

A Need-Based Financial Aid Program for Georgia

By: Jennifer Lee, Senior Policy Analyst

Key Takeaways

- Georgia can raise educational achievement through a need-based grant for college students, which it currently lacks.
- Policymakers can structure the grant to target more dollars towards students with financial need, promote racial/ethnic equity and raise graduation rates.
- The state has substantial lottery reserves and funds available to dedicate to need-based financial aid.

Introduction

We all benefit when more Georgians can pursue their education beyond high school. With lottery revenues and reserves at an all-time high, lawmakers have an opportunity to help Georgians who are qualified and want to go to school but face financial hurdles.

Every year, thousands of Georgia students struggle to pay for college. Over the past 15 years, enrollment of students from families with low incomes in the university system has grown by 85 percent.¹ Four in 10 students attending University System of Georgia (USG), Technical College System of Georgia (TCSG) and Georgia Independent College Association (GICA) schools qualify for federal need-based Pell Grants.² Students who receive Pell are racially and ethnically diverse. In USG and TCSG, 45 percent of Pell students are Black or African-American; 32 percent are white; 12 percent are Hispanic/Latinx; and 5 percent are Asian.³ Though many students from families with low incomes attend college in Georgia, graduation rates are lower. These students are more likely to experience acute financial strain or work long hours that can affect academic performance. Forty-two percent of Georgia students did not receive financial support from their parents to help pay for college or living costs, and nearly 40 percent faced housing or food insecurity.⁴

In 2018, the Georgia Legislature passed [House Bill 787](#) with a provision authorizing the Georgia Student Finance Commission to create the state's first broad need-based aid program for university system students. However, policymakers have yet to fund the grants or determine the program's structure.

Policymakers should design a new need-based grant to achieve the following goals:



- Improve graduation rates
- Clear pathways for students with the greatest barriers to education after high school, including students from families with low incomes, financially independent students, first-generation college students and Black and Latinx students

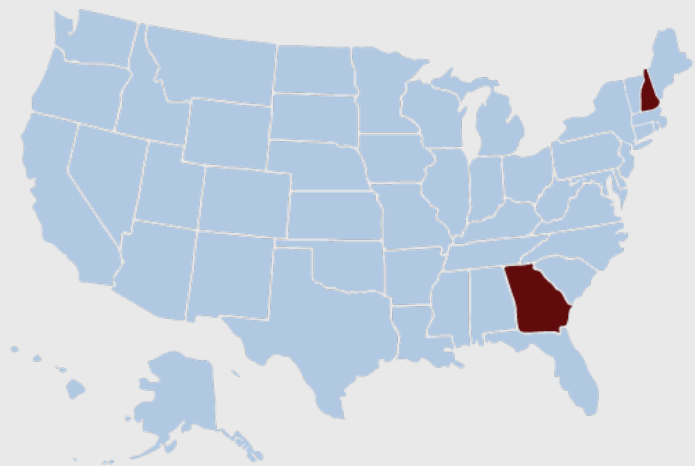
Building on the foundation of the HOPE program, Georgia's scholarship program that requires students to meet certain grade point averages (GPAs) and other academic requirements, lawmakers have the opportunity to create a more prosperous and competitive state by investing in a Georgia more prepared for the economic opportunities of the future.

Georgia Lacks Common Tool for College Affordability

Georgia and New Hampshire are the only two states that fail to fund need-based financial aid for their students, according to the National Association of State Student Grant and Aid Programs. “Need-based” financial aid targets dollars based on a measure of a student’s financial need.

Georgia One of Two States That Does Not Offer Need-Based Financial Aid

-  Offers need-based financial aid
-  Does not offer need-based financial aid



Source: National Association of State Student Grant and Aid Programs.

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“Merit-based” or “non-need-based” aid often uses criteria like GPA or standardized test scores to target aid. Georgia’s REACH program combines need and academic criteria: it requires students to be eligible for Free/Reduced-Price Lunch in eighth grade when students qualify for REACH and have a 2.5 high school HOPE GPA. But the program is limited in scale because K-12 school systems select small numbers of REACH Scholars, instead of a broad population of students applying for aid (for more information, see reachga.org).

