Georgia Department of Audits and Accounts
Performance Audit Division

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Why we did this review

This special examination of the cost of higher education was requested by the Senate Appropriations Committee. The Committee asked that we review the cost drivers of public higher education and the extent to which fees cover associated expenditures at University System of Georgia (USG) institutions.

We reviewed how has funding of USG institutions changed over time and how have these changes impacted the cost of attendance. We identified both the state and institution-level factors driving cost. We compared the cost of attendance at USG institutions to peer institutions in other states. Also, we reviewed what expenditures are covered by fees and to what degree do these fees offset these costs

About Higher Education Costs

A student's cost of attendance includes tuition, mandatory fees, housing, dining, books and supplies and personal expenses. The average published tuition and mandatory fees at USG institutions for 2016-17 was $6,633 annually. The average lowest cost housing and dining rates at USG institutions was $8,302 annually.

USG students may receive grant or scholarship aid which reduces the cost of attendance. The average net cost of attendance for USG students – considering tuition, fees, housing and dining minus financial aid – in 2013-14[2] was $8,290.

Board of Regents

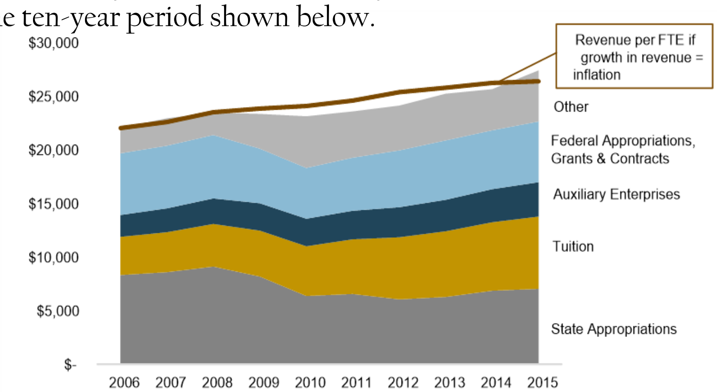
Requested Information on Higher Education Cost Drivers

What we found

Over the last ten years, decreased levels of state appropriations and changes to the HOPE scholarship have shifted a larger portion of the cost of public higher education to USG students in the form of increased tuition. Students' cost of attendance has further increased as a result of institution-level policy decisions to expand requirements to live on campus and purchase meal plans and to increase mandatory fees to fund such items as new facilities and expanded athletics programs. From fiscal year 2006 to 2015, USG students' average cost of attendance increased 77% from $8,361 to $14,791 per year.[1] When adjusted for enrollment growth and inflation, these changes have not significantly impacted USG total revenues.

USG Funding

USG revenue increased from $4.8 billion in fiscal year 2006 to $7.6 billion in fiscal year 2015 (a 5.9% average annual increase). When adjusted for enrollment growth, USG revenue per FTE increased by 2.6% annually, which tracks closely with the rate of inflation over the ten-year period shown below.



Source: USG Data

[1] These costs include tuition, fees, room and board only.

[2] The data presented is the most recent available.

Between fiscal years 2006 and 2015, state appropriations failed to keep pace with enrollment, which effectively resulted in a 15% decrease (or a $1,288 per FTE decrease) in USG funding. To offset this decrease, USG increased tuition and instituted a special institutional fee, which did not fully offset the loss in state appropriations when considering inflation. Increases in the average tuition rate (including the special institutional fee) ranged from 86% at USG's state colleges to 55% at its comprehensive universities over the 10-year period.

Cost of Attendance

In addition to tuition increases, changes to the HOPE Scholarship and institution-level decisions to increase mandatory fees and expand auxiliary programs have also played a role in students' increased cost of attendance. The average HOPE Scholarship award decreased by 22% ($1,087 per year) and changes in eligibility criteria reduced the number of awards made. Additionally, USG institutions have increased mandatory fees, excluding the special institutional fee, by an average of $218 (75%) per semester from $292 to $510 since 2006. Increases in "elective" fees for auxiliary programs such as housing and dining have also had an impact on student costs. Over the past ten years, seven USG institutions have added on-campus housing, shifting from commuter-only to residential campuses. Nineteen USG institutions mandate first-year students reside in on-campus housing and 18 of these institutions require students to purchase meal-plans. Typical housing expenses for USG students have increased 56% and typical dining expenses have increased 60%, both more than double the inflation rate.

Despite these increases, the cost of attendance remains lower at most USG institutions than at peer institutions in other states. In fiscal year 2014, tuition and fee rates charged by USG institutions averaged 25% less than the rates charged by peer institutions in other states. In addition, for students residing in on-campus housing, the total price of attendance was lower at 23 of the 26 USG institutions with on-campus housing than at peer institutions in other states.

Auxiliary Enterprises

Auxiliary enterprises are used to manage non-academic services provided to students, such as housing and dining, parking and intercollegiate athletics. BOR policies state that auxiliary enterprises should be operated on a self-supporting basis, where the combination of fees and other revenues is sufficient to meet costs of the service. However, institutions are allowed to have a deficit in an auxiliary enterprise if the deficit is covered by a surplus in another auxiliary enterprise. In fiscal year 2015, 19 of 29 USG institutions had a negative fund balance in at least one auxiliary enterprise. In addition, USG institutions are allowed to retain unexpended revenues from year to year creating fund balances. BOR does not have a policy limiting growth in fund balances, or require USG institutions to provide specific plans for the use of these fund balances.

BOR's Response: *BOR noted that the report provides useful and relevant information. The Chancellor stated that he and BOR "recognize the importance of providing their students an affordable, accessible, and high quality education. To meet those goals, BOR has taken multiple actions to balance providing access to students across Georgia while maintaining quality in resident instruction and core functional areas. Strategic actions taken include measures to reduce and to control costs to students while also better managing expenses incurred in performing their mission."*

BOR also noted that even though the report does not make formal recommendations, it does highlight several opportunities for BOR to further enhance affordability to students. To that end, the Chancellor-Elect plans to introduce policy changes in early 2017 to address some of the issues noted around dining and other areas associated with auxiliary services.

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Purpose of the Special Examination

This review was conducted at the request of the Senate Appropriations Committee. The Committee requested that we identify the factors driving cost increases focusing on academic versus non-academic expenditures at University System of Georgia (USG) institutions and the extent to which fees cover associated expenditures at the institutions. Based on this request we addressed the following questions:

1. How has funding of USG institutions changed over time and how have these changes impacted the cost of attendance?
2. What are the state-level factors driving increases to the cost of attendance at USG institutions?
3. What are the institution-level factors driving increases to the cost of attendance at USG institutions?
4. How does the cost of attendance at USG institutions compare to peer institutions in other states?
5. What additional factors impact the cost of attending a USG institution?
6. What are the academic versus non-academic expenditure trends at USG institutions?
7. What expenditures are covered by fees and to what degree do fees offset these costs?

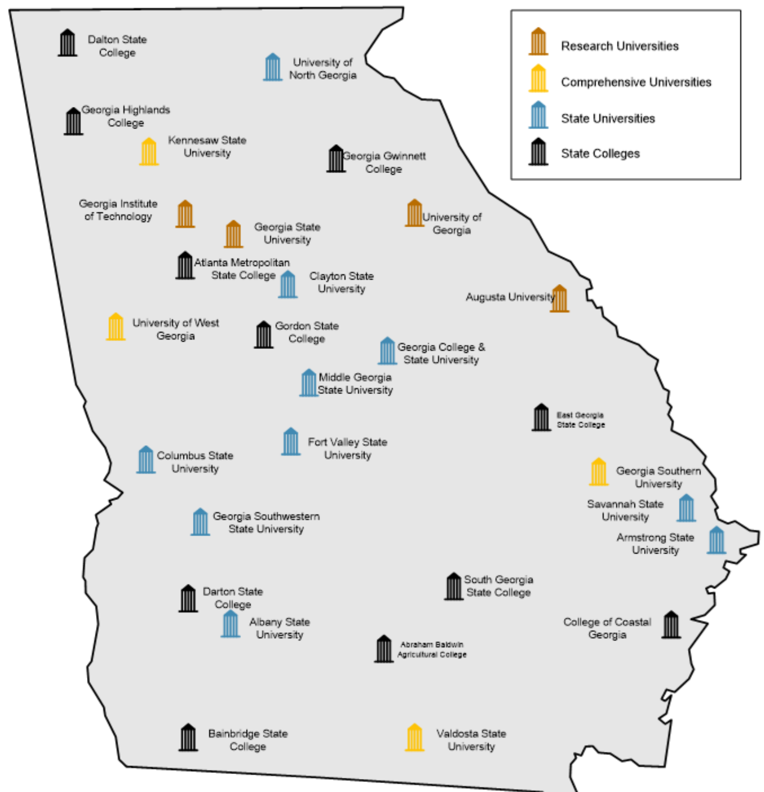
A description of the objectives, scope, and methodology used in this review is included in Appendix A. A draft of the report was provided to the University System of Georgia for its review, and pertinent responses were incorporated into the report.

Background

University System of Georgia

Under the Constitution and laws of the state of Georgia, the Board of Regents (BOR) of the University System of Georgia (USG) was created to govern, control and manage a system of public institutions providing quality higher education for the benefit of Georgia citizens. BOR oversees 29 colleges and universities, including four research universities, four comprehensive universities, 10 state universities, and 11 state colleges. **Exhibit 1** on the following page shows the name and location of each institution. The collective mission of the USG institutions is to drive economic development and produce more educated individuals contributing to a better quality of life in the state.

Exhibit 1
Locations of Institutions within University System of Georgia

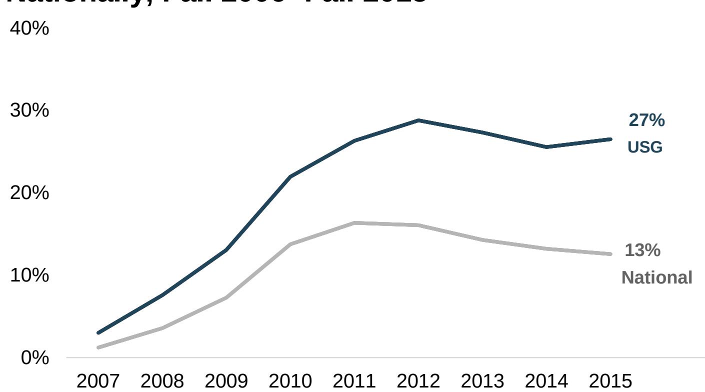


Source: Georgia Board of Regents

Enrollment

Total full-time equivalent (FTE) enrollment at USG institutions increased from approximately 219,000 to 277,000 between 2006 and 2015, an increase of 27%. This growth rate exceeds national trends for public institutions, which shows enrollment growth of 13%. As shown in **Exhibit 2**, USG enrollment growth has consistently outpaced average growth in public institutions nationally. USG's enrollment continued to increase to its peak level in 2012 after which enrollment declined 1.8% by fiscal year 2015.

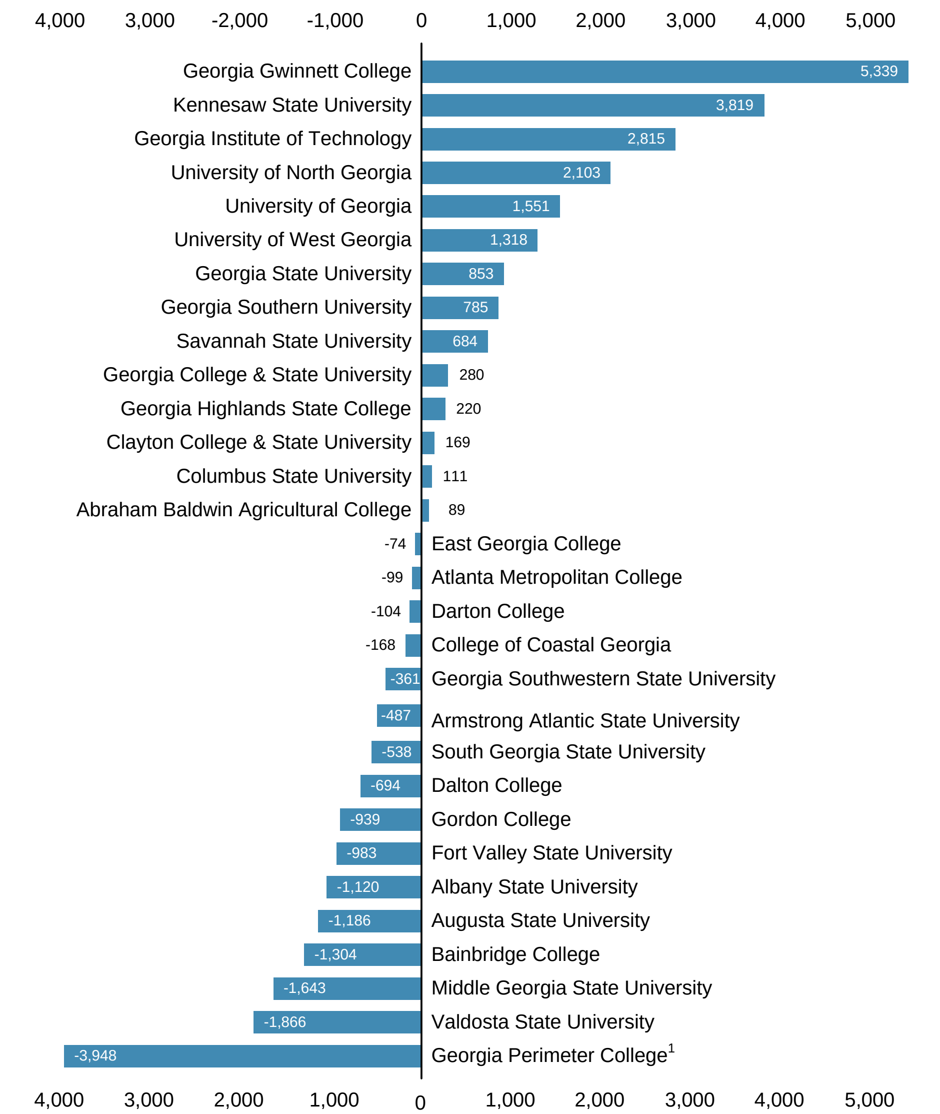
Exhibit 2
USG FTE Enrollment Percentage Growth Surpassed Public Institutions Nationally, Fall 2006- Fall 2015



Source: USG enrollment data, NCES IPEDS data

As shown in **Exhibit 3**, for the most recent five-year period enrollment trends vary from institution to institution with the majority of growth concentrated among a few institutions.

