

The Arizona Financial Aid Trust Fund

Investing in Arizona's Future

AFAT: A unique partnership funded by both students and the State ...

For most Arizonans -- in fact, for most people in our country -- higher education becomes a reality only with substantial financial assistance. In order to gain access, many university students accumulate significant debt, work increased hours spending less time on studies, and/or attend part-time, thereby prolonging the time it takes to attain a university degree.

All but two states in the nation have recognized the importance of state funding for a need-based financial aid program to better enable their citizens to pursue a university degree. In 1989, Arizona recognized the importance of such a program by creating the Arizona Financial Aid Trust Fund (AFAT) for its public universities.

AFAT is a unique partnership, with both university students and the State contributing to the trust fund. Students contribute through a surcharge on tuition, amounting to 1 percent of the resident undergraduate tuition rate. A.R.S. §15-1642 requires the State to match student contributions through a legislative appropriation.

... but the partnership is eroding.

When the fund was first established in 1989, it was envisioned that contributions by both students and the State would increase as the cost of higher education increased and that the State would provide a one-to-one match of student contributions.

With no change in the FY 2007 AFAT appropriation, students will be contributing more than twice what the State contributes to AFAT.

For many years, the State did fully fund a one-to-one match. However, the State's match -- as a percentage of student contributions -- has been on a downward trajectory since FY 2002. In that year, the State matched 100 percent of student contributions. In FY 2007, if the

appropriation for AFAT does not increase, the State will be matching less than 50 percent of student contributions.

No change in the appropriation would mean that students would be contributing at least \$4.5 million in FY 2007, but the State would be contributing only \$2.2 million.

In comparison to other states, Arizona ranks near the bottom with respect to funding for need-based financial aid. According to the latest survey by the National Association of State Student Grant and Aid Programs (2003-2004), the majority of states -- 37 -- provided public funding for need-based financial aid in excess of \$10 million -- ranging from \$12 million by the State of Delaware to \$859 million by the State of New York.

- The State funds less than one-half of one percent (0.5%) of all financial aid awarded to Arizona's university students.
- Over 38,000 undergraduate students needed financial assistance in FY 2005; however, only 5,250 of these students (13.8%) had their needs fully met.

AFAT FY 2005 QUICK FACTS

Total AFAT aid awarded \$3.8 million

Number of students awarded AFAT aid 3,108

Average AFAT award \$1,234

Percentage AFAT aid awarded to residents 97%

Percentage AFAT aid awarded to undergraduates 99%

Percentage of undergraduates with need receiving AFAT aid 8%

How can we increase the Trust?

AFAT helps students now — and in the future

AFAT was established to provide immediate aid to students with financial need and to create an endowment for future aid.

By law, 50 percent of the monies deposited to the fund each year are used for immediate aid to students, and the other 50 percent is placed into a permanent endowment. The current value of the endowment is \$43.9 million.

To be eligible for an AFAT grant, students must be qualified for admission to one of Arizona's public universities by virtue of high school class ranking and/or meeting the basic competencies in the core courses required for admission. To retain financial assistance once awarded, students must continue to need financial assistance and meet academic performance requirements.

The universities administer separate programs to award merit scholarships.

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Arizona Board of Regents' FY 2007 Budget Request

For FY 2007, the Arizona Board of Regents (ABOR) has requested \$6.9 million in additional general fund appropriations for AFAT. When coupled with the continued appropriation of \$2.2 million, the additional funding would provide for a two-to-one match of student contributions.

This funding level would not only reverse the current trend of students providing a two-to-one match of State contributions, but it would also be a significant investment in Arizona's future and in our citizens. Arizona's economic development and prosperity and the welfare of our citizens are directly related to the educational level of our residents. It clearly is in the best interests of the State to provide help to those students who qualify for admission to one of our three universities but who lack the financial resources to enroll.

Amend A.R.S. §15-1642 to provide for more immediate financial assistance and to provide for a two-to-one match of student contributions

A.R.S. §15-1642 currently requires that 50 percent of the monies contributed each year by students and the State be placed into a permanent endowment. Legislation has been introduced (Senate Bill 1133) to permit 75 percent of the monies contributed each year to be used for *immediate* financial assistance and 25 percent to be placed in the endowment.

SB 1133 has the significant advantage of providing more immediate assistance to students each year. Passage of SB 1133, **coupled with ABOR's proposed increase in State funding for AFAT**, would result in an estimated \$12.4 million available for immediate awards in FY 2007. This compares to only \$4.8 million if SB 1133 does not pass and if ABOR's request is not approved. This nearly triples the amount of available immediate aid. Assuming an average award of \$1,234, an estimated 10,000 students would receive AFAT awards in FY 2007. This more than triples the number of students who received aid in FY 2005. At the same time, the endowment would continue to grow substantially, although at a somewhat slower rate.

Coupled with ABOR's proposed increase in State funding for AFAT, ABOR estimates that by the year 2015 the changes proposed in SB 1133 would mean that more than \$23 million in immediate financial assistance could be awarded to students in 2015 and the endowment will have grown to an estimated \$125 million.

SB 1133 also would demonstrate the State's support for this program by statutorily providing for a two-to-one match of student contributions.