Completion grants, sometimes referred to as “gap funding,” are a newer state financial aid model that accounts for financial need. Implementation varies, but completion grants are aid for students who have made significant progress towards their degree but still face financial hurdles to graduation. Georgia State University pioneered the approach with great success, and Gov. Kemp has since supported a system-wide pilot to explore scaling the innovation effectively.

In 2018-19, need-based grants made up 68 percent of undergraduate aid dollars in the United States.⁵ Of the 100 largest state financial aid programs:

- 46 use financial need as their only criteria
- 18 use merit-based criteria only
- 14 combine need and merit criteria
- 22 use other eligibility criteria targeted for specific populations or professions (e.g. military status, intended profession)⁶

Need and Non-Need-Based Aid Programs Achieve Different Goals

States can set multiple different goals for their financial aid programs. Common aims include providing college access to students who might otherwise not have continued their education after high school, rewarding high school academic performance and supporting choice in postsecondary paths. Other smaller financial aid programs might target students pursuing specific fields like teaching or engineering.

Aid based on academic performance is effective at retaining college students in-state but less effective at increasing overall postsecondary attainment. State spending on non-need-based aid does not alter most students' educational outcomes but rather their choice of college. Many scholarship recipients would graduate college without the assistance of these scholarships, and therefore aid does not boost education levels.⁷

In contrast, need-based aid can raise educational attainment levels, especially when combined with student supports.⁸ For example, Accelerated Study in Associate Programs (ASAP) is a comprehensive model that provides students financial, academic and other support services. Students are provided tuition waivers and textbook vouchers and must attend advising, career services and in some cases tutoring. ASAP has doubled graduation rates in community colleges in both Ohio and New York.⁹ An evaluation of a need-based grant in Nebraska where students also participate in Learning Communities, which provide academic and social support, showed it boosted overall graduation rates by eight percentage points and even more for students with below-median ACT scores, students of color, Pell grant-eligible students and first-generation college students.¹⁰

Common Elements of State Need-Based Aid Programs

Georgia participates in a regional compact called the Southern Regional Education Board (SREB), which includes 16 states: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.¹¹ Below are commonalities of other SREB states' primary need-based aid programs. Features of the five largest need-based programs in SREB states are summarized in Appendix E.

Most states fund need-based aid through General Revenue, the flexible funding available for state spending raised by taxes. Adequate funding is a challenge. One state, Kentucky, funds its need-based grant solely through lottery funds. Florida and South Carolina primarily use General Funds, with some lottery funds. Whatever way a state chooses to fund financial aid, **adequacy** and **predictability** should be key features. Students expect that aid received in one year will be available in future years, so funding cuts, volatility and inadequacy are not desirable.

Almost all SREB states require the Free Application for Federal Student Aid (FAFSA). Two states, Texas and Maryland, offer alternative financial aid forms for students ineligible for federal aid but eligible for state aid, like young people participating in Deferred Action for Childhood Arrivals (DACA).¹² Mississippi is the only SREB state that requires a separate form.

Most states allocate funds for need-based grants to individual colleges and universities, rather than administering them centrally by a state agency.¹³ Colleges and universities are then responsible for determining awards within their allocations and have flexibility around some aspects of award size. This model is similar to the governor's recent completion grants pilot. Because of this flexibility, the grant program may look slightly different at different institutions. However, states promote policy consistency through state code and regulations. In contrast, HOPE is administered by the Georgia Student Finance Commission (GSFC), and schools are not allocated specific HOPE budgets, though GSFC can modify scholarship rates at schools.

Legislation describes the general framework for need-based aid student and institutional eligibility and allows state governing bodies and agencies to delineate specific rules and regulations. This allows for greater flexibility and responsiveness to funding and allows institutional flexibility in meeting students' needs. Georgia's public colleges and universities vary in size, student financial need and tuition costs. Common standardized elements include enrollment intensity (e.g., a minimum number of credit hours enrolled to be eligible for aid), institutional sector (e.g., different award amounts for two-year, four-year, public or private colleges and universities), award minimums and maximums and maximum Expected Family Contribution (EFC).

When need outstrips funding, states use different criteria to prioritize awards among students. Most states allocate too little funding for all eligible students to receive aid. States use varied criteria to prioritize grants that can change from year to year, sometimes creating barriers to access and equity within programs. These criteria can include targeting by financial need, prioritizing initial-year or renewal grants, prioritizing older adult learners, academic criteria or using priority deadlines. Many states operate off a “first-come, first-served” model where states award grants until funds run out. Ideally, funding is adequate for all eligible students, but when that is not the case, criteria that promote equity or state higher education goals, like targeting by financial need or older adult learners, should be used. Criteria based on academic performance or process (like first-come, first-served) should be avoided.

