

AGENDA ITEM 12.

FY2008 MONETARY AWARD PROGRAM (MAP) RECOMPUTE

Submitted for: Action

Summary: In January, the Commission approved a new Monetary Award Program (MAP) allocation formula used to calculate eligibility for students attending college during the 2007-08 school year. This “start-up” formula, developed before program demand and the FY2008 MAP appropriation were known, enabled financial aid directors to begin packaging awards for students for the 2007-08 year. Once the appropriation is known and application volume trends emerge, the Commission reviews and approves a recompute formula based on the new information.

When this year’s start-up formula was adopted, it was unclear whether \$26.8 million additional funding appropriated to MAP in FY2007 from a sale of ISAC’s loan assets would be available in FY2008. In January it was also too early to tell with much certainty whether program demand would be higher than in FY2007. To avoid reducing awards at recompute should funding not materialize, a 10 percent reduction factor was added to the FY2007 recompute formula and the result adopted as the FY2008 start-up formula.

Although a state budget has not yet been approved, two budget proposals include slight increases – one of \$4.8 million and the other \$7.3 million. The \$26.8 million provided by SLOF in FY2007 is expected to be covered either by the state’s general revenue fund or by another sale of loan assets. Either budget would basically cover the increased costs to MAP caused by changes made through the Higher Education Reconciliation Act (HERA) to the federal formulas that calculate students’ expected family contributions. The larger increase would allow for a few more days of award announcements. With level funding, award announcements would need to be suspended about a week earlier than if the HERA changes had not occurred.

Since mid-April, overall application volume has been nearly level with last year; however, the composition of applicants is slightly different. Eligible dependent applicants are up nearly 2 percent while eligible independent applicants are down by just over 3 percent. Dependent students tend to have higher claim rates than independent students and are more likely to attend higher cost schools. While the decrease in independent students will partially offset these higher costs, the end result may be a suspense date that is a few days earlier than would occur if the dependency type distribution was identical to last years.

Action requested: Given the expectation of a FY2008 MAP appropriation that is at least equal to the FY2007 MAP appropriation, and level application volume, staff recommends that the 10 percent reduction factor be removed from the FY2008 start-up formula and the result, shown in Table 4, adopted as the FY2008 MAP recompute formula. This formula would increase the maximum MAP award to its \$4,968 statutory amount.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2008 MONETARY AWARD PROGRAM
RECOMPUTE FORMULA**

Background

In January, the Commission approved a Monetary Award Program (MAP) allocation formula used to calculate eligibility for students attending college during the 2007-08 school year. This start-up formula, developed before program demand and the FY2008 MAP appropriation were known, enabled financial aid directors to announce awards to students for the 2007-08 year. Once the appropriation is known and application volume trends materialize, the Commission reviews and approves a recompute formula based on the new information.

When this year's start-up formula was adopted, it was unclear whether \$26.8 million additional funding appropriated in FY2007 from a sale of ISAC's loan assets would be available in FY2008. In January it was also too early to tell whether program demand would be higher than in FY2007. To avoid reducing awards at recompute should funding not materialize, a 10 percent reduction factor was added to the FY2007 recompute formula and the result adopted as the FY2008 start-up formula. The reduction factor would enable the Commission to extend award announcements to students applying in August even if the MAP appropriation was reduced from FY2007, but the reduction factor also decreased the maximum award from the statutory \$4,968 amount to \$4,471.

Since the start-up formula was approved in January, staff has a better idea of what the FY2008 MAP appropriation may be and trends in application volume trends have started to form. Both variables impact the recompute formula; these effects are discussed below.

MAP Appropriation

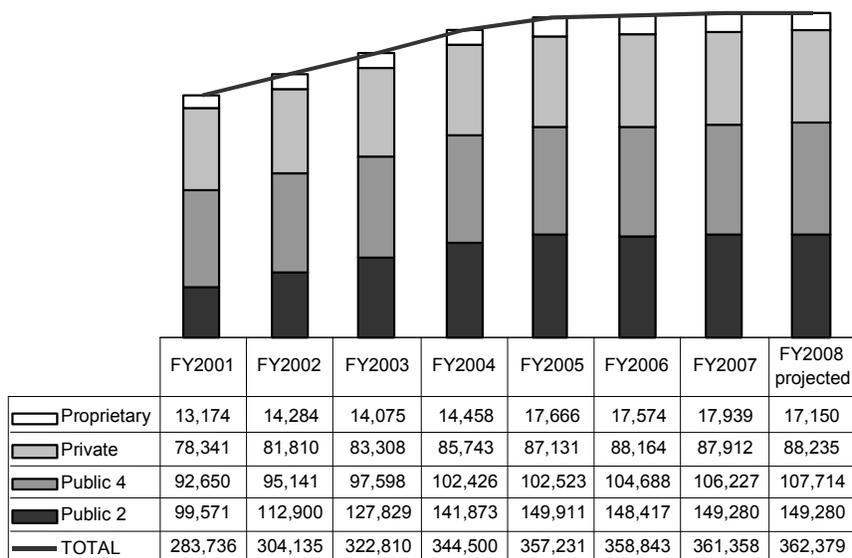
Although a state budget has not been approved, two proposals under consideration include slight increases for MAP – one of \$4.8 million and the other, \$7.3 million. The \$26.8 million provided by SLOF in FY2007 is expected to be covered either by the state's general revenue fund or by another sale of ISAC's student loan assets. Federal LEAP/SLEAP funds should be about \$3.7 million, bringing the expected appropriation to \$389.6 or \$392.1. Either budget would cover the increased costs to MAP caused by changes made through the Higher Education Reconciliation Act (HERA) to the federal formulas that calculate students' expected family contributions. The larger increase would allow for a few more days of award announcements. Without the additional funds, staff estimates award announcements should be suspended about 5 days sooner than if the HERA changes had not occurred.

