



## Georgia Department of Audits and Accounts Performance Audit Division

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### Why we did this review

This report is a follow-up review of a special examination published in December of 2013 (Report #13-19).

The original examination answered the Senate Appropriations Committee's questions regarding the usage of out-of-state tuition waivers in the University System of Georgia (USG). The report included information on policies regarding out-of-state tuition waivers, the types of students receiving waivers, administrative policies used by institutions to grant waivers, the value of the waivers, and waiver practices utilized by other states.

This report provides a status update on the actions taken by the Board of Regents (BOR) subsequent to the release of the original examination.

### About Out-of-State Tuition Waivers

BOR's Residency Policy is intended to benefit students who are Georgia residents or have significant legal or family ties to Georgia. Students who qualify for Georgia resident status pay a lower tuition rate. Non-resident tuition rates are approximately three to four times the tuition rate charged to Georgia residents.

Out-of-state tuition waivers allow non-resident students to pay the in-state tuition rate. Tuition waivers are used to recruit non-resident students to attend USG institutions.

## Follow-Up Review Out-of-State Tuition Waivers

### BOR is in the early phase of implementing revised policies and procedures

### What we found

Since our 2013 special examination, BOR has addressed several of the issues identified in our original report. BOR streamlined waiver categories, capped the number of waivers available for athletics, established additional criteria for discretionary waivers, and began reviewing each institution's waiver policies. In addition, BOR is working to improve the quality of waiver data and also indicated plans to conduct a system-wide audit of waivers in the future. These revised policies and procedures are in the process of being implemented.

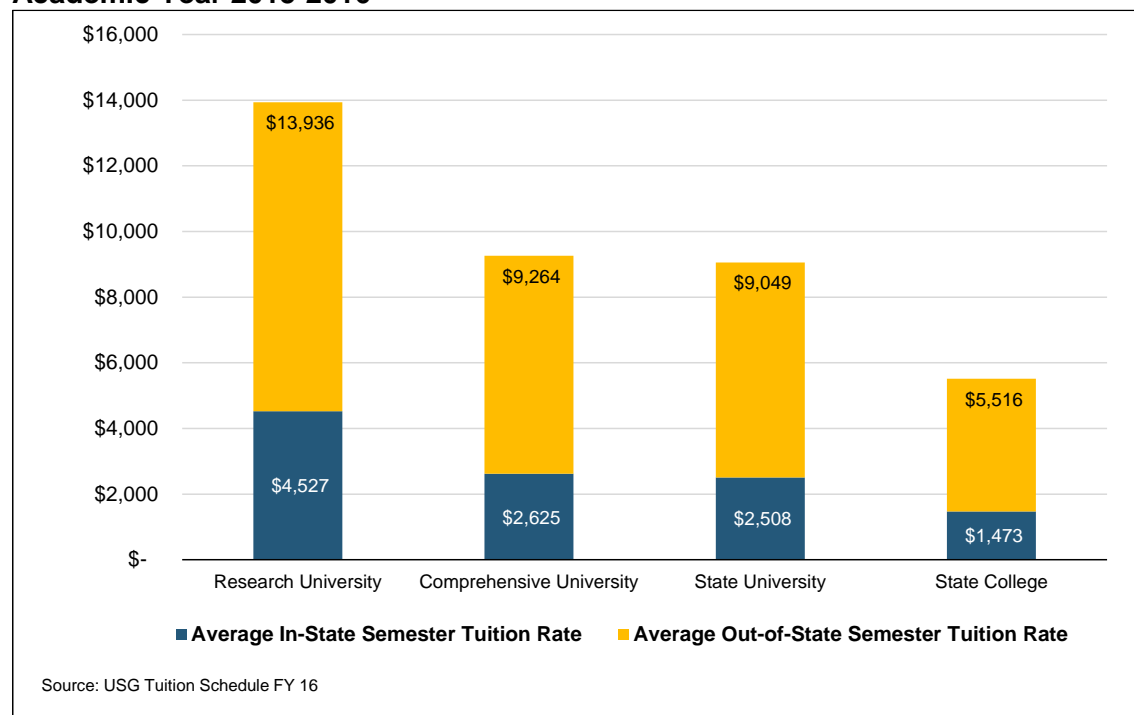
While BOR has made improvements, it has not determined the extent to which waivers are achieving their intended purpose. According to BOR, waivers are used to attract the best students, increase enrollment, and encourage economic development by allowing non-resident students to pay the in-state tuition rate. As shown in Exhibit 1, the in-state semester tuition rate is approximately \$4,000-\$9,400 less than the out-of-state rate. While tuition waivers provide a significant cost-savings to non-resident students, BOR has not studied the extent to which waivers increase enrollment, attract competitive students, or encourage economic development.

