

AGENDA ITEM 9.

FY2008 MONETARY AWARD PROGRAM (MAP) START-UP

Submitted for: Action

Summary: The Commission approves a start-up formula each year to calculate student eligibility for the Monetary Award Program (MAP) for the upcoming academic year. Establishing a formula in January enables financial aid administrators to start announcing awards in February or March and helps students make enrollment decisions. Once the final MAP appropriation is known the Commission approves a recompute formula and awards are recalculated. This recompute typically takes place during the summer before classes begin.

MAP was appropriated \$34.4 million more in FY2007 than in FY2006. The additional funding was used to remove the 9 percent reduction factor, increasing the maximum award from \$4,521 to \$4,968. Nearly \$27 million of the increase was not from state funds; rather it was to come from refinancing, restructuring, or selling student loan assets held by ISAC. It is unknown at this time whether this \$27 million will be available for MAP in FY2008. Because of this uncertainty, staff is recommending that a 10 percent reduction factor be applied to the FY2007 recompute formula to be used as the FY2008 start-up formula. Starting with this conservative formula would prevent the reduction of awards at recompute if FY2008 funding were not at least level with FY2007. If funding becomes available, the Commission will use the funds to remove the reduction factor on the MAP formula at recompute.

Action requested: Staff recommends that the Commission approve the formula summarized in Table 3, which is the FY2007 recompute formula with a 10 percent reduction factor added, as the FY2008 MAP start-up formula.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2008 MONETARY AWARD PROGRAM (MAP) START-UP**

Background

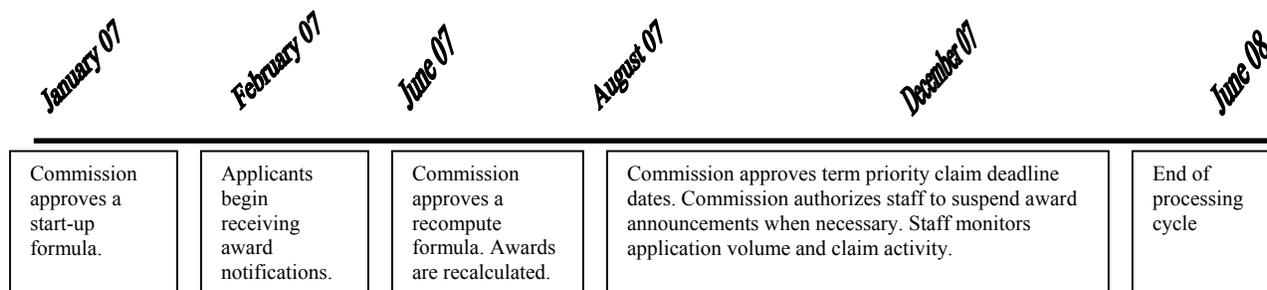
Students began applying for financial aid for the 2007-08 academic year in January 2007. The Commission generally takes action in January on a “start-up” Monetary Award Program (MAP) formula so awards can be calculated and announced to students shortly thereafter. This enables financial aid administrators to advise applicants on available financial aid and helps students make enrollment decisions. Since students are just beginning to file for financial aid and the FY2008 appropriation for MAP is not yet known, the Commission typically uses the previous year’s formula, possibly with modifications, to begin award announcements to students. Once the appropriation is determined and changes in application volume become more apparent, the Commission may modify the formula based on these factors. Awards are then recalculated based on the new “recompute” formula, usually in June or July.

This agenda item reviews the MAP processing cycle, the basic MAP formula, and recent formula changes and history, and briefly discusses college affordability in Illinois. The FY2007 MAP recompute formula is shown in Table 2 and the staff recommendation for the FY2008 start-up formula is shown in Table 3, at the end of this item.

MAP Processing Cycle

Diagram 1 shows the typical MAP award announcement processing cycle, which begins with Commission approval of a start-up formula in January. Initial award notification to students begins in February or early March. When the MAP appropriation is determined, the Commission reviews the formula and approves any modifications so final awards can be calculated during the summer.

