



# **ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

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

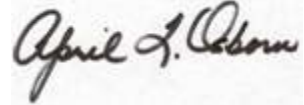
**ANNUAL REPORT**

**FISCAL YEAR 2007 - 2008**



Questions regarding this annual report and more detailed information about the Arizona Commission for Postsecondary Education are available from the website [www.azhighered.gov](http://www.azhighered.gov) or by contacting our office at 602.258.2435.

Respectfully Submitted,

A handwritten signature in black ink that reads "April L. Osborn". The signature is written in a cursive style with a large, looped initial "A".

Dr. April L. Osborn, Executive Director

**The Arizona Commission for Postsecondary Education (ACPE)  
2007 - 2008 Annual Report**

***Expanding Access and Increasing Success  
in Postsecondary Education for Arizonans***

Submitted December 27, 2008  
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 nine 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 fourth 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 two years both by legislative action and the recent economic downturn. New statutory responsibilities include the Postsecondary Education Grant (PEG) program which was initiated in the 2007 and the Early Graduation Scholarship Grant program which was established in the 2007 Legislative session. The successful development and launch of these important student financial assistance programs has been the focus of both the Commissioners and the ACPE staff over the past twenty-four months. 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 recent State revenue shortfall and subsequent budget reductions have hampered the Commission's efforts to effectively implement all assigned legislative initiatives. 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 9 positions are filled due to a lack of funds and the hiring freeze. Therefore, the agency has been asked to support existing functions and take on new responsibilities when less than 70% of the approved staff positions are filled. Massive budget reductions in FY2007-08 required the ACPE to return 50% of all appropriated

general funds; moreover, in 2008-09 the agency was required to return 3.05M or 41% of all appropriated general funds.

These reductions resulted in two student grant programs being severely curtailed. In FY2008 a 77% reduction of the Postsecondary Education Grant (PEG) Program funds caused the ACPE to cease awarding grants in April of 2008 because funds were exhausted. Regrettably, the FY 2009 appropriation reduction again decreased the PEG student grant funds by 53% and also reduced by 50% the Private Postsecondary Financial Assistance Program (PFAP) student grant funds. Additionally, in late October the Commission was asked to suspend all new PEG and PFAP grant awards while negotiations for further appropriation reductions are on-going. At the time of this writing, more than 1,400 applications are on hold awaiting these decisions. 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,

aid. Moreover, the operational budget for the agency was \$491,000 and more than ½ of this amount was supplied through administrative fees and grants. In addition, the agency generates \$191,000 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*, 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 and these goals. The conclusion summarizes how the parts of this report relate to the plan and the future of the Commission.

# Commissioners 2007 - 2008

## Arizona Commission for Postsecondary Education

Steven Corey, Chair  
Chief Operating Officer/CFO  
Prescott College

Dr. Debra Duvall  
Superintendent  
Mesa Unified School District #4

Teena Olszewski  
Arizona GEAR UP  
Northern Arizona University

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

Teri Stanfill  
Executive Director  
Arizona Board for Private Postsecondary Education

Dr. Bill Pepicello  
President  
University of Phoenix

Dr. David Curd  
President  
College of Humanities & Sciences

Joel Sideman  
Executive Director  
Arizona Board of Regents

Ali John Farhang  
Attorney At Law  
Farhang & Metcuff, PLLC

Dr. Anna Solley  
President  
Phoenix College

Dr. Timothy Trent  
Superintendent  
Globe Unified School District

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

Vacant  
Senior Executive from a cosmetology school with  
national accreditation

Two (2) Vacant Positions  
Senior Executive from a private postsecondary  
institution offering vocational education programs  
with national accreditation

Vacant  
Senior executive from an institution offering vocation  
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### Commission Staff

Dr. April L. Oiborn  
Executive Director

Carol WilliTw(w2(s)2.5( )J]J0 -1.1497 TD-.0006 Tc-.0018 Tw[Prog Tw qu)4.7(d Office Mqu)4.7(a)-1.3(g)4.7(e)-1.3(r )J]J24.7  
AZ 529 College Savings Plan Director

Michael B Ten  
Assistant Financiau Aid Director

Ka000erine Johnson

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## **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) development and implementation of the Postsecondary Education Grant (PEG) Program which was established in the 2006 legislative session, (4) development and launch of the new Early Graduation Scholarship Grant program which was established in the 2007 legislative session, (5) management of grant repayment programs, (6) oversight of the state student loan guarantor, and (7) management of the Arizona Family College Savings Program.

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. The Arizona CACG included three components and the need based 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 grant is being restructured and administered in conjunction with the ACAAP Grant. Both grants were launched in December of 2008.

