



SPECIAL EXAMINATION • REPORT NUMBER 22-17 • MAY 2023

# Georgia Military College

## Requested Information on Revenue and Governance Options

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**DOAA**

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### Why we did this review

The House Appropriations Committee requested this special examination of Georgia Military College (GMC). Based on that request, we determined: (1) the governance structure of GMC as it relates to public resources; (2) the various funding streams of GMC; and (3) options that exist for modernizing the state's oversight obligations to and oversight of GMC.

### About Georgia Military College

Founded in 1879, the Georgia Military College (GMC) is both a K-12 preparatory school and a predominately associate degree-granting, open admissions junior college operating out of Milledgeville. In the 2021-2022 academic year, the Junior College had nearly 12,000 students enrolled at the main campus, 11 satellite locations, and online college. Approximately 250 Junior College students on the Milledgeville campus participate in the Corps of Cadets, which is a structured military-style program that students can attend to develop their leadership potential and achieve academic credit.

The Prep School enrolled nearly 850 students in 2021-2022. Students are cadets beginning in the sixth grade and participate in military-style activities, such as color guard and drill teams.

All of GMC is overseen by a Board of Trustees who are elected by the citizens of Milledgeville. Trustees include the mayor and individuals elected from the city's six municipal voting districts.

## Georgia Military College

### Requested Information on Revenue and Governance Options

#### What we found

GMC's Junior College serves students across the state in addition to those on its main campus in Milledgeville, where GMC also operates a Prep School. Both the Junior College and Prep School receive state funds, though GMC's board is locally elected and the Prep School charges tuition (unlike other public K-12 schools). Multiple models exist for modernizing GMC's governance, though some would significantly impact GMC's mission, funding, and students.

#### ***City of Milledgeville citizens elect all members of the Board of Trustees.***

GMC has a unique governance structure in which all members of its board are elected by residents of the City of Milledgeville. While trustees have been locally elected for more than 100 years, the method changed from at-large to district-level elections as a result of a 1989 federal consent decree. Attempts to change this structure in the 1990s were rejected by the U. S. Department of Justice. As a result, the board serves a large population of students who live outside Milledgeville—particularly at the Junior College level—but has no state voting representation. The board has recently added advisory seats for appointments by state leaders.

#### ***GMC primarily relies on tuition but also receives state and federal funds.***

In fiscal year 2022, GMC generated \$80.5 million in revenue, with the largest percentage related to tuition and fees paid directly by the student or through state-sponsored financial aid. The Junior College's revenue comprised the majority of GMC's total funding (85%) and has declined over the last three years due to decreases in enrollment. Due to pandemic-related federal funding, the Junior College's revenue sources were evenly distributed among tuition, state, and federal sources; however, federal funding will likely decrease in the future. By contrast, the Prep School relied more heavily on its state appropriation and received no federal funding.

## ***The state’s fiscal year 2022 contribution of \$25.6 million was largely state-sponsored financial aid.***

Approximately 60% (\$15.6 million) of the state’s total funding to GMC was state-sponsored financial aid to the Junior College—largely related to dual enrollment and the HOPE scholarship. This has decreased by approximately 30% with the declines in enrollment.

Approximately \$9.4 million in state appropriations was provided in fiscal year 2022—evenly distributed between the two schools. Prep School appropriations are based on a per student calculation similar to the Quality Basic Education (QBE) formula used for public schools. State appropriations for the Junior College are primarily continuations from prior years and are not based on a formula that considers enrollment. In both instances, the state’s per student contribution is less than it would be under QBE or funding formulas for postsecondary institutions.

## ***The General Assembly has multiple options for modernizing oversight of GMC, with varying impacts on GMC’s mission and operations.***

We identified five options to modernize the governance and oversight of GMC. As described below, the models vary in their impact on GMC’s mission, funding, property, staff, and students. If the General Assembly were to pursue any of these models, it would be advisable to first consult with the U.S. Department of Justice regarding compliance with the consent decree.

- **State representation on GMC board** – Two models relate solely to expanding the state’s representation—with either some or all voting members appointed by state leaders. Under both models, GMC’s mission would not be impacted. If the state increased its funding with additional oversight, students’ tuition may decrease.
- **Privatization** – If the Junior College and Prep School became private institutions, the state would no longer have oversight responsibilities. However, this would create a large and immediate financial burden for GMC, which would be required to purchase all buildings and property from the state at fair market value. In addition, GMC would no longer receive state funding, its staff would lose existing employee benefits, and tuition would likely increase.
- **Move to existing state agencies** – The Junior College could operate under the University System of Georgia (USG) or the Technical College System of Georgia (TCSG); however, moving to those systems’ funding formulas would increase the state’s financial contribution by tens of millions annually. Tuition would likely decrease, because full-time GMC students pay \$3,500 to \$4,000 more annually in tuition and fees than two-year programs in USG and TCSG. Additionally, admissions standards would change under USG.

These models would necessitate a legal separation of the Prep School and Junior College. A separate Prep School could be private, a state charter school, or part of the Baldwin County School District. These models are detailed in the report and would each have varying impacts on the Prep School’s mission, funding, and affordability for students.

## **What we recommend**

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

See [Appendix A](#) for a detailed listing of findings.

*Agency Response: GMC agreed with the description of its governance structure and revenue streams. It also agreed with the models that increase state representation on its governing board. It noted that other models would have major consequences for operations, the quality of graduates, and its mission.*

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## Purpose of the Special Examination

This review of the Georgia Military College (GMC) was conducted at the request of the House Appropriations Committee. Subsequent meetings with legislative staff indicated concerns about providing additional funding to the college for operations related to expanding their campuses, enrollment, and degree program offerings considering the lack of state involvement in its governance. Based on this request, we address the following questions:

- What is the governance structure of GMC as it relates to public resources?
- What are the various funding streams of GMC?
- What options exist for modernizing the state’s oversight obligations to and oversight of GMC?

A description of the objectives, scope, and methodology used in this review is included in [Appendix B](#). A draft of the report was provided to GMC for its review, and pertinent responses were incorporated into the report.

## Background

The mission of Georgia Military College (GMC) is “to produce and graduate educated citizens and contributing members of society in an environment conducive to the development of the intellect and character of its students.”

### History

Originally founded as the Middle Georgia Military and Agricultural College (MGMAC) in 1879, GMC was statutorily created as a public, non-affiliated University System of Georgia (USG) preparatory school.<sup>1</sup> The school was located on the grounds of the former state capitol in Milledgeville and supported by an annual one mill tax from the city. In the early 1900s, MGMAC was officially renamed to “Georgia Military College,” and the high school’s board of trustees added an official junior college program with the state’s approval. In 1950, the U.S. War Department designated GMC’s Junior College as a military institution, allowing the entity to conduct student military training.

Historically, GMC served as a high school and college for students in or near Milledgeville. By 1965, however, the Junior College began expanding its physical campuses into cities near military installations such as Augusta, Atlanta, and Valdosta. Currently, GMC operates a main college campus, 11 satellite campuses, an online college, and a Preparatory School (Prep School). Across all campuses, GMC serves approximately 12,700 unique students (7,265 full-time equivalent).

### Operating Structure

GMC’s operations are maintained by a governing Board of Trustees (which is responsible for the government, control, and management of GMC) and a president (who administers and conducts daily affairs).

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<sup>1</sup> Historical documents note that the original “college” operated more similarly to a modern-day high school until 1930.

GMC also has an affiliate private, nonprofit foundation that secures and manages private donor gifts to help provide scholarships for both Prep School and Junior College students. This foundation is led by an independent board of trustees and operating staff.

While GMC maintains a distinct Junior College and Prep School with individual faculty and staff, the close proximity of both entities has resulted in several shared services and facilities. According to GMC staff, general administrative, engineering, and human resources functions are performed by the same staff for both entities. GMC staff also noted that due to enrollment growth at the Prep School and main (i.e., Milledgeville) Junior College campus, some facilities are also shared. For example, the Old State Capitol houses a bookstore and art space for the Prep School on the first floor, Junior College classrooms on the second floor, and administrative offices on the third floor. Additionally, campus space like the student bookstore, cafeteria, health clinic, and athletic facilities are used by both Junior College and Prep School students.

Because GMC is a state entity, the Junior College and Prep School each receive an annual appropriation from the General Assembly.<sup>2</sup> Additionally, GMC faculty and staff are eligible to receive insurance through the State Health Benefit Plan and benefits through the Teachers Retirement System.

## Junior College

GMC's Junior College is a public-independent, liberal arts junior college accredited by the Southern Association of College and Schools Commission on Colleges. The school awards associate degrees and prepares students for transfer to four-year colleges and universities; a newer, secondary focus is to provide four-year Bachelor of Applied Science (BAS) degrees.<sup>3</sup> The Junior College served nearly 12,000 students in academic year 2021-22. The school operates on a quarter system with tuition at \$147.50-\$168.50 per credit hour for both in- and out-of-state students, depending on the campus.

GMC offers education pathways that differ from the University System of Georgia (USG) or Technical College System of Georgia (TCSG) in some respects. For example, unlike USG institutions, GMC's Junior College does not have a minimum grade point average or standardized test score requirements and provides an educational pathway for students who have completed a high school diploma or an equivalent (i.e., GED). While TCSG has similar admissions standards, GMC offers liberal arts degrees, and its students can receive both an associate and bachelor's degree with the institution.

GMC has articulation agreements with 52 colleges and universities, including 16 USG institutions, that permit students with an associate degree to transfer specific course credits or receive guaranteed admission into four-year

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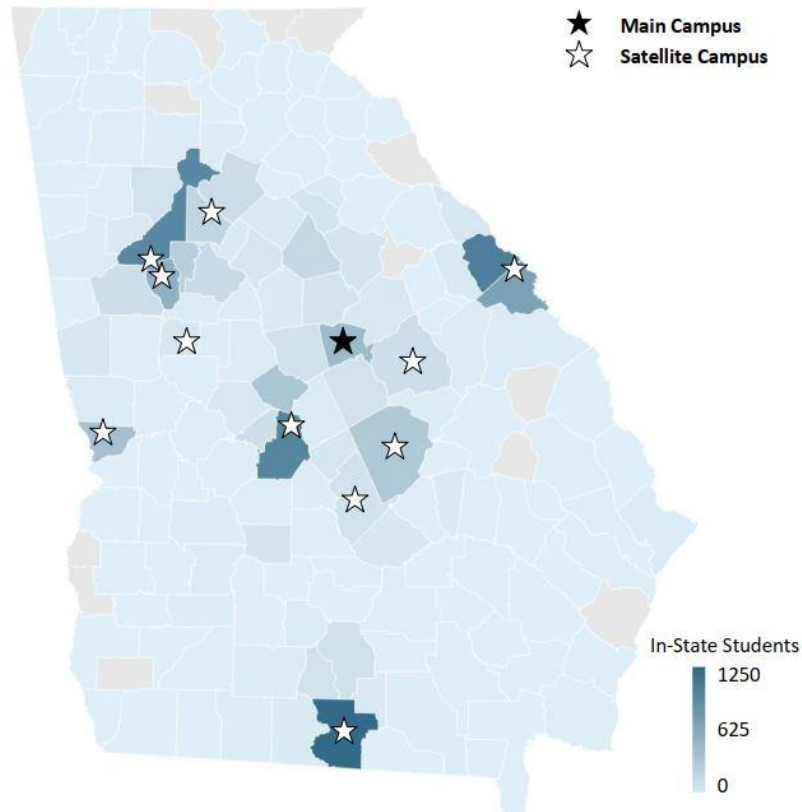
<sup>2</sup> While GMC is not part of the University System of Georgia (USG), USG serves as a passthrough for GMC's state appropriations.

<sup>3</sup> GMC offers Bachelor of Applied Science (B.A.S.) degrees, which focus on providing hands-on experiences and incorporating job-related skills into the classroom and may be preceded by an Associate of Applied Science degree.

institutions. GMC has also recently added articulation agreements to allow Bachelor of Applied Science (BAS) graduates who meet specific academic criteria to enter certain USG graduate programs.

GMC currently operates 11 satellite campuses<sup>4</sup> throughout the state in addition to its main campus in Milledgeville, as shown in **Exhibit 1**. GMC also operates an online campus, known as the Global Online Leadership College. In academic year (AY) 2021-22, 94% of total Junior College students were in-state students residing in 146 counties, and 6% of students were from out-of-state. The majority of students were enrolled in the Augusta, Global Online, Valdosta, and Warner Robins campuses.

**Exhibit 1**  
**Junior College Serves Students Statewide (AY 2021-22)**



<sup>1</sup> Nearly half (46%) of all in-state students accounted for in the exhibit took classes exclusively online.  
 Source: GMC student data

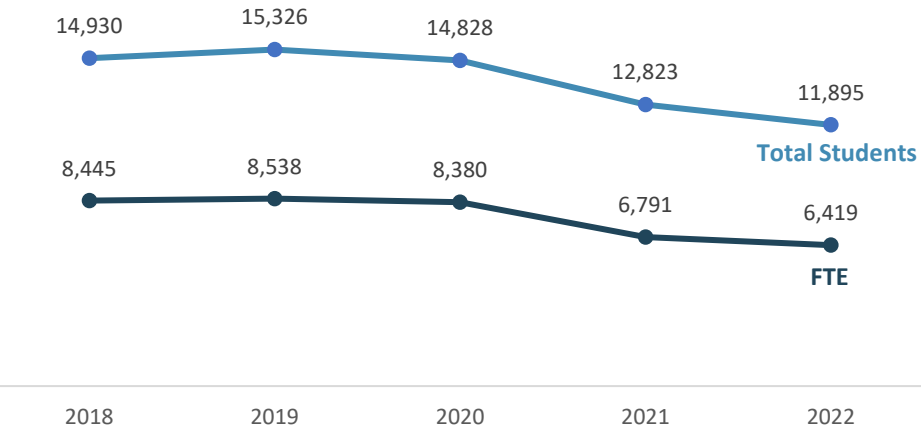
Approximately 11,900 students were enrolled at the Junior College in academic year 2021-22. Many Junior College students are part-time (i.e., fewer than 12 credit hours per term), resulting in a full-time equivalent (FTE) count of 6,419. As shown in **Exhibit 2**, both enrollment and FTE have decreased recently. Since

<sup>4</sup> GMC has satellite campuses located in Augusta, Columbus, Dublin, Fairburn, Fayetteville, Madison, Rockdale, Stone Mountain, Valdosta, Warner Robins, and Zebulon.