During the original examination, we found that USG awarded over 22,000 out-of-state tuition waivers with a value of approximately \$106 million in academic year 2012-2013. The waiver value has

likely increased to over \$130 million in academic year 2015-2016.<sup>1</sup> However, the amount of forgone revenue cannot be estimated without knowing if (a) the student receiving a waiver would have still chosen to attend a USG institution without the waiver, or, if not, (b) there is another non-resident student that would attend and pay the out-of-state tuition.

### Exhibit 1

#### Out-of-State Tuition Rates Are Three to Four Times Higher than In-State Rates Academic Year 2015-2016



### Types of Waivers and Criteria

BOR has streamlined the 17 types of tuition waivers offered by grouping similar waivers. At the time of the original report, BOR authorized 18 different tuition waivers. Since then, BOR eliminated the ICAPP Advantage Program waiver,<sup>2</sup> which was not being utilized. The remaining 17 waivers were streamlined into eight broader categories. For example, there is now a military category that encompasses the three different waivers aimed at military personnel – the Georgia National Guard and U.S. Military Reservists, Military Personnel, and Recently Separated Military Service Personnel. A complete listing of the waiver consolidations is shown in Exhibit 2.

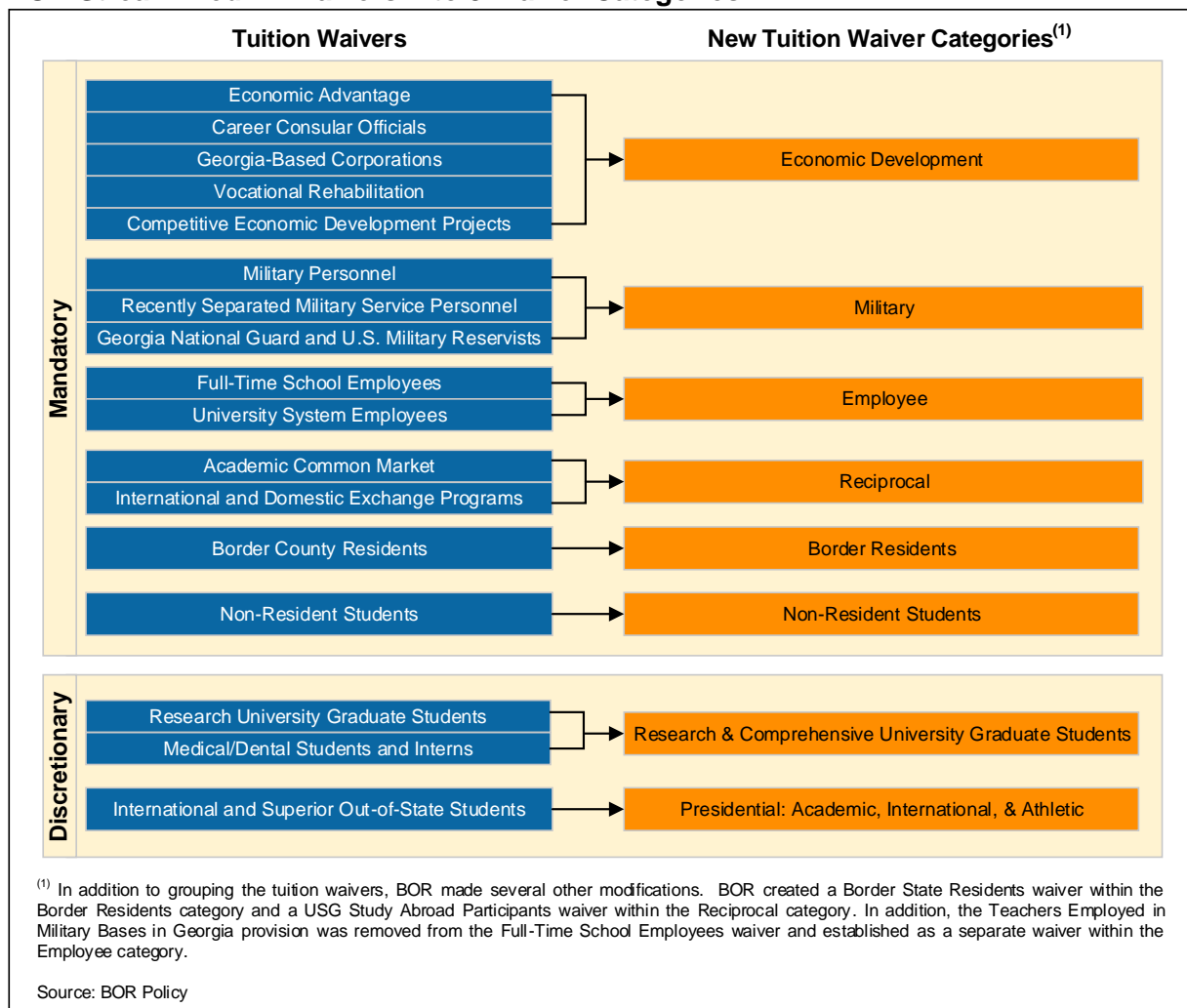
BOR's Policy Manual establishes the conditions under which non-resident students may qualify for out-of-state tuition waivers. According to BOR policy, non-resident students are entitled to have the out-of-state tuition waived for six of the eight waiver categories as long as requirements are met (i.e., mandatory). BOR policy also has authorized two discretionary waiver categories that allow institutions more latitude. However, BOR policy does impose limits on the number of discretionary waivers an institution may award.