Average award amounts vary widely among SREB states. The average grant ranges from \$360 in Arkansas to \$6,042 in Mississippi, with an overall average of \$2,250.¹⁴ Texas, Florida, North Carolina, Virginia and Indiana fund the largest programs, at more than \$100 million each and serving more than 70,000 students in each state. Inadequate funding severely limits the impact of need-based grants in some states. For example, Delaware spends less than \$1 million statewide to serve fewer than 1,000 students in its Scholarship Incentive Program.¹⁵

States do not place limits on the number of grants and scholarships students receive if the total amount is less than the cost of attendance. That means students can receive both need-based and non-need-based scholarships and grants, though financial aid calculations often account for the receipt of other aid. Students who qualify for multiple awards perform better. For example, in Florida, students who received both a need- and non-need-based scholarship graduated at rates 9.1 percentage points higher than those who qualified for the non-need-based award only.¹⁶

A Start for Georgia

To promote equity and higher graduation rates, colleges and universities can focus on the following criteria to create a **sliding scale** of awards:

- Expected family contribution (EFC) or family income
- Completed credit hours

Pell Grants operate on a sliding scale, based on the EFC determined by the FAFSA. In simplified terms, a student with a zero EFC can expect to receive the maximum Pell Grant, and an increase in a student's EFC results in a decrease in Pell.

Example of Sliding Scale Table, for Illustrative Purposes Only

	EFC=0	EFC < \$X	\$X < EFC < \$Y
0-30 credit hours			Smallest Award
31-60 credit hours			
61-90 credit hours			
91-120 credit hours	Largest Award		

This simple model would target resources to students with the greatest financial barriers to graduation. Students with fewer resources would be given more financial assistance, and it would help balance the current model which directs the most assistance to students with the most resources. Adding completed credit hours to the model would create incentives for persistence and completion since awards increase as students accumulate credit hours and progress towards a credential. Policymakers who desire assurance that grant recipients will graduate can look to credit completion as proof of qualification and college success, instead of GPA or standardized test score cut-offs, which can be arbitrary.

Because Black and Latinx students are also more likely to be low-income and low-wealth in Georgia, this model could also distribute financial aid dollars in a more racially/ethnically equitable and higher-impact way. For example, in Texas, Hispanic/Latinx students represent the largest student population of postsecondary students (38 percent) and have the lowest median family incomes and postsecondary attainment rates.¹⁷ Hispanic/Latinx students also represent 56 percent of all recipients of the state's primary need-based grant.¹⁸ In USG and TCSG, 58 percent of Black/African-American students, 44 percent of Hispanic/Latinx students, 36 percent of Asian students and 28 percent of White students qualify for Pell Grants.¹⁹

Grant Administration

Colleges and universities in Georgia vary widely by tuition and fees charged and the financial needs of their students. Giving schools **flexibility** to determine detailed awards would allow for ease of administration. A central state agency, Georgia Student Finance Commission, would allocate need-based grant budgets to individual colleges and universities in the university system. It could also manage one allocation for the technical college system, which has a consistent tuition structure across all colleges, and one allocation for students attending private colleges and universities. The Governor's Emergency Education Relief Funds (GEER) pilot follows this administrative model. Each school and GSFC would make award eligibility and amounts accessible to students to promote **transparency**.

Today, most state financial aid dollars are concentrated among the most selective colleges and universities. (See Appendix D.) Students from middle- to high-income families are also more likely to receive the greatest benefits. More than 90 percent of students with family income greater than \$120,000 in the university system received either the HOPE or Zell Miller Scholarship. Seventy percent of Zell Miller Scholars are white, though they make up only 49 percent of in-state undergraduates.²⁰ More selective colleges and universities, while more expensive, also tend to have more capacity to fundraise for their own need-based grants, while lower-resourced schools that serve more students with financial need and students of color often lack that fundraising capacity.²¹

To promote a **fairer distribution of aid dollars**, the allocation formula should be based on a school's share of students from low-income families, measured by Pell grant recipients (The GEER pilot follows this allocation model within the university system.). For example, if need-based aid were available to students in the University System of Georgia, Technical College System of Georgia and non-profit private colleges and universities, 59 percent of the funding would go to USG schools, 30 percent to technical colleges and 11 percent to private colleges and universities.²² (See Appendix A.) This would target more dollars to schools with high shares of students with financial need, and schools with a high share of students of color. For example, the largest pot of grant dollars would go to Georgia State University, which serves more than 13,000 Pell-eligible students, and is also a Predominantly Black Institution. (See Appendix B).