2019, enrollment has declined at an average rate of approximately 1,150 students per year, which also affects total FTE attempted. It is important to note that while overall student enrollment at the Junior College has decreased, the online campus doubled its student population—from 958 to nearly 2,100 students—between academic years 2020 and 2022; GMC staff anticipate that the online college will be a leading campus for the Junior College in the future.

**Exhibit 2**  
**Student Enrollment and FTE Have Declined (AY 2018-22)**



Source: GMC factbook

Most students attending the Junior College in academic year 2021-22 were between 17-22 years old, female, in-state, and Black or White, and they returned in the fall terms of the academic year. Students were predominantly part-time, online, degree-seeking students who attempted half of a full courseload each quarter. Demographics varied by campus, however, as described below.

- Milledgeville Campus** – Approximately 11% (1,350) of Junior College students attended the main college campus. Students attending the Milledgeville campus were more “traditional”—they predominantly attended the institution as first-time freshman (64% of all students), took classes on-site (48%) or hybrid (30%), and attempted full courseloads each quarter (67%).
- Satellite Campuses** – Approximately 71% (8,460) of Junior College students attended the 11 satellite campuses, though nearly half of these students’ course hours were delivered online from a different location. Only 31% were full-time (on average attempting half a courseload each quarter). Compared to the Milledgeville Campus, significantly fewer students were first-time freshman, and more were dual enrollment (33%). Additionally, students opted to either take classes either in-seat (49%) or exclusively online (38%).

## Reduction in Junior College Campus Locations and In-Person Classes

The Junior College student population has changed since the COVID-19 pandemic. GMC staff noted that prior to the pandemic students were more often full-time, in-person, and engaged in student activities on campus. After the pandemic, students are attempting fewer credit hours and increasingly choosing online learning. In academic year 2021-22, approximately 50% of all Junior College credit hours were taken online. As a result of these changes, GMC staff plan to downsize or close satellite campuses while continuing to increase online course offerings. The Junior College has reduced square footage of satellite campuses and will continue to do so through subleasing existing space and allowing some leases to expire.

- Global Online Leadership College** – Approximately 18% (2,100) of Junior College students attended the online campus exclusively.<sup>5</sup> Approximately one-third of students were full-time, and students were more likely to take fewer courses (less than half of a full load each quarter). Overall, students were predominantly transfer (34%) or first-time freshmen (25%) students.

In the 2021-22 academic year, GMC awarded 1,764 degrees to 1,671 graduates. Of the 2,082 students who entered the Junior College in 2018-19, 34% (704) graduated within three years and an additional 22% (453) transferred to another institution. There is limited data on the remaining students—while they may have dropped out, it is possible they continued at GMC for more than three years (many students are part-time).

### *Military Services*

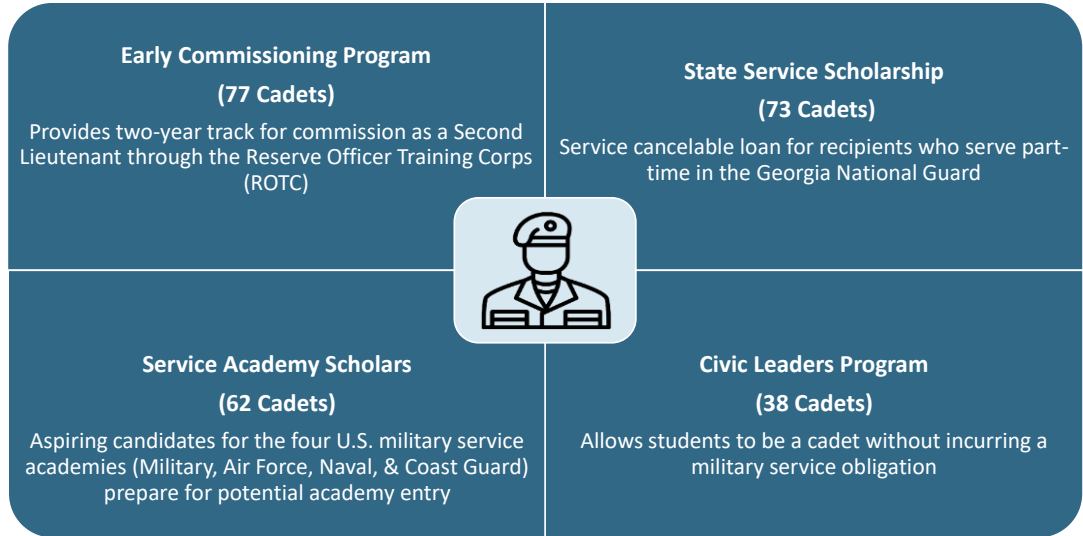
GMC's Junior College is one of only four junior military colleges in the United States. Due to the college's military mission, satellite campuses were initially opened near military installations to provide service members with educational opportunities. Today, nearly all Junior College campuses enroll individuals who are either serving in the military or are military affiliated. In academic year 2021-22, 12% of Junior College students had a military affiliation (i.e., military family members, military active duty, or veterans).

In academic year 2021-22, 250 of the 1,348 main campus students (19%) were part of the GMC Corps of Cadets, which is a structured military-style program that students can attend to develop their leadership potential and achieve academic credit. Cadets are required to live in on-campus barracks and are the only students provided with housing. These students focus on the core values of "Duty, Honor, and Country" through programs discussed in **Exhibit 3**. The majority of cadets joined the Early Commissioning (31%) or State Service (29%) program.

*GMC is part of the U.S. Army Cadet Command's 1<sup>st</sup> Brigade. The brigade includes six senior military colleges and four junior military colleges.*

<sup>5</sup> Students at other campuses are also able to take classes exclusively online and are not required to attend the online college campus exclusively. For example, in academic year 2021-22, an additional 3,483 students (33%) were assigned to a physical campus but took their courseload online.

**Exhibit 3**  
**250 Cadet Students Were Eligible to Participate in Four Specific Programs**  
**(AY 2021-22)**



Source: GMC website

**Preparatory School**

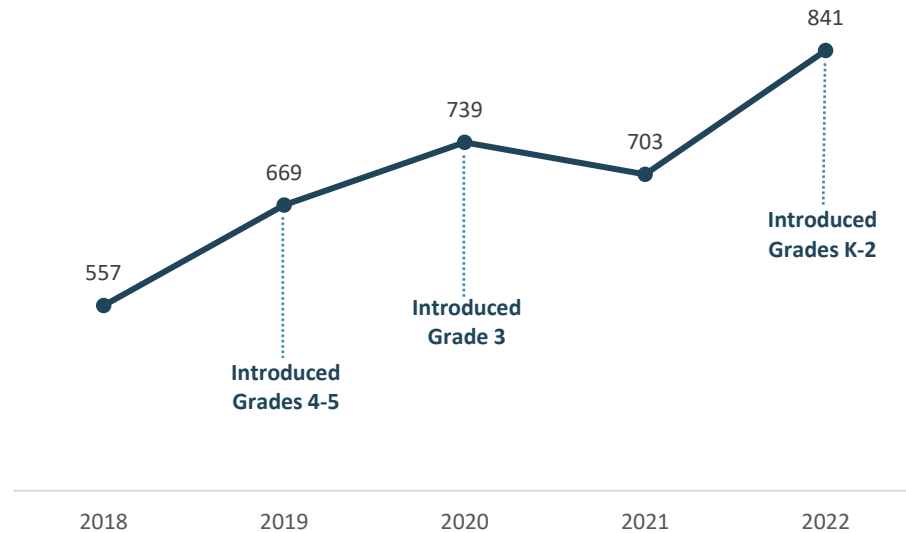
GMC’s Prep School is an accredited,<sup>6</sup> public-independent school that offers primary and secondary education to students. The mission of the Prep School is to “graduate educated, contributing leaders by providing inclusive, college-preparatory curriculum in an environment conducive to the holistic development of intellect and elevation of character.” In academic year 2021-22, annual tuition and fees totaled \$5,475 per student.

The Prep School currently offers K-12 education but served only middle and high school grades until recently. In academic year 2018-19, the school added grades 4 and 5. Grade 3 was added in 2019-20, and kindergarten through second grade were added in 2021-22.

In the most recent academic year (2021-22), approximately 840 students were enrolled at the Prep School, which was evenly distributed across elementary, middle, and high schools. With the addition of the elementary grades, the Prep School increased its student enrollment by approximately 50% between academic years 2018 and 2022, as shown in **Exhibit 4**. Middle and high school enrollments remained relatively stable during that time.

<sup>6</sup> The Prep School is accredited by Cognia, which is a nonprofit organization that sets education standards for most of Georgia’s public school systems. The accreditation requires a review every six years.

**Exhibit 4**  
**Prep School Student Enrollment Has Increased Between AY 2018 and 2022**



Source: GMC student data

As shown in **Exhibit 5** on the following page, students are predominantly from the Baldwin County region, because the Prep School does not have transportation or housing options for their students. The majority (77%) were from Baldwin County, with nearly all of the remaining from five contiguous counties. Most Prep School students (77%) were White, with an even distribution of male and female students.

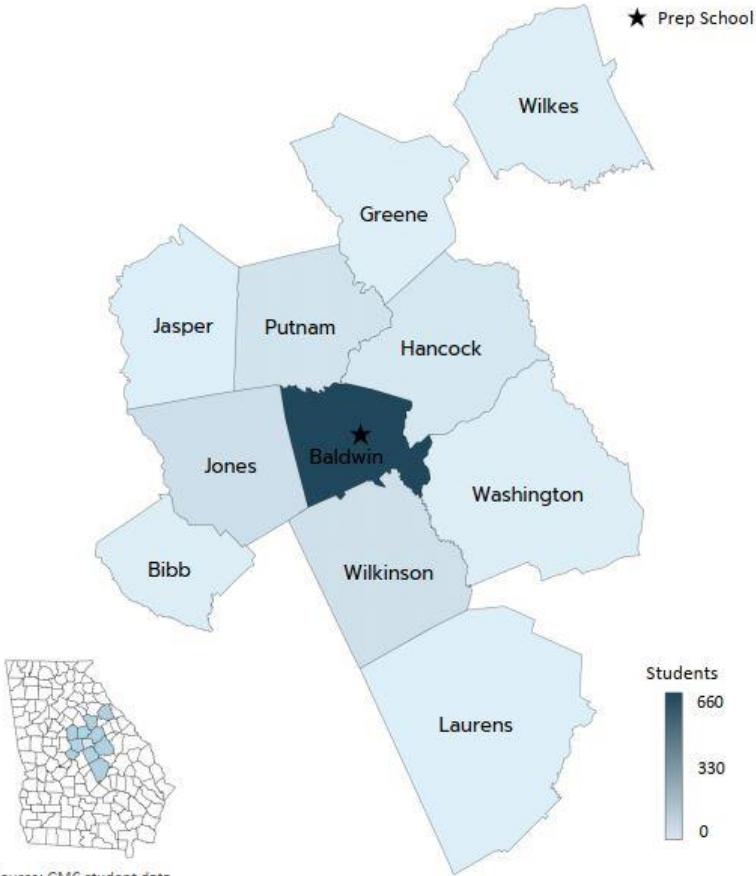
The 2022 senior class of approximately 60 students had a 100% graduation rate, with five obtaining an associate degree on the same day. According to GMC staff, at least 12 graduates have been appointed to the U.S. Service Academies in the last decade.

*Military Services*

Prep School students in all grades are exposed to a certain level of military-style education, with an emphasis on character development and leadership training. Staff and students in grades 6-12 are required to wear a cadet uniform and participate in military-focused extracurricular activities including color guard, drill team, and military-style obstacle courses. Once in the high school, all students become members of the Junior Reserve Officers Training Corps (JROTC) program. The high school and middle school operate separate battalions, and instead of homeroom each day, the students perform a raising of colors, roll call, recitation of oaths, and other military traditions.

*GMC Prep School's middle and high school battalions, along with the Junior College cadets, act as One Corps under the direction of the Commandant of Cadets.*

### Exhibit 5 Prep School Students Are Largely from Baldwin or Contiguous Counties (AY 2021-22)



## Requested Information

### Finding 1: City of Milledgeville citizens elect all members of the GMC Board of Trustees, which oversees a local Preparatory School and a Junior College operating statewide.

While GMC serves students across the state, its governing board is locally elected by the citizens of Milledgeville and includes no statewide voting representation. This structure is unique when compared to military colleges in other states, as well as public independent universities and other state entities in Georgia. Prior attempts to change the board’s composition have been restricted by a 1989 federal consent decree.

The GMC Board of Trustees’ current structure and powers—which have generally been in place since 1989—are discussed below.

