

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**GENERAL FUND**

**FY 2010 General Fund Budget      4,369,700**

**AGENCY REDUCTION TARGET - GENERAL FUND      \$655,455**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
	Reduced Grants and Scholarships in the Private Postsecondary Education Student	
1	Financial Assistance Program (PFAP)	\$150,000
2	Reduced Grants and Scholarships in the Postsecondary Education Grant Program (PEG)	\$455,455
3	Reduced Services to Foster Care Youth Through Case Managers	\$50,000
	<b>Issue Total</b>	<b>\$655,455</b>
	Fund Total as a Percentage of General Fund Reduction Target	100%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**ALL NON-GENERAL FUNDS**

**FY 2010 All Non-General Funds Budget (less Federal Funds) 5,914,500**  
**Duplicated PEG Fund 2530 correction (Reported in General Funds) 2,656,000**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$488,775**

<b>Fund 2364-N and Fund 2530-N</b>	<b>Reductions Amount</b>	<b>Percent Reductions</b>
Early Graduation Scholarship Grant Fund	<u>\$488,775</u>	100.0%
<b>Issue Total</b>	<b><u>\$488,775</u></b>	
All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target		100%

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**EARLY GRADUATION SCHOLARSHIP GRANT FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds) 5,914,500**  
**Duplicated PEG Fund 2530 correction (Reported in General Funds) 2,656,000**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$488,775**

<b>Priority</b>	<b>Reductions in Student Grants and Scholarships and Correction of Duplicate PEG Fund Reporting</b>	<b>Reductions Amount</b>
4	Reduction in Student Financial Aid Provided through the Early Graduation Scholarship Grant Program	<u>\$488,775</u>
	<b>Issue Total</b>	<b><u>\$488,775</u></b>
	<b>Fund Total as a Percentage of Non-General Fund Reduction Target</b>	<b>100%</b>

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**Issue Title:** Reduced Student Grants and Scholarships in the Private Postsecondary Education Student Financial Assistance Program (PFAP)

**Issue Priority: 1**

**Reduction Amounts:**

General Fund: \$150,000

**Total: \$150,000**

**Issue Description and Statement of Effects**

**Function of the Program:**

The Arizona Private Postsecondary Education Student Financial Assistance Program (PFAP) is a student-centered grant designed to financially support and encourage Arizona community college graduates to attend a private postsecondary baccalaureate degree granting institution in Arizona. The maximum grant is \$2,000 per year for up to two years and qualified expenses are limited to tuition, books and fees. The funds must be repaid to the ACPE if the student fails to achieve a bachelor's degree in three years.

The goals of the program include (1) strengthening the private higher education sector to provide education sector competition, (2) providing a 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.

**Effect of Reduction:**

The effects of what now totals a 69% reduction in funding for this program include a loss of financial aid to private college students, less support to the private higher education sector, loss of potential cost savings to the state by encouraging students to seek a private education, and potential legal challenges to repayment provisions.

A 50% reduction of these grant dollars was carried from FY 2009 into FY 2010 budget. The total reduction to this program with this additional 15% now totals 69%. The total number of students who can be served by the PFAP program will be 105 as compared to full funding which would serve 360 students. The loss of this additional 15% reduces the numbers of students who can be served by 75 students.

The Arizona private higher education sector has been strengthened by the PFAP grant. Arizona's private colleges and universities have generally seen growth in attendance since the PFAP grant initiation in 1997. There has been an increase in numbers of Arizona private colleges and universities offering bachelor's degrees over this period of time. As with the PEG program, the private colleges and universities cite the PFAP grant as a contributing factor to their recruitment and financial aid efforts to attract community college graduates to their campuses. As with PEG the cost savings to the State cannot be quantified because no annual State student support figure is assessed to Arizona public universities. However, common sense suggests that there is a significant savings. For example, if the State supports a public university student education at an \$8,000 annual level and the average graduate takes five (5) years to complete a degree, the State investment for the last three (3) years of a student's education would be \$24,000 as compared to the PFAP investment of \$4,000 for the final two years along with the State contribution to two years of community college education.

Legal challenges may arise. The PFAP program was designed to support students through two (2) years of college/university attendance and requires the funds to be repaid to the ACPE if they do not achieve a bachelor's degree within three years after the first grant was accepted. The lack of funds will result in a broken cycle of two (2) years of funding for students in the program; yet, by statute students must repay the grant funds they received. This could result in legal challenges upon collection and also burdens the agency with large numbers of grantees going into repayment. This represents an issue that may require legislative action to reverse the repayment requirement because the renewal grants were not available to students admitted into the program.

