

ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION

*...expanding access and increasing success
in postsecondary education for Arizonans*

ANNUAL REPORT

FISCAL YEAR 2008- 2009



Arizona Commission for Postsecondary Education

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December 23, 2009

The Honorable Janice K. Brewer, Governor
The Honorable Bob Burns, President of the Senate
The Honorable Kirk Adams, Speaker of the House of Representatives
Mr. Vincent Alascia, State Documents Librarian, AZ Library, Archives, and Public Records

I have the honor of submitting this annual report on behalf of the Arizona Commission for Postsecondary Education (ACPE). The Commissioners and ACPE staff remain committed to investing themselves in the work of higher education; this report reflects that commitment.

FY 2008-09 brought both challenges and opportunities to the ACPE. Challenges faced by the Commission were a result of the economic downturn and the State revenue shortfall. This was evident in a 39% reduction in agency staff, with 5 of 13 positions unfilled, and a 41% reduction in the ACPE general funds appropriation. In order to leverage the remaining limited resources both leadership and service in a wide variety of collaborations and partnerships has become a top priority for the Commission.

Unfortunately, these extensive budget reductions affected the lives of nearly 5,400 students who have not and will not receive grants/scholarships. These grants were not available because the Postsecondary Education Grant (PEG), the Private Postsecondary Financial Assistance Program (PFAP), and the Early Graduation Scholarship fund were reduced by 53%, 50% and 77%, respectively. Sadly, the Early Graduation Scholarship Grant has also been placed on moratorium for one year and the future of this valuable incentive program for postsecondary education is in jeopardy.

In contrast, opportunity was extended to 4,801 students who were recipients of ACPE administered federal/state grants and scholarships. These grants were distributed via the secure, web-based www.azgrants.gov website and new grant software allowing Arizona students to use a single portal to apply and track up to 6 grants/scholarships.

The Arizona College Access Aid Program (ACAAP) represented a new opportunity for low-income students. This was one component of the College Access Challenge Grant secured by the Governor's Office. This \$500,000 grant was leveraged with the

restructured SLEAP grant. The \$658,431 of SLEAP funds were also disbursed to low-income students seeking a baccalaureate in education and STEM programs.

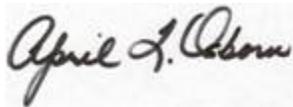
It is important for Arizona's leadership to note that the \$1.2 of federal SLEAP, Arizona College Access Aid Program, and LEAP funds secured in FY 2008-09 were available because Arizona sustained the required level of funding or Maintenance of Effort (MOE). This level must be sustained each year or Arizona will lose its eligibility for these and other federal student assistance which are in the planning process by the Obama administration.

Likewise, the ACPE provided opportunity to more than 43,000 families and students through distribution of free publications with college and financial aid information. Additionally, more than 160,000 visits were made to ACPE websites which provide financial assistance and college going information.

Moreover, the Arizona Family College Saving Program (ASFCP) offers an important opportunity for families to financially prepare for college expenses. Today the AFCSF holds more than \$461M in assets and more than 51,000 accounts for potential college students. It is evident that the ASFCP is meeting the needs of families because the number of accounts has continued to increase even during the current economic recession.

This annual report describes the details of these and other challenges and opportunities within the framework of the Commission's 5-year strategic plan. Questions regarding this report and detailed information regarding ACPE programs and publications are available on www.azhighered.gov or by contacting our office at 602.258.2435.

Respectfully Submitted,



Dr. April L. Osborn, Executive Director

cc: Stacey Morley, Senate Higher Education and K-12 Committee Analyst
Marge Zylla, JLBC Fiscal Analyst
Kevin Burke, OSPB Budget Analyst
Dawn Wallace, House Assistant Research Analyst

The Arizona Commission for Postsecondary Education (ACPE) 2008 - 2009 Annual Report

...expanding access and increasing success in postsecondary education for Arizonans

Submitted December 23, 2009
Dr. April L. Osborn, Executive Director

Introduction

The work of the Arizona Commission for Postsecondary Education (ACPE) is guided by a 5-year strategic plan. The purpose of the plan is to provide focus for the activity of this small agency and its eight staff members in order to increase productivity and impact in the areas of its statutory authority. The mission and goals were accepted by Commissioners in late 2004 and this report reflects the fifth year review of goals, performance, and outcomes as outlined in the plan.

Through a planning process, the 16 Commissioners identified an agency mission of *expanding access and increasing success in postsecondary education for Arizonans*. Three goals were named to achieve this mission: (1) increase available student financial resources, (2) implement strategies to help students and their families plan, enter, and succeed in postsecondary education, and (3) provide a forum for all sectors of higher education to dialogue, partner, and problem solve issues of mutual interest. A roster of the ACPE Commissioners follows this introduction.

The work of the ACPE has been highly impacted over the past several years both by legislative action and the recent economic downturn. Recent additional statutory responsibilities include the Postsecondary Education Grant (PEG) program which was initiated in 2007 and the Early Graduation Scholarship Grant program which was established in the 2008. In addition, the ACPE was asked to administer the Foster Youth Postsecondary Education Case Manager Program which was designed and launched in the spring of 2008. Progress on each of these legislatively directed initiatives is discussed in more detail within this report.

The on-going State revenue shortfall and subsequent budget reductions have hampered the Commission's efforts to effectively implement these important legislative initiatives and have reduced the funds available in formerly existing grants, as well. Already a lean agency, the ACPE has experienced significant personnel cutbacks and extensive general fund appropriation reductions. The agency is approved for 13 FTE; yet, only 8 positions are currently filled due to a lack of funds. Therefore, the agency has been asked to support existing functions and take on new responsibilities when less than 61% of the approved staff positions are filled. Similar in proportion are the massive budget reductions waged in both FY2007-08 and FY 2008-09 when the ACPE was required to return 50% of all appropriated general funds and 41% of all appropriated general funds, respectively.

These reductions resulted in student grant/scholarship programs being severely curtailed. In FY 2008-09 the PEG student grant funds were decreased 53% and the Private Postsecondary Education Student Financial Assistance Program (PFAP) student grant funds were also reduced by 50%. Likewise, funds have been severely diminished in the Early Graduations Scholarship Grant Program. At the time of this writing, more than 1,791 students have applied and are on a waiting list for grants/scholarships administered by the ACPE. Student applicants and their parents have made very clear to ACPE staff that these grant reductions have placed significant stress on their families regarding the ability to financially support continued college attendance.

Effective administration of ACPE programs has been challenging with fewer staff striving to meet a variety of immediate needs. These include a radically increased demand for communication and support of students and families who lost grant funding, the development and testing of a new loan repayment system, serving families who are disappointed and confused by the moratorium of the Early Graduation Scholarship Grant Program, implementation of the second year of the Arizona College Access Aid Program (ACAAP), and a restructuring of the SLEAP grant program.

The Commission staff has determined to focus its time and attention on its core responsibilities related to student financial assistance. Therefore, top priorities include (1) communication with students and families who have lost grant funding, (2) continued effective administration of existing grant programs, (3) maintaining oversight and improvement of the Arizona Family College Savings Program, (4) building PEG and PFAP loan repayment systems to address the imminent statutory obligation and increased number of students entering into repayment due to grant reductions, and (5) continued coordination of the fruitful College Goal Sunday financial literacy initiative.

The Commission goals of (2) helping students plan, enter, and succeed in postsecondary education and (3) of providing a forum for all sectors of higher education to dialogue, partner, and problem solve issues of mutual interest are funded through grants, fees, and donations. These goals require policy analysis and research, collaborative action led by ACPE Commissioners and staff, and participation in college access initiatives led by foundations, government, or non-profit entities with similar missions. Seeking solutions to identified problems are time intensive and thus such activities are impacted by the five unfilled staff positions, budget cuts, and increased workloads resulting from the new responsibilities. Therefore, two valuable and worthwhile ACPE initiatives have been suspended at this time; these are discussed within the report.

The ACPE administrative costs use minimal state financial resources. The FY 2009 ACPE annual budget was \$12.9 M (before budget reductions) of that amount \$11.7 M was pass-through money dedicated to postsecondary education students in the form of financial aid. In addition, the agency generates \$252,300 in donations, sales, and grants to fund college-going programs and publications such as College Goal Sunday,

the *Arizona College and Career Guide*, the *Rapid Guide to Financial Aid*, the Developing Human Capital Conference, and the Arizona Minority Education Policy Analysis Center.

This report is organized in three sections; each section describes the activities and services related to each of the three goals, as well as the affects of reduced staff and budget reductions on these goals. The conclusion summarizes how the parts of this report relate to the plan and the future of the Commission.

Commissioners 2008 - 2009

Arizona Commission for Postsecondary Education

Steven Corey, Chair
Chief Operating Officer/CFO
Prescott College

Dr. David Curd
President
College of Humanities & Sciences

Dr. Timothy Dosemagen
Vice Provost
Anthem Education Group

Dr. Debra Duvall, Retired
Superintendent
Mesa Unified School District #4

Dr. Eugene Garcia
Vice President for Education Partnerships
Arizona State University

Jeffrey Gearhart
Executive Director
Apollo College

Catherine Koluch
President/Founder
The Studio Academy of Beauty

Vacant
Senior Executive from a Community College district
with a population <500,000

Teena Olszewski
Arizona GEAR UP
Northern Arizona University

Dr. Bill Pepicello
President
University of Phoenix

Lois Ann Salmon
Executive Director of Academic Affairs
Piccolo International University

Joel Sideman
Executive Director
Arizona Board of Regents

Dr. Anna Solley
President
Phoenix College

Teri Stanfill
Executive Director
Arizona Board for Private Postsecondary Education

Dr. Timothy Trent
Superintendent
Globe Unified School District

Vacant
Senior Executive from Commerce or Industry

Commission Staff

Dr. April L. Osborn
Executive Director

Irene Hesch
Student Financial Aid Assistant

Kathaerine Johnson
Director of State Financial Aid & College Access

Elliot Howard
Associate Director of EGSG and College Access
Programs

Mark Mason
Arizona Family College Savings Program Director

Judi Sloan
Communications Specialist

Carol Williams
Program and Office Manager

Mila Zaporteza
Business & Student Financial Assistance Manager

Goal 1: Increasing available student financial resources

Core responsibilities of the ACPE are related to postsecondary student financial assistance programs. These responsibilities include (1) administration of Leveraging Educational Assistance Partnership (LEAP), (2) administration of the Private Postsecondary Education Student Financial Assistance Program (PFAP), (3) administration of the Postsecondary Education Grant (PEG) Program, (4) administration of the Early Graduation Scholarship Grant (EGSG) program, (5) management of student grant repayment programs, (6) oversight of the state student loan guarantor, and (7) management of the Arizona Family College Savings Program. In addition, the ACPE is the entity that represents the State in the National Association of State Student Grant and Aid Programs (NASSGAP).

Additionally, in the fall of 2008, the Governor's Office asked the ACPE to administer a part of the two year federal formula-based College Access Challenge Grant (CACG). The Arizona CACG included three components and the need-based student grant component titled the Arizona College Access Aid Program (ACAAP) became the ACPE's responsibility. To better serve students, the Special Leveraging Education Assistance Partnership (SLEAP) grant was restructured and administered in conjunction with the ACAAP Grant.

Unfortunately, the State of Arizona's revenue shortfall has severely impacted the Commission's goal of increasing available student financial resources. The Postsecondary Education Grant and the Private Postsecondary Financial Assistance Program student grant funds along with financial aid staff were radically reduced. PEG student grant funds were reduced by 77% and 53% in FY 2008-09 and FY 2009-10, respectively. Likewise, the Private Postsecondary Financial Assistance Program (PFAP) student grant fund was cut by 50% in FY 2008-09. The Early Graduation Scholarship Grant (EGSG) Program funds have been reduced by 77% in FY 2008-09, as well.

In such troubled economic times the Commission is determined to continue to support families seeking financial assistance in paying for college; yet, more than 39% of ACPE staff positions are unfilled due to budget reductions. Therefore, priorities have been established. The core responsibilities of the agency include the administration of the student financial assistance programs listed in the first paragraph, management of grant repayment programs, and management of the Arizona Family College Savings Program. Because grant funds are reduced, priority has been placed on communicating with and effectively serving the more than 7,000 students and their families who annually apply for and receive student financial aid from the ACPE, oversight of the program managers holding more than 51,000 college savings accounts and establishing goals to increase savings for Arizona families, clear communication to families regarding the reductions in grant funds available and providing sources to investigate for additional funds, and ensuring the continuation of the College Goal Sunday financial literacy initiative.

The College Goal Sunday (CGS) initiative is designed to assist families in achieving all available federal aid by filing the Free Application for Federal Student Aid (FAFSA) and providing appropriate and timely communication regarding student financial aid. In FY 2008-09 College Goal Sunday assisted more than 4,000 students/parents complete the FAFSA and the CGS website received more than 30,000 visits. Details of the College Goal Sunday program and the thousands of families who benefit from it annually are discussed in the Goal 2 section of this report.

1.1 Leveraging Educational Assistance Partnership (LEAP)

The LEAP program, formerly known as the State Student Incentive Grant or SSIG program, has been in existence in Arizona since 1972. The LEAP program is a federal, state and institutional matching grant program that financially assists eligible, low-income students enabling them to pursue higher education goals. The Arizona Commission for Postsecondary Education administers the program, ensuring adherence to all federal regulations and the Arizona Administrative Code.

In order to participate in the LEAP program, the State of Arizona must achieve a required Maintenance-of-Effort (MOE) level, meaning State support provided for low income student financial assistance programs must meet or exceed the FY 1999 MOE level. Administration of Arizona LEAP is decentralized; therefore, the Commission delegates certain functions to participating institutions. Higher Education institutions wishing to participate in the program apply each year to the ACPE. The ACPE establishes institutional eligibility and determines a proportional distribution of funds (based on the number of students) to institutions. LEAP recipients are selected by the institutions on the basis of substantial financial need established through federal and state statute.

Compliance with federal guidelines is critical to effective LEAP administration. Detailed reports to the U.S. Department of Education are filed each year by the ACPE. Furthermore, on-site LEAP program compliance audits are performed at the postsecondary institutions every two years by ACPE staff. The most recent cycle of compliance audits was completed in the fall of 2008. All 44 LEAP institutions were audited and all issues found and questions have been addressed by the institutions.

