

Commission for Postsecondary Education

JLBC: Amy Strauss
 OSPB: Stacey Morley

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	5.0	5.0
Personal Services	189,500	198,400	198,400
Employee Related Expenditures	51,900	62,600	62,600
Professional and Outside Services	13,600	12,300	12,300
Travel - In State	1,900	2,500	2,500
Travel - Out of State	300	500	500
Other Operating Expenditures	78,100	78,800	78,800
OPERATING SUBTOTAL	335,300	355,100	355,100
SPECIAL LINE ITEMS			
Arizona College and Career Guide	14,400	21,200	21,200
Arizona Minority Educational Policy Analysis Center	32,600	150,600	150,600
Family College Savings Program	18,300	87,900	108,600
Leveraging Educational Assistance Partnership	2,847,100	3,364,500	3,364,500
Private Postsecondary Education Student Financial Assistance Program	122,100	170,900	400,000
Twelve Plus Partnership	84,900	119,600	119,600
AGENCY TOTAL	3,454,700	4,269,800	4,519,600

FUND SOURCES			
General Fund	1,342,900	1,391,700	1,620,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	2,111,800	2,878,100	2,898,800
SUBTOTAL - Other Appropriated Funds	2,111,800	2,878,100	2,898,800
SUBTOTAL - Appropriated Funds	3,454,700	4,269,800	4,519,600
TOTAL - ALL SOURCES	3,454,700	4,269,800	4,519,600

	<u>FY 2006 to FY 2007 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	229,100	16.5%
Other Appropriated Funds	20,700	0.7%
Total Appropriated Funds	249,800	5.9%
Non Appropriated Funds	0	0.0%
Total - All Sources	249,800	5.9%

AGENCY DESCRIPTION — The Commission for Postsecondary Education (CPE) reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	JLBC
• LEAP student grants awarded	3,700	4,357	3,861	4,000
Comment: The number of LEAP student grants was higher in FY 2004 than in other years due to lower average grant amounts. Since LEAP administration is decentralized, individual institutions determine the LEAP grant amount each student will receive.				
• % of customers rating commission services as "good" or "excellent"	95	95	94	95

RECOMMENDED CHANGES FROM FY 2006

Operating Budget

The JLBC recommends \$355,100 from the Postsecondary Education Fund for the operating budget in FY 2007. This amount is unchanged from FY 2006.

Special Line Items

Arizona College and Career Guide

The JLBC recommends \$21,200 from the Postsecondary Education Fund for the Arizona College and Career Guide in FY 2007. This amount is unchanged from FY 2006.

The Arizona College and Career Guide is an annual publication listing Arizona public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The JLBC recommends \$150,600 and 0.2 FTE Position from the Postsecondary Education Fund for the Arizona Minority Educational Policy Analysis Center (AMEPAC) in FY 2007. This amount is unchanged from FY 2006.

AMEPAC promotes statewide studies, debates, and discussions to improve minority students' awareness of, access to, and achievement in Arizona's postsecondary educational institutions.

Family College Savings Program

The JLBC recommends \$108,600 and 1 FTE Position from the Postsecondary Education Fund for the Family College Savings Program (FCSP) in FY 2007. This amount would fund the following adjustment:

Program Enrollment Growth	OF	FY 2007
		\$20,700

The JLBC recommends an increase of \$20,700 from the Postsecondary Education Fund in FY 2007 due to growth in the number of program participants. The program has increased from approximately 16,500 accounts in FY 2002 to over 40,000 accounts in FY 2005. The additional funding would be allocated for compliance and review activities, including Oversight Committee support, outside legal counsel, and a database to compile and analyze program data. This funding is not intended to be used to market or advertise Arizona's 529 plans.

FCSP enables parents to save money, on a tax-deferred basis, for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). FCSP operates from the proceeds of new account fees, which are currently \$13 per account. The commission oversees 5 FCSP plans available to both residents and non-residents of the state.

Treasurer's Report on Program Performance

According to a private study conducted in 2004, of Arizona's 4 plans, 2 were in the nation's 5 lowest-rated 529 Plans. The rating took into account each plan's maintenance expenses, investment options, maturation flexibility, and alleged manager misconduct.

