

AGENDA ITEM 12.

FY2009 MONETARY AWARD PROGRAM (MAP) START-UP

Submitted for: Action

Summary: At the January meeting, the Commission typically approves a start-up formula to calculate student eligibility for the Monetary Award Program (MAP) for the upcoming academic year. While the MAP appropriation is not yet known, approving a formula in January enables financial aid administrators to announce awards well before the school year begins, which helps students make enrollment decisions. When the MAP appropriation is finalized the Commission approves a recompute formula and awards are recalculated. This recompute typically takes place during the summer before first term classes begin.

In FY2008 MAP received level funding of \$384.8 million. The \$26.8 million that came from selling ISAC assets in FY2007 was replaced with funding from the state's general revenue fund. In FY2007 the additional money had been applied to removing the 9 percent reduction factor from the MAP formula, increasing the maximum award from \$4,521 to \$4,968. When the FY2008 recompute formula was determined application volume was level with the previous year and the FY2007 MAP formula was used again. Award announcements were suspended in mid-August.

Under the assumption that level or nearly level funding will be received for MAP, staff recommends the same formula be used in FY2009. If MAP were to receive a slight increase in funding for FY2009 staff would recommend it be used to extend award announcements. If significant additional funds were to be made available, staff would consult with the ILASFAA Formula Committee prior to recommending a specific formula change to the Commission.

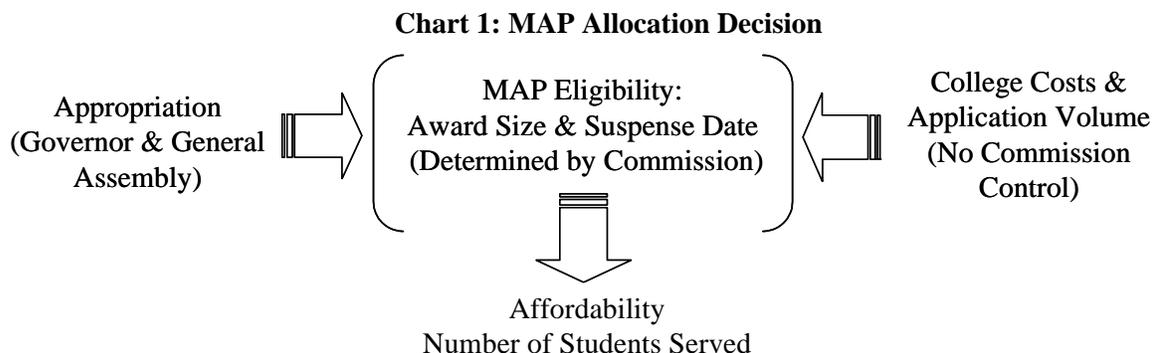
Action requested: Staff recommends that the Commission approve the formula summarized in Table 2 as the FY2009 MAP start-up formula.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2009 MONETARY AWARD PROGRAM (MAP) START-UP**

Introduction

Students began applying for financial aid for the 2008-09 academic year in January 2008. At this time the Commission typically approves a “start-up” MAP formula so eligibility amounts can be calculated. This early action enables financial aid administrators to advise potential students on their financial aid packages and helps students decide which school to attend. Since students are just beginning to file for financial aid and the FY2009 MAP appropriation has not been finalized, the Commission generally uses the recompute formula from the previous year as the start-up formula. When the appropriation is final and application volume trends emerge the Commission may modify the formula as needed. Awards are then recalculated based on the “recompute” formula, usually by July.

Chart 1 shows some important factors involved when considering a MAP formula. The size of awards and number of students served are determined to a large extent by the formula and the suspense date, which are controlled by the Commission. However, the total dollars claimed must be within the appropriation, which is set by the Governor and the General Assembly. Affordability depends to a large extent on tuition and fee amounts, which are not under Commission control. Although application volume can be affected to some extent by outreach efforts, it is much more dependent on demographics and economic conditions. These factors are discussed below and the recommended FY2009 Start-up Formula is shown in Table 2 at the end of the item.