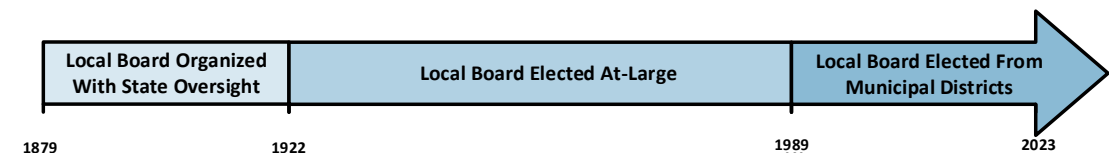
#### Board Structure

According to O.C.G.A. §§ 20-3-541 through 20-3-542, the GMC Board of Trustees is a state instrumentality composed of seven members who serve four-year terms; membership includes the City of Milledgeville mayor and one representative from each of the city’s six municipal voting districts. In 2022, board membership was expanded to include single non-voting advisory members appointed by the governor, lieutenant governor, and speaker of the house.<sup>7</sup>

Throughout the board’s 150-year history, its composition has largely been representatives from the City of Milledgeville. As shown in **Exhibit 6** and described below, the composition has had three distinct periods.

### Exhibit 6

#### GMC’s Board of Trustees Has Historically Maintained Local Representation



Source: GMC historical archives

- State Oversight (1879 to 1922)** – In 1879, the Middle Georgia Military and Agricultural College<sup>8</sup> (MGMAC) was statutorily created to provide free education on various subjects (e.g., farm life, teaching) and prepare students for classes at the University of Georgia. While a local board of 10 trustees was directed to organize the college, greater

<sup>7</sup> As of March 2023, two of three advisory positions have been filled and will serve four-year terms.

<sup>8</sup> While “college” is in the title of the original institution, MGMAC was created as a college-preparatory secondary school (i.e., high school). GMC did not acquire a junior college division until 1930.

authority was given to the Board of Trustees of the University of Georgia. For example, the university board was loaned the original properties for the college (e.g., Old State Capitol, Executive Mansion, etc.) and could approve or deny acts of the local MGMAC board.

- **At-Large<sup>9</sup> Representation (1922 to 1989)** – In 1922, the General Assembly replaced the previous MGMAC board with a local board elected at-large by City of Milledgeville citizens. This ended governance of GMC by the University of Georgia board and provided direct governance of the school by the local board. All previous powers and legal titles to property were transferred to the new board.

### Unsuccessful Attempts to Change Board Composition

In 1990, the General Assembly passed a bill to amend GMC Board of Trustees' composition from local members to one with state appointees from congressional districts and the state at-large. This bill was based on a legislative recommendation from a 1989 GMC Study Committee, which proposed that the General Assembly should change GMC's board to reflect statewide governance and increase state funding.

In 1991, the U.S. Department of Justice (DOJ) declared the bill was not legally enforceable because it did not meet its burden of showing neither a discriminatory purpose nor effect. The U.S. DOJ argued that while the state may believe that statewide governance would be necessary to increase GMC's state funding and serve a statewide student population, both can be accomplished via GMC's locally elected board. The U.S. DOJ also noted that eliminating local representation on the Board of Trustees would deprive Milledgeville residents from electing members that serve their students at GMC's local Prep School.

Following a Georgia Attorney General request to reconsider its denial, the U.S. DOJ noted the state could consider other options such as:

- Retaining a locally elected board to oversee operation of the Prep School and introducing state-appointed members to focus on the Junior College;
- Retaining a locally elected board to oversee operation of the Prep School and assigning the University System Board of Regents to oversee the Junior College; or
- Developing an expanded board in which some members are state appointed, and others are locally elected.

In 1992, the General Assembly passed a bill that would have expanded board membership by appointing state officials from congressional districts and the state at-large, while continuing to maintain all local board members. The U.S. DOJ again denied the implementation of the bill. We were unable to obtain documentation that explained the U.S. DOJ decision.

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<sup>9</sup> Under an at-large election, trustees are elected to serve an entire area rather than a specific subdivision.

*Consent Decree – A judicial decree that sanctions a voluntary agreement between parties in dispute.*

- **Single-Member Districts (1989 to Present Day)** – In 1989, the GMC Board of Trustees was sued for failure to update its election method from at-large to single-member municipal districts in an effort to prevent anti-discriminatory voting practices.<sup>10</sup> The lawsuit led to a federal consent decree (i.e., agreement) between the two parties, resulting in the GMC Board of Trustees amending their election method. By 1996, state statute and the city charter were updated to cite the federal consent decree’s requirements, which continue to constrain the board’s membership.

Under GMC’s current governance structure, seven Milledgeville residents preside over an institution with operational and capital needs supported by state taxpayer dollars. This board also serves a large population of students who live outside Milledgeville. In academic year 2021-22, for example, 89% of the approximately 12,000 Junior College students did not attend the main Milledgeville campus.

When compared to other similar entities reviewed in Georgia and across the country, GMC’s governance structure is unique.<sup>11</sup> As described below, all entities included some degree of state oversight.

- **Military Colleges** – Georgia’s senior military college (the University of North Georgia) is governed by the Board of Regents of the University System of Georgia, which governs all public four-year institutions. The three other junior military colleges<sup>12</sup> that operate in the United States are overseen by one of the state’s official public education boards or are fully private.
- **Other States’ Public Independent Colleges** – Of the five public independent colleges reviewed, all boards had at least one state-appointed member of the board, with two (Rutgers and Stephen F. Austin University) having a majority of state-designated board members. Two universities—Cornell and Pennsylvania State—had appointed state officials to the board and in advisory (ex-officio) positions.
- **Other Georgia Public Entities** – Of the nine state entities reviewed, eight required state officials to appoint members to the governing body. Additionally, four of the nine entities received supplementary oversight through a legislative committee or council.

<sup>10</sup> In 1983, a similar lawsuit was filed against the City of Milledgeville by the National Association for Advancement of Colored People (NAACP) of Baldwin County. Both parties entered into a consent decree later that year and agreed to implement election districts for the mayor and aldermen of the City of Milledgeville.

<sup>11</sup> We reviewed other military colleges (including the in-state senior college—University of North Georgia—and out-of-state junior colleges), public independent colleges and universities in other states, and Georgia state entities that are primarily legal, separate state entities like GMC (e.g., Georgia Ports Authority, Georgia Lottery Corporation).

<sup>12</sup> Marion Military Institute, New Mexico Military Institute, and Valley Forge Military Academy and College.









## Board Powers

As discussed previously, the Board of Trustees has the statutory authority to make decisions for GMC, including (but not limited to) making reasonable rules and regulations, determining the policy and conduct of the college, and exercising any power usually granted to a board. Pursuant to the bylaws, the board has organized committees to monitor activities and keep the board informed of the following: Finances, Preparatory School, and Junior College.

Based on a review of board meeting minutes in fiscal years 2018-2022, the Board of Trustees, with recommendations from the GMC president, made decisions on a variety of operations. Examples can be found in **Exhibit 7**.

### Exhibit 7

#### GMC’s Board Approved Several Motions Regarding Prep School, Junior College, and Finances (FY 2018-22)

Sample of Board Motions	
	Approve fiscal year budgets
	Approve tuition and fee increases at the Prep School and Junior College
	Nominate board officers (e.g., chairman, secretary, committee members)
	Approve grade-level and campus-wide (i.e., new facilities) expansions at the Prep School and Junior College
	Approve request for state bonds from the Georgia State Finance and Investment Commission
	Permit GMC president to continue legislative discussions for a Junior College funding formula

Source: GMC board meeting minutes

It should be noted that the GMC board’s powers do not include oversight over a portion of GMC-related resources. This includes approximately \$40 million in assets related to the GMC Foundation—GMC’s official fundraising arm, which is overseen by a separate board of trustees. Additionally, the historical Old Capitol Building, which GMC personnel and students use for administrative and educational purposes, is loaned to GMC by the State of Georgia.<sup>13</sup>

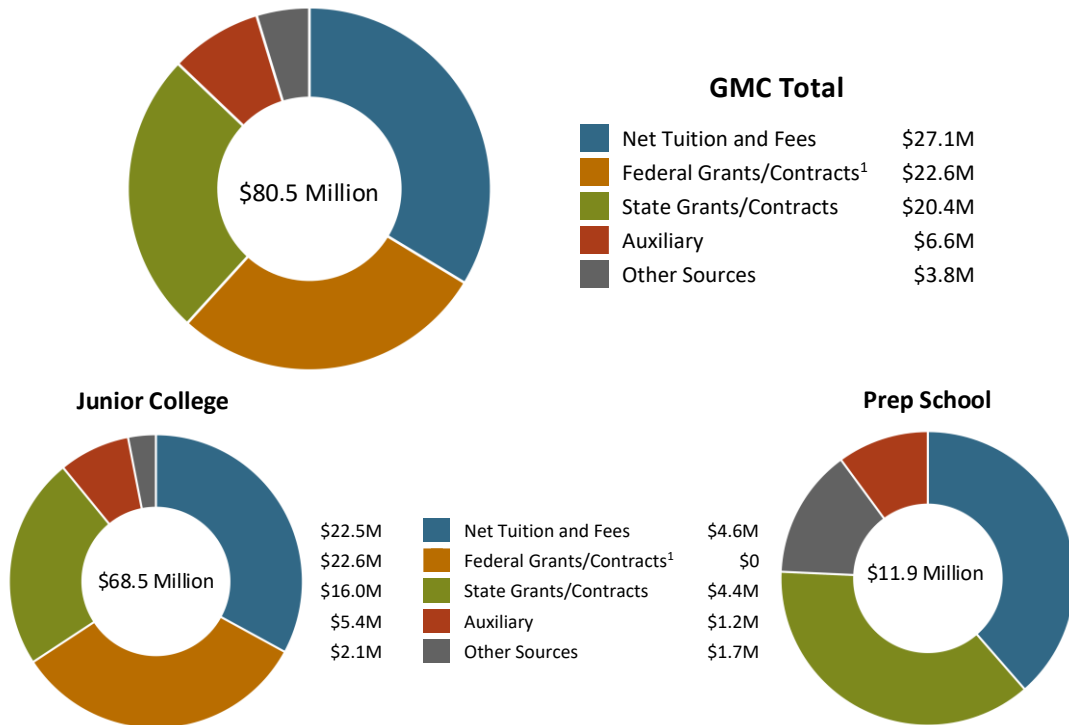
<sup>13</sup> *The Old Capitol Building houses the Junior College’s executive offices, the Offices of Communications and Student Disability Services, classrooms, faculty offices, and computer laboratories.*

**Finding 2: GMC primarily relies on tuition but also receives state and federal funding. Much of the federal funding is related to the pandemic and thus temporary.**

GMC receives funding from a variety of sources, primarily tuition payments, federal funds, and state funds. Both the Prep School and Junior College are largely reliant on tuition. In the last three years, the Junior College obtained pandemic-related funding from the federal government but will likely receive significantly less federal funding in the future. The Prep School received no federal funds. Overall revenue for GMC has declined over the last three years, primarily due to lower Junior College enrollment.

In fiscal year 2022, GMC revenue totaled \$80.5 million, with 85% generated by the Junior College and 15% by the Prep School. As shown in **Exhibit 8**, tuition and fees represented GMC’s largest source of revenue. Federal and state grants and contracts were also significant sources of GMC funding; however, federal funds supported only the Junior College and a significant portion was temporary. State funds—in the form of appropriations—were especially significant for the Prep School, representing more than one-third of revenue. Descriptions of the fund sources begin on page 15.

**Exhibit 8**  
**Tuition and Fees Were 34% of GMC’s Total Revenue (FY 2022)**



<sup>1</sup> Federal funds include \$18.7 million in temporary, pandemic-related dollars.  
Source: GMC annual financial reports

As shown in **Exhibit 9**, GMC's revenue has decreased by 21%, from \$101.8 million in fiscal year 2020 to \$80.5 million in fiscal year 2022. In all years, most revenue was derived from tuition and fees, though this revenue source has declined by 16% over the last three years. State grants and contracts, which includes appropriations and student aid programs, have also decreased.

### Exhibit 9

#### Tuition and Fees are GMC's Single Largest Revenue Stream (FY 2020-22)

	FY2020	FY2021	FY2022	% Change
<b>Operating Revenue:</b>	\$73,693,846	\$71,341,331	\$78,185,598	↔ 6%
Tuition and Fees	\$60,081,978	\$50,973,178	\$50,217,700	↓ -16%
Sponsored Scholarships <sup>1</sup>	-\$31,136,981	-\$24,618,153	-\$23,119,863	
Federal Grants and Contracts <sup>2</sup>	\$11,354,047	\$17,684,371	\$22,578,470	↑ 99%
State Grants and Contracts	\$25,171,291	\$19,223,986	\$20,431,282	↓ -19%
Non-Govt. Grants and Contracts	\$396,593	\$898,073	\$452,078	↑ 14%
Auxiliary Revenue	\$6,925,963	\$6,567,222	\$6,577,210	↔ -5%
Other Revenue	\$900,955	\$612,654	\$1,048,721	↑ 16%
<b>Non-Operating Revenues (Exp.)</b>	\$13,336,126	\$13,173,925	\$1,748,013	↓ -87%
<b>Capital Contributions</b>	\$14,811,819	\$1,356,811	\$536,297	↓ -96%
<b>Total GMC Revenue</b>	<b>\$101,841,791</b>	<b>\$85,872,066</b>	<b>\$80,469,908</b>	<b>↓ -21%</b>

<sup>1</sup> Sponsored Scholarships is a required transaction to account for tuition and fees paid from sources shown within the revenue table. It prevents the doublecounting of revenue.

<sup>2</sup> Federal funds include \$18.7 million in temporary, pandemic-related dollars.

Source: GMC annual financial reports

As shown in **Exhibit 10**, the Junior College comprises the majority of GMC's total revenue (\$68.5 million of the \$80.5 million in fiscal year 2022).