Exhibit 3
Fall FTE Enrollment Declined at a Majority of USG Institutions, Fiscal Years 2011- 2016



(1) Georgia Perimeter College consolidated with Georgia State University in fiscal year 2017.

Source: USG enrollment data

Public Higher Education Funding

USG institutions are funded through multiple revenue sources including state appropriations, tuition, grants and contracts, donations, mandatory and other student fees, and auxiliary service fees, such as housing and dining fees. Annual state appropriation levels are determined through a funding formula. The formula approximates the total cost of educating students based on credit hour production (number of students being educated). Generally, the portion of the cost of educating students not funded by state appropriations is funded by tuition and fees. The majority of formula funds support instruction, research, public service, student services, institutional support and technology. The formula also provides funding for operation and maintenance costs of the physical plant, which is calculated on a per square foot basis.

While the General Assembly appropriates state funds to the USG, BOR determines the amount of state funds to be allocated to each institution. In addition, BOR establishes the tuition rates for each type of institution and approves mandatory fees requested by individual institutions.

Tuition

Tuition supports the academic mission of USG institutions and is used to fund:

- Instruction- activities associated with an institution's instruction program;
- Research- activities specifically organized to produce research;
- Public Service- activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institutions such as community service programs;
- Academic Support- activities including curriculum development, technology and media services that support the institution's primary missions of teaching, research, and public service;
- Student Services- services provided by the offices of admissions and the registrar and activities designed to contribute to the students' emotional and physical well-being including student clubs, cultural events, intramural athletics, counseling and career guidance.
- Institutional Support- administrative activities including fiscal operations, human resource management, procurement, etc.
- Plant Operations and Maintenance- operations established to provide services and maintenance related to grounds and facilities.
- Scholarships and Fellowships- grants to students resulting from selection by the institution or from an entitlement program.

As shown in **Exhibit 4**, fiscal year 2017 undergraduate in-state tuition rates for full-time students vary by institution type and range from $1,363 per semester to $4,906 per semester.

Exhibit 4
In-State Tuition Rates for Full-Time Undergraduate Students Vary By Institution Type, Fiscal Year 2017

Type of Institution	Tuition Rates Per Semester
Research University	$3,296-$4,906
Comprehensive University	$2,613-$2,660
State University	$1,630-$2,676
State College	$1,363-$1,922

Source: USG data

Mandatory Student Fees

According to BOR policy, a mandatory fee is any fee or special charge that is required to be paid by all full-time, undergraduate students at an institution or by all undergraduate students in a specific degree program. There are many types of mandatory student fees, including, but not limited to, fees for intercollegiate athletics, student activities, student health services, parking, transportation, and facilities development.

USG institutions may charge different types of mandatory student fees at rates associated with their unique needs, with the approval of BOR. For example, all USG institutions charge an Activity Fee (ranging from $33 to $200 per semester); whereas only five institutions charge an International Fee[3] (ranging from $5 to $19 per semester). As shown in **Exhibit 5**, the total mandatory student fee rates charged by each institution range from $427 to $1,478 per semester.

Exhibit 5
Total Mandatory Student Fees for Full-Time Undergraduate Students Vary By Institution Type, Fiscal Year 2017

Type of Institution	Total Mandatory Fee Rates Per Semester
Research University	$915-$1,200
Comprehensive University	$981-$1,478
State University	$641-$1,011
State College	$427-$1,102

Source: USG data

The mandatory fee rates shown in **Exhibit 5** do not include the cost of USG institution mandated on-campus housing and the mandated purchase of meal plans. These costs are discussed in the following section.

Auxiliary Services

According to BOR policy, an auxiliary service is an activity that exists to provide a service directly or indirectly to students, faculty or staff. Auxiliary services are funded on a self-supporting basis and are not subsidized by state appropriations or general revenues. Examples include housing, food services, student activities, intercollegiate athletics, campus bookstores, and parking. Auxiliary services such as college bookstores are supported through sales. Other auxiliary services, such as intercollegiate athletics, are supported by mandatory student fees as well as revenue from other sources, such as ticket sales.

On-campus housing and dining (food services) are mandatory at some institutions. USG institutions may require students to live on campus with prior notification to the USG chancellor and subject to the chancellor's review. Currently, 19 of the 29 USG institutions require full-time freshman students to reside on campus. In addition, 18 of these institutions mandate that full-time freshman students purchase meal plans. Mandatory on-campus housing and meal plans range in cost, from $6,050 per year at Albany State University to more than $11,000 per year at Georgia Gwinnett College.

[3] The International Fee may be used to offer scholarships to students who study abroad.

Cost of Attendance

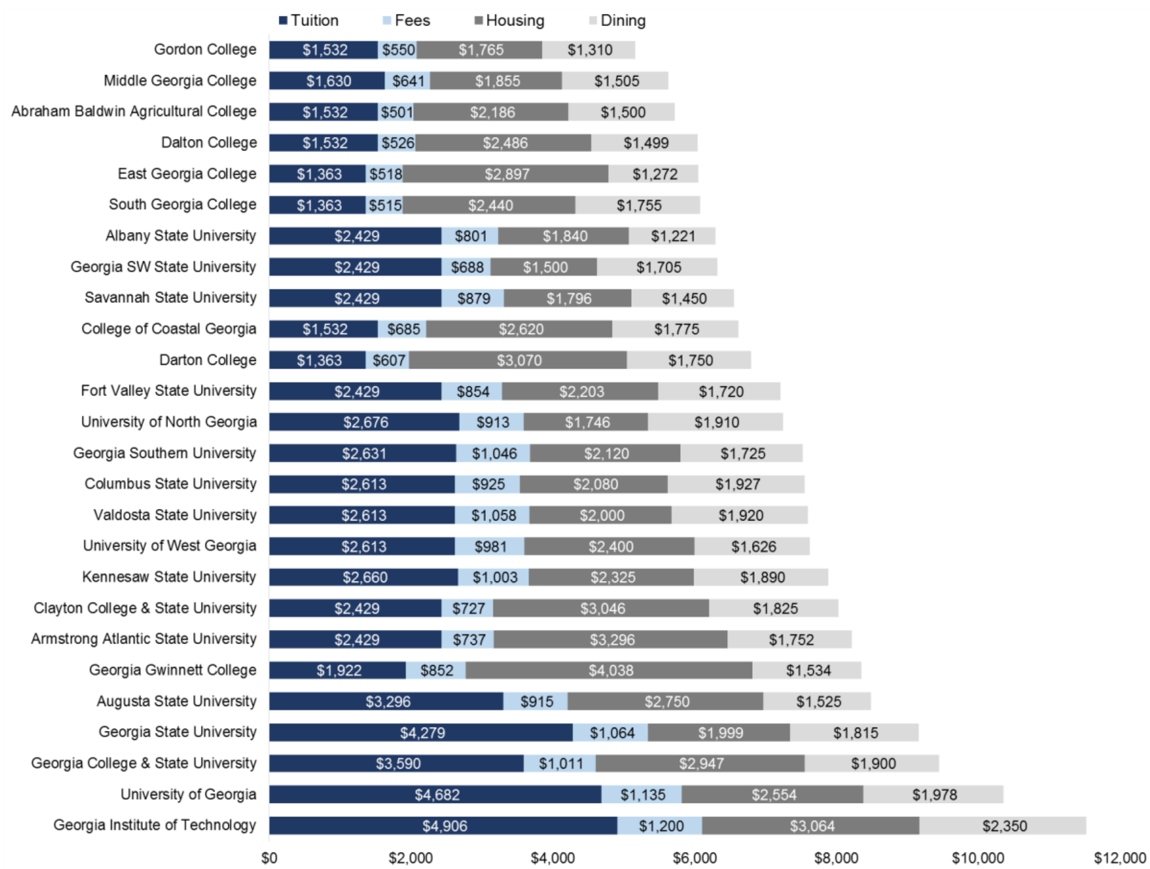
For the purposes of this report, the cost of attendance includes tuition, mandatory fees, housing, and dining.

The cost of attendance is the estimated total cost of attending a higher education institution as a full-time student. It is published by each institution and includes tuition, fees, and on-campus housing and dining, and expenses for books, supplies, and transportation. This report focuses on tuition, fees, housing and dining as they are the largest cost components. The cost of attendance is the full cost students are charged, and does not take into account financial aid.

In fiscal year 2017, the average cost of attendance at USG institutions was $7,468 per semester. As shown in **Exhibit 6**, cost of attendance ranges from $5,157 to $11,520 per semester.

Exhibit 6

The Cost of Attendance[1] at USG Institutions[2] for In-State, Full-time Students Residing On-Campus Ranges from $5,157 to $11,520 per Semester, Fiscal Year 2017



(1) The cost of attendance is estimated based on the lowest cost housing and meal plan options available for first-year residential students.

(2) Only USG institutions that provide on-campus housing and meal plan options are included.

Source: Georgia Board of Regents, USG institution policies

Scholarship and Grant Aid

Students who receive scholarship and grant aid do not pay the full cost of attendance. The amount students actually pay after taking into account scholarship and grant aid is commonly referred to as the *net cost of attendance*. In fiscal year 2014, full-time, first-year, undergraduate residential students awarded scholarship or grant aid received an average aid award of $6,010 per year reducing their annual cost of attendance from an average of $14,300 to an average net cost of $8,290.

Scholarship and grant aid includes federal, state, and institutional awards. Federal grant aid is primarily composed of Pell grants, which provide up to a maximum annual value of $5,775 and is awarded based on financial need. The HOPE scholarship is the primary source of state grant aid in Georgia and is awarded based on academic achievement. Other sources of grants or scholarships include merit or need-based awards issued by USG institutions.

Student loans do not impact the net cost of attendance. Unlike scholarships and grants, loans are required to be repaid in the future. Student loans are used by some students to pay the net cost of attendance.

Financial Information

As shown in **Exhibit 7**, state appropriations, tuition and fees comprise the majority of total funding to the USG. The majority of operating expenditures are associated with personal services costs such as salaries and benefits.

Exhibit 7
USG Revenue and Expenditures, Fiscal Years 2014-2015

Revenue	**2014**	**2015**
State Appropriations	$1,880,492,086	$1,942,664,302
Tuition & Fees	1,751,606,706	1,865,059,386
Federal Appropriation	18,770,294	21,757,958
Grants & Contracts	2,118,470,118	2,167,795,426
Sales & Services	182,725,700	209,425,200
Rents & Royalties	2,926,002	4,991,663
Auxiliary Enterprises	847,423,017	885,065,041
Capital Grants & Gifts	149,750,387,	385,621,578
Other	85,518,622	94,857,927
Total Revenue	**$7,037,682,932**	**$7,577,238,451**
Operating Expenditures		
Personal Services	$4,416,495,701	$4,577,223,561
Travel	71,378,144	76,556,399
Scholarships	318,139,424	313,019,514
Utilities	183,570,984	191,486,623
Supplies/Other Service	1,702,974,606	1,836,338,935
Depreciation	445,565,188	459,368,084
Total Expenditures	**$7,138,124,047**	**$7,452,993,116**

Source: USG Annual Financial Reports

U.S. Higher Education Data

The Integrated Postsecondary Education Data System (IPEDS) contains comprehensive data regarding higher education in the United States. IPEDS is a system of surveys conducted annually by the U.S. Department of Education's National Center for Education Statistics (NCES). IPEDS surveys all higher education institutions that participate in federal student financial aid programs. Higher education institutions report data on enrollment, program completion, graduation rates, faculty and staff, finances, institution costs, and student financial aid. This includes published tuition, mandatory student fees, on-campus room and board, average scholarship and grant aid amounts, and faculty composition.

