

Executive Director: Dr. April L. Osborn

JLBC Analyst: Leah Kritzer

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	8.0	10.0	10.0 ^{1/}
Personal Services	147,400	224,300	224,300
Employee Related Expenditures	53,800	66,200	66,300
Professional and Outside Services	3,800	12,300	12,300
Travel - In State	1,400	2,500	2,500
Travel - Out of State	700	500	500
Other Operating Expenditures	56,300	100,800	100,800
OPERATING SUBTOTAL	263,400	406,600	406,700
SPECIAL LINE ITEMS			
Arizona College and Career Guide	19,400	21,200	21,200 ^{2/}
Arizona Minority Educational Policy Analysis Center	16,500	100,300	100,300 ^{2/}
Case Managers	0	100,000	100,000 ^{3/}
Family College Savings Program	91,000	152,600	152,600
Leveraging Educational Assistance Partnership	2,855,400	4,039,500 ^{4/}	4,264,500 ^{5/6/7/}
Postsecondary Education Grant Program	2,034,800	1,606,500	2,656,600 ^{8/9/}
Private Postsecondary Education Student Financial Assistance Program	190,200	800,000	400,000 ^{9/10/}
Twelve Plus Partnership	84,800	130,800	130,800 ^{2/}
Lump Sum Reduction	0	(2,600)	(2,600)
AGENCY TOTAL	5,555,500	7,354,900	8,230,100^{11/12/}
FUND SOURCES			
General Fund	3,445,800	3,727,300	4,377,400
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	2,109,700	3,627,600	3,852,700
SUBTOTAL - Other Appropriated Funds	2,109,700	3,627,600	3,852,700
SUBTOTAL - Appropriated Funds	5,555,500	7,354,900	8,230,100
TOTAL - ALL SOURCES	5,555,500	7,354,900	8,230,100

1/ Includes 6.5 FTE Positions funded from Special Line Items in FY 2009.

2/ 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 2009. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)

3/ The appropriation for case managers is for 2 additional FTE Positions or for equivalent contracted positions for potential students, applicants and enrolled students who are or were eligible for services as prescribed in A.R.S. § 8-521 or A.R.S. § 8-521.01 and who are under 26 years of age. (General Appropriation Act footnote)

4/ Laws 2008, Chapter 53 appropriated \$675,000 for supplemental funding for additional LEAP expenditure authority in FY 2008.

5/ 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. (General Appropriation Act footnote)

6/ 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 2009. (General Appropriation Act footnote)

7/ Laws 2008, Chapter 285 appropriated \$900,000 for supplemental funding for additional LEAP expenditure authority in FY 2009.

8/ Of the \$2,656,000 appropriated for the Postsecondary Education Grant Program, up to \$500,000 may be allocated for the administration of the program in FY 2009. (General Appropriation Act footnote, as adjusted for subsequent funding reductions for the program)

9/ The Commission for Postsecondary Education shall not transfer funds out of the Private Postsecondary Education Student Financial Assistance Program or the Postsecondary Education Grant Program line items. (General Appropriation Act footnote)

AGENCY DESCRIPTION — The Commission for Postsecondary Education 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 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	Approved
• LEAP student grants awarded	3,861	3,929	3,874	4,000
• % of customers rating commission services as “good” or “excellent”	94	95	96	95

This agency’s FY 2008 and FY 2009 budget was originally appropriated in Laws 2007, Chapter 255. For details on this agency’s original FY 2008 and FY 2009 budgets, please see the *FY 2008 Appropriations Report*. The following narrative provides a comprehensive listing of all FY 2009 changes, whether as part of Chapter 255 or this year’s budget.

Operating Budget

The budget provides \$406,700 and 3.5 FTE Positions from the Postsecondary Education Fund for the operating budget in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$10,900 from the Postsecondary Education Fund in FY 2009 for FY 2008 statewide adjustments. *(Please see the FY 2008 Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

New Statewide Adjustments

The budget provides an increase of \$100 from the Postsecondary Education Fund in FY 2009 for new statewide adjustments. *(Please see the New Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

Arizona College and Career Guide

The budget provides \$21,200 from the Postsecondary Education Fund for the Arizona College and Career Guide in FY 2009. This amount is unchanged from FY 2008.

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 budget provides \$100,300 and 0.2 FTE Position from the Postsecondary Education Fund for the Arizona Minority Educational Policy Analysis Center (AMEPAC) in FY 2009. This amount funds the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$300 from the Postsecondary Education Fund in FY 2009 for FY 2008 statewide adjustments.

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

Case Managers

The budget provides \$100,000 and 2 FTE Positions from the General Fund for the Case Managers Special Line Item in FY 2009. This amount is unchanged from FY 2008.

Working in conjunction with case managers in the Department of Economic Security’s Independent Living Program, these case managers are responsible for educating those in the program about postsecondary education opportunities and providing a student orientation. The Independent Living Program is made up of former foster youth between the ages of 18 and 21. The commission is required to assist in filling out financial aid and postsecondary applications, provide tutoring, and assists students in finding health, dental, and employment opportunities, along with other forms of student assistance. A General Appropriation Act footnote gives the

10/ 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. (General Appropriation Act footnote)
 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 12/ Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2008 for FY 2009, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the explicit purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

commission the option to contract out for equivalent positions to complete these requirements.

Family College Savings Program

The budget provides \$152,600 and 1 FTE Position from the Postsecondary Education Fund for the Family College Savings Program (FCSP) in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$2,600 from the Postsecondary Education Fund in FY 2009 for FY 2008 statewide adjustments.

FCSP enables parents to save money for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from the proceeds of new account fees, which are currently \$13 per account. The plans are available to both residents and non-residents of the state.