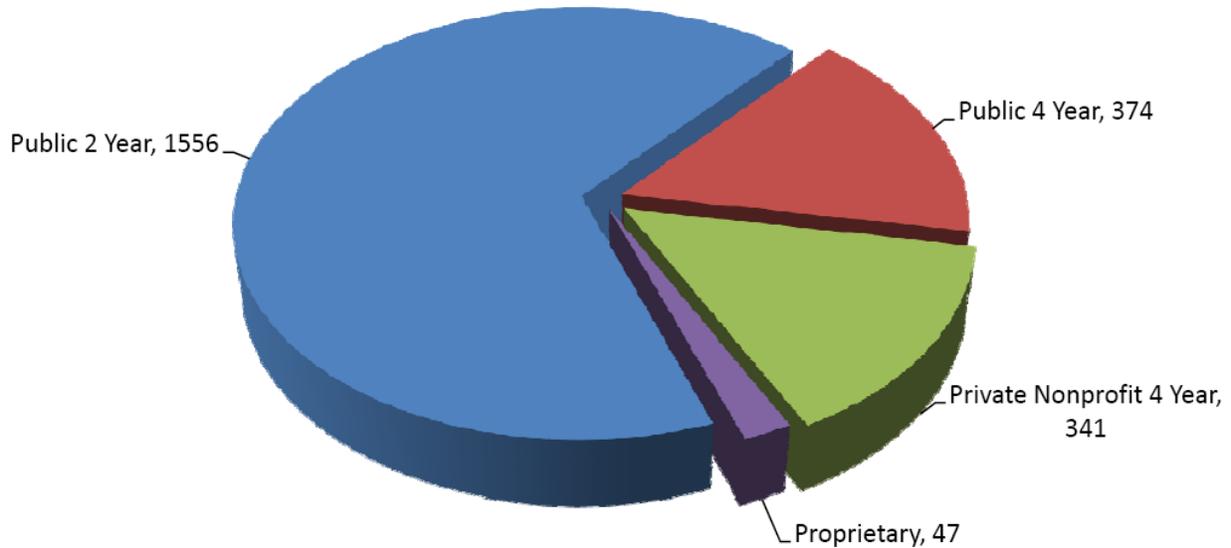
In FY 2008-2009, two thousand three hundred and eighteen (2,318) Leveraging Educational Assistance Partnership (LEAP) awards were provided through 45 postsecondary institutions totaling just over \$2.8 million in leveraged financial aid (state, federal, and institutional) to financially needy students. Institutional distribution of LEAP awards in 2008-2009 resulted in the following distribution percentages: 33% to public universities, 50% to community colleges, 16% to proprietary schools, and 1% to private colleges (as these categories are defined by the federal government).

The table below provides a student profile for those who received awards.

| Total Recipients | Total Program Award | Dependent Students | Independent Students | Students w/Income Less than \$19,999 | Students w/Income Between \$20,000 - \$39,000 | Students w/Income Over \$40,000 |
|------------------|---------------------|--------------------|----------------------|--------------------------------------|---|---------------------------------|
| 2,318 | \$2,812,826 | 817 | 1,501 | 1,145 | 743 | 430 |

The following chart represents the breakout of the institutions attended by those awarded LEAP funds.

Leveraging Educational Assistance Program (LEAP) 2008-2009
Grants Awarded by Institution Type - 2,318 Total



Annual LEAP administration performance measures were collected through anonymous surveys from institutional financial aid administrators and reviewed by the ACPE staff. The 2009 surveys indicated 90% satisfaction with administration of this program by the ACPE. This survey received a 73% return rate of the 45 institutions participating in the LEAP grant or 33 responses.

The survey also revealed that there continues to be frustration on the part of the student financial aid community regarding the limited resources available to assist students seeking higher education goals. Overall, the financial aid directors of the 44 LEAP institutions expressed grave concern over the low amount of financial aid available for Arizona students and its effect on low-income and lower middle-income students' college-going expectations and enrollment.

1.1.A Special Leveraging Educational Assistance Partnership (SLEAP)

The Special Leveraging Educational Assistance Partnership (SLEAP) Program is a component of the LEAP program. To participate in the SLEAP Program a state must also participate in the LEAP Program and the grant must be administered by the same state educational agency that administers LEAP. An annual SLEAP application and performance report is required. In addition, a sustained level of need-based financial aid for Arizona is required to continue to qualify for SLEAP funds. Should need-based financial aid in Arizona be reduced representing a lack of Maintenance of Effort (MOE), the Arizona application for future SLEAP funds would be in jeopardy.

SLEAP provides grants to eligible sophomore, junior or senior students who are seeking an associate or baccalaureate degree in an area that is determined to be a critical workforce need of the State (Science, Technology, Engineering, Math or Education). Students must attend a regionally or nationally accredited institution in the State of Arizona. The SLEAP maximum for an academic year was limited to \$2,000 for full-time enrollment (funds are prorated for reduced enrollment) to be applied toward any educational expense documented in the student's cost of attendance.

The State of Arizona was awarded \$658,431 in SLEAP funds for FY 2008-09 and the ACPE administered all funds to 360 Arizona students. The table below provides a student profile for those who received awards.

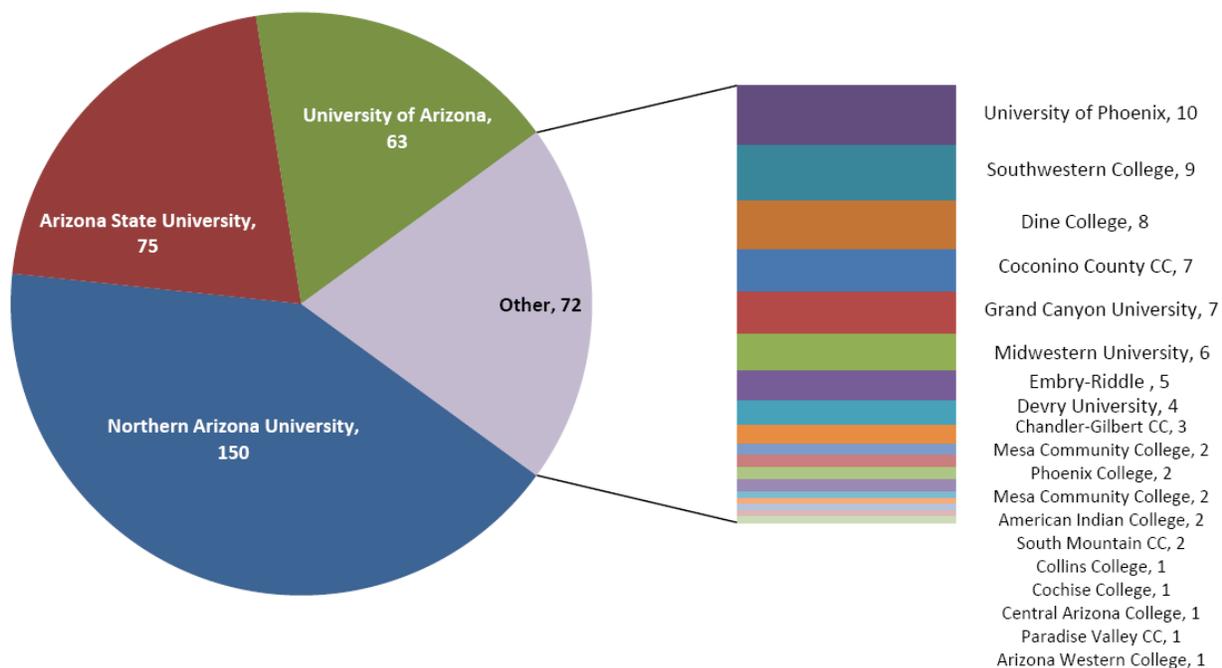
| Total Recipients | Total Program Award | Average Age of Recipients | Average FISAP ¹ | Average EFC ² | Average Grant Amount | Public University | Community College | Private College or University |
|------------------|---------------------|---------------------------|----------------------------|--------------------------|----------------------|-------------------|-------------------|-------------------------------|
| 360 | \$658,431 | 27 | \$21,797 | \$914 | \$1,802 | 289 | 27 | 44 |

¹FISAP is the total family income reported on the Free Application for Federal Student Aid (FAFSA). If a student is considered dependent then the FISAP income reported would include both a student and family data. Independent students would only reflect student and spouse income.

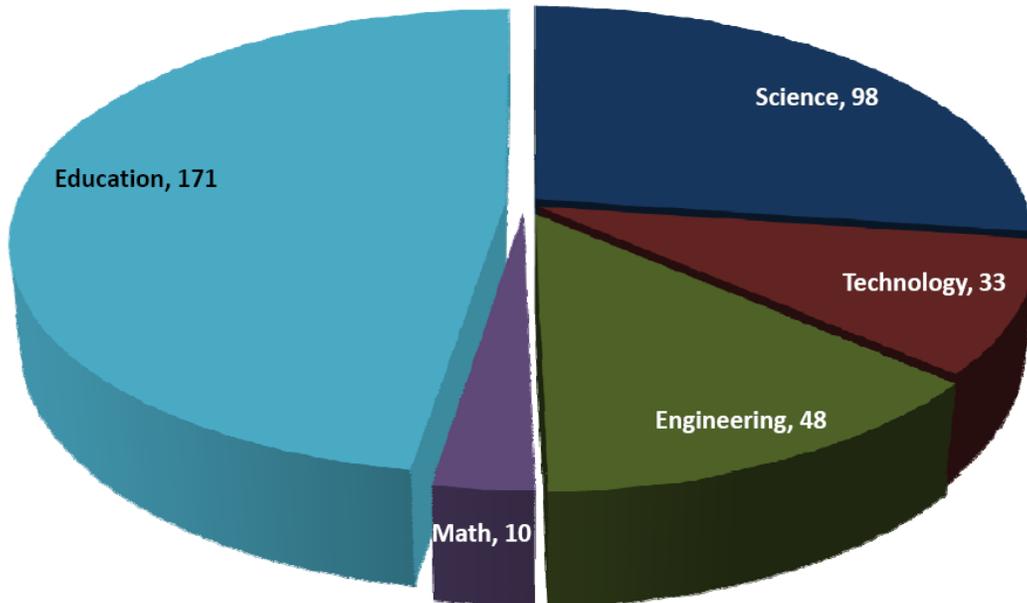
²EFC is the expected family contribution as determined by the FAFSA. This number is used by institutions to determine the types of aid available to students. The *Expected Family Contribution (EFC)* is how much money a family is *expected* to pay toward the student's college education for one year.

The graphs below represent the breakout of the institutions attended by grantees, and the program of study selected.

Special Leveraging Educational Assistance Program (SLEAP) 2008-2009
Grants Awarded by Institution - 360 Total



Special Leveraging Educational Assistance Program (SLEAP) 2008-2009
Grants Awarded by Type of Program - 360 Total



As evidenced by the previous chart, the SLEAP grant is serving the target population. In order to create a strong need-based aid program for low income students, it was determined the SLEAP Grant would be administered in conjunction with the Arizona College Access Aid Program (ACAAP). Details on this program can be found in section 1.1.B.

Arizona's application for SLEAP funding for the 2009-2010 academic year was successful and Arizona was awarded \$684,372 to award to eligible students. As of December 1, 2009 over 2,000 student grant applications were received and currently all available funds have been awarded to 331 eligible students. A number of eligible students remain on the waiting list in the event additional funding becomes available.

The 2010-2011 academic year will be a transition year as SLEAP funds will be redirected to the new Grants for Access and Persistence (GAP) Program. The GAP Program will be a component of the Leveraging Educational Assistance Partnership (LEAP) program. GAP funds will be available beginning FY 2011.

The purpose of the new GAP program is very similar to LEAP and SLEAP, to provide eligible, low-income students with financial assistance to attend and persist in postsecondary institutions. In addition, GAP has an added component where the partnerships created by the state encourage students to participate in early information or outreach programs.

To be eligible for the GAP program a State must meet the following criteria:

- remain eligible for the LEAP Program (maintain MOE),
- state must provided matching funds at a level of 34% to 43% of the federal allotment,
- state must sustain or exceed the FY 1999 maintenance-of-effort (MOE) for need-based grants, scholarships, and work-study assistance,
- establish a State partnership with at least one public and one private degree granting institution in the State,
- form partnerships with at least one new or existing early information or outreach program in the State and at least one philanthropic organization located in the State.

The ACPE is currently working with the Governor's Office to determine if Arizona will continue to provide MOE and matching funds which would qualify Arizona's low-income students for approximately \$1.2 M in federal funds.

1.1.B Arizona College Access Aid Program (ACAAP)

The Arizona College Access Challenge Grant (CACG) application was submitted by the Governor's Office in 2008 for a federal formula grant designed to increase the number of underrepresented students who enter and remain in postsecondary education. The College Access Challenge Grant program provides two one-year grants to States to meet the needs of underrepresented students and families. This grant also requires the State maintain a minimum Maintenance of Effort (MOE).

The Arizona application for the College Access Challenge Grant was successful and the ACPE was asked by the Governor's Office to administer one of three components. The Arizona College Access Aid Program (ACAAP) is a two year \$1,000,000 need-based grant program (\$500,000 a year for both FY 2008-09 and FY 2009-10) designed to assist low-income sophomore, junior, or senior students who are seeking an associate or baccalaureate degree at any regionally or nationally accredited institution. Students enrolled full-time can receive \$2,000 per year. The intent for this grant is to enable low-income students to attend postsecondary institutions. In an effort to strengthen the ACAAP program, the SLEAP Grant is being administered in conjunction with ACAAP to maximize fund availability for low-income students.

The Commission staff began working in the summer of 2008 with the Governor's Office to finalize the grant program details. Once the details were set in place a semi-automatic online student application was created on the student financial aid portal www.azgrants.gov. The application was available November 2008 and awarding began March 2009. The ACAAP grant proved quite popular with over 2,500 applications received. In the 2008-2009 academic year ACAAP grants were disbursed to 254 students for a program total of \$437,912.

The table below describes the students who benefited from this grant program. As evidenced by the table, it is clear that this need-based aid program is reaching the target population.