Comparable Institutions in Other States

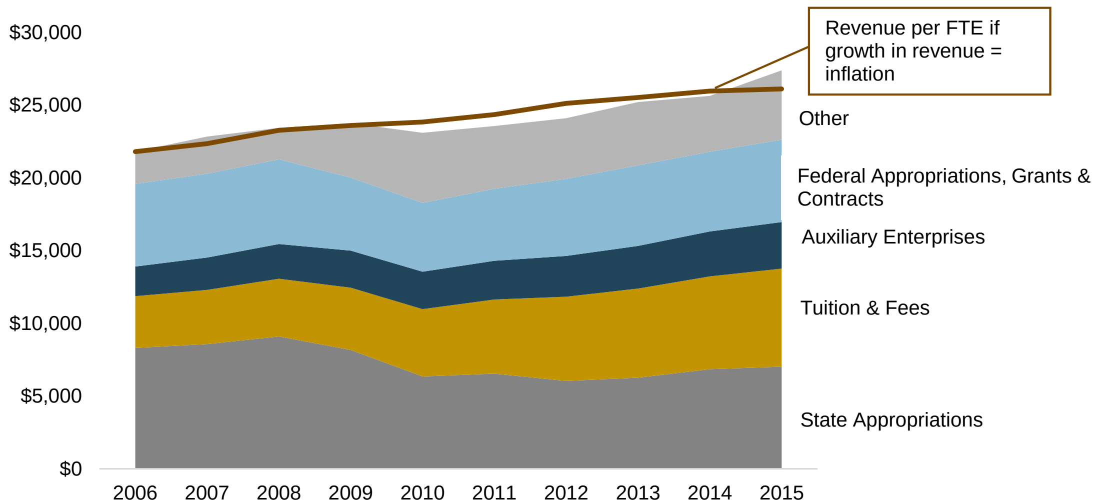
Higher education institutions are compared to peer institutions to benchmark finances, enrollment, graduation rates, and other data points using IPEDS data. USG institutions created a list of their peer institutions in 2009. Also, IPEDS lists peer institutions. The peer institutions in IPEDS are either generated by NCES or institutions may self-report their peer institutions as part of the IPEDS survey.

Requested Information

How has funding of USG institutions changed over time and how have these changes impacted cost of attendance?

USG system revenue increased from $4.8 billion in fiscal year 2006 to $7.6 billion in fiscal year 2015, a 5.9% annualized or 59% cumulative growth rate. As shown in **Exhibit 8**, when adjusted for enrollment growth, USG revenue per FTE increased by 2.6% annually or 26% cumulatively, which tracks closely with the rate of inflation over the ten-year period shown below.[4]

Exhibit 8
Growth in Total Revenue per FTE is Consistent with Inflation, Fiscal Years 2006-2015



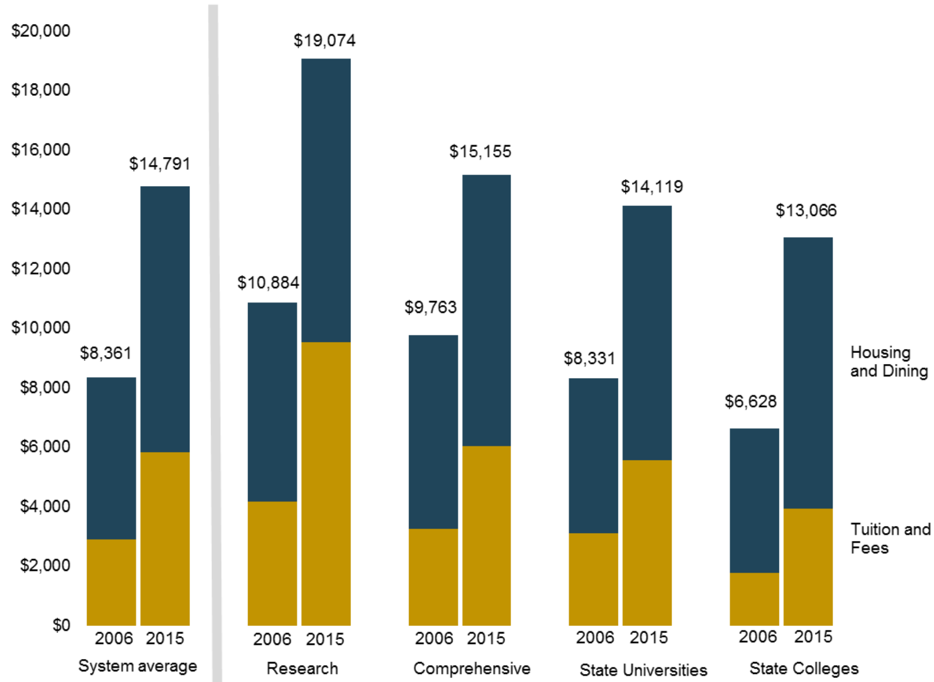
Source: USG Annual Financial Reports, USG Enrollment data, and U.S. Bureau of Labor Statistics

Although total USG revenue has not significantly increased in real terms, the portion funded by students has increased from 26% in fiscal year 2006 to 36% in fiscal year 2015. This change is the result of a 15% decrease in state appropriations for instruction and a corresponding increase in tuition and fees. In addition, USG institutions increased and expanded mandatory student fee programs and auxiliary enterprise programs. (These decisions are discussed in more detail on pages 11-22.)

As shown in **Exhibit 9**, the impact of these changes has increased students' cost of attendance by an average of 77% (from $8,361 in fiscal year 2006 to $14,791 in fiscal year 2015) for in-state full-time students residing on-campus. The average increase in cost of attendance ranged from 97% at USG's state colleges to 55% at USG's comprehensive universities.

[4] Inflation, as measured by the consumer price index (CPI), increased by 2.0% annually or 20.0% cumulatively from fiscal years 2006 to 2015.

Exhibit 9
Increases in Tuition, Fees, Housing and Dining Rates[1] Have Increased the Cost of Attendance for In-State Students Residing On-Campus, Fiscal Years 2006-2015



(1) Includes average tuition and fees rates for all USG institutions and average typical housing and dining costs reported by USG institutions to NCES.

Source: NCES IPEDS data

What are the state-level factors driving increases to students' cost of attendance at USG institutions?

Reductions in state appropriations and HOPE scholarship benefits have increased the cost of attendance for USG students. To offset the reduction in state funds, the BOR increased tuition rates and instituted a system-wide mandatory student fee to fund instruction.

Over the past ten years, state appropriations to USG have decreased by $1,288 per FTE student from $8,312 to $7,024. To generate revenue sufficient to offset reduced state appropriations, USG increased tuition rates by an average of $1,144 per semester from 2008 to 2017 and instituted the Special Institutional Fee, an alternative form of tuition, which additionally increased student costs. As shown in **Exhibit 10**, tuition rate increases vary by type of institution with the four Research Universities incurring the largest average increase of 109% and state colleges incurring the smallest average increase of 66%.

Exhibit 10
In-State Tuition Rate Increases for Full-Time Undergraduate Students Vary By Institution Type, Fiscal Years 2008 to 2017

Type of Institution	2008 Average Tuition	2017 Average Tuition	Percent Increase
Research University	$2,044	$4,280	109.4%
Comprehensive University	$1,357	$2,625	93.4%
State University	$1,356	$2,420	78.4%
State College	$890	$1,473	65.5%

Source: USG data

As shown in **Exhibit 11**, the Special Institutional Fee adds from $170 to $544 to students' cost of attendance per semester.

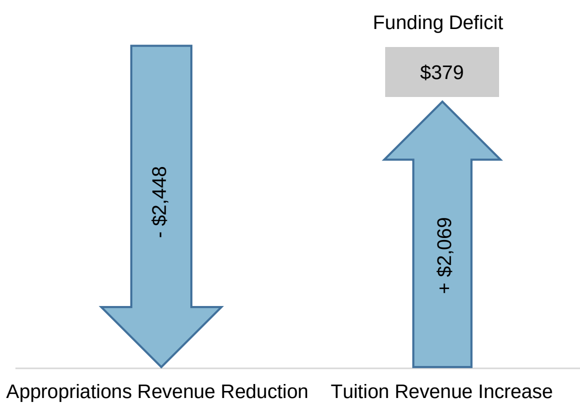
Exhibit 11
Special Institutional Fees for Full-Time Undergraduate Students Vary By Institution Type, Fiscal Year 2017

Type of Institution	Special Institutional Fee	Average Percent of Tuition
Research University	$355-$544	9%
Comprehensive University	$290-$300	10%
State University	$202-$275	9%
State College	$170-$245	12%

Source: USG data

As shown in **Exhibit 12**, additional revenue generated by tuition rate increases and the implementation of the special institutional fee did not completely offset the loss in state appropriations. After adjusting for inflation, from fiscal years 2006 to 2015, state appropriations per FTE student declined by $2,448 while tuition and fee rate increases generated $2,069 additional revenue per FTE student, leaving a funding deficit of $379 per FTE student. As shown in **Exhibit 25** on page 28, USG institutions have reduced spending on activities funded with tuition and appropriations revenue, such as instruction and public service.

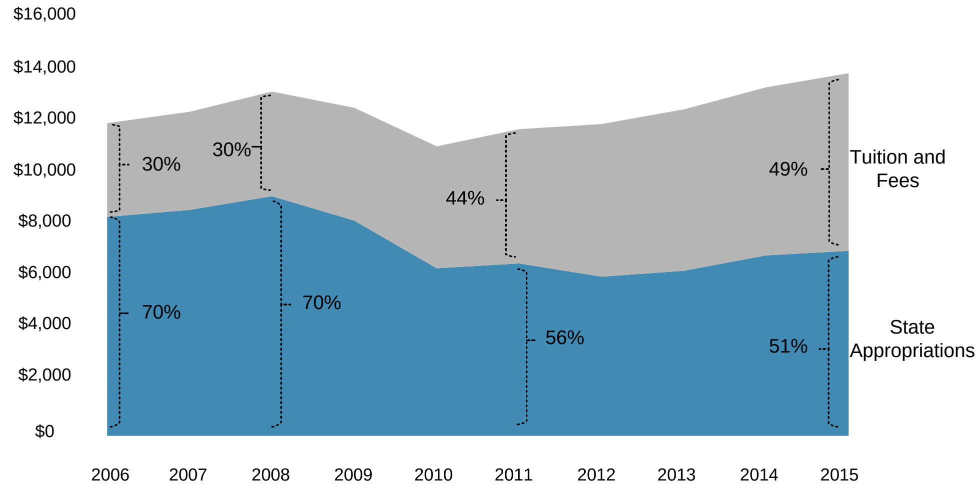
Exhibit 12
Considering Enrollment and Inflation, Tuition and Fee Increases Have Not Fully Offset Losses in State Appropriations, Fiscal Years 2006-2015



Source: USG annual financial reports and enrollment reports, Bureau of Labor Statistics

As shown in **Exhibit 13**, the reduction in state appropriations, the increase in tuition, and the addition of the Special Institutional Fee increased students' share of funding by approximately 20 percentage points since fiscal year 2006, from 30% to 49%. The state's share of funding correspondingly declined from 70% in fiscal year 2006 to 51% in fiscal year 2015.

Exhibit 13
The Reduction in State Appropriations Has Increased the Share of Costs Funded By Students: Fiscal Years 2006-2015



Source: USG annual financial reports and enrollment reports

USG Funding Formula

State appropriations and tuition fund operations for USG's Teaching Program which includes activities related to instruction, research, academic and institutional support, and plant operations. The primary USG funding mechanism is the funding formula which calculates the funding required for faculty, staff, and support expenditures necessary to fund workload based on enrollment. Historically, state appropriations were set at a level sufficient to provide 75% of required funding and tuition rates were set at a level sufficient to provide the remaining 25% of funds.

HOPE Scholarship

Net Cost of attendance is the price students actually pay to attend an institution. It is the cost of attendance minus any grants and scholarships a student receives.