Relevant Factors

On a basic level, the amount of funding needed for MAP is affected by application volume, the size of MAP awards, and the likelihood that awards will be claimed. Announced applicants, or undergraduate Illinois residents completing applications for need-based aid and indicating interest in a MAP-approved school, increased more than 27 percent from FY2001 to FY2007. Following three years of annual increases higher than 6 percent, volume growth slowed to 3.7 percent in FY2005. Increases declined to less than 1 percent in FY2006 and FY2007. Currently FY2008 application volume is 1.3 percent higher than FY2007. Higher demand coupled with large tuition and fee increases has strained the MAP appropriation. To adjust, the Commission has suspended award announcements prior to the end of the processing cycle and, in FY2003 through FY2006, placed a reduction factor on the MAP formula to allow processing to continue to August. A nearly 10 percent appropriation increase in FY2007 put the nominal MAP budget at an historical high and enabled the Commission to remove the reduction factor, increasing the maximum award from \$4,521 to \$4,968; but the early suspension date continues.

As discussed in the affordability agenda item in November tuition and fee increases have far outstripped growth in MAP awards. The result is a loss of college affordability, which can be seen in changes to MAP claim rates. Claim rates have declined since FY2002, as illustrated in Charts 2 and 3 below. These claim rates were adjusted for eligibility changes made to the program in FY2005 and were measured only for applicants through the end of July to compensate for the fact that suspense dates were different each year. Overall claim rates for students applying through July declined from 64.2 percent in FY2002 to 59.9 percent in FY2007.

Although claim rates decreased for all dependency types, independent students with children have been affected the most; their claim rates dropped from 47.2 percent to 41.3 percent compared to a 75.3 percent to 72.6 percent decline for dependent students. Also, claim rates for students with the fewest resources, as measured by the expected family contribution, decreased more than claim rates for middle-income students. Claim rates for students with zero EFCs were already much lower than students with higher EFCs and they declined from 57.9 percent in FY2002 to 52.6 percent in FY2007. In contrast, students with EFCs above \$5,000 claimed 70.2 percent of their eligible dollars in FY2002 and 70.1 percent in FY2007.

Chart 2: MAP \$ Claim Rates by Dependency Type

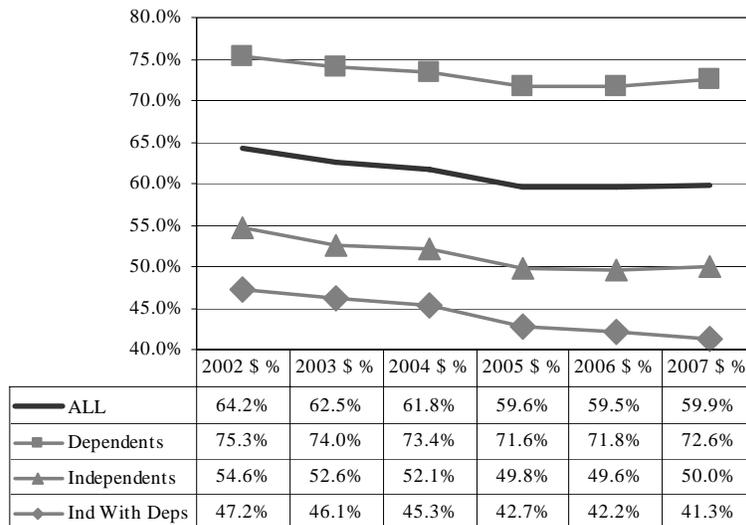
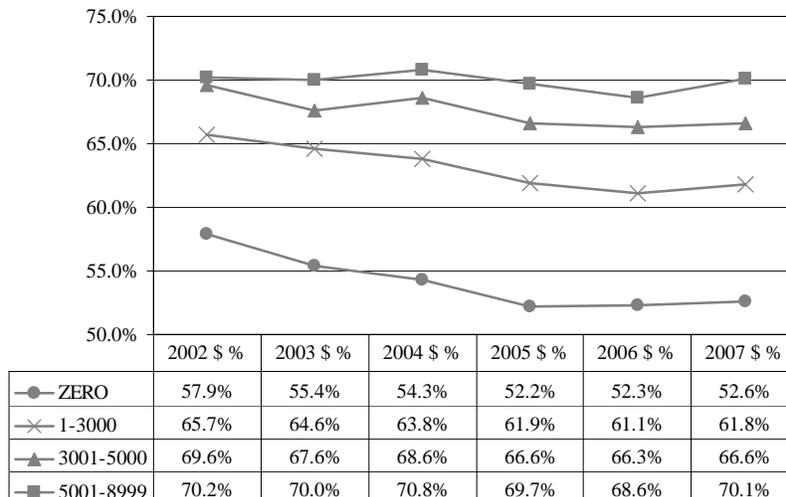