A footnote in the General Appropriation Act directed the State Treasurer to report to the Joint Legislative Budget Committee by August 1, 2005, concerning FCSP account holder statistics, historical returns, and account costs as compared to those in other states.

The report concluded that the Arizona 529 Plan is ranked lower than most states. The following factors were cited for the low rating: high account fees, no tax deduction or tax credit for contributions, and a small amount of assets under management. The report noted, however, that Arizona providers do offer a wide variety of investment alternatives to their investors, many of which are not available to participants in other states' plans.

The report recommended that the state increase the financial incentives to Arizona residents by providing a tax deduction or credit for contributions to the state's 529 Plan, as well as a lowering of fees. Additionally, the Arizona Family College Savings Program Oversight Committee should continue the process to develop and implement a provider review process. This includes the ability to negotiate fees and an evaluation of providers' viability to generate real benefits to Arizona taxpayers.

In response to the concerns raised over the existing plans, the commission added a fifth FCSP plan. This plan has been ranked considerably higher than the other 2 existing 529 plans. In addition, 2 of the original providers have reduced their fees. The commission has also approved a provider review process.

Leveraging Educational Assistance Partnership

The JLBC recommends \$3,364,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2007. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	2,143,700

These amounts are unchanged from FY 2006.

LEAP is a federal, state, and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools). In FY 2005, LEAP distributed 3,861 grants averaging \$737.

Private Postsecondary Education Student Financial Assistance Program

The JLBC recommends \$400,000 from the General Fund for the Private Postsecondary Education Student Financial Assistance Program (PFAP) in FY 2007. This amount includes the following adjustment:

Restore Historic PFAP Funding GF 229,100

The JLBC recommends an increase of \$229,100 from the General Fund in FY 2007 to restore the program to its historic funding level of \$400,000 in FY 2001, prior to budget reductions. The JLBC further recommends that a General Appropriation Act footnote be added to prohibit the commission from transferring any monies out of this Special Line Item. (*See JLBC Recommended Footnotes for more information.*)

PFAP provides tuition vouchers for qualified community college graduates who enter private postsecondary educational institutions within Arizona. In FY 2005, PFAP distributed 114 grants averaging \$939.

Twelve Plus Partnership

The JLBC recommends \$119,600 from the Postsecondary Education Fund for the Twelve Plus Partnership (TPP) in FY 2007. This amount is unchanged from FY 2006.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2007. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund.

The appropriation for Leveraging Educational Assistance Partnership is provided to create grants under the Arizona State Student Incentive Grant Program administered by the Arizona Commission for Postsecondary Education. Grants may be made according to the provisions of applicable federal and state laws and regulations relating to this program. Only Arizona residents who demonstrate

financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution are eligible for the program.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant Program for grants to students, shall provide an amount of institutional matching funds that equals the amount of funds provided by the state to the institution for the State Student Incentive Grant Program. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and shall not exceed 12% of the funds in FY 2007.

Of the total amount appropriated for the Private Postsecondary Education Student Financial Assistance Program, no more than 10% may be used for program administrative costs.

For FY 2007, any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2006 and all grant monies and other revenues received by the Commission for Postsecondary Education during this fiscal year, when paid into the State Treasury, are appropriated for the explicit purposes designated by special line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852.

New Footnotes

The Commission for Postsecondary Education shall not transfer funds out of the Private Postsecondary Education Student Financial Assistance Program Special Line Item. (*See the Private Postsecondary Education Student Financial Assistance Program Special Line Item for more information.*)

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: Provide for purposes designated by special line items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Funds Expended	2,111,800	2,878,100
Year-End Fund Balance	174,800	129,100
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges, enabling them to obtain a bachelor's degree at a private college or university in the state.		
Funds Expended	0	0
Year-End Fund Balance	66,300	86,300
Arizona Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)		Non-Appropriated
Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.		
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts which are identified as having high proportions of economically disadvantaged and at risk pupils. Monies collected are reverted to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	5,300	5,300