<sup>1</sup> BOR did not collect data on the waiver value in 2015-2016. We estimated the waiver value based on the change in the number of waivers awarded and the change in the tuition differential between fall 2012 and fall 2015.

<sup>2</sup> The ICAPP Advantage Program waiver was intended to positively affect economic development activities in the state of Georgia by partnering with incoming corporate entities to provide the benefit for the waiver of non-resident tuition to employees participating in career-specific educational programs.

## Exhibit 2

### BOR Streamlined 17 Waivers into 8 Waiver Categories



In addition to streamlining the waivers, BOR added guidance for awarding discretionary waivers. The original special examination found that BOR policy did not provide detailed criteria for the International and Superior Student waiver, giving each institution wide latitude in awarding these waivers. As a result, less than half of the International and Superior freshman waiver recipients with reported GPAs had a high school GPA above the freshman student average for their respective institution in the fall of 2012. Similarly, less than half of the International and Superior freshman waiver recipients with reported SAT scores had a SAT score above the freshman student average for their respective institution. The 2013 special examination also found that institutions awarded 26% of International and Superior Student waivers for athletics in 2012-2013, totaling \$11.6 million in waived tuition. While some institutions had discontinued the practice of awarding out-of-state tuition waivers to athletes, other institutions relied heavily on waivers to recruit non-resident athletes. BOR's new policies replaced the International and Superior Student waiver with the Presidential waiver and established three waiver sub-categories for Academic, International, and Athletic. The new policies also include academic criteria and a cap on athletic waivers, as discussed below.

- Academic and International – Since the original examination, BOR updated its policy to require students to meet specific criteria to receive the Presidential waiver. Under the academic sub-category, students must score within the top half of students matriculating at the institution or

the top half of the program to which the student applied.<sup>3</sup> For both the academic and international sub-categories, students must maintain a 2.5 cumulative GPA to remain eligible for the waiver.

- Athletic – Since the original examination, BOR instituted a policy that caps the number of athletic waivers at one-third of the total number of Presidential waivers the institution is eligible to offer.<sup>4</sup> The cap will not be in full effect until fall of 2018.

While BOR's revised system-wide policies provide additional criteria for Presidential waivers, colleges and universities are responsible for defining institution-specific criteria and procedures. Following our 2013 special examination, BOR began requiring each institution to annually submit its criteria to BOR for review and approval. BOR management indicated that beginning in 2016-2017 they will be able to determine the results of the policy change and develop best practice guidelines for institutions. In addition, revised BOR policy requires institutions to maintain documentation of all Presidential waivers awarded to validate that waiver recipients met the BOR and institution-specific criteria.