Possible alternative ways to fund the program:

A charitable campaign could be mounted to seek funds from private individuals, employers, public community colleges to support private college and university students toward their educational goals. Potential champions for the PFAP program would be the Goldwater Institute or the Governor.

Location in the Agency:

ACPE Office

Legal Citation for function:

ARS 15-1854

DRAFT

October 9, 2009

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**Issue Title:** Reduced Grants and Scholarships in the Postsecondary Education Grant Program (PEG)

**Issue Priority:** 2

**Reduction Amounts:**

General Fund: \$455,455

**Total:** \$455,455

**Issue Description and Statement of Effects**

**Function of the Program:**

Established in 2007 the Postsecondary Education Grant (PEG) is a student-centered grant designed to financially support and encourage students to attend private postsecondary baccalaureate degree granting institutions in Arizona. The maximum grant is \$2,000 per year for up to four years and qualified expenses are limited to tuition, books, and fees. The funds must be repaid to the ACPE if the student fails to achieve a bachelor's degree in five years.

The goals of the program include (1) strengthening the private higher education sector to provide competition, (2) providing a 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.

**Effect of Reduction:**

With the 15% reduction indicated as the maximum for this exercise the total grant will be reduced by 65%. The total number of student grants available would be 847 with the 15% reduction, as compared to 2,400 grants as delivered in 2008 when the program was fully funded. The impact of reductions at this level include:

- Loss of cost savings to State when students choose private higher education institutions,

- Lost opportunity to strengthen the Arizona private higher education sector,
- Loss of baccalaureate degrees and consequent economic benefit,
- Loss of confidence in program and challenges in reestablishing a viable student assistance program, and
- Potential legal challenges due to required repayment provision if baccalaureate is not achieved in five (5) year time frame as outlined in statute

The PEG program was initiated in 2007 and quantitative evidence of achieving its goals is not yet available. However, early indications of success are evident. Arizona's private colleges and universities have generally seen growth in attendance over the past two years. According to the private colleges and universities the PEG grants have been a contributing factor to their successful recruitment and financial aid efforts. Likewise, the cost savings to the State cannot be quantified because no annual State support figure per student is assessed to Arizona public universities. However, common sense suggests that there is a significant savings. For example, if the State supports a public university student education at an annual level of \$8,000 and the average graduate takes five (5) years to complete a degree, the State investment would be \$40,000 in that student's degree as compared to the PEG program investment of \$8,000.

It is evident that reductions in PEG funding will cost the State in increased support expenses for educating public university students. Likewise, the reduced funding levels will cost the state in increased college dropouts and reduced baccalaureate degrees.

Moreover, there may be legal challenges. The PEG program was designed to support students through four (4) years of attendance and requires the student to repay grant awards to the ACPE if they do not achieve a bachelor's degree five years after the first grant was accepted. The lack of funds have resulted in a broken cycle of the four (4) years of funding for returning students in the program; yet, by statute students must repay the grant funds they received. This could result in legal challenges upon collection and also burdens the agency with increased numbers of disgruntled grantees going into repayment. This is an area that may require legislative action to reverse the repayment requirement due to the inability to provide four (4) years of funding to students in the program as expected.

Finally, successful grant programs are built upon trust between the granting agency and the student and their family. Grant programs can fail when this trust is absent. This could be an outcome of the lack of sustained and consistent

funding for the program. The PEG program was gaining in popularity, but recent budget cuts have resulted in student discouragement and failure to reapply for funding. Yet, each year there are more student applicants than there are funds available. In 2009, approximately 1,000 applicants were unfunded.

Possible alternative ways to fund the program:

A charitable campaign could be mounted to seek funds from private individuals and employers to support private college and university students toward their educational goals. Potential champions for the PEG program campaign would be the Goldwater Institute or the Governor.

Location in the Agency:

ACPE Office

Legal Citation for function:

ARS 15-1855

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**Issue Title:** Reduced Services to Foster Care Youth Through Case Managers

**Issue Priority:** 3

**Reduction Amounts:**

General Fund: \$50,000

**Total:** \$50,000

**Issue Description and Statement of Effects**

**Function of the 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 ACPE was asked to assume this responsibility by Representative David Bradley.

