

## AGENDA ITEM 7.

### **FY2003 MONETARY AWARD PROGRAM STATUS REPORT AND APPROVAL OF MAP AND IIA PAYMENT CLAIM DEADLINE DATES**

**Submitted for:** Action

**Summary:** Data at July 3 indicate that Monetary Award Program (MAP) application volume continues to remain up by 10 percent in comparison to last year. Given these volume increases and the reductions made to FY2003 MAP funding, the Commission took action in late June to reduce students' awards to allow processing to continue into August. Staff continues to anticipate a suspension date of mid-August but will monitor volume on a weekly basis and notify institutions when a suspension date becomes apparent in order to avoid an overcommitment of funds.

Staff is currently working to implement the recompute formula approved by the Commission on June 28 including notification regarding the loss of their eligibility to applicants who have already received MAP payments for the equivalent of four years of full-time study. Part of this work includes making systems changes to allow institutions to claim payments for enrolled students. The first loading of FY2003 MAP claim information to the ISAC database, which will result in vouchers being submitted to the Comptroller's office, is anticipated to occur in August and will continue throughout the year.

In order to facilitate fiscal management of MAP and to guide planning decisions for the program, staff annually proposes deadlines for payment request submission by institutions in order to expedite the receipt of payment and enrollment information. The proposed dates are similar to those used this past year.

**Action requested:** Staff recommends that the Commission approve the proposed FY2003 priority payment claim deadline dates for MAP and IIA as shown below.

| <b><u>Term</u></b>                                  | <b><u>Deadline</u></b> |
|---|------------------------|
| 1 <sup>st</sup> semester or quarter .....           | January 17, 2003       |
| 2 <sup>nd</sup> semester or quarter .....           | April 25, 2003         |
| 2 <sup>nd</sup> semester starting after 2/15/03 ... | June 20, 2003          |
| 3 <sup>rd</sup> quarter .....                       | June 20, 2003          |

**ILLINOIS STUDENT ASSISTANCE COMMISSION**

**FY2003 MONETARY AWARD PROGRAM STATUS REPORT AND  
APPROVAL OF MAP AND IIA PAYMENT CLAIM DEADLINE DATES**

On June 28, 2002 the Commission met and approved the final Monetary Award Program (MAP) allocation formula for purposes of determining MAP eligibility for FY2003. As a result of decreases in FY2003 MAP funding, two formula changes were approved. The first change was the elimination of eligibility for students applying for a fifth year of MAP grants in direct response to a \$20 million reduction made in funding levels. The second change was a 5 percent reduction to awards from the amount calculated by the MAP start-up formula approved by the Commission in January. The 5 percent reduction was done to address the additional \$18 million in funding cuts while allowing award announcements to continue to mid-August without suspension. Compounding the loss of funding in FY2003 is an increase in application volume that was up by 10 percent when the Commission considered the recompute formula decision. This report provides an update on application volume and also seeks authority from the Commission to establish MAP and Illinois Incentive for Access (IIA) Program payment claim deadlines for FY2003.

**Application Volume**

At a U.S. Department of Education application-receipt date of July 3, 2002, FY2003 MAP volume of *announced* or completed Free Applications for Federal Student Aid (FAFSA's) filed by Illinois residents attending MAP-approved institutions totaled more than 207,000. This volume of completed applications continues to be nearly 10 percent more than volume at this point last year. When, however, the applications from students who have already received the equivalent of four years of MAP payments for full-time study are excluded, completed volume totals nearly 200,000, still an increase of 6 percent over last year. As shown in Table 1 below, increases in announced volume are greatest for students planning to attend community colleges.