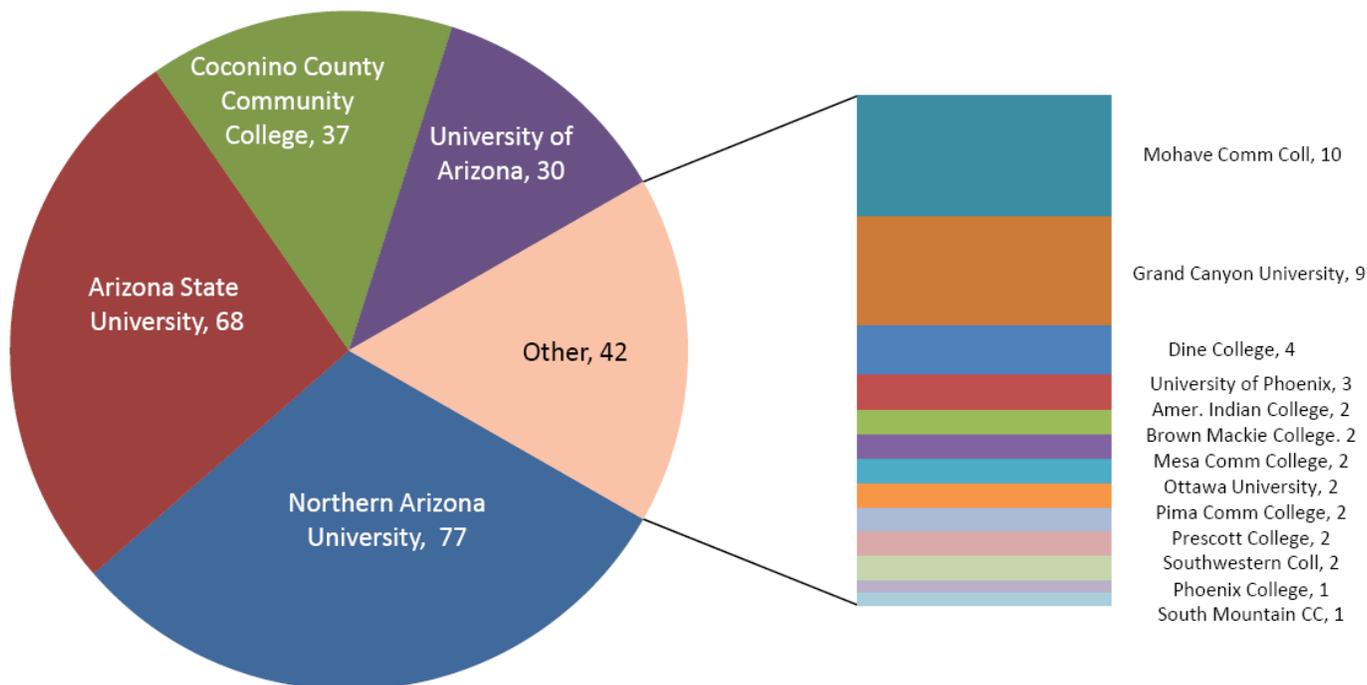
| Total Recipients | Total Program Award | Average Age of Recipients | Average FISAP ¹ | Average EFC ² | Average Grant Amount | Public University | Community College | Private College or University |
|------------------|---------------------|---------------------------|----------------------------|--------------------------|----------------------|-------------------|-------------------|-------------------------------|
| 254 | \$437,912 | 31 | \$20,298 | \$738 | \$1,720 | 174 | 58 | 22 |

¹FISAP is the total family income reported on the Free Application for Federal Student Aid (FAFSA). If a student is considered dependent then the FISAP income reported would include both a student and family data. Independent students would only reflect student and spouse income.

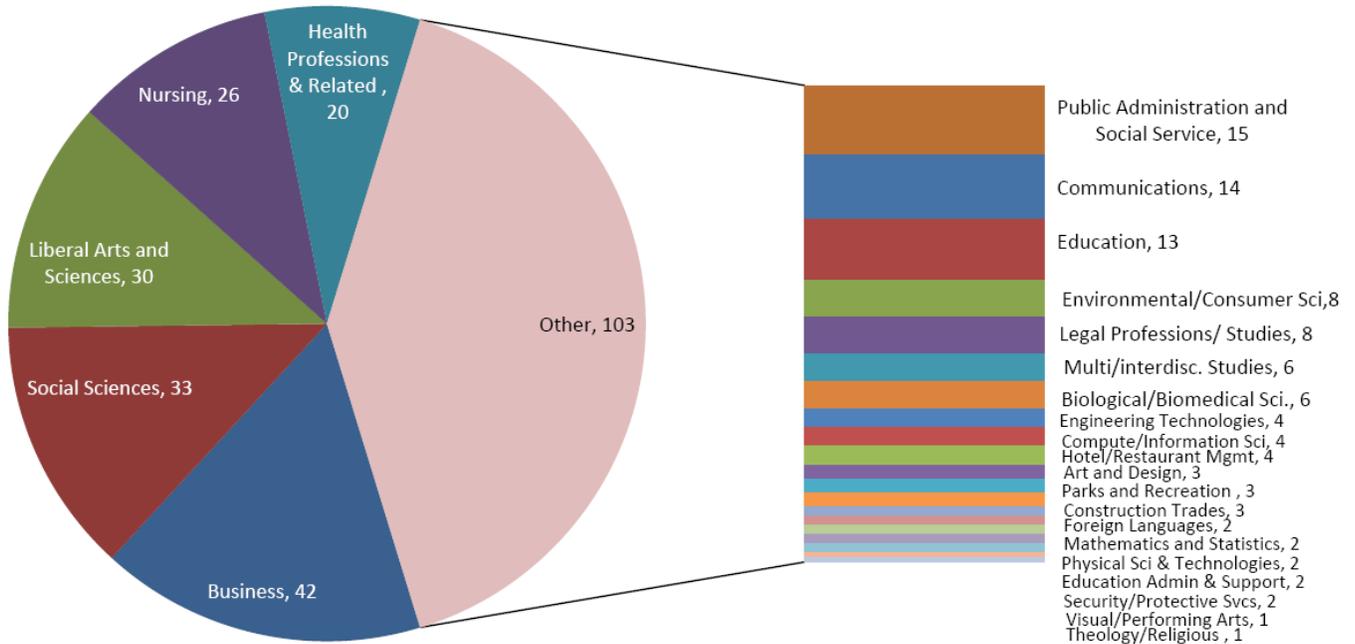
²EFC is the expected family contribution as determined by the FAFSA. This number is used by institutions to determine the types of aid available to students. The *Expected Family Contribution (EFC)* is how much money a *family* is *expected* to pay toward the student's college education for one year.

The following charts illustrate the institutions attended by the grant recipients and the programs of study chosen by the student.

Arizona College Access Aid Program 2008-2009 Grants Awarded by Institution - 254 Total



**Arizona College Access Aid Program (ACAAP) 2008-2009
Grants Awarded by Degree Program - 254 Total**



The ACPE was pleased to be able to continue to offer the ACAAP for the 2009-2010 academic year. As of December 1, 2009 over 3,500 student applications were received with 235 students receiving awards. A substantial number of eligible students remain on the waiting list in the event additional funding becomes available.

Unfortunately, the Arizona College Access Aid Program (ACAAP) will be exhausted at the end of the FY2010. Because Arizona has only minimal need-based financial aid funds available, it is the aspiration of the Commission that these federal funds be supplanted with State need-based grant funding once the economy recovers. Some discussion has taken place regarding a continuation of the College Access Challenge Grant. Should this occur, the Maintenance of Effort (MOE) will remain.

1.2 Private Postsecondary Education Student Financial Assistance (PFAP), a Forgivable Loan

The Arizona Private Postsecondary Education Student Financial Assistance (PFAP) program was initiated in the spring of 1996. This program was designed to encourage Arizona community college graduates to enroll in and graduate from baccalaureate degree granting private postsecondary institutions; thereby realizing a savings to the State of Arizona.

By statute (ARS 15-1852) and Arizona Administrative Code rules (R7-3-401 through R7-3-405), the PFAP program provides up to \$2,000 per fiscal year to eligible Arizona

community college graduates (i.e., those holding Associate Degrees from an Arizona public community college) who prove financial need and who enroll as a full-time student in a baccalaureate degree program at an accredited, baccalaureate degree-granting private postsecondary educational institution in Arizona. The maximum grant amount allowed to a single student is limited to \$4,000.

The PFAP Program has seen significant challenges in funding. Program funding was reduced in 2003 from \$318,000 to \$170,500, resulting in fewer students receiving the grant. It was increased in the 2006 legislative session to \$400,000 and PFAP appropriations in FY 2007-08 were raised to \$800,000.

The ACPE continues to rebuild the PFAP Program after the several years of reduced funding. Unfortunately, the State's revenue shortfall required the ACPE to return \$400,000 of the \$800,000 in PFAP funds appropriated for both FY2008-09 and FY2009-10. The effects of these repeated reductions in funding include a loss of financial aid to private college students, less support to the private higher education sector, and loss of potential cost savings to the state due to a loss of an incentive to seek a private education.

Due to funding reductions the ACPE disbursed 169 student grants for the 2008-2009 academic year for a total of \$286,000. The table below provides an illustration of the students who benefited from this grant program in FY 2008-09.

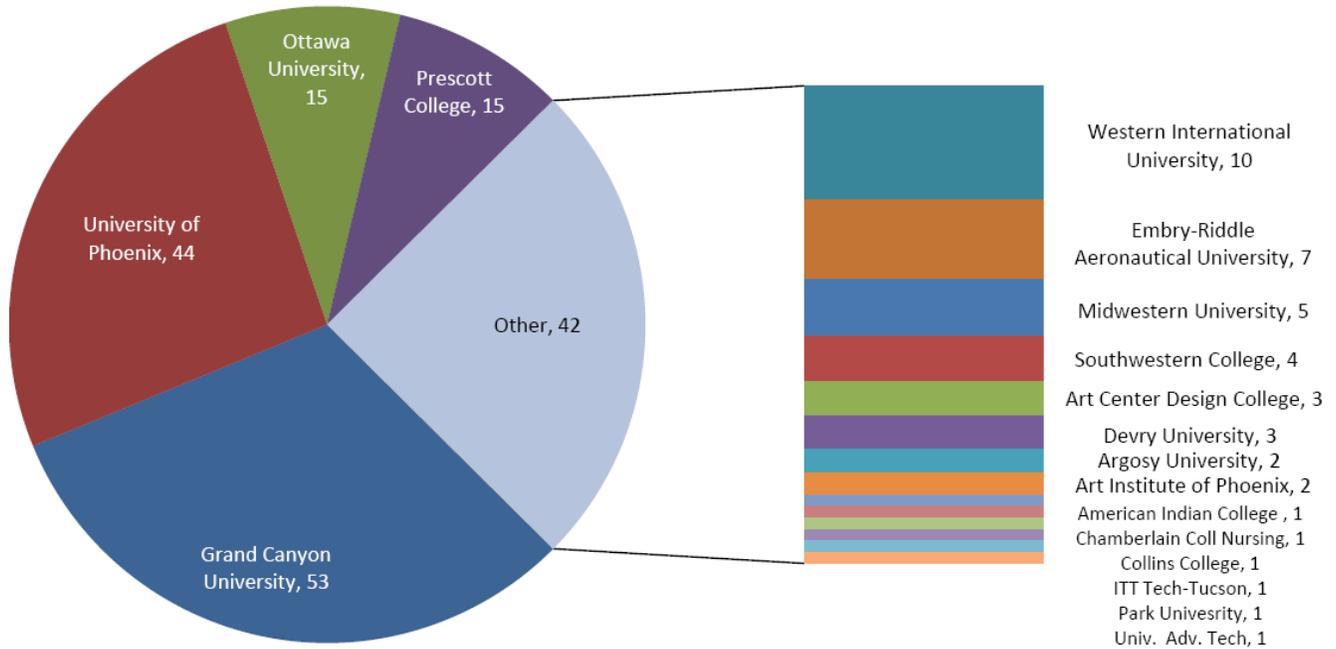
| Total Recipients | Initial Applicants | Priority Applicants | Total Program Award | Average Age of Recipients | Average FISAP ¹ | Average EFC ² | Average Grant Amount |
|------------------|--------------------|---------------------|---------------------|---------------------------|----------------------------|--------------------------|----------------------|
| 169 | 157 | 12 | \$286,000 | 31 | \$43,180 | \$7,704 | \$1,692 |

¹FISAP is the total family income reported on the Free Application for Federal Student Aid (FAFSA). If a student is considered dependent then the FISAP income reported would include both a student and family data. Independent students would only reflect student and spouse income.

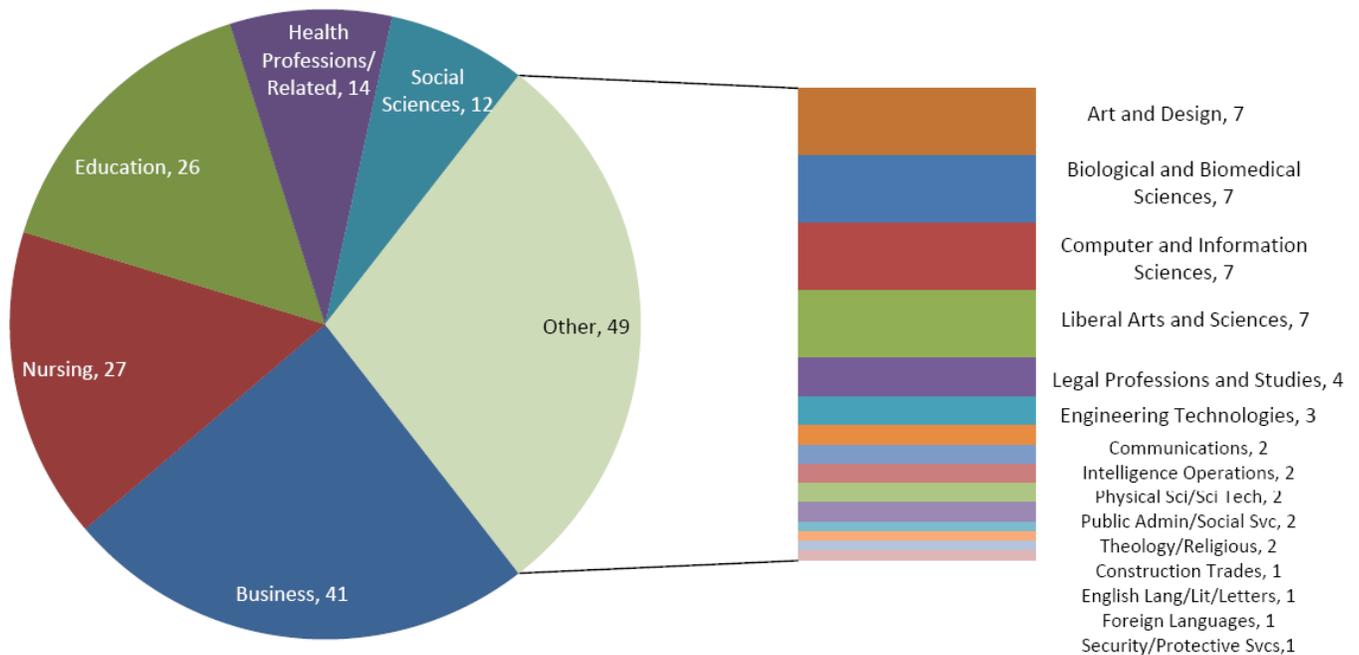
²EFC is the expected family contribution as determined by the FAFSA. This number is used by institutions to determine the types of aid available to students. The *Expected Family Contribution (EFC)* is how much money a *family* is *expected* to pay toward the student's college education for one year.

