

ARIZONA COMMISSION FOR POSTSECONDARY EDUCATION

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

ANNUAL REPORT

FISCAL YEAR 2013



Arizona Commission for Postsecondary Education

2020 North Central, Suite 650
Phoenix, Arizona 85004-4503
Tel: (602) 258-2435 | Fax: (602) 258-2483
Email: acpe@azhighered.gov | Website: <http://www.azhighered.gov>

December 20, 2013

The Honorable Janice K. Brewer, Governor
The Honorable Ken Bennett, Secretary of State
The Honorable Andy Biggs, President of the Senate
The Honorable Andy Tobin, Speaker of the House of Representatives
Mr. Vincent Alascia, State Documents Librarian, AZ Library, Archives, & Public Records

I respectfully submit the enclosed FY 2013 annual report on behalf of the Arizona Commission for Postsecondary Education (ACPE). Through a planning process the 16 Commissioners identified an agency mission of *expanding access and increasing success in postsecondary education for Arizonans*. Despite the continued economic challenges facing the state, Commissioners and ACPE staff members remain committed to investing themselves in the work of higher education.

FY 2013 brought continuing challenges and additional opportunities to the ACPE. Challenges faced by the Commission include a continued 78% reduction in the ACPE general funds appropriation as compared to FY 2008. Sadly, the lives of nearly 20,000 students, who in years past would have received financial assistance through ACPE grants/scholarships, continue to be affected this year. As illustrated in the introduction to this report FY 2014 and FY 2015 provide even less than the meager student aid funds of FY 2013. Thus, the Commission seeks a Decision Package for FY 2015 inclusive of reinstatement of \$5M and two FTE for the Postsecondary Education Grant, \$800,000 and one FTE for the Private Postsecondary Financial Assistance Program, and one FTE and an additional \$500,000 for the Math, Science, Special Education Teacher Loan Forgiveness Program.

The Commission joins other voices raised to encourage the state to develop its human capital through an investment in student financial aid. We pose reinstatement of the successful college completion grants, PEG and PFAP, and an increase of funds available for the Math, Science, and Special Education Teacher Loan Forgiveness (MSSE) Program. All three financial assistance programs are designed to reward students in public and private colleges/universities for their timely degree completion and in the case of MSSE for teaching in an area of state identified need. If the request to reinstate these programs is not possible, the learning from these programs should serve as a guide to help shape future programs seeking to increase completion rates.

As is witnessed in this annual report, the ACPE has the financial aid expertise, the data analysis skills, the positive relationships with all sectors of public and private higher education, as well as a functioning, student and institution friendly website that allows for both a single entry point and a single application for students to apply for all state

grant funds. This kind of expertise and approach can propel Arizona toward its goal of doubling degrees by 2020 by providing the type student financial support that rewards student success.

Another program helping families pay for college expenses is the Arizona Family College Savings (529) Program. As Arizona's single Qualified Tuition Program it provides an important vehicle for families to save for college costs in a tax-advantaged way. The program has experienced consistent and steady growth. As of June 30, 2013 the AFSCP held more than \$769M in assets and more than 68,000 accounts were in place to pay for college expenses.

The Commission is working to provide a college going culture to support potential college students and families with professional assistance and pertinent information about college planning, enrollment, and success. The Commission is pleased to host the Arizona College Access Network (AzCAN) for the Governor's Office of Education Innovation, the College Application Campaign, and the 18 year-long College Goal Sunday Financial Literacy Initiative. Other supports include distribution to families and students of free print publications that assist in college planning and understanding financial aid processes and deadlines such as the *Rapid Guide to Financial Aid* and the *Arizona College and Career Guide*. Furthermore, financial aid and college-going information was delivered digitally via 158,700 unique visits made to ACPE websites in FY2013.

These Commission programs, initiatives, and publications represent collaborative efforts and are examples of leveraging the funding and impact of this small agency in order to provide additional tools to assist Arizona's first-generation, low-income students and families succeed in postsecondary education.

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

Respectfully Submitted,



Dr. April L. Osborn, Executive Director

cc: Reed Spangler, Senate Education Research Analyst
Tom Ritland, JLBC Fiscal Analyst
Brandon Nee, OSPB Budget Analyst
Jeanine Jones, House Education Committee Research Analyst

The Arizona Commission for Postsecondary Education (ACPE)

2012 - 2013 Annual Report

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

Submitted December 20, 2013
Dr. April L. Osborn, Executive Director

Introduction

The work of the Arizona Commission for Postsecondary Education (ACPE) is guided by a strategic plan. The purpose of the plan is to provide focus for the activity of this small agency and its eight staff members in order to increase productivity and impact in the areas of its statutory authority. The mission and goals were accepted by Commissioners and this report reflects a 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) maximize available student financial assistance to students and families, (2) provide accurate and timely information and support from knowledgeable professionals to help students and their families plan for, enter, and succeed in postsecondary education, and (3) provide a forum for all sectors of postsecondary 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 five years by the reduction of over \$6M in state student financial assistance dollars and the loss of \$1.7M of federal student aid and infrastructure funding. These changes include:

- suspension of the Postsecondary Education Grant (PEG) and Private Postsecondary Education Assistance Programs (PFAP) in 2010;
- establishment of the Early Graduation Scholarship Grant in 2008, and its suspension in 2010;
- transfer of the Arizona Math, Science, and Special Education Teacher Loan Forgiveness program to the Commission and reduction of funding to \$176,000 annually in FY 2012;
- establishment of several College Access Challenge Grant initiatives within the Commission including Arizona College Access Aid Program (ACAAP) in 2009, later transformed into the College Access Challenge Last Stretch Scholarship in 2011, as well as infrastructure funding to establish the Arizona College Access Network. All of these programs are unfunded in FY2014 due to the denial of Arizona's Maintenance of Effort (MOE) Waiver request.

In addition, two initiatives which are complimentary to the Commission's long-standing College Goal Sunday Statewide Financial Literacy Initiative have been established within the Commission in support of building a college-going culture statewide. These include:

- coordination of the Arizona College Application Campaign at the behest of the public universities and statewide advisory committee in 2013; and
- hosting and support of the newly established Arizona College Access Network (AzCAN) at the request of the Governor's Office of Education Innovation in FY 2011.

Progress on each of these initiatives is discussed in more detail within this report.

The following "Historical Review of Student Aid Programs" table shows that \$4.2M of the Commission budget in FY 2013 represented flow-through funds dedicated to student grants and scholarships. In contrast, FY 2008 the student financial assistance dollars were nearly \$7.5M million. Thus, these additional ACPE budget reductions resulted in student grant/scholarship programs being severely curtailed in 2013 as in previous years. Included in the final column is the projected financial assistance funding available for students in FY 2014 and FY2015. This truly represents a meager amount if the FY 2015 ACPE Decision Package requests for reinstatement of funding and staff for PFAP, PEG, and MSSE programs are not granted.

Historical Review of ACPE Student Aid Programs

| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Aid Disbursed | \$7,551,700 | \$6,813,184 | \$6,825,388 | \$3,711,781 | \$3,511,920 | \$4,178,488 | \$ 2,477,900 |
| % Decrease compared to FY 2008 | -10% | -10% | -51% | -53% | -45% | -67% | |

The loss of these grant dollars affects the lives of nearly 20,000 students who in previous years would have applied to the ACPE for grants/scholarships. In FY 2011 the funding for the Postsecondary Education Grant (PEG), the Private Postsecondary Financial Assistance Program (PFAP), and the Early Graduation Scholarship was eliminated and the programs were placed on suspension. It is important to note that at the close of FY 2010, even when these grants were available, the ACPE had a waiting list of an additional 8,799 students who were seeking financial aid.

Student financial aid is critical for this year and going forward when the state is focused on doubling the number of baccalaureate degrees by 2020. Today's Arizona students have lost significant financial assistance due to budget reductions. Policymakers will find that data on the impact of financial aid dollars administered by the Commission are reported in the goal one section of this report. The data is reflective of all sectors of

higher education, i.e. community colleges (all 10 districts), public universities, Arizona's 37 private degree granting colleges/universities, and vocational training schools. Likewise, the ACPE reports include student demographic data such as age, average family income, program of study, institution attended, and the recent grants include information regarding student reported behavioral barriers to continuing their education.

There was a great deal of activity in 2013 regarding goal two, helping students plan for, enter, and succeed in postsecondary education. Two initiatives which are complimentary to the Commission's long-standing College Goal Sunday Statewide Financial Literacy Initiative have been established within the Commission in support of building a college-going culture statewide. These include:

- coordination of the Arizona College Application Campaign at the behest of the public universities and Statewide Advisory Committee in 2013 and
- hosting and support of the newly established Arizona College Access Network (AzCAN) at the request of the Governor's Office of Education Innovation in FY 2011.

Progress on each of these initiatives is discussed in more detail within this report.

The third and final goal, providing a forum for all sectors of higher education to dialogue, partner, and problem solve issues of mutual interest remains important to Commissioners and staff members. This goal is forwarded through policy analysis and research, collaborative action led by ACPE Commissioners and staff members, and participation in college initiatives led by foundations, government, or non-profit entities with similar missions.

This report is organized in three sections; each section describes the activities and services related to each of the three goals. The conclusion summarizes how the parts of this report relate to the plan and the future of the Commission.

Critical to the success of the Arizona Commission for Postsecondary Education is the expertise and advice from the 16 appointed Commissioners. The current roster of the Commissioners and Commission staff follows.

Commissioners 2012 – 2013

Arizona Commission for Postsecondary Education

Commissioners

Dr. Eldon Hastings

Founding Director

American Institute of Dental Assisting

Dr. Bill Pepicello

President

University of Phoenix

Michael Hawksworth

President/CEO

MSS Technologies, INC

Dr. Elizabeth D. Phillips

University Provost & Executive Vice President

Arizona State University

Jody Johnson

Superintendent

Pointe Schools

Dr. Kathy Player, Commission Chair

Associate Provost

Grand Canyon University

Eileen Klein

Board President

Arizona Board of Regents

Dr. Anna Solley

President

Phoenix College

Catherine Koluch

President/Founder

The Studio Academy of Beauty

Teri Stanfill

Executive Director

Arizona Board for Private Postsecondary Education

Dr. Suzanne Menges

Director of Educational Support Systems

Thatcher Unified School District

Dr. Manuel Valenzuela

Superintendent

Sahuarita Unified Schools

Teena Olszewski

Director of Arizona GEAR UP

Northern Arizona University

Chuck Wilson

Director

ITT Technical Institute – Tempe

Commission Staff

Dr. April L. Osborn

Executive Director

Kathaerine Johnson

Director of Programs & Agency Operations

Daniel Helm

Associate Director State Student Financial Aid

Judi Sloan

Office & Communications Coordinator

Cathy Guthrie

Business Manager

Grace Smith

Director, Arizona Family College Savings Program

Linda Jensen

Director, Arizona College Access Network

Milda Talladen

Financial Services Coordinator

Goal 1: Maximize student financial assistance available to students and families

Core responsibilities of the ACPE are related to postsecondary student financial assistance programs. The Commission has been administering student financial aid programs for the Arizona since 1972. Named the entity representing Arizona in the National Association of State Student Grant and Aid Programs (NASSGAP), the ACPE has disbursed funds to students attending more than 100 public and private colleges and universities, community colleges, and vocational schools over the last 5 years.

Furthermore, in 2006 to 2008 Arizona invested in the development of a FERPA secure grant website. Continuously updated, this single portal allows students to learn about and apply for all state grants available and the necessary qualifications. This robust website, titled AZ Grants, allows a student to make one application for all qualified grants, track the status of their funds, and receive notification of reapplication deadlines. In addition, this user friendly website provides easy access for higher education professionals to validate attendance and other accountability measures.

Over the past five years the Commission has been responsible for eleven financial assistance programs including:

- 1) Private Postsecondary Education Student Financial Assistance Program (PFAP), suspended in 2010, amounts varied up to \$800,000/yr.;
- 2) Postsecondary Education Grant (PEG), suspended in 2010, amounts varied up to \$5M/yr.;
- 2.A) Special Postsecondary Education Grant, \$540,000 designed to meet MOE requirements;
- 3) Early Graduation Scholarship Grant, suspended in 2010, amounts varied up to \$4.8/yr.;
- 4) College Access Challenge Grant financial assistance programs titled (a) Arizona College Access Aid Program and (b) the College Access Challenge Last Stretch Scholarship, \$1.1M/yr.;
- 5) Arizona Leveraging Educational Assistance Partnership (AzLEAP), \$2.3M;
 - 5.A) Leveraging Educational Assistance Partnership (LEAP), federal match terminated in 2012, amounts of approximately \$500,00+/yr.;
 - 5.B) Special Leveraging Educational Assistance Partnership (SLEAP), terminated in 2012, amounts varied generally over \$600,000/yr.;
- 6) Arizona Math, Science, and Special Education Teacher Loan Forgiveness Program, currently \$176,000/yr.;
- 7) PFAP, PEG, MSSE, ATIP, PDTs student forgivable loan repayment programs;
- 8) AZ Grants Single Student Financial Assistance Web Portal; and the
- 9) Arizona Family College Savings (529) Program.

Dramatic changes have occurred in student financial aid programs (numbers 1-8 above) both at the state and federal levels over the past five years as depicted on page 4 in the Introduction in a table titled "Historical Review." Most notable are the suspension or elimination of several successful financial aid programs administered by the Commission and as well as the restructuring of several programs.