Laws 2007, Chapter 265 made 529 contributions eligible for a state income tax deduction. From 2008 through 2012, participants can receive an individual income tax subtraction for contributions to any 529 College Savings Plan. The maximum amount a taxpayer can subtract in any year is \$1,500 for married filing joint, or \$750 for single or head of household. This deduction is estimated to result in a General Fund revenue loss of \$(2,500,000) in FY 2009.

The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans. In addition, the commission recently opted not to renew 2 providers because of limited investment options and high account fees. Accounts held by the non-renewed providers will continue with limited contracts and will be transitioned into accounts with approved providers.

Leveraging Educational Assistance Partnership

The budget provides \$4,264,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2009. This amount consists of:

General Fund	\$1,220,800
Postsecondary Education Fund	3,043,700

These amounts fund the following adjustments:

LEAP Funding Increase

The budget provides an increase of \$225,000 from the Postsecondary Education Fund in FY 2009. In FY 2008, the program was originally appropriated \$2,143,700 from the Postsecondary Education Fund. Laws 2008, Chapter

53 included a \$675,000 supplemental appropriation to bring total FY 2008 funding to \$2,818,700 from the Postsecondary Education Fund. With the additional \$225,000, the program's budget for FY 2009 will be \$900,000 higher than the original FY 2008 appropriation.

The adjustments were provided in order for the program to be able to allocate recent increases in federal matching monies for the program for FY 2008 and anticipated further increases for FY 2009.

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 2008, LEAP distributed 4,824 grants averaging \$723.

Postsecondary Education Grant Program

The budget provides \$2,656,600 and 3 FTE Positions from the General Fund for the Postsecondary Education Grant Program (PEG) in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$6,500 from the General Fund in FY 2009 for FY 2008 statewide adjustments.

New Statewide Adjustments

The budget provides an increase of \$100 from the General Fund in FY 2009 for new statewide adjustments.

Reduce PEG Reduction

The budget provides an increase of \$1,050,000 from the General Fund in FY 2009 for the PEG program to partially restore the PEG reduction enacted as part of the FY 2008 budget revisions. Laws 2008, Ch. 55 reduced the program's appropriation for FY 2008 by \$(3,700,000). The \$1,050,000 increase for FY 2009, therefore, results in a program funding level that is \$(2,650,000) lower than its original FY 2008 appropriation.

Continue One-Time Web-Based Database Funding

The budget continues one-time funding of \$300,000 from the General Fund in FY 2009 for a web-based database to administer the Postsecondary Education Grant Program. This amount is unchanged from FY 2008.

The database will enable the commission to process applications to the grant program, track student progress, and collect repayment from students who do not complete the program.

A FY 2008 General Appropriation Act footnote allows the commission to use up to \$500,000 of the PEG appropriation in FY 2009 for administration of the program. The FY 2007 Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) appropriated \$5,000,000 for PEG and enabled the commission to use up to \$200,000 of the monies for administration of the program. Including both the existing \$200,000 and the new \$300,000 for the database, the commission could use up to \$500,000 for administration of the PEG program.

Background – This grant program distributes up to \$2,000 to full-time and part-time students enrolled at a private baccalaureate degree granting institution. Grant recipients must meet the minimum qualifications established by the commission, which shall be comparable to the admission standards established by the Arizona Board of Regents. Recipients can continue to receive the grant for up to 4 years. The student must repay the commission the entire grant amount if they do not receive a baccalaureate degree in 5 years or a good cause extension from the commission.

The FY 2009 Education Budget Reconciliation Bill (Laws 2008, Chapter 287) added the “good cause” extension provision described above and also made the following changes to the program: 1) requires PEG recipients to be either Arizona residents, military members stationed in Arizona or their spouse or dependent; 2) requires students to apply for and receive a Private Postsecondary Education Student Financial Assistance Program (PFAP) grant before they are eligible for a PEG grant; and 3) makes students ineligible for PEG grants if they have a baccalaureate degree from any postsecondary educational institution (under prior law, students were ineligible only if they had a baccalaureate degree from the school that they were planning to attend with a PEG grant).

Currently, 30 private institutions are eligible under the grant requirements. These institutions independently verify a student’s eligibility for the grant. The student can then apply directly to the commission for the grant. In FY 2008, PEG distributed 2,442 grants averaging \$1,628.

Private Postsecondary Education Student Financial Assistance Program

The budget provides \$400,000 from the General Fund for PFAP in FY 2009. This amount funds the following adjustments:

PFAP Decrease

The budget provides a decrease of \$(400,000) from the General Fund in FY 2009 for a reduction in private postsecondary grants.

PFAP provides tuition vouchers for qualified community college graduates who enter private postsecondary

educational institutions within Arizona. In FY 2008, PFAP distributed 50 grants averaging \$1,390.

Twelve Plus Partnership

The budget provides \$130,800 and 0.3 FTE Position from the Postsecondary Education Fund for the Twelve Plus Partnership (TPP) in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$300 from the Postsecondary Education Fund in FY 2009 for FY 2008 statewide adjustments.

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.

Lump Sum Reduction

Continue Hiring Freeze Reduction

The budget continues a decrease of \$(2,600) from the Postsecondary Education Fund in FY 2009 for the hiring freeze originally enacted as part of the FY 2008 budget revisions. This amount represents the agency’s share of a statewide hiring freeze reduction. (*Please see the Statewide Hiring Freeze Reduction section at the end of this Appropriations Report for details.*)

Additional Legislation

Sunset Date

The Education Budget Reconciliation Bill (Laws 2008, Chapter 287) established a sunset date of July 1, 2010 for the Commission for Postsecondary Education. It also made numerous changes to commission duties. (*Please see Laws 2008, Chapter 287, Sections 18-25*)