### Exhibit 10

#### Junior College Revenue Per Student Has Increased, While Prep School Revenue Per Student Has Remained Consistent (FY 2020-22)<sup>1</sup>

	FY2020	FY2021	FY2022	% Change
<b>Junior College</b>				
Total Revenue	\$76,775,224	\$74,661,870	\$67,998,350	↓ -11%
Student Count <sup>2</sup>	8,380	6,791	6,419	↓ -23%
Revenue Per Student	<b>\$9,162</b>	<b>\$10,994</b>	<b>\$10,593</b>	↑ 16%
<b>Prep School</b>				
Total Revenue	\$10,254,748	\$9,853,386	\$11,935,261	↑ 16%
Student Count	739	703	841	↑ 14%
Revenue Per Student	<b>\$13,877</b>	<b>\$14,016</b>	<b>\$14,192</b>	↔ 2%

<sup>1</sup> Capital contributions were not included in these revenue amounts nor factored in the revenue per student calculation.

<sup>2</sup> Full-time Equivalent (FTE) for GMC Junior College and not a count of unique students for GMC Junior College.

Source: GMC annual financial report and GMC factbook

Several funding streams are impacted by the Junior College's enrollment, which has declined since the beginning of the COVID-19 pandemic. However, temporary federal funding has resulted in revenue per Junior College student increasing by 16% since fiscal year 2020. Revenue by Prep School student has

remained stable (at approximately \$14,000), though Prep School revenue has increased overall due to higher enrollment numbers as grade levels were added.

GMC’s total revenue is made up of operating revenue, non-operating revenue, and capital contributions. Each component is discussed below.

### Operating Revenue

Operating revenue represents revenue received from the college’s normal, mission-related activities. This includes tuition and fees; federal, state, and non-governmental grants and contracts; auxiliary services; and other operating revenues. GMC operating revenue for fiscal year 2022 was \$78.2 million, a 6% increase over fiscal year 2020.

### Tuition and Fees

Both the Junior College and Prep School charge their students tuition and fees for attendance, though 90% of the tuition and fees collected are from Junior College students. As discussed below, trends in enrollment have impacted the amount of tuition and fees collected for the Prep School and the Junior College. Total dollars collected from tuition and fees have decreased by approximately \$9.8 million since fiscal year 2020, a decline of about 16% (see **Exhibit 11**).

### Exhibit 11

#### Tuition and Fees Decreased for the Junior College and Increased for the Prep School (FY 2020-22)

	FY2020	FY2021	FY2022	% Change
Junior College	\$56,200,403 94%	\$47,157,525 93%	\$45,613,283 91%	↓ -19%
Prep School	\$3,881,575 6%	\$3,815,653 7%	\$4,604,417 9%	↑ 19%
<b>Total Tuition and Fees:</b>	<b>\$60,081,978</b>	<b>\$50,973,178</b>	<b>\$50,217,700</b>	<b>↓ -16%</b>
Sponsored Scholarship:	-\$31,136,981	-\$24,618,153	-\$23,119,863	
<i>Net Tuition and Fees</i>	<i>\$28,944,997</i>	<i>\$26,355,025</i>	<i>\$27,097,837</i>	

Source: GMC annual financial report

- Junior College** – Tuition and fees are the largest single source of revenue for the Junior College. In addition to student payments, tuition and fees are supported through a variety of financial aid programs at the federal and state level, as well as non-governmental sources such as the GMC Foundation, The Chick-Fil-A Project, and other outside scholarships. As Junior College enrollment has decreased (by 23% or approximately 2,000 FTE students), tuition and fee revenue has also fallen. Overall tuition and fees revenue decreased by 19%—from \$56.2 million to \$45.6 million. During the same period, annual tuition and fees for a full-time student in Milledgeville increased from \$7,200 to \$7,718.
- Prep School** – Prep School tuition and fee revenue has increased as the school has added grades and students (an overall increase of 14%, or approximately 100 students over the period reviewed, as discussed

on page 6). Since fiscal year 2020, tuition and fee revenue has increased from \$3.9 million to \$4.6 million (19%). During the period, annual tuition and fees increased from \$5,250 to \$5,475.

In accordance with Generally Accepted Accounting Principles and the National Association of College and University Business Officers Advisory Guidance, GMC revenue includes a sponsored scholarships allowance. The reduction ensures that revenue is not double counted by offsetting tuition paid through financial aid programs from other sources included in the revenue statement. This adjustment is common in comparable institutions, including the University System of Georgia.

**Federal Grants and Contracts**

Federal grants and contracts to GMC’s Junior College include financial aid programs, institutional level grants, and pandemic relief funds. Due to the COVID-19 public health emergency, federal funding has nearly doubled since fiscal year 2020 (see **Exhibit 12**). In fiscal year 2022, more than \$18.7 million (83%) of \$22.6 million in federal dollars was pandemic-related aid.

**Exhibit 12**

**Junior College Federal Aid Has Significantly Increased (FY 2020-22)**

	FY2020	FY2021	FY2022	% Change
Junior College	\$11,354,047	\$17,684,371	\$22,578,470	↑ 99%
Prep School	\$0	\$0	\$0	
<b>Total Federal Grants and Contracts</b>	<b>\$11,354,047</b>	<b>\$17,684,371</b>	<b>\$22,578,470</b>	<b>↑ 99%</b>

Source: GMC annual financial reports

- Junior College** – GMC’s Junior College typically receives two types of federal assistance: direct institutional grants (e.g., Title III funds for institutions that enroll large proportions of minority and financially disadvantaged students with low per-student expenditures) and tuition assistance<sup>14</sup> for military-affiliated students (e.g., G.I. Bill, ROTC). These sources are also received by other institutions and are not unique to GMC’s status as a junior military college.

From fiscal year 2020 to fiscal year 2022, an additional \$37.7 million in temporary, COVID-19 pandemic-related funds were provided to the Junior College. These funds were intended to defray institutional expenses and provide emergency financial aid grants to students.

- Prep School** – According to GMC leadership, GMC’s Prep School applied for the federal assistance that many public school districts received during the COVID-19 public health emergency. However, the Prep School did not receive any funding due to its unique governance structure and the federal eligibility criteria for the funds.

<sup>14</sup> Other forms of federal tuition assistance are recorded as non-operating revenue (page 19) or are not recognized as revenue for the school (page 20).

### State Grants and Contracts

State grants and contracts include appropriations and certain student aid programs (see page 21 for a discussion of the state’s total contributions to GMC). As shown in **Exhibit 13**, the Junior College has seen a 25% reduction in state funding since fiscal year 2020, while the Prep School experienced an increase over the period.

#### Exhibit 13

#### Distribution of State Funds Between the Junior College and the Prep School Has Remained Consistent (FY 2020-22)

	FY2020		FY2021		FY2022		% Change
Junior College	\$21,225,432	84%	\$15,443,928	80%	\$15,997,333	78%	↓ -25%
Prep School	\$3,945,859	16%	\$3,780,058	20%	\$4,433,949	22%	↑ 12%
<b>Total State Grants and Contracts</b>	<b>\$25,171,291</b>		<b>\$19,223,986</b>		<b>\$20,431,282</b>		<b>↓ -19%</b>

Source: GMC annual financial reports

- Junior College** – GMC’s Junior College receives a direct appropriation from the state, as well as tuition assistance in the form of scholarships and grants.<sup>15</sup> While the Junior College does not receive an enrollment-based funding formula, it receives annual funding for general operations and specific projects from the General Assembly (\$4.9 million in fiscal year 2022). Due to a partnership with high schools around the state, the Junior College collects most of its state funds from its dual enrollment program. In fiscal year 2022, 52% of the Junior College’s operating state grants and contract funds were attributable to the dual enrollment program.
- Prep School** – GMC’s Prep School receives appropriations from the state in a formula that is similar to the Quality Basic Education funding formula that public schools in Georgia receive (for further explanation about this process, see page 23). In recent years, the Prep School has added grades and students. As a result, state funding for the Prep School has increased by 12% since fiscal year 2020.

### Non-Governmental Grants and Contracts

Non-governmental grants and contracts include funding from organizations that assist students in paying for the cost of attendance at the Junior College. As shown in **Exhibit 14**, this amount increased significantly in fiscal year 2021, primarily due to the GMC Foundation providing additional funding during the pandemic.<sup>16</sup> While this funding has increased by 14% since fiscal year 2020, it comprises a small percentage of GMC’s total revenue. The Prep School did not report any non-governmental grants or contracts between fiscal years 2020 and 2022.

<sup>15</sup> Other forms of state tuition assistance are recorded as non-operating revenue (page 19) or are not recognized as revenue of the school (page 20).

<sup>16</sup> Outside of fiscal year 2021, approximately 40% of non-governmental grants and contracts revenue came from the GMC Foundation, and approximately 60% came from other private scholarships.

**Exhibit 14**  
**Non-Governmental Grants and Contracts to the Junior College Have Increased (FY 2020-22)**

	FY2020	FY2021	FY2022	% Change
Junior College	\$396,593	\$898,073	\$452,078	↑ 14%
Prep School	\$0	\$0	\$0	
<b>Total Non-Gov. Grants and Contracts</b>	<b>\$396,593</b>	<b>\$898,073</b>	<b>\$452,078</b>	<b>↑ 14%</b>

Source: GMC annual financial reports

**Auxiliary Revenue**

Auxiliary revenue is generated by operations that exist to furnish good or services to students, faculty, and staff. These include food services at campus dining halls, student housing, bookstores, athletics, and motor pool services. Auxiliary revenue is dependent on enrollment and has decreased by 5% over the past three fiscal years (see **Exhibit 15**).

**Exhibit 15**  
**Auxiliary Revenue Has Decreased Slightly (FY 2020-22)**

	FY2020	FY2021	FY2022	% Change
Junior College	\$5,832,058 84%	\$5,479,431 83%	\$5,376,713 82%	↓ -8%
Prep School	\$1,093,906 16%	\$1,087,791 17%	\$1,200,498 18%	↑ 10%
<b>Total Auxiliary Revenue</b>	<b>\$6,925,963</b>	<b>\$6,567,222</b>	<b>\$6,577,210</b>	<b>↓ -5%</b>

Source: GMC annual financial reports

- **Junior College** – According to GMC staff, in-person enrollment has been declining in recent years and was further exacerbated by the COVID-19 pandemic. As students move to an online environment, the Junior College has seen a decrease in revenue from auxiliary services—an 8% reduction from roughly \$5.8 million in fiscal year 2020 to approximately \$5.5 million in fiscal year 2022.
- **Prep School** – While the Prep School does not offer student housing, its students do utilize food services and the bookstore. Between fiscal years 2020 and 2022, the Prep School added grades K-3. As a result, the Prep School’s auxiliary revenue increased by approximately 10%—from \$1.1 to \$1.2 million.

**Other Revenue**

Other operating revenue for GMC includes miscellaneous revenue streams for both the Prep School and the Junior College. This category includes small revenue types such as after school program fees, application fees, transcript fees, and library fees. While **Exhibit 16** shows that other revenue has grown from fiscal year 2020 to fiscal year 2022, it remains a small funding stream for GMC.

**Exhibit 16****Other Revenue at GMC Has Grown Since Fiscal Year 2020**

	FY2020	FY2021	FY2022	% Change
Junior College	\$333,796 37%	\$254,233 41%	\$278,541 27%	↓ -17%
Prep School	\$567,159 63%	\$358,421 59%	\$770,180 73%	↑ 36%
<b>Total Other Revenue</b>	<b>\$900,955</b>	<b>\$612,654</b>	<b>\$1,048,721</b>	<b>↑ 16%</b>

Source: GMC annual financial reports

**Non-Operating Revenues**

Non-operating revenues include funds not provided in exchange for a specific service. This includes federal grants, such as Pell Grants, federal work study, and selected other federal student grant aid. Other funds include tax revenue provided by the City of Milledgeville, donations, gains and loss on investments, and interest income.

As shown in **Exhibit 17**, non-operating revenue grew at the Prep School between fiscal years 2020 and 2022 due to increases in scholarships from the GMC Foundation. However, the Junior College experienced a significant decrease in non-operating revenue in fiscal year 2022. The decrease is largely the result of GMC distributing a significant amount of federal pandemic relief dollars provided to the school but intended for its students.

**Exhibit 17****Non-Operating Revenue Declined Significantly in Fiscal Year 2022**

	FY2020	FY2021	FY2022	% Change
Junior College	\$12,569,877 94%	\$12,362,462 94%	\$821,795 47%	↓ -93%
Prep School	\$766,249 6%	\$811,463 6%	\$926,217 53%	↑ 21%
<b>Total Non-Operating Revenue</b>	<b>\$13,336,126</b>	<b>\$13,173,925</b>	<b>\$1,748,013</b>	<b>↓ -87%</b>

Source: GMC annual financial reports

**Capital Contributions**

Capital contributions are gifts or grants for the acquisition or construction of capital assets. The state has provided capital funds to construct or renovate buildings and to purchase vehicles and other long-term assets. As shown in **Exhibit 18**, annual capital contributions amounts vary significantly due to the project-oriented nature of the funding. In fiscal year 2020, capital gifts were significantly higher—largely related to the renovation of Jenkins Hall, which houses the Prep School's elementary grades.

**Exhibit 18****Project-Based Capital Gifts from the State Have Varied (FY 2020-22)**

	FY2020	FY2021	FY2022	% Change
Capital Gifts from the State	\$14,811,819	\$1,356,811	\$536,297	↓ -96%

Source: GMC annual financial reports



### Aid Not Recognized as Revenue

In accordance with accounting standards, colleges and universities do not recognize certain funds as sources of revenue. Colleges and universities are only indirect recipients of funding from several student financial aid programs and act as custodians of the funds. Funds from these programs, shown in **Exhibit 19**, come from both federal and state sources. The funds can be used for living expenses, tuition and fees, or other costs that are associated with attending a college or university. As shown in the exhibit, these programs vary in size each year. In fiscal year 2022, approximately \$14.2 million in student aid was passed through GMC before being allocated to students.