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 have been radically reduced. PEG student grant funds were reduced by 77% and 53% in FY 2008 and 2009, respectively. Likewise, the Private Postsecondary Financial Assistance Program (PFAP) student grant fund was cut by 50% in 2008-09. Both grants were put on suspension in October leaving the 1,400 pending student applicants and families in uncertainty regarding their financial resources for continued college attendance.

The Commission's previous experience with PFAP grant budget cuts raises concern about the future of the PEG and PFAP grants. Cutting PFAP grant funds to \$170,500 in FY 2004, FY 2005, and FY 2006 resulted in an 80% reduction in applications. The ACPE is still trying to rebuild this program.

In such troubled economic times the Commission is determined to continue to support families seeking financial assistance in paying for college. Yet, more than 30% of ACPE staff positions are unfilled due to budget reductions. Therefore, priorities have been established and the student financial assistance programs listed in the first paragraph including administration of 6 State grants, management of grant repayment programs, and management of the Arizona Family College Savings Program are the core of the ACPE responsibility. Therefore, priority has been placed on communicating with and effectively serving the more than 7,250 students and their families who annually apply for and receive student financial aid from the ACPE, oversight of the program managers holding of more than 49,000 college savings accounts, building the



Early Graduation Scholarship Grant Program, developing the PEG and PFAP repayment programs required in statute, and ensuring the continuation of the College Goal Sunday financial literacy program.

The College Goal Sunday initiative is designed to (1) assist families in filing the Free Application for Federal Student Aid or FAF

1.1 **Leveraging Educational Assistance Partnership (LEAP) and**

- Roster submission was replaced with disbursement of funds to institutions three times during each fiscal year; 25% in September; 25% in December; and the remaining 50% in April
- Institutions controlled the grant initial approval and the record keeping of student applications and awards
- Roster transmission from the institution to ACPE transpired only in June and the ACPE certified students as eligible from that single roster
- Institutional audits were based on the final roster as transmitted

Annual LEAP administration performance measures were collected through anonymous 2007-2008 surveys from institutional financial aid administrators and reviewed by the ACPE staff. The 2008 surveys indicated 94% or greater satisfaction with administration of this program by the ACPE. This survey received a 66% return rate of the 44 institutions participating in the LEAP grant, meaning 29 responded.

The survey also reveals 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 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. This includes an annual SLEAP application and annual performance reports.

In FY 2007-2008, Arizona joined the ranks of the 45 other states that received Special LEAP (SLEAP) funds. The additional federal SLEAP funds awarded to Arizona for 2007-08 are a direct result of the Commission reporting the \$5 million increase in legislatively appropriated Arizona Financial Aid Trust (AFAT) funds in 2007. These new AFAT dollars were counted as additional state matching dollars when the ACPE staff completed their annual application for LEAP funds, allowing Arizona to apply for additional funds. The Arizona state LEAP application brought the State an additional \$675,003 and \$659,000 in SLEAP funds in FY2008 and FY 2009, respectively. 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, the Arizona application for future SLEAP funds would be in jeopardy.

There are three authorized ways in which SLEAP need-based grants can be administered: (1) as a supplement LEAP grant awards, or increase the number of LEAP

Program recipients (2) to supplement LEAP community service work-study awards, or (3) to provide scholarships to eligible students for merit and academic achievement. For example, critical career scholarships can be awarded to eligible students in programs that are determined to be critical to the States workforce needs.

In order to distribute SLEAP funds in the 2007-08 academic year in a timely fashion, the funds were included with the LEAP funds and were distributed to the participating LEAP institutions for awarding. Institutions were required to use the funds to add to existing student LEAP awards or to award the SLEAP to new need-based eligible students. These student grants are reported in section 1.1 with the LEAP grants.

The ACPE application for SLEAP funds was again successful for FY2008-09 and \$659,000 was provided for need-based grants for Arizona students. It was determined that in order to create a strong need-based aid program for low income students, the ACPE would administer the SLEAP Grant in conjunction with the Arizona College Access Aid Program (ACAAP). Details on this program can be found in section 1.1.B.

The FY2008-09 SLEAP program is designed to assist sophomore, junior or senior students with substantial financial need (Pell eligible), who are seeking associate or baccalaureate degrees in STEM or Education/Teaching programs at any regionally or nationally accredited institution in the State of Arizona. Maximum award is \$2,000 for the year and funds can be applied toward any educational expense documented in the student's Cost of Attendance (COA) at their institution.

The application is on the AZ Grants student financial aid portal at [www.azgrants.gov](http://www.azgrants.gov). The student application for SLEAP is integrated into the existing state grant applications, providing one seamless application process for students.

The student application went live November 24, 2008. Over one hundred applications were received within the first week and more than 600 applications have been received at the time this report was submitted. The ACPE staff continues to promote the SLEAP Program at postsecondary institutions, college access programs, and high schools.

