

AGENDA ITEM 4.

FY2015 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

Submitted for: Action

Summary: The Commission typically approves a start-up formula for the Monetary Award Program (MAP) in January so financial aid advisors can provide students with information useful for college planning. The formula is revisited when the MAP appropriation is final to determine whether changes are needed.

When considering a MAP formula the Commission must balance opposing goals of providing awards large enough to make college accessible and extending awards to help more students. This has become more challenging as application volume has increased and the state's financial condition has worsened. MAP application volume increased 68 percent between FY2003 and FY2013. There are currently two percent fewer FY2014 applicants than last year, possibly due to slight improvements in the job market.

The state has been unable to match rising demand. Funding was fairly level at around \$385 million from FY2007 to FY2009. In FY2010 through FY2012 the final appropriation was over \$400 million. A budget cut brought the appropriation down to \$371 million in FY2013 and \$373 million in FY2014. For planning purposes, staff is assuming level funding for FY2015.

Without sufficient funding the increased demand for aid has strained the purchasing power of MAP awards. In FY2002 the maximum announced MAP award covered 100 percent of average tuition and fees at community colleges and public universities. In FY2014 the highest MAP award covered only 51 percent at community colleges and 35 percent at public universities, leaving needy students to cover gaps around \$1,800 and \$8,700. Further declines in MAP purchasing power could seriously jeopardize college access.

Higher demand for financial aid and the recent trend towards filing Free Applications for Federal Student Aid (FAFSAs) earlier have necessitated moving the initial suspense date from August in FY2008, mid-April in FY2011, to March 1st in FY2014. In recent years staff and members of the ILASFAA Formula Committee agreed it would be prudent to reduce awards by 5 percent to enable longer processing. This same approach is being recommended for FY2015.

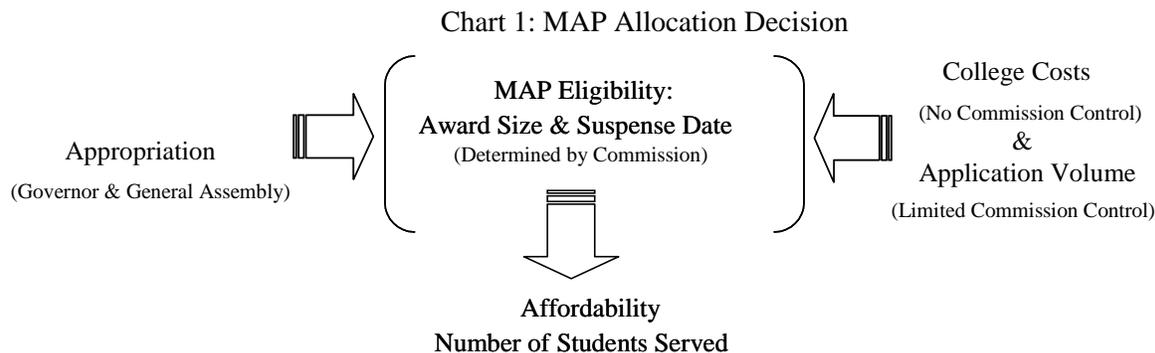
Action requested: Staff recommends the Commission approve the formula summarized in Table 4 as the FY2015 MAP start-up formula. It is the same as the formula that has been used for the past several years, reducing awards 5 percent for an effective maximum award of \$4,720.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2015 MONETARY AWARD PROGRAM (MAP) START-UP**

Introduction

Students and potential students started filing Free Applications for Federal Student Aid (FAFSAs) with the U.S. Department of Education for the 2014-15 academic year on January 1, 2014. MAP eligibility calculations piggyback on the FAFSA data, so the Commission approves a start-up MAP formula in January so MAP eligibility can be calculated. This helps financial aid administrators put together aid packages and helps students decide whether and where they can enroll. The MAP appropriation is unknown until the state budget process is completed so the eligibility formula from the current year is generally used as the start-up formula for the upcoming year. In FY2012 the trend towards earlier suspense dates, which have shifted from August 16th in FY2008 to March 1st in FY2014 inspired the addition of a 5 percent reduction factor to stretch the appropriation. Staff recommends the same formula for FY2015. When the appropriation is final and application volume trends emerge the Commission may modify the formula and recompute MAP eligibility amounts if necessary.

