

AGENDA ITEM 12.

FY2009 MONETARY AWARD PROGRAM (MAP) RECOMPUTE FORMULA

Submitted for: Action

Summary: In January, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2008-09. Establishing a formula early in the application processing cycle allows financial aid directors to package awards and helps students make enrollment decisions. Once the appropriation is finalized and an application volume trend emerges, the Commission reviews and approves a recompute formula based on the new information.

Perhaps the most prominent issue for FY2009 MAP Recompute is the increase in application volume. As of June 6, nearly 17,600 more prospective students had completed a Free Application for Federal Student Aid (FAFSA) than last year and nearly 9,700 more are eligible for a MAP grant at their first-choice school. The increase in students seeking financial aid can be attributed to several factors including higher unemployment rates, more high school graduates, and intensified outreach efforts. The increase holds across dependency types and sector of the first-choice school as indicated on the FAFSA.

A FY2009 budget approved by the General Assembly appropriated \$18 million more to MAP for including FY2005 tuition and fees in the allocation formula. However, the \$18 million may not withstand expected budget cuts to eliminate a projected budget deficit. If the FY2004 tuition and fee amounts currently used were replaced with FY2005 tuition and fees in the recompute formula, and the \$18 million for MAP was excluded from the final budget, either award amounts would have to be reduced, placing an unfair burden on students, or application processing would have to be suspended at an unacceptably early date.

Due to the uncertainty associated with the MAP appropriation, and having consulted with the ILASFAA Formula Committee, staff recommends that the FY2009 MAP recompute formula remain unchanged from the start-up formula. If the MAP appropriation is indeed increased by \$18 million, FY2005 tuition and fees could be incorporated at that time in a second recompute.

Action requested: Staff requests that the Commission retain the FY2009 start-up formula approved in January as the FY2009 recompute formula if MAP receives level funding. If MAP is appropriated an additional \$18 million, staff requests Commission approval to incorporate FY2005 tuition and mandatory fees into the FY2009 MAP formula. The formula components are shown in Table 2 at the end of this item.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2009 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

Background

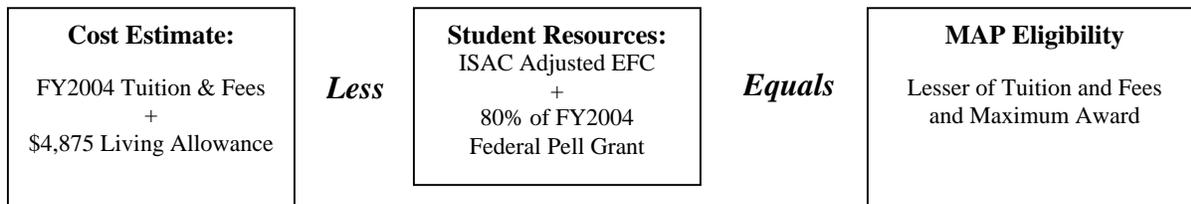
In January, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2008-09. The formula, discussed in more detail below, is determined early in the program cycle to give financial aid advisors and prospective students an idea of the aid they may receive. When volume trends emerge and the annual appropriation is finalized the Commission reviews and approves a recompute formula, which may or may not differ from the start-up formula. In some years, including this one, a state budget is not yet final when recompute is addressed. In such cases staff recommends a recompute formula based on the most conservative expected outcome of the budget process as well as expected application volume numbers and distribution by sector and dependency type.

This item provides a brief review of the start-up formula and discusses the expected FY2009 MAP appropriation and volume trends and their effects on the recommended recompute formula. Current FY2009 application volume trends are discussed in more detail in agenda item 13.

FY2009 Start-Up Formula

The MAP formula determines whether a student is eligible and calculates the amount of students' awards. Figure 1 shows the basic formula, which uses the difference between a cost of attendance figure and student resources to calculate maximum eligibility.