### **1.1.B Arizona College Access Aid Program (ACAAP)**

The Arizona College Access Challenge Grant (CACG) application was submitted by the Governor's Office 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.

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 the next two years) 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 work began on building a semi-automatic student application. The student application is on AZ Grants student financial aid portal at [www.azgrants.gov](http://www.azgrants.gov)

The ACPE began to rebuild the PFAP Program after several years of reduced funding. In 2007-08, only fifty PFAP Grants totaling \$69,500 were disbursed. The ACPE has established a plan to aggressively promote the program with both community college students and private postsecondary students. Promotion activities were successful and more than 150 applications were received in September of this year.

Unfortunately, the State's revenue shortfall required the ACPE to return \$400,000 of the \$800,000 in PFAP funds appropriated for FY2009. Moreover, the ACPE was notified in October to suspend all new student grant funding for the PFAP Program. Prior to the suspension of the Grant, the ACPE awarded 151 student grants for a total of \$306,000 (both semesters). Over fifty additional students are currently on a waiting list for funds should the Grant be reinstated.

More than 1,400 students have benefited from the PFAP Program since the program inception. The Program has a graduation rate of 86%. Thirty-four percent of these graduates were minority students. Hoping to achieve similar results, planners of the Postsecondary Education Grant patterned it after the PFAP program.

Annual performance measures collected through anonymous surveys from postsecondary institutions in FY2007-08 indicated 91% or greater satisfaction from financial aid professionals with administration of this program.

The PFAP program has produced a total of 989 private colleges and universities graduates since its implementation in 1997. 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% this fiscal year and the grant was put on suspension. Because students are being turned away due to reduced PFAP grant funding, the Program will require a rebuilding period to achieve the numbers of applications seen this year. 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 (Forgivable Loan)**

The PEG program is a non-need based grant (forgivable loan) for Arizona residents who attend an Arizona postsecondary college or university to obtain a baccalaureate degree. The maximum grant is \$2,000/year for up to four calendar years. These funds must be used for tuition, books and fees. Students must obtain the bachelor degree within five years. Should a student not obtain a bachelor degree within five years, the student must repay the entire grant funds back to the Commission.

The Postsecondary Education Grant program was launched in March of 2007. This report includes information on the PEG program administration from its inception

through October of 2008, when PEG program funds were placed on suspension due the State revenue shortfall.

March 2007 – June 30, 2008: Launch, Infrastructure  
and 13 months of Grant Administration

Charged with the administration of this grant (forgivable loan) the Arizona Commission for Postsecondary Education sought ways to launch the program as quickly as possible with limited personnel and financial resources.

The ACPE turned to Arizona's degree-granting private colleges and universities to assist in initiating this program. The private colleges provided guidance for grant development and offered loaned IT executives to develop the specifications for a secure, web-based IT system that would support a grant of this size with only 3 personnel. Their planning served as the basis for launch of the PEG program with a stop-gap IT system. The contributions of manpower provided by the private colleges

Phase I of this web-based grant management system provides two critical needs for the PEG program. First, the grant management program reduces the amount of manual tasks required for each grant verification and disbursement of funds. Second, the system provides security of data transmission through the internet to ensure privacy of personal information.

A challenge looming before the ACPE is the servicing and loan collection systems for the PEG Program. Statute 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 a repayment program. The ACPE is investigating the possibility of contracting with a firm for the loan servicing and collection functions. Simultaneously, the ACPE is developing the IT requirements for a debt default prevention program and for tracking students over a period of 7-15 years for loan repayment as required for this grant, should this prove the more prudent decision.

Unfortunately, the appropriation for PEG in FY2007-08 was reduced by 77% and the ACPE was required to return 53% the PEG grant appropriation or \$2.55M for FY 2008-09 to general funds. Moreover, the awarding of the remaining PEG Program funds was suspended in late October due to budget negotiations and the revenue shortfall. The Commission continues to be concerned about the future of the program with the loss of financial aid FTE and the loss of student grant funds. With over 4,000 grants issued the repayment part of the program must be developed and staff must be available to implement this loan repayment responsibility.