The challenge faced by the Commission – to balance between awards large enough to make college accessible and extending award announcements long enough to help more students – is shown in Chart 1 below. The size of awards and number of students served are largely determined 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 largely on tuition and fee amounts, which are also not controlled by the Commission. Application volume, including the timing of submissions, is affected by outreach efforts, but still depends to a large extent on demographics and the job market.



Application Volume

The appropriation needed for MAP is determined by the number of applicants, MAP eligibility amounts, and the likelihood that students will enroll and claim their awards. Announced applicants, or undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school, increased 68 percent between FY2003 and FY2013. This increase represents nearly 212,000 more potential students applying for need-based financial aid. Increased demand may be slowing, however. Students continue to apply earlier - in March 2013 FY2014 application volume was up 5 percent - but at the beginning of January 2014, 13 months into the 19-month program cycle, FY2014 application volume was down about 2 percent.

Table 1 shows the increase in announced applicants has been highest at community colleges, at 113 percent compared to 68 percent overall. Although community colleges have traditionally been the school type of choice for independent students, lower costs and accessibility make community colleges an increasingly attractive alternative for dependent students.

Table 1: Final Announced MAP Application Volume, FY2003 Compared to FY2013

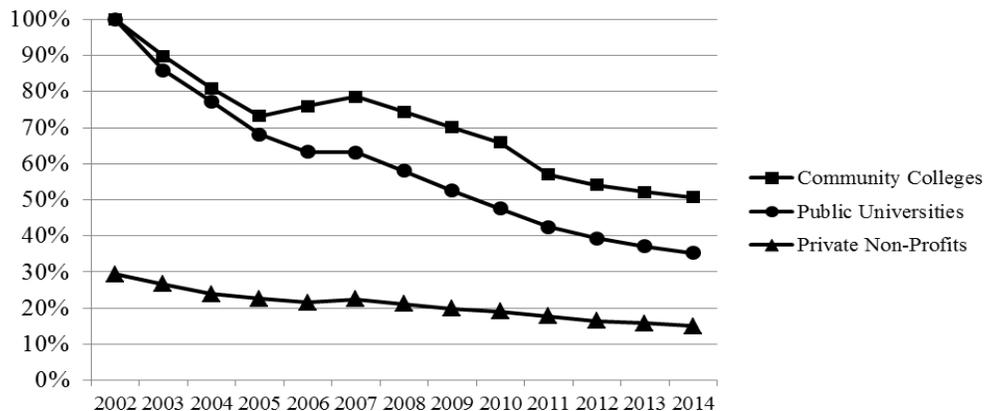
	FY2003	FY2013	# Difference	% Difference
Public Universities	92,479	128,991	36,512	39.5
Private Schools	80,550	103,032	22,482	27.9
Community Colleges	126,920	269,672	142,752	112.5
Proprietary Schools*	13,840	23,995	10,155	73.4
Dependent Students	172,546	281,780	109,234	63.3
Independent Students	56,150	106,782	50,632	90.2
Ind With Dep Students	85,093	137,128	52,035	61.2
Total	313,789	525,690	211,901	67.5

* Nine proprietary schools participated in MAP in FY2013 compared to four in FY2003.