Funding for the Private Postsecondary Financial Assistance Program (PFAP), the Postsecondary Education Grant (PEG), and the Early Graduation Scholarship (EGSG) was eliminated in 2010 and the programs remain on suspension. PFAP and PEG programs were successful and designed to achieve important outcomes including (1) strengthening the private sector of postsecondary education in Arizona, (2) reducing the tax burden of Arizona higher education by incentivizing students to attend private institutions, and (3) providing financial aid to adult students (the average age of PFAP recipients was 31 and 28 years of age for PEG) to increase persistence and motivation to complete a baccalaureate degree. The Early Graduation Scholarship Grant (EGSG) was designed to encourage Arizona high school students to graduate early with a financial incentive to enroll in a postsecondary institution and funded through shared revenue with high schools. The Commission is not requesting reinstatement of funding to this program; but is requesting reinstatement of \$5M and two FTE for PEG and \$800,000 and one FTE for PFAP in its FY 2015 Decision Package.

On the positive side, the Governor's Office provided student scholarships through the second cycle of federal formula-based College Access Challenge Grant (CACG). The ACPE administered more than \$1M in student scholarships to low-income students with 60 or more credit hours to sustain their attendance for the final years of degree preparation. Three years of funding for CACG were secured, but the Governor's request for an Arizona Maintenance of Effort (MOE) waiver was denied by the U.S. Department of Education for years four and five.

Federal matching funds for the three-part (federal, state, institutional) Leveraging Educational Assistance Partnership (LEAP) program were eliminated in FY 2012. The program was re-structured and re-titled the Arizona Leveraging Educational Assistance Partnership (AzLEAP) and continues to serve low-income students with matching dollars from the state and postsecondary institutions. Sadly, no solution was found to offset the loss of federal funding for the Special Leveraging Educational Assistance Partnership which was eliminated in FY 2012 and the program was terminated.

The Commission has just completed its first full year of administration of the Arizona Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE). Established in FY 2007, this program was transferred to the Commission in FY 2012. In addition to verification of eligibility and fund disbursement, responsibilities also include loan administration, borrower service tracking, and loan repayment sevicing. Unfortunately, funding for the program was reduced from \$2M to \$176,000, drastically limiting the number of students served by this popular forgivable loan for teachers. Thus, the ACPE requests one FTE and an additional \$500,000 in its FY 2015 Decision Package.

A detailed description of the implementation and outcomes of each of these and all current student aid programs under the administration of the ACPE are outlined in the following section. A description of the student loan repayment programs, the secure web portal proving information and a single application for all grants, and the Arizona College Savings Program are covered in the last pages of the Goal 1 section.

1.1 Private Postsecondary Education Student Financial Assistance (PFAP), A Forgivable Loan - Suspended

The Arizona Private Postsecondary Education Student Financial Assistance (PFAP) program was initiated in the spring of 1996. This student-centered program was designed to encourage Arizona community college graduates who have financial need to enroll as a full-time student and graduate from a baccalaureate degree granting private postsecondary institution; thereby realizing a savings to the State of Arizona. Students who fail to achieve a baccalaureate degree within three years from the first disbursement of funds or do not enroll for a period of time greater than twelve months, enter into a repayment program.

More than 1,600 students have benefited from the PFAP Program since its inception representing an 85% graduation rate; however, after several years of repeated reductions, in FY 2011 the Private Postsecondary Education Student Financial Assistance Program (PFAP) was placed on suspension. The Commission continues to focus on the more than 200 promissory note holders who were reported as not enrolled or attending the institution on file at the time of their last disbursement. Information on PFAP repayments can be found in section 1.7 titled *Student Forgivable Loan Repayment Programs*.

The ACPE has requested reinstatement of PFAP funding to \$800,000 and one FTE in their Decision package in the FY 2015 budget request. The Commission and staff alike are hopeful for restoration of funds in the future and will continue to move toward its mission of expanding access and increasing success in postsecondary education for Arizonans.

1.2 Postsecondary Education Grant (PEG), A Forgivable Loan - Suspended

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

within five years or is not enrolled for a period greater than twelve months, the grant will then become a loan that the student must repay.

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

More than 4,000 students have benefited from the PEG Program during its short existence. Unfortunately, after several years of repeated reductions, in FY 2011 the Postsecondary Education Grant (PEG) Program was placed on suspension. The Commission continues to focus on the more than 1,100 promissory note holders who were reported as not enrolled or attending the institution on file at the time of their last disbursement. Information on PEG repayments can be found in section 1.7 titled *Student Forgivable Loan Repayment Programs*.

The ACPE has requested reinstatement of \$5M in PEG funding and two FTE in the FY 2015 Budget Decision Package. The Commission and staff alike are hopeful for restoration of funds in the future and will continue to move toward its mission of expanding access and increasing success in postsecondary education for Arizonans.

1.2A Special Postsecondary Education Grant (SPEG), A Forgivable Loan

The Special Postsecondary Education Grant (Special PEG) program was created in FY 2013, to financially support and to encourage college students to graduate from a private postsecondary baccalaureate degree-granting institution in Arizona while strengthening the private higher education sector. The maximum grant was \$2,000 per year for up to two academic years. Funds must be used for tuition, books and fee expenses. Should a student not obtain a bachelor's degree within three years or not enroll, at least half-time, for a period of time greater than twelve months, the scholarship becomes a loan that the student must repay.

Special PEG was patterned after the successful non-federal, student-centered, non-need based Postsecondary Education Grant (PEG) program (currently on moratorium), with two modifications: students must complete their first baccalaureate degree within three years from the initial disbursement and preference for an award will be given to junior or senior students having completed at least 60 college credit hours.

The Special PEG funding for FY 2013 consisted of \$543,943 in student scholarships (forgivable loans) provided through the Governor's Office of Education Innovation, and the Special Postsecondary Education Grant. All funding was exhausted in the program for the 2012-13 academic year. The table and charts on the following page, illustrate the characteristics of the 304 students, who benefited from this scholarship program in 2012-13.

Description of Special PEG Recipients in FY 2013

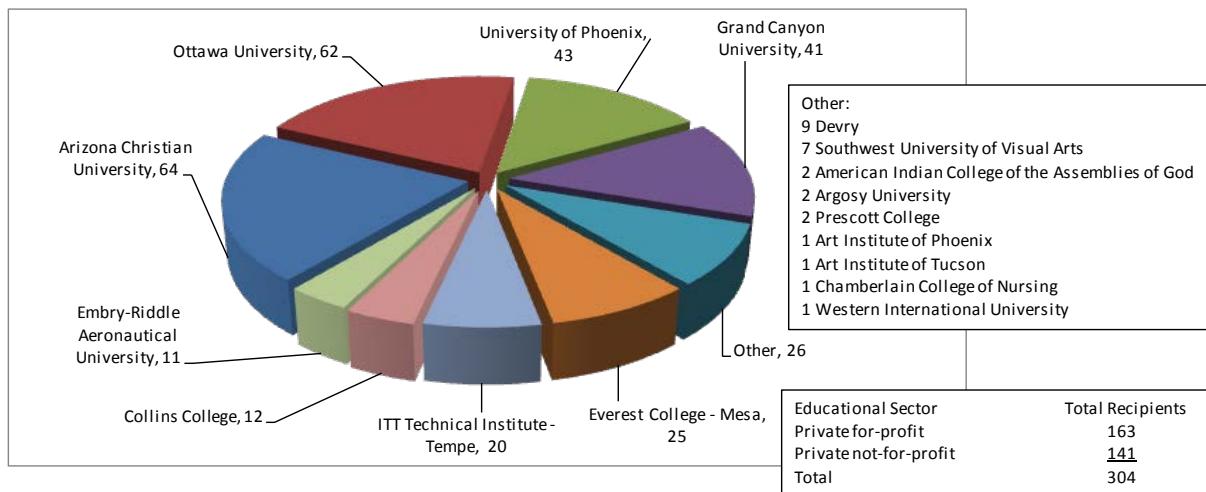
| Total Recipients | Students on Waiting List | Total Disbursement | Average Age of Recipients | Dependent Recipients | Independent Recipients | Recipients w/Income Less than \$19,999 | Recipients w/Income Between \$20,000 & \$39,999 | Recipients w/Income Over \$40,000 |
|------------------|--------------------------|--------------------|---------------------------|----------------------|------------------------|--|---|-----------------------------------|
| 304 | 523 | \$543,943 | 32 | 72 | 232 | 126 | 74 | 104 |

The 304 recipients of the program represent 37% of the total applicants. This left 63% of the applicants with no award and reflects a waiting list 1.7 times greater than those awarded.

It is important to note that the Special PEG program was not designed to help low-income students, but the table above illustrates that 66% of the recipients had an annual income of less than \$40,000 and 41% had income levels less than \$20,000, proving that the program had an inadvertent outcome of helping low-income students.

Also of note was that 65% of recipients are older than twenty-five with the average age being thirty-two. This would indicate that a large number of non-traditional students are receiving these funds, which is not surprising since students who are considered non-traditional tend to be enrolled in private institutions because these institutions commit to providing working adults with higher education options at convenient and flexible times.

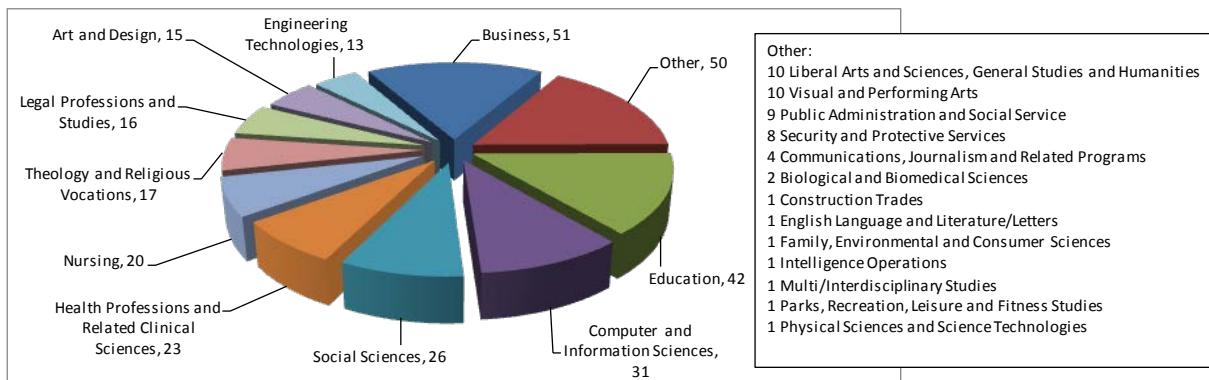
Distribution of Special PEG Recipients by Institutions in FY 2013



The pie chart above illustrates the institutions the Special Postsecondary Education Grant recipients attended. Institutional distribution of awards in 2012-13 resulted in the following distribution percentages: 54% to private for-profit institutions (e.g., University of Phoenix, Grand Canyon University) and 46% to private not-for-profit institutions (e.g., Arizona Christian University, Ottawa University).

As evidenced by the chart below, the most popular programs (majors) were Business, Education, Computer and Information Sciences, Social Sciences, Health Professions and Related Clinical Sciences, and Nursing. Also of interest is that Education programs are the second most popular program. The Education programs, provided by the participating institutions, help aid the State to meet both the goals of the Arizona Ready Education Reform Plan and the Arizona's College and Career Ready Standards while helping students become highly qualified teachers.

Distribution of Special PEG Recipients by Degree Program in FY 2013



The ACPE was responsible for the development, implementation, and administration of the Special PEG program. The ACPE staff worked with Gold Bridge Partners, Inc. to develop and implement a semi-automated program to receive applications and award students through the AZ Grants website. The website provided a single application for all grants administered by the State. Once the website was operational, the ACPE staff sent multiple correspondences to private postsecondary institutions and possible eligible students regarding the new opportunity the Special PEG program offered. The ACPE accepted Special PEG applications in November, 2012. Additionally, the ACPE had all funding exhausted after six months. With the quick implementation and the cooperation of the private postsecondary institutions the ACPE staff administered the scholarships (forgivable loans) to 304 students.

It is important to note that with the addition of Special PEG, the ACPE responsibilities for tracking and collection of loans increased. The ACPE will be required to verify student enrollment yearly to ensure that the students are continuously enrolled at least half-time and do not enter repayment status. In FY 2016, the ACPE will be required to contact those students who did not achieve a bachelor degree and have an obligation to repay the loan.

Currently, the ACPE is administering the FY 2014 Special PEG funding. The FY 2014 is the final year of funding for Special PEG. To date the ACPE has received over 1261 applications and estimates approximately 300 students will receive an award. The non-awarded 961 students will remain on the waiting list and will receive any returned funds. With the suspension of Postsecondary Education Grant (PEG), the Private Postsecondary Education Student Assistance (PFAP) programs and the ending of the Special PEG program, Arizona students attending private postsecondary institutions

lose the three funding sources available to them outside of federal financial aid. The ACPE has requested reinstatement of PEG and PFAP as a decision package in the FY 2015 Budget request. The Commission and staff alike are hopeful for restoration of funds in the future and will continue to move toward its mission of expanding access and increasing success in postsecondary education for Arizonans.