Diagram 1: MAP Processing Cycle

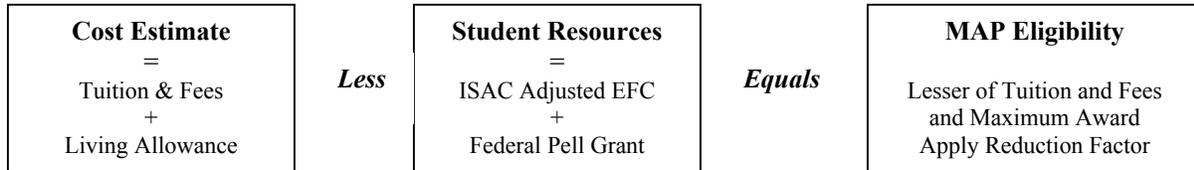


While awards are calculated on an annual basis, payment is made by term and the number of hours enrolled. In late summer or early fall, the Commission approves priority claim deadline dates for each term and authorizes staff to suspend award announcements, if necessary, when the appropriation is fully committed. Staff continues to monitor application volume and appropriation levels and periodically reports to the Commission as the year progresses. The MAP processing cycle lasts eighteen months from the time that students begin submitting applications until claim processing between schools and the Commission is completed for the year.

MAP Formula Review

The MAP formula determines which students are eligible for a MAP grant and calculates the amount of each grant. The basic formula, shown in Diagram 2, estimates the cost of attendance and assesses the student’s resources to pay these costs. Need is determined from the difference between the estimated costs and the available resources.

Diagram 2: The MAP Formula

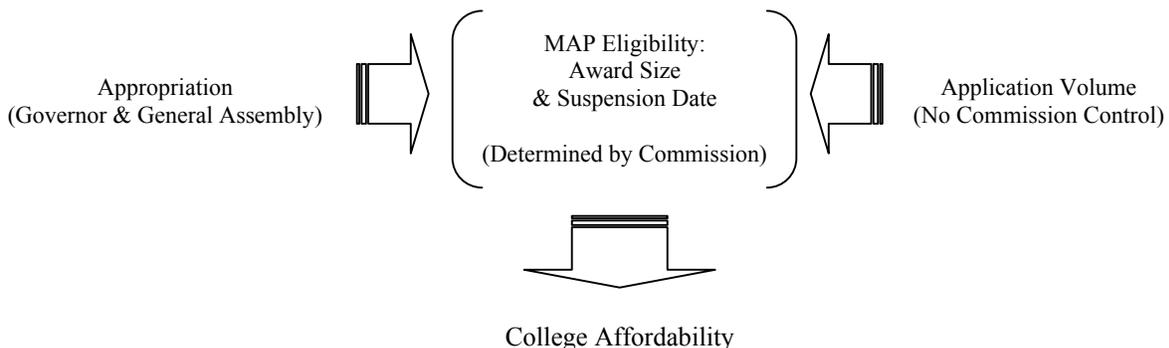


The cost portion of the MAP formula includes tuition, mandatory fees, and a standard living allowance of \$4,875, which reflects an estimate of the college costs students will face. Resources include an inflated expected family contribution, based on the federal EFC, and the federal Pell grant if the student is eligible for one. MAP eligibility is determined by subtracting the student resources from the cost estimate. If the costs are at least \$300 more than the resources, the student is eligible for a MAP grant at the school whose tuition and fees were used in the cost portion of the calculation. The eligible amount is capped at the lesser of tuition and mandatory fees or the statutory maximum award of \$4,968. If the formula includes a reduction factor, it is applied at the end of the calculation. MAP grants can only be applied toward tuition and mandatory fee costs.

Recent Formula History

Each year the Commission makes allocation decisions based on the MAP appropriation level, application volume, and affordability concerns. This relationship is shown graphically in Diagram 3 below. While the Commission advocates for student financial aid, the Governor and the General Assembly determine the final appropriation. The Commission also has no control over application volume or college costs but is responsible for allocating funds to best meet the overall needs of Illinois students. A balance must be kept between helping as many students as possible and providing awards in amounts sufficient to enable students to enroll.