### Waiver Usage

As shown in **Exhibit 3**, the number of waivers awarded increased from 9,456 in fall 2012 to 11,216 in fall 2015 (19%). (See [Appendix A](#) for fall 2015 waiver data for each institution.) The most significant increases occurred with the Presidential waiver and Border Resident waiver, which combined accounted for 53% of all waivers in fall 2012 and 61% of all waivers in fall 2015.

- Border Resident waiver – The number of Border Resident waivers increased from 1,182 in fall semester 2012 to 1,837 in fall semester 2015 (55%), when a policy change expanded eligibility. This category now encompasses the previously existing Border County Residents waiver and the new Border State Residents waiver. The Border County Residents waiver applies to certain counties in bordering states, while the new Border State Residents waiver applies to students throughout the entire neighboring state. To determine eligibility for the Border State Residents waiver, BOR annually reviews enrollment to determine whether any institutions have the capacity to increase recruitment of students from neighboring states. If an institution is authorized to award the Border State Residents waiver, it will be allowed to do so for the next three academic years.
- Presidential waiver – The number of Presidential waivers increased from 3,792 in fall semester 2012 to 5,040 in fall semester 2015 (33%). The 5,040 waivers include 418 partial waivers, which are now allowed under BOR guidelines so institutions can award waivers to more students than would be possible if waiving 100% of the tuition differential. At the time of the original report, BOR did not allow partial waivers, although we found that at least two institutions were awarding them.

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<sup>3</sup> BOR policy allows institutions to determine the top half using the academic criteria (freshman index, standardized test scores, GPA, artistic ability) applicable either for general admission to the institution or for the particular program of study to which the student has applied.

<sup>4</sup> The number of Presidential waivers cannot exceed 2% or 4% (depending on the institution) of the equivalent full-time students enrolled at the institution in the preceding fall.

**Exhibit 3****Number of Tuition Waivers Increased 19% between Fall 2012 and Fall 2015**

Waiver Category	Fall 2012		Fall 2015		2012-2015 Change	
	Number	Percent	Number	Percent	Number	Percent
Presidential	3,792	40%	5,040	45%	1,248	33%
Military	1,997	21%	2,021	18%	24	1%
Border Resident	1,182	13%	1,837	16%	655	55%
Reciprocal	485	5%	712	6%	227	47%
Economic Development	713	8%	501	4%	(212)	-30%
Non-Resident	626	7%	431	4%	(195)	-31%
Graduate Student	198	2%	386	3%	188	95%
Employee	463	5%	288	3%	(175)	-38%
<b>Total Waivers</b>	<b>9,456</b>	<b>100%</b>	<b>11,216</b>	<b>100%</b>	<b>1,760</b>	<b>19%</b>

Source: USG out-of-state tuition waiver survey from 2013 special examination and BOR data for 2015

**Oversight and Verification**

The 2013 special examination found that BOR provided guidance to the institutions on monitoring practices (e.g., self-audits, error detection, etc.), but BOR did not routinely review waiver decisions. Following our 2013 special examination, BOR indicated that it may conduct a system-wide waiver audit, but this is not currently on BOR's 18-month rolling audit plan.

The original examination also found that BOR did not have reliable data on waiver use and value. BOR indicated that it has since identified institutions with data entry inconsistencies and has worked with those institutions to improve data consistency. In addition, BOR intends to hold a waiver training session in the spring of 2016 to further educate institutions on waiver data entry. In the fall of 2016, BOR plans to expand its data collection efforts by collecting data on the value of waived tuition.

**BOR's Response:** BOR is in general agreement with the report's characterization of its progress over the past several years. BOR noted that previous economic impact studies found that the average student spends over \$16,000 in goods and services excluding tuition payments. BOR believes that this generates an economic impact on our state. In regards to the growth in waivers, BOR indicated that 65% of the growth, excluding the University of Georgia, has been at institutions with declining or substantively flat enrollment from fall 2012 to fall 2015. BOR believes that waivers have contributed to preventing further enrollment decline. BOR also indicated that 11 institutions were approved for the new Border State waiver, and the majority of these institutions have experienced enrollment declines and/or have excess capacity for student enrollment.