1.4 College Access Challenge Grant Last Stretch Scholarship

The College Access Challenge Grant (CACG) is a formula grant that is designed to foster partnerships among federal, state and local government entities and philanthropic organizations to significantly increase the number of underrepresented students who enter and persist in postsecondary education.

A second cycle of the federal CACG with a five year renewal potential, was secured for Arizona students and provided a new opportunity for student financial assistance in FY 2012. Academic year 2012-13 marks the second year of funding in the current cycle. The Arizona Commission for Postsecondary Education (ACPE) was asked by the Governor's Office to administer a total of \$1.1M in the College Access Challenge Last Stretch Scholarship for the 2012-13 academic year with the possibility of continuing the scholarship program in future years if federal CACG funds are secured.

The College Access Challenge Last Stretch Scholarship (CACS) was patterned after the successful Texas initiative. Three specific goals were developed: (1) increase retention of low-income students; (2) increase baccalaureate degree completion rates of low-income students; and (3) provide a report on the outcomes of the College Access Challenge Last Stretch Scholarship to policy makers.

The CACS program is a need-based scholarship and was designed to assist low-income college students who have completed over 60 college credit hours achieve their baccalaureate degree at any regionally or nationally accredited institution. Eligible students must have substantial financial need as determined by the Free Application for Federal Student Aid (FAFSA). Students could receive the scholarship for a maximum of three academic years or until they received their first baccalaureate degree. Funds were limited and awarded on a first-come, first-served basis at the time of application completion. The maximum grant awarded for the academic year was \$2,000 based on full-time enrollment. Scholarship funds could be applied toward any educational expenses documented in the student's Cost of Attendance (COA) at their institution.

The ACPE staff continued to make use of the AZ Grants website to administer the scholarship. The website provides for a single application for all grants administered by the State. In an effort to meet the goal of retention the ACPE accepted applications early and awarded students at the start of the 2012-13 academic year instead of later in the academic year. By accepting applications early and awarding at the start of the academic year the ACPE helped students know what State financial assistance they would receive, in addition to their federal aid, at a time when many students withdraw

due to a lack of funding to pay for their education. The early notification of financial assistance is key to helping students persist and complete their education.

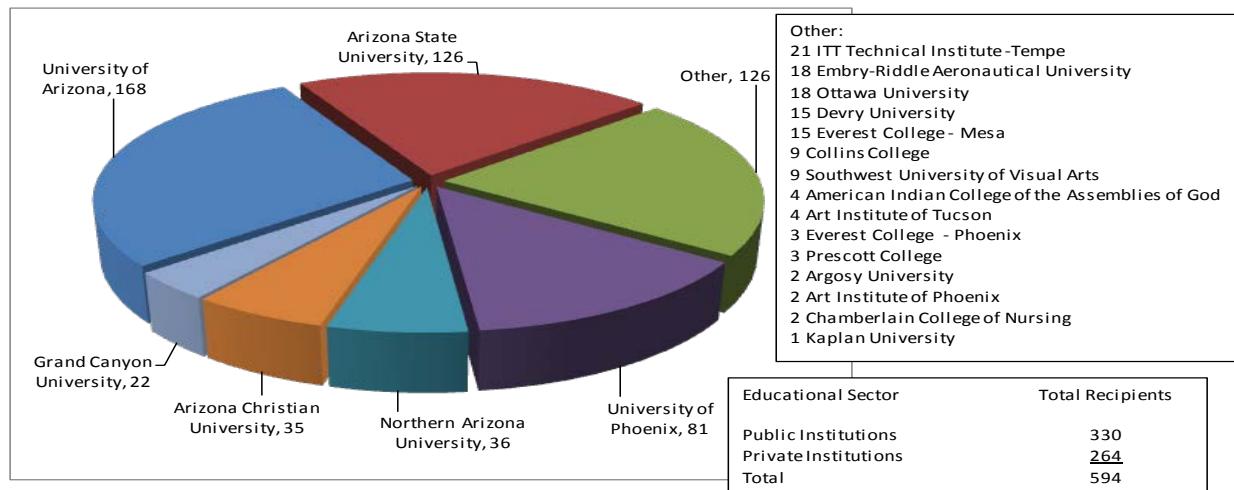
All funding was exhausted in the scholarship program for the 2012-13 academic year. One half of the available program funds were awarded to eligible students seeking a bachelor's degree in any program of study. The other half was awarded to students enrolled in a STEM Program (Science, Technology, Engineering and Math). The table and charts below, illustrate the characteristics of the 594 students, who benefited from this scholarship program in 2012-13.

Description of Last Stretch Scholarship Recipients in FY 2013

| Total Recipients | Students on Waiting List | Total Disbursement | Average Age of Recipients | Dependent Recipients | Independent Recipients | Recipients w/Income Less than \$19,999 | Recipients w/Income Between \$20,000 & \$39,999 | Recipients w/Income Over \$40,000 |
|------------------|--------------------------|--------------------|---------------------------|----------------------|------------------------|--|---|-----------------------------------|
| 594 | 1,811 | \$1,034,000 | 28 | 202 | 392 | 311 | 166 | 117 |

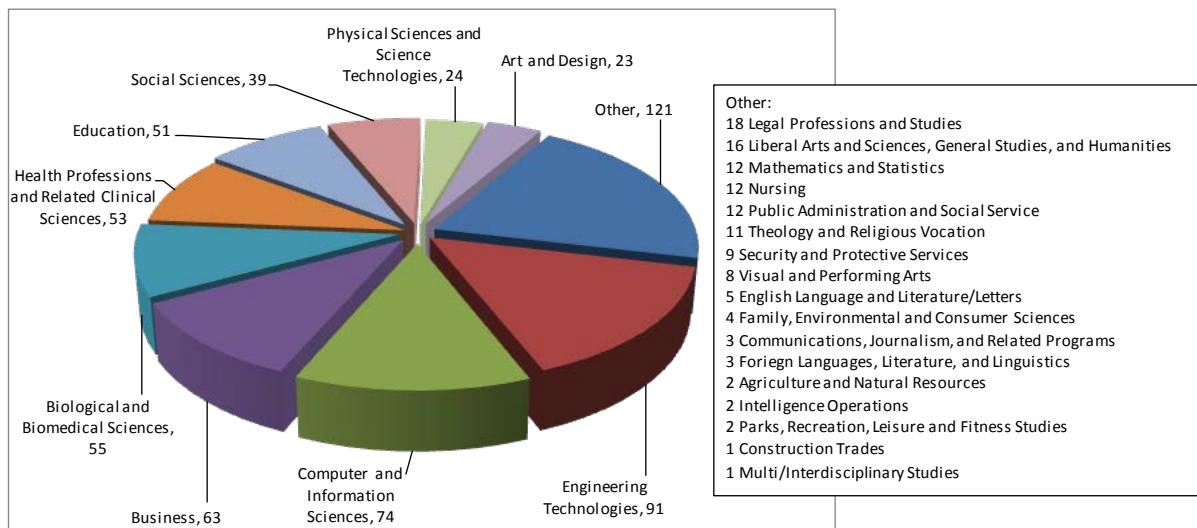
The table above illustrates that 80% of the recipients had an annual income of less than \$40,000 and 52% had income levels less than \$20,000, proving that the scholarship funds did in fact reach the intended target of low-income students. Also of interest is that 49% of recipients are older than twenty-five with the average age being twenty-eight. This indicates that a large number of non-traditional students are receiving these scholarship funds. Furthermore, the year ended with a student waiting list three times greater than those awarded demonstrating the great need of financial assistance for Arizona low-income students.

Distribution of Last Stretch Scholarship Recipients by Institutions in FY 2013



The pie chart above, illustrates the institutions the Last Stretch Scholarship recipients attended. Institutional distribution of awards in 2012-13 resulted in the following distribution percentages: 56% to public institutions and 44% to private institutions.

Distribution of Last Stretch Scholarship Recipients by Degree Program in FY 2013



As evidenced by the chart above, the most popular programs are Engineering Technologies, Computer and Information Sciences, Business, Biological and Biomedical Sciences, Health Professions and Related Clinical Sciences, and Education. The two most popular programs were related to STEM (Science, Technology, Engineering, and Math). These programs are important because they assist students in becoming the next generation of innovators within the STEM fields.

The ACPE believes it is important to see an increase in the retention of low-income students because when students withdraw or dropout it negatively impacts the student and the State. Some results of students withdrawing are: students lose future potential, institutions lose revenue and the possibility of making a difference for their students, and the State loses an educated individual who is able to compete in today's global market.

Additionally, the ACPE sent correspondence multiple times to recipients regarding the availability of the scholarship and worked with numerous institutions to notify students who met the minimum qualifications. The outcome of these communications can be seen in the 220 students who received a scholarship in the first year also received funding in the current year. The ACPE will continue to award additional funds to low-income students and expects to see an increase in the number of students completing their baccalaureate degree in the future.

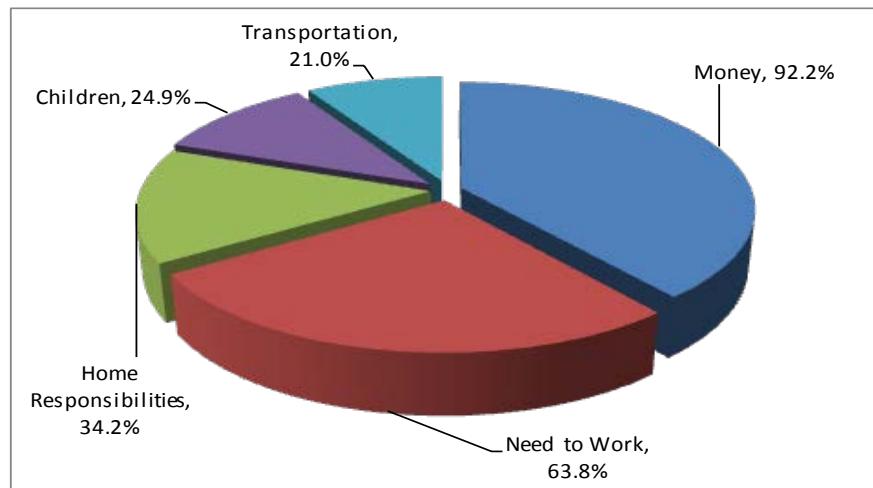
The ability to increase the baccalaureate degree completion rates of low-income students is significant in helping the State reach the Governor's plan of doubling the number of bachelor's degrees by 2020 and in doing so helps the State train students to

become leaders with advance knowledge and skills. The CACS funds the recipients received assist them in funding their education and completing a baccalaureate degree. Out of the 594 recipients in 2012-13 there were 343 seniors. Many seniors no longer graduate within four years, but take an additional year to complete their degree. These seniors are split between fourth year and fifth year seniors. The ACPE believes, but has not confirmed, that 121 fifth year seniors may graduate by the end of the current academic year, with an additional 222 fourth year seniors possibly adding to the total graduation figure. The ACPE continues to work with each institution to collect their student's graduation data.

The ACPE administered a survey to applicants in order to gain an understanding of the barriers that exist for students to persist through degree completion and the factors that cause students to leave college. The survey was administered to 2405 applicants. When reviewing the data, two items stood out. First, students reported that the following life factors, ranked highest to lowest, would impact their ability to continue their education: money, need to work, home responsibilities, children, and transportation. Overall, the majority (92.2%) of applicants indicated money was the greatest life factor affecting their ability to continue an education.

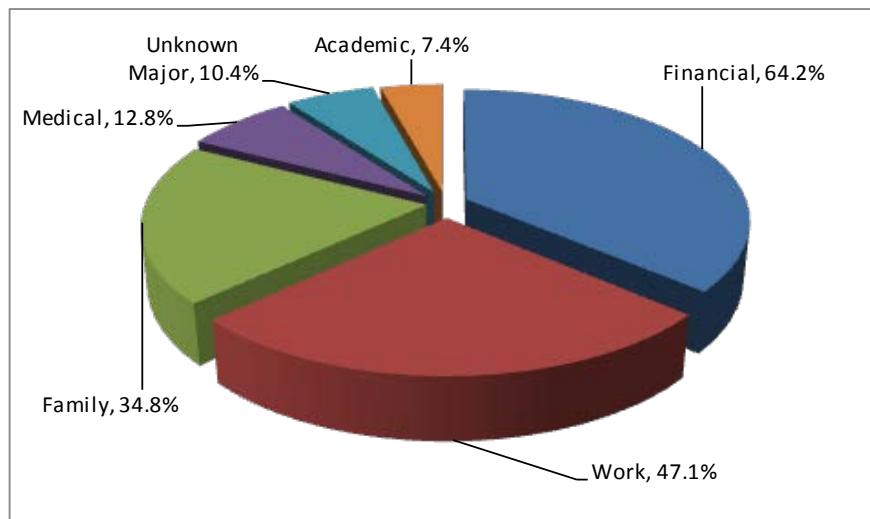
The pie chart below illustrates the various life factors affecting the 2405 applicant's ability to continue their education and the corresponding percentage.

Distribution of CACS Applicants Life Factors Affecting Students' Ability to Continue their Education in FY 2013



Second, applicants were asked if they had been continuously enrolled without a stop in enrollment. Those who discontinued college were asked what barriers or factors they felt caused them to stop their enrollment. Almost 29% percent of the applicants reported that they had not been continuously enrolled and of those who stopped out, 64.2% reported that financial reasons were the principal cause for leaving. Other life factors that caused students to break enrollment included: work, family, medical, unknown major and academic reasons.