Diagram 3: MAP Allocation Decision



Since FY2002, the Commission has faced some challenging allocation decisions. Increasing college costs and higher application volume have resulted in MAP awards covering a much smaller portion of tuition and fees than before. Table 1 shows the changes made in the MAP formula to relieve the pressures created from reduced or level funding and increased application volume. To provide awards for more students, the Commission has had to reduce eligibility by suspending award announcements for applications received after a certain date, decreasing award amounts, or both.

The MAP appropriation was \$372 million in FY2002. Even so, the Commission had to suspend award announcements at the end of October 2001. In FY2003, economic woes resulted in a \$38 million reduction in the MAP appropriation while application volume increased. To stretch funds, 2001-2002 tuition and fee amounts were used to calculate eligibility and awards were reduced by five percent. Awards for students who applied after mid-August were placed in suspension. Due to another large increase in application volume, the reduction factor was increased to 10 percent in FY2004 and award suspension occurred in early August.

In FY2005, the Commission incorporated tiered reduction factors based on the federal EFC. Students with an EFC of \$3,000 or less continued to have their MAP award reduced by 10 percent while awards for students with an EFC greater than \$3,000 were reduced by 11 percent. These reductions enabled the Commission to address increased application volume to some degree. Suspension occurred in mid-August but applications through mid-October were later released for payment. In FY2006, level application volume combined with a small increase in the appropriation made it possible to incorporate 2003-04 tuition and fee amounts, lower the reduction factor to nine percent, and process award announcements all the way through August.

In FY2007 MAP received an additional \$7.6 million in state funding and was appropriated another \$26.8 million to come from refinancing, restructuring, or selling student loan assets held by ISAC, for a total appropriation of \$384.8 million. Since application volume increases remained fairly low, this additional funding was used to eliminate the reduction factor, increasing the maximum amount awarded from \$4,521 to \$4,968. To avoid over committing funds, applications received on August 26 or later were placed in suspension.

Table 1: Recent Formula Changes

Fiscal Year / School Year	Program Margins		MAP Award			
	MAP Appropriation	Announced Application Volume Increase	Cost Estimate	Student Resources	Eligibility	
			T&F Component used in Formula	Assessment Component used in Formula	Reduction Factors Placed on Awards	Initial Date of Award Suspension*
FY2002 / 2001-02	\$370.6	7.2%	01-02 T&F	Adjusted EFC	None	10/27/01
FY2003 / 2002-03	\$333.2	6.2%	01-02 T&F	Adjusted EFC	5%	8/13/02
FY2004 / 2003-04	\$338.7	6.7%	02-03 T&F at 95%	Adjusted EFC**	10%	8/2/03
FY2005 / 2004-05	\$338.7	3.7%	02-03 T&F at 95%	Adjusted EFC	10/11%	8/16/04
FY2006 / 2005-06	\$348.7	0.5%	03-04 T&F	Adjusted EFC	9%	9/1/05
FY2007 /2006-07	\$384.8	1.4% to date	03-04 T&F	Adjusted EFC	None	8/26/06

*MAP-eligible students who applied after these dates could not be paid due to limited funding. In FY2002, the suspension date was later changed to early December. In FY2005, the suspension date was changed to mid-October.

**A simplified method for inflating the federal EFC was introduced in FY2004.

College Affordability

College affordability in Illinois continues to decline. Average tuition and fees at Illinois schools increased 43 percent between FY2002 and FY2007, yet average middle-class family income rose only 8 percent. More students are applying for aid; at the end of FY2006 application volume was 18 percent higher than in FY2002 and at this point in the FY2007 cycle, applications are up 1.4 percent over the previous year. Need-based financial aid is failing to fill the gap between rising college costs and flat student resources. Since FY2002, the percentage of tuition and fees covered by the maximum announced MAP award declined from 100 percent to 78 percent at community colleges, from 100 percent to 63 percent at public universities, and from 29 percent to 23 percent at private institutions, even with the removal of the reduction factor in FY2007.