#### Exhibit 19

#### Several Major Financial Aid Types are Not Recognized as Revenue (FY 2020-22)

	FY2020		FY2021		FY2022		% Change
Direct Loans	\$14,846,338	74%	\$11,097,999	71%	\$9,362,763	66%	↓ -37%
HOPE (includes Zell Miller)	\$4,750,919	24%	\$4,342,579	28%	\$4,454,488	31%	↔ -6%
Alternative Loans	\$256,281	1%	\$214,285	1%	\$314,887	2%	↑ 23%
GA Student Access Loans	\$86,593	0%	\$76,313	0%	\$62,936	0%	↓ -27%
<b>Total Not Recognized as Revenue</b>	<b>\$19,940,131</b>		<b>\$15,731,176</b>		<b>\$14,195,074</b>		<b>↓ -29%</b>

Source: GMC annual financial reports

### GMC Foundation

The GMC Foundation was founded in 1955 as a fundraising arm of GMC with a different board of trustees. The Foundation operates as a 501(c)(3) and assists GMC with capital campaign fundraising, donor-directed scholarship funds, and special project fundraising for specific school activities and programs. It holds two trusts for GMC that are intended to support the education of students at the Prep School and the Junior College. Recently, the Foundation completed a five-year campaign that raised \$20.4 million. Since fiscal year 2020, the Foundation’s valuation has grown from \$29.1 million to \$40.0 million.

From fiscal years 2020-2022, the Foundation provided more than \$2.6 million to the college in the form of gifts, financial aid/scholarships, and project-specific donations for activities such as drama productions or team uniforms. According to its leadership, the Foundation has focused on increasing scholarship funding for Prep School and Junior College students for years but intends to support GMC operations in the future. This may include establishing endowments that would pay for the maintenance of any new construction or renovation.

**Finding 3: In fiscal year 2022, the state contributed \$25.6 million to GMC, largely with state-sponsored financial aid for Georgia residents.**

*Not all \$25.6 million in state funds is recognized as GMC revenue (see page 20). Therefore, only a portion is included in GMC’s FY 2022 revenue of \$80.5 million.*

GMC is funded by the State of Georgia in various ways, including state-sponsored financial aid, appropriations, and capital gifts. State funding for GMC and its students has decreased by nearly 40% since fiscal year 2020, largely due to a decrease in capital gifts, though grant, scholarship, and loan funding has also declined with enrollment.

In fiscal year 2022, the state’s contribution to GMC totaled approximately \$25.6 million, down from \$45.0 million in fiscal year 2020. As shown in **Exhibit 20**, state-sponsored financial aid is the largest state expense to GMC, accounting for approximately 60% of state spending in fiscal year 2022. Each component of the state’s contribution is discussed below the exhibit.

**Exhibit 20  
State Contributions to GMC Have Decreased Since FY 2020**

	FY2020		FY2021		FY2022		% Change
State-Sponsored Financial Aid	\$22,355,220	50%	\$16,540,159	66%	\$15,656,348	61%	↓ -30%
State Appropriations	\$7,809,322	17%	\$7,267,924	29%	\$9,381,328	37%	↑ 20%
Capital Gifts from State	\$14,811,819	33%	\$1,356,811	5%	\$536,297	2%	↓ -96%
Other State Supported Funds	\$60,061	0%	\$12,581	0%	\$31,510	0%	↓ -48%
<b>Total State Contribution</b>	<b>\$45,036,422</b>		<b>\$25,177,475</b>		<b>\$25,605,482</b>		<b>↓ -43%</b>

Source: GMC annual financial report

**State-Sponsored Financial Aid**

The state funds several scholarships, grants, and loans for Georgia residents. In fiscal year 2022, GMC’s Junior College students received approximately \$15.7 million in state-sponsored financial aid.<sup>17</sup> As shown in **Exhibit 21**, every major state-sponsored financial aid program has decreased since fiscal year 2020 due to enrollment declines.

**Exhibit 21  
Decreases in State-Sponsored Financial Aid are Consistent with Enrollment Trends (FY 2020-22)**

	FY2020		FY2021		FY2022		% Change
Dual Enrollment	\$13,314,123	60%	\$8,946,768	54%	\$8,305,265	53%	↓ -38%
HOPE Scholarship	\$4,750,919	21%	\$4,342,579	26%	\$4,454,488	28%	↔ -6%
Tuition Equalization Grant	\$3,012,467	5%	\$2,174,131	13%	\$1,907,750	12%	↓ -37%
State Service Scholarship	\$1,164,170	5%	\$967,115	6%	\$899,044	6%	↓ -23%
Other State Sponsored Aid	\$113,541	0%	\$109,566	1%	\$89,801	1%	↓ -21%
<b>Total State Sponsored Aid</b>	<b>\$22,355,220</b>		<b>\$16,540,159</b>		<b>\$15,656,348</b>		<b>↓ -30%</b>
<b>GMC Junior College FTE</b>	<b>8,380</b>		<b>6,791</b>		<b>6,419</b>		<b>↓ -23%</b>

Source: GMC annual financial report

<sup>17</sup> Some student financial aid is not considered revenue of the school, as discussed on page 20.

The largest state-sponsored financial aid programs are described below. Other state sponsored aid includes the REACH scholarship, the Georgia National Guard Service Cancelable Loan, and the HERO Scholarship.

- **Dual Enrollment** – Under this program, the state pays college tuition, mandatory fees, and textbook costs for high school students simultaneously earning college and high school credits. GMC currently has a dual enrollment outreach program that provides courses to students at 34 high schools across the state. As such, it received approximately \$8.3 million in tuition and fees from the state in fiscal year 2022, which comprised slightly more than half of the state-sponsored financial aid provided to GMC students. Dual enrollment funding has decreased by nearly 40% since fiscal year 2020, likely due to statutory changes enacted in 2021 that limited the number of funded credit hours, as well as eligible courses and students who qualify for the program.
- **HOPE/Zell Miller Scholarships** – Georgia’s HOPE Scholarship is available to Georgia residents who have demonstrated academic achievement. For fiscal year 2022, GMC students attempting 45 quarter hours per year received a “private college” HOPE amount of approximately \$4,300, equivalent to approximately 60% of GMC’s tuition. Amounts to GMC remained relatively stable over the period reviewed—ranging from \$4.3 to \$4.8 million.
- **Georgia Tuition Equalization Grant** – Due to GMC’s unique standing as an independent public institution, Junior College students qualify for the Georgia Tuition Equalization Grant (GTEG). This grant currently provides a \$900 annual award to students at qualifying nonpublic institutions in Georgia to assist with tuition costs. The amount decreased by 37% from fiscal year 2020 to 2022, likely due to enrollment declines.
- **State Service Scholarship** – The State Service Scholarship provides qualified students with a two-year cancellable loan. Unlike other state-sponsored financial aid, this scholarship is unique to GMC. The student must serve in the Georgia National Guard for four years, including the two years enrolled at GMC, to complete the service repayment requirements. In fiscal year 2022, the State Service Scholarship comprised approximately 6% of total state-sponsored financial aid, or roughly \$900,000.

## Appropriations

GMC’s Prep School and Junior College are administratively attached to the Board of Regents of the University System of Georgia (USG), which acts as a pass-through agency for state appropriations. Beginning in fiscal year 2020, the Prep School and Junior College became separate budgetary programs under USG (in prior years, GMC received a single appropriation amount). As shown in **Exhibit 22**, GMC’s

state appropriations have increased by 20% since fiscal year 2020 and are generally split evenly between the Prep School and Junior College. These funds were appropriated for operating costs, including teacher salaries and benefits.

**Exhibit 22**

**GMC’s State Appropriations Increased Between FY 2020 and 2022**

	FY2020		FY2021		FY2022		% Change	
Junior College	\$3,863,463	49%	\$3,487,866	48%	\$4,947,379	53%	↑	28%
Prep School	\$3,945,859	51%	\$3,780,058	52%	\$4,433,949	47%	↑	12%
<b>Total State Appropriations</b>	<b>\$7,809,322</b>		<b>\$7,267,924</b>		<b>\$9,381,328</b>		↑	<b>20%</b>

Source: GMC annual financial report

**Junior College**

State appropriations for the Junior College are primarily a continuation of the amount received in the prior year, with regular adjustments for changes in state benefit costs. Unlike USG and TCSG institutions, GMC’s Junior College does not receive formula funding that considers factors such as student enrollment. Since fiscal year 2020, Junior College appropriations have increased by 28% for employee recruitment and retention, merit-based pay adjustments, employer contributions to retirement systems, administrative fees, and health insurance premiums. In fiscal year 2022, the state’s appropriation comprised 7% of the Junior College’s total revenue.

**Prep School**

Unlike the Junior College, state appropriations for the Prep School are derived from enrollment figures provided to the Governor’s Office of Planning and Budget. In fiscal year 2022, the Prep School received \$5,241 per student, 15% less than the \$6,179 per student received by the Baldwin County School District (where GMC resides) through the Quality Basic Education (QBE) formula. Although the Prep School’s per student calculation is similar to the QBE formula, key differences include:

- GMC’s formula uses one student enrollment count collected in October (versus two Full-Time Equivalent<sup>18</sup> counts in October and March).
- GMC receives the standard amount per grade level instead of the weighted amounts to account for public school students with disabilities or those learning English as a second language.
- GMC does not receive an indirect allocation for administrative costs; however, it does receive funds for two administrative positions.
- GMC receives the full calculated per student amount, while traditional QBE-funded institutions’ allotments are reduced by the equivalent of a local share equivalent to five mills.

<sup>18</sup> Full Time Enrollment (FTE) is not equal to unique enrollment. FTE is a calculation based on number of segments of the day all students are enrolled, divided by the total number of possible segments (six).

### Funding for Expenses Resulting from State Expenses or Directives

The Governor's Office of Planning and Budget typically recommends state funding increases for agencies to cover expenses resulting from increases in required retirement contributions, higher SHBP employer premiums, or across-the-board salary increases for state employees. However, recommended increases are funded at the portion of agency expenses covered with state appropriations. For example, if an agency funds 50% of its annual expenses with state dollars, the governor's budget request would cover 50% of the estimated cost increases. Approximately 10% of GMC's annual operations are funded with state appropriations; therefore, it receives a similar portion of the cost of funding increases. GMC officials reported that as a result, employees received salary increases much lower than those announced by state officials in recent years.

State appropriations have increased from nearly \$4.0 million in fiscal year 2020 to approximately \$4.4 million in fiscal year 2022. This is primarily related to higher student enrollment following the Prep School's expansion to a full K-12 school. In fiscal year 2022, the state's appropriation comprised approximately 37% of the Prep School's total revenue.

### Capital Gifts from the State

Georgia also provides funding for capital projects at GMC, primarily in the form of bonds. As shown in **Exhibit 23**, this type of funding is variable and largely dependent on project approval by the state. In fiscal year 2020, GMC expended approximately \$14.3 million in state dollars for restoration of its Jenkins Hall. Capital gifts decreased significantly in fiscal years 2021 and 2022, with funds geared toward completing Jenkins Hall and renovations to the Old Capitol Building.

#### Exhibit 23

#### Capital Gifts from the State Vary Each Year (FY 2020-22)

	FY2020	FY2021	FY2022	% Change
Capital Gifts from the State	\$14,811,819	\$1,356,811	\$536,297	↓ -96%

Source: GMC annual financial reports

From fiscal years 2012 to 2022, GMC received approximately \$26.5 million in capital gifts from the state, which accounts for 41% of all GMC capital improvement expenditures (the remainder was covered by GMC). As shown in **Exhibit 24**, the majority of state dollars (61%) were for improvements to existing building such as stucco repairs, cabinets, flooring, and windows. Another \$7.3 million (28% of the state's total) was for construction of new buildings such as the Kidd Center, or gifts of existing state property, including the former Central State Hospital gym. The state also provided funding for the purchase of equipment and vehicles.

**Exhibit 24**  
**Most State-Funded Capital Gifts were for Building Improvements (FY 2012-22)**

	Total GMC Investment	State Funding	State %
Building Improvements	\$23,622,505	\$16,299,557	69%
New Buildings and Property Acquisition	\$22,910,975	\$7,323,317	32%
Equipment	\$11,566,302	\$2,794,511	24%
Vehicles	\$1,607,631	\$88,587	6%
Infrastructure (Non-Buildings)	\$2,647,050	\$0	0%
Library Collections	\$2,272,862	\$0	0%
<b>Total</b>	<b>\$64,627,326</b>	<b>\$26,505,973</b>	<b>41%</b>

Source: State budget and GMC provided data

**Other State-Supported Funds**

As shown in **Exhibit 25**, the state also provides GMC additional support, such as public safety grants. While this amount has decreased since fiscal year 2020, it does not make up a significant amount of state contribution to GMC.

**Exhibit 25**  
**State Provides a Small Amount of Other Funds to GMC (FY 2020-22)**

	FY2020	FY2021	FY2022	% Change
Other State Funds	\$60,061	\$12,581	\$31,510	
<b>Total Other State Funds</b>	<b>\$60,061</b>	<b>\$12,581</b>	<b>\$31,510</b>	<b>↓ -48%</b>

Source: GMC annual financial report

Additionally, in fiscal year 2022, the Junior College was awarded a \$1.7 million Governor’s Emergency Education Relief Fund grant. This type of funding originated in 2020 when the federal government began distributing funding to states as part of the Coronavirus Response and Relief Supplemental Appropriations Act. Distribution of the funds was left to the governor’s discretion. GMC’s annual financial report categorizes these funds as a state grant; however, we did not include it as a state contribution because it originated as federal dollars.

