

Arizona Commission for Postsecondary Education

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

Annual Report for Postsecondary Education Grant (PEG) Program

Fiscal Year 2009-2010



Arizona Commission for Postsecondary Education

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December 28, 2010

The Honorable Janice K. Brewer, Governor
The Honorable Robert Burns, President of the Senate
The Honorable Kirk Adams, Speaker of the House of Representatives
Mr. Vincent Alascia, State Documents Librarian, AZ Library, Archives, and Public Records

I have the honor of submitting the third annual report on the Postsecondary Education Grant (PEG) Program (forgivable loan) on behalf of the Arizona Commission for Postsecondary Education (ACPE). The ACPE Commissioners and staff remain committed to investing themselves in the work of higher education through their mission of *increasing access and expanding success in postsecondary education for Arizonans*. This report reflects that commitment.

Elements of this report include a brief history of the program development and a detailed description of the recipients of the grant (forgivable loan) including: the amount of monies distributed, the institutions the recipients attended, and the number of students on the waiting list at the end of the fiscal year. Additionally, a summary of the budget reductions and future of the program are included.

Established in the 2006 legislative session, the PEG Program was designed to provide financial assistance to both adult-returning and traditional-aged baccalaureate-bound students attending a private postsecondary college or university. This program was also intended both to build the Arizona's postsecondary education capacity and to meet the challenge of supplying an educated workforce for Arizona's economic growth.

Unfortunately, FY 2009 and FY 2010 brought challenges to the ACPE with regard to the PEG Program. The challenges faced were a result of the economic downturn and the State Revenue shortfall. The PEG program faced a 53% reduction in funds and the Enacted FY 2010-2011 budget places the PEG grant on suspension.

A copy of the annual report and more detailed information about the Arizona Commission for Postsecondary Education, its administrative functions, initiatives and its collaboration and partnerships is available from the website www.azhighered.gov or by contacting our office at 602.258.2435.

Respectfully Submitted,

A handwritten signature in cursive script that reads "April L. Osborn".

Dr. April L. Osborn, Executive Director
Arizona Commission for Postsecondary Education

cc: Stacey Morley, Senate Higher Education and K-12 Committee Analyst
Marge Zylla, JLBC Fiscal Analyst
Dale Frost, OSPB Budget Analyst
Dawn Wallace, House Assistant Research Analyst

**The Arizona Commission for Postsecondary Education (ACPE)
Postsecondary Education Grant (PEG) Program
2009- 2010 Annual Report**

Submitted December 27, 2010
Dr. April L. Osborn, Executive Director

Introduction and Description of the Grant (forgivable loan)

The Postsecondary Education Grant (PEG) program, created in the 2006 legislative session, is a student-centered, non-need based grant (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, the student must repay all grant funds.

The PEG program was patterned after the successful student-centered 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.

Who Benefited from the Grant (forgivable loan)?

With limited funding available, the ACPE awarded 1,400 students a total of \$2,242,678. Of those awarded 608 were priority students (students who have received funds in the past) and 792 were initial students (first time recipients).

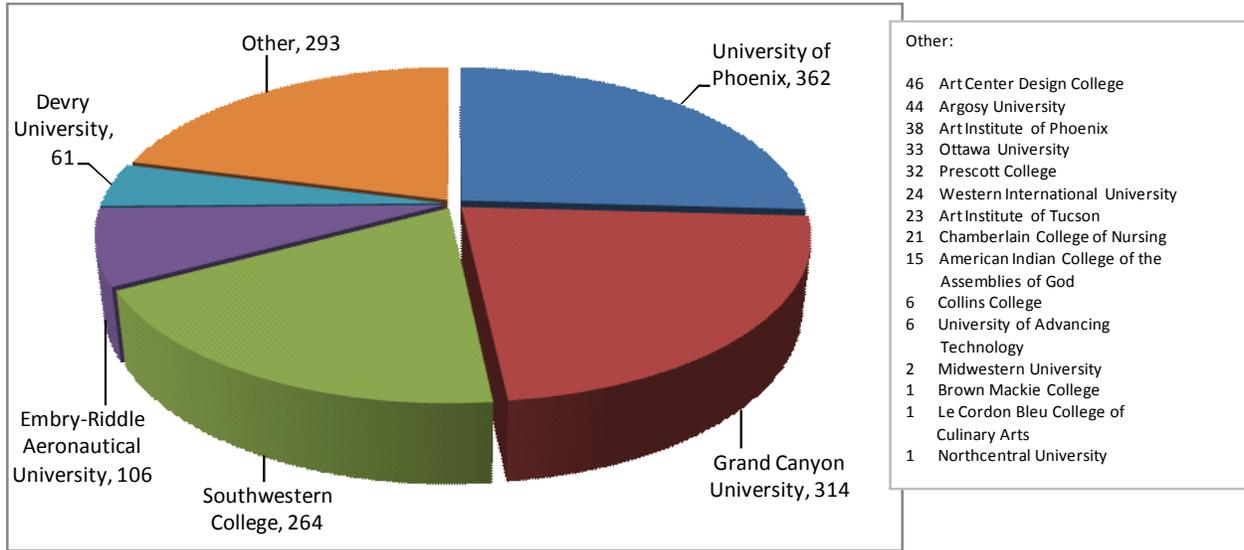
The table below provides an illustration of the students who benefited from this grant program in FY 2009-10.