The following graphs illustrate the institutions attended and the programs of study selected by the students.

**Private Postsecondary Student Financial Assistance Program (PFAP) 2008-2009
Grants Disbursed by Institution - 169 Total**



**Private Postsecondary Student Financial Assistance Program (PFAP) 2008-2009
Grants Disbursed by Degree Program - 169 Total**



Due to a significant reduction in funding in the PFAP program, the ACPE has been able to award only 125 students for FY2009-10, and there are an additional 84 eligible students on the waiting list in the event additional funding becomes available.

More than 1,500 students have benefited from the PFAP Program since the program inception. The PFAP program has produced a total of 1,055 private college and university graduates, and has a graduation rate of 85%. Thirty-four percent of these graduates were minority students.

Annual performance measures collected through anonymous surveys from postsecondary institutions in FY 2008-09 indicated 88% or greater satisfaction from financial aid professionals with administration of this program.

As mentioned earlier, the rebuilding of this program was just taking hold following the 2004-6 budget reductions when the PFAP budget was cut by 50% in FY 2008-09 and again in FY 2009-10. Because students are being turned away due to reduced PFAP grant funding, another rebuilding initiative will be required once full funding of this program has been restored. This will be more difficult to achieve with fewer financial aid staff at the Commission. Nevertheless, the PFAP Program continues to represent a pathway to higher education that can be very valuable to the State and its future educated workforce.

1.3 Postsecondary Education Grant (PEG) Program, a Forgivable Loan

The Postsecondary Education Grant (PEG) program, created in the 2006 legislative session, is a student-centered, non-need based grant (forgivable loan) designed to financially support and encourage Arizona resident students to attend a private postsecondary baccalaureate degree granting institution in Arizona. The maximum grant is \$2,000 per year for up to four academic years (eight semesters/terms). These funds must be used for tuition, books and fee expenses. Students must obtain a bachelor degree within five years after the first PEG disbursement. Should a student not obtain a bachelor degree within five years, the student must repay all grant funds back to the PEG fund for redistribution to additional students.

The PEG program was patterned after the successful student-centered PFAP program. Goals for the PEG program include (1) strengthening the private higher education sector, (2) providing cost savings to the State by encouraging residents to attend private colleges and universities over publically funded universities, and (3) increasing the number of baccalaureate degrees in the State of Arizona, thus increasing the tax revenues from a more readily available educated and higher wage-earning workforce.

The student interest in PEG is remarkable. Each year the program continues to gain in popularity, as evidenced by the large amount of students who remain on the waiting list each year. In the first full year of implementation (FY 2007-08) a program high of 2,442 students were awarded grants for a total of \$3.9M. The ACPE staff was hopeful that

with FY 2008-09 the number of awarded students would surpass that of FY 2007-08. Unfortunately, the crisis of the State revenue shortfall stunted program growth. In FY 2008-09 the ACPE was required to return \$2.6M in PEG funds which represents a 52% reduction in available funds for student grants. Moreover, the PEG program was placed on a temporary suspension from October 2008 to March 2009. Ultimately, the results of both the budget cut and the grant suspension were a drastically reduced number of students who were assisted by this financial aid program.

In spite of the funding reductions and temporary suspension, the ACPE awarded for FY 2008-09 one-thousand four-hundred and thirty-four (1,434) students a total of \$2,410,192. This represents 831 priority students (students who have received funds in the past) and 603 initial (first time recipients).

The table below provides an illustration of the students who benefited from this grant program in FY 2008-09.

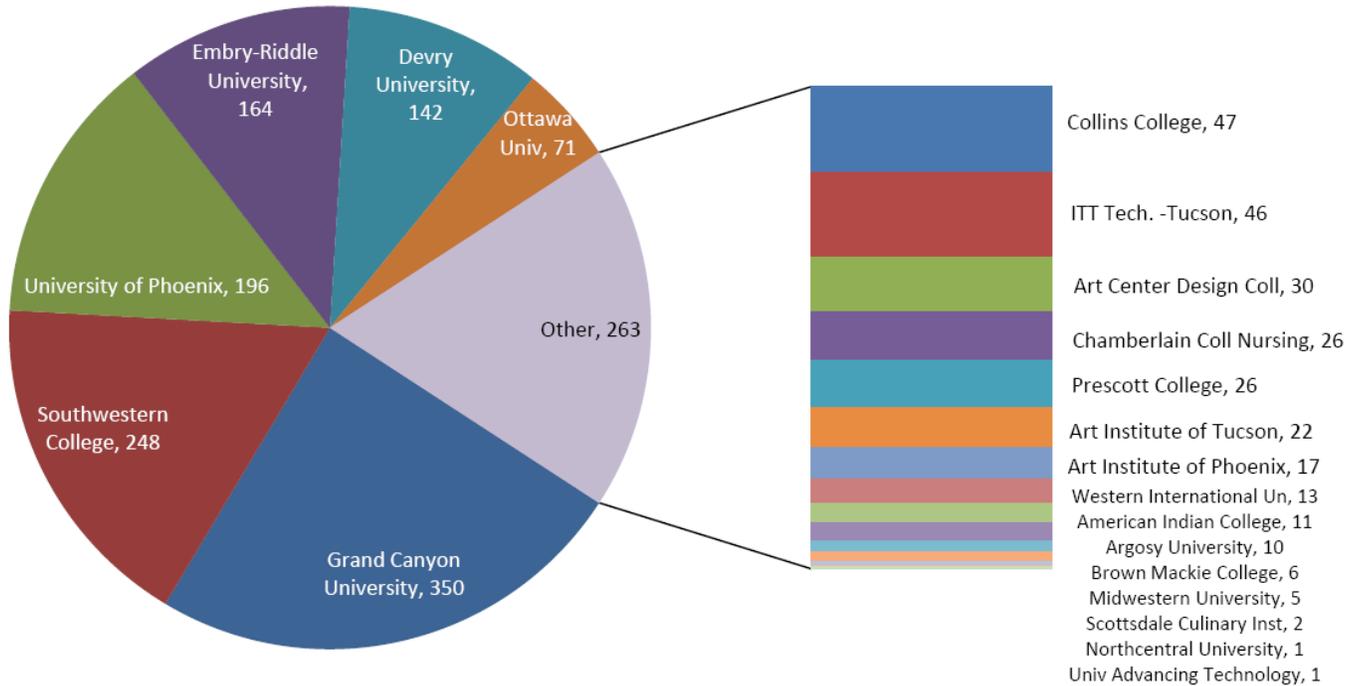
| Total Recipients | Initial Applicants | Priority Applicants | Total Program Award | Average Age of Recipients | Average FISAP ¹ | Average EFC ² | Average Grant Amount |
|------------------|--------------------|---------------------|---------------------|---------------------------|----------------------------|--------------------------|----------------------|
| 1,434 | 603 | 831 | \$2,410,192 | 28 | \$62,538 | \$12,100 | \$1,680 |

¹FISAP is the total family income reported on the Free Application for Federal Student Aid (FAFSA). If a student is considered dependent then the FISAP income reported would include both a student and family data. Independent students would only reflect student and spouse income.

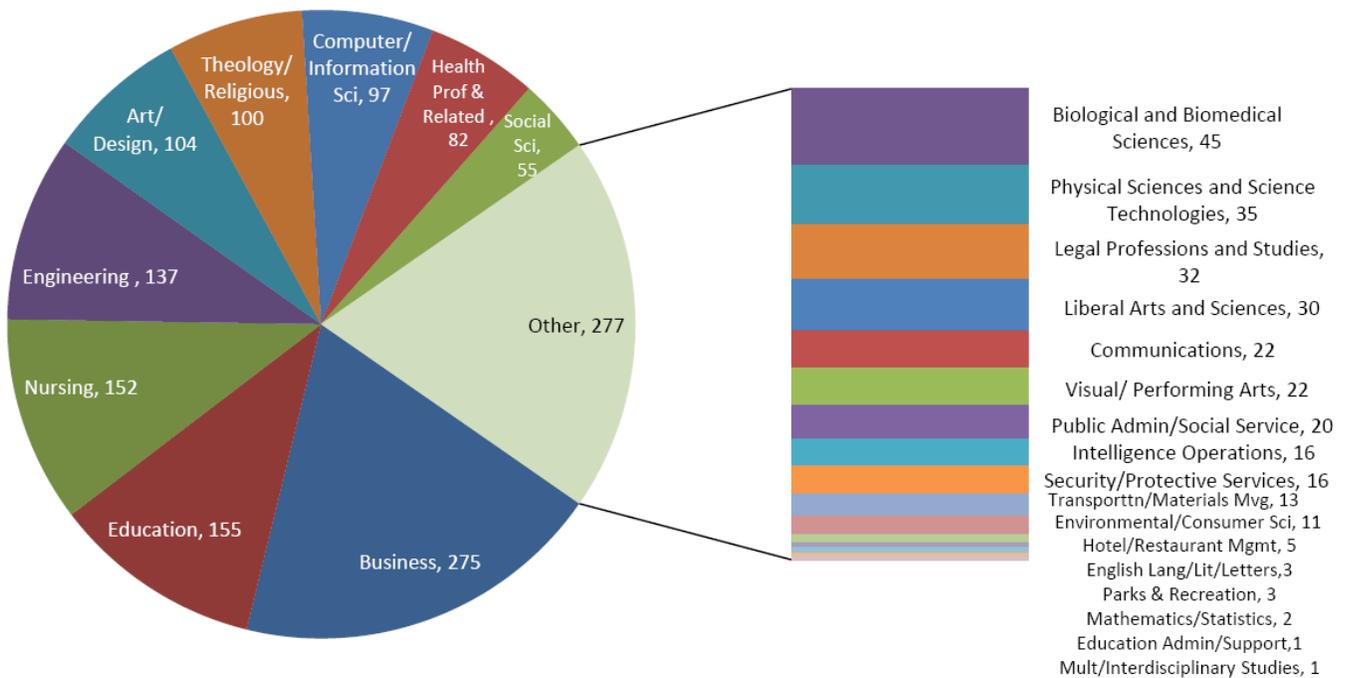
²EFC is the expected family contribution as determined by the FAFSA. This number is used by institutions to determine the types of aid available to students. The *Expected Family Contribution (EFC)* is how much money a family is *expected* to pay toward the student's college education for one year.

The following charts illustrate the institutions attended and programs of study selected by PEG Program students in FY 2008-09.

**Postsecondary Education Grant Program (PEG) 2008-2009 PEG
Grants Awarded by Institution - 1,434 Total**



**Postsecondary Education Grant Program (PEG) 2008-2009
Grants Awarded by Degree Program -1,434 Total**



Unfortunately, the fiscal crisis of the State has continued into FY 2009-10. The impact to the PEG program has been severe. The ACPE was appropriated \$2.7 M in student grant funds, and an additional cut of \$228k of PEG grant funds was waged in SB 101 and is awaiting the Governor's signature. Currently there are 683 students awarded for FY2009-10 with an additional 1,707 eligible students on the waiting list in the event additional funding becomes available.

A challenge looming before the ACPE is the servicing and loan collection systems for the PEG Program. The PEG program was designed to support students through four years of attendance and requires that students repay the funds if they do not complete their baccalaureate degree in five years following the first PEG grant disbursement. In addition, PEG students who drop out of college for more than 12 months are to begin repayment. The lack of available student grant funds has resulted in a broken cycle of the four years of funding for priority students in the program. This could result in legal challenges upon collection and also burdens the agency with increased numbers of disgruntled grantees going into repayment prematurely.

Since the PEG program inception, over 1,200 students have earned a bachelor's degree. However, ACPE staff has identified 432 PEG recipients who have not yet graduated, and have been out of school for at least 12 months. These students must enter into repayment per the terms of their promissory note, should investigation by ACPE staff reveal this is appropriate.

The ACPE staff is quickly developing the IT requirements for debt default prevention and loan repayment programs which will track students and their financial obligation over a period of 7-15 years for loan repayment as required for this grant. With over 4,000 grants issued since the inception of the program, staff must implement and administer this loan repayment responsibility.

The Commission has been impressed with the positive response and exceptional cooperation from the private colleges in planning and verifying student eligibility. Moreover, staff commonly report stories of the changes in students' lives and student expressions of gratitude for receiving PEG Program funds. The Commission continues to be concerned about the future of the program with the loss of administrative funds to hire financial aid employees (FTE) and the loss of student grant funds. If the program funding cuts continue, the number of students applying for funds will decline, and this will result in difficulty in sustaining the goals of the program. This pattern has already been experienced in the PFAP program.

1.4 Early Graduation Scholarship Grant Program

Arizona's Early Graduation Scholarship Grant (EGSG) program was created in 2007. The EGSG legislation was sponsored by Representative Andy Tobin. It is a non-need based scholarship designed to provide an incentive for high school students to graduate early and promptly transition into a postsecondary experience.

Students who graduate from a public high school district or charter school at least one semester early and enroll full-time at an eligible Arizona postsecondary institution may receive up to \$1,500 (over two academic years) and students who graduate at least one year early may receive up to \$2,000 (over two academic years) to be applied toward tuition, fees, and book expenses. The Early Graduation Scholarship is available for three years after graduation.