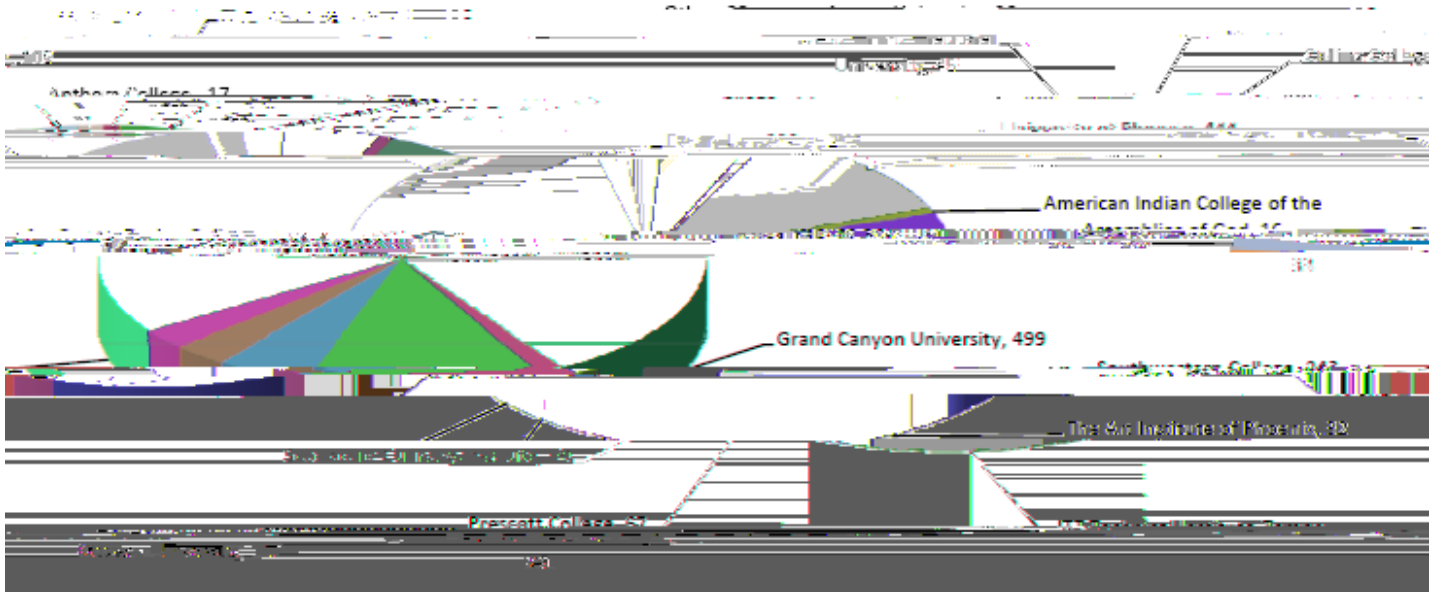
Prior to the suspension of the PEG Program, the ACPE marketed the PEG Program in the *Rapid Guide*, the *Arizona College and Career Guide*, and in the *Countdown to College* publications. The *Countdown to College* insert reaches over 800,000 households. These publications coupled wit



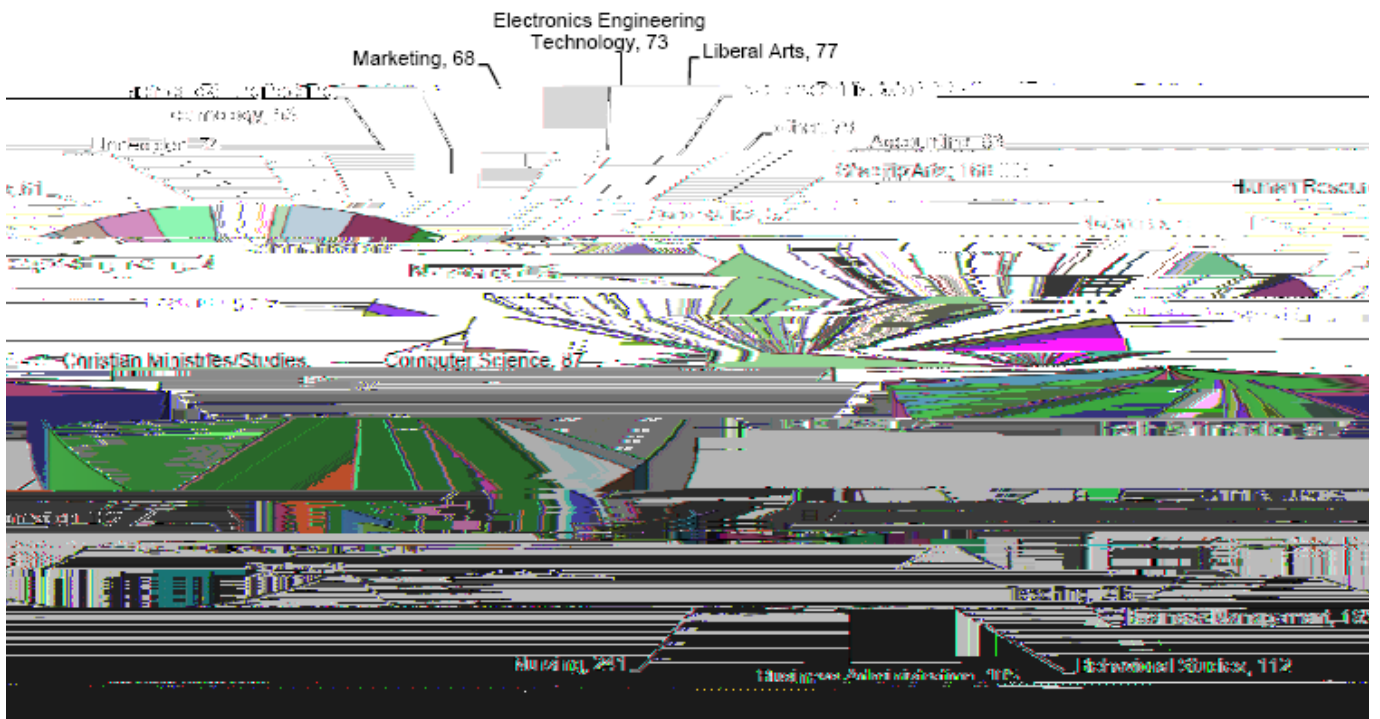
colleges in planning and verifying student eligibility. Moreover, staff commonly report stories of the changes in students' lives and express of gratitude from the students receiving PEG Program funds to pursue a postsecondary education. Most importantly, the 4,033 students applied and received funds when the grant has been available only 16 months is evidence of the great need for this program. Likewise, the 1,400 applications filed and awaiting funding in December indicate the importance of this grant for Arizona students.