Total Recipients	Students on Waiting List	Initial Recipients	Priority Recipients	Total Disbursement	Average Age of Recipients	Average Family Income	Expected Family Contribution	Average Grant Amount
1,400	2,627	792	608	\$2,242,678	28	\$55,408	\$9,449	\$1,602

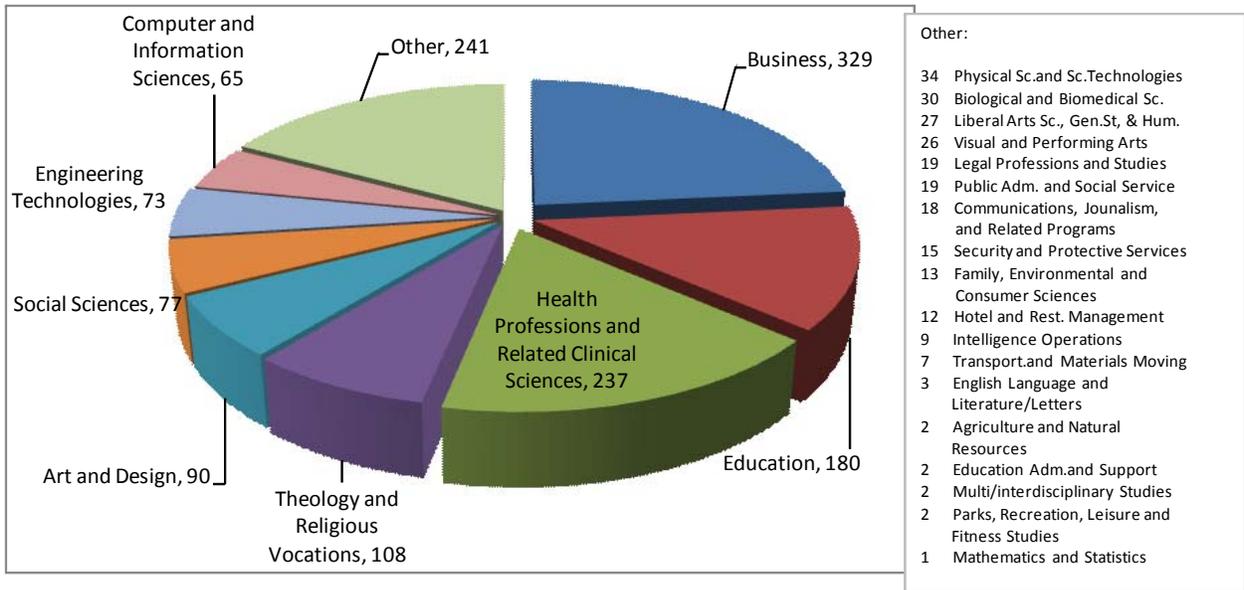
Expected Family Contribution (EFC) is used by institutions to determine the types of aid available to students. The *EFC* represents how much money a *family* is *expected* to pay toward the student's college education for one year. The EFC is determined by the data provided on the Free Application for Federal Student Aid (FAFSA).

The following pie charts illustrate the institutions attended and programs of study selected by recipients in the PEG program for FY 2009-10. This reflects an increase in the percentage of students majoring in health professions/nursing (up from 16% to 17%), and those majoring in education programs (up from 18% to 21%). This is a positive story as both areas are considered to be critical workforce needs of the State.

Recipients by institution



Recipients by Degree Program



It is difficult to make inferences regarding the students in the PEG program and the success of the program because the data available is limited. Recent budget cuts have resulted in a broken cycle of the four years of funding for priority students in the program. Ultimately, the results of the budget cuts drastically reduced the number of students who were assisted by this financial aid program. What remains clear is the remarkable interest in the program as evidenced by the large number of students on the waiting list each year.

Loss of PEG Funds and Future of Program

Due to the State's revenue shortfall the PEG Program experienced significant funding reductions in the last two fiscal years. The ACPE returned 53% of funds appropriated for FY 2008-09. In FY 2009-10 the ACPE was appropriated \$2.7M and an additional cut of \$228K was taken. Additionally, the Enacted FY 2010-2011 budget places the PEG program on suspension. This loss of appropriation represents over 3,000 students who would have benefited from these funds. The effects of repeated reductions in funding include a loss of financial aid to private college students, less support to the private higher education sector, and loss of potential cost savings to the state due to a loss of an incentive to seek a private education.

Over 4,000 students have benefited from the PEG program since its inception and the first cohort of PEG recipients is expected to graduate FY 2012. The ACPE staff have identified that of the 4,000 recipients 28% have already earned a bachelor degree ahead of the five year deadline. Additionally, over 400 recipients have been identified as potential repayment candidates as they have not yet graduated, and appear to have been out of school for at least 12 months. Without the support of this financial aid program students may need to reduce their course load. Therefore, they may not be able to meet the required graduation deadline of five years and more will go into repayment.

The ACPE continues to work on development of the IT requirements for web based debt default prevention and loan repayment program which will track students and their financial obligation over a period of 7-15 years for loan repayment as required for this grant/forgivable loan. With over 4,000 grants issued since the inception of the program, the small staff must implement and administer this loan repayment responsibility. It is expected that the repayment system will launch in 2011.

The ACPE, students and institutions remain hopeful that the PEG funding will be restored in the future as the PEG Program represents a pathway to higher education that can be very valuable to the State and its future educated workforce.