The EGSG scholarship is funded by a shared proportion of the Average Daily Maintenance (ADM) which is collected by the Arizona Department of Education (ADE) and transferred to the ACPE for the EGSG fund.

Arizona Revised Statute directs the ADE to provide the Arizona Commission for Postsecondary Education (ACPE) with a list of early graduates with their identifying information, cohort graduation date, early graduation date and high school of graduation. The Statute directs the ACPE to administer the EGSG Program in conjunction with the ADE and to select eligible students each year for participation in the EGSG Program.

Since the end of FY2007-08, the Commission has focused on raising the awareness/promotion of the EGSG Program. Because the ACPE does not have access to names and contact information for the early graduates or families, communications are sent to those who work with and influence the early graduates: high school counselors/administrators, admissions, outreach and financial aid professionals at Arizona postsecondary institutions, college access programs and members of the community. Emphasis is placed on building partnerships with professionals who can identify and educate potential early graduates of the Program. The staff has also provided Program information for the high school websites and financial aid nights. In addition, regular email communications are sent to admissions/outreach and financial aid professionals at the postsecondary institutions regarding the EGSG Program.

These efforts have proven fruitful. The EGSG program grew exponentially from the first year of administration to the second year. In the first year of administration (FY2007-08) forty-one students were paid for a total of \$18,500. In the second year of administration (FY2008-09) two hundred sixty-six students were paid for a total of \$207,823.

The table below illustrates who benefited from this scholarship program in FY2008-09.

| Total Recipients | Initial Applicants ³ | Returning Applicants ⁴ | Total Program Award | Average Age of Students | Average FISAP ¹ | Average EFC ² | Average Grant Amount |
|------------------|---------------------------------|-----------------------------------|---------------------|-------------------------|----------------------------|--------------------------|----------------------|
| 266 | 247 | 19 | \$207,823 | 19 | \$81,756 | \$15,004 | \$729 |
| University | | Community College | | Private | | Vocational | |
| 77 | | 178 | | 9 | | 2 | |

¹FISAP is the total family income reported on the Free Application for Federal Student Aid (FAFSA). If a student is considered dependent then the FISAP income reported would include both a student and family data. Independent students would only reflect student and spouse income.

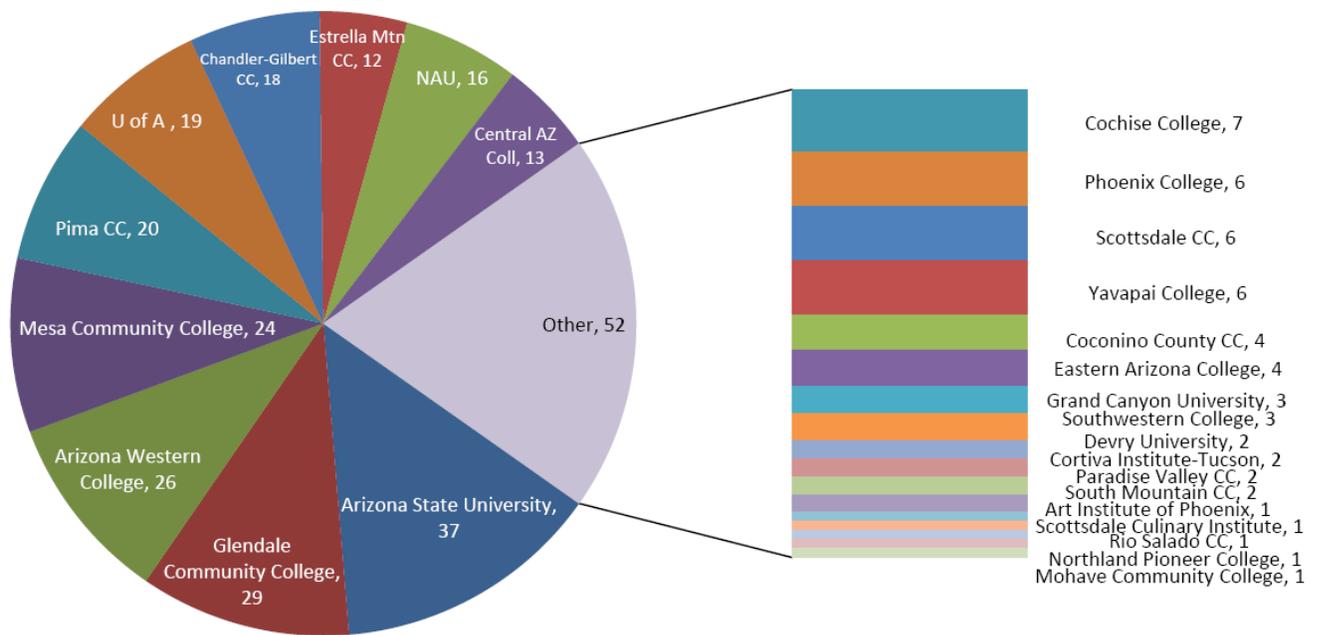
²EFC is the expected family contribution as determined by the FAFSA. This number is used by institutions to determine the types of aid available to students. The *Expected Family Contribution (EFC)* is how much money a family is *expected* to pay toward the student's college education for one year.

³Initial EGSG applicants are students who are in their first or second semester of enrollment.

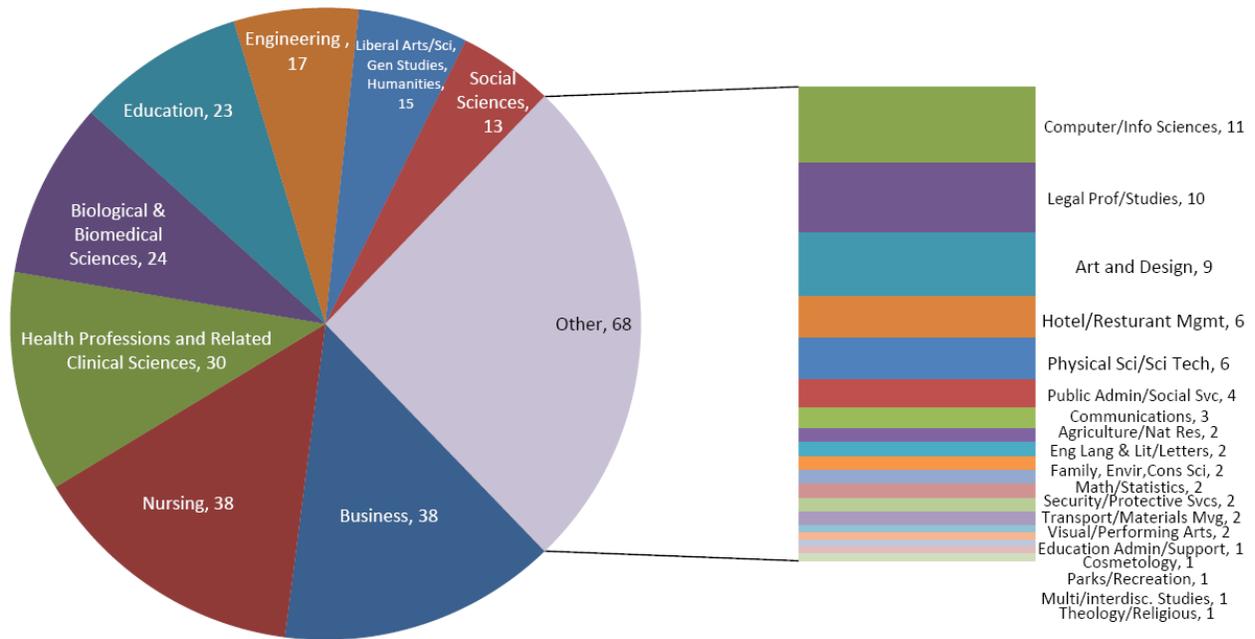
⁴Returning EGSG applications are students who are in their third and fourth semesters of enrollment.

The following graphs illustrate the institutions attended and the programs of study selected by the students.

Early Graduation Scholarship Grant (EGSG) Program 2008-2009
Grants Awarded by Institution - 266 Total



Early Graduation Scholarship Grant (EGSG) Program 2008-2009
Grants Awarded by Program - 266 Total



Unfortunately, the momentum of the EGSG program was abruptly halted in FY2009-10. A \$3M reduction in the EGSG fund was taken through the Chairman's Option in May 2009 and another \$2.9M was taken from the fund in September 2009. In addition to the fund reductions, significant changes were made to the Early Graduation Scholarship Grant (EGSG) program through house bills 2011 and 2012. The changes include a one year moratorium (suspension) for new applicants for FY2009-10 and the ADE suspension of the adjustment of per pupil funding and transmission of funds to the EGSG scholarship fund for FY2009-10. Simply put, students who graduated after July 1, 2009 will not be able to participate in the Scholarship Program. Statute language was also changed to limit the EGSG scholarship to one year early graduates. However, one semester early graduates who already participating in the program were allowed to continue to receive the remaining funding owed to them.

These reductions/actions leave the scholarship fund nearly depleted. The numbers of students who have graduated early (counting both one semester and one year early) and are eligible for the scholarship total 5,295 for FY2007-08 and FY2008-09; however, the remaining scholarship funds will support less than ten percent of eligible early graduates. Funds are disbursed to eligible students in four payments across two academic years; therefore, the ACPE is required to hold the funds on behalf of the student until all funds have been disbursed.

EGSG Fund Breakdown FY2009-10

| | |
|-------------|---|
| \$1,100,000 | Current funds available for student scholarship awards |
| (\$474,625) | Outstanding financial obligation for students in the program who have received at least one payment; this represents 484 early graduates. |
| \$625,375 | Funds available after obligation to students in the program is met |
| (\$376,000) | Projected amount required to award scholarships to students who have applied and are awaiting payment; this represents 221 early graduates. |
| \$249,375 | Remaining funds available. |

Due to the short life of the program, it is impossible to measure the long-term outcomes. However, several short-term outputs have been realized. These are listed below.

- In the second year of the program the number of applications submitted increased by 150%. This momentum is attributed to the continued partnership with the high school counselors and an extensive grass roots marketing effort which has led to a better understanding of the program for students and families.
- Since the inception of the program the Commission has received a great deal of feedback from high school counselors and parents regarding the EGSG scholarship program. The feedback received has been very positive. Counselors and families are pleased to have another funding source available for students who would not otherwise qualify for grants.
- The EGSG Scholarship appears to be the only state grant/scholarship program in which students who attend a vocational/technical institution may receive funds. This has been a pleasant surprise for students who choose to attend vocational institutions as they often find it challenging to afford their education/training due to the limited aid options available to them.

The EGSG Grant has potential to serve large numbers of students and increase participation in postsecondary education. The Commission believes that the goals of this financial assistance program remain important to the State. This scholarship program was well received by high school counselors, students and families. It is was one of the few financial assistance programs available to middle class families. Undoubtedly, over time this program would well serve the State both through reduced costs of education and increased numbers of high school graduates moving into postsecondary education. The Commission remains hopeful the moratorium will end and the EGSG program will be fully reinstated.

1.5 Student Financial Assistance Repayment Programs

The Commission administers repayment programs for the Private Postsecondary Education Student Financial Assistance Program (PFAP), the Paul Douglas Teacher Scholarship (PDTs), and the Arizona Teacher Incentive Program (ATIP). Currently under development is a repayment program for the Postsecondary Education Grant (PEG) Program. The ACPE contacts grantees several times to prepare them for

entering into repayment and provides participants three opportunities to comply with the repayment demands placed on them by federal or state guidelines. The Office of the Attorney General is used for collections when normal investigative means to locate the former student are unsuccessful or when grantees have been contacted three times and refuse to enter the repayment program. A brief summary of the status of each of the repayment programs administered by the ACPE follows.

There have been 1,561 students awarded the PFAP grant since its inception in 1996. Of those, 1,055 recipients have fulfilled their obligation by receiving their bachelor's degree in the three year allotted time frame. Of the remaining 506 award recipients, 28 students graduated after 3 years and the remaining 478 students are in the process of completing their bachelor's degree and 102 of these are currently in the repayment program or will be placed in the repayment program once located and their status is determined.

Since the program's inception, there have been 162 former recipients requiring repayment. Of those, 102 are actively making payments to the Commission or the Attorney General. Thirty-seven grantees have completed their obligation by either making payment directly to the Commission or through the Office of the Attorney General; 13 have been deemed uncollectible by the Attorney General's office, 5 loans have been forgiven due to medical reasons, and 3 have been abated because the former student is deceased. The remaining 2 recipients are in pending status.

Of the 254 former PDS recipients, 10 are currently making payments to the Commission, and none are at the Office of the Attorney General. All others have completed their obligation by fulfilling the teaching requirements of the program, or by repaying their loan in full. There were 100 former ATIP recipients who completed their obligation by fulfilling the teaching requirements of the program, or by repaying their loan in full with the Commission or Attorney General's office. Only one student is still making payments to the Attorney General for the ATIP program.

All funds recouped for the PDS program are forwarded to the U.S. Department of Education in December of each year, and any monies received for the ATIP program are deposited into the State general fund. PFAP repayment funds received are put back into the PFAP grant fund for redistribution to students. Any funds recouped by the Office of the Attorney General are returned to the Commission and disbursed as outlined above, less their 35% recovery fee.

The Commission administers two state grant programs which are actually forgivable loans: the Postsecondary Education Grant (PEG) and the Private Postsecondary Student Financial Assistance (PFAP) Programs. A national IT firm is building a loan repayment system which will allow the small ACPE staff to administer a large repayment program. However, the staff and Commissioners remain concerned about fulfilling this responsibility with reduced staff and growing numbers of grants issued with potential repayment consequences.

1.6 Arizona Oversight of State Student Loan Guarantor

Through the U.S. Department of Education financial institutions are named and then approved by the Governor to be designated as the state student loan guarantor. In 2009, USA Funds was re-designated to serve as the Arizona State Student Loan Guarantor. The Arizona Commission for Postsecondary Education is named through statute to provide oversight of the designated entity.