Figure 1: Basic FY2009 Start-up MAP Formula



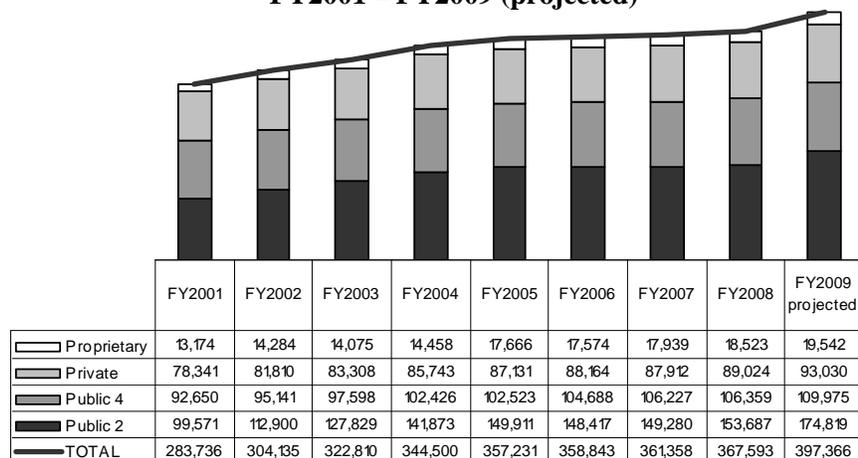
College costs used in the MAP formula include tuition and mandatory fees plus a \$4,875 living allowance. Since the beginning of this decade, application volume has increased 30 percent and state finances have not been sufficient to increase MAP funding accordingly. As a result, formula components have fallen behind. Current tuition and fees have not been used in the formula since FY2002; the FY2009 formula uses FY2004 tuition and fees. Resources addressed in the formula are based on an inflated federal expected family contribution (EFC) plus a portion of Pell grant eligibility. MAP eligibility is determined by subtracting resources from the cost figure. If costs exceed resources by \$300 or more and other criteria are met, the student is eligible for a MAP grant. Eligibility is capped at the lesser of the eligible amount, the tuition and fees used in the cost portion of the formula, or the statutory maximum award of \$4,968. MAP grants are applied towards tuition and mandatory fees only.

FY2009 Application Volume

The number of prospective students seeking financial aid is affected by demographic variables and economic conditions that vary from year to year. According to Illinois State Board of Education figures and National Center for Education Statistics estimates, the number of Illinois high school graduates increased nearly 15 percent between 2000 and 2008. At the same time, the proportion of Illinois students from low-income families is rising. These factors increase the number of dependent students seeking and being eligible for need-based financial aid. Independent student application volume closely follows economic conditions. Illinois unemployment rates for January through April of 2008 are the highest since mid-2005; as a result more independent students will likely either start their postsecondary education or return for retraining.

Figure 2 shows the increases in announced MAP applicants since FY2001. Final increases for the first three years were around 7 percent then the increase slowed to 4 percent in FY2005. End of year numbers for FY2006 and FY2007 were within 1 percent of the previous year. FY2008 application volume actually started out lower than FY2007 but by June was even, and at the end of the year was 1.6 percent higher. Although the FY2009 processing cycle is less than six months old, nearly 17,600 more applications have been received for an increase just over 8 percent. The projected FY2009 volume in Figure 2 is based on the current increase, which could change by the end of the program cycle.

**Figure 2: Monetary Award Program Announced Application Volume
FY2001 – FY2009 (projected)**



Eligible applicants are announced applicants who qualify for a MAP award. In early June, FY2009 eligible application volume was more than 7 percent higher than last year; nearly 9,700 more applicants qualified for an award. The increase is split fairly evenly between dependent and independent applicants. Although application volume is up in every sector nearly 68 percent of the increased volume is found at community colleges where the increase is 14 percent. Eligible applicants are up nearly 5 percent at private schools and less than 4 percent at public universities. These figures will change throughout the processing cycle as community college students often apply for financial aid later in the cycle.

When determining the formula components and suspense date that will keep program commitments within the appropriation, staff considers the distribution of applicants by dependency type and sector. Dependent students are generally more likely than independent students to claim their award and a higher proportion of dependents attend full-time at public and private universities. Independent students, particularly those with dependents, are more likely to attend community colleges where awards are less than half of the maximum award and they are more likely to attend part-time.

MAP Appropriation

At this point a FY2009 state budget has not been finalized. The General Assembly passed a budget; however, it includes deficit spending and has not been approved by the Governor. One of the budget bills, HB 5701, provided an \$18 million increase for MAP to incorporate FY2005 tuition and fees into the formula or to adjust the award size. If this increase were included in the final budget the MAP appropriation would be \$402.8 million including \$3.7 million in expected Federal LEAP/SLEAP funding. The likelihood of MAP actually receiving an additional \$18 million is unknown. Table 1 shows the difference between projected recipients and claim amounts for the base start-up formula and the formula with FY2005 tuition and fees that could be used if MAP received the additional funding.

Incorporating FY2005 tuition and fees would enable nearly 1,800 more students to receive MAP because recognizing higher costs in the formula would increase eligibility amounts for some applicants whose eligibility was \$300 or less when FY2004 tuition and fees were used. About two-thirds of the new awards would go to public university students; most of the remaining third would go to community college students. Very few private and proprietary school recipients would be added. Since private school FY2004 tuition and fees were already well above \$4,968, eligibility amounts for students with EFCs below the \$9,000 cap were already much higher than the maximum award. Increasing eligibility amounts by using higher costs in the model still results in awards that are capped by the maximum award.