Distribution of CACS Applicants Not Enrolled Continuously in FY 2013



Students reported that money was the overwhelmingly significant factor behind their ability to remain continuously enrolled. Remarkably, a majority (90.7%) of applicants also responded that they are strongly dedicated to finishing their education regardless of any obstacles. One reason could be that these students are close to graduating which has reinforced their dedication to obtain a degree.

Unfortunately, FY 2014 will be the last year of funding for the Last Stretch Scholarship due to the recent denial of Governor Brewer's request for an Arizona Maintenance of Effort (MOE) waiver for the Arizona College Access Challenge Grant that included \$1.2M in grants for low-income students through the Last Stretch Scholarship.

The Commission believes that the goals of the CACS program remain important to the State. The ACPE regrets the loss of this program and will continue its mission of expanding access and increasing success in postsecondary education for Arizonans.

1.5 Arizona Leveraging Educational Assistance Partnership (AzLEAP)

The Leveraging Educational Assistance Partnership (LEAP) has been in existence in Arizona since 1972 and has served as Arizona's "primary" low-income student grant program. LEAP was first offered in the 1970's to encourage states to establish their own primary low-income student grant, and was always considered a temporary incentive program offered by the federal government. Arizona and approximately four other states never progressed beyond the initial contribution and therefore LEAP remained as Arizona's "primary grant" because it served low-income students across all sectors of public and private education. A unique aspect of the Arizona LEAP program was that it leveraged the federal dollars more than twice. This occurred by requiring each institution to match the state funds in order to participate in the Arizona LEAP program. The Arizona Commission for Postsecondary Education has administered the

program, ensuring adherence to all federal regulations and the Arizona Administrative Code.

The Commission was notified in the spring of 2011 that the federal grant funding for LEAP and the companion grant SLEAP was eliminated beginning in FY 2012 and thereafter. This represented a \$1.3M reduction in available grant aid for low-income Arizona students. An ACPE survey of participating institutions indicated that they had a strong desire to continue the program and were willing to continue to provide institutional matching funds. Institutions also agreed to allow the administrative fees for this program to be taken out of the institutional match. Therefore, the program was continued using the \$1.2M state funding for LEAP and the institutional match of the same amount. The restructured Arizona Leveraging Educational Assistance Partnership (AzLEAP) program is based from the former Leveraging Educational Assistance Partnership (LEAP) program.

FY 2013 was the second year the Commission administered the restructured AzLEAP program. Private and public higher education institutions applied to the ACPE and the ACPE certified institutional eligibility and determined a proportional distribution of funds (based on the number of Arizona resident students) to institutions. AzLEAP recipients were selected by the institutions on the basis of financial need established through federal methodology and state administrative rules. At the end of the fiscal year the institutions provided reports to the Commission on the students awarded. The Commission reviewed the students awarded to assure compliance.

In FY 2013, three thousand one hundred and fifty one (3,151) Arizona Leveraging Educational Assistance Partnership (AzLEAP) awards were provided through 43 postsecondary institutions totaling over \$2.3 million in leveraged financial aid (state and institutional) to low-income students.

The table below provides a description for those who received awards in FY 2013.

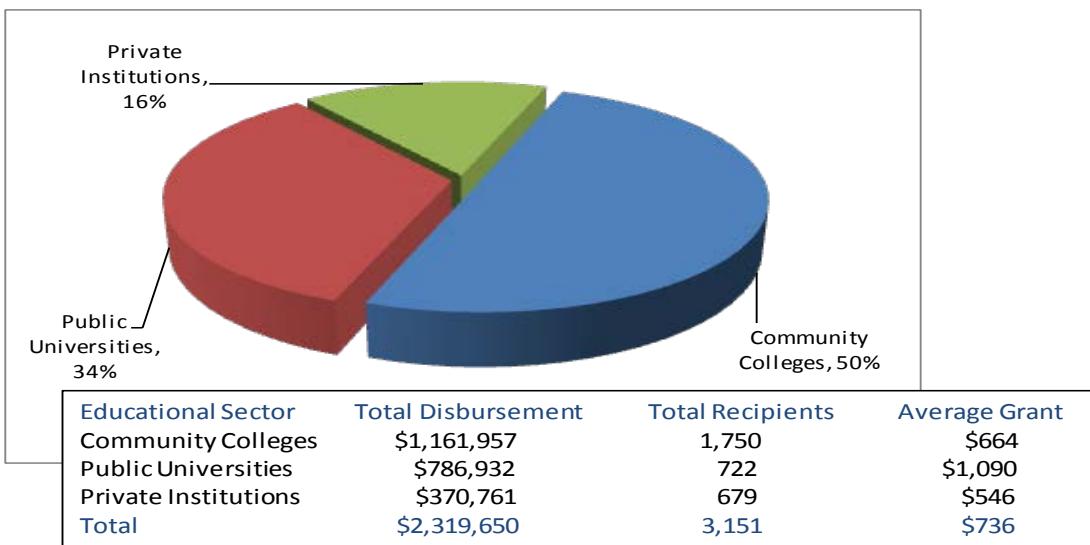
Description of AzLEAP Recipients in FY 2013

| Total Recipients | Total Disbursement | Dependent Recipients | Independent Recipients | Recipients w/Income Less than \$19,999 | Recipients w/Income Between \$20,000 and 39,999 | Recipients w/Income Over \$40,000 |
|------------------|--------------------|----------------------|------------------------|--|---|-----------------------------------|
| 3,151 | \$2,319,500 | 1,074 | 2,077 | 1,765 | 775 | 611 |

It is important to note that 81% of the recipients had incomes below \$40,000 with over half of the total recipients reporting incomes under \$20,000. The percentage of students whose incomes reported were less than \$19,999 slightly decreased compared to the last academic year, illustrating the need is still present for this financial aid program.

Institutional distribution of AzLEAP awards in FY 2013 resulted in the following distribution percentages: 34% to public universities, 50% to community colleges and 16% to private institutions as illustrated in the pie chart below.

Distribution of AzLEAP Recipients by Institution in FY 2013



Annual AzLEAP administration performance measures were collected through surveys from institutional financial aid administrators and reviewed by ACPE staff. Based on the 2012-13 surveys, 97% of financial aid administrators indicated that they agreed or strongly agreed that they were satisfied with administration of this program by the Commission.

The Commissioners are pleased that the State recognizes the need to continue this important financial aid program. With the rising tuition costs and limited or reduced financial aid available, the Commission is pleased to be able to partner with the participating institutions to offer this much needed aid to low-income students.

1.6 Arizona Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE)

The Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE) was created in 2007. This student-centered, need-based forgivable loan was designed to increase the number of math, science and special education teachers in the public K-12 system in Arizona by financially supporting and encouraging Arizona resident college students to pursue a teaching career in these identified high need fields and to remain in the State after graduation.

Forgivable loans are granted to eligible junior or senior students attending a qualifying public university or private college/university in the State to help defray the cost of tuition, fees and instructional materials. The maximum forgivable loan is \$7,000 per academic year for up to three years. To have the loan forgiven, students must sign a promissory note each year agreeing to teach in these subject areas (math, science, special education, or elementary education in a geographic area in the state experiencing a shortage of teachers) in a public K-12 school in Arizona for the number

of years they received the loan funding plus one year. Students who do not meet the forgiveness criteria must repay the loan funds plus any interest.

In FY 2013 forty-six MSSE loans were disbursed, 34 loans to initial recipients (1st time recipients) and 12 loans to continuing recipients (prior recipients). The loan recipients attended both public and private postsecondary institutions for a total disbursement of \$277,045.

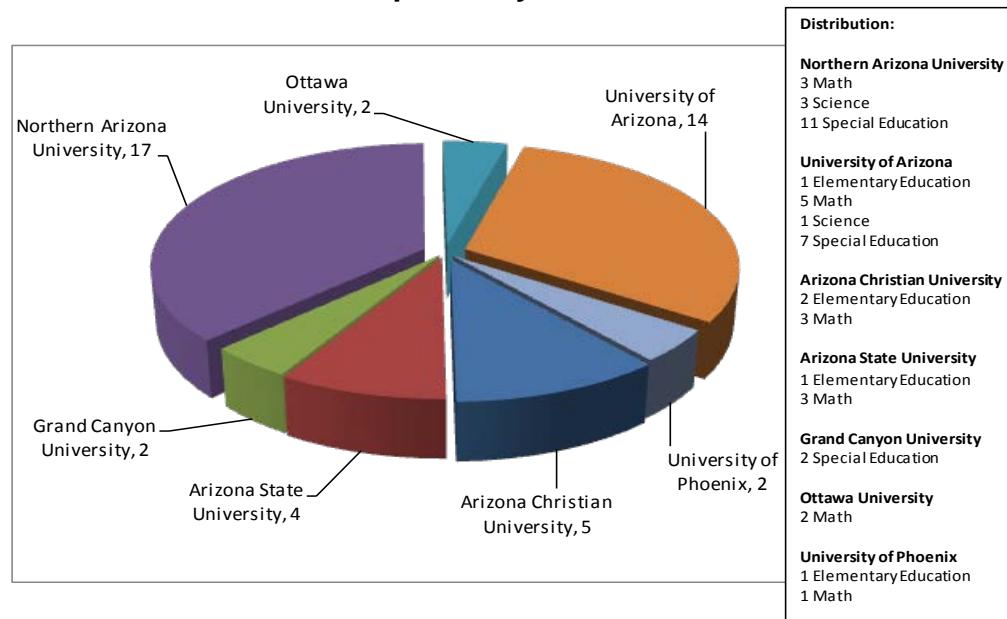
The table below provides a student profile for those who received loans in FY 2013.

MSSE FY 2013 Student Profile

| Total Applicants | Total Recipients | Total Disbursement | Average Loan Amount | Average Age of Recipients | Initial Recipients | Continuing Recipients |
|------------------|------------------|--------------------|---------------------|---------------------------|--------------------|-----------------------|
| 63 | 46 | \$277,045 | \$6,023 | 29 | 34 | 12 |

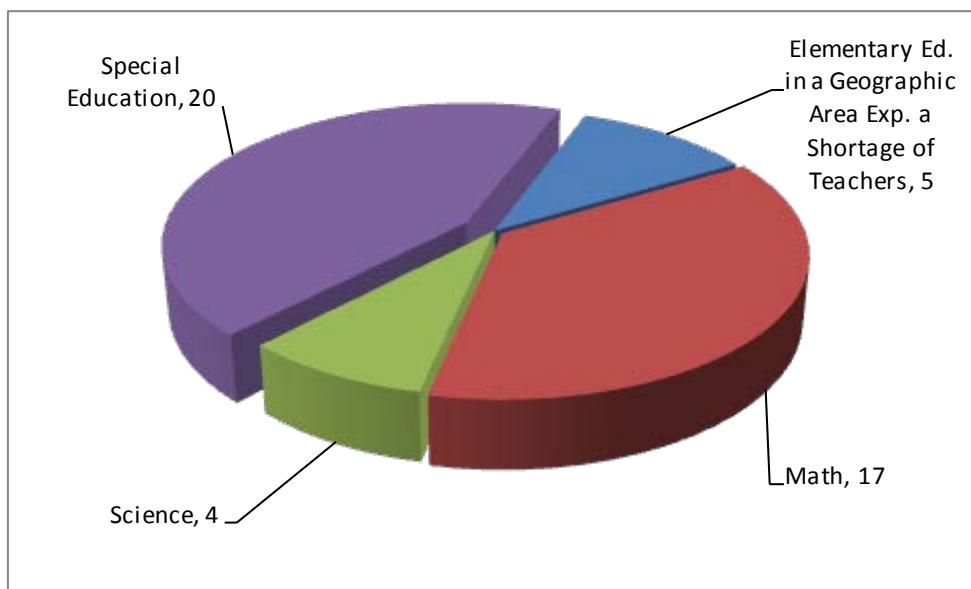
The difference between the total applicants and the total recipients is comprised of applicants who did not qualify, but the majority of those not awarded were due to the lack of funds.

Recipients by Institution



In FY 2013 nearly a quarter of the MSSE recipients attended private postsecondary institutions, depicting the importance of the private postsecondary sector to the program. The pie chart above represents a breakout of the institutions the 46 loan recipients attended and the pie chart below represents the recipient's degree programs.

Recipients by Degree Program



Status of Recipients in MSSE Program from Inception Through FY 2013

Tracking responsibilities are significant for the MSSE Program for each loan recipient is required to be tracked between seven to eleven years. For students who enter into repayment, the relationship can increase to 15 years. With the conclusion of FY 2013, 229 students have participated in the MSSE Program since inception in 2007. Below is a listing of the current status of the recipients.

- 35 are still enrolled in a postsecondary institution
- 14 are in their twelve month grace period (allowed by statute)
- 55 are currently teaching in a public K-12 school in Arizona
- 65 have had their loan forgiven for completing their teaching service
- 16 are currently in repayment
- 3 have paid their loan balance in full
- 41 may potentially be placed in repayment

Although allowed by statute, in FY 2013 the Commission did not receive any requests for good cause exceptions to student loan repayments; therefore, none were granted. The Commission will continue collecting the five year teacher retention data for the 65 individuals whose loans have been forgiven through teaching.