Chart 3: MAP \$ Claim Rates by EFC Level



MAP Formula

The MAP formula calculates student eligibility for MAP, which is determined by the difference between estimated costs and resources. Costs include tuition, mandatory fees, and a living allowance; resources are represented by an inflated contribution based on the federal EFC and federal Pell grant eligibility. If costs are at least \$300 more than resources, the student is eligible for a MAP grant at that school. Eligibility is capped at the lesser of tuition and mandatory fees or the \$4,968 maximum award. If the formula includes a reduction factor, it is applied at the end of the calculation.

Each year the Commission makes allocation decisions based on the MAP appropriation level, application volume, and affordability concerns. As noted earlier, the Commission cannot control college costs or application volume but is responsible for allocating funds to best meet the needs of Illinois students. A balance must be kept between helping as many students as possible and providing awards that are large enough to enable students to enroll. Table 1 below summarizes how the Commission has handled the pressure between growing demand for need-based aid and MAP appropriations that were unable to meet the increased demand.

In FY2003 MAP suffered a 10 percent appropriation cut at the same time application volume increased more than 6 percent for the second year in a row. Eligibility was eliminated for applicants who had already used the equivalent of eight semesters. The Commission used a 5 percent reduction factor, did not update tuition and fees in the formula, and suspended award announcements in mid-August. Eligibility for the equivalent of 4.5 years was restored in FY2004 but application volume increased 6.7 percent so the reduction factor was increased to 10 percent and the suspense date was earlier. Following level funding in FY2005, MAP received \$10 million more in FY2006 and the demand increase slowed, enabling the Commission to lower the reduction factor, update tuition and fees, and announce awards through August. In FY2007 and FY2008 the appropriation was increased enough to eliminate the reduction factor. However, FY2004 tuition and fees were still used to represent costs, as they will be in FY2009, and the living allowance, maximum award, and EFC cap have not been updated in 7 or 8 years. FY2008 award announcements were suspended in mid-August as will likely happen in FY2009.

Table 1: Recent MAP Formula Changes and Suspense Dates

Fiscal 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	Initial Date of Award Suspension*
FY2002	\$370.6	7.2%	01-02 T&F	Adjusted EFC	None	10/27/01
FY2003	\$333.2	6.2%	01-02 T&F	Adjusted EFC	5%	8/13/02
FY2004	\$338.7	6.7%	02-03 T&F at 95%	Adjusted EFC**	10%	8/2/03
FY2005	\$338.7	3.7%	02-03 T&F at 95%	Adjusted EFC	10/11%	8/16/04
FY2006	\$348.7	0.5%	03-04 T&F	Adjusted EFC	9%	9/1/05
FY2007	\$384.8	0.8%	03-04 T&F	Adjusted EFC	None	8/26/06
FY2008	\$384.8	1.3% to date	03-04 T&F	Adjusted EFC	None	8/16/07

*MAP-eligible students applying after these dates could not be paid due to limited funding. The FY2002 suspension date was later changed to 12/7/01 and the FY2005 suspension date was changed to 10/15/04. **EFC inflation method was simplified.

Action Requested

Staff recommends the Commission use the formula in Table 2 for FY2009 MAP start-up.

Table 2: FY2008 MAP Recompute Formula and Recommended FY2009 MAP Start-up Formula

<i>Budget</i>	
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.
<i>Resources</i>	
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.
<i>Award Amounts</i>	
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.