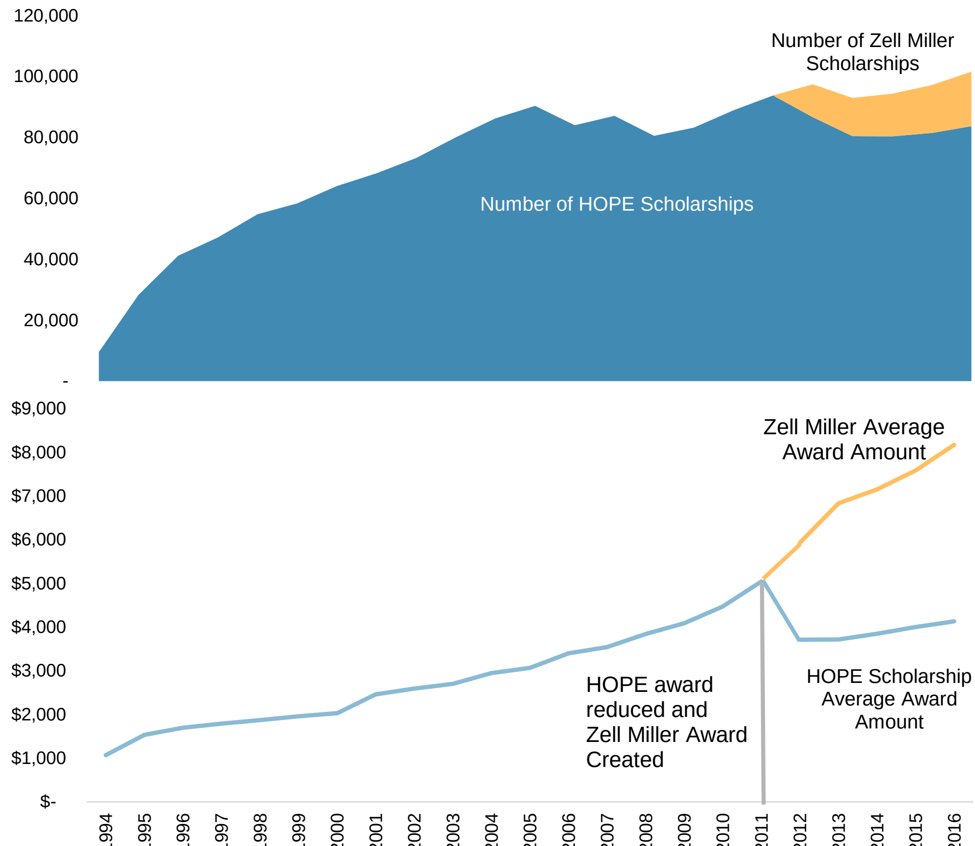
A variety of legislative changes to the Helping Outstanding Pupils Educationally (HOPE) state scholarship program have increased the net cost of attendance for students that qualify for the scholarship. The HOPE Scholarship was created in 1992 to provide tuition assistance for Georgia residents obtaining a postsecondary education. It is a merit-based scholarship available to Georgia residents who have graduated from high school with a minimum 3.0 grade point average (GPA). The scholarship originally covered 100% of students' tuition expenses, mandatory student fees, and book expenses. The following changes to this award increased eligibility requirements and decreased award amounts.

- **House Bill 1325 – 2004 Legislative Session:** This bill changed eligibility by requiring that students maintain a 3.0 cumulative GPA at the end of each spring semester to remain eligible for the HOPE scholarship. This bill also reduced scholarship award amounts by limiting the book award to $150 per semester and capping the mandatory student fee award amount to January 2004 levels.

- **House Bill 326 – 2012 Legislative Session:** This bill reduced the scholarship award from funding 100% of tuition to funding only a portion of tuition, which currently ranges from 71% at the Georgia Institute of Technology to 88% at 12 state colleges. The bill also created a new scholarship program, the Zell Miller Scholarship, which provides 100% tuition awards for Georgia residents who graduate from high school with a minimum 3.7 GPA and have a combined math/reading SAT score of at least 1200. These students must maintain a minimum 3.3 GPA to remain eligible. Lastly, the bill eliminated awards for mandatory student fees and book expenses.

The average HOPE Scholarship award decreased by 22% ($1,087 per year) and changes in eligibility criteria reduced the number of awards made. As shown in **Exhibit 14**, implementation of House Bill 326 reduced the average award amount for over 80% of HOPE recipients. In fiscal year 2012, 89% of scholarship recipients qualified for the HOPE scholarship versus the new Zell Miller Scholarship; however, the average award amount declined by 26% as the program now only covers a portion of tuition expenses. A smaller portion of students eligible to receive the Zell Miller Scholarship, 18% in fiscal year 2016, continue to receive full tuition awards. The average award for these students has increased by 62% since fiscal year 2011. This increase is caused by increasing tuition rates.

Exhibit 14
HOPE Program Changes Occurring in Fiscal Years 2004 and 2012 Reduced the Number of Students Receiving Awards and Reduced Award Amounts for Over 80% of Scholarship Recipients, Fiscal Years 1994-2016



Source: Georgia Student Finance Commission data

Another factor increasing the net cost of attendance for students receiving HOPE is that USG implemented a system-wide general purpose mandatory student fee. While the fee is an alternative form of tuition, USG implemented this increase as a fee rather than increasing tuition. The fee is not covered by HOPE. We estimate that in fiscal year 2016 students funded $61.4 million in USG costs that would have been previously covered by the HOPE scholarship program had BOR increased tuition rather than create the new Special Institutional Fee. This has increased net cost of attendance by an average of $580 per year.

BOR's Response: *"The Board of Regents implemented a 0% tuition increase for the 2016-2017 academic years and has averaged tuition increases of 2.47% over the past five years."*

What are the USG institution-level factors driving student cost increases?

Institution-level decisions to increase mandatory fees and auxiliary programs have contributed to the increase in cost of attendance. Increases in mandatory fees are due to a multitude of factors including the construction of new student fee-funded facilities, the addition or expansion of intercollegiate athletic programs, the expansion of student activity programs, and insufficient revenue generated from current fee rates. Increases in auxiliary fees are due to the addition of on-campus housing and dining services or the construction of new housing and dining facilities. USG institutions are authorized to determine mandatory fees and fees associated with auxiliary services, with the approval of BOR. Because USG students are required to pay mandatory fees and may be required to pay fees for auxiliary services, these fees are a significant component of their cost of attendance.

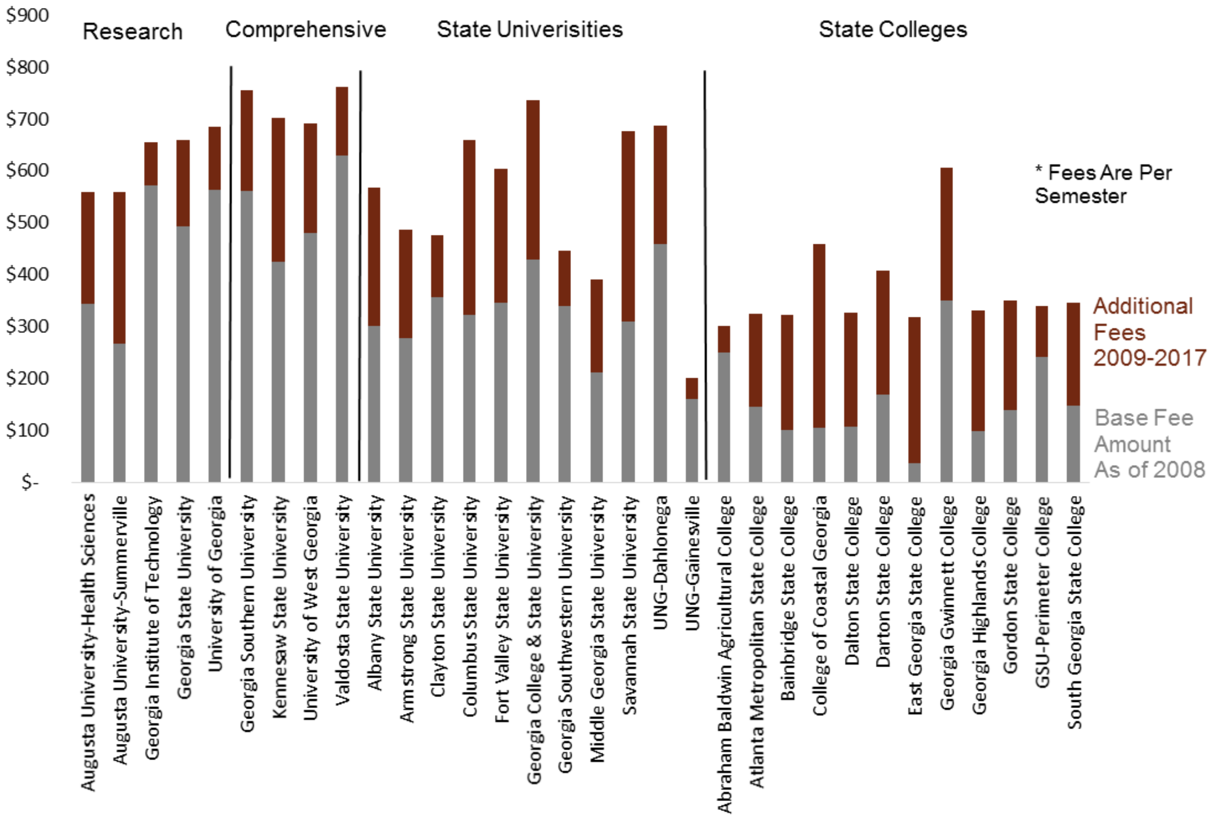
Mandatory Fees

Mandatory fees charged by USG institutions in fiscal year 2017 vary from $763 per semester at Valdosta State University to $202 at the University of North Georgia-Gainesville campus.[5] Over the past ten years, USG institutions have significantly increased mandatory fees by an average of $218 (75%) per semester from $292 to $510. As shown in **Exhibit 15**, these increases have varied at the USG institutions ranging from $368 (119%) at Savannah State University to $42 (26%) at the University of North Georgia-Gainesville.

The addition or increase in mandatory fees has a cumulative impact on a student's total cost of attendance. For example, if a fee is increased by $100 per semester, it could increase the total cost of a four-year degree by as much as $800 if the student graduates within eight semesters.

[5] The Special Institutional Fee is not included in this analysis because it fee is a system-wide general purpose fee determined by the Board of Regents and used for the same purpose as tuition revenue.

Exhibit 15
Mandatory Fees for Full-Time Undergraduate Students Have Significantly Increased At Most USG Institutions, Fiscal Years 2008-2017



Source: USG data

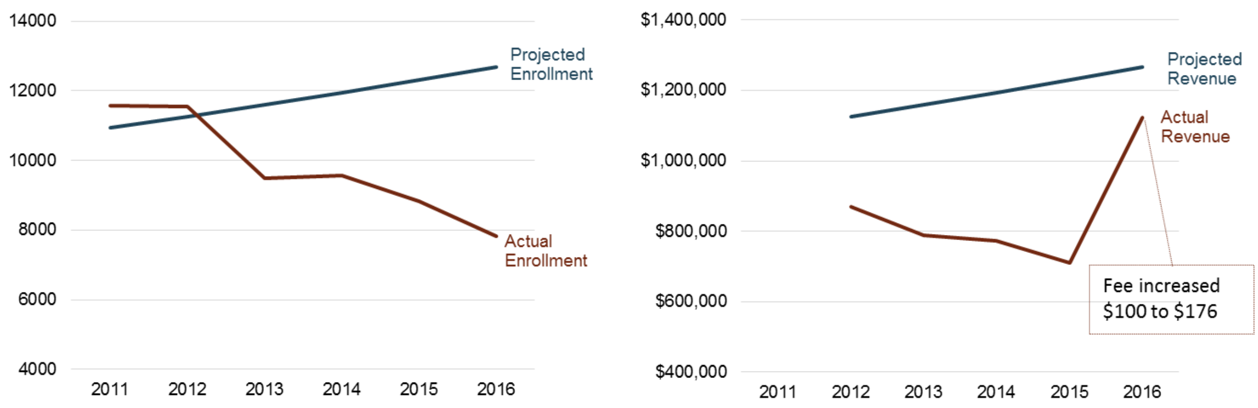
Facility-Related Student Fees

A significant driver in the increase in mandatory fee rates is the addition or increase in facility-related fees. The majority of USG institutions (26 of 29) charge facility-related fees to support capital lease payments on bond-financed facilities. The bonds for these facilities will be repaid typically within 20 to 30 years. Facilities funded by these fees include student centers, recreation centers, parking decks, and stadiums.

Since fiscal year 2008, 20 USG institutions have implemented a total of 23 new facility-related mandatory student fees increasing total student costs by an average of $143 per semester. In addition to the 23 new fees, 14 institutions have increased the rates for existing facility-related fees by an average $56 per semester. USG institutions increase facility-related fees typically because the initial fee rate was insufficient to generate the funds needed for the required debt service or for the operations of the facility. In some instances this occurred because USG institutions did not accurately estimate operating costs or other revenue sources in the original funding projection. Additionally, as shown in the example in **Exhibit 16**, enrollment growth projections used in the funding pro-forma to calculate projected student fee revenue did not materialize. Consequently, USG institutions with lower than projected enrollment growth increased rates for these facility-related fees to generate needed revenue.

Exhibit 16

Albany State University Increased the Student Center Fee by $76 Per Semester to Offset Lower Than Projected Enrollment, Fiscal Years 2011-2016



Source: USG data

Intercollegiate Athletic Fees

Athletic fees are often the highest mandatory fee at USG institutions. Currently, USG institutions charge an average $155 athletic fee per semester. Over the past ten years, all USG institutions, with the exception of the University of Georgia and Bainbridge State College[6], have either added a new athletic fee or have increased existing athletic fees. These new or increased fees have increased student costs by an average of $66 per semester. Five institutions added an athletic fee to support newly established intercollegiate athletic programs increasing student costs from $83 at Dalton State College to $175 at Augusta University-Health Sciences campus. The remaining 23 USG institutions increased the fee for established intercollegiate athletic programs by $10 at Abraham Baldwin Agricultural College to $137 at the College of Coastal Georgia.

As discussed in the following examples, some fee increases were due to significant athletic program changes including the addition of new sports programs or the move to different conferences, divisions, or athletics associations.