Affordability

The growing demand for need-based aid is primarily driven by higher tuition and fees faced by students whose family incomes have not kept pace. Between FY2002 and FY2014 average tuition and fees more than doubled - increasing about 180 percent (\$8,596) at public universities, 109 percent (\$1,895) at community colleges, and 86 percent (\$14,445) at private schools in Illinois. In FY2002 the MAP maximum award was \$4,968. In FY2014 the maximum was reduced 5 percent to \$4,720. FY2004 tuition and fees are still used in the formula, so in FY2014 a community college student would at most receive 95 percent of FY2004 tuition and fees. FY2004 tuition and fees at most public universities and all private schools exceeded the MAP maximum so most awards are limited to \$4,720. Chart 2 illustrates the decline in MAP coverage of tuition and fees in each sector between FY2002 and FY2014. In the absence of a large funding increase or sharp decrease in demand, affordability will only worsen.

Chart 2: Percent of Average Tuition and Fees Covered by Max Announced MAP Award



The lack of affordability is also reflected in the general decline of MAP claim rates, shown in Table 2. In FY2005 (when the MAP Paid Credit Hour system began) 79 percent of all non-suspended eligible students who applied through March claimed 65 percent of the MAP amount for which they were

eligible. In FY2013, 73 percent of students who applied in the same timeframe claimed 57 percent of their awards. Number claim rates – the percent of eligible applicants who enroll in school –and dollar claim rates - the percent of the eligible dollar awards claimed based on enrollment level – declined in each sector, each EFC level, and each dependency type *except* for students in the highest EFC level eligible for MAP. Perhaps some of these students would have attended out-of-state schools in the past but are enrolling in their home state, and claiming their MAP award, due to increasing costs.

Table 2: MAP Claim Rate Comparisons – Applicants through late March

Category	FY05 # %	FY13 # %	# diff	FY05 \$ %	FY13 \$ %	\$ diff
Overall	78.6	73.2	-5.4	65.3	57.0	-8.3
Public Universities	85.7	82.4	-3.3	70.0	67.8	-2.2
Private Non-Profits	83.9	81.5	-2.4	71.4	67.8	-3.6
Community Colleges	66.9	63.5	-3.4	41.2	31.5	-9.7
Proprietaries	69.9	65.2	-4.7	47.8	36.2	-11.6
Zero EFC	73.2	69.5	-3.7	58.1	50.3	-7.8
1-1000	80.3	78.6	-1.7	66.4	65.5	-0.9
1001-3000	82.1	78.1	-4.0	68.2	64.2	-4.0
3001-5000	82.8	78.3	-4.5	71.5	66.0	-5.5
5001-7000	84.0	80.7	-3.3	72.5	68.6	-3.9
7001-8999	78.5	82.0	3.5	69.3	70.1	0.8
Dependents	84.8	81.1	-3.7	75.2	68.5	-6.7
Independents	72.1	65.8	-6.3	54.1	46.8	-7.3
Ind with Deps	69.6	62.8	-6.8	46.5	35.7	-10.8

Some MAP History

The MAP formula calculates a student’s eligibility for the grant, which is determined by the difference between estimated costs and resources available to the student. 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. Students with \$9,000 or higher federal EFCs are ineligible. Table 3 below summarizes how the Commission, through MAP formula components, has handled the pressure between growing demand for need-based aid and appropriations that could not provide adequate support to every eligible student.

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.

MAP received a \$10 million increase in FY2006 and demand growth slowed somewhat, enabling the Commission to lower the reduction factor, update tuition and fees by one year, and announce awards through August. In FY2007 the appropriation increased by \$36 million, which was just enough to eliminate the reduction factor, increasing the maximum award from \$4,521 to \$4,968. However, FY2004 tuition and fees were still used to represent costs, as they have been since, and the living allowance, maximum award, and EFC cap have not been updated since FY2002.

FY2010 was a very difficult year for MAP. Award announcements were initially suspended in mid-May based on the expectation of level \$385 million funding. At the time this was by far the earliest suspense date for MAP. When the state budget was completed ISAC's state GRF appropriation was cut in half. In response, the Commission was forced to cut awards in half. Because the fall term was about to begin, awards were front-loaded into the first semester to give students more time to secure loans. However, legislators ultimately appropriated \$205 million more for MAP so non-suspended students could claim full-year awards.