Due to the increasing costs of postsecondary education and federal policy changes, loans are becoming a significant source of funding to which students and families turn for higher education costs. The Arizona State Guarantor for student loans, USA Funds, during its Fiscal Year ending September 30, 2009, guaranteed \$2.6 billion in new educational loans to more than 227,100 Arizona borrowers – including Federal Stafford loans for 221,000 students and Federal PLUS loans for 6,100 parents and students for the 2008-2009 academic year. The dollar volume of loans represents a 18% increase over the 2007-2008 academic year and the number of borrowers increased by 15% over the same time frame. USA Funds served 76 postsecondary school campuses in Arizona

USA Funds, a non-profit corporation, has chosen to be a partner with the State of Arizona in increasing the college going rates. USA Funds serves as one of two sponsors for College Goal Sunday, supported the Developing Human Capital Conference, and funded the printing and distribution of the *Rapid Guide to Financial Aid*. USA Funds is one of the primary sponsors of the Arizona Minority Education Policy Analysis Center's current research project, *To Learn and Earn: Arizona's Unfinished Business in Human Capital*.

The USA Funds Access to Education Scholarships® program awarded 168 new and renewal scholarships totaling \$250,500 to deserving college-bound students in Arizona for the 2009-2010 year. The scholarships assist students in financial need — particularly those who are either members of ethnic minority groups or are physically disabled.

It should be noted that if the Student Aid and Fiscal Responsibility Act is enacted as it passed the US House of Representatives, all new loan volume will be originated through the William D. Ford Direct Loan Program beginning July 1, 2010, and the role of Arizona Student Loan Guarantor will be eliminated.

1.7 Arizona Family College Savings Program (AFCSP)

The Arizona Commission for Postsecondary Education administers the Arizona Family College Savings Program (AFCSP). In 1997, the AFCSP was established as Arizona's qualified tuition program under section 529 of the Internal Revenue Code (also referred to as a QTP or Qualified Tuition Program) and began accepting accounts in 1999. In 2004, State legislation established the Family College Savings Program Trust Fund as a

public instrumentality of the State of Arizona, of which the Arizona Commission for Postsecondary Education acts as its sole trustee. All AFCSP accounts are held in trust for its participants and beneficiaries.

A state-sponsored 529 plan is a tax-advantaged program intended to help individuals and families pay the cost of higher education. The AFCSP is designed to encourage savings by allowing 529 plan earnings to grow tax-deferred and distributions to be withdrawn tax-free if used for qualified higher education expenses. Qualified expenses include tuition, supplies, equipment, books, room, and board at any accredited public or private college/university, community college, proprietary or vocational/career/technical postsecondary educational institution in the United States as well as eligible foreign institutions.

In August 2006, President Bush signed the Pension Protection Act into law. Among its many provisions, this sweeping legislation made permanent the 529 plan provisions of the 2001 tax act which were scheduled to expire in 2010. These provisions allow federal income tax-free withdrawals from 529 College Savings Plans for qualified higher education expenses to be a permanent benefit for college savings plans. As of January 1, 2008, state tax benefits were extended to Arizona residents up to \$1,500 for annual contributions made to a 529 plan.

The AFCSP was established as a multiple provider or vendor program, ensuring a variety of investment choices for diverse investment needs and risk tolerances of families saving for college. The AFCSP Oversight Committee, as defined by state statute, is comprised of 10 members with financial, tax and legal expertise. The Oversight Committee's main responsibility is to make recommendations to the Arizona Commission for Postsecondary Education, the AFCSP Trustee, of providers and operational oversight procedures. This advisory group also assists in reviewing the program rules and statute language revisions. The current roster of the AFCSP Oversight Committee follows.

| Arizona Family College Savings Program Oversight Committee <i>Member Roster</i> | |
|--|--|
| <u>State Treasurer Office</u> Mark Swenson (By Position) Deputy State Treasurer State Treasurer Office | <u>*Individual employed by a community college or university with investment, asset management and financial related expertise</u> Jeff Ratje University of Arizona |
| <u>State Board for Private Postsecondary Education</u> Laura Palmer Noone (By Position) Representing the Arizona State Board for Private Postsecondary Ed President Nouveau University | <u>*Attorney certified in Estates and Trusts</u> Roger D. Curley Oversight Committee Chair Attorney at Law Curley & Allison LLP |
| <u>*Certified Financial Planner</u> Mark P. Stein CFP AeGIS Financial Group, Inc | <u>*Public Member with knowledge, skill and experience in accounting, risk management or investment management or as an actuary</u> Hope Leibsohn Attorney at Law Lewis & Roca, LLP |
| <u>*Public Member with knowledge, skill and experience in accounting, risk management or investment management or as an actuary</u> Steven Matthews Matthews, Gold, Kennedy and Snow, Inc. | <u>*Individual with investment, asset management and financial related expertise</u> James Van Houten Stonegate Financial Group, LLC |
| <u>*Public Member</u> Michael Rooney Sacks Tierney, PA | <u>*Certified Public Accountant</u> Vacant |
| *Governor Appointed | |

In 1999, two financial institutions were selected as depositories and managers of the AFCSP. By 2003, a total of four financial institutions had been approved by the ACPE as AFCSP providers – College Savings Bank, Securities Management and Research (SM&R), Pacific Life and Waddell & Reed. Fidelity Investments joined the Program as the fifth AFCSP provider in June 2005.

In 2005, the AFCSP Oversight Committee provider review process culminated in the non-renewal of both the Securities Management & Research and Pacific Life contracts and the pursuit of an individual contract with Waddell & Reed which at the time was being subcontracted through SM&R. Today, three financial institutions offer a diverse array of investment options for families saving for college. A brief description of the investment choices follows:

| AFCSP Investment Offerings ¹ | |
|---|--|
| College Savings Bank (direct-sold) | |
| <ul style="list-style-type: none"> • <i>CollegeSure CD:</i> variable rate CD indexed to college costs • <i>InvestorSure CD:</i> variable rate CD indexed to the Standard & Poor's 500 Composite Index • <i>Fixed Rate CD:</i> fixed rate CD with principle and interest guaranteed • <i>Savings Account:</i> holds matured certificate of deposit (CD) funds greater than \$250 when the expected withdrawal to pay qualified higher education expenses is sooner than one year after the maturity date of the CD • <i>Accumulator</i> Holds contributions until sufficient funds are accrued to purchase a CD | |
| Fidelity Investments (direct-sold) | |
| <ul style="list-style-type: none"> • <i>Two (2) age-based asset allocation mutual fund portfolios</i> • <i>Six (6) static mutual fund portfolios</i> • <i>Six (6) individual portfolios</i> | |
| InvestED: Waddell & Reed/IVY Funds (advisor-sold) | |
| <ul style="list-style-type: none"> • <i>Three (3) age-based asset allocation and static mutual fund portfolio options</i> • <i>Eighteen (18) individual portfolios</i> | |

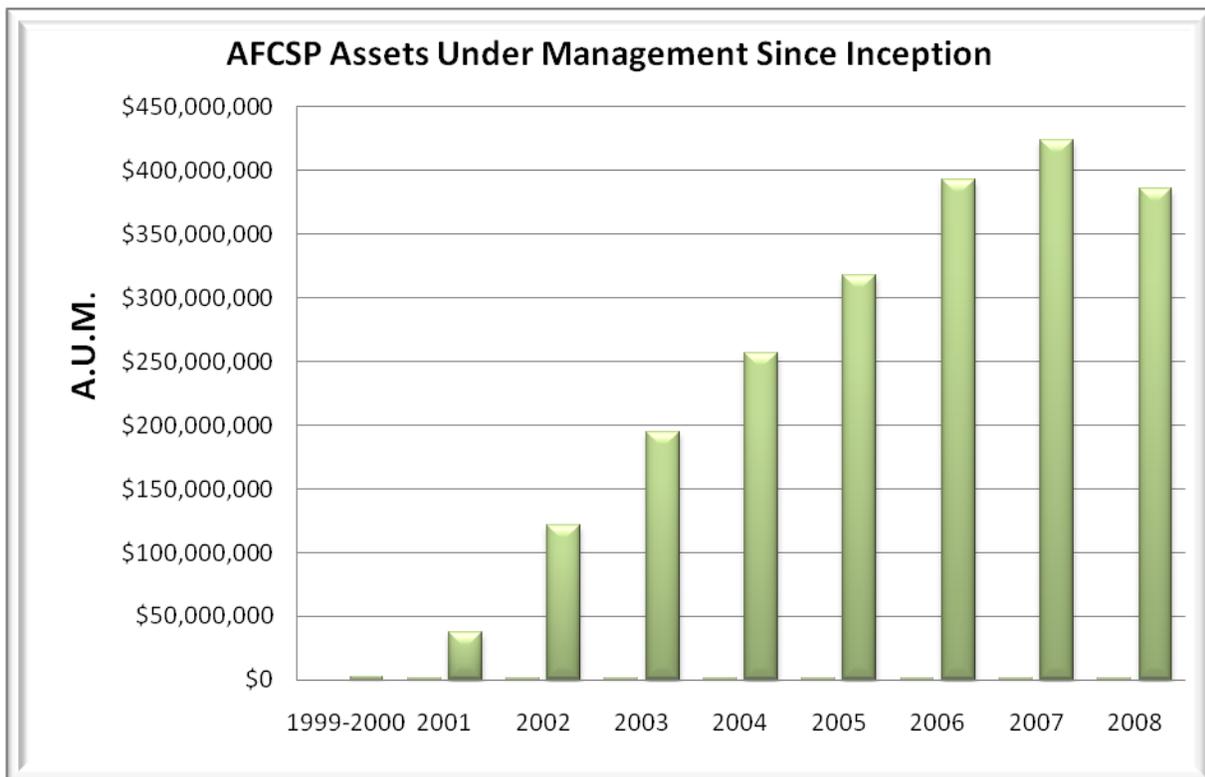
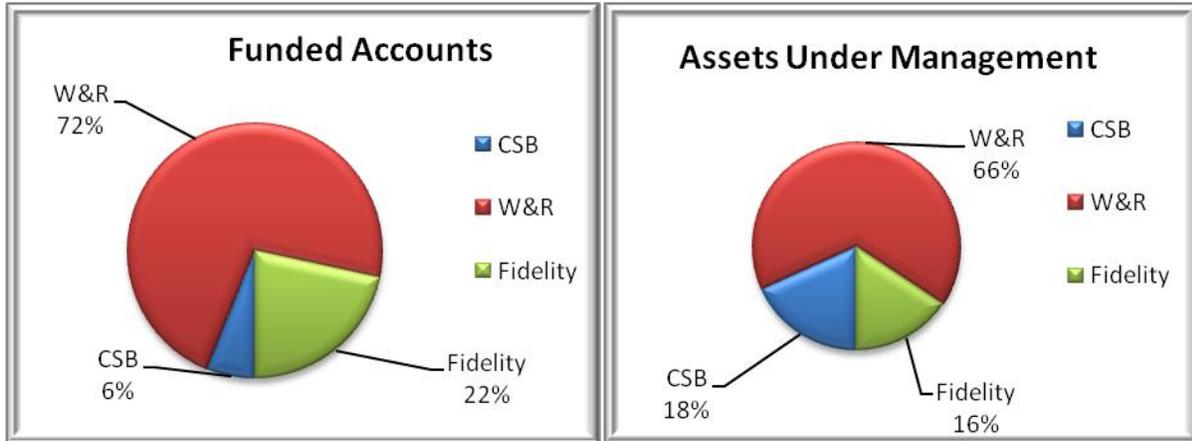
¹Details of individual offerings can be found at www.az529.gov

Since its 1999 launch, the AFCSP has grown steadily, driven by both Arizona residents as well as non-residents who recognize the importance of preparing financially for the increasing cost of tuition along with the quality of the Arizona 529 Plan.

As of December 31, 2008, there were over 51,000 AFCSP accounts. This represents a 14.6% increase in the number of accounts over calendar year ending December 31, 2007. Despite the healthy growth in new accounts, the total plan assets under management have declined this same period due to the dramatic stock market losses that have accompanied the current economic recession. As of December 31, 2008, total assets under management were \$385 million, a decline of \$38 million from the \$423 million under management on December 31, 2007. However, calendar year 2009 performance results to date have been characterized by considerable investment performance recovery with assets under management growing to \$461 million by September 30, 2009.

The following pie charts illustrate the current allocation of AFCSP funded accounts and Assets under Management (A.U.M.) represented by each of the three providers and the bar chart illustrates the change in AFCSP A.U.M. since inception.

**Arizona Family College Savings Program Funded Accounts and A.U.M
December 31, 2008**



In 2007, the Office of the Auditor General conducted a Performance Audit of the Arizona Commission for Postsecondary Education. The Performance Audit provided an evaluation on the Agency's programs and completed a very thorough review of the Arizona Family College Savings Program. The Auditor General's conclusion on the Arizona Family College Savings Program stated: "*Although its investment performance has been mixed, Arizona's 529 program offers most of the features of a high-quality program.*"

The Auditor General's evaluation concluded that "Arizona's 529 Program has most features of high-quality program". These features included:

- Low fees and expenses for account holders
- Attractive State income-tax incentive
- Wide array of investment options
- High limit on account contributions
- Low required-minimum contributions

The Auditor General's Office presented two findings and provided several recommendations to further enhance the program. The Auditor General's Office will continue to follow up with the Commission at 6-month intervals on the status of those recommendations that have not yet been fully implemented. The current status of the Auditor General's recommendations as of December, 2009 is as follows:

- 11 have been implemented,
- 1 is in the process of being implemented, and
- 5 are not yet applicable.

In 2009, investment results have been mixed. The first months of the year saw significant investment declines similar to the declines experienced in 2008 as the lingering recession continued to impact the stock market and the majority of assets held in the AFCSP. However, performance results since the stock market low in March have improved dramatically and assets under management in the plan now exceed \$462 million. This represents the highest level of assets under management in the ten year history of the AFCSP.

The AFCSP providers reported that they experienced varied responses from investors as a result of the economic situation. For example, rather than withdrawing funds from their plans, Fidelity and Waddell & Reed participants often exchanged more aggressive portfolios for more conservative investment options such as Conservative and Money Market Portfolios. In contrast, the market conditions were advantageous to College Savings Bank and its FDIC insured products. While the AFCSP Funded Accounts and Assets Under Management chart details the plan assets at the end of 2008, the year ending 2009 position will show a very substantial recovery in total assets. Year ending 2009 assets will be included in the Arizona Family College Savings Plan Annual Report which will be issued on February 1, 2010.

