

AGENDA ITEM 9.

**ALLOCATING MAP: ISSUES BEHIND REPLACING OR AUGMENTING THE CURRENT
“FIRST-COME, FIRST-SERVED” ALLOCATION METHODOLOGY**

Submitted for: Information

Summary: For over 50 years the Monetary Award Program (MAP) has been a program with broad-based support dedicated to improving the lives of students from lower income families. The program’s success in meeting the stated goal of providing access to higher education for students from lower income families is well documented and helped to make the Illinois workforce one of the best educated in the country.

In recent years, the rationale for funding both MAP and Illinois higher education overall has changed. For most of its history, MAP was designed to increase both college access and college choices for students from lower and middle income families. However, increasing demand for higher education, stagnating family incomes creating greater need for financial aid, rapidly increasing college tuition and fees, and chronic underfunding of the program have resulted in only one of out of every two eligible students receiving a grant.

As awareness has grown of MAP’s funding shortfall, it was coupled with a new concern – the lack of a sufficiently educated workforce designed to fill 21st century jobs. This increased emphasis on creating a more educated workforce has led to a new state goal: 60% of the Illinois workforce will have a significant postsecondary credential by 2025. The need for a better educated workforce coupled with severe state financial constraints has shifted the goal of the program from one of college access for all students to increasing the number of completions of post-secondary programs leading to significant credentials: certificates, associate’s degrees or bachelor’s degrees. The success of MAP – the efficiency of MAP – is now being defined by many as credentials produced, not students served.

So, the fundamental question is: In an environment where funding for MAP is likely to continue to be at a level that is significantly below the level of need, is a first-come, first-served approach the best approach? Would a different approach to allocating MAP funding do a better job of helping achieve the State’s goals related to higher education? Some alternative allocation mechanisms including special group set-asides and merit components are discussed in this item. Staff is anxious to get the Commission’s viewpoint on what may be a fundamental change to our flagship program for 50 years.

Action requested: None

ILLINOIS STUDENT ASSISTANCE COMMISSION

**ALLOCATING MAP: ISSUES BEHIND REPLACING OR AUGMENTING THE CURRENT
FIRST-COME, FIRST-SERVED ALLOCATION METHODOLOGY**

The impact of MAP

For over 50 years the Monetary Award Program (MAP) has been a program with broad-based support dedicated to improving the lives of students from lower income families. The program's success in meeting the stated goal of providing access to higher education for students from lower income families is well documented and helped to make the Illinois workforce one of the best educated in the country. For years Illinois ranked as one of the top five states in college participation, performing especially well with non-traditional students - working adults returning to school (with MAP grants) to complete degrees. Despite our higher public university tuition and fees, because of the MAP grant, Illinois was still one of the 10 most affordable states for public higher education. Illinois' commitment to higher education paid off; we were among the top ten states for percentage of workers with a postsecondary degree.

What's changed?

In recent years, the rationale for funding both MAP and Illinois higher education overall has changed. For at least 40 of its 50 years, the Monetary Award Program was designed to increase both college access and college choices for students from lower and middle income families. Providing access to higher education was the primary goal. In the past decade, however, as both college costs and the demand for postsecondary education have increased, in an attempt to better allocate the limited funds available, the emphasis has shifted toward providing access to higher education for those who can least afford it. Yet we now fall far short on this relatively modest goal – in FY2011 we provided awards to fewer than half of the students who were eligible to receive MAP. Increasing demand for higher education, stagnating family incomes creating greater need for financial aid, rapidly increasing college tuition and fees, and chronic underfunding of the program have combined to create serious challenges for the program, and for higher education in Illinois.

As awareness has grown of MAP's funding shortfall, it was coupled with a new concern – the lack of a sufficiently educated workforce designed to fill 21st century jobs. The need for a better educated workforce coupled with severe state financial constraints has shifted the goal of the program from one of college access for all students to increasing the number of completions of post-secondary programs leading to significant credentials: certificates, associate's degrees or bachelor's degrees. The success of MAP – the efficiency of MAP – is now being defined by many as credentials produced, not students served.

So, the fundamental question is: In an environment where funding for MAP is likely to continue to be at a level that is significantly below the level of need, is a first come first served approach the best approach? Would a different approach to allocating MAP funding do a better job of helping achieve the State's goals related to higher education?