- The College of Coastal Georgia increased its fee from $38 to $145 per semester in fiscal year 2011 to fund the addition of eleven sports programs and its move from the National Junior College Athletics Association (NJCAA) to the National Association of Intercollegiate Athletics (NAIA). In fiscal year 2014, the college increased the fee by another $30 to the current $175 rate. According to the College's five-year plan for its athletics program, these changes were part of a strategy to "transform the institution to a *destination college* with a rich array of student life including intercollegiate athletics, club sports, and intramurals."
- Savannah State University increased its fee from $173 to the current $300 per semester rate due to increased operating expenses incurred as a result of the University's move in fiscal year 2010 to the Mid-Eastern Athletic Conference as a Division I member. Although athletic program expenditures continue to outpace student fee and other athletic revenue sources, university officials

[6] Bainbridge State College does not have an intercollegiate athletics program.

stated that admittance into the Division 1 conference provides the opportunity for the university to grow non-fee revenue through increased ticket sales and game guarantee revenue.

- Georgia State University increased its fee from $142 to $357 per semester in fiscal year 2009 to fund the addition of an intercollegiate football program and to move from NCAA Division I-AA to Division I-A. The fee has since decreased to its current rate of $277 per semester.
- Kennesaw State University increased its fee from $117 to $252 in fiscal year 2014 to fund the addition of an intercollegiate football program and to move from NCAA Division I-AAA to Division I-AA. The fee has since decreased to its current $221 rate.

Changing Character of USG Campuses

Over the past ten years, seven USG institutions have added on-campus housing, shifting from commuter-only to residential campuses. Since becoming residential campuses, these institutions have added mandatory student fees to fund programs and services typically associated with residential campuses such as intercollegiate athletics and student recreation. These fee increases impact all students, not just those residing on campus. For example, East Georgia State College added on-campus housing in fiscal year 2011 and added $195 per semester in additional mandatory fees to fund new programs including intercollegiate athletics, student health, and student transportation.

USG institutions use auxiliary enterprises to manage the non-academic services they provide such as student housing and dining, parking, health services, and intercollegiate athletics. Auxiliary enterprises are primarily funded through both mandatory and elective fees paid by students.

Auxiliary Enterprise Programs

Increases in "elective" fees for auxiliary programs such as housing and dining have also had a large impact on total student costs. Housing and dining fees comprise the largest cost for students who reside on-campus.

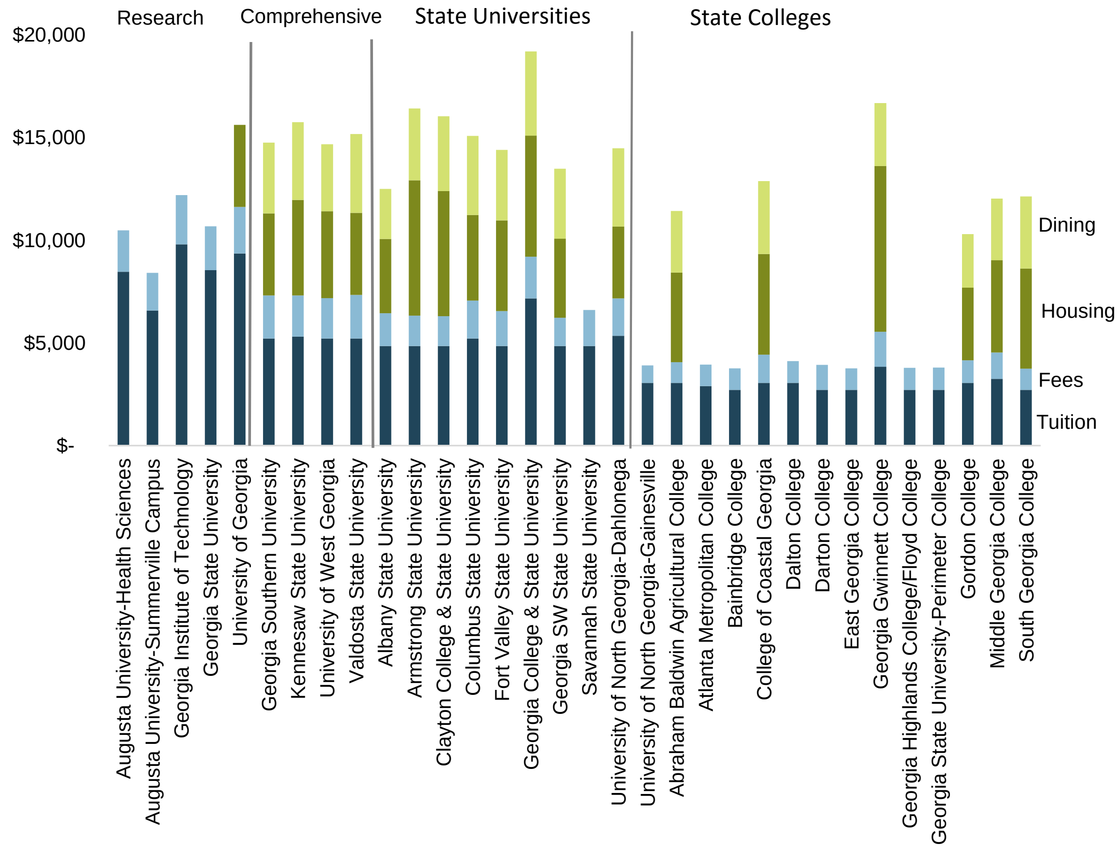
Mandatory Housing and Dining Policies

Although housing and dining are auxiliary programs and their fees are considered "elective," as shown in **Exhibit 17**, 19 USG institutions require full-time first-year students to reside in on-campus housing and 18 of those institutions require these students to purchase a meal plan.[7] These requirements significantly increase the total mandatory costs for first-year students by an average of $7,923 per year. Two institutions, Kennesaw State University[8] and Georgia Gwinnett College, require commuter students to purchase meal plans increasing these students' costs by an average of $408 per year.

[7] Most institutions with these mandatory policies allow exemptions for students whose permanent address is in close proximity to the institution, who are married, or who are the custodial parent of a dependent child.

[8] Kennesaw State University will eliminate all mandatory commuter student meal plans effective Fall 2018.

Exhibit 17
Housing and Dining Requirements Increase Mandatory Costs for Full-Time First-Year Students by an Average $7,923 per Year, Fiscal Year 2017

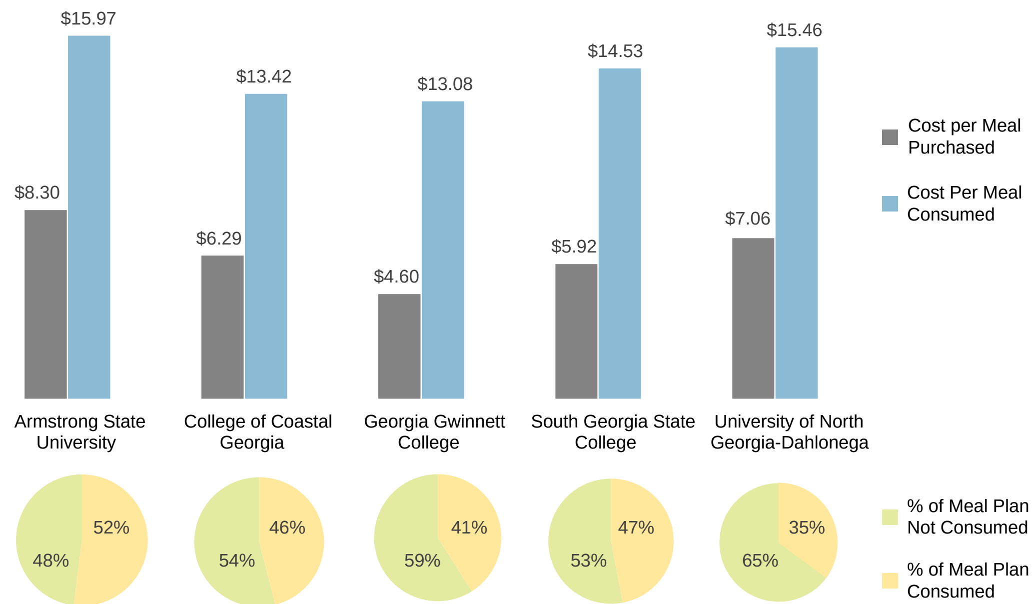


Source: USG data and USG institution policies

USG institutions may require students to purchase a meal plan level in excess of their demand, increasing cost of attendance. Of the 18 USG institutions that require first-year students to purchase a meal plan, the minimum plan that students are required to purchase varies from 8 meals per week to 21 meals per week and costs from approximately $1,500 to $2,000 per semester. We reviewed meal plan utilization rates at five USG institutions with mandatory plans and found that students on average consume less than half of the meals purchased. As shown in **Exhibit 18**, students utilized only 35% to 52% of the meals purchased.

In addition to higher costs associated with larger meal plans, the cost per meal consumed increases as utilization rates decrease. For example, students required to purchase a 19 meal per week plan that costs $1,755 pay $5.88 per meal. If students consume half of the meals purchased (i.e., 8 per week versus 19), the actual cost per on-campus meal doubles. As shown in **Exhibit 18**, USG institutions charged students from $4.60 to $8.30 per meal, but due to underutilization the actual cost per meal consumed increased to as much as $15.97.

Exhibit 18
Students Typically Do Not Utilize Majority of Meals Purchased More Than Doubling the Cost of Meals Consumed, Fiscal Year 2016



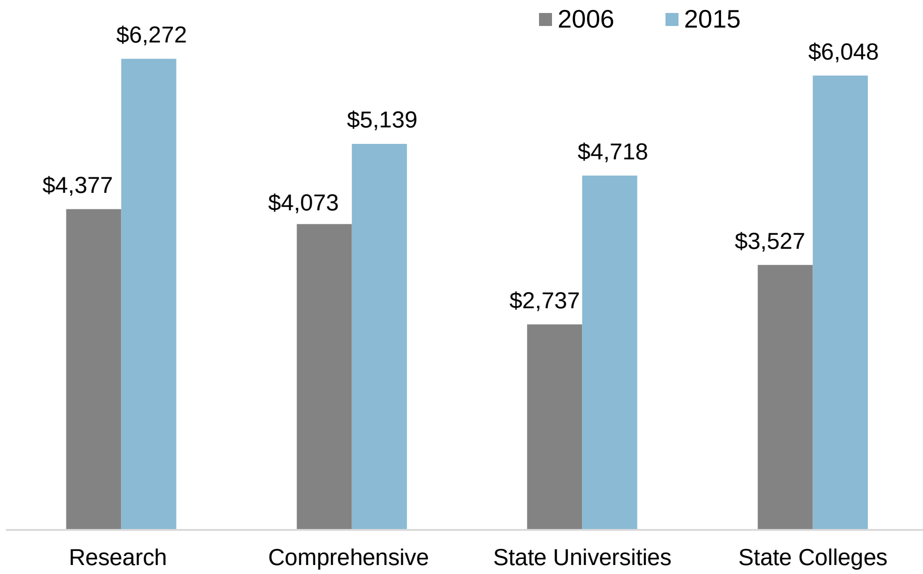
Source: USG data

Increases in Typical Housing and Dining Costs

From fiscal years 2006 to 2015 typical housing and dining costs, as reported by USG institutions to NCES, have increased at rates more than double the inflation rate. These cost increases contribute to increased cost of attendance at USG institutions.

System-wide, typical housing costs have increased 56% from fiscal years 2006 to 2015, more than double the inflation rate. As shown in **Exhibit 19**, the typical housing expense for students living on-campus ranges from an average of $4,718 at USG's state universities to $6,272 at USG's research universities. In addition, from fiscal years 2006 to 2015, these rates have increased by an average of from $1,066 at USG's comprehensive universities to $2,521 at USG's state colleges.

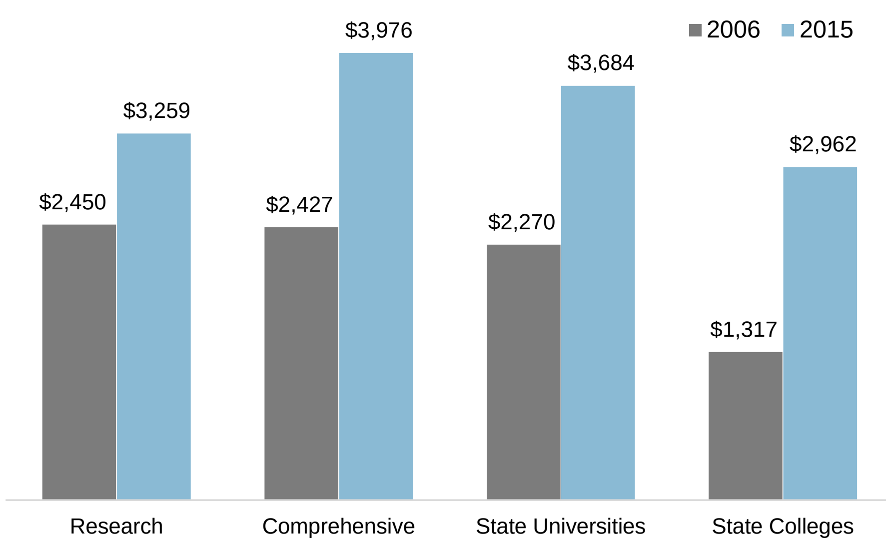
Exhibit 19
Typical Annual Housing Costs at USG Institutions Have Significantly Increased, Fiscal Years 2006-2015



Source: NCES IPEDS data

System-wide, typical dining costs have increased 60% from fiscal years 2006 to 2015, more than double the inflation rate. As shown in **Exhibit 20**, the typical dining expense for students living on-campus ranges from an average of $2,962 at USG's state colleges to $3,976 at USG's comprehensive universities. In addition, from fiscal years 2006 to 2015, average dining cost increases ranged from $809 at research universities to $1,645 at state colleges.