In 2009, the ACPE oversaw several initiatives to strengthen the Program for the benefit of investors. These initiatives included: (1) solidifying long term relationships with two of the three program providers, (2) adjusting the investment options to include additional conservative choices along with expanded exposure to international markets, (3) working with the Governor's Office to fill all but one open position on the Oversight Committee, and (4) maintaining the integrity of the Program by providing continued oversight of the Program including a rigorous Annual Provider Review Process. These Program enhancements have arguably caused the Arizona Family College Savings Program to be viewed as one of the most desirable plans in the nation.

In conclusion, while year end 2008 performance reflects the significant declines that occurred during that year, 2009 has shown significant performance improvement and the AFCSP is currently at its highest asset level in the history of the program. The stability of the program has been insured for the upcoming years with the signing of long term provider agreements with both Fidelity Investments and the College Savings Bank. Investment options have been strengthened with the addition of more conservative fund choices and long term results should be enhanced by the increased emphasis toward international funds in recognition of the continuing globalization of the economy. The AFCSP will also benefit from the the recent Oversight Committee appointments and the committee should be well positioned to effectively manage the program over the upcoming years.

The AFCSP Oversight Committee and the Commissioners who serve as Trustees continue to identify improvements and mount initiatives that will lead to the AFSCP mission of *assisting Arizona families to financially prepare for postsecondary education by providing quality college savings choices*. For a copy of the Arizona Family College Savings Program's Annual Report please visit www.azhighered.gov.

Goal 2: Implement strategies to help students and families plan, enroll, and succeed in postsecondary education

Research indicates that almost every parent holds the dream of college attendance for their child and that many adults seek higher education for personal/professional development. The Arizona Commission for Postsecondary Education endeavors to expand access and increase success in postsecondary education for Arizona families. Providing information for college decision-making, initiating programs to assist students and families in accessing student financial aid, and supporting efforts to increase college-going rates are strategies used to assist Arizona families, adults, and K-12 students.

The ACPE enters into programs and partnerships to assist parents and students as they plan for their dream. It is important to note that strategies 2.1 through 2.6 are all funded through grants, fees, and sales secured by ACPE staff. Reduced personnel and increased legislative requests are making it more difficult to continue these programs. Likewise, grant funding is becoming less available and more time intensive to secure. Regrettably, the foster youth initiative funds (section 2.7) were returned as part of the reduction in 2008-09. Seventy-five percent funding for foster youth support for transition into postsecondary education was provided for the 2009-10 fiscal year.

It is realistic planning with appropriate and accurate information that will assure a child is academically ready, the family is financially prepared, and that student and family expectations are in line with the realities of postsecondary education. Adult and returning students are also an important part of ACPE program planning. This goal seeks to improve Arizona's student success in achieving a postsecondary education.

2.1 Publish the Arizona College and Career Guide (ACCG)

The Arizona College & Career Guide (ACCG) lists all Arizona public and private postsecondary institutions including proprietary, vocational, and career schools. Listings may include course offerings, length of study, costs to attend, financial aid programs available, and the institution's website so a prospective student has easy access to information. This document is the single source of this information for the state and is widely used by high school counselors, high school students, higher education institutions, college access programs, and the information seeking public. The ACPE has compiled and disseminated the publication since 1975.

The ACCG document was completely revamped in 2008 making it a more complete and thorough reference source. The formatting changes undertaken provided postsecondary institutions the opportunity to economically advertise their programs in the Guide. In the fall of 2008 15,000 copies of the ACCG were printed and 14,000 were distributed free of charge to public high schools, libraries, college access programs, state agencies, prisons, vocational rehabilitation counselors, and higher education institutions. In addition, the ACCG is available online at the ACPE website at

<http://accg.azhighered.gov>. This website had a total of 5,651 hits in FY08-09. Publication and distribution costs of the ACCG (\$13,000.00) are financed through paid advertising in the publication and per individual book fees (\$5 each or \$3 each for ten copies or more). The ACCG is one of the ACPE's most popular documents. Staff recently distributed more than 13,000 copies of the 2009-2010 ACCG statewide.

The publication is a favorite of high school and career counselors. Arizona GEAR-UP advisors are distributing 2,500 copies of the ACCG 2009-2010 publication to economically disadvantaged high school seniors. Furthermore, the ACPE has used the College and Career Guide as a promotional tool to increase attendance at College Goal Sunday where families get help completing the Free Application for Federal Student Aid (FAFSA) form, to encourage parents to learn how to financially prepare for college expenses by downloading the *College Savings Planner*, and to provide information to counselors about the ACPE's free college-going literacy materials available for high school students. Additionally, the ACCG provides the perfect opportunity for the ACPE to inform students and counselors about the various Arizona grants administered by the ACPE.

The Commission plans to give the important Arizona College and Career Guide website a face lift in FY09-10 so that it is easier to navigate and more attractive for high school and adult re-entry students' use.

2.2 Arizona Commission for Postsecondary Education (ACPE) Websites

In 2009, the Government Information Technology Agency (GITA) required all state agencies to update their websites to a new look and feel so that visitors to Arizona government websites could be assured they were visiting an official site. The ACPE staff designed completely new websites for www.azhighered.gov (the official ACPE website); www.azgrants.gov (the official grants website) and www.az529.gov (the official Arizona Family College Savings Program website). Next, due to limited funding and limited experience of staff in website development, ACPE contracted with a student intern who was working on a Masters in Information Technology at ASU. This intern programmed the websites free of charge to acquire practical work experience. The websites are designed to provide Arizona families with ever-changing information on student financial assistance, postsecondary education choices, and career exploration.

During FY 2009 www.azhighered.gov received 105,391 visits. It is the portal to the ACCG Guide, Arizona 529 Plan, AMEPAC reports, Arizona grants, and College Goal Sunday.

The www.azgrants.gov website was launched in July of 2008 and had approximately 12,000 hits its first year. This website is the single portal for students to apply for the PEG, PFAP, EGSG, ACAAP and SLEAP grants described in Goal 1. This interactive website not only allows students to apply for the grants, but based on information provided, informs students which grants program for which they qualify. Additionally,

postsecondary institutions certify students on-line if they meet institution requirements and the ACPE awards grants to students on-line.

The Arizona Family College Savings Program website, www.az529.gov, is an information only site about Arizona's 529 program. During FY 2009 this site received 8,445 visits.

2.3 College Goal Sunday (CGS) Program

The Arizona Commission for Postsecondary Education hosts an important annual statewide event titled College Goal Sunday (CGS). College Goal Sunday has been organized for the past thirteen years by the ACPE. The 14th annual event is being planned and will be held on January 30th and 31st, 2010 at 30 statewide sites. Eight sites throughout the state will be holding a Saturday edition in order to accommodate our constituents who are unable to attend on Sunday.

The goal is to provide assistance to high school seniors and their families or to adults entering postsecondary education in completing the Free Application for Federal Student Aid (FAFSA) form. The overall purpose is to help students and families, especially first generation college applicants, understand the value of applying for student financial aid, take the important first step of completing the FAFSA, and ultimately accessing postsecondary education.

The event is offered in partnership with the Arizona Association of Student Financial Aid Administrators (AASFAA). In 2009, College Goal Sunday was held in 30 Arizona communities on February 9th and 10th. On these two days, more than 376 volunteer financial aid professionals from Arizona's colleges/universities, as well as high school counselors, mobilized to assist high school seniors and their families in completing the FAFSA form and to learn about the financial aid process. Four thousand and seventy-four (4,074) students and parents attended the 2009 event. Since 1997, the ACPE and financial aid volunteers helped more than 33,000 students and their families complete the FAFSA.

This event successfully achieves its purpose. The 2009 College Goal Sunday family and student survey reported that for 38% of the students attending neither parent attended any college; an additional 18% indicated a parent had attended some college but neither parent had attained a 2- or 4-year degree. Therefore, the total percentage of first-generation students attending in 2009 was 56%.

A high percentage of low-income and minority families are first-generation college-goers; therefore, the ACPE was pleased to find that 56% of those assisted at the event reported having an annual income of \$40,000 or less. Furthermore, the 2009 event survey also indicated a 35% Hispanic, 7% Native American, and 7% African-American participation rate.

ACPE sponsors the www.collegegoalsunday.com website which received over 30,000 visits in FY08-09.

Another plus in 2009, was that 100% of the CGS sites offered FAFSA on the web. Computer labs were opened to help families complete their FAFSA online. In 2010, 100% of the College Goal Sunday sites will offer FAFSA on the web. Additionally, most sites offer Spanish and/or Navajo interpreters to help parents understand the forms.

As the host of this event, the ACPE seeks grants to fund the activities and provides the leadership to implement the event. Grants were secured for the 2010 event from USA Funds and YMCA/Lumina Foundation.

2.4 “Countdown to College” Sunday Insert

In 2009, an 8-page Sunday insert, entitled “Countdown to College” was published in the Arizona Republic and Tucson Daily Star and distributed to approximately 800,000 households the Sunday before College Goal Sunday. USA Funds underwrote the basic publication cost of this insert.

This postsecondary literacy document is a resource guide to help students and families learn more about financial aid and college access, as well as promotion of the College Goal Sunday statewide event. The 2009 “Countdown to College” included several student financial aid success stories, information on federal programs that offer financial help for college, and Arizona state grant and scholarship opportunities such as PFAP, PEG, EGSG, AFAT and LEAP.

The Countdown to College insert is an example of a collaborative effort between the ACPE and the state guarantor of student loans. This publication is scheduled again in 2010 and will be distributed as a special insert in Phoenix, Tucson, and outlying areas to nearly 800,000 households on January 24, 2010. The success of this publication is measured at each College Goal Sunday event by observing the large number of participants who attend with the document in hand.

2.5 College Access Publications

The Arizona Commission for Postsecondary Education is dedicated to strengthening the commitment of children and youth to obtain a higher education.

In keeping with the Commission’s goal to help students and families plan, enroll, and succeed in postsecondary education, the Commission staff undertook a new college access publication project in FY 08, the *Rapid Guide to Financial Aid*. This publication was modified to include Arizona specific information and provides step-by-step instructions for applying for financial aid (both public and private), scholarships, grants, loans and saving for college. USA Funds sponsored the printing of 16,000 of these

guides in FY 08, but they were so popular with high school counselors and college access programs that USA Funds agreed to fund the printing and distribution of 25,000 English and 2,500 Spanish copies of the *Rapid Guide* for college going students in FY 2008-09. The ACPE reserved 3,000 copies to be distributed to needy students at the College Goal Sunday event.

Because of the popularity of this publication, USA Funds has agreed yet again to sponsor printing of 25,000 copies of the English version of the *Guides* in FY 2009-10. Further modifications will be made to the Rapid Guide so that it can be printed and distributed in the spring of 2010.

And finally, the ACPE provided a seventh year of editorial direction for the *Phoenix Magazine* August edition higher education section. This opportunity provides information to families across the state to learn more about the higher education options within Arizona. *Phoenix Magazine* subscribers and newsstand sales total 74,000.

2.6 Foster Youth Postsecondary Education Case Manager Program

In the 2007 legislative session the Arizona Commission for Postsecondary Education was asked to undertake a project to increase the support offered to foster care youth and young adults as they transition into, attend, and complete postsecondary education. The project began with the expectation of annual funding for an on-going mentoring/case management project which would support foster care young adults through a successful postsecondary experience. The State budget shortfall and the reality of limited resources forced the ACPE to seek a new approach to address the needs of these young people.

The ACPE has established three goals for this program including: 1) assessing existing supports, (2) expanding and strengthening supports by increasing connection, collaboration, and coordination of supports across sectors and systems, and (3) producing practical resources and building infrastructure that would enhance postsecondary education success in the future.

This effort has been underway now for 2½ years and the progress made is outlined below:

- publication and dissemination of an assessment of existing supports was published in *Supporting the Postsecondary Education Success of Arizona Foster Care Youth and Young Adults* in July of 2008 (goal 1),
- on-going convening by the Children's Action Alliance of stakeholders focused on collective action (goal 2),
- initiation of the Southern Arizona Foster Care Youth Mentoring Program housed at Pima Community College, Downtown Campus in June 2008 (goal 3),

- plans for development and hosting of a postsecondary education resource and referral website to be launched in 2010 (goals 2 & 3),
- initiation of a Campus Champion Network by the Arizona Commission for Postsecondary Education with a goal of identification of and support for at least one front-line, knowledgeable advocate for youth formerly in foster care at each of the public universities and community colleges, nd
- contracts are underway with Maricopa Community College District and Pima Community College District to initiate in FY 2009-10 a transition and support program for former and current foster youth in the Greater Maricopa County Area with the benefit of guidance and advice from leaders of the successful Pima Community College program (goals 2 &3).

The Pima Community College Foster Care Youth Mentoring Program has produced some remarkable outputs in its initial year of operation. Because of the success and dedication on the part of leadership for Pima Community College's Southern Arizona Foster Youth Mentoring Program funds for FY 2009-10 will go to Pima Community College District to advise and to Maricopa Community College District to initiate a mentoring program tailored to the needs of Maricopa County foster care youth.

Funding for this program has been unstable, due to the budget shortfall. In FY 2008 all funds were returned to address budget cuts; yet, the work continued. For FY 2009-10, twenty-five percent of the \$100,000 budget was returned to address budget reductions.

The Commissioners and ACPE staff believe it is critical is continue this important work, but the pace will be slowed due to lack of funds and reduced personnel in the agency. Adults formerly in foster care have the lowest college completion rate of all nationally identified target groups, with only 2% achieving a college degree. Arizona owes an improved chance of success in life and work for these young people who depend on the State to act on their behalf.

Goal 3: Addressing common opportunities and problems across all sectors of postsecondary education

The Arizona Commission for Postsecondary Education provides a unique statewide forum for senior level representatives from universities, community colleges, independent colleges, and private training and career colleges to identify mutual opportunities and problems in postsecondary education. In addition, two superintendents of large districts and a CEO of a charter school provide insight about transition into, preparation for, and awareness of postsecondary education opportunities from the K-12 perspective.

