOPE awards are given to counties with relatively high incomes. Although counties with larger shares of African Americans receive more awards to private institutions (5 of which are HBCUs), they receive significantly fewer awards to state system institutions, which comprise about two-thirds of all HOPE awards. . . . A relatively large share of HOPE funding is in the north, in areas that generally have high-income and low fractions of African Americans” (Cornwell & Mustard, 2001, pp. 7 & 12). However, HOPE seems not to discriminate based on color when it comes to socio-economic status. “Poorly educated whites receive statistically fewer

awards to state system schools and significantly more awards to private institutions (which comprises only slightly more than 5% of total award recipients)” (Cornwell & Mustard, 2001, p. 20).

“In 2000-2001, 75,000 students received \$277 million in HOPE Scholarships. Georgia politicians have deemed HOPE a great success, pointing to the steady rise in the number of college students receiving HOPE. The key question is whether the program is actually increasing college attendance or simply subsidizing students who would have attended college even in the absence of HOPE” (Dynarski, 2002, p. 6). In a review of the program and its contributions to its purported consequences, Cornwell and Mustard make the strongest statement, not so much about an unintended consequence but the unrealized effect of the intended consequence: HOPE has made no impact on improving access. “Over the first five years of the program, we estimate that HOPE raised total freshmen enrollment by about 3800 students, which accounts for only about four percent of all freshmen awards during this period. This indicates that 96 percent of HOPE expenditures had no impact on expanding college access in the state” (2002, p. 71). Furthermore, “it remains to be determined whether merit aid keeps those students in state after they have completed their education, which is the ultimate goal of many of those who hope to use merit aid to stanch a perceived ‘brain drain’” (Dynarski, 2002, p. 17).

New Research on HOPE

Several issues spring forth when reading the literature in the field: how are HOPE funds distributed amongst institutions; what can be done to keep the second tier students in-state; and is there a way to increase access for minority students and whites with lower socio-economic status? Interestingly, the answers to these questions seem to be interrelated.

Analysis and interpretation of data supplied by the Georgia State Finance Commission shows that five institutions in the state receive fifty percent of the HOPE funds.⁴ The top institutions are: the University of Georgia, Georgia State University, Georgia Tech, Georgia

Southern University, and Kennesaw State University. The chart below shows the institutions, their public or private status, and the percentage of the HOPE distribution they received in 2004.⁵

Chart 1: Georgia Institutions Receiving 5% or More of HOPE Funds Annually

Institution Name	Institution Type	HOPE Received
University of Georgia	Public	23.92%
Georgia State University	Public	9.58%
Georgia Tech	Public	6.25%
Georgia Southern University	Public	5.93%
Kennesaw State University	Public	5.44%

When the net is cast a little further to see institutions that receive at least one percent of the distributed HOPE funds, the list includes fifteen additional institutions (only three of which are private institutions, as indicated with italics).

Chart 2: Georgia Institutions Receiving Between 1% and 5% of HOPE Funds Annually

Institution Name	Institution Type	HOPE Received
Valdosta State University	Public	4.30%
State University of West Georgia	Public	3.53%
Georgia College and State University	Public	2.97%
Georgia Perimeter College	Public	2.59%
Columbus State University	Public	2.10%
Clayton State University	Public	2.09%
North Georgia College and State University	Public	1.91%
<i>Mercer University</i>	<i>Private</i>	1.63%
Armstrong Atlantic State University	Public	1.54%
Augusta State University	Public	1.40%
Gainesville College	Public	1.18%
Dalton State College	Public	1.16%
<i>Berry College</i>	<i>Private</i>	1.12%
Macon State College	Public	1.05%
<i>Emory University</i>	<i>Private</i>	1.01%

These fifteen institutions, plus the previously mentioned five, receive seventy-six percent of the distributed HOPE funds. The remaining fifty eligible institutions receive the remaining 23% of the funds. The public sector controls a clear majority of the HOPE funds at institutions predominantly in the northern half of the state and within seventy miles of Metro Atlanta (see map in appendix).

This leads one to wonder how this affects the rest of the university system. First, it indicates that students in the above institutions are better academically prepared and are better able to maintain their HOPE Scholarships. Based on the belief that students vote with their enrollment, it appears that students do not believe there is a legitimately competitive institution in the southern portion of the state. This seems to be corroborated by the fact that 4,500 freshman students choose to leave the state as opposed to attend institutions outside of the top five listed above.

While it is unreasonable to expect development of a policy to keep all students in the state, it does seem reasonable to make the effort to re-attract these students leaving the state. According to the 2004 *UGA Fact Book*, the freshman class at the University was comprised of 5,663 students. This number is roughly twenty-five percent larger than the number of freshman who leave the state each year. If a policy were able to capture 75% of these exiting students, then it would mean an additional \$10,125,000⁶ for educational institutions in the state.

Recommendations

I propose two recommendations for retaining these students: enhance the HOPE tuition equalization at private institutions and develop a competitive flagship/research institution in the southern portion of the state. Currently, all private institutions combined receive less than thirteen percent of the HOPE funds distributed each year. HOPE-eligible students attending private institution represent a savings to the state. It is important to remember that in addition to HOPE funds, the state still underwrites all education at public institutions. So attendance at a private institution is a savings of actual stay budget dollars. If the HOPE tuition equalization were increased from the current level of \$3,000 to \$4,000 or \$5,000, this would possibly entice more students to remain in-state, attract current students away from some of the public state institutions, and possibly save the state money each year in the underwriting of funds to state institutions. The private institutions in the state represent untapped capacity.