Postsecondary Education Grant Program  
 FY 2007-2008  
 2,442 Grants Awarded

Number of Grants by Institution



Number of Grants by Program



## **1.4 Early Graduation Scholarship Grant Program**

### **Introduction and Description of the Scholarship**

On September 17, 2007, a new legislative mandate titled the Early Graduation Scholarship Grant (EGSG) Program went into effect. This report includes information on the first partial year (September 17, 2007 to June 30, 2008) of grant administration and a progress report on the administration of the Program since the end of the 2008 fiscal year.

This non-need based grant is intended to act as an incentive for high school students to graduate early and promptly transition into a postsecondary education experience. High school students that graduate at least one year early and enroll full-time can receive up to \$1,250 for their first year and up to \$750 for their second year of postsecondary education; those who graduate one semester early and enroll full-time can receive up to \$1,000 their first year and up to \$500 for their second year. EGSG funds are available to early graduates to attend public/private colleges, universities, community colleges or vocational postsecondary institutions. Students may attend over 100 regionally or nationally accredited institutions in the State of Arizona.

Arizona Statute directs the Department of Education (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.

#### **Laying the Foundation: September 17, 2007 to June 30, 2008**

The EGSG Program went into effect September 2007. Planning for the administration and start up of the Grant began immediately with existing ACPE staff; however, funds were not available to develop a web-based application, hire financial aid professionals or promote the Program to students and families until January 2008. At that time, staff was hired and an infrastructure was created for the EGSG program. In an effort to quickly make the grant available to students a semi-automatic online application was created.

additional \$41,375 is promised to these students for future payments. Moreover, since students have three years to access EGSG funds and additional students will apply



## **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), and is developing a repayment program for PEG program recipients. The ACPE provides all former financial assistance program 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 only 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 each of the repayment programs administered by the ACPE follows.

There have been 1,392 students awarded the PFAP grant. Of those, 962 recipients have fulfilled their obligation by receiving their bachelor's degree in the three year allotted time frame. Of the remaining 430 award recipients, 27 students graduated after 3 years and the remaining 403 students are in the process of completing their bachelor's degree and 96 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 145 former recipients requiring repayment. Of those, 92 are actively making payments to the Commission or the Attorney General. Thirty-one grant recipients have been referred to the Office of the Attorney General. Thirty-three grantees have completed their obligation by either making payment directly to the Commission or through the Office of the Attorney General; 14 have been deemed uncollectible by the Attorney General's office, 3 loans have been forgiven due to medical reasons, and 3 have been abated because the former student is deceased. The remaining 42 recipients are in pending status.

Of the 254 former PDTs recipients, 10 are currently making payment to the Commission, and 32 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 PDTs 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. 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. The Commission staff is researching the appropriate manner to deal with this responsibility. The number of staff at the Commission will not support a manual or personnel intensive large repayment program. Consequently, staff with a national IT firm is building a loan repayment IT system, contracting with a loan repayment entity or a combination thereof whereby the IT contractor will set up the repayment functions then contracted to a loan servicing firm. The 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**

Due to the increasing costs of postsecondary education, loans are becoming a significant source of funding to which students and families turn for higher education costs. As the Arizona State Guarantor for student loans, USA Funds guaranteed \$2.2 billion in new educational loans to more than 197,000 Arizona borrowers – including Federal Stafford loans for 189,000 students and Federal PLUS loans for 7,500 parents and students for the 2007-2008 academic year. The dollar volume of loans represents a 47% increase over the 2006-2007 academic year and the number of borrowers increased by 32% over the same time frame.