Issues arise from discussion among Commissioners, policy makers, business leaders, at ACPE meetings and events that warrant further investigation and policy analysis. Issues that have been identified as important through these processes include access to and success in postsecondary education of minority populations and low-income families, low high school completion rate, student advancement through the segments of Arizona's higher education system toward a baccalaureate degree, and reduction or elimination of the financial barrier experienced by students and their families to postsecondary education.

Two strategies have been identified to meet Goal 3. The first is to raise awareness and develop a knowledge base for solutions through policy analysis and commissioned research studies. The second strategy is to establish or participate in collaborative action groups or task forces, informed by research, to plan strategies to seize opportunities or solve problems identified by the Commission. It is disappointing to note that the productive and beneficial operation of both the Student Financial Aid Task Force and the Articulation Task Force have been suspended due to a lack of resources and reductions in staff.

3.1 Arizona Minority Education Policy Analysis Center (AMEPAC)

The mission of the Arizona Minority Education Policy Analysis Center (AMEPAC) is to stimulate through studies, statewide discussion, and debate constructive improvement of Arizona minority students' early awareness, access and achievement throughout all sectors of education. AMEPAC is funded through donations from postsecondary institutions and non-profit organizations committed to its mission. Since 1996, AMEPAC has addressed numerous issues effecting minority access to and achievement in higher education. Results of this policy analysis are both published research papers and the initiation of forums or roundtable discussions on pressing issues related to the mission.

AMEPAC commissioned a researcher in FY 08-09 to prepare its fourth report focusing on minority student success in Arizona. This study was also published in 2003, 2005, and 2007, and provides a 'snapshot' of the educational achievement of minority students in Arizona, from kindergarten through college. It is designed to furnish a

structure for evaluating progress in minority educational success. The study titled *Minority Student Progress Report 2009: A Snapshot of Arizona's Educational Achievement* will be printed (1,250 copies) and distributed in January of 2010.

In FY 2008-09 AMEPAC members commissioned Nancy Welch of the Morrison Institute to prepare a report determining what questions Arizona's needs answered to develop its human capital. Ms. Welch's report was titled *To Learn and Earn: Arizona's Unfinished Business in Human Capital* and her report culminated in the following questions that will guide Phase II of this research:

Planning and Good Jobs: PK-12 Education

- What should career planning be and do in Arizona's PK-12 system?
- How do students and parents view "good" jobs and the preparation needed to obtain them? Are those perceptions accurate?
- If, where, when, and how are students who have dropped out coming back?

Experiences from School to Work: Secondary and Postsecondary Education

- What would young adults who are employed and unemployed say about their secondary and postsecondary time and its relationship to their work experiences?
- Where are yesterday's students now?
- What do their experiences say about successful school to work transitions in Arizona? How can more Arizonans make successful transitions from school to work?

Learning and Earning: Workforce Systems

- What will bring low-skill adults back to learning in companies and educational institutions?
- What will improve the chances of those already participating in learning to complete courses, transition to quality career paths, and stay on them?
- What models are working best for Arizona employers in learning, training, and upgrading?
- What lessons should educators and policy makers take from employers' experiences?
- What do past studies say about workers' decision making processes?

Completing Arizona's Unfinished Business: State Policies

- Given new information and insights, what policies will help complete Arizona's unfinished business?
- What specific tools will help Arizona continue to align education with workforce needs and truly integrate education, economic development, and employment?

AMEPAC has secured a sponsorship from USA Funds and is seeking additional grant funds. The Morrison Institute will undertake this task and research should be completed in the spring of 2010 and the report printed/distributed in the summer of 2010.

3.2 Developing Arizona's Human Capital Conference and Pathways to Education Awards

The most recent *Developing Human Capital: Arizona's Unfinished Business Conference* was a two-day event held on November 12 - 13, 2009 at the Orange Tree Golf Resort in Scottsdale. Major sponsors for this conference were USA Funds and the University of Phoenix. Other sponsors included NAU GEAR UP, Maricopa County Community College District, Arizona Board of Regents, Harrison Middleton University, ACT, Midwestern University, Greater Phoenix Leadership Council, Arizona College Access Coalition and SRP. Robert Shireman, Deputy Undersecretary, U.S. Department of Education, was the keynote speaker for the conference on Thursday. Marc Tucker, President and CEO of the National Center on Education and the Economy, was Friday's keynote speaker. The conference was successful in meeting the Commission's goals and approximately 200 individuals participated. An outline of the 2009 conference is presented below:

Purpose

Development of human capital must be a cornerstone of Arizona and USA economic policy and economic recovery. Since 1975 the earnings of those not completing and graduating from high school fell by 15% and 1%, respectively. Yet, those of college graduates rose by 19%. This gap is increasing globally as well as within the USA. College attainment within the USA is stagnant and Arizona lags behind the nation.

The goal for this conference was for leaders in higher education, business, philanthropy, and policy to gather with issue experts and participate in a dialogue that examines Arizona postsecondary education the from the bird's eye view down to the level of decisions made by students, families, and employers. Topics included:

View from 30,000 feet

- the Obama administration's new directions and policy initiatives, Robert Shireman, Deputy Undersecretary, US Dept. of Education, keynote speaker.

View from 10,000 feet

- the potential of Arizona's selection as a Tough Choices or Tough Times state, Marc Tucker, keynote speaker,
- the role and potential contributions of Arizona's public and private postsecondary institutions,
- the goals and needs of today's adult student,
- college readiness issues in Arizona,
- a preview of the 2010 legislative agenda,.

On the Ground

- recognition of successful Arizona college access and transition programs,

- the early findings of the “Arizona’s Unfinished Business” study which examines how students, workers, employers, and policy leaders make decisions which become key factors in Arizona communities’ economic development.

Additionally, at this conference the ACPE presented the 9th Pathways to Postsecondary Education awards to outstanding college access programs representing K-12, postsecondary education, business, community, and public/private partnership. Awards were presented by Senator John Huppenthal and Representative Rich Crandall.

The Commissioners and staff have started planning the 2011 Developing Human Capital Conference although ACPE staff believes efforts may be hindered by an inability to find private funding in these difficult economic times.

3.3 Collaboration and Partnerships

Collaboration and partnerships are a critical component of the work of the ACPE. These shared efforts allow the important agenda of postsecondary education access and success to move forward through a shared effort by organizations with like goals.

Examples of the ACPE support include the Executive Director’s participation in the Governor’s P-20 Coordinating Council, the P-20 Higher Education Task Force, the Centennial Scholars Planning Committee, the Making Opportunity Affordable Task Force, College Depot Advisory Committee, the Casey Family Education Summit for Foster Care Youth, Passages, and the Arizona College Access Coalition.

In return, initiatives led by the ACPE staff and Commissioners rely on partnerships and collaboration. These include the Foster Youth Mentoring Program, the Developing Human Capital Conference, College Goal Sunday, the Pathways to Higher Education Awards, and the College Champion Network.

Unfortunately, two historical and beneficial initiatives undertaken by the ACPE have been discontinued due to reduced staff numbers and resource limitations: (1) the Postsecondary Articulation/Transfer Task Force (PATTF), and (2) the Student Financial Aid Task Force.

The Postsecondary Articulation/Transfer Task Force (PATTF) was charged by the Commission with identifying potential areas for articulation and encouraging articulation possibilities among postsecondary institutions. The goal of the Task Force was to ensure student access to the baccalaureate.

An example of task force work was a Commission sponsored conference which resulted in numerous articulation agreements between private and public Arizona postsecondary institutions. Held in October of 2005, the ACPE, in conjunction with the Academic

Program Articulation Steering Committee (APASC), held the *Next Step: Articulating Private & Public Postsecondary Education in Arizona* Conference.

The Commission would like the staff to again address these important issues; however, staff and budget reductions have not permitted the focus necessary to reinstate this issue centered task force.

Another interest of the Commissioners is the re-convening of the Student Financial Aid Task Force Task Force. The ACPE led this group and set a goal of improving financial access for students entering postsecondary education. For several years a collaborative group of thirty-five business, community, philanthropic, and education leaders focused on the mission of *raising the awareness of and support for solutions to financial barriers to postsecondary education access and attainment for low-income students*.

Examples of the work of this task force was a research study commissioned by the ACPE published in 2005 which was released at a forum with over 100 policy makers, state administrators, business, philanthropy, and legislators in attendance. The report and the roll-out event heightened awareness of the lack of financial aid available to students in the state. The initial goal of the Task Force was to quantify and inform policy makers regarding the issue of student financial assistance in Arizona. This was at least partially accomplished through the publication of Investing in Arizona's Future.

The next goal to be undertaken by the task force was to expand the number of stakeholders aware of and committed to providing financial access to postsecondary education for Arizonans. The initiative was placed on hiatus when the responsibility of the development and implementation of the Postsecondary Education Grant was assigned to the ACPE staff with a mandate for it to be up and running in FY 2007. Commissioners are interested in reinstating this initiative, but staff and resource support for such a time-intensive collaboration has not been available.

Conclusion

This report reflects the outcomes of the fifth year of a 5-year strategic plan initiated by ACPE Commissioners which is focused on three goals. It also outlines the impact of the recent budget and staff reductions on these goals and statutory responsibilities of the ACPE. The goals identified in the strategic plan are (1) increasing available student financial resources; (2) implementing strategies to help students and families, and (3) providing a forum for all sectors of postsecondary education to dialogue, partner, and problem solve issues of mutual interest for the benefit of Arizonans.

The ACPE has been impacted in FY 2007-08 and FY 2008-09 both by legislative action and the on-going economic downturn. Recently assigned responsibilities placed on the ACPE such as the Postsecondary Education Grant (PEG) program, the Early Graduation Scholarship Program, the Foster Youth Postsecondary Education Case Manager Program, the Arizona College Access Aid (ACAAP) and the Special Leveraging Educational Assistance (SLEAP) Programs require development and evaluation.

It must be recognized, however, that the on-going State revenue shortfall and subsequent budget and staff reductions have hampered the Commission's efforts to effectively and fully implement these new initiatives and to attain their maximum benefits for students, families and the State. The ACPE is functioning with just over 61% of the approved staff positions filled. The Commission also experienced severe budget reductions in FY 2008-09 when 41% of all appropriated general funds were returned.

These sizable reductions in appropriated funds resulted in the popular Postsecondary Education Grant (PEG) Program, the Private Postsecondary Education Student Financial Assistance Program (PFAP), and Early Graduation Scholarship being severely curtailed. Student grant funding suffered when the FY 2008-09 budget reductions decreased the funds available to students for PEG grants by 53% and for PFAP by 50%. Budget cuts to these programs ranged from 50% - 77%. At the time of this writing, more than 1,700 student applications are on a waiting list.

The ACPE staff has focused their work on the core financial assistance programs. These essential functions include (1) communication with students and families who have lost grant funding, (2) effective administration of existing grant programs, (3) oversight and improvement of the Arizona Family College Savings Program, (4) building a PEG and PFAP loan repayment program to address the imminent statutory obligation, and (5) continued coordination of the College Goal Sunday financial literacy initiative which is needed by families more than ever due to difficult economic times.

This focus has been successful and has resulted in achievements which are worthy of mention. For example, in FY 2008-09 more than 4,800 student grants were disbursed.

Additionally, the new student financial assistance website portal has been a great boon for students, families and postsecondary institutions. This portal provides a single application to students for 6 grant programs and allows colleges and universities to

conveniently certify attendance and academic progress. Furthermore, a number of aspects of administration of the Arizona Family College Savings Program (AFCSP) continue to improve. In the past year, the program has been recognized in several publications for exceptional investment performance and desirable investment options. Moreover, attractive conservative, FDIC insured investment options have been recently added and mutual funds with reduced fees have been added as options. The Arizona Family College Savings program is assisting families prepare for the costs of college through tax-deferred and tax free investment earnings and currently holds just over 51,000 college savings accounts.

Both of the Commission goals of (2) helping students plan, enter, and succeed in postsecondary education and (3) of providing a forum for all sectors of higher education to dialogue, partner, and problem solve issues of mutual interest are funded through grants, fees, and donations. These goals are supported through policy analysis and research, collaborative action led by ACPE staff, and participation in college access initiatives led by foundations, government, or non-profit entities with similar missions.

These initiatives are time intensive and thus are impacted by the five unfilled staff positions and increased workloads. Regrettably, valued and worthwhile ACPE initiatives such as the Student Financial Aid Task Force and the Articulation Task Force have been suspended due the lack of adequate staff and resource support. Specifics of the effects of these reduced resources are described within this report.

In spite of the staff and budget reductions, the ACPE continues to provide pertinent and state specific college awareness and student financial assistance information to Arizonans through the distribution of 27,500 *Rapid Guides to Financial Aid*, 15,000 copies of the *Arizona College and Career Guide*, 800,000 copies of the informational college-going publication, *Countdown to College Sunday* insert in the *Arizona Republic* and the *Tucson Daily Star*, and more than 160,000 visits to the ACPE sponsored websites. Each of these programs, resources, and college awareness publications are offered at no expense to the State, but rather are sponsored through grants, collaboration, or sales. In addition, the 2009 College Goal Sunday event allowed more than 4,000 students and parents to get help from financial aid professionals in completing the FAFSA and more than 30,000 visitors received web-based assistance in completing the FAFSA on-line.

Finally, the forum provided by the Arizona Commission for Postsecondary Education promotes dialogue and identification of common issues among all sectors of higher education. These issues are addressed through policy analysis and collaborative initiatives and partnerships. For example, in FY 2008-09 the College Goal Sunday involved more than three hundred and seventy-five financial aid professionals and earned more than \$130,000 in kind community support. Likewise, the ACPE staff has established relationships with the ADE, DES, and Casey Family Programs. Also, a research paper is under development by AMEPAC that will contribute to the knowledge base of student access and success in Arizona higher education. The ACPE will continue, as staff and budget allow, to initiate and support collaborative groups

comprised of stakeholders, develop research studies, and convene conferences or roundtable discussions that can identify postsecondary education opportunities and seek solutions to problems. The ACPE will continue to work in collaboration with many groups and organizations to improve the opportunities for students to enter and succeed in postsecondary education in a seamless manner.

The Arizona Commission for Postsecondary Education has identified a mission of *expanding access and increasing success in postsecondary education for Arizonans*. The Commission looks forward to initiating a planning process in 2010 to develop a new ACPE strategic plan taking into account the changing environment of student financial assistance, families and students and their expectations for postsecondary education, and higher education in Arizona.