Another option for recruiting Georgia students back to the state is the creation of a UGA equivalent (or semi-equivalent) in the southern portion of the state. This would be beneficial for several reasons: students would have another strong and competitive in-state option, state and HOPE funds would be diversified throughout the entirety of the state, and the lagging South Georgia economy would have a new economic engine. Both Valdosta State University and Georgia Southern University are logical candidates.

Researchers and policy-makers should look at which institution in the southern portion of the state would be a logical choice for this raised status. The state will need to invest in facilities, infrastructure, cultural amenities, and faculty. While this would entail some significant investments, it has the potential to enhance the economy of this region. One could argue that such an economic investment by the state is a better investment than the recently considered tax breaks for the construction of a BMW plant in South Georgia.

Several areas require future research. First, capacity at private institutions, Valdosta State, and Georgia Southern should be examined. Second, researchers should determine methods to distribute HOPE funds more evenly across the state's public higher education institutions. Third, whether or not students currently leaving the state would be attracted back to state institutions through the ideas recommended above requires further study. Finally, policy makers must consider whether HOPE should introduce non-merit based approaches to aid in order to more equitably serve students who need funding the most.

Notes

¹ In the first two years of the program, there was an income cap on those who could receive the scholarship. By the third year, the state legislature eliminated the cap.

² This study does not include technical schools.

³ This year, the rule has changed and students are reviewed for continued eligibility at the end of each academic year.

⁴ Technical school funds were removed prior to analyzing these figures.

⁵ Percentages were roughly equivalent over the last five years. Complete figures are in the tables on pages 23 and 24 at the end of the paper.

⁶ $4,500 \text{ students} \times 75\% \times \$3,000 \text{ (HOPE Scholarship)} = \$10,125,000$

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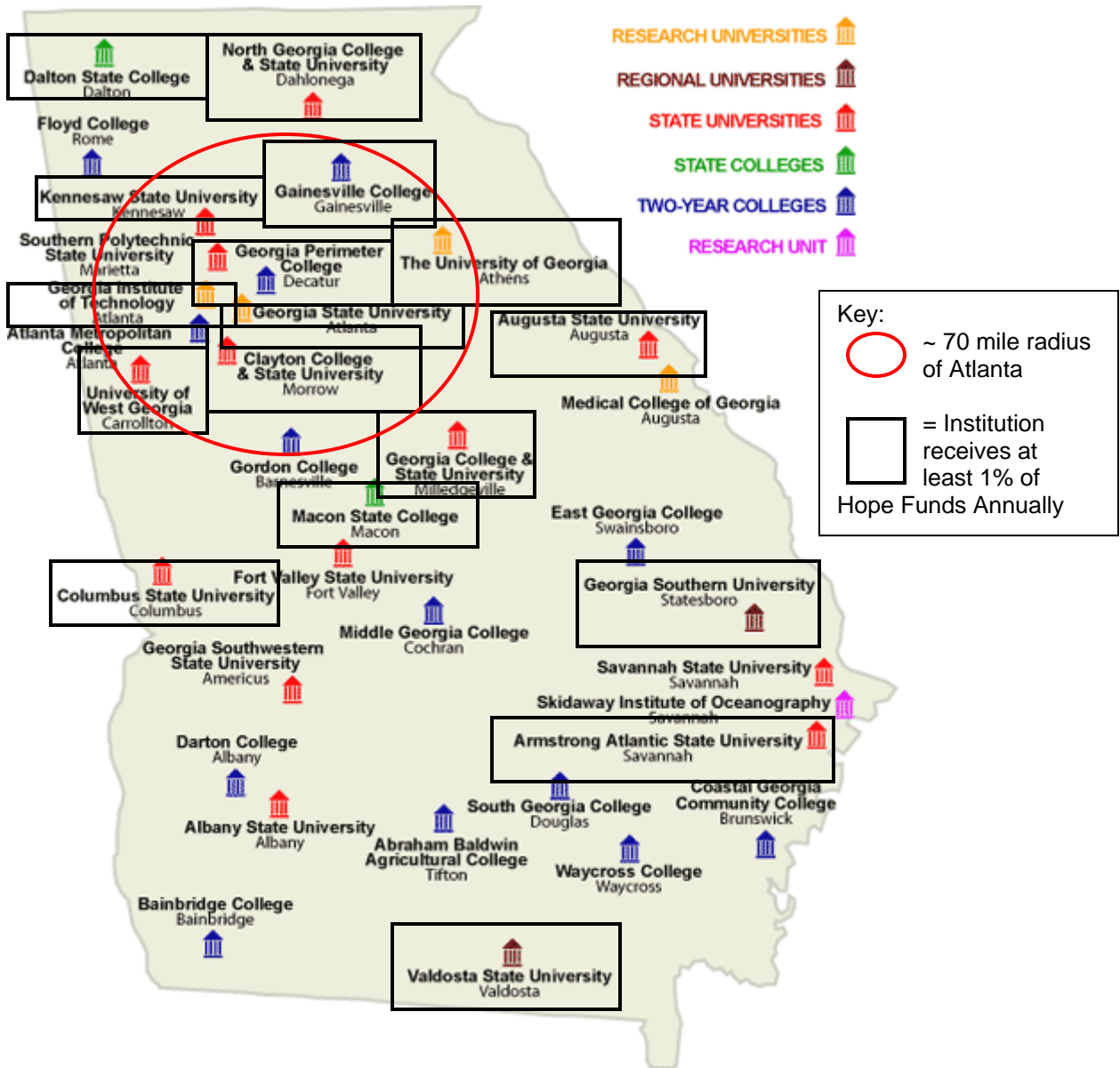
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Appendix

Map 1: Georgia Public Institutions' Locations and Those Receiving More Than 1% of HOPE Funds Annually



Map altered from version found at <http://www.usg.edu/inst/>.