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 2004, 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.

USA Funds has chosen to be a partner with the State of Arizona in increasing the college going rates. USA Funds serves as one of several sponsors for College Goal Sunday, supported the Developing Arizona's Human Capital Conference, and funded both the Investing in Arizona's Future research study and the printing and distribution of the *Rapid Guide to Financial Aid*.

In addition, USA Funds awarded \$630,000 in new and renewable scholarships to Arizona residents for the 2007-2008 academic year through USA Funds' national scholarship program. These scholarships assist students in financial need — particularly those who are either members of ethnic-minority groups or are physically disabled — as they finance their higher education.

During the past five years, USA Funds has awarded grants and sponsorships totaling nearly \$1.5 million to projects that enhance higher education preparedness, access and success in Arizona.

## **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.

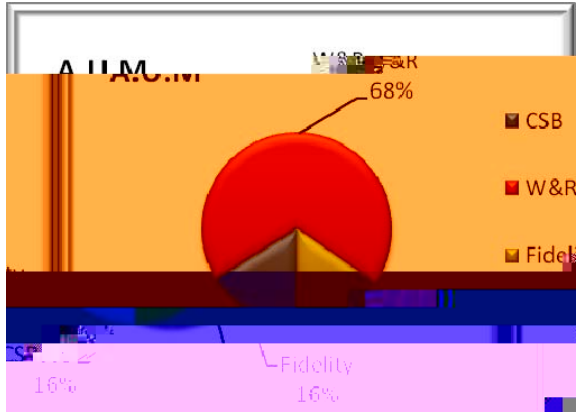
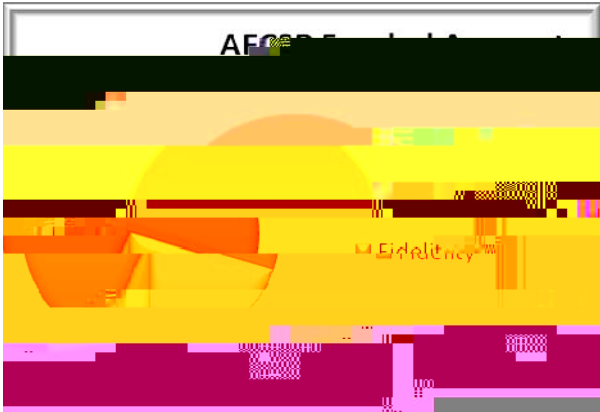
A state-sponsored 529 plan is a tax-advantaged program intended to help individuals and families pay the cost of higher education. The AFCSP is designed to encourage savings by allowing 529 plan earnings to grow tax-deferred and distributions to be withdrawn tax-free if used for qualified higher education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



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.

The investment options are listed below.

<b>AFCSP Investment Offerings</b>	
<b>College Savings Bank</b> (direct-sold)	
• <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



In 2007, the Office of the Auditor General conducted a Performance Audit on 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

- Low fees and expenses for accountholders
- 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 at 6-month intervals with the Commission on the status of those recommendations that have not yet been fully implemented. The current status of Auditor General's recommendations as of October 31, 2008 is as follows:

- 5 have been implemented
- 3 are in the process of being implemented: and
- 8 are not yet applicable

In 2008, the severe financial economic downturn contributed to market corrections on a global scale. As a part of the severe correction in the financial markets, the AFCSP assets under management decreased in the later part of the year indicative of the depreciation in the stock market.

The AFCSP providers reported 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. New accounts and deposits were up along with incoming rollovers, approximately 1,000 in October, due to the conservative nature of the College Savings Bank options and FDIC insurance on all of their products. Overall in 2008, the AFCSP experienced a substantial decrease in assets under management due to the market correction and not from the withdrawal of 529 funds from plan participants. This signifies that 529 plan participants are committed to the importance of saving for college and recognizing that it is an important long term investment.

In 2008, the ACPE oversaw several initiatives to strengthen the Program for the benefit of investors. These initiatives included: (1) AFCSP providers offering additional quality

First, the Arizona the Family College Savings Program has increased its conservative program offerings. College Savings Bank introduced two new investment options. College Savings Bank's first investment option implemented in 2008 is its InvestorSure CD. The InvestorSure CD is a variable rate certificate of deposit indexed to the Standard & Poor's 500 Composite Index (S&P 500). Next was the introduction of the Fixed Rate CD option which is College Savings Bank's most conservative CD option and offers a fixed interest rate for 1-yr or 3-yr terms. Such options are particularly attractive to families in this economic environment.

In addition, in late 2008, College Savings Bank offered plan participants two additional savings options, the Accumulator Account and the basic Savings Account. Unlike many investments, all College Savings Bank's investment options offer principal guarantee and each option features FDIC insurance to at least \$250,000 per depositor.