**Table 1: Comparison of FY2002 and FY2003 MAP Application Volume by School Type**

|                             | <b>FY2002</b> | <b>FY2003</b> | <b>FY2003<br/>Without<br/>5<sup>th</sup> Year</b> | <b>% Change<br/>FY2002 to<br/>FY2003</b> | <b>% Change<br/>FY2002 to<br/>FY2003 Minus<br/>5<sup>th</sup> Year</b> |
|-----------------------------|---------------|---------------|---|--|--|
| Announced Applications      | 188,585       | 207,018       | 199,945   | 9.8                                      | 6.0  |
| Eligible Applications       | 122,839       | 136,135       | 129,438   | 10.8                                     | 5.4  |
| <b>Announced, By Sector</b> |               |               |   |  |  |
| Public Universities         | 72,470        | 75,565        | 71,422  | 4.3                                      | (1.4)  |
| Private Four-Year           | 54,702        | 58,525        | 56,420  | 7.0                                      | 3.1  |
| Community Colleges          | 50,656        | 61,546        | 60,997  | 21.5                                     | 20.4   |
| Private Two-Year            | 2,442         | 2,728         | 2,664   | 11.7                                     | 9.1  |
| HSN/Professional            | 543           | 591           | 566   | 8.8                                      | 4.2  |
| Proprietary                 | 7,772         | 8,063         | 7,876   | 3.7                                      | 1.3  |
| <b>Eligible, By Sector</b>  |               |               |   |  |  |
| Public Universities         | 41,356        | 43,267        | 39,313  | 4.6                                      | (4.9)  |
| Private Four-Year           | 35,126        | 37,550        | 35,590  | 6.9                                      | 1.3  |
| Community Colleges          | 38,166        | 46,659        | 46,139  | 22.3                                     | 20.9   |
| Private Two-Year            | 2,048         | 2,265         | 2,202   | 10.6                                     | 7.5  |
| HSN/Professional            | 433           | 451           | 427   | 4.2                                      | (1.4)  |
| Proprietary                 | 5,710         | 5,943         | 5,767   | 4.1                                      | 1.0  |

As also shown in Table 1, the volume of *eligible* applications - those with demonstrated financial need which qualifies them for a MAP award - also remains up by nearly 11 percent and more than 5 percent when 5<sup>th</sup> year applicants are excluded.

Table 2 below provides volume data by dependency type. The largest percentage growth in applications is from independent students with dependents - those applicants who maintain their own household and have children of their own. The majority of these students select community colleges as their institution of choice.

**Table 2: Comparison of FY2002 and FY2003 MAP Application Volume by Dependency**

|                                      | FY2002  | FY2003  | FY2003<br>Without<br>5 <sup>th</sup> Year | % Change<br>FY2002 to<br>FY2003 | % Change<br>FY2002 to<br>FY2003 Minus<br>5 <sup>th</sup> Year |
|--------------------------------------|---------|---------|---|---------------------------------|---|
| Announced Applications               | 188,585 | 207,018 | 199,945                                   | 9.8                             | 6.0   |
| Eligible Applications                | 122,839 | 136,135 | 129,438                                   | 10.8                            | 5.4   |
| <b>Announced, By Dependency Type</b> |         |         |   |                                 |   |
| Dependent                            | 119,420 | 127,211 | 124,775                                   | 6.5                             | 4.5   |
| Independent Without<br>Dependents    | 30,263  | 33,803  | 31,503                                    | 11.7                            | 4.1   |
| Independent with<br>Dependents       | 38,902  | 46,004  | 43,667                                    | 18.3                            | 12.2  |
| <b>Eligible, By Dependency Type</b>  |         |         |   |                                 |   |
| Dependent                            | 62,881  | 67,245  | 64,972                                    | 6.9                             | 3.3   |
| Independent Without<br>Dependents    | 23,908  | 26,341  | 24,224                                    | 10.2                            | 1.3   |
| Independent with<br>Dependents       | 36,050  | 42,549  | 40,242                                    | 18.0                            | 11.6  |

### Suspension of Award Announcements

Given current volume trends at July 3, staff continues to anticipate that MAP award announcements will need to be suspended around mid-August. At the June 14 meeting, the Commission gave staff authority to suspend award announcements when it appeared necessary to do so to avoid an overcommitment of funds. The decision to suspend will be based on projections regarding the number of students who will actually enroll and claim their awards, whether they enroll on a full-time or part-time basis, and whether they enroll for one or two terms. Projected payout for applicants through July 3 is \$281.2 million or 84 percent of the \$333 million FY2003 appropriation. Once MAP announcements are suspended, consideration could be given to releasing additional awards after first-term claims are submitted if at that point claim levels indicate that funding remains available for additional awards.

Staff also is monitoring Illinois Incentive for Access (IIA) volume for FY2003 and while staff anticipates award announcements will need to be suspended for this program, that suspension is more likely to occur in the fall and later than the MAP suspension.