**GMC Response:** GMC noted that regardless of its governance structure, the state-sponsored financial aid is administered and overseen by the Georgia Student Finance Commission and most capital gifts from the state are administered and overseen by the Georgia State Financing and Investment Commission.

**Finding 4: The General Assembly has multiple options for modernizing oversight of GMC, though some would require significant structural/operational changes, as well as federal approval.**

The General Assembly has multiple options for modernizing the oversight of GMC. While all models would require changes to state law, some would have only limited impacts to the mission and nature of GMC. Others would significantly alter GMC's structure and mission.

We examined several models for modernizing GMC's governance. These models are primarily driven by the future of the Junior College due to its significant funding and student population. Some models would allow the Prep School to remain part of GMC as a whole, while others would necessitate separating the two. Although they are not an exhaustive list of all potential scenarios, we determined these models were the most reasonable.

Within each model we considered the potential impact on six categories, as described below.







- **Mission** – GMC operates as a predominately associate degree-issuing institution with open admission standards. It also maintains a Corps of Cadets and affiliates strongly with the military at both the Junior College and Prep School. Beginning in sixth grade, Prep School students wear cadet uniforms and participate in military-focused activities. In high school, students are required to be members of Junior Reserve Officer Training Corps (JROTC).
- **Funding** – Under its current structure, GMC's Prep School charges tuition, receives formula funding from the state, and receives a one mill share of taxes from the City of Milledgeville. The Junior College receives a state appropriation, but it is not tied to a funding formula or guaranteed revenue stream.
- **Property** – GMC owns more than 30 buildings, all at the Milledgeville campus. Some buildings are shared by the Junior College and Prep School. In addition, GMC owns non-infrastructure property such as vehicles, computers, and sports equipment.
- **Staff** – The vast majority of GMC faculty and staff are members of the Teachers Retirement System (TRS) and are eligible to be part of the State Health Benefit Plan (SHBP). Changes to these factors may impact employee retention and GMC's ability to pay for these benefits. Additionally, the Junior College and Prep School utilize the same administrative staff.
- **Students** – Both the Prep School and Junior College charge tuition, and there is no additional rate for out-of-state Junior College students. In-state, full-time Junior College students are eligible to receive the Georgia Tuition Equalization Grant (GTEG) and may qualify for the "private

school” rate of the merit-based HOPE scholarship. Changes to tuition and/or financial aid packages could impact students’ cost of attendance.

- **Consent Decree** – GMC’s statute in part references the federal consent decree of 1989 (discussed on page 10). We considered whether the state would continue as the consent decree’s successor, and whether the model appears to be consistent with pre-clearance guidance from the U.S. Department of Justice (DOJ).

As shown in **Exhibit 26**, we present five models for GMC, with a focus on the Junior College. Two models<sup>19</sup> would require a separation of the Junior College and Prep School; therefore, we present three additional models of governance for a legally separate Prep School.

**Exhibit 26**  
**Each Governance Model has Potential Impacts**

	 <b>Mission</b>	 <b>Funding</b>	 <b>Property</b>	 <b>Staff</b>	 <b>Students</b>	 <b>Consent Decree</b>
<b>Expanded Board with State Representation</b>	No Change	Possible Increase	No Change	No Change	Potential Tuition Reduction; Out-of-State Tuition	Appears to Comply
<b>State Board with Locally Elected Advisory Board</b>	No Change	Possible Increase	No Change	No Change	Potential Tuition Reduction; Out-of-State Tuition	May Not Comply
<b>Private Institution</b>	No Change	Certain Decrease	Purchase or Lease from State	Loss of State Benefits	Likely Increase Tuition	Appears to Comply
<b>Junior College Part of University System of Georgia</b>	Higher Admissions Standards	Likely Increase	No Change	Retain Benefits – Similar Cost for State	Lower Tuition; No more GTEG	Appears to Comply
<b>Junior College Part of Technical College System of Georgia</b>	No Change	Likely Increase	No Change	Retain Benefits – More Costly for State	Lower Tuition; No more GTEG	Appears to Comply
<b>Separate Prep School Models</b>						
<b>Private Prep School</b>	No Change	Certain Decrease	Purchase or Lease from State	Loss of State Benefits	Certain Increased Tuition	Appears to Comply
<b>State Charter Schools Commission Prep School</b>	No Change	Possible Increase	Uncertain	Contract for Shared Services	No Tuition; Open Enrollment	Unknown
<b>Baldwin County School District Prep School</b>	Unknown JROTC Requirement	Possibly Neutral	No Change	No Change	No Tuition; Baldwin Residents Only	Appears to Comply

<sup>19</sup> The USG and TCSG models would necessitate separation of the Prep School and the Junior College. However, separation could occur under any model if desired by the General Assembly or the new board.



## Impacts would extend beyond those included in the analysis

We deemed the six impact categories included for each model to be the most significant for determining whether a new governance model is appropriate. However, additional impacts would need to be addressed if a change is desired. For example, some scenarios would have one-time costs, other financial implications, or impacts for retirees. GMC may need a new student information system or financial system if added to an existing higher education system. In addition, models may impact the funding of post-employment benefits or even the existing benefits of current GMC retirees.

Separating the Prep School from the Junior College may alleviate challenges created by the consent decree since it primarily relates to the Prep School's local oversight (consultation with DOJ would provide clarity on the issue). However, the two schools have operated as one entity with a single governing board and president since the Junior College was created in 1930. The two schools share common leadership, administrative staff, and facility space in Milledgeville. As such, separating the two presents additional operational challenges.

Each model is discussed below.

### Expanded Board with State Representation

Under this model, the membership of the Board of Trustees would be expanded beyond its seven locally elected members. As with many other state entities, board members could be directly appointed by the governor, the speaker of the house, the senate pro tempore, or some combination. Although the residents of Milledgeville would continue to elect the same number of board members, they would no longer represent a majority if the board was expanded by eight members or more.

This model would require minimal action by the General Assembly and would likely result in few changes to GMC operations. The General Assembly would need to alter state law regarding the board's makeup, which would be in line with the 1989 consent decree. Additionally, the state's increased oversight of GMC could lead to more state funding.

#### *Mission*

This model would not impact GMC's military affiliations or status as a primarily associate degree-granting institution with open admission standards.

#### *Funding*

With increased state oversight on the Board of Trustees, the state's budget decision makers may be more willing to increase state funding or institute a funding formula for the Junior College. A 1989 Joint Study Committee tied a proposed a per student funding formula for the Junior College to increased state oversight on the governing board.

It is not anticipated that this model would impact Prep School revenue streams, such as tuition, the state funding formula, or the one mill provided by the City of Milledgeville. The local funding is required by the city charter and is based on historical connections between the city and the Prep School, which would be maintained through the continued local election of some board members.

#### *Property*

Because this model would not change GMC's status as a state entity, it would have no impact on GMC's continued ownership of property.

#### *Staff*

Because this model would not change GMC's status as a state entity, it would not impact staff benefits or retention. The Junior College and Prep School would also continue to share administrative staff.

#### *Students*

The model would not change the state-funded financial aid available to students. However, increased state oversight could lead to a willingness by decision makers to provide additional state funding. This could reduce tuition rates for many students but may also result in an expectation that out-of-state students pay higher tuition.

#### *Consent Decree*

This model appears to align with those outlined by DOJ in 1991. However, it would be advisable for the state to consult with DOJ prior to passing a law. A similar law change was passed by the General Assembly in 1992, but DOJ denied pre-clearance for unknown reasons.<sup>20</sup>

### **State Board with Locally Elected Advisory Board**

The Board of Trustees would continue to oversee GMC, but all members would be appointed by the governor or General Assembly. The citizens of Milledgeville could still elect a local board, but its purpose would be to advise the state-appointed board on the Milledgeville campuses of the Junior College and Prep School.

With direct oversight by the state, the General Assembly may be more willing to increase GMC's state funding. At the same time, upon losing direct oversight of GMC, the City of Milledgeville may seek to discontinue providing one mill of taxes to benefit the Prep School. The General Assembly would need to modify state law to create a new Board of Trustees and modify the powers, duties, and scope of authority for the locally elected board, which should align with a model proposed by DOJ in 1991.

#### *Mission*

This model would not impact GMC's military affiliations or status as a primarily associate degree-granting institution with open admission standards.

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<sup>20</sup> The audit team could not locate documentation outlining DOJ's reasons for denying pre-clearance of the 1992 law.

### *Funding*

With increased state oversight on the Board of Trustees, the state's budget decision makers may be more willing to increase state funding or institute a funding formula for the Junior College. A 1989 Joint Study Committee tied a proposed a per student funding formula for the Junior College to increased state oversight on the governing board.

While the model is unlikely to impact the Prep School's state funding formula, it is unclear whether local funding would be impacted. Losing direct oversight may cause the City of Milledgeville to seek a change to its city charter as it relates to the one mill share of taxes provided to GMC, though the city may consider advisory participation enough to continue the funding. This local revenue is based on historic connections between the city and the Prep School. In fiscal year 2022, Milledgeville contributed \$445,011 (4%) to the Prep School's revenue. This loss would not impact the Junior College because the one mill share has always been viewed as revenue for the Prep School.

### *Property*

Because this model would not change GMC's status as a state entity, it would have no impact on its continued ownership of property.

### *Staff*

Because this model would not change GMC's status as a state entity, it would not impact staff benefits or retention. The Junior College and Prep School would also continue to share administrative staff.

### *Students*

The model would not change the state-funded financial aid available to students. However, increased state oversight could lead to a willingness by decision makers to provide additional state funding. This could reduce tuition rates for many students but may also result in an expectation that out-of-state students pay higher tuition.

If funding from the City of Milledgeville discontinued (and state funds to the Prep School did not increase), the revenue loss would be approximately \$400,000 per year. According to GMC staff, this revenue is currently used for scholarships.

### *Consent Decree*

Changes resulting from this model could potentially violate the 1989 consent decree. It would be advisable for the state to consult with DOJ prior to passing a law that eliminates the power and scope of authority of the locally elected Board of Trustees.

## Private Institution

Under this model, GMC (the Prep School and Junior College) would become a private entity. The state would no longer have oversight responsibilities, and GMC could determine its governance structure.

This model would create a large and immediate financial burden for GMC, which it would likely meet through increased student tuition for both the Junior College and Prep School. To retain its existing classroom space, vehicles, and other assets, GMC would need to purchase them from the state at fair market value (but it would not have state revenue to assist with such purchases). Additionally, GMC may lose staff once they are no longer eligible for state-sponsored retirement and health benefits. Because the 1989 consent decree is between the plaintiff and the Board of Trustees, the state would no longer be party to the consent decree if the board's successor became a private entity.

### *Mission*

This model would not impact GMC's military affiliations or status as a primarily associate degree-granting institution with open admission standards.

### *Funding*

GMC would lose state appropriations, which ranged from \$7.8 million to \$9.4 million in fiscal years 2020-2022. In fiscal year 2022, appropriations accounted for 7% of Junior College revenue and 37% of Prep School revenue. In addition, GMC would lose future capital funding from the state, which totaled approximately \$27 million over the last 11 years (see Finding 3 on page 21).

The Prep School and Junior College would be able to continue setting their tuition rates under this model.

It is unclear whether the City of Milledgeville would continue to provide tax dollars to GMC. Providing tax revenue to a private entity may not be permitted by the Georgia Constitution's gratuities clause.<sup>21</sup> Even if the funding is permissible, the city may seek to change its charter to eliminate the funding requirement. The funding is based on historic connections between the city and the Prep School, which could be maintained through the city's continued involvement with GMC's governing board. In fiscal year 2022, Milledgeville provided \$454,011 in funding, representing approximately 4% of Prep School revenue. According to GMC officials, the funding is used for scholarships. This loss would not impact the Junior College because the mill share has always served as revenue for the Prep School.

### *Property*

GMC would lose ownership of its buildings and equipment and would need to purchase or lease the property from the state at fair market value, as required by the gratuities clause in the Georgia Constitution. This loss would include

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<sup>21</sup> *The Georgia Constitution prohibits granting "any donation or gratuity or to forgive any debt or obligation owing to the public."*

approximately 30 buildings in Milledgeville, adjacent land parcels, motor pool vehicles, computers, sports equipment, desks, and other physical property. The state would retain ownership of all property. Outfitting all new or leased property to maintain a Junior College and Prep School may be cost prohibitive for GMC.

### *Staff*

GMC faculty and staff would no longer be eligible for TRS and SHBP. Without these state-sponsored benefits, GMC would be a less attractive employer than many neighboring schools and colleges. Although faculty and staff who are vested would retain TRS membership, it is reasonable to assume they may seek employment that allows them to continue earning service credit.

The Junior College and Prep School could continue to share administrative staff.

### *Students*

Tuition for both the Junior College and Prep School students would likely increase. For the Junior College, GMC would need to increase tuition for all students by approximately 10% (\$17 per credit hour) to compensate for the loss of approximately \$4.9 million in annual state appropriations and capital projects funding. For the Prep School, the loss of approximately \$4.4 million in state appropriations would nearly double tuition to \$10,000 per student.<sup>22</sup> GMC staff estimated that as a result the Prep School would be affordable for only 20% of its current students.

With the Prep School privatized, students could qualify for tax incentives from Student Scholarship Organizations, which can help families offset tuition costs. Privatization would not impact the state-funded tuition assistance received by GMC students because the Junior College is already classified as a private institution for that purpose.

### *Consent Decree*

The consent decree of 1989 would apply to GMC as a private entity and would no longer apply to the state. It is not likely that this model would require pre-clearance from DOJ because the successor of the Board of Trustees would continue as a private entity.