New goal: 60% by 2025

This increased emphasis on creating a more educated workforce has led to a new state goal: 60% of the Illinois workforce will have a significant postsecondary credential by 2025. Since we currently are at about 42%, we have a long way to go. College completion rates vary dramatically by income level. A recent University of Michigan study shows students from the families with the highest incomes graduate at five times the rate (54%) as those from the families with the lowest incomes (9%). In order to meet the 60% target, many more low-income students will need to complete postsecondary programs. Providing financial support through MAP to these students, many of them with no resources to pay for college, is essential to meet the state's college completion goals.

College costs, particularly at public universities, have more than doubled during the past decade while family incomes have stagnated. The gap between resources and costs has widened to the extent that it now takes about 75% of the adjusted family income of our poorest families to pay for a year of a public university, after all grant aid has been applied. For lower-middle income families the cost is over 35% of their adjusted family income. Removing MAP from the grant aid now provided, raises those fractions to 108% and 48%, respectively. Clearly MAP is essential for college access for Illinois students from lower income families.

Issues and concerns about MAP: shortchanging non-traditional students

While the level of MAP funding is always a concern, there are other concerns as well, particularly the way MAP funds are allocated. MAP is awarded on a first-come, first-served basis determined by the date the FAFSA is filed. As already mentioned, the past decade has seen a huge increase in demand for MAP as students and their families realize that postsecondary credentials are becoming necessary to obtain a job paying a decent wage. More students are applying for aid and they are applying earlier. The result is the date where the MAP funds run out is earlier and earlier each year. The extremely early cut-off dates for program eligibility may be shortchanging students who attend community colleges and older, non-traditional, independent students, who traditionally file their FAFSAs later in the process. For years, about half of the MAP grants went to independent students; in FY2011 it was less than 45% and we expect FY2012 to show another decrease.

Issues and concerns about MAP: raising graduation rates for MAP recipients

A second concern arises from the new definition of the "efficiency" of MAP as the focus shifts from our traditional focus of increased access to higher education as a measure of program success to increased program completion. The new focus on completion coupled with demand pressures on the program are generating questions such as are we giving MAP to the students most likely to complete their programs and are we putting impediments in their paths to achieving success? The academic preparation levels of MAP recipients and their graduation rates are both being called into question. In fact, MAP recipients do as well as their non-MAP eligible counterparts in college. Our MAP recipients graduate at about the same rate (57% vs. 60%) as non-MAP eligible students at public universities. Our MAP recipients at community colleges also do as well as others, about 35% obtain some credential within six years.

While MAP recipients do as well as others, there is still much room for improvement for everyone. Adding a merit component to MAP could provide aid to the strongest and most academically prepared students. However, adding a merit component could also further disadvantage students who are already coming from difficult backgrounds. For example, using a student's score on the ACT college entrance exam would be one way to add a merit component but ACT scores improve with income levels; students from families with higher incomes often use test preparation help available or take the exam multiple times; both increase scores. MAP recipients' average ACT score in FY2011 was 20; the average for the state is 21. Another measure of merit is the high school or college GPA. Both come with the potential for grade inflation. States such as Georgia that have a merit component on their financial aid have seen high school grade inflation.

Issues and concerns about MAP: MAP recipient debt levels and defaults

A third, and perhaps the most pressing concern, is the large debt that MAP recipients may be accumulating even when they fail to acquire a degree. Students who take out loans to go to college now average well over \$20,000 cumulative debt. Students who take out loans and do not complete their education are at very high risk of defaulting on these loans, which will follow them throughout their lives. Education loans are not dischargeable in bankruptcy and penalties and interest payments can make large loans even larger until they are an insurmountable barrier to a middle class life. High loan debt is really a symptom of a larger problem already mentioned, diminishing college affordability. Students from lower-income families and now, students from middle income families, are being priced out of higher education. Giving out larger grants to compensate for the higher costs of higher education would help; but without more funds, it would mean serving fewer students.

Can other states show us the way?

Do other states have any answers? A few states, such as Indiana, have increased the size of their need-based grants and provide some additional academic and social support. Indiana has seen an increase in two-year degrees but no increase in four-year degrees. Its program is small, expensive and labor intensive and requires students to sign an agreement in eighth grade – a process of self-selection that affects the results.

Other states have increased the size of their grants but, at least so far, no increase in success has been documented. Some states, such as Georgia, have merit aid with minimal income limitations. These states are seeing grade inflation and costs spiraling out of control. Some states have changed how they promote their programs. Oregon uses a “shared responsibility” model emphasizing the role of each stakeholder in the process – the student, the family, the state and the federal government. The state becomes the last provider. Using this approach would still cost Illinois far more than the MAP program is currently funded. Sadly, the most common activity with state education grant programs in recent years has been to cut them – and some, such as New Hampshire’s program, have been eliminated entirely.