Exhibit 20
Typical Annual Dining Expenses at USG Institutions Have Significantly Increased, Fiscal Years 2006-2015



Source: NCES IPEDS data

BOR's response: *BOR reported implementing initiatives to reduce costs including consolidating institutions and a formal review process for approval of new academic programs and facilities. As discussed below, BOR reported taking action or proposing action to control costs related to student fees, housing, and dining.*

Mandatory Student Fees –Increases to or creation of new mandatory student fees has slowed over the past five years with essentially a moratorium on fee requests with the exception of those required to support buildings or with demonstrated and significant student support. BOR noted that, with the exception of the Special Institutional Fee, the number of new and/or increased mandatory fees declined from 65 in the 2011-2012 academic year to 14 in the 2016-2017 academic year.

Lease-Financed Facilities –In 2012, BOR adopted policies to limit the debt institutions can issue for facilities funded by student fee revenue. BOR reported that total financing for new projects during 2012 through 2016 is only 17% of the amount financed during the previous four-year period.

Intercollegiate Athletics –Based on a USG analysis of intercollegiate athletics costs, BOR adopted a policy restricting the annual growth in athletics expense to 5% and requires that institutions earn a certain percentage of athletics revenue through sources other than student fees and institutional funds.

Housing –Approval of new housing has slowed from 18,828 new beds during fiscal years 2007 to 2011 to 4,772 new beds during the last four-year period (2012-2016). BOR stated that the cost of housing is largely driven by the construction cost of the facility, the room type and mix, and associated financing costs. BOR stated that it will take action to require System approval of housing fees to further control housing costs charged to students.

Dining –In an effort to reduce dining costs, the system facilitated a pooled food services contract for five USG institutions. The system will assess contract performance after its first year of operations, fiscal year 2017, to determine if this results in savings and should be extended to other institutions. BOR stated that it will take action to eliminate mandatory meal plans other than for those living in on-campus housing and will require System approval of dining fees to further control dining costs charged to students.

How does the cost of attendance for students at USG institutions compare to peer institutions in other states?

Generally, the cost of attendance for in-state, full-time, first-year residential students at USG institutions is equal to or less than the average cost of attendance at peer institutions[9] in other states. The cost of attendance for 23 of 26 USG residential institutions is lower in comparison to their peer institutions. The primary reason USG institutions' cost of attendance is lower is because tuition and fees average 25% less while room and board is 5% higher than peers.

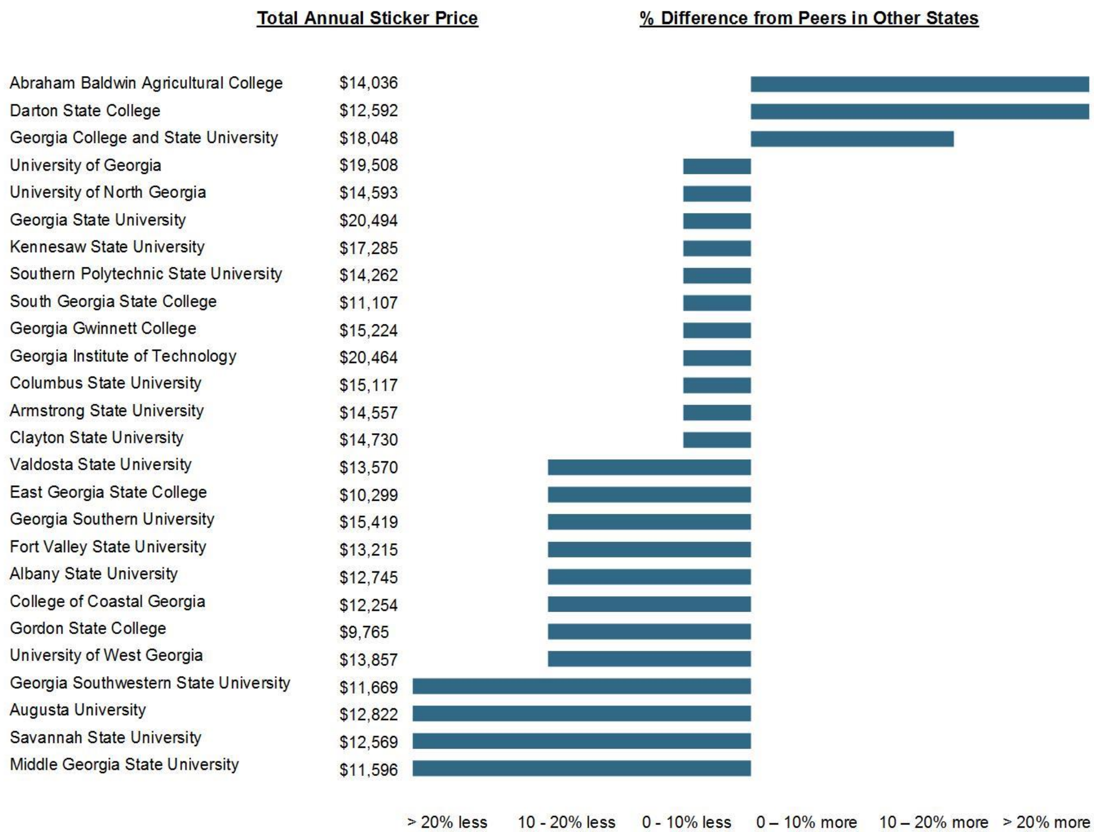
[9] The peer institutions for each USG institution include those listed in the IPEDS data feedback reports published by NCES. Our analysis excluded private institutions and other USG institutions from each comparison peer group.

Cost of attendance *for residential students is composed of published tuition, mandatory fees, and on-campus housing and dining. This is the full price students are charged, and does not take into account financial aid.*

Net Cost *of attendance is the price students actually pay to attend an institution. It is the cost of attendance minus any grants and scholarships a student receives.*

Exhibit 21 shows the percentage difference in the cost of attendance between USG institutions and their peer institutions. Darton State and Abraham Baldwin Agricultural College have a higher cost of attendance due to higher room and board charges. Georgia College is higher due to higher tuition/fees and room and board charges.

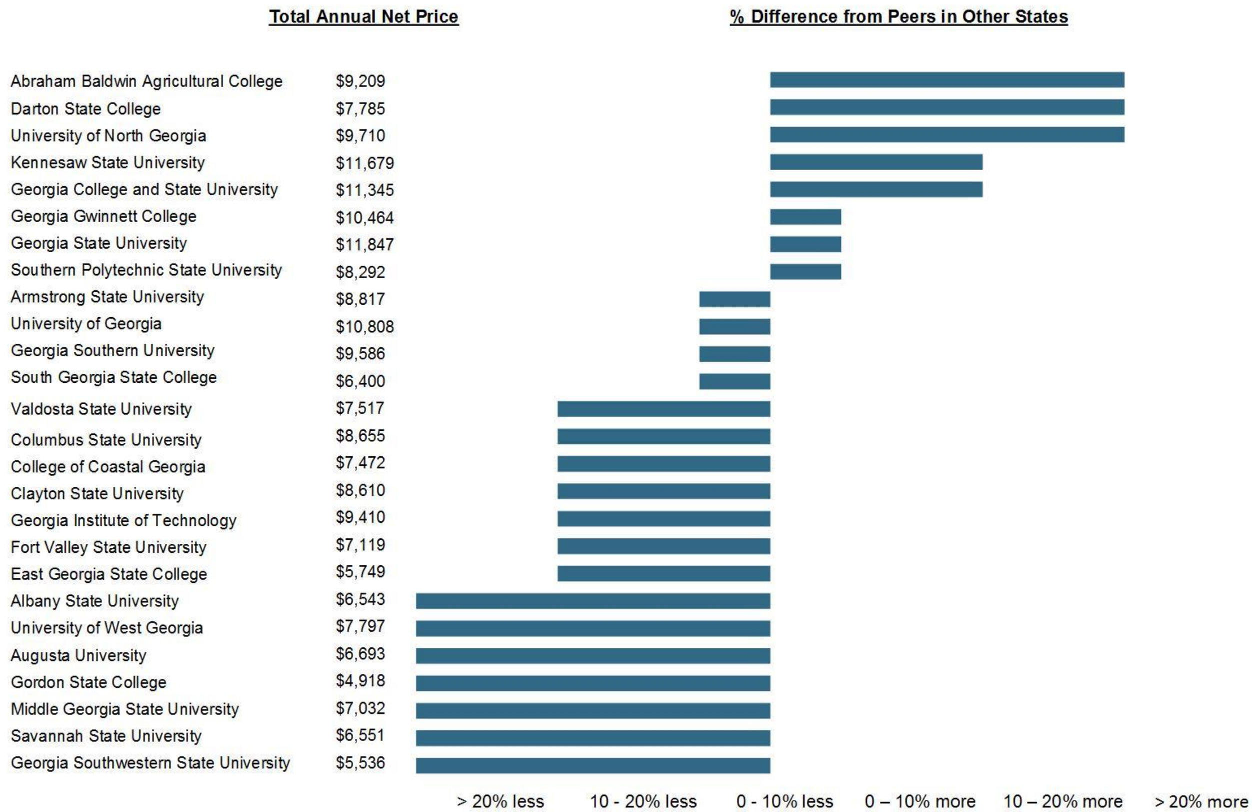
Exhibit 21
23 of 26 USG Institutions Have a Lower Cost of Attendance for In-State, Full-Time, First-Year Residential Students than Peer Institutions in Other States, Fiscal Year 2014



Source: NCES IPEDS data, USG and DOAA analysis

The net cost of attendance for in-state, full-time, first year residential students at 18 of 26 USG residential institutions is lower in comparison to their peer institutions. **Exhibit 22** shows the percentage difference in the net cost of attendance between USG institutions and their peers. The composition of a USG institution's student body significantly impacts the net cost of attendance because grants and scholarships factor into net cost. Federal Pell grants, which are based on financial need, and the state's HOPE scholarship, which is based on academic performance, are the two largest factors in the difference between USG institutions' cost of attendance and net cost of attendance.

Exhibit 22
18 of 26 USG Institutions Have a Lower Net Cost of Attendance for In-State, Full-Time, First-Year Residential Students than Peer Institutions in Other States, Fiscal Year 2014



Source: NCES IPEDS data, USG and DOAA analysis

What additional factors impact the cost of attending a USG institution?

Standard time to obtain a ***bachelor's degree*** *is four years or* ***eight semesters****. Standard time to obtain an* ***associate's degree*** *is two years or* ***four semesters****.*

The average length of time taken by USG students to obtain their degree increases the total cost of the degree. It takes USG students on average almost three semesters longer to obtain a bachelor's degree and more than four semesters longer to obtain an associate's degree than is standard. Because students are required to pay tuition and fees for these additional semesters, the total cost of their degrees increases correspondingly. It should be noted that the additional time taken by USG students to obtain a degree is consistent with national trends. In addition, students who have enrolled in USG institutions but have failed to obtain a degree incur education-related costs they are less able to afford. Students who fail to graduate are less likely to earn a higher salary from their higher education investment and less able to repay student loan debt.