The limited annual appropriation for the MSSE program has caused the Commission to consider an automated application in AZ Grants System and companion tracking and

repayment software. The program is new to the ACPE and staff are assessing the cost and benefits of an automated system. However, such a system would undoubtedly allow the small ACPE staff to better handle the granting, tracking, and repayment processes.

The Commission believes the MSSE program provides a vehicle to shape student choices in order to meet Arizona's needs in teacher shortage areas. Additionally, the Commission is enthused to provide financial aid to this cadre of teachers who are critical to the success of Arizona's College and Career Ready Standards and Arizona's focus on Science, Technology, Engineering and Math (STEM) programs.

Unfortunately, the current level of appropriations for the MSSE program will not solve the shortage nor is it sufficient to support the Arizona Ready Education Reform Plan goals. Therefore, the Commission has requested an increase of funding of \$500,000 to total \$676,000 and one FTE in the FY 2015 Budget Decision Package for the MSSE program. Increased funding will allow 60-70 students to be supported through four years of their teaching education.

The Commissioners and staff look forward to helping increase the number of teachers in Arizona. The increase in funding for this program will aid the State meet both the goals of the Arizona Ready Education Reform Plan and Arizona's College and Career Ready Standards.

1.7 Student Forgivable Loan Repayment Programs

Currently the Commission administers five repayment programs: (1) the Private Postsecondary Education Student Financial Assistance Program (PFAP); (2) the Postsecondary Education Grant (PEG); (3) the Paul Douglas Teacher Scholarship (PDTA); (4) the Arizona Teacher Incentive Program (ATIP); and the Arizona Math, Science and Special Education Teacher Loan Forgiveness Program (MSSE).

Recently, the ACPE staff worked with Gold Bridge Partners, Inc. to develop and implement a semi-automated online loan repayment software on the AzGrants.gov website. This software is designed to allow the small ACPE staff to handle the increased volume of the Postsecondary Education Grant (PEG) forgivable loans as well as the Private Postsecondary Education Student Financial Assistance Program (PFAP) forgivable loans. This web-based software is currently being modified to accommodate the MSSE loan repayments including interest and the tracking requirements for loan compliance and retention in the field of preparation.

The web-based software will automate some of these processes by tracking the borrowers' repayments or, lack of repayments, and generating the appropriate emails or letters to be sent to them. The Office of the Attorney General is used by ACPE for collections when normal investigative means to locate the former student are unsuccessful or when grantees have been contacted three times and refuse to enter the repayment program. The Attorney General's office performs this service for a variable fee on every dollar collected.

A brief summary of the status of each of the repayment programs administered by the ACPE follows.

The Private Postsecondary Education Student Financial Assistance Program (PFAP), a forgivable loan program, is a need-based program designed to financially support Arizona community college graduates to continue their education at a private postsecondary baccalaureate degree granting institution in Arizona. The program requires that the student achieve a bachelor's degree within three years or they must repay the loan. There have been 1,678 students awarded PFAP forgivable loans since its inception in 1996, and 228 borrowers are currently being tracked in the repayment program or will be placed in repayment once located.

The Postsecondary Education Grant (PEG), a forgivable loan program created in the 2006 legislative session, is a non-need-based program designed to financially support and encourage students to attend a private postsecondary baccalaureate degree granting institution in Arizona. The program requires that the student achieve a bachelor's degree within five years from the initial disbursement date or they must repay the loan. Since the program's FY 2007 inception, 4,084 students received the forgivable loan. Of those recipients, 2,300 have already graduated with a baccalaureate degree within the required five year time frame and 640 are currently enrolled and working on completing their degree. The remaining 1,144 promissory note holders are reported as not enrolled or attending the last institution on file at the time of their last grant award. ACPE is currently searching to locate these students for inquiry regarding their enrollment or graduation status. Promissory note holders who fail to meet the requirements of the forgivable loan must enter into the repayment program.

In addition to these state loans, the ACPE is responsible for the collection of two small federal loan repayment programs: Paul Douglas Teacher Scholarship (PDTA) and Arizona Teacher Incentive Program (ATIP). Of the 254 former Paul Douglas Teacher Scholarship (PDTA) forgivable loan recipients, 3 are in default and 1 is in deferment. All others have completed their obligation by fulfilling the teaching requirements of the program or repaying their loan in full. There were 102 former Arizona Teacher Incentive Program (ATIP) forgivable loan recipients. Only one remaining former ATIP program student is required to make payments and is actively remitting to the Attorney General's office.

All funds recouped for the PDTA and ATIP programs are forwarded to the U.S. Department of Education in December of each year. Any funds recouped by the Attorney General's office are returned, less their recovery fee, to the Commission and disbursed to the U.S. Department of Education.

As previously mentioned, the Arizona Math, Science and Special Education Teacher Loan Forgiveness Program (MSSE) brought to the ACPE the responsibility of administering an additional forgivable loan program. Moreover, the ACPE acquired responsibility for the required compliance and retention tracking of the 229 students who have been granted MSSE forgivable loans since the program's inception, plus the

collection of repayments, including interest, from those who fail to meet the requirements of the program. Of those students, 3 have paid their loan balance in full, 16 are currently in repayment and remaining 210 will require tracking for up to 15 years. The tracking requirements of MSSE students are two-fold: (1) tracking for compliance to meet the promissory note obligation (up to six years) and (2) tracking for an additional five years to determine retention rates. The MSSE program is described in its entirety in section 1.6 of this report.

The ACPE responsibilities for the tracking and collection of forgivable loans are projected to dramatically increase. In FY 2013 the initial group of PEG borrowers enters potential repayment status, the tracking responsibilities of up to 15 years for the MSSE program must be fulfilled, and number of borrowers entering the repayment program will burgeon. The ACPE staff has been working to complete the software online at AzGrants.gov website to assist in handling these payments and the tracking requirements.

1.8 A Single Web Portal with Information for Families and Students Regarding Arizona Grants, Scholarships, Forgivable Loans, Student Loan Repayments, and Links to Financial Aid Resources

The Arizona Commission for Postsecondary Education (ACPE) serves as the single state entity representing Arizona in the National Association of State Student Grant and Aid Programs. As the state “expert” in student financial assistance the ACPE receives all FAFSA data for Arizona residents and maintains the fully-automated and secure *AZ Grants* student grant portal. This portal fills several critical needs for the state:

- (1) provides students and families a user-friendly, single application for all grants, scholarships, forgivable loans, as well as loan repayments administered by the ACPE;
- (2) ensures security compliance with all FERPA regulations related to student personal information by allowing for secure transmission and storage of data;
- (3) reduces the manual labor necessary for institutions to certify student eligibility by providing a user-friendly interface that allows the institution to easily and quickly verify attendance, certify Satisfactory Academic Progress (SAP), program of study, and other eligibility requirements. Additionally, the portal allows the institution to validate student performance to confirm if the student met the loan forgiveness criteria;
- (4) reduces the manual labor necessary for the ACPE to administer student aid programs by performing back office tasks such as awarding of funds, disbursement of funds, and monitoring students through repayment;
- (5) provides in “real time” the necessary data to Arizona’s educational leaders and policy decision makers regarding student demographics, performance, success, and behavioral barriers to continuing their education.

AZ Grants also provides a single place for students in repayment of Arizona student loans to view account information. The ACPE is investigating the possibility of enhancing *AZ Grants* to allow the automatic transfer of funds from the student's bank account to the ACPE for easier and faster student loan repayment and reduced manual labor for staff; however, funding will need to be provided in order for any enhancements to be made.

The web portal provides in its informational pages important information about additional sources of financial aid beyond the state aid; thereby linking students and families to important funding resources. More information about the portal is included in Section 2.2.C of this report.

1.9 Arizona Family College Savings Program (AFCSP)

The past year has been one of significant focus by the AFCSP, on public awareness of the importance of college savings for Arizona families, through public events, enhanced social media and enriched web presence. 529 college savings plans are the single most accessible option for Arizona families to save for college and reduce reliance on student loan debt to finance education. In 2013, more Arizona families have reported saving for college and developing a financial plan to reach their goals.

The Arizona Commission for Postsecondary Education administers the Arizona Family College Savings (529) 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. Each state is allowed one qualified tuition program. 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, room and board, books, and required equipment at any accredited public or private college/university, community college, proprietary or vocational/career/technical postsecondary educational institution in the United States as well as eligible foreign institutions.

In August 2006, the Pension Protection Act passed and made permanent the 529 plan provisions allowing federal income tax-free withdrawals from 529 College Savings Plans for qualified higher education expenses. An additional tax benefit was added in January 1, 2008, when a state income tax deduction was extended to Arizona residents for up to \$750 per individual or \$1,500 per married couple for annual contributions made to a 529 plan. This incentive was set to expire on December 30, 2012 but State legislative action extended the tax incentive into perpetuity. This tax benefit was more than doubled

effective January 1, 2013. The State Legislature expanded the state tax deduction increasing it to \$2,000 per individual and up to \$4,000 for married filers. This increase brings the Arizona 529 Plan tax incentive more in line with other state's tax incentives. The goal of the increased tax incentive is to encourage more Arizona families to participate in college savings. Eighty percent of all student financial aid is provided by the federal government and focused on low-income students, the 529 program offers an important vehicle to save for college expenses and reduce student loan debt for families.

The AFCSP was established as a multiple program manager or financial institution plan, ensuring a variety of investment choices for diverse investment needs and risk tolerances of families saving for college. Today, three well-respected financial institutions offer a diverse array of investment options for families saving for college. A brief description of the providers and their investment offerings follows.

| AFCSP Investment Offerings ¹ | |
|---|---|
| College Savings Bank (direct-sold, FDIC Insured) | |
| <ul style="list-style-type: none"> • CollegeSure CD: • InvestorSure CD: • Fixed Rate CD: • Savings Account: • Honors Savings Account: • Accumulator Account: | variable rate CD indexed to college costs variable rate CD indexed to the Standard & Poor's 500 Composite Index fixed rate CD with principle and interest guaranteed 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 high yield, tax-advantaged savings account. No fees, no penalties, no fixed term holds contributions until sufficient funds are accrued to purchase a CD |
| Fidelity Investments (direct-sold) | |
| <ul style="list-style-type: none"> • Three (3) age-based strategies; actively managed, indexed, and multi-firm portfolios. • Six (6) static mutual fund portfolios • Six (6) individual portfolios • Bank Deposit Portfolio, FDIC – Insured interest-bearing account | |
| IVY Funds InvestED: Waddell & Reed (advisor-sold) | |
| <ul style="list-style-type: none"> • Three (3) Age-Based Portfolios customized based on college time horizon • Three (3) Static Portfolio options in which investor selects risk level; conservative, moderate or aggressive • Sixteen (16) Individual Fund Portfolios invest in a single mutual fund; including domestic and international equity funds, specialty funds and fixed income funds | |
| 1 Details of individual offerings can be found at www.az529.gov | |

Critical to the success of the Arizona Family College Savings (529) Program (ASFCP) is the expertise and advice from the AFSCP Oversight Committee. The AFCSP Oversight Committee, as defined by state statute, is comprised of 10 members with financial, tax and legal expertise. The Oversight Committee's main responsibility is to make recommendations to the Arizona Commission for Postsecondary Education, the AFCSP Trustee, of providers and to review and advise regarding investment and operational procedures. In addition, the Oversight Committee is responsible for an annual review of each provider, both in writing and through a face-to-face interview. Each of the program managers is evaluated on their success in meeting contracted outcomes. The current roster of the AFCSP Oversight Committee follows this section.

Arizona Family College Saving Program Oversight Committee

Member Roster as of June 30, 2013

Roger D. Curley

Attorney at Law

Curley & Allison LLP

Jeff Ratje

Director of Finance, College of Law

University of Arizona

Kevin Donnellan

Director of Communications

State Treasurer Office

Michael Rooney

Attorney

Sacks Tierney, PA

Hope Leibsohn

Attorney at Law

Sherman & Howard, LLC

Mark P. Stein

CFP

Galvin, Gaustad and Stein, LLC

Steven Matthews

Actuary

Matthews, Gold, Kennedy and Snow, Inc.

Sally A. Taylor

CPA, CFP

Keats Connnelly

David Walser

Managing Director

Grant Thornton. LLP

James Van Houten

CFP

Retired - Stonegate Financial Group, LLC

Commission Staff

Dr. April L. Osborn

Executive Director

Judi Sloan

Office & Communications Coordinator

Daniel Helm

Associate Director State Student Financial Aid

Grace Smith

Director, AZ Family College Savings Program

Cathy Guthrie

Business Manager

Milda Talladen

Financial Services Coordinator

Kathaerine Johnson

Director of Programs & Agency Operations

The report titled *Accounts and Assets Under Management* following this section summarizes data at the close of FY 2013 regarding AFCSP funded accounts, Assets Under Management (AUM), as well as the contributions of each of the three providers to the total Program.

The table in the figure indicates that as of June 30, 2013, there were 68,031 AFCSP funded accounts. This represents a 6% increase in the number of accounts over June 30, 2012. The healthy growth in new accounts is driven by both Arizona residents as well as residents of other states, indicating that the AFCSP provides attractive investments to both those inside and outside of Arizona.