This approach would be equitable to schools that serve many students from low-income families, who disproportionately do not benefit from a large portion of HOPE funds and who are also less well-funded than schools that receive a large portion of HOPE funds. (See Appendix D).

Institutional and Student Accountability

Financial aid works best when paired with student support services like proactive advising and tutoring, as well as a sense of social support and belonging on campus.

A combination of tuition waivers, advising and tutoring have helped double graduation rates in community colleges in Ohio and New York.²³ In Nebraska, a combination of need-based grants and Learning Communities which provide academic and social support, boosted graduation rates by eight percentage points, and even more for students of color, Pell grant-eligible students and first-generation college students.²⁴

Many Georgia colleges and universities would be working from an existing base of institutional reforms and student supports. The University System of Georgia's Momentum Year Initiative has initiated several changes to support college graduation, including dedicating more attention to advising, peer tutoring and corequisite remediation courses.²⁵

To promote the most effective use of aid, colleges and universities who want to receive need-based grants for their students should be required to commit to a variety of student supports like proactive advising and tutoring through their own institutional capacity and/or partnering with third-party organizations skilled at guiding students through college. Students receiving aid could be required to meet with advisors at certain points in the semester. Basic accountability measures should also be in place to ensure that dollars go to colleges and universities that will spend them on instruction and student services.

Funding Need-Based Grants

In July 2021, the Georgia Lottery reported transferring \$1.5 billion to education, a \$226 million increase from lottery expenditures in the current budget.²⁶ Georgia could establish a need-based grant with these additional funds. But even without using additional lottery funds, Georgia could maintain existing lottery-funded program expenditures and use the following three sources of lottery revenue that would not affect HOPE Scholarships or Grants:

- Excess lottery reserves (\$781 million, plus \$226 million if this year's increase is not spent)
- Georgia holds more than 100 percent of the previous year's net lottery proceeds in reserves, far above the 50 percent required by law.²⁷ The state could create a cap on lottery reserves, like the state's 15 percent "rainy day fund" cap, and appropriate the rest to financial aid. In 2018, North Carolina capped its state lottery reserves at \$25 million and dedicated the excess to address capital needs in public schools.²⁸ Alternately, Georgia could use reserves to start a state education trust fund, which Tennessee did with \$300 million of reserves in 2014.²⁹
- Repurposing Student Access Loans (\$26 million)
- This low-interest loan program, started in 2012, has been flat-funded at \$26 million since 2016. It is the only student loan program in the country that receives annual state appropriations. Default rates are high (36 percent).³⁰ Rates may be elevated because individuals become eligible when they have already exhausted all other forms of student aid, including other loans. Administrative processes and technology have also been outdated.³¹
- Interest earned from lottery fund holdings (\$23 million)
- The State Treasury invests lottery reserves and generates income that goes back to the reserves. Tennessee used built-up lottery reserves to start the Tennessee Promise trust fund. The investment income supports grants that make two-year and technical college tuition-free.

Furthermore, as per statute, the lottery is supposed to return 35 percent of proceeds to the state, but instead, the state receives a lower percentage of sales averaging 26.5 percent over the past five years. The average percentage has increased 1 percentage point over the past 10 years with no associated decline in ticket sales. At most recent ticket levels, an additional percentage point increase would equal \$46 million more for education.

Conclusion

Money matters for students throughout their college careers. While HOPE Scholarships and Grants have boosted college enrollment within the state, they have been less effective at increasing graduation rates, since many students who need financial assistance to graduate might not qualify for HOPE or lose the scholarship during school.