Time to Degree

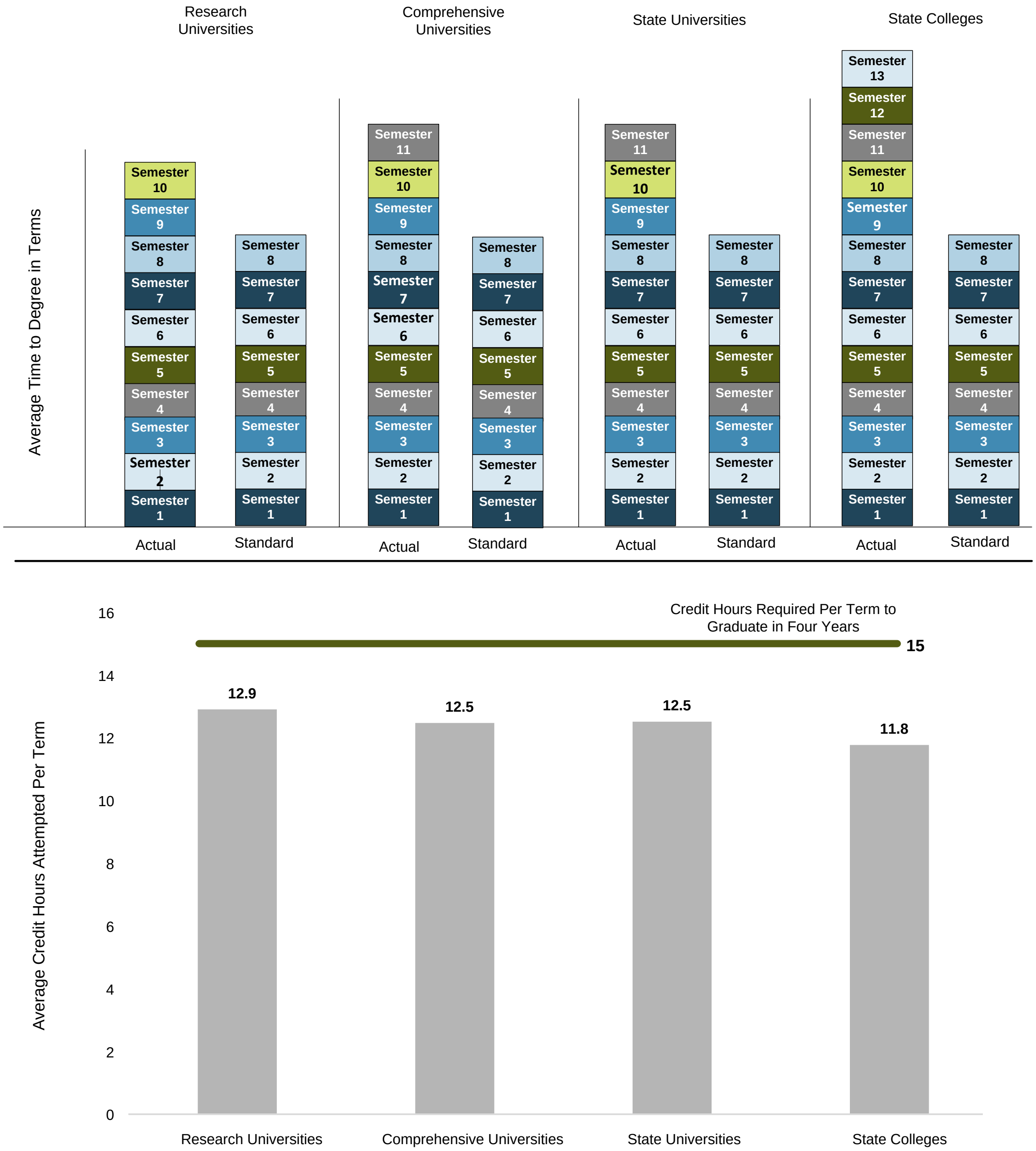
As shown in **Exhibit 23**, depending on the type of USG institution, students take an average of two to five semesters longer than is standard to obtain a bachelor's degree and four to five terms longer than is standard to obtain an associate's degree. The total cost of a degree increases with each additional term enrolled, as students incur costs associated with tuition, mandatory fees, and living expenses.

One factor increasing the time to degree, which is related to student choice, is the number of credit hours per semester students enroll. To obtain a bachelor's degree within eight semesters, students would be required to enroll in at least 15 credit hours each semester, for a total of 120 credit hours. As shown in **Exhibit 23**, students who obtained a bachelor's degree in fiscal year 2015 enrolled in an average of 11.8 to 12.9 credit hours each semester.

In addition to enrolling in less than a full course load, students may take longer to obtain their degree due to changing their major, failing a required course, enrolling in unnecessary courses, enrolling in one or more summer semesters, or failing to enroll in a required course within the recommended time. While these factors are also due to student actions or decisions, academic advising and counseling could help reverse these trends. For example, Georgia State University has increased its academic advising activities by analyzing student data and hiring additional advisors to contact students when such problems arise. These actions have reportedly reduced the time to degree by one-half of a semester.

Exhibit 23

USG Students Seeking Bachelor's Degrees Enroll in Less Than a Full Course Load and Take Additional Semesters to Graduate[1], Increasing the Cost of a Degree, Fiscal Year 2016



[1] Based on full-time and part-time students who graduated during fiscal year 2016. The number of semesters to graduate can include summer semesters which may increase the number of semesters but not the number of years to graduation.

Source: USG analysis

Student Loan Debt Accumulated by Students Who Did Not Graduate

USG students who fail to graduate often accrue significant student loans during their time of attendance. Bachelor degree-seeking students who failed to obtain a degree or re-enroll[10] accumulated $11,322 in loan debt, on average. As shown in **Exhibit 24,** average student loan debt accumulated by these students varies among USG institutions.

Exhibit 24
Attendees of USG Institutions who Fail to Graduate[1] Leave with Substantial Student Loan Debt[2]

Bachelor Seeking, Fall 2009 Cohort	Number Drop Outs	Average Loan Debt Accrued
Research Universities	1,101	$11,884
Comprehensive Universities	2,405	$10,588
State Universities	2,397	$12,185
State Colleges	296	$8,211
System Total	**6,199**	**$11,322**

(1) Includes students who enrolled as first-year students in FY 2009 but did not graduate within six-years and were no longer enrolled in USG institutions.
(2) Includes total debt acquired at all USG institutions attended by each student.

Source: USG analysis

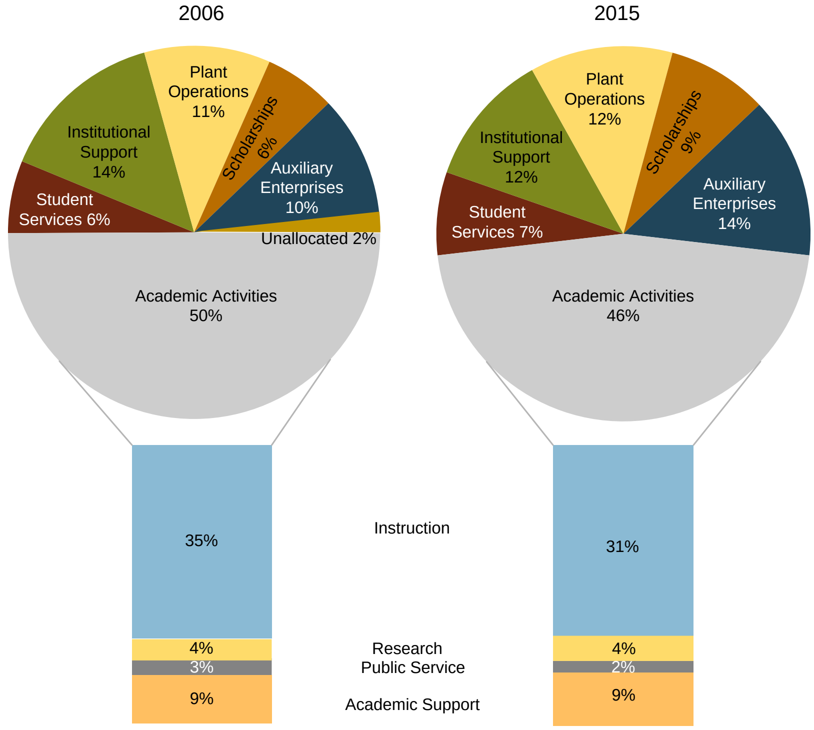
What are the academic versus non-academic expenditure trends at USG institutions?

While average spending among individual USG institutions has risen at a rate slightly higher than inflation and enrollment from fiscal years 2006 to 2015, spending patterns have not significantly changed. Spending by function such as instruction versus plant operations has remained fairly consistent with only small shifts in spending categories. As shown in **Exhibit 26**, from fiscal years 2006 and 2015, average spending among individual USG institutions, adjusted for inflation, increased by approximately $890 per FTE student (6%), from approximately $15,040 to $15,930. The largest driver of increased spending was auxiliary enterprises such as housing, dining, and intercollegiate athletics followed by financial aid. Conversely, spending on academic activities related to public service and instruction declined. As shown in **Exhibit 25**, these spending changes have only slightly impacted the portion of overall spending by function. For example, although instruction spending declined by an average of $135 per FTE, this remains the largest single category of spending.

Spending patterns by type of expenditure, such as for salaries, benefits, or supplies which may be expended in any of the functional areas included in **Exhibits 25 and 26** have also not significantly changed from fiscal years 2006 to 2015. As shown in **Exhibits 27 and 28**, personal services expenditures including faculty and staff salaries and benefits expenses continue to comprise the majority of expenditures even though salaries have declined. The largest drivers for spending increases were supplies, depreciation, and financial aid.

[10] These students are defined as those who initially enrolled in fiscal year 2010, but did not graduate or to re-enroll six-years later – fiscal year 2016.

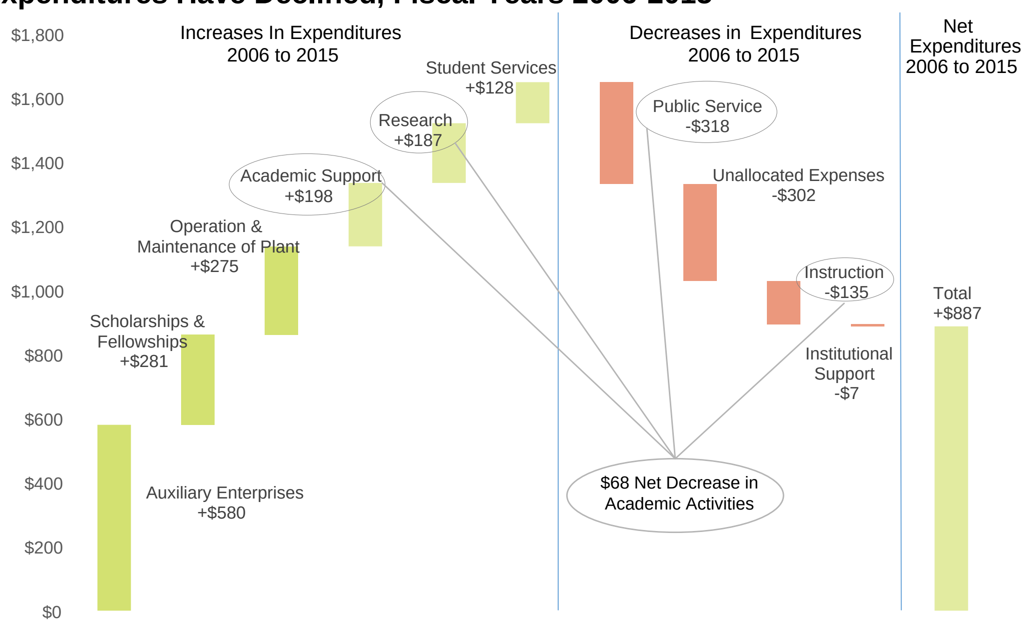
Exhibit 25
Academic Expenditures Remain the Largest Expense, Fiscal Years 2006-2015[1]



(1) The change in expenditures is the average change reported by USG institutions. Percentages may not add to 100% due to rounding.

Source: USG annual financial reports and enrollment reports

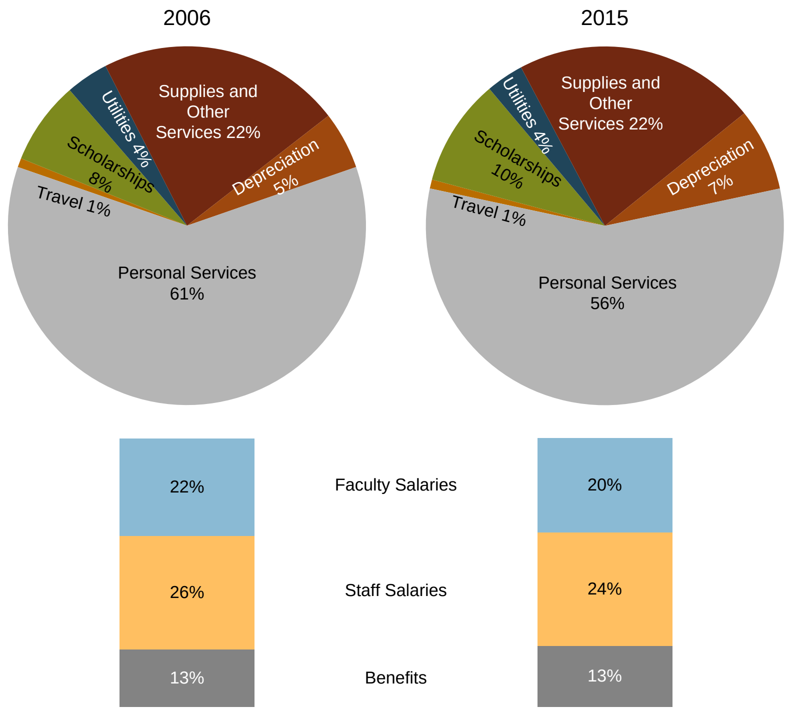
Exhibit 26
Net Expenditures per FTE Have Increased While Academic Activities Expenditures Have Declined, Fiscal Years 2006-2015[1]



(1) The change in expenditures is the average change reported by USG institutions. Fiscal year 2015 expenditures have been adjusted for inflation.