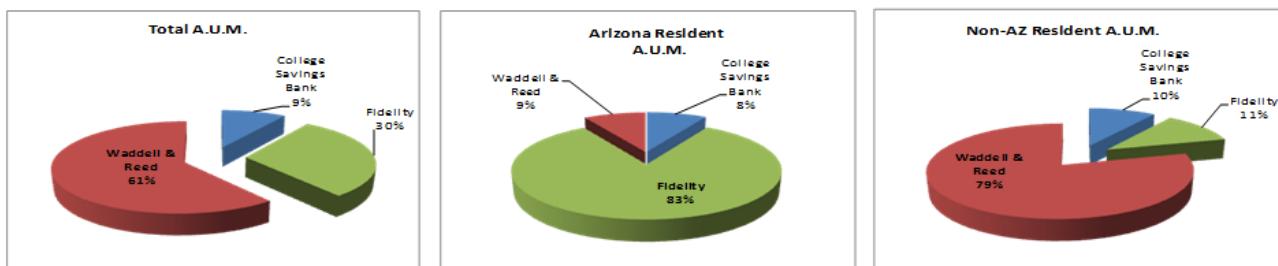
The bar chart in this report titled *Accounts and Assets Under Management* illustrates the growth of AFCSP Assets Under Management (AUM) since inception, by year. Since its 1999 launch the Arizona 529 Plan has grown steadily, with the exception of FY 2008, the height of the Great Recession. As of June 30, 2013, total AUM were more

than \$769 million, an increase of \$110 million from the \$659 million under management on June 30, 2012. This reflects a combination of new money deposited in accounts, as well as increased investment performance. As the AFCSP continues to mature, more families have taken advantage of distributions to pay college expenses. These distributions denote the success of the program in helping families meet their postsecondary education financial goals.

ARIZONA FAMILY COLLEGE SAVINGS PROGRAM (AFCSP)
Reports as of June 30, 2013
Accounts and Assets Under Management (A.U.M.)
As reported by providers

| Program Manager | Total A.U.M. | % of Total A.U.M. | Average Balance | A.U.M. Held by AZ Residents | | | A.U.M. Held by Non-AZ Residents | | |
|----------------------|--------------------|-------------------|-----------------|-----------------------------|-------------------------|-------------------|---------------------------------|-------------------------|-------------------|
| | | | | Total A.U.M. | % of A.U.M. by Provider | % of Total A.U.M. | Total A.U.M. | % of A.U.M. by Provider | % of Total A.U.M. |
| College Savings Bank | 71,919,113 | 9% | \$21,228 | 16,841,426 | 23% | 8% | 55,077,687 | 77% | 10% |
| Fidelity | 230,157,918 | 30% | \$ 9,849 | 166,049,973 | 72% | 83% | 64,107,945 | 28% | 11% |
| Waddell & Reed | 467,219,149 | 61% | \$11,320 | 17,414,580 | 4% | 9% | 449,804,569 | 96% | 79% |
| | 769,296,180 | | | 200,305,979 | 26% | | 568,990,201 | 74% | |

| Program Manager | Total Accounts | % of Total Accounts | Accounts Held by AZ Residents | | | Accounts Held by Non-AZ Residents | | |
|----------------------|----------------|---------------------|-------------------------------|---------------------------|---------------------|-----------------------------------|---------------------------|---------------------|
| | | | Total Accounts | % of Accounts by Provider | % of Total Accounts | Total Accounts | % of Accounts by Provider | % of Total Accounts |
| College Savings Bank | 3,388 | 5.0% | 1,448 | 43% | 7.9% | 1,940 | 57% | 3.9% |
| Fidelity | 23,369 | 34.4% | 15,188 | 65% | 82.8% | 8,181 | 35% | 16.5% |
| Waddell & Reed | 41,274 | 60.7% | 1,710 | 4% | 9.3% | 39,564 | 96% | 79.6% |
| | 68,031 | | 18,346 | 27% | | 49,685 | 73% | |





The ACPE has taken measures to strengthen the Program for the benefit of investors. These initiatives included solidifying long term relationships with all three program providers, a continued focus on reducing plan expenses, and increased investment offerings.

Investment options were strengthened with the addition of more conservative fund choices through College Savings Bank and the addition of open architecture portfolios through Fidelity Investments. The expected result is long term performance results should be enhanced by broadened exposure toward international funds. Also, the recent Oversight Committee appointments ensure the committee is well positioned to effectively oversee the program over the upcoming years. These Program enhancements are designed to enhance the Arizona Family College Savings Program and ensure it remains a highly desirable plan.

Fidelity Investments, one of the plan providers, seeks information regarding college savings behavior and graciously share Arizona's results with the Commission. Arizona families surveyed by Fidelity Investments in June 2013 reported taking positive steps toward savings for their children's college education despite ongoing economic challenges. In fact, 63% of those surveyed said they are saving for their children's college education up from 57% last year and on average reported savings \$4,200 last year. Twenty-eight percent of these Arizona parents are investing in a dedicated college savings account, such as a 529 plan, up slightly from 27% in 2012. In addition, 529 account owners feel more educated (87%) and prepared (71%) when it comes to saving for college versus non-529 owners.

In conclusion, this June 30, 2013 review reflects continued account growth and performance recovery. This year was one in which plan assets increased appreciably through both investment performance gains and new plan accounts opened. With the signing of longer term contracts with all three program providers the AFCSP has achieved an operational stability that should endure for the upcoming years.

Additionally, Fidelity Investments has continued to strengthen the 529 plan by bringing new investment products and reduced plan expenses into the program. Furthermore, Arizona families are beginning to recognize the importance of saving for college in order to reduce their dependence on student loans.

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

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

Research indicates that almost every parent holds the dream of college attendance for their child. In addition, workforce data shows that large numbers of Arizona adults are under-employed and seeking higher education for personal/professional development. Moreover, twenty-six percent of Arizona adults, according to 2010 census data, have earned some college credit yet do not hold a degree. Therefore, the Arizona Commission for Postsecondary Education engages in leading, strengthening, and supporting college access and success initiatives for both high school students and adults.

It is realistic planning with appropriate and accurate information that will assure a potential student is academically ready, the family is financially prepared, and that student and family expectations are in line with the realities of postsecondary education. Two specific strategies are employed by the ACPE to engender realistic planning. First, the Commission supports the development of knowledgeable professionals and seeks to ensure effective college access programs are available to assist first generation and low-income students as they plan, prepare and enroll in postsecondary education. The Arizona College Access Network, its College Access Curriculum and both AzCAN's Student and Organizational Standards; College Sunday Financial Literacy Initiative; and the Arizona College Application Campaign are all designed to improve the knowledge base and provide professional guidance to low-income students and families.

Second, the Commission provides current and relevant print- and web-based information for college planning and decision-making to students and their families. Two methods are employed to provide this information. More than 10,000 publications are disseminated statewide to provide current and appropriate college-going information. In addition, the Commission hosts seven websites which attracted 158,700 unique visits in FY 2013. Each website is designed to provide specific and timely college-going information to the public including financial literacy, FAFSA completion, a web-based compilation of postsecondary education opportunities statewide, as well as a web-based learning community and professional development for professionals.

All strategies under Goal 2 are funded through grants, fees, donations, and sales; no general funds are used to support these college access tools and programs. A description of the work of the Commission toward these goals follows.

2.1 Provide access to knowledgeable professionals to assist students and families plan, prepare and enroll in postsecondary education

2.1. A. The Arizona College Access Network (AzCAN)

The Arizona Commission for Postsecondary Education received funding in the second 5-year cycle of the federal College Access Challenge Grant (CACG) to host the Arizona College Access Network (AzCAN). Additionally, the Commission was awarded a three-year Kresge Foundation grant through the National College Access Network (NCAN) in January of 2011 to support the work of AzCAN. The CACG and Kresge funds are to be used to develop collaboration, build partnerships, share expertise, provide professional development, and disseminate quality college-going and financial aid information and publications to college access programs and professionals across Arizona.

A strategic plan consisting of five goals was established to guide the development of the network. A Steering Committee comprising leaders in college access developed this plan that includes (1) the use of local experts as advisors to develop a plan for the Network, (2) conversion and enhancement of the existing website to reduce maintenance costs and provide interactive functions, (3) identification of college access programs and building relationships with college access professionals statewide, (4) provision of member benefits to professionals to attract them to the Network by providing opportunities for learning and sharing of experience and (5) distribution of current research and practices regarding quality standards for college access programs.

The Arizona College Access Network has made significant progress towards its strategic goals and is preparing work on a strategic plan to take the organization to the next level of operation. The Network vision is aligned with the Governor's goal to double the number of students receiving baccalaureate degrees to 36,000 per year. The mission of the Network is to build the capacity of college access programs throughout Arizona and ensure that quality services are provided to low-income, first-generation students as they prepare for, transition to, and succeed in postsecondary education.

The Network continues to grow. In FY2013 AzCAN had a total of 133 direct service members. This includes 93 college access programs, 40 supporting organizations, and 362 individual members. There are also 65 individual supporters in the Network.

Arizona's college access providers are housed in institutions of higher education, high schools or districts, community organizations, national organizations and foundations. AzCAN member locations are as follows:

| Arizona Access Providers | Number | Percent |
|----------------------------------|--------|---------|
| Institutions of Higher Education | 56 | 42.1% |
| High Schools or School Districts | 43 | 32.3% |
| Community Organizations | 26 | 19.5% |
| National Organizations | 1 | 0.8% |
| State Agencies and Organizations | 5 | 3.8% |
| Foundations | 2 | 1.5% |

The Network provides benefits to members in the form of professional development. In March 2013 AzCAN hosted a Yuma Regional Workshop in which participants discussed the state of college access and success in both Arizona and Yuma, then brainstormed strategies for success in the region. Throughout FY2013 AzCAN Director John Garcia presented at the Career and Technical Education conference in Tucson, the Arizona School Counselors Association conference in Mesa, and the University of Arizona "College Knowledge" conference in Tucson.

To meet the needs of the diverse AzCAN membership, a web-based series of professional development opportunities was initiated focusing on best practices from local and national experts in the areas of college access and success. Webinars were held in FY2013 to address program evaluation, social media, financial aid, and Arizona Earn to Learn programs. AzCAN will continue to offer professional development opportunities for college access organizations in the form of workshops, web-based meetings, and conferences.

Members also utilize the AzCAN listserv as a forum to engage with other college access professionals statewide to share information, communicate, and collaborate. Network transmissions include bi-monthly newsletters supplemented by periodic updates containing member events, trainings, workshops, news articles and research. There has been continued growth in newsletter readership as evidenced by an average of 108 opens per newsletter. Increased communication is made possible by a growing base of individual subscribers to the Network listserv which now contains 389 individuals.

The AzCAN Student Standards task force presented a draft of research-based student standards and competencies to the AzCAN Steering Committee in September of 2012. These Standards identify competency-based knowledge that students should be able to understand and demonstrate in the areas of college preparation and awareness. Future plans include engaging a national firm to expand the Standards to include indicators, sample scenarios and assessment. When complete, the AzCAN Student Standards can be used by college access programs to enhance program effectiveness and build program outcome objectives.

To build capacity among members, the AzCAN Organizational Standards task force partnered with the United Way and the Arizona Center for Afterschool Excellence to create high quality standards for youth development programs. The AzCAN

Organizational Standards, a subset of the youth development standards, will help Network members measure program performance in the area of college access and success.

Through support from the Kresge Foundation, the National College Access Network researched and published the Arizona College Access Inventory. This inventory is based upon responses to a survey from 109 Arizona college access programs, interviews from 20 key policy stakeholders, and data from the 2010 census survey, and will provide guidance for AzCAN's strategic planning.

Another ongoing initiative is the AzCAN College Access Curriculum, a partnership with GEAR UP and the Southern Regional Education Board. The curriculum consists of four online modules for college access professionals to improve their effectiveness in preparing students for college. These modules cover such topics as creating a college-going culture, working with diverse populations, early career awareness and planning, and the financial aid process. The online curriculum is targeted to K-12 teachers and counselors, nonprofit personnel, and pre-service counselors and is scheduled to begin in the summer of 2014.

In the coming months, AzCAN will be developing a comprehensive strategic plan to guide future activities. The strategic plan will include business, fundraising, and communications components and identify quantifiable deliverables that will translate the strategic plan outcomes into financial objectives and operating principles. AzCAN's prior work with Student and Organizational Standards, the Arizona College Access Inventory and the AzCAN College Access Curriculum provide a framework for strategic planning and will guide the process.

The Arizona College Access Network staff and Steering Committee with the support of the Governor's Office of Education Innovation and the ACPE look forward to continuing to build and develop an effective statewide network of college access programs and professionals.

2.1.B. College Goal Sunday (CGS) Financial Literacy Initiative

Arizona's College Goal Sunday (CGS) is a grant-funded statewide financial literacy initiative that provides free information and professional assistance to Arizona students and families seeking college financial aid for postsecondary education experiences. The Arizona Commission for Postsecondary Education has planned and coordinated the Program for the past 18 years. The mission of the CGS initiative is to increase the number of low-income, minority and first-generation college students entering postsecondary education. The goals of the College Goal Sunday Financial Literacy Initiative are: (1) to increase the number of students who gain knowledge of and seek financial aid, (2) increase the number of college-bound seniors and returning adults completing the Free Application for Federal Student Aid (FAFSA) early, and (3) to increase access to accurate and timely information regarding student financial assistance and financial aid processes.