Second, on October 1, 2008, Governor Janet Napolitano proclaimed October as "College Savings Month" for Arizona; a state-wide education initiative to create an increased awareness among Arizona families about saving for a child's college education by participating in the Arizona Family College Savings Program (AFCSP).

This year a leading Arizona marketing firm coordinated a public relations effort with the three AFCSP providers to draw attention to "College Savings Month". The main theme of the campaign was to communicate that even in this volatile financial economy, you can easily start a 529 plan with as little as \$15 per month with an automatic direct

In conclusion, given the financial turbulence in this global economy, 2008 was a

## **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 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 access student financial assistance, 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 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 which places its future in jeopardy.

It is realistic planning with appropriate and accurate information that will assure a child is academically ready, the family 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 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 web site 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 K-12 counselors, high school students, higher education institutions, and the information seeking public. The ACPE has compiled and disseminated the publication since 1975.

The ACCG document was revised throughout FY07-08 including reformatting to make it easier for students and counselors to read and research Arizona schools. Plus, 60 of Arizona's new private postsecondary institutions were added to the document making it a more complete and thorough reference source. The formatting changes undertaken in FY 07-08 also provided postsecondary institutions the opportunity to economically advertise their programs. Due to reduced staff and the time required to make these extensive revisions, the ACPE was unable to distribute the document in FY07-08. However, in the fall of 2008 15,000 copies of the ACCG were printed and 14,000 will be





### **2.3 College Goal Sunday (CGS) Program**

The Arizona Commission for Postsecondary Education hosts an important statewide annual event titled College Goal Sunday (CGS). College Goal Sunday has been organized for the past eleven years by the ACPE. The 13<sup>th</sup> annual event is being planned and will be held on February 7<sup>th</sup> and 8<sup>th</sup>, 2008 at 30 sites throughout Arizona. Seven 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 access postsecondary education.

The event is offered in partnership with the Arizona Association of Student Financial Aid Administrators (AASFAA). In 2008, College Goal Sunday was held in 29 Arizona communities on February 10<sup>th</sup>. On this Sunday afternoon, more than 312 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 learn about the financial aid process. Three thousand four hundred and twenty-one students and parents attended. Since 1997, over 30,000 students and their families have been helped by this event.

This event successfully achieves its purpose. The 2008 College Goal Sunday survey reported that for 40% of the students attending neither parent attended any college; an additional 24% 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 2008 was 64%. This is a 8% increase over last year.

A high percentage of low-income and minority families are first-generation college-goers; therefore, the ACPE was pleased to find that 45% of those assisted at the event reported having an annual income of \$40,000 or less. Furthermore, the 2008 event survey also indicated a 36% Hispanic, 4% Native American, and 7% African-American participation rate.

ACPE sponsors the [www.collegegoalsunday.com](http://www.collegegoalsunday.com) web4737 Twh1ttendisn0001 last year. ho%

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 2009 event from USA Funds, and Lumina Foundation.

#### **2.4 “Countdown to College” Sunday Insert**

In 2008, 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 2008 “Countdown to College” included several 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 2009 and will be distributed as a special insert in Phoenix, Tucson, and outlying areas to nearly 800,000 households on February 1, 2009. 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. Toward this end, a general education awareness and information campaign for students and their parents titled *Think College* was developed to emphasize the importance of staying in school, raising expectations, and creating a positive attitude among students and their parents about postsecondary education possibilities.

In the past, *Think College* was comprised of three publications and were sponsored by two financial partners as follows: (1) USA Funds sponsors *Measuring Your Child’s Progress: Preparing Your Child for Higher Education* for middle school through high school parents and (2) Ed Funds sponsors *Carlton Q. Cat: Cool Cats Stay in School* for third and fourth grade students and *The Future 5: The Power of Your Mind* for seventh and eighth grade students. Thanks to the generosity of these partners, these publications were provided to the schools free of charge.

In 2006, a thorough review of these publications, their value to students and families and the time and expense of distribution was evaluated. As a result, the printing of *Carlton Q Cat*, *The Future Five*, and *Measuring Your Child’s Program* was discontinued

in FY07. However, the Commission had a large supply of *Carlton Q* and *Future Five*, and in FY 08 was able to fill requests for these documents from elementary and middle school administrators so that all remaining documents totaling 11,650 were distributed statewide.

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. Staff modified the *Rapid Guide to Financial Aid* publication to include Arizona specific information. This *Guide* includes 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 and the Commission notified public high school and

His presentation centered around a variety of postsecondary education statistics for Arizona and how they compared to other states and the nation as a whole. The conference was successful in meeting the Commission's goals and approximately 200 individuals participated.