### Characteristics of FY2003 MAP Applicants

The average parental income reported for FY2003 dependent eligible MAP applicants to date is \$30,723 compared to \$30,369 for FY2002 applicants. These figures represent 2001 and 2000 annual taxable income respectively. This 1.2 percent increase in dependent student parent income has not kept

pace with inflation. The average income for eligible independent applicants has increased by 3.1 percent, from \$16,130 to \$16,630. These figures do not include 5<sup>th</sup> year applicants. Due to the small increase in income levels, the average expected family contribution (EFC) for eligible applicants has actually decreased by 3 percent, from \$1,853 to \$1,795. Other selected MAP applicant characteristics are shown in Table 3.

**Table 3: Selected Characteristics of FY2003 Eligible MAP Applicants**

- Nearly 38 percent have a zero EFC.
- Their average age is 23.9.
- Less than 35 percent are men.
- Nearly 57 percent report that their mothers did not attend college.
- Almost 79 percent are eligible for a Federal Pell Grant.
- Their average announced award is \$3,482.
- Nearly 50 percent of them are considered independent.

#### **Application Volume from Students Who Have Received Four Years of MAP Payments**

As of July 3, 7,073 FAFSA's were filed by students who have received MAP payments for the equivalent of four years of full-time study; 6,697 or 95 percent of these students would have been eligible for a MAP award for a fifth year prior to the FY2003 budget reductions. Nearly 59 percent of them have indicated they plan to attend a public university and 29 percent plan to attend a private four-year institution in FY2003. More than 66 percent of them can be classified as independent applicants and their mean reported taxable income in 2001 was \$13,896. Nearly 67 percent of the eligible 5<sup>th</sup> year students have indicated on their FAFSAs that they will be seniors this fall, 18 percent indicated they will be juniors, and 15 percent indicated they will either be freshmen or sophomores. Nearly 39 percent have Stafford loan guarantees with ISAC and the average loan indebtedness for these students is \$12,269. Also, 85 percent of these students are eligible for a Pell Grant. ISAC is sending letters to each of these students indicating that their eligibility for a MAP grant has been eliminated for the 2002-2003 academic year. Staff will continue to monitor data about these students and plans to conduct a survey of eligible 5<sup>th</sup> year applicants in September. The purpose of that survey will be to assess the impact of the loss of the MAP grant on their enrollment behavior and if they enrolled, how they financed their education.

#### **Payment Claim Deadline Dates**

At the end of June, the Commission approved the FY2003 Monetary Award Program (MAP) recompute formula and staff is currently working to implement the recompute which will allow the payment process to begin. Once the payment system is ready, schools which participate in the Automated Delivery Process (ADP) can electronically submit payment requests. Other schools are sent payment rosters indicating first-term eligibility for MAP and the Illinois Incentive for Access (IIA) Program. The school financial aid office staff reviews rosters, certifies enrollment and other eligibility criteria, and returns the rosters to ISAC for payment. Updated rosters are sent regularly throughout the term reflecting changes in student award status in response to corrections processing. The first loading of FY2003 MAP claim information to the ISAC database, which will result in vouchers being submitted to the Comptroller's office, is anticipated to occur in August and will continue throughout the year.

In order to facilitate fiscal management of MAP and to guide planning decisions for the program, staff annually proposes deadlines for payment request submission by institutions in order to expedite the receipt of payment and enrollment information. The proposed dates are similar to those used in FY2002. Staff recommends that the Commission approve the proposed FY2003 priority payment claim deadline dates for MAP and IIA as shown in Table 4.

**Table 4: Recommended Priority Payment Claim Deadline Dates  
for FY2003 MAP and IIA**

| <u>Term</u>   | <u>Deadline</u>  |
|---|------------------|
| 1 <sup>st</sup> semester or quarter .....             | January 17, 2003 |
| 2 <sup>nd</sup> semester or quarter .....             | April 25, 2003   |
| 2 <sup>nd</sup> semester starting after 2/15/03. .... | June 20, 2003    |
| 3 <sup>rd</sup> quarter .....                         | June 20, 2003    |

Any payment claims submitted after the above dates for each respective term will be paid only if funds permit, on a first-come, first-served basis beginning after June 20, 2003.