With excess lottery dollars, policymakers have the opportunity to design a new need-based grant that increases college graduation rates and attainment and directs more financial aid to aspiring college students from rural areas, first-generation college students and students from families with low incomes. Students from families with low incomes and students of color drive college enrollment growth in Georgia, far outpacing their population growth. But graduation rates still lag behind their higher-income and white peers. As college costs rise, financial strain creates barriers to many students from families with modest means and limits their potential. Alleviating some of that financial burden can help Georgia keep up with the need for more college graduates. Supporting students to pursue their dreams of education after high school is commonsense and benefits us all.

Appendix A: Students Receiving Pell and HOPE Expenditures, by Sector

	# Students Receiving Pell Grants, 2018-19	% of Total Students Receiving Pell Grants	HOPE Dollars, FY 2020	Percentage of Total HOPE Dollars
University System of Georgia	103,793	59%	\$654,180,417	84%
Technical College System of Georgia	53,082	30%	\$67,107,967	9%
Private College and Universities	19,156	11%	\$59,028,340	8%

Source: U.S. Department of Education, Integrated Postsecondary Education Data System and Georgia Student Finance Commission.

Appendix B: Students Receiving Pell Grants by University System of Georgia Institution, 2018-19

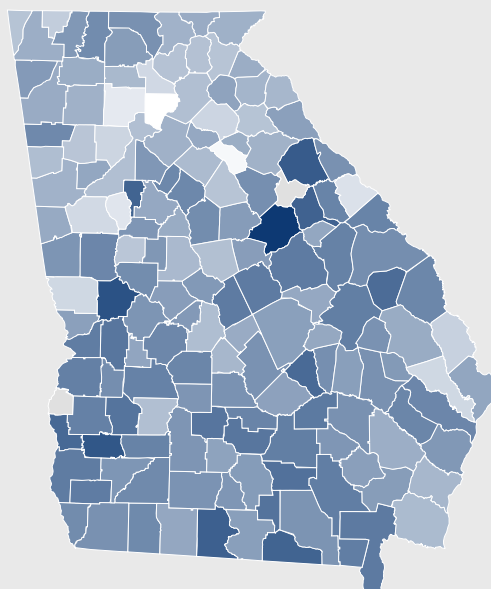
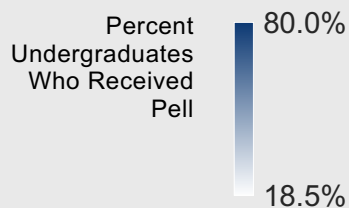
Institution	Undergraduates with Pell	% Undergraduates with Pell
Georgia State University	22,082	49%
Kennesaw State University	11,507	34%
Georgia Southern University	8,156	37%
Georgia Gwinnett College	6,519	54%
University of Georgia	5,838	20%
University of North Georgia	5,544	32%
University of West Georgia	4,632	47%
Valdosta State University	4,347	52%
Albany State University	3,658	67%
Middle Georgia State University	3,447	48%
Clayton State University	3,172	58%
Columbus State University	2,769	45%
Georgia Highlands College	2,470	43%
Savannah State University	2,413	71%
Dalton State College	2,331	51%
Georgia Institute of Technology	2,121	14%
Augusta University	2,111	39%
Fort Valley State University	1,694	76%
Gordon State College	1,683	57%
East Georgia State College	1,579	65%

Institution	Undergraduates with Pell	% Undergraduates with Pell
Abraham Baldwin Agricultural College	1,504	43%
College of Coastal Georgia	1,322	43%
South Georgia State College	1,264	63%
Atlanta Metropolitan State College	1,110	67%
Georgia College and State University	1,088	19%
Georgia Southwestern State University	933	41%

Source: University System of Georgia
https://www.usg.edu/research/financial_aid/pell_grant_recipients. For more information on enrollment demographics, see https://www.usg.edu/institutions/student_outcomes/

Appendix C: Share of Undergraduates in University System of Georgia Receiving Pell, by County

Share of Undergraduates in University System of Georgia Receiving Pell, by County



Source: University System of Georgia.
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Appendix D: HOPE Expenditures and Students, by University System of Georgia Institution, FY 2020