The Commissioners and staff have started planning the 2009 Developing Arizona's Human Capital Conference scheduled for November 12<sup>th</sup> and 13<sup>th</sup>. The first steps of securing sponsors and keynote speakers are underway.

## **2.7 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

\$100,000 appropriated for this program in 2009 was part of the budget reduction, yet the foster youth/young adult case manager program is being executed through June of 2009 via contracts accepted in June of 2008 by Pima Community College, ChildHelp, and the Children's Action Alliance.

### **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. In addition, Commissioners have established a standing Postsecondary Needs Committee that is called upon to identify opportunities for collaborative action. Issues that have

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 Report 2007: A Snapshot of Arizona's Educational Achievement* was introduced at the Developing Arizona's Human Capital Conference and one of the authors, Nancy Osborne, compared 2007 statistics to 2003 and 2005. The report was printed courtesy of SRP and 1,300 copies of the report were distributed to legislators, business leaders and educators. At the time of writing this annual report, the ACPE is in the process of procuring researchers to work on the 2009 report. AMEPAC plans to add more data to the '09 report and complete a trend analysis of data once the 2009 information is included. Further, AMEPAC members hope to be able to make policy recommendations after reviewing the trends revealed by the data. AMEPAC's goal is to have this report published and distributed by May of 2009. SRP will again be approached to sponsor the printing of this study.

AMEPAC members are also undertaking a major strategic planning effort to enhance the impact of the Center and its 16 volunteer members over the next year. In the new strategic plan AMEPAC will shift its research focus to the broad societal consequences of Arizona's low college-going rate. What is the demand for education from the Business, Government and general employment sectors? Can the education system fulfill the needs of the labor market? What happens to the society as a whole (macro) and individual people (micro) if the education system fails to meet the demands of the labor market? In the fall of 2008 AMEPAC contracted with the Morrison Institute to prepare a paper that highlights the questions that need study. This paper will be used to market the full study to potential sponsors and partners to help with this proposed research and policy analysis. Members believe that accurately researching this study will require the help of a major business, education or philanthropic partner. Their goal is to launch the results of this study at the 2009 Developing Arizona's Human Capital Conference on November 12-13.

### **3.2 Postsecondary Articulation/Transfer Task Force (PATTF)**

The Postsecondary Articulation/Transfer Task Force (PATTF) is charged by the Commission with identifying potential areas for articulation and encouraging articulation possibilities among postsecondary institutions. The goal of the Task Force is to ensure student access to the baccalaureate. The Task Force has been in suspension; however, Commissioners requested that the PATTF be reconvened in order to continue to refine its mission and goals and to identify a program of work for the next few years.

Previous Task Force members set five long-term goals for the group including (1) educate others regarding articulation, (2) examine trends in transfer and articulation, (3) recommend guidelines/principles for establishing articulation agreements, (4) recommend the addition of accountability/outcome measures for transfer students, and (5) establish a "clearinghouse" for dissemination of information.

One of the outcomes of the PATTF 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 PATTF, 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..

The ACPE staff looks forward to working with the new members of the Task Force to refine the existing mission and goals and to plan a new program of work in the future.

### **3.3 Student Financial Aid Task Force**

Members of the ACPE convened a Student Financial Aid



## **Conclusion**

This report reflects the outcomes of the fourth year of a 5-year strategic plan initiated by ACPE Commissioners which is focrl

It is also important to note, that focusing on the effective administration of the core financial assistance programs assigned to the Commission has been successful and has resulted in achievements which are worthy of mention. For example, in FY 2008 more than 7,250 student grants were disbursed; this is a record number for the ACPE. Also, the growing popularity of the new Postsecondary Education Grant (PEG) and the Early Graduation Scholarship Grant programs with students and families is remarkable and largely due to repeated and targeted awareness activities undertaken by the ACPE staff.

Additionally, the launch of a new student financial assistance website portal has been very well accepted by students, families and postsecondary institutions. This portal provides a single application to students for 5 grant programs and allows colleges and universities to conveniently certify attendance and academic progress for 6 separate grants. Furthermore, all 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. Several attractive conservative, FDIC insured investment options have been recently added. 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 more than 49,000 college savings accounts.

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 task forces, 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 four unfilled staff positions and increased workloads. Regrettably, valued and worthwhile ACPE initiatives such as the Student Financial Aid Task Force, the Articulation Task Force, and the Case Manager Program for Foster Care Youth and Young adults have been delayed, suspended, or contracted out due the lack of adequate staff support. Specifics of the effects of this reduced support 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 *Rapid Guide to Financial Aid*, *Arizona College and Career Guide*, Countdown to College Sunday insert, informational college-going publications, and the ACPE 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 FY 2008 more than 3,400 students and parents received assistance from financial aid professionals in completing the FAFSA, more than 18,000 visitors received web-based assistance in completing the FAFSA on-line,