The annual event is offered in partnership with the Arizona Association of Student Financial Aid Administrators (AASFAA). In 2013, College Goal Sunday & Saturday Too! was held in 28 Arizona communities on February 9th and 10th. On these two days, more than 300 volunteer financial aid professionals from Arizona's colleges/universities, as well as high school counselors, mobilized to assist high school seniors and their parents in completing the online FAFSA form and to learn about the financial aid process. Over 1,600 students and parents attended the 2013 event.

The student/parent surveys tell a compelling story of the need for College Goal Sunday (CGS). More than four out of five respondents indicated that they completed an online FAFSA during a CGS workshop. Ninety-six percent of the student/parent surveys indicated that the assistance they received at the event made the event worth attending. Over 60% of students that attended were 1st generation students and had family incomes of less than \$40,000. Likewise, over 50% of those who attended reported that they were a minority. Eighty-five percent of respondents report that CGS increased their likelihood of attending college or vocational school in the next year.

While the annual event is an important service to students and their families, also important is the financial literacy component of the initiative. When surveyed students report in large percentages that they aspire to go to college and that they intend to file a FAFSA, yet their actions speak very differently. The Federal Student Aid Office (FSA) of the U.S. Department of Education reports that Arizona's FAFSA filing rate is less than 30% and Arizona is only one of four states in the country with such a low filing rate.

The FAFSA is the first critical step in applying for all forms of financial assistance, yet the form and the application process are often overwhelming to students and families, especially those whose parents did not attend college. It can be a challenge for students and their families to fully understand what they need to do and when as they do not have adequate information about the availability of financial aid, the application process, and the deadlines for filing the application.

The CGS financial literacy campaign undertaken by the Commission, is designed to help fill the information gap for students and their families by providing year round information including the important messages such as: (1) financial assistance is available to help pay for college costs, (2) the FAFSA is the first step in applying for financial assistance, (3) it is necessary to file the FAFSA by February 15 in order to be considered for all available aid, and (4) there are additional steps to take after filing the FAFSA.

The Commission promotes literacy providing accurate and timely information related to financial aid on the College Goal Sunday and the Pay4CollegeArizona websites. Line-by-line instructions on how to complete the FAFSA are included on the CGS website to help students and their families who could not attend the in-person event. The Commission also distributes a publication titled the *Rapid Guide to Financial Aid* which is discussed in detail in section 2.2.J. In 2012 the Commission added a social media (Facebook) component to the financial literacy campaign. Social media is one of the

best ways to reach high school seniors. In FY 2013 the CGS Facebook page received over 1,000 “likes”. Additionally, the Arizona College Access Network (AzCAN) offers direct access to low-income students statewide to deliver the messages.

All of these efforts are undertaken using no general funds. As the host of the initiative, the Commission secures grants to fund the activities and provides the leadership to implement the event. Long standing partnerships developed by the Commission with USA Funds, AASFAA, the Arizona School Counselor Association, and the Arizona Department of Education (ADE) have proven to be a great asset in this work.

2.1.C. Arizona's College Application Campaign (AzCAC)

Arizona College Application Campaign (AzCAC) is a new statewide initiative with three main goals: (1) increase the number of low-income students who apply to at least one postsecondary education opportunity during their senior year in high school, (2) support and enhance existing high school efforts that encourage all students to have a postsecondary plan and take timely steps toward postsecondary education opportunities and success, and (3) contribute to a college-going culture within and among the school, the student body and their families, and the community. The campaign will be inclusive of all sectors of public and private postsecondary education, with the objective of fostering a state-wide effort that expands students' postsecondary education or training opportunities leading to a certificate, associate, or baccalaureate degree.

The first College Application Campaign began in 2005 in North Carolina as a pilot effort at a single high school. Since then, many other states have initiated College Application Campaigns to meet the needs of their respective states' goals to increase the percentage of first-generation and low-income students who pursue a postsecondary education. Arizona was encouraged to take part in the College Application Campaign initiative by Lumina Foundation and the American Council on Education.

A brief pilot by the three public universities took place in December of 2012. The pilot resulted in a request for the Arizona Commission for Postsecondary Education (ACPE) to assume leadership for the Campaign going forward. Recognized advantages of Commission leadership include experience in establishing successful statewide collaborative initiatives such as College Goal Sunday, the Arizona College Access Network, and the Arizona Minority Education Policy Analysis Center. Also, the Commission membership is comprised of senior leadership from all sectors of postsecondary education as well as K-12 and could therefore solicit support broadly.

The Commission established an Advisory Committee for the initiative comprised of stakeholders across the state including representation from the Governor's Office, Arizona Board of Regents, Arizona Department of Education, public & private universities, community colleges, business, and college access professionals. All agreed that the goal would be to increase the number of students statewide who

submit applications for postsecondary education in the fall of their senior year. In addition, success would be measured by:

1. The number of applications submitted during the campaign, relative to the number submitted in November of previous years, insofar as reported by secondary and postsecondary sectors.
2. The number of students matriculating in the summer, fall, or winter semester/quarter following their participation in the campaign as compared to the number of students matriculating in previous years.

The Advisory Committee also recommended :

- The Arizona College Application Campaign (AzCAC) be held at high schools during the school day in November, 2013.
- The campaign be representative of all sectors of public and private postsecondary education and students will apply to their choice.
- The November 2013 campaign will be a pilot project that includes schools joining the 2012 effort, in addition to rural schools and charter schools.
- The 2013 pilot project and 2014 expansion planning will occur concurrently, led by the ACPE under the guidance of a multi-sector implementation team.
- The ACPE communicate with pilot project school superintendents, principals, teachers, and counselors regarding 2013 campaign commitments and requirements, including volunteer recruitment and training.
- The ACPE also communicate with schools not included in the 2013 pilot project in order to prepare them for future participation in AzCAC.

Twenty-eight high schools were invited to participate in the 2013 AzCAC pilot study with the goal of 100% of their senior classes completing an application to at least one postsecondary institution by the end of November of their senior year. Additionally, the participating high schools agreed to maximize student participation and school-wide engagement by staging AzCAC events that took place on school grounds, during the school day. Ten high schools across the state accepted the invitation and held events in November 2013 serving nearly 2,000 high school seniors.

The Commission will work with the postsecondary institutions and the Advisory Committee to evaluate the 2013 pilot project and use the data along with lessons learned from 2013 as the baseline data to begin planning and implementing the 2014 campaign. The Commission will be seeking outside funding to continue this time intensive and highly valuable work.

2.2 Provide Current and Relevant Web- and Print-Based Information on College-Going and Financial Assistance for Families and Students

2.2.A. The Arizona College and Career Guide (ACCG)

The *Arizona College & Career Guide* (ACCG) lists all Arizona public and private postsecondary institutions including proprietary, vocational, and career schools. This document is a one-stop source for information on Arizona postsecondary institutions' accreditations, course offerings, length of study, costs to attend, financial aid programs available, and the institution's website. This publication is widely used by high school counselors, Workforce Connections, college access programs, and the information seeking public. The ACPE has compiled and disseminated this publication since 1975.

There are two major distribution focuses for the ACCG. The Arizona College Access Network (AzCAN) provides the *Arizona College and Career Guide* as one of the benefits for AzCAN members. Additionally, Title I high schools, GEAR UP, Workforce Connections, Vocational Rehabilitation offices, Tribal Vocational/Education offices, and Correctional Institutions receive the *Arizona College and Career Guide* free of charge to use with their students and clients. Non-Title I high schools may order the publication as long as the supply lasts.

In addition to the print version, the ACCG is available online in an easily navigated format. This website had a total of 7,627 unique visits in FY2013. Publication and distribution costs of the ACCG are financed through paid advertising in the publication and per individual book fees from sales.

High school and career counselors consider the ACCG a valuable tool when working with students needing more information on Arizona postsecondary institutions or as part of a career exploration assignment. Every year, Arizona GEAR-UP advisors request 2,500 copies to distribute to economically disadvantaged high school seniors. Furthermore, the ACPE uses the Arizona College and Career Guide as a promotional tool to inform families of College Goal Sunday and the Arizona Family College Savings Program (Arizona 529 Plan), as well as the various Arizona grants administered by the ACPE. The ACCG is also used to promote to counselors the ACPE's free college-going literacy materials available for high school students and returning adult students.

2.2.B. [Azhighered.gov](http://www.azhighered.gov): Arizona Commission for Postsecondary Education

The www.azhighered.gov website serves as a resource for links to information about educational agencies and institutions, financial aid, college savings programs, and a myriad of local and national resources for parents, students, and the public seeking sources of information regarding higher education. It is the portal through which the public can easily access the information in the ACCG Guide, Arizona 529 Plan, AMEPAC reports, Arizona grants, the Arizona College Access Network (AzCAN), and College Goal Sunday. Statewide initiatives such as Arizona's College & Career Ready

Standards, Arizona Ready, and Expect More Arizona are prominently displayed and linked as well as information regarding Commission and Arizona Family College Savings Program Oversight Committee public meetings. During FY 2013 the website received 52,028 unique visits.

2.2.C. AZgrants.gov: One Secure Portal to Access All Arizona Student Grants, Scholarships, Forgivable Loans, and Financial Aid Resources

The www.azgrants.gov website is an easy to use, single secure portal, for students to access information on the AzLEAP, PEG, SPEG, PFAP, CACS and the MSSE grants (described in Goal 1) as well as the applications for these grants. This interactive website also provides links to other financial aid options and resources. The website also provides a user-friendly tool for financial aid professionals, representing more than 100 postsecondary institutions, to certify students as attending, achieving Satisfactory Academic Progress, and certification of student eligibility criteria under the terms of the grant. Additionally, the ACPE notifies students and financial aid staff when it awards grants to students both online and through email using the website. Currently under development is the build-out of software to support the tracking, notification, and repayment administration of forgivable loans. The additional software will assist both ACPE staff and loan holders to efficiently communicate on the progress of the repayment obligation. During FY 2013 the website received 50,136 unique visits.

2.2.D. Pay4collegearizona.gov: One-Stop Access to Student Financial Aid Help

The www.pay4collegearizona.gov website was launched in March 2010 with the purpose of providing accurate and timely resources on how to financially prepare for college using current and relevant information. This website helps students and parents gain knowledge of the financial aid process including types of aid, steps, and deadlines which help them plan and succeed in paying for college. During FY 2013 this site received 10,999 unique visits.

2.2.E. CollegeGoalSunday.com

Collegegoalsunday.com provides accurate and timely information related to completing the FAFSA as well as financial literacy information. Students and their families, who could not attend the in-person workshop can find line-by-line instructions on how to complete the FAFSA in addition to other financial literacy handouts such as what to do after submitting the FAFSA, using credit wisely, and identity theft. This portal also provides handouts and marketing materials for CGS site coordinators hosting in-person events. During FY 2013 this site received 10,299 unique visits.

2.2.F AZ529.gov: Help for Families Saving for College

The Arizona Family College Savings Program website, www.az529.gov, provides parents, grandparents and families with information regarding IRS approved college savings plans, which includes information specific to the Arizona Family College

Savings Plan. It is the companion website to the pay4collegearizona website, providing help for middle class families as they prepare to bear the costs of college for themselves and/or their children. Here, parents and other family members can learn about tax-advantaged ways to save for a college education.

Especially popular on this website and also available in print is the College Savings Planner which provides information on the college costs for a number of different colleges/universities, as well as the various forms of financial aid available. The 529 website also provides information on when to begin saving for college, and compares various tax-advantaged college savings options. During FY 2013 the website and the College Savings Planner were updated in a continued effort to broaden Arizona families' knowledge of college savings options. We continued our public awareness work with families during College Savings Month by hosting events which reached an estimated 36,000 Arizona residents. Interest in the website continued to grow as we received 20,617 unique visits in FY 2013. The increased public awareness efforts continued through the growth of the Arizona 529 Plan's social media efforts which resulted in 2,600 Facebook likes as of June 2013.

2.2.G. AMEPAC.org: Research and Policy Analysis Reports

The Arizona Minority Education Policy Analysis Center website, www.amepac.org, showcases the policy analysis studies and current research reports commissioned by AMEPAC and the Commission. These studies and reports can be downloaded from this site. AMEPAC research is discussed under Goal 3. During FY 2013 this site received 3,429 unique visits.

2.2.H. AZCAN.gov: Information and Resources for College Access Professionals

The Azcan.gov website went live in September 2011 and was developed to help form a learning community among college access professionals. The website provides interactive tools for members as well as information and resources for college access professionals on a variety of topics including financial aid, professional development and evaluation methods. Foster and homeless youth resources can also be found on this site. In FY2013 azcan.gov had 3,611 unique visits.

2.2.I. Leveraging Media: Phoenix Magazine Higher Education Section

The Commission staff seeks ways to promote college going and provide critical information to the public about the opportunities presented through Arizona's higher education system. For example, over the past 10 years the ACPE has provided editorial direction for the *Phoenix Magazine* special higher education section published in the magazine's August edition. This opportunity provides information for families

across the state to learn more about the higher education options within Arizona. *Phoenix Magazine* subscribers and newsstand sales total 74,000.

2.2.J. Pocket Guide to Financial Aid for Students

The Commission staff undertook a college access publication project beginning in FY 2008, to adapt a copyrighted publication titled the “*Rapid Guide to Financial Aid*” to the needs of Arizona’s students. The publication is designed to assist high school juniors and their parents understand and seek student financial aid. This unique publication which serves as a “one-stop” guide provides information on planning and paying for college and was modified to include specific Arizona financial aid opportunities. Elements included in the guide are: a senior year checklist which provides a timeline for admission applications, descriptions of the federal and state financial aid programs, step-by-step instructions for applying for financial aid (both public and private), scholarships, grants, loans and saving for college. *The Rapid Guide to Financial Aid* has been a big hit with high schools, college access programs, and college financial aid offices resulting in many more requests for the guide than can be filled. This has resulted in the Commission reviewing how the guide will be distributed in the future.