The average claim would be \$92 higher if FY2005 tuition and fees were incorporated into the formula. Again, public university students would benefit the most with claims \$154 higher on average. Most of the increase would occur at the four universities where FY2004 tuition and fees were under the \$4,968 maximum award. While current tuition and fees at these public universities are well above \$4,968 their MAP students do not receive the maximum award because they are restricted by the FY2004 tuition and fee amounts used in the formula. Community college claims would increase by \$109.

Table 1: Comparison of Start-up Formula and Formula With FY2005 T&F

	START-UP FORMULA			INCORPORATE FY2005 TUITION AND FEES					
	# Claims	Claims \$M	Avg Claim	# Claims	# Diff	Claims \$M	Claims diff \$M	Avg Claim	Avg Diff
TOTAL	145,967	\$384.6	\$2,635	147,735	1,768	\$402.8	\$18.2	\$2,727	\$92
Public University	42,387	\$150.2	\$3,544	43,530	1,143	\$161.0	\$10.7	\$3,698	\$154
Private NFP/Hosp	38,571	\$157.4	\$4,080	38,579	8	\$157.7	\$0.4	\$4,089	\$8
Community College	58,688	\$57.7	\$983	59,282	594	\$64.8	\$7.1	\$1,093	\$109
Proprietary	6,321	\$19.3	\$3,048	6,344	23	\$19.3	\$0.1	\$3,048	\$0
Dependent	79,902	\$250.5	\$3,135	81,353	1,451	\$262.3	\$11.7	\$3,224	\$88
Ind Without	24,339	\$59.3	\$2,437	24,559	220	\$61.7	\$2.4	\$2,512	\$75
Ind With Dep	41,726	\$74.7	\$1,791	41,823	97	\$78.9	\$4.1	\$1,885	\$94
Zero EFC	66,217	\$152.4	\$2,301	66,217	0	\$158.6	\$6.3	\$2,396	\$95
1 to 3000	46,276	\$127.2	\$2,749	46,498	222	\$131.5	\$4.3	\$2,828	\$79
3001 to 6000	24,153	\$72.8	\$3,013	24,853	700	\$77.7	\$5.0	\$3,128	\$115
6001 to 8999	9,321	\$32.3	\$3,460	10,166	845	\$35.0	\$2.7	\$3,439	-\$21

About 82 percent of the new recipients would be dependent students. However, the percentage of announced independent students who are eligible to receive MAP (82 percent) still far outweighs the percentage of announced dependent students who qualify (51 percent.) The average dependent student claim would increase \$88, while claims for independent students would increase about \$75 for those without dependents and \$94 for those with dependents.

More recipients at higher EFC levels would be added because students with lower EFCs are more likely to already be eligible. Students with EFCs of zero would claim \$95 more on average, while the average claim for students in the highest EFC category would actually decrease. This happens because more students in this group would be eligible for partial awards and awards at lower cost schools when the higher tuition and fee amounts are incorporated into the formula.

Recommended FY2009 Recompute Formula

It is uncertain whether MAP will receive \$18 million more funding. However, it is reasonable to expect that the program will at least receive level funding at \$384.8 million. If FY2005 tuition and fees were incorporated and the \$18 million did not materialize the Commission would be forced to either reduce awards, placing a hardship on students, or set an unreasonably early suspense date. Therefore, staff recommends that the Commission retain the FY2009 Start-up formula, which uses FY2004 tuition and fees to represent costs, for recompute. Staff recently met with members of the ILASFAA Formula Advisory Committee, who agreed with this conservative approach. If the additional \$18 million were approved in the final state budget staff recommends the incorporation of FY2005 tuition and fees at that time. The recommended recompute formula is shown in Table 2.

Table 2: FY2009 MAP Start-Up / Recommended Recompute Formula
(changes contingent upon receiving \$18 million more in bold letters)

Budget	
1	Use 2003-2004 reported tuition and fees at all institutions, assessed at 100 percent at all institutions. (If appropriation increases by \$18 million, use 2004-2005 tuition and fees).
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 = $[PC/11,000 + 1.10]$ rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted Independent Student Contribution: Adjustment Factor = $[EFC/11,000 + 1.10]$ 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, round maximum eligibility in \$150 increments to calculate partial awards.
2	Applicants with an EFC of \$9,000 or above are not eligible.
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.