Staff Recommendation

The MAP start-up formula is typically based upon the recompute formula from the previous year. Prior to FY2003, the Commission authorized changes such as using new tuition and fees at start-up even though final funding for the program was unknown. In more recent years, concerns about the state's financial condition have prompted the Commission to approve a more conservative start-up formula to avoid having to reduce awards at recompute once the appropriation is known.

In FY2007, part of the increased appropriation for MAP came from a funding source other than the General Revenue Fund, specifically, the sale of IDAPP assets. Uncertainty surrounding the size and timing of future asset sales coupled with the uncertainty of procuring additional funding from GRF during a tough budget year makes imposing a reduction factor on the start-up award a prudent course of action. A ten percent reduction factor applied to the start-up formula will help insure that the recompute formula will not result in awards being lowered in July. A ten percent reduction factor applied to all awards will result in a maximum award of \$4,471 and result in an award suspension date in late August, as it was in FY2007.

By recommending this course of action, staff is following the advice of the ILASFAA Formula Advisory Committee. The committee felt strongly that, unless level funding is a certainty, it would be better to apply a reduction factor to the MAP formula at start-up than to begin with the FY2007 recompute formula and risk having to reduce awards later. Finding out their awards have been cut shortly before they enroll creates a hardship for students. Most financial aid officers would prefer to begin financial aid packaging with a conservative start-up MAP award and increase the MAP portion of the package in July as funds become available.

Action Requested

Staff is recommending the Commission use the formula summarized in Table 3 on the following page as the FY2008 MAP start-up formula.

Table 2: FY2007 MAP Recompute Formula

Budget	
1	Use 2003-2004 reported tuition and fees at all institutions, assessed at 100 percent at all institutions.
2	Use one living allowance for all applicants, set to \$4,875.
Resources	
1	Use 80 percent of Pell Grant eligibility as determined by the 2003-2004 Pell Grant Payment Schedule, which contains a \$4,050 maximum.
2	Calculate the ISAC adjusted EFC by inflating the Federal EFC. Adjusted Dependent Students' Parent Contribution: Adjustment Factor = $[\text{PC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted Independent Student Contribution: Adjustment Factor = $[\text{EFC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted EFC = EFC x Adjustment Factor
3	Use a minimum self-help expectation of \$1,800 for all students.
Award Amounts	
1	Set the maximum award equal to the lesser of \$4,968 or the tuition and mandatory fees specified in the budget. Set the minimum award to \$300, and round maximum eligibility in \$150 increments to calculate partial awards.
2	Provide no award for applicants who have an EFC equal to or greater than \$9,000.
3	Students who have used 75 or more MAP paid credit hours must be a junior or senior to be eligible for MAP. Students who have used 135 or more MAP paid credit hours are not eligible for MAP.

Table 3: Staff Recommendation for FY2008 MAP Start-Up Formula

Budget	
1	Use 2003-2004 reported tuition and fees at all institutions, assessed at 100 percent at all institutions.
2	Use one living allowance for all applicants, set to \$4,875.
Resources	
1	Use 80 percent of Pell Grant eligibility as determined by the 2003-2004 Pell Grant Payment Schedule, which contains a \$4,050 maximum.
2	Calculate the ISAC adjusted EFC by inflating the Federal EFC. Adjusted Dependent Students' Parent Contribution: Adjustment Factor = $[\text{PC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted Independent Student Contribution: Adjustment Factor = $[\text{EFC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted EFC = EFC x Adjustment Factor
3	Use a minimum self-help expectation of \$1,800 for all students.
Award Amounts	
1	Set the maximum award equal to the lesser of \$4,968 or the tuition and mandatory fees specified in the budget. Set the minimum award to \$300, and round maximum eligibility in \$150 increments to calculate partial awards.
2	Provide no award for applicants who have an EFC equal to or greater than \$9,000.
3	Reduce all awards by 10 percent.
4	Students who have used 75 or more MAP paid credit hours must be a junior or senior to be eligible for MAP. Students who have used 135 or more MAP paid credit hours are not eligible for MAP.