## **Junior College Part of University System of Georgia**

Under this model, the Junior College would become a member of the University System of Georgia (USG) governed by the Board of Regents (BOR). GMC would no longer have a locally elected Board of Trustees, though many USG institutions have a local advisory board. Policy related to tuition, budget, and other areas would be set by BOR, and the day-to-day operations would be handled by the Junior College president.

This model would require the Junior College's admission standards to align with

*Under this model, the Prep School would separate from the Junior College (see page 36 for options).*

<sup>22</sup> If the Prep School lost local revenue from the City of Milledgeville, fewer funds would be available for scholarships.

other USG institutions, potentially changing the makeup of its student body. In addition, it would eliminate direct state appropriations to GMC while increasing USG's appropriations. This model aligns with one of the proposals outlined by DOJ in 1991 and would require several revisions to state law related to GMC and potentially to sections related to the BOR.

### *Mission*

Course offerings and admissions changes may impact the Junior College's status as a primarily associate degree-granting institution with open admission standards. To align with other USG institutions that predominately offer two-year degrees, the Junior College would need to increase its admission standards to require at least a 2.0 minimum GPA or a standardized test score when the GPA minimum is not met. USG staff stated they would examine all course offerings to determine whether they are consistent with USG's core mission.<sup>23</sup>

Although USG already operates one senior military college, there is no indication that GMC would need to discontinue its Corps of Cadets or operations as a junior military college. However, other operational changes could impact GMC's current military affiliation. School officials noted that the 8-week quarter system (vs. a 15-week semester) is an attractive option for service academy scholar cadets and active duty personnel. In addition, if GMC was eventually merged with a four-year USG institution, it would be unable to offer the Early Commissioning Program that is only available to military junior colleges.

USG officials indicated that the possibility of merging GMC campuses with existing USG institutions would be considered on a case-by-case basis and depend on a variety of factors, including proximity to existing institutions and building space needs.

### *Funding*

GMC would likely receive an increase in state funding, though direct appropriations would not continue. Much of USG's appropriation is based on a formula primarily driven by the count of student credit hours and square footage of classroom space. Based on these two factors, USG estimates that GMC would increase overall USG funding by approximately \$42.7 million—significantly more than the Junior College's appropriation of \$4.9 million in fiscal year 2022 (this would increase the state's payment per student from approximately \$770 to \$6,650). USG would then determine the Junior College's state funding allocation.

Because local funding from the City of Milledgeville is directed to the Prep School, the Junior College would not be impacted by its loss.

### *Property*

GMC would retain all state-owned buildings and other property; however, USG would become the new owner. Under this model, consideration should be given

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<sup>23</sup> Bachelor of Applied Science programs are offered at only some USG institutions and account for only 6% of degrees earned at GMC.

to the impact on the Prep School's access to shared facilities, such as the cafeteria, athletic facilities, and rifle range.

### *Staff*

USG staff reported they would perform a due diligence review on faculty qualifications for respective classes; however, they would not reevaluate individual faculty since the Junior College has already attained accreditation from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). As USG employees, Junior College faculty and staff would retain membership in TRS. Junior College staff would become eligible for USG's health plan instead of the SHBP Teachers Plan—GMC currently pays \$945 per employee; based on the plan and number of dependents, USG pays a range of \$438-\$1,521 per employee.

Because they would be separated, the Junior College and Prep School would have to reach an agreement if they wished to continue shared services.

### *Students*

Assuming USG sets GMC tuition and fee rates in line with its other primarily associate degree-granting institutions, cost of attendance for a full-time GMC student would decrease by approximately \$3,500 per year. Additionally, the approximately 200 (2%) nonresident students who take in-person classes would begin paying an out-of-state tuition. This would increase costs for a full-time nonresident by approximately \$4,500 per year.<sup>24</sup>

Because all Junior College students would now be attending a USG institution, they would no longer be eligible to receive GTEG (a decrease of \$900 in aid per year). Additionally, students who qualify for the HOPE scholarship would be eligible for the state award amount. While the award is less than the private college amount (approximately \$2,700 vs. \$4,300), it covers a larger portion of tuition and fees.

### *Consent Decree*

This model appears to align with models outlined by DOJ in 1991. Separating the Prep School and Junior College would likely separate a state Junior College from adherence to the consent decree, given the DOJ's focus on governance of the Prep School. However, it would be advisable for the state to consult with DOJ prior to passing a law.

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<sup>24</sup> Out-of-state students taking a course schedule of completely online classes would not be impacted because comparable USG institutions do not charge different rates.

*Under this model, the Prep School would separate from the Junior College (see page 36 for options).*

### **Junior College Part of Technical College System of Georgia**

The Junior College would be moved under the oversight of the Technical College System of Georgia (TCSG) and no longer have a locally elected Board of Trustees. Policy related to tuition, budget, and other areas would be set by TCSG's commissioner and board. The Junior College's day-to-day operations would be handled by its president with advice given by a local advisory board selected by the president and approved by the state board of TCSG.

This model would not impact the Junior College's open admissions. The model would eliminate direct state appropriations to GMC while increasing TCSG's appropriations. This model would likely align with one of the options outlined by DOJ in 1991 and would require several revisions to state law related to GMC and potentially to sections related to TCSG.

#### *Mission*

Admission standards would not be impacted because technical colleges have open admissions, and GMC would be able to maintain its Corps of Cadets at the Milledgeville campus. However, other operational changes could impact GMC's current military affiliation. School officials noted that the 8-week quarter system (vs. the 15-week semester) is an attractive option for service academy scholar cadets and active-duty personnel.

TCSG staff indicated that the agency would not decrease the GMC program offerings, though some GMC satellite campuses may be consolidated within existing technical colleges. TCSG would align its existing course offerings with GMC degree programs. Additionally, while TCSG does not currently offer Bachelor of Applied Science degrees, staff noted that they may consider introducing four-year degrees if GMC was incorporated into their system.

#### *Funding*

The Junior College would likely receive an increase in state funds, though direct appropriations would not continue. TCSG's appropriation is based on a formula primarily driven by the count of student credit hours and square footage of classroom space. Based on these factors, TCSG estimates that GMC would increase overall TCSG funding by approximately \$31.1 million—significantly more than the Junior College appropriations of \$4.9 million in fiscal year 2022 (this would increase the state's payment per student from \$770 to \$4,850). TCSG would then determine the Junior College's state funding allocation.

Because funding from the City of Milledgeville is directed to the Prep School, the Junior College would not be impacted by its loss.

#### *Property*

GMC would retain all state-owned buildings and other property; however, TCSG would become the new owner. Under this model, consideration should be given to the impact on the Prep School's access the shared facilities, such as the cafeteria, athletic facilities, and rifle range.



*Staff*

GMC faculty and staff could retain membership in TRS and continue to accrue service credit under TCSG, which has staff enrolled in both TRS and the state's other large retirement system (Employees' Retirement System). GMC employees would continue to be eligible for SHBP enrollment; however, TCSG is part of the SHBP State Employees Plan, under which employers pay a contribution for everyone on the payroll regardless of enrollment. While this difference would not directly impact staff, employer contributions paid by GMC would increase.

Because they would be separated, the Junior College and Prep School would have to reach an agreement if they wished to continue shared services.

*Students*

As a TCSG institution, the Junior College's tuition and fees for a full-time student would decrease by approximately \$4,000 per year (assuming TCSG's \$100 per credit hour charge). Additionally, the approximately 200 (2%) nonresident students who take in-person classes would begin paying an out-of-state tuition rate that is twice the in-state TCSG rate of \$100 per credit hour (resulting in a decrease of at least \$850 for full-time students).<sup>25</sup>

Regarding student financial aid, Junior College students would no longer receive GTEG (a decrease of \$900 in aid per year). However, students who qualify for the HOPE scholarship would be eligible for the state award amount. While the award is less than the private college amount (approximately \$2,300 vs. \$4,300), it covers a larger portion of tuition and fees.

*Consent Decree*

This model appears to align with models outlined by DOJ in 1991. Separating the Prep School and Junior College would likely separate a state Junior College from adherence to the consent decree, given the DOJ's focus on governance of the Prep School. However, it would be advisable for the state to consult with DOJ prior to passing a law.

## Separate Prep School Models

Under the USG and TCSG models, GMC's Prep School would need to become a separate entity because it would not align with missions related to postsecondary education. This would require the General Assembly to modify and repeal portions of GMC's state law. If the Prep School and Junior College separate, a consideration would have to be made regarding ownership of buildings and equipment. This may be impacted by the Prep School model chosen.

Below we examine three models in which the Prep School could operate separately from the Junior College.

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<sup>25</sup> Out-of-state students taking a course schedule of completely online classes would not be impacted because comparable TCSG institutions do not charge different rates.

## Private Prep School

The Prep School could become a fully private K-12 school. Under this model, the state would no longer have oversight responsibilities, and the Prep School could determine its governance model.

The absence of state revenue could potentially impact the Prep School's affordability depending on tuition increases. Staff would also no longer be eligible for state-sponsored retirement and health benefits, which could impact retention. This model would allow the Prep School to continue charging tuition but would require contracting for services and facilities operated by GMC's Junior College. Because many issues raised by the consent decree related to local representation in oversight of the Prep School, modifying state law to separate and privatize the Prep School would move the burden of meeting the consent decree off the state.

### *Mission*

We did not identify any impacts on the Prep School's mission or its ability to require participation in the cadet corps beginning in sixth grade or in JROTC after ninth grade.

### *Funding*

As a private school, the Prep School would lose approximately \$4.4 million in annual state appropriations. It is unclear whether the City of Milledgeville would continue to provide funding to the school. Providing tax revenue to a private entity may not be permitted by the Georgia Constitution's gratuities clause.<sup>26</sup> Even if the funding is permissible, the city may seek to change its charter to eliminate the funding requirement. The funding is based on historical connections between the city and the Prep School, which could be maintained through a governance structure that included the city. In fiscal year 2022, the \$445,011 contributed by Milledgeville represented 4% of the Prep School's revenue.

### *Property*

The Prep School would lose ownership of buildings and equipment. To continue utilizing them, the Prep School would need to purchase or lease the property from the state at fair market value, as required by the gratuities clause in the Georgia Constitution. This would include computers, sports equipment, and other physical property.

### *Staff*

Prep School faculty and staff would no longer be eligible for TRS and SHBP. Without these state-sponsored benefits, the Prep School would likely not be an attractive employer compared to neighboring public schools. Although faculty and staff who are vested would retain TRS membership, it is reasonable to assume they would seek employment that allows them to continue earning service credit.

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<sup>26</sup> *The Georgia Constitution prohibits granting "any donation or gratuity or to forgive any debt or obligation owing to the public."*

If the Prep School wished to continue shared staffing services with the Junior College, the two entities would need to reach a formal agreement to share costs.

### *Students*

GMC staff estimated that the Prep School would be affordable for only 20% of their student population after losing state and local appropriations funding. The annual loss of approximately \$3.5-\$4.2 million in state and approximately \$400,000 in local funding equates to approximately \$5,300 per student—essentially doubling tuition. With the Prep School privatized, students could qualify for tax incentives from Student Scholarship Organizations, which can help families offset tuition costs.

### *Consent Decree Impacts*

The consent decree of 1989 would apply to GMC as a private entity and would no longer apply to the state. It is not likely that this model would require pre-clearance from DOJ because the successor of the Board of Trustees would continue as a private entity.

## **State Charter Schools Commission Prep School**

The State Charter Schools Commission (SCSC) authorizes the operation of schools outside the traditional school district. GMC Prep could apply to become an SCSC school, under which it would retain its status as a public independent school and could continue having a locally elected governing board. Day-to-day operations would be managed by the school's principal and governing board, but oversight authority would be exercised by the SCSC, which has the power to issue and reauthorize charters.

The Prep School's state revenue would increase using state-funded supplements to SCSC schools, though it would no longer be able to charge tuition (thus making it more accessible to students). The Prep School would retain state-sponsored employment benefits; however, it is uncertain whether it would be able to contract for facilities with the Junior College at a nominal fee.

### *Mission*

We did not identify any impact on the Prep School's mission. Charter schools can have specific missions and specific requirements for students that may differ from traditional public schools. It is possible that the Prep School could continue requiring students to join the cadet corps in sixth grade and JROTC in the ninth grade as part of its charter, and uniforms can be required of students in public schools.

### *Funding*

The Prep School would receive a state-funded Quality-Based Education (QBE) allocation of approximately \$4.0 million through the Georgia Department of Education (GaDOE). The Prep School's direct appropriations of a similar amount would end. Additionally, SCSC provides state-funded supplements to its charter

schools, which would range from approximately \$4.7 to \$6.9 million.<sup>27</sup> These supplements are intended to replace the local taxes that are not provided to state charter schools. As a state charter school, the Prep School would no longer be able to charge tuition (\$4.6 million annually), which currently accounts for approximately 39% of its revenue. In addition, the City of Milledgeville may seek to change the city charter as it relates to providing one mill share of taxes to the Prep School (which totaled \$445,011 in fiscal year 2022).

### *Property*

It is uncertain what impact this model would have on the Prep School's continued use of school property. According to SCSC staff, there have been few legal determinations regarding the status of state charter schools as public entities, and those did not consider preferential access to public property. If an SCSC Prep School were considered a public entity, it would only have to pay a nominal fee<sup>28</sup> to lease the state-owned buildings and equipment it currently uses. The Attorney General could be consulted to make a determination. Access to shared facilities would be subject to an agreement between the two entities, regardless of GMC Prep's status as a public entity.

### *Staff*

Prep School faculty and staff would retain membership in TRS and SHBP and should not be impacted by this model. However, the Prep School would need to contract with the Junior College to continue using shared services such as payroll and human resources.

