

POLICY NOTES

HOPE Scholarship Affects Where, Not Whether, Students Attend College

By Chris Cornwell and David B. Mustard

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Since the early 1990s, financial aid to attend college has become increasingly tied to merit. The largest and most prominent merit-aid program in the nation was established in 1993, when Georgia instituted a lottery-funded college scholarship for the purpose of “Helping Outstanding Pupils Educationally” (HOPE). Since HOPE’s inception, over \$1.3 billion has been distributed to more than 625,000 students. In terms of dollars disbursed and students served in Georgia, HOPE is now roughly twice as large as the need-based federal Pell Grant. Given the program’s size and scope, determining how it has affected college attendance in Georgia becomes important. Has HOPE affected *access to college*, making college affordable for those who would otherwise be unable to go, or *college choice*, influencing where someone who is planning to attend college actually enrolls?

Program Overview. The HOPE program distributes two types of awards—the merit-based HOPE Scholarship and the HOPE Grant. To qualify for the scholarship, which can be applied to 103 public and private degree-granting colleges and universities in Georgia, a student must graduate from a Georgia high school with a “B” average in his or her core-curriculum courses. For public institutions, the program covers tuition, HOPE-approved mandatory fees, and a book allowance, for a value of about \$3,500 for the 2001–02 academic year. HOPE Scholars in private schools receive a standard award of \$3,000 per academic year toward tuition. Once in college, a student must maintain a “B” average with a minimum number of credits to retain the award. The HOPE Grant is a non-merit-based program that leads to a certificate, diploma, or completion of a nondegree program at two-year institutions. There is no income restriction on eligibility for either award.

Although the number of HOPE awards has been evenly divided between scholarships and grants, scholarships account for nearly 80 percent of all aid disbursed. Just over 72 percent of HOPE Scholars attended four-year public institutions, which absorbed 77 percent of all scholarship aid; 8.4 percent of scholars attended private colleges, accounting for 12.5 percent of aid. Thus, four-year public and private schools together enrolled more than 80 percent of HOPE Scholars, receiving almost 90 percent of all merit-based aid. Further, the share of resources allocated to the scholarship is growing. Between 1993 and 1999, the number of HOPE-eligible high school graduates rose more than 50 percent, from 29,840 to 45,149, and the number satisfying the merit requirements increased from 48 percent to almost 65 percent. At the same time, the rate of HOPE-eligible high school graduates enrolling in Georgia institutions grew from 23 percent to 70 percent. The dramatic rise in enrollment yield from the scholarship indicates the importance of HOPE’s incentive for students to remain in-state.

Effect on College Attendance. To determine the extent of HOPE’s influence on college attendance, we compared the enrollment rate in Georgia—measured as the ratio of first-time freshmen to recent high school graduates—with that of the other 14 member states of the Southern Regional Educational Board (SREB) during the years before and after the program’s inception. In our analysis, we controlled for differences between the states in income, wages, and tuition rates. Overall, we find that HOPE increased the first-time freshmen enrollment rate in Georgia by 8 percent relative to the other SREB states.

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The next objective was to determine whether this increase is the result of the HOPE Scholarship expanding access or choice. In terms of where students go to college, HOPE leads some students to stay in Georgia and simultaneously makes it more likely that others will leave. The incentive to stay is greatest for the academically proficient who, with HOPE, face in-state college prices that are reduced relative to their out-of-state counterparts. This change should be felt almost exclusively at four-year institutions, because students who attend two-year schools rarely cross state lines to do so. If the “best and brightest” remain in Georgia for their college education, entrance requirements may rise at the top Georgia universities. Consequently, students denied admission at the flagship schools, who do not view the state’s less selective four-year colleges as close substitutes, may now attend college out of state.

Because tuition is higher at four-year colleges, a program like HOPE also reduces their cost relative to two-year schools. In other words, some HOPE-eligible students who would otherwise have enrolled in a two-year or shorter program will pursue a four-year degree instead. As with the in-state–out-of-state decision, HOPE might influence movement between two-year and four-year schools in both directions. Rising academic standards at the best schools may induce some students to start their postsecondary schooling at a two-year institution.

Clearly, the in-state–out-of-state and two-year–four-year enrollment decisions are concerned with choice—where, not whether, to attend college. HOPE affects access only to the extent that it causes individuals who would otherwise enter the labor market to pursue a college degree.

Examination of the effect of HOPE by institution type and the interstate migration patterns in college attendance clarifies the 8 percent overall enrollment rate rise. First, virtually all of the 8 percent increase has been realized in four-year (public and private) colleges and universities. Enrollment rates in two-year schools showed no net change—individuals who would otherwise have entered the labor market filled the seats vacated by students pursuing four-year degrees. Second, two-thirds of the 8 percent (scholarship-induced) rise in total enrollments can be attributed to students’ decisions to remain in state. Third, if the change in the relative cost of in-state schools explains two-thirds of the overall HOPE effect, then one-third at most can be due to expanding access. Finally, an overall enrollment rate increase of 8 percent suggests that roughly 3,800 additional freshmen enrolled in Georgia institutions between 1993 and 1997 because of the HOPE program. These enrollees account for only 4 percent of all freshmen awards during the period, which implies that 96 percent of HOPE expenditures were allocated to individuals who would have attended college anyway.

In sum, the primary role of the HOPE Scholarship has been to influence where, not whether, students attend college. To the extent that it has increased enrollment, it has done so primarily at the four-year institutions and by increasing the choice of where students will enroll rather than by expanding access to higher education.

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Selected Resources

Cornwell, Chris, David Mustard, and D. Sridhar. 2001. *The enrollment effects of merit-based financial aid: Evidence from Georgia’s HOPE Scholarship*. Athens: Terry College of Business, University of Georgia.

For more on this research, see the Cornwell-Mustard HOPE Scholarship page: www.terry.uga.edu/hope.

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