A copy of the 2013 special examination #13-19 may be accessed at <http://www.audits.ga.gov/rsaAudits>.



## Appendix A: Tuition Waivers Awarded by Each Institution Fall Semester 2015

Institution	Presidential			Border Resident	Economic Development	Employee	Military	Reciprocal	Graduate Student	Non-Resident	Total
	Full	Partial	Total								
Augusta University	109	3	112	197	11	34	183	7	6	7	557
Georgia Institute of Technology	364	32	396	0	99	39	76	240	124	32	1,006
Georgia State University	641	155	796	0	70	62	81	3	88	98	1,198
University of Georgia	999	59	1,058	0	49	36	48	259	163	31	1,644
<b>Research Universities</b>	<b>2113</b>	<b>249</b>	<b>2,362</b>	<b>197</b>	<b>229</b>	<b>171</b>	<b>388</b>	<b>509</b>	<b>381</b>	<b>168</b>	<b>4,405</b>
Georgia Southern University	306	2	308	1	30	24	105	36	0	18	522
Kennesaw State University	500	0	500	0	67	2	74	38	5	0	686
University of West Georgia	193	1	194	44	2	4	7	14	0	7	272
Valdosta State University	133	102	235	274	13	12	112	0	0	7	653
<b>Comprehensive Universities</b>	<b>1132</b>	<b>105</b>	<b>1,237</b>	<b>319</b>	<b>112</b>	<b>42</b>	<b>298</b>	<b>88</b>	<b>5</b>	<b>32</b>	<b>2,133</b>
Albany State University	39	1	40	47	0	1	9	0	0	3	100
Armstrong State University	95	1	96	110	11	12	418	8	0	0	655
Clayton State University	96	0	96	0	0	0	8	0	0	19	123
Columbus State University	154	56	210	445	3	27	450	11	0	9	1,155
Fort Valley State University	51	0	51	28	0	0	3	0	0	6	88
Georgia College & State University	52	0	52	0	2	0	7	33	0	0	94
Georgia Southwestern State University	42	0	42	32	4	7	5	3	0	0	93
Middle Georgia State University	61	0	61	0	2	2	57	6	0	12	140
Savannah State University	72	0	72	234	1	5	51	18	0	5	386
University of North Georgia	213	0	213	0	9	1	31	17	0	3	274
<b>State Universities</b>	<b>875</b>	<b>58</b>	<b>933</b>	<b>896</b>	<b>32</b>	<b>55</b>	<b>1,039</b>	<b>96</b>	<b>0</b>	<b>57</b>	<b>3,108</b>
Abraham Baldwin Agricultural College	15	1	16	133	2	0	11	15	0	2	179
Atlanta Metropolitan State College	4	0	4	0	2	0	4	0	0	23	33
Bainbridge State College	4	0	4	85	0	0	2	0	0	0	91
College of Coastal Georgia	38	3	41	31	18	3	81	0	0	7	181
Dalton State College	44	0	44	31	0	0	7	0	0	17	99
Darton State College	60	2	62	55	4	0	47	0	0	0	168
East Georgia State College	7	0	7	8	1	1	13	0	0	2	32
Georgia Gwinnett College	92	0	92	0	32	1	21	4	0	4	154
Georgia Highlands College	60	0	60	12	9	2	25	0	0	11	119
Georgia Perimeter College	157	0	157	0	59	11	82	0	0	100	409
Gordon State College	14	0	14	0	0	2	1	0	0	2	19
South Georgia State College	7	0	7	70	1	0	2	0	0	6	86
<b>State Colleges</b>	<b>502</b>	<b>6</b>	<b>508</b>	<b>425</b>	<b>128</b>	<b>20</b>	<b>296</b>	<b>19</b>	<b>0</b>	<b>174</b>	<b>1,570</b>
<b>System Totals</b>	<b>4622</b>	<b>418</b>	<b>5,040</b>	<b>1,837</b>	<b>501</b>	<b>288</b>	<b>2,021</b>	<b>712</b>	<b>386</b>	<b>431</b>	<b>11,216</b>

Source: BOR data

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The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision-makers. For more information, contact us at (404)656-2180 or visit our website at [www.audits.ga.gov](http://www.audits.ga.gov).