Table 3: MAP Formula Changes and Suspense Dates since FY2002

Fiscal Year	Program Margins		MAP Award			
	MAP Appropriation	Announced Application Volume Increase	Cost Estimate T&F Component used in Formula	Student Resources Assessment Component used in Formula	Eligibility	
					Reduction Factors	Initial Date of Award Suspension*
FY2002	\$370.6	7.2%	01-02 T&F	Adjusted EFC+80% Pell	None	10/27/01
FY2003	\$333.2	6.2%	01-02 T&F	Adjusted EFC+80% Pell	5%	8/13/02
FY2004	\$338.7	6.7%	02-03 T&F at 95%	Adj EFC***+80% Pell	10%	8/2/03
FY2005	\$338.7	3.7%	02-03 T&F at 95%	Adjusted EFC+80% Pell	10/11%	8/16/04
FY2006	\$348.7	0.5%	03-04 T&F	Adjusted EFC+80% Pell	9%	9/1/05
FY2007	\$384.8	0.8%	03-04 T&F	Adjusted EFC+80% Pell	None	8/26/06
FY2008	\$384.8	1.6%	03-04 T&F	Adjusted EFC+80% Pell	None	8/16/07
FY2009	\$385.2	9.2%	03-04 T&F	Adjusted EFC+80% Pell	None	7/26/08
FY2010	\$402.5	16.2%	03-04 T&F	Adjusted EFC+80% Pell	None	5/15/09
FY2011	\$407.8	6.4%	03-04 T&F	Adjusted EFC+80% Pell	5% Term2	4/19/10
FY2012	\$420.5	4.1%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/26/11
FY2013	\$371.3	1.8%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/20/2012
FY2014	\$373.2	-1.9% Jan 2	03-04 T&F	Adjusted EFC+80% Pell	5%	3/02/2013

*MAP-eligible students applying after these dates could not be paid due to limited funding. Suspended applications may be released if funding allows: in FY2002 to 12/7/01, in FY2005 to 10/15/04, in FY2009 to 8/1/08; in FY2010 to 6/5/2009, in FY2012 to 4/8/2011, in FY2013 to 4/2/2012, and in FY14 to 3/16/2013. **EFC inflation method was simplified.

In FY2011 the suspense date was in mid-April, as early application volume soared to new heights; at the peak in March announced application volume was 25 percent higher than the year before. By the end of FY2011 the increase fell to about 6 percent, indicating that many applicants were just filing earlier than in previous years. After first-term claims were received it appeared that total claims would exceed the appropriation so second- and third-term claims were reduced 5 percent for a 2.5 percent annual reduction.

The trend toward filing earlier accelerated in FY2012. In late March 2011 when award announcements were suspended, application volume was up nearly 30 percent but by the end of the program cycle the increase decreased to 4 percent. A 5 percent reduction factor was added to the formula at start-up in an attempt to process longer. Near the end of the fall semester an additional \$33.5 million was secured for MAP, raising the appropriation to \$420.5 million and averting the reduction of awards. In FY2013 the additional funding was not available and, combined with an overall budget cut, the appropriation dropped down to \$371.3 million.

FY2015 Funding Levels

The FY2015 MAP appropriation has not yet been decided, so staff is assuming level funding of \$373.2 million for planning purposes. Staff believes the 5 percent reduction factor used in recent years should be kept for the FY2015 start-up formula to allow more students to receive an award. The effective maximum award would remain at \$4,720.

Action Requested

Staff requests that the Commission approve the formula in Table 4 for FY2015 MAP start-up. The recommendation is identical to the FY2014 formula.

Table 4: Recommended FY2015 Start-up MAP Formula

BUDGET	
1	Use 2003-2004 reported tuition and fees, 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 = $[PC/11,000 + 1.10]$ 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 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 awards by 5 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.