Source: USG annual financial reports and enrollment reports, Bureau of Labor Statistics

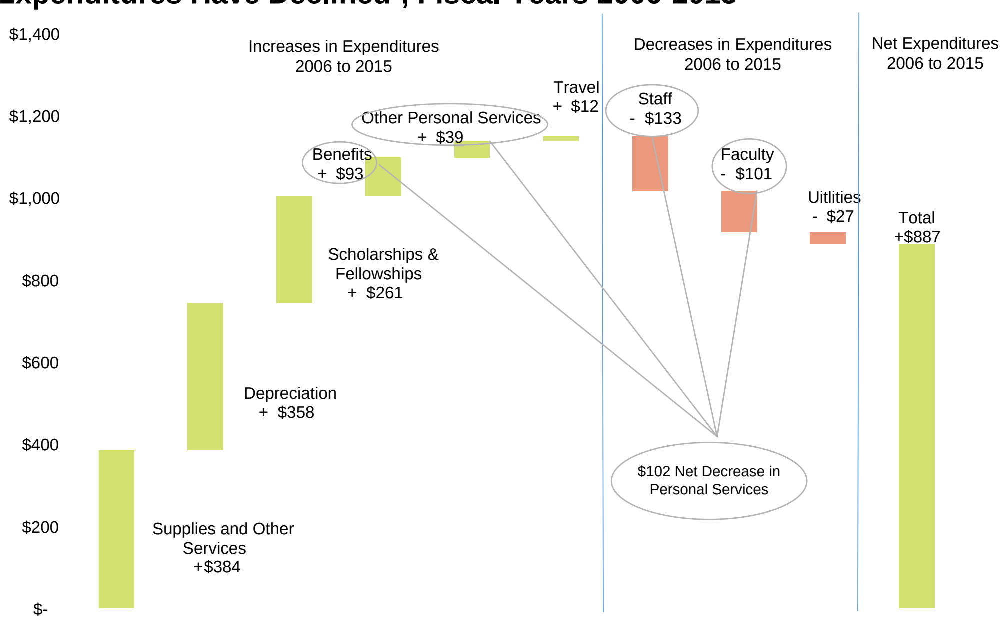
Exhibit 27
Personal Services Expenditures Remain the Largest Spending Category[1], Fiscal Years 2006-2015



(1) The change in expenditures is the average change reported by USG institutions. Reported percentages may not add to 100% due to rounding.

Source: USG annual financial reports and enrollment reports

Exhibit 28
Net Expenditures per FTE Have Increased While Personal Services Expenditures Have Declined[1], Fiscal Years 2006-2015



(1) The change in expenditures is the average change reported by USG institutions. Fiscal Year 2015 expenditures have been adjusted for inflation. Reported percentages may not add to 100% due to rounding.

Source: USG annual financial reports and enrollment reports, Bureau of Labor Statistics

What expenditures are covered by fees and to what extent do the fees offset program costs?

An auxiliary enterprise, or auxiliary service, is defined as an activity that exists to provide a service directly or indirectly to students, faculty or staff, and for which a fee is charged that is related to, but not necessarily equal to, the cost of the service.

Surplus revenue from some fee-funded programs may be used to fund deficits in other auxiliary or mandatory student fee programs. BOR policies state that auxiliary enterprises should be operated on a self-supporting basis, where the combination of fees and other revenues is sufficient to meet cost of service. However, BOR does allow institutions to have a deficit in an auxiliary enterprise if the deficit is covered by a surplus in another auxiliary enterprise. In fiscal year 2015, 19 of 29 USG institutions had a negative fund balance in at least one auxiliary enterprise.

Auxiliary enterprises are primarily funded through both mandatory and elective fees paid by students. Common auxiliary enterprises operated by USG institutions include housing, food services, health services, stores and shops, and transportation and parking. **Exhibit 29** shows which auxiliary enterprises are typically funded with mandatory student fees. For example, most USG institutions charge a mandatory athletic fee which is then used as the main revenue source for the intercollegiate athletic auxiliary enterprise.

Exhibit 29
Auxiliary Enterprises May Be Funded With Mandatory Student Fee Revenue

Auxiliary Enterprises	Mandatory Student Fees
Food Services	Mandatory Meal Plans
Health Services	Health Services Health Facility
Housing	
Intercollegiate Athletics	Athletic Stadium Fee
Stores and Shops	
Transportation and Parking	Transportation Parking Facility
Other	Student Center Access Card Recreation Activities Recreation Facility

Source: USG data

Although USG institutions should establish fee rates consistent with program costs, fees may generate excess revenue. USG institutions are allowed to retain unexpended revenues from year to year creating fund balances. In fiscal year 2015, 28 of 29 USG institutions had surplus auxiliary fund balances ranging from $203,267 at Atlanta Metropolitan College to $94,194,230 at the University of Georgia[11]. BOR does not have a policy limiting growth in fund balances. In addition, BOR does not require USG institutions to provide specific plans for the use of these fund balances.

Current year surplus revenue or accumulated fund balances in specific auxiliary programs may be used to fund deficits in other auxiliary programs such as athletics. For example, at the end of fiscal year 2015, the athletics programs at 12 USG

[11] The University of Georgia's reported $94 million fund balance does not include funds available in the Intercollegiate Athletics auxiliary program. All revenue for this auxiliary program is transferred to the university's athletic foundation.

institutions had cumulative deficits ranging from ($2,859) at Abraham Baldwin Agricultural College to ($6,787,637) at Savannah State University. These deficits were offset by surplus revenue generated in other auxiliary enterprises such as housing or food services.

The following examples describe how institutions may accumulate surplus revenue and how surplus revenue is used.

- **University of North Georgia-Dahlonega Food Services Auxiliary:** All first- and second-year students are required to purchase meal plans at an average semester rate of approximately $2,051. The university pays on average of 55% of this fee ($1,128) to its dining services contractor, 20% of the fee ($410) for dining hall debt service payments, and 15% of the fee ($308) for dining auxiliary operating costs. The remaining 10% of the fee ($205) is added to the dining auxiliary fund balance which can grow from year to year. At the end of fiscal year 2015, the dining auxiliary fund balance was almost $4.3 million.
- **Savannah State University Student Center and Stadium Fee:** Students are required to pay a $170 fee per semester to fund the debt service and operations cost for the student center and the stadium. In fiscal year 2016, fee revenue collections fell $205,811 short of covering the debt service and operating costs of the facilities. The deficit was funded with $108,265 in prior year reserves and $97,546 in surplus revenue from housing and dining hall auxiliary operations.
- **Georgia State University Turner Field Acquisition:** The university is planning to acquire and redevelop Turner Field at a total cost of approximately $52.8 million. The majority of funding for this project ($40.7 million) is from fund balances in the university's various auxiliary enterprise programs. These fund balances, totaling approximately $53.3 million in fiscal year 2015, have accumulated from years of surplus revenue generated by elective fees paid by students for such services as housing and parking, bookstore sales, the sale of housing facilities to the Georgia Institute of Technology, and real estate rental income.
- **Armstrong State University Intercollegiate Athletics:** Students are required to pay a $190 fee per semester to fund the operations of the university's intercollegiate athletics program. For the past several years, this fee has not generated sufficient revenue to cover expenses. In fact, the university's five-year plan for this auxiliary shows anticipated yearly deficits of more than $500,000 to continue through fiscal year 2020. The university projects these annual deficits will accumulate to approximately $8.3 million in fiscal year 2020. The annual deficits will continue to be funded from surplus revenue generated in other auxiliary programs such as housing and food services.

Appendix A: Objectives, Scope, and Methodology

Objectives

This review of factors increasing the cost higher education was conducted at the request of the Senate Appropriations Committee. The Committee asked that we review the cost drivers of public higher education and the extent to which fees cover associated expenditures at University System of Georgia (USG) institutions. Based on this request we addressed the following questions:

1. How has funding of USG institutions changed over time and how have these changes impacted the cost of attendance?
2. What are the state-level factors driving increases to the cost of attendance at USG institutions?
3. What are the institution-level factors driving increases to the cost of attendance at USG institutions?
4. How does the cost of attendance at USG institutions compare to peer institutions in other states?
5. What additional factors impact the cost of attending a USG institution?
6. What are the academic versus non-academic expenditure trends at USG institutions?
7. What expenditures are covered by fees and to what degree do fees offset these costs?

Scope

This special examination generally covered activity related to the cost drivers of higher education within the University System of Georgia that occurred from fiscal year 2000 to fiscal year 2017, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the University System of Georgia; analyzing data provided by USG; analyzing data from the U.S. Department of Education, National Center for Education Statistics' (NCES) Integrated Postsecondary Education Data System (IPEDS); and prior audit work.

We obtained higher education data from the NCES IPEDS through the IPEDS website for fiscal years 2000 to 2015. NCES gathers information from every college, university, and technical and vocational institution that participates in the federal student financial aid programs, through an interrelated system of surveys conducted annually. This includes data on enrollments, program completions, graduation rates, faculty and staff, finances, institution prices, and student financial aid. We assessed the data used for this examination and determined that the data used were sufficiently reliable for our analyses.

Methodology

To identify how funding of USG institutions has changed over time and how these changes have impacted the cost of attendance, we compiled and analyzed revenue data from the USG's system-wide Annual Financial Report. In addition, we obtained and analyzed tuition and fee rate information for each USG institution for fiscal years 2006 through 2015. Revenue data were adjusted for inflation using the Consumer Price Index for all urban items in the south urban area. The data were also adjusted for enrollment growth using USG's fall semester enrollment reports for full-time equivalent students at each USG institution. Although we did not independently verify revenue data, we determined the data to be reliable for our purposes as it was obtained from audited annual financial reports. We did not independently verify enrollment data.

To identify the state-level factors driving increases to the cost of attendance at USG institutions, we reviewed relevant state laws and BOR policies and procedures, we compiled and analyzed revenue and expenditure data from USG annual financial reports for fiscal years 2008-2017, we compiled and analyzed tuition and fee rates charged from fiscal years 2008-2017, and we analyzed fiscal years 1992-2016 HOPE program scholarship award data obtained from the Georgia Student Finance Commission. Although we did not independently verify revenue and expenditure data, we determined the data to be reliable for our purposes as they were obtained from audited annual financial reports. We did not independently verify HOPE program scholarship award data but have determined it to be sufficiently reliable for our analyses.

To identify the institution-level factors driving increases to the cost of attendance at USG institutions, we reviewed relevant BOR policies and procedures, we reviewed housing and dining policies for each USG institution, we compiled mandatory student fees charged by each USG institution from fiscal years 2008-2017, we compiled and reviewed housing and dining rates charged by each USG institution, and we obtained meal plan usage data from a sample of five USG institutions for fiscal year 2016. We did not independently verify the accuracy of the reported meal plan usage but have determined it to be sufficiently reliable for our analyses.

To determine how the cost of attendance for students at USG institutions compares to peer institutions in other states, we used interviews with USG staff and NCES data to identify comparable institutions in other states. We used data Feedback Reports created by IPEDS to identify peer institutions for all USG institutions. These peer institutions in IPEDS are either generated by NCES based on enrollment, geographic location, and Carnegie Classification, or the peer group was self-reported by the USG institution as part of the IPEDS survey. We used data obtained from IPEDS to determine the cost of attendance and at USG institutions and their peers, and the net cost of attendance at USG institutions and their peers. This was conducted only for USG institutions that had on-campus housing and dining. We did not independently verify NCES IPEDS data but have determined it to be sufficiently reliable for our analyses.

To identify additional factors that impact the cost of attending a USG institution, we used IPEDS data to determine the graduation rates for full-time student's seeking a bachelor's degree within four, five and six years of enrollment, and for full-time student's seeking an associate's degree within three years of enrollment, for USG institutions, and their peers in others states, determined as described in the previous objective. We interviewed USG staff and obtained student loan data from USG staff to determine the average loan amount accrued by students who failed to graduate, both for the USG-system as a whole, and for each USG institution.

To identify the academic and non-academic expenditure trends at USG institutions, we obtained and analyzed expenditure data for each USG institution from annual financial reports for fiscal years 2006-2015. Expenditures by functional classification and by natural classification were compiled for each institution. The data were adjusted for inflation using the Consumer Price Index for all urban items in the south urban area. The data were also adjusted for enrollment growth using USG's fall semester enrollment reports for full-time equivalent students at each USG institution. Although we did not independently verify expenditure data, we determined the data to be reliable for our purposes as it was obtained from audited annual financial reports. We did not independently verify enrollment data.

To identify expenditures that are covered by fees and to determine the degree to which the fees offset these costs, we obtained from BOR staff fiscal year 2015 fund balances for auxiliary enterprises at each USG institution, we reviewed BOR's cash flow analyses for student fee-funded facilities, we obtained and analyzed five-year plans for various USG institutions' auxiliary programs, and we requested and reviewed information from BOR regarding the use of auxiliary and student fee fund balances. Although we did not independently verify the fund balance data, we have determined it to be sufficiently reliable for our analyses.

This special examination was not conducted in accordance with generally accepted government auditing standards (GAGAS) given the timeframe in which the report was needed. However, it was conducted in accordance with Performance Audit Division policies and procedures for non-GAGAS engagements. These policies and procedures require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for the information reported and that data limitations be identified for the reader.