

PROJECT SUMMARY

In September 1993, Georgia instituted its then unique lottery-funded college scholarship program called HOPE (“Helping Outstanding Pupils Educationally”). The scholarship pays the entire tuition, fees and book expenses of Georgia citizens who attend state universities and a comparably-valued fixed payment to Georgians attending in-state private institutions. Since its inception, over \$750 million of HOPE scholarship aid has been distributed to over 420,000 students. The program's popularity has led other states to adopt similar proposals, and President Clinton designated Georgia's HOPE Scholarship as the model for the federal HOPE tuition tax credit. The defining issue of the 1998 Alabama and South Carolina gubernatorial elections was whether to institute a Georgia-style scholarship.

Students qualify for HOPE entirely on the basis of merit and there are no income restrictions. To become eligible, a high-school student must graduate with a “B” average. Once in college, the student must maintain a “B” average with a minimum number of credits to retain the award. These features, along with its overall size and scope, make Georgia's HOPE Scholarship one of the most important educational reforms in recent decades. HOPE fits into the national trend of offering increasing shares of merit-based aid, as documented by McPherson and Schapiro (1998), and therefore affords a unique opportunity to learn how merit-based financial aid programs impact higher education.

The authors' goal in this proposal is to provide a rigorous empirical analysis of three questions about HOPE that focus on behavioral responses to the scholarship: How does HOPE affect decisions to enroll in college? How does losing HOPE change post-secondary outcomes? How has HOPE changed students' behaviors during their college careers? Each issue introduces many important policy implications.

Section I introduces the HOPE Scholarship and existing literature about it. Section II presents a detailed outline of our research agenda. Parts III, IV and V discuss in detail the three primary questions mentioned above. For each issue we set the discussion of HOPE into the context of the education literature more generally, explain the data we will use to address the issue, and present our econometric models. Section VI summarizes the public policy applications that emerge from our study. The proposal concludes by setting forth a timetable and strategy for disseminating our research.