

## FY2013 MONETARY AWARD PROGRAM (MAP) RECOMPUTE FORMULA

**Submitted for:** Action

**Summary:** In January the Commission approved a start-up formula to calculate MAP eligibility for applicants planning to attend college in the 2012-13 academic year. Announcing a formula early in the year enables financial aid advisors to package awards and helps applicants determine whether and where to enroll. Once the MAP appropriation is determined the Commission approves a recompute formula based on the new information.

The FY2013 MAP appropriation is \$371 million, about 4 percent less than expected earlier this year. The March 20 suspense date was based on a \$387 million appropriation. Although FY2012 is not final, it appears claim rates are lower than FY2011 so the \$371 million may sufficiently cover claims from applicants through March 19. Therefore staff recommends the recompute formula remain the same as the start-up formula.

Currently the demand for MAP is lower than last year. In mid-March announced (undergraduate IL residents planning to attend MAP-eligible schools) application volume was 14 percent higher than last year, but by the end of May FY2013 announced volume was about 2 percent lower. This pattern indicates the trend of applying earlier that started a couple of years ago is continuing.

The trend toward earlier filing complicates ISAC's goal of spending but not over-spending the MAP appropriation in at least two ways. First, the suspense cut-off can only be done in daily increments. Until recent years suspense dates were typically in August, when daily claims were around \$1 million. In the days leading up to this year's March 20 suspense date projected daily claims ranged from \$4 to \$7 million.

Also, as alluded to earlier, previous year claim rates are proving less accurate for projecting current claims. In years past earlier filers were more likely to claim and to attend full-time while later filers were more likely to attend part-time or not show up at all. Now more applicants are filing earlier and bringing their attendance behavior with them. FY2013 claims are \$12 million lower when projected using non-quite-final FY2012 claim rates compared to projections using FY2011 claim rates. When the March 20 suspense date was determined the second-term claim deadline for FY2012 MAP claims had not even passed so FY2012 claim rates could not be used.

To help deal with these uncertainties and administer MAP as efficiently as possible, the Commission approved a new approach, described below, in FY2011 to ensure spending as much of the appropriation as possible without exceeding it. Staff recommends this approach for FY2013 as well.

**Action requested:** Staff requests the Commission approve the FY2013 MAP start-up formula as the FY2013 recompute formula. If determined necessary following receipt of first-term claims, second- and third-term awards may be reduced to stay within the appropriation.

**ILLINOIS STUDENT ASSISTANCE COMMISSION  
FY2013 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

**Background**