Through the generosity of USA Funds the printing and distribution of a third round of 25,000 English and 2,500 Spanish copies of the *Rapid Guide* FY 2012. The newly re-organized Arizona College Access Network (AzCAN) membership received the *Rapid Guide to Financial Aid* to use with their students as one of the benefits for AzCAN members. Also, Title I high schools statewide and GEAR UP, also received the *Rapid Guide to Financial Aid*. Tribal Education offices and Non-Title I high schools requested and received the publication when copies were available.

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

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

Issues arise from discussion among Commissioners, policy makers, business leaders, at ACPE meetings and events that warrant further investigation and policy analysis. Issues that have been identified as important include the achievement gap for minority populations, low-income, and first generation individuals in accessing and succeeding in postsecondary education; low high school completion rates; barriers to student advancement among the segments of Arizona’s higher education system toward a baccalaureate degree; and reduction or elimination of the financial barriers experienced by students and their families to postsecondary education.

Two strategies have been identified to meet Goal 3. The first is to raise awareness and develop a knowledge base for solutions through policy analysis and commissioned research studies. The second strategy is to establish, lead, or participate in collaborative action groups or task forces, informed by research, to plan strategies to develop opportunities or solve problems identified by the Commission.

3.1 Arizona Minority Education Policy Analysis Center (AMEPAC): Research for Policy Decisions

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

AMEPAC contracted with the University of Arizona for preparation of the *2013 Minority Student Progress Report: Arizona in Transformation*. The report provides not only a snapshot of Arizona's educational achievement with the most recent data available in the form of easily identifiable and understandable charts and tables but also provides for the first time trend analysis, county data, graduate program data and policy recommendations (provided by AMEPAC). The 2013 report represents the fifth in a series of reports. Earlier iterations of this study were issued in 2003, 2005, 2007, and 2009. The data within this series of reports makes clear that Arizona must address the educational needs of our growing minority population, for they will serve as the foundation of our future labor force.

The report was rolled out during the November 2013 Developing Arizona's Human Capital Conference and distributed to conference attendees. Additional distribution will take place during FY 2014 in addition to a full media release plan to educate, inform, and influence Arizona's policy makers.

The goals and policy recommendations in this report constitute a powerful call to action. The report, its executive summary, and the county data can be found at www.amepac.org.

3.2 Initiatives to Develop Opportunities and Solve Problems: Developing Arizona's Human Capital Conference and Pathways to Education Awards

The Commission's 11th higher education conference titled *Developing Arizona's Human Capital: Innovation that Generates Postsecondary Education Success* was held at the Renaissance Phoenix Downtown Hotel on November 21 & 22, 2013. More than 260 participants attended including 26 college and university presidents, 51 college and university senior administrators, 13 presidents/CEO's of companies, agencies, and foundations, 16 governing board members/trustees, 7 legislators, 3 Governor's Office policymakers, 3 legislative staff members, 33 college access professionals, and 8 students. In addition, 20 sponsors made the conference registration affordable and also provided funding for exceptional speakers.

Disruptive Innovation Theory served as the conference framework and the application of that theory to postsecondary education was the focus. Mr. Michael B. Horn, co-author of *Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability to Postsecondary Education* was the keynote speaker for the first day. He joined a panel of leaders in higher education for a discussion of the issues outlined in the research as they apply to Arizona. Other topics presented on the first day included "Competency-Based Education & NAU's Personalized Learning Initiative", "The Maricopa Millions Project: Scaling Up Open Educational Resources to Save Students Money and Increase Access", "Educational Innovation for Teaching & Advising", "Strategic Alternative: Empowering Students Who Learn Differently;" *Arizona in Transformation: The Pipeline*, "Creative Virtual Communities of Scholarship and Facilitating Student Creativity & Innovation.' The day ended with five exceptional students discussing the creative and entrepreneurial aspects of their education with Dr. Brent Sebold from ASU.

On the second day Dr. Martha Laboissiere, Senior Expert for McKinsey & Company, presented recent research on the topic of Talent Development and U.S. Growth and Renewal. She was joined by Rosalyn Boxer, from the Arizona Commerce Authority; Dr. Chris Bustamante, of Rio Salado College; and Dr. Carol Lockhart, of C. Lockhart Associates; in discussion about the issue. Later, Representative Jeff Dial, Chairman of the House Higher Education & Workforce Development Committee, Senator Chester Crandell, Vice Chairman of the Senate Education Committee and Dale Frost, the Governor's Education Policy Advisor presented "Looking to 2014: The Legislative and Policy Agenda for Postsecondary Education". The conference concluded with Hector Araujo, GEAR UP Alumni Leadership Academy Fellow who shared his personal journey to a bachelor's degree. Mr. Araujo's comments remind the attendees that Innovation is critical to success; yet, without supportive human relationships student success is unlikely.

Other conference highlights included the presentation of the 11th Pathways to Postsecondary Education awards to outstanding college access programs representing K-12, postsecondary education, business, community, and public/private partnership. In addition, college access professionals were provided with a special bonus session on methods of a community approach to college access, and opportunities for networking with other professionals. The total conference evaluation was rated as 4.6 out of 5.0.

3.3 Collaboration and Partnerships which Address Common Opportunities and Problems Across Postsecondary Education

Collaboration and partnerships are a critical component of the work of the Arizona Commission for Postsecondary Education. Shared efforts allow the important agenda of postsecondary education access and success to move forward without duplication and with efficiency.

Initiatives led by ACPE staff and Commissioners as described in Goals 2 & 3 rely on partnerships and collaboration both for funding and execution. These initiatives include the College Goal Sunday Financial Literacy Initiative, the Arizona Minority Policy Analysis Center, the Developing Human Capital Conference, Pathways to Higher Education Awards, the Arizona College Application Campaign, and the Arizona College Access Network (AzCAN).

Likewise, collaboration allows the ACPE to provide pertinent and state-specific college awareness and student financial assistance information to Arizonans through the distribution of the *Rapid Guide to Financial Aid*, Arizona College and Career Guide, and digitally for the more than 138,500 unique visits annually to ACPE sponsored websites.

Each of these programs, resources, and college awareness publications are offered at no expense to the State, but rather are sponsored through grants, collaboration, or sales. For example, it is estimated that College Goal Sunday benefits from more than \$130,000 of in-kind assistance received from partners such as the public universities, community colleges, high schools, guidance counselors, and Work Force Connections to establish the 28 statewide sites. Moreover, the partnership with the Arizona Financial Aid Administrators Association provided more than 300 financial aid professionals to help families complete the FAFSA over one weekend. The Free Application to Federal Student Aid or FAFSA is documented in research papers to be more difficult for low income families to complete than the annual income tax reporting requirement; yet, it is the filing of the FAFSA that opens the door to federal financial aid. The College Goal Sunday Financial Literacy Initiative costs for FY 2013 were paid through a grant from USA Funds.

To meet the goals of the State the Arizona Commission for Postsecondary Education also supports other Arizona wide initiatives. In FY 2013 the ACPE Executive Director participated on the Getting AHEAD Steering Committee, Expect More Arizona Public Engagement Task Force and Statewide Advisory Council, and College Depot Advisory Committee. Moreover, the ACPE continued its partnership with the Governor's Office in the administration of the College Access Challenge Grant and continued development of the Arizona College Access Network (AzCAN) and the administration of the College Access Challenge Scholarship portions of the grant.

In addition, the Commission accepted the leadership role for the Arizona College Application Campaign (AzCAC) with the intention of developing a successful

collaboration between the community, Arizona high schools, high school seniors and their families, and postsecondary education institutions across all sectors. The goal of this collaboration is to increase the number of Arizona Seniors who apply for, enroll, and succeed in their postsecondary education.

Conclusion

This report reflects the 2013 outcomes of the strategic plan initiated by ACPE Commissioners. It also outlines the impact of the budget reductions on achieving the goals and statutory responsibilities in the core area of responsibility for the Commission, student financial assistance.

The goals identified in the strategic plan are (1) maximizing available student financial aid for students and families; (2) providing accurate and timely information and support from knowledgeable professionals to help students and families prepare for, plan, and achieve success in postsecondary education, and (3) providing a forum for all sectors of postsecondary education to dialogue, partner, and problem solve issues of mutual interest for the benefit of Arizonans.

The goal of maximizing available student financial resources has been severely impacted due to the ACPE general funds reduction of 78% and the elimination of federal LEAP and SLEAP grant funding. The figures below represent the student aid disbursed through the ACPE in FY 2008 through FY 2013, and the projection for 2014 if aid is not restored for Arizona students.

Historical Review of ACPE Student Aid Programs

| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Aid Disbursed | \$7,551,700 | \$6,813,184 | \$6,825,388 | \$3,711,781 | \$3,511,920 | \$4,178,488 | \$ 2,477,900 |
| % Decrease compared to FY 2008 | -10% | -10% | -51% | -53% | -45% | -67% | |

The loss of grant dollars illustrated in this “Historical Review” affects the lives of nearly 20,000 students annually who in previous years would have applied to the ACPE for grants/scholarships. The funding for the Postsecondary Education Grant (PEG) and the Private Postsecondary Financial Assistance Program (PFAP) is on suspension. Evidence of the need for these funds was demonstrated at the close of FY 2010 when the grants were still funded; yet, the ACPE had a waiting list of an additional 8,799 students who were seeking financial aid. The loss of federal funds for LEAP and SLEAP also reduced financial opportunity for Arizona students. An even greater shortage is projected for 2014 when the College Access Challenge Last Stretch Scholarship funds are also lost and if no restoration of the suspended funding occurs.

The Commission joins Arizona's students, parents, postsecondary education institutions in asking for an investment in human capital by way of student financial aid. We pose reinstatement of funding and staff for the successful college completion grants, PEG and PFAP, and an increase of funds and staff available for the Math, Science, and Special Education Teacher Loan Forgiveness (MSSE) Program. All three financial assistance programs are designed to reward students in both public and private colleges/universities for their timely degree completion, and in the case of MSSE for teaching in an area of state identified need.

If the request to reinstate the programs is not possible, the Commission offers its expertise to assist in planning new student financial aid programs to be instituted in Arizona. The ACPE will bring forward the learning from the programs formerly offered as a guide to help shape new programs seeking to increase completion rates.

As is witnessed in this annual report, the ACPE has the financial aid expertise, the data analysis skills, the positive relationships with all sectors of public and private higher education to help ensure successful student aid programs. Likewise, the AZ Grants portal presents a functioning, student and institution friendly website that allows for both a single entry point and a single application to apply for all state grant funds. It also offers a central point for data collection and analysis in real time so that policy makers can determine the effectiveness of student aid programs and make necessary adjustments rapidly. This kind of expertise and a single web portal encourages student-centered grants which will propel Arizona toward its goal of doubling degrees by providing student financial support that rewards student success and provides early awareness of funds to increase college aspirations and enrollment.

The Commission also provides a tax-advantaged savings opportunity for Arizona families to stretch dollars for postsecondary education through a tax-advantaged savings opportunity, the Arizona Family College Savings Program (AFCSP). The AFSCP continues to grow and achieve success under the oversight and administration of the Commission. This past year, the program was rated four out of five graduation caps by Savingforcollege.com. It was ranked as an excellent program with many benefits for the participant and having positive investment attributes. Moreover, attractive conservative FDIC insured investment options were added, as well as mutual funds offering open architecture or multi-firm age-based portfolios. The Arizona Family College Savings Program at the end of FY2013 held over 68,000 college savings accounts and more than \$769M in assets under management.

The Commission, under Goal 2, also implements strategies to help students and families plan, enroll, and succeed in postsecondary education. By building the College Access Network, leading the College Goal Sunday Financial Literacy Initiative, and piloting the Arizona College Application Campaign the Commission seeks to provide knowledgeable adult professionals at critical transition points to vulnerable groups of prospective students. Likewise, the Commission provides relevant and timely print and web-based information free of charge to Arizona families. Printed documents are supplied to thousands of households annually and more than 158,746 unique visits are

made to ACPE websites each year. No general funds are used to support these programs; funds come from fees, grants, donations and sponsorships.

Finally, the forum provided by the Arizona Commission for Postsecondary Education promotes dialogue and identification of common issues among all sectors of higher education. The Commission seeks venues to spawn dialogue, partnerships, and solutions to issues of mutual interest across sectors of postsecondary education. These goals are supported through policy analysis and research, collaborative action led by ACPE staff, and participation in college access initiatives which are led by foundations, government, businesses, or non-profit entities with similar missions.

The Arizona Commission for Postsecondary Education has identified a mission of *expanding access and increasing success in postsecondary education for Arizonans*. The Commission looks forward to continuing to fulfill its core responsibilities of maximizing available student financial assistance information to students and families. In addition, Commissioners are dedicated to providing accurate and timely information and knowledgeable professionals to help students and families prepare for, plan, and succeed in college. Finally, the ACPE will continue to provide a forum for all sectors of postsecondary education to seek opportunities and solve problems, as well as participate in and support collaborations with similar missions and goals.