Institution Name	HOPE Dollars	HOPE Students	Percentage of Total USG HOPE Dollars
University of Georgia	\$196,997,525	24,138	30.1%
Georgia State University	\$96,915,684	16,920	14.8%
Georgia Institute of Technology	\$74,865,373	8,302	11.4%
Kennesaw State University	\$70,513,491	17,200	10.8%
Georgia Southern University	\$45,611,466	10,429	7.0%
University of North Georgia	\$32,498,524	9,367	5.0%
Georgia College & State University	\$29,458,051	4,666	4.5%
University of West Georgia	\$19,295,749	4,647	2.9%
Augusta University	\$15,061,056	2,654	2.3%
Valdosta State University	\$12,860,145	3,133	2.0%
Columbus State University	\$9,590,197	2,453	1.5%
Georgia Gwinnett College	\$9,243,658	3,671	1.4%
Middle Georgia State University	\$5,802,547	2,467	0.9%

Institution Name	HOPE Dollars	HOPE Students	Percentage of Total USG HOPE Dollars
Dalton State College	\$4,634,334	2,201	0.7%
Clayton State University	\$4,510,256	1,256	0.7%
Albany State University	\$4,101,880	1,323	0.6%
Georgia Southwestern State University	\$3,336,796	867	0.5%
Abraham Baldwin Agricultural College	\$3,239,344	1,454	0.5%
Savannah State University	\$2,857,923	714	0.4%
Georgia Highlands College	\$2,623,979	1,611	0.4%
Fort Valley State University	\$2,466,895	590	0.4%
Gordon State College	\$2,141,562	955	0.3%
College of Coastal Georgia	\$1,956,521	881	0.3%
East Georgia State College	\$1,807,984	909	0.3%
South Georgia State College	\$1,532,973	792	0.2%
Atlanta Metropolitan State College	\$256,507	152	0.0%

Source: Georgia Student Finance Commission.

Note: Student totals are unduplicated.

Appendix E: Information on Five Largest SREB State Need-Based Aid programs

Florida

The Florida Student Assistance Grant Program is a need-based grant comprised of four parts for students in different sectors and programs of study: the Public, Private, Career Education and Postsecondary Assistance programs. It is funded mostly by General Revenue, with a smaller portion from lottery funds. Students complete the FAFSA, and the maximum grant level is determined every year. The current recommended maximum is \$3,260.

Indiana

The Frank O'Bannon Grant, comprised of the Higher Education Award and Freedom of Choice Award, is a need-based grant that includes bonuses as performance incentives. For example, students can receive added awards for earning a 3.0 cumulative GPA or completing 39 or more credit hours during an award year. Awards differ by sector and operate on a sliding scale based on Expected Family Contribution (EFC). Awards are also tiered by credit hours, with a 24-credit-hour minimum requirement. The grant is funded with General Revenue and can be applied to tuition and fees only.

North Carolina

The University of North Carolina (UNC) Need-Based Grant is funded by General Revenue. Aid flows from the state to higher education institutions, which have the discretion to allocate funds to eligible students. Students must complete the FAFSA to apply and are first-come, first-served. Awards vary by EFC, and the maximum award is \$4,200.

Texas

The TEXAS Grant is funded by General Revenue, and private donations are allowed. Students attending public colleges and universities at least 3/4 time are eligible. Students apply using the FAFSA or a state-specific form called the TASFA (Texas Application for State Financial Aid) if they are not eligible for other federal aid. Priority is given to returning-year students who have already received TEXAS Grants. Initial-year applicants are prioritized through certain academic criteria, Expected Family Contribution and the use of priority deadlines.

Institutions are allocated designated amounts they can use to award TEXAS Grants. They are also required to provide non-loan “matching funds” through their own institutional resources to cover any tuition and mandatory fees not covered by the TEXAS Grant. Institutions are directed to target award amounts at about \$5,000, which covers about 54 percent of the average amount of statewide tuition and fees.

Virginia

The Virginia Student Financial Assistance Program is comprised of the Commonwealth Award and the Guaranteed Assistance Program (VGAP). Recipients of VGAP must be enrolled full-time, while Commonwealth awardees must be enrolled at least half-time. VGAP recipients are prioritized before Commonwealth recipients. Using EFC, colleges and universities analyze financial need using a methodology approved by the state higher education agency and award students with the highest need first, with the neediest students receiving an award at least equal to tuition. Larger awards are available to students who advance class levels.

Endnotes

¹ GBPI analysis of University System of Georgia data on number of Pell Grant recipients, https://www.usg.edu/research/financial_aid/pell_grant_recipients

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