Changing first-come, first-served with a set-aside

Some states, such as New York, have separate programs for traditional full-time and non-traditional part-time students. MAP awards have always been allocated to both groups of students on a first-come, first-served basis for all students who qualified based on need. Since this traditional allocation process now clearly favors the dependent student who often knows years in advance when he will be starting college, modifications to this allocation mechanism in the form of a “set-aside” are being proposed. A “set-aside” is a reserve of MAP dollars for independent students or for students at community colleges. A set aside takes some fraction of the appropriated funds and holds them until the remaining funds are exhausted using the traditional first-come, first served methodology. After the suspense date has been announced, the set-aside is awarded on a first-come, first-served basis to the selected subset of MAP-eligible students.

Since the funds for the set-aside come from the MAP appropriation that has not been increased, money is being taken away from some students and given to others. Set-asides benefit the groups who are favored with them. If the set-aside funds come from existing funds, there are a significant number of “losers” – students, generally dependent, who would have received a MAP grant who will not get one because dollars are reserved for other groups. For example, the net impact of a \$10 million set aside for independent students results in about 1,100 more students being served because independent student usually attend community colleges where awards are smaller. However the actual impacts are larger than the net impact in terms of number of students affected. Independent student awards would increase by nearly 3,300 but at the expense of about 2,200 dependent students, who would lose their awards.

Set asides may also hinder another goal of graduating more students. Since most of the proposals favor community college students and independent students at the expense of dependent students attending four-year institutions, while the number of awards may go up, the graduations may decline as independent students and students attending community colleges have lower graduation rates than more traditional dependent students at four-year institutions.

Changing first-come, first-served with a merit component

The application of a merit component is another mechanism to try to stretch MAP dollars. Adding a merit component is not being recommended by advocates solely to extend processing. Other considerations such as encouraging low-income students to complete rigorous high school programs of study and increasing the number of MAP recipients who complete their programs are also part of reason for applying a merit component to MAP. Although MAP recipients graduate at the same rate as everyone else, there is a hard to overcome perception that MAP recipients are not prepared for college and college completion rates for MAP recipients are too low.

Using an ACT score or a GPA score is the usual way to allocate through a merit component. Several studies have indicated that high school GPA is a better indicator of success than the composite ACT score. The State Scholar program uses a combination of ACT score and GPA to determine who is designated as a state scholar; a similar combination could be used to define a merit component.

Merit components could become effective after a MAP recipient begins college. Right now, the MAP program uses a “satisfactory academic progress” (SAP) measure, determined by each school to determine whether a MAP recipient should get aid for a subsequent year. SAP measures vary considerably from school to school but the bar generally is set low, usually a 2.0 GPA, and there are often prolonged periods of “probation” where students do not meet the requirements but are allowed to continue in school. MAP currently is paid to those students. SAP measures could be strengthened, made more uniform, or designed to conform to new federal requirements; or the current practice of allowing MAP for students who are on probation could be eliminated.

A merit component could dictate who actually receives an award or it could direct students to specific types of postsecondary institutions. For example, freshman students with an ACT/high school GPA below some threshold could be directed to a community college for their first year, where they could receive remedial instruction and where they would not have to take out loans. High risk students who take out loans have an enhanced chance of not completing their programs and being unable to repay their loans. A freshman can receive a \$5,500 subsidized Stafford loan and can receive up to another \$4,000 in unsubsidized loans under certain circumstances. Then there are private loans. It is possible for a student to leave after a year in school with no credential and more than \$10,000 in debt that is not dischargeable in bankruptcy. Low-income MAP recipients are particularly vulnerable, having few resources to pay for college. Over a quarter of MAP recipients who attend public universities, private non-profits or for-profit institutions are attending schools where the trial 3-year cohort default rate on Stafford loans is greater than 10%.

Summary of the issues surrounding MAP

The huge increase in demand for MAP grants; the perception that MAP recipients aren't as prepared as other students and graduate at lower rates than other students; and the increasing debt levels and default rates for all students caused by the high cost of a basic college degree in Illinois are all issues driving proposed changes to the MAP program. The dollars allocated to the program, although generous in comparison to other states, neither substantially cover the cost of college tuition and fees nor does the program provide a sufficient number of grants for those students from lower income families who want to pursue higher education. The long standing first-come, first-served allocation mechanism for MAP may no longer provide the desired results and has left more students unserved than served during the past few years. The introduction of set-asides and MAP merit component are just two of many alternative allocation mechanisms possible for the distribution of MAP. Staff is anxious to get the Commission's viewpoint and opinions on what may be a fundamental change to our flagship program for 50 years.