The project began with the expectation of annual funding for an on-going mentoring/case management to support foster care young adults through a successful postsecondary experience. Plans changed from hiring case managers to contracting out services when the State revenue short fall was imminent. Therefore, the following steps have been taken to meet the goals of the program.

- publication and dissemination of a report titled "Supporting the Postsecondary Education Success of Arizona Foster Care Youth and Young Adults" in July of 2008,
- initiation of the Southern Arizona Foster Care Youth Mentoring Program housed at Pima Community College, Downtown Campus June 2008,
- on-going convening of stakeholders focused on collective action,
- development and hosting of a postsecondary education resource and referral website is to be launched in late 2009 specifically for Arizona foster care youth,
- plan developed to initiate a foster care youth mentoring program for the greater Maricopa County area in partnership with Maricopa Community

College District, Nina Pulliam Foundation, and mentoring by the leaders of the Pima Community College pilot program.

Effect of Reduction:

Pima Community College provided services by to the more than 500 youth who “aged out” of the child welfare system in Tucson and surrounding counties in FY 2008-2009. The program will continue on a smaller scale due to dedication on the part of PCCD. However, assistance to be provided by PCC to the developing Maricopa County area youth and young adults in foster care mentoring program will be cut in half with the loss of funds in priority 3. In addition, a contractual arrangement with MCCD to support the initiation of a new program will be reduced by half in option 3. Should all funding be eliminated it is doubtful that the programs will continue.

Possible alternative ways to fund the program:

A charitable campaign could be mounted to solicit funds from private donors and foundations interested in the welfare of foster care youth to establish and maintain these programs.

Location in the Agency:

ACPE Office

Legal Citation for function:

This program is established via a line item budget. Companion legislation did not pass.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION**

**Issue Title:** Reduction in Student Financial Aid Provided through the Early Graduation Scholarship Grant Program

**Issue Priority:** 4

**Reduction Amounts:**

Early Graduation Scholarship Grant Fund: \$488,775

**Total:** \$488,775

**Issue Description and Statement of Effect**

Function of the Program:

Arizona's Early Graduation Scholarship Grant (EGSG) program was created in 2007, championed by Representative Andy Tobin. It is a non-need based college access scholarship designed to provide an incentive for high school students to graduate early and promptly attend a regionally or nationally accredited Arizona postsecondary institution or vocational program.

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). The Early Graduation Scholarship is available for three years after graduation.

The function of the grant is to expeditiously move high school students through high school and into a postsecondary education experience to save state funds expended on public education in an inefficient and duplicative manner and to reduce expenses of education for families and students.

Effect of Reduction:

This program was placed on suspension for FY2009-2010 in HB 2011. The fund is nearly depleted because a \$3M reduction in the EGSG fund was taken through

the Chairman's Option in May of 2009 and another \$2.9M was taken from the fund in September of 2009. Additionally, the ADE collected the second portion of the shared ADM from the schools for FY2009, but has not transmitted the monies into EGSG fund.

The numbers of students who have graduated early and are eligible for the scholarship total 4,084; however, scholarship funds will support less than ten percent of eligible early graduates. With the additional proposed budget reduction of \$488,775 in the EGSG fund and the \$497,410 in outstanding financial obligations to students who have received at least one payment, there remains only \$126,411 in the fund. This is inadequate funding for the number of estimated early graduates eligible to apply for this scholarship in either FY2009 or FY2010. The moratorium will prevent any new applications from being accepted this fiscal year. The Commission will be able to fund only as many students as money is available to make all four payments over two academic years. This is estimated to be approximately 64 students.

#### **EGSG Budget Reductions for FY2010**

\$1,112,596	Current funds available for student scholarship awards
<u>\$ (488,775)</u>	Proposed FY 2010 Budget Reduction in EGSG Fund
\$ 623,821	Funds available for student scholarship awards after reduction
\$ (280,497)	Outstanding financial obligation for students who have received one payment
\$ (156,463)	Outstanding financial obligation for returning students
<u>\$ (60,450)*</u>	Outstanding financial obligation for pending eligible students
\$ 126,411	Represents remaining funds available

Authors of the Early Graduate Scholarship Program legislation and ACPE staff believe 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 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 Commissioners remain hopeful the moratorium will end and the EGSG program will be fully reinstated.

\*This number will increase as additional eligible students complete their application. However, the Commission will only be able to fund an additional 64 eligible students before the entire fund is exhausted.

Location in the Agency:

ACPE Office

Legal Citation for function:

ARS 15-105