Application Volume

MAP application volume is affected by demographic variables and economic conditions that vary from year to year. The number of high school graduates in Illinois is increasing and more graduates are attending some form of postsecondary education. The proportion of high school students who come from low-income families is also growing. These changes have a positive impact on the number of dependent students applying for financial aid. Trends for independent students applying for need-based aid are closely aligned with economic conditions. In recent years a turbulent economy resulted in larger numbers of independent students either beginning postsecondary education or returning for retraining. At the same time, college costs increased significantly, making more applicants eligible for MAP grants.

More high school graduates and sluggish economic conditions resulted in greater numbers of MAP applicants in recent years. In FY2002, FY2003, and FY2004 end-of-cycle application volume was around 7 percent higher than the previous year. In FY2005 application volume increased 4 percent. By FY2006 and FY2007 the increases slowed to less than 1 percent by the end of the processing cycle, although at this point in the FY2007 processing cycle application volume was about 5 percent higher than the year before. In FY2008 the trend of increasing applicants continues to ease – application volume is within one percent of FY2007 levels – though the processing cycle is barely six months along. Figure 1 shows announced application volume for FY2001 through FY2008 (projected). Announced applications have been completed by undergraduate Illinois residents planning to attend a MAP-approved school.

**Figure 1: Monetary Award Program
End-of-Cycle Announced Application Volume
FY2001 – FY2008 (projected)**



Eligible applicants are the subset of announced who qualify for a MAP award. In the past five years between 65 and 69 percent of announced applicants have been eligible for an award; this proportion is largely controlled by the MAP formula. As of early June, FY2008 eligible application volume was down from last year by less than one percent. Changes in eligible applicants vary by dependency type and sector. Dependent applicants are up nearly 2 percent while independent students are down by just over 3 percent. As of early June, 75 percent of the dependent students applying for MAP listed a public or private university as their first-choice school compared to 41 percent of independent students. Application volume at public universities is up 1.4 percent and at private universities, 0.4 percent. Nearly half of the independent students applying to date plan to attend a community college, where eligible applications are down 2 percent. Eligible applications are down nearly 3 percent at proprietary schools. These percentages may change over the next couple of months as community college students often apply for financial aid later in the cycle.

An increase in MAP-eligible students at public and private universities is expensive to the program. Many of these students will attend full-time and be eligible for full awards because tuition and fees are well over the maximum MAP award. Students at community colleges often attend part-time and their awards are generally less than half that given to students at four-year universities. The decrease in applicants at community colleges and proprietary schools may offset the increase at four-year universities; if not, the end result could be an earlier suspense date.

FY2008 Start-Up 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 Figure 2, estimates the costs of attendance and assesses the student's resources to pay these costs. Maximum eligibility is determined from the difference between the estimated costs and the available resources and the award is determined by the least of eligibility, tuition and fees, and the maximum award.

Figure 2: Basic FY2008 Start-up MAP Formula

Cost Estimate: FY2004 Tuition & Fees + \$4,875 Living Allowance	<i>Less</i>	Student Resources: ISAC Adjusted EFC + 80% of FY2004 Federal Pell Grant	<i>Equals</i>	MAP Eligibility Lesser of Tuition and Fees and Maximum Award Apply 10% Reduction Factor
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College costs used in the MAP formula include tuition and mandatory fees plus a \$4,875 living allowance. Since tuition and fees vary by school, this cost estimate will vary among student applicants. On the resource side, ISAC bases a student's ability to pay for college using an inflated federal expected family contribution (EFC) figure. This adjusted EFC amount is added to any federal Pell grant eligibility to complete the picture of student resources. MAP eligibility is determined by subtracting the student resources from the cost estimate. If the costs are greater than the resources by \$300 or more, the student is eligible for a MAP grant. The eligible amount is capped at the least of the eligible amount, tuition and mandatory fees, or the statutory maximum award of \$4,968. A reduction factor is applied if included in the formula. MAP grants can only be used toward tuition and mandatory fees.

The FY2008 start-up formula approved by the Commission in January calculates eligibility for students attending college during the 2007-08 school year. The start-up formula was based on the FY2007 recompute formula, however, a 10 percent reduction factor was added because it was unknown whether \$26.8 million of the FY2007 appropriation provided by a sale of ISAC's loan assets would be available in FY2008. The ILASFAA Formula Advisory Committee agreed with this conservative approach because reducing awards at recompute if the funding had not been available would have created a hardship for students expecting a larger award. The start-up formula was also designed to enable the Commission to announce awards to late August if application volume increased slightly, even without the \$26.8 million.

FY2008 Recompute Formula

Given sufficient funding, the highest priority change to the recompute formula is removing the 10 percent reduction factor that was added at start-up. While removing the 10 percent reduction factor will cost about \$38 million, the level application volume experienced so far in FY2008 and the expectation that additional funding will cover the costs from HERA changes should allow the Commission to announce awards to a similar point in late August as it did in FY2007. Eliminating the reduction factor benefits all MAP recipients and restores the maximum award to its statutory \$4,968 level from \$4,471, an increase of nearly \$500. The average announced award should increase from about \$3,000 to \$3,300.

Staff Recommendation and Action Requested

Staff recommends removing the 10 percent reduction factor that was incorporated into the start-up formula when budget and application volume trends were unknown. Staff requests the Commission approve the formula summarized in Table 4 as the FY2008 MAP recompute formula.

Table 3: 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.

Table 4: Staff Recommendation for FY2008 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	Do not reduce awards.
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.

Note: Formula changes are shown in **bold**.