### *Students*

Students' location—rather than income—would be the biggest factor in the ability to attend the Prep School. Because it would no longer be able to charge tuition, the Prep School would be an option for significantly more students. In developing the charter, the board would be required to identify an attendance zone that could extend beyond county borders. While enrollment would be open to any student within that attendance zone, the charter could include a preference for currently matriculating students.

### *Consent Decree*

It would be advisable for the state to consult with DOJ before pursuing this model. The consent decree was developed prior to the SCSC's creation; as a result, it is unclear whether retaining a local oversight board under SCSC monitoring would meet the intent of the consent decree.

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<sup>27</sup> Amounts are based on fiscal year 2023 supplements for base funding, capital, transportation, and nutrition and exclude a \$20,000 per school grant for nursing.

<sup>28</sup> Nominal fee applies to one state entity contracting with another. Contract amounts may differ under a private Junior College model.

## **Baldwin County School District Prep School**

The Prep School is geographically located within the boundaries of the Baldwin County School District (BCSD), and under this model it would become part of that school district. Because the BCSD is overseen by a locally elected school board, the Prep School would no longer have a locally elected Board of Trustees.

The Prep School would receive regular appropriations through the QBE funding formula but could no longer charge tuition. It is unclear whether the Prep School could continue requiring all students to participate in JROTC, and students who are not residents of Baldwin County would no longer be able to attend. BCSD operates four elementary, one middle, and one high school, and it is unclear how the Prep School's K-12 programs would be incorporated into the system.

### *Mission*

It is not consistent with the traditional public school model to require joining the cadet corps in sixth grade and JROTC in the ninth grade. It is unclear whether BCSD would be willing to continue these requirements at any grade level.

### *Funding*

At current enrollment levels, the Prep School would increase BCSD's state-funded QBE allocation by approximately \$4.0 million, which is similar to the direct appropriations GMC currently receives.<sup>29</sup> However, the system would be required to educate approximately 650 more students without additional local tax revenue. Because the Prep School would have access to local tax dollars through the BCSD, it is likely that the City of Milledgeville would seek to change its city charter as it relates to the one mill share of taxes it currently provides (which totaled \$445,011 in fiscal year 2022). Finally, the Prep School would no longer be able to charge tuition, which would result in a loss of \$4.6 million, 39% of its current revenue.

### *Property*

Assuming the buildings remain property of the Junior College, the Prep School could continue to use existing space in state-owned buildings through a lease at a nominal fee. The ownership of other property used by the Prep School (e.g., computers, equipment) would need to be settled when the schools are legally separated. Access to shared facilities would be subject to an agreement between the two entities.

### *Staff*

Prep School faculty and staff would retain membership in TRS and SHBP and should not be impacted by this model. While the Prep School could contract for shared services with the Junior College, it is more likely they would obtain such services directly through BCSD administrative staff.

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<sup>29</sup> As noted on page 23, the Prep School currently receives \$4.4 million through a formula that does not include all aspects of the QBE funding formula. Although becoming part of BCSD would increase formula funding by including these aspects, the Prep School would lose approximately 23% (200 students) of its population that resides outside Baldwin County.

*Students*

Students' location—rather than income—would be the biggest factor in the ability to attend the Prep School. Because it would no longer be able to charge tuition, GMC would be an option for significantly more students. The 23% of GMC Prep students from neighboring counties (200 students) would no longer be able to attend, and admissions would be open to all students residing in Baldwin County.

*Consent Decree*

The Prep School would be governed by the locally elected school board, which should meet the voting district requirements outlined in the consent decree. However, the state should consult with DOJ before pursuing this model.

***GMC Response:*** *“The General Assembly is presented with two options that would modernize the oversight of GMC that would have minimal structural/operational changes and also have minimal economic impact. All other options presented would have a significant structural and operational change, along with a significant increased cost to the state. The current mission of GMC would in fact be changed, and GMC would no longer be pursuing the same focus that we have today. Additionally, the increased operational cost would be significant to the state of Georgia, as GMC today operates with minimal state funding. Only the two private options would not encumber this state with significant additional cost but are unaffordable given the value of the state property in Milledgeville.*

*“Additionally, for every option there would also be a possible significant degradation in the quality of the graduate that currently completes their education with GMC. These options would also put at risk the current status of the junior college being a predominately black institution (PBI) and our Military Junior College status with the Department of Defense.*

*“Again, the Mission of Georgia Military College is built on our military heritage grounded in our core values of Duty, Honor, and Love of Country to provide hope and opportunity through individual growth and education of our students to develop their intellect and character as authentic servant leaders. This mission is accomplished in an environment focused on elevating civility and respect for others.”*

## Examples of models not presented

- The Junior College could become a private school and the Prep School could still be separated. However, if the Junior College were to become private, we found less reason to separate the two schools that have operated together since the 1930s.
- The Prep School could become an independent Local Education Agency (LEA). However, the Georgia Constitution would have to be amended to add it to the list of independent LEAs. In addition, the school district would need to be carved out of the existing school district(s).

## Appendix A: Table of Findings and Recommendations

	Agree, Partial Agree, Disagree	Implementation Date
<b>Finding 1: City of Milledgeville citizens elect all members of the GMC Board of Trustees, which oversees a local Preparatory School and a Junior College operating statewide. (p. 9)</b>	<b>Agree</b>	<b>N/A</b>
No recommendations included		
<b>Finding 2: GMC primarily relies on tuition but also receives state and federal funding. Much of the federal funding is related to the pandemic and thus temporary. (p. 13)</b>	<b>Agree</b>	<b>N/A</b>
No recommendations included		
<b>Finding 3: In fiscal year 2022, the state contributed \$25.6 million to GMC, largely with state-sponsored financial aid for Georgia residents. (p. 21)</b>	<b>Agree, with comments</b>	<b>N/A</b>
No recommendations included		
<b>Finding 4: The General Assembly has multiple options for modernizing oversight of GMC, though some would require significant structural/operational changes, as well as federal approval. (p. 26)</b>	<b>Partially Agree</b>	<b>N/A</b>
No recommendations included		
Expanded Board with State Representation	<b>Agree</b>	
State Board with Locally Elected Advisory Board	<b>Agree</b>	
Private Institution	<b>Disagree</b>	
Junior College Part of University System of Georgia	<b>Disagree</b>	
Junior College Part of Technical College System of Georgia	<b>Disagree</b>	
Private Prep School	<b>Disagree</b>	
State Charter Schools Commission Prep School	<b>Disagree</b>	
Baldwin County School District Prep School	<b>Disagree</b>	

## Appendix B: Objectives, Scope, and Methodology

### Objectives

This report examines aspects of the Georgia Military College as requested by the House Appropriations Committee. Specifically, our examination set out to determine the following:

- What is the governance structure of GMC as it relates to public resources?
- What are the various funding streams of GMC?
- What options exist for modernizing the state's oversight obligations to and oversight of GMC?

### Scope

This special examination generally covered activity related to Georgia Military College (GMC) that occurred from fiscal years 2020 through 2022, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing laws, rules and regulations; interviewing GMC staff from the financial and administrative departments; analyzing student data provided by GMC Information Technology staff; comparing GMC financial information to audited information from the Department of Audits and Accounts; conducting site visits to GMC's Milledgeville campus; and reviewing historical documents and studies on GMC. We also interviewed staff from outside state agencies including the Office of the Attorney General, University System of Georgia (USG), Technical College System of Georgia (TCSG), State Charter Schools Commission, State Properties Commission, and the Georgia Student Finance Commission. We determined that GMC student data used throughout our report was sufficiently reliable for our analyses.

Government auditing standards require that we also report the scope of our work on internal control that is significant within the context of the audit objectives. We determined that internal controls were not significant to describe the governance structure or the potential models. For revenue streams, we did not review GMC's internal controls associated with the production of the financial information. However, we did consider that the GMC Statement of Revenues, Expenses and Changes in Net Position was reviewed as part of the DOAA Agreed Upon Procedures performed by financial auditors. Those procedures confirmed that the financial information presented in the statement properly supported activity in GMC's accounting records and that the year-end journal entries included supporting documentation.

### Methodology

**To obtain information on the governance structure of GMC as it relates to public resources,** we interviewed GMC staff regarding the history of the governance structure and operations of the GMC Board of Trustees. We also reviewed documents from the GMC's historical archives, board meeting minutes, and the original federal consent decree. Additionally, to better understand the legal and historical reasons for GMC's governance structure, the audit team reviewed Official Code of Georgia sections related to GMC, bylaws of the Board of Trustees, and prior legislative proposals. We reviewed correspondence between the United States Department of Justice (DOJ) and the Georgia attorney general's office through both GMC staff and the DOJ website. Regarding legal interpretation and application of the federal consent decree, we interviewed staff from the Office of the Attorney General.



We interviewed staff with the State Properties Commission and analyzed documents provided from the agency's Building, Land, & Lease Inventory of Property database to identify buildings and land parcels owned by the Board of Trustees. Additionally, we interviewed staff of the GMC Foundation and reviewed its annual financial reports to identify its purpose and assets holdings.

To identify any comparable governance structures to GMC, we conducted online research for national/state military colleges, public independent colleges, and state agencies. We identified three other military Junior Colleges (Marion Military Institute, New Mexico Military Institute, and Valley Forge Military Institute) and five public independent colleges (Cornell University, Rutgers University, Stephen F. Austin University, Pennsylvania State University, and Washington College, Maryland). To determine specific examples of comparable state agencies to GMC, we reviewed the State of Georgia Annual Comprehensive Financial Report for fiscal year 2021-2022 to identify legally separate entities of the state. We reviewed the respective sections of Official Code of Georgia for the Lake Lanier Islands Development Authority, Jekyll Island State Park Authority, Atlanta-Regional Transit Link Authority, Georgia Ports Authority, Georgia Lottery Corporation, the Georgia World Congress Center Authority, the Georgia Environmental Finance Authority, Department of Defense, and Community Service Boards.

**To determine the extent to which we determined the various funding streams of GMC**, we reviewed state appropriations documents, correspondence with the Governor's Office of Planning and Budget, GMC annual agreed-upon procedures, GMC's general ledgers, and annual financial reports of the GMC Foundation. GMC financial staff provided general ledgers for fiscal years 2018-2022 and, at the request of the audit team, produced an estimated breakdown of revenue, expenses, and non-operating revenue for the Prep School and Junior College for fiscal years 2020-2022.

We obtained the underlying annual financial reports' (AFRs) working papers used by the Department of Audits and Accounts Financial Audit Division (FAD) to conduct their annual agreed-upon procedures with GMC for fiscal years 2020-2022. In consultation with both FAD and GMC staff, the audit team reconciled revenues in the AFRs' statement of revenue, expenses, and changes in net assets with both the general ledger and estimated breakdowns provided by GMC staff. Through tracing the AFRs' adjusting journal entries the audit team sorted revenue into respective object classes. This included classifying some revenue sources, such as student financial aid, as non-operating revenue. Due to the limitation of GMC operating the Prep School and Junior College as a single entity, some classifications were based solely on the estimates of GMC financial staff, including housing, bookstore, food services, athletics, motor pool, investments, interest, and donations.

The audit team performed additional categorizations of funding sources for financial aid utilizing descriptions from the websites of the Georgia Student Finance Commission, various USG and TCSG institutions, as well as supplemental documents provided by FAD. The team then constructed an analysis of the total financial contribution of state funds to GMC. This analysis included utilization of funds the institution did not recognize as revenue, predominately financial aid for students such as dual enrollment, the HOPE scholarship, and the Georgia Tuition Equalization Grant. We analyzed trends in all funding for fiscal years 2020-2022 and provided per student revenue amounts utilizing student data provided by GMC.

**To obtain information on what options exist for modernizing the state's oversight obligations and oversight of GMC**, we reviewed laws, rules, regulations, court decisions, correspondence between the attorney general's office and the U.S. Department of Justice (DOJ), past legislative proposals, and study committee reports related to the consent decree of 1989. We performed

a close review of a 1991 letter from DOJ, which declined to withdraw its denial of pre-clearance on a law passed by the Georgia General Assembly. In addition to providing reasons why pre-clearance was denied, this letter outlines three governance change proposals that would satisfy the terms of the consent decree.

To compare GMC to USG and TCSG institutions, we interviewed staff from the two state agencies. In addition, we provided USG and TCSG staff with summary student data provided by GMC and property data obtained from the State Properties Commission so they could estimate potential funding based on their respective state appropriations funding formula. Websites of TCSG institutions and predominately associates degree-granting USG institutions were used to generate comparisons in tuition and fees with GMC's Junior College.

To identify impacts of potential models on staff, students, and property, we interviewed GMC staff from the administrative and financial offices, as well as the Prep School. We reviewed laws and audit reports related to the membership in the Teachers Retirement System and State Health Benefit Plan and interviewed staff with the Office of the Attorney General and State Properties Commission. For specific impacts on Prep School students, we used student county of origin and tuition information provided by GMC, data for Baldwin County School District from the Department of Audits and Accounts School System Financial Dashboard, and school supplement information from the website of the State Charter Schools Commission. For all other impacts we utilized information obtained through answering our first two objectives.

**To identify populations served by the GMC Board of Trustees for background purposes,** we obtained student data for academic year 2021-2022 from GMC. Junior College student-level data related to demographics and academic profiles for enrolled students attempting credit hours in at least one quarter in academic year 2021-2022. Before analysis, we assessed the controls over data used for this examination and determined that the data used were sufficiently reliable for our analyses. We analyzed the demographics of students being served, academic profiles, and student graduation and transfer outcomes. Analyses were conducted using unduplicated headcount data (which did not materially vary from results with duplicated data) and a full-time equivalent calculation of 45 credit hours per year as indicated by the U.S. Department of Education's Integrated Postsecondary Education Data System. For the Prep School, we reviewed aggregate Prep School data related to student demographics and home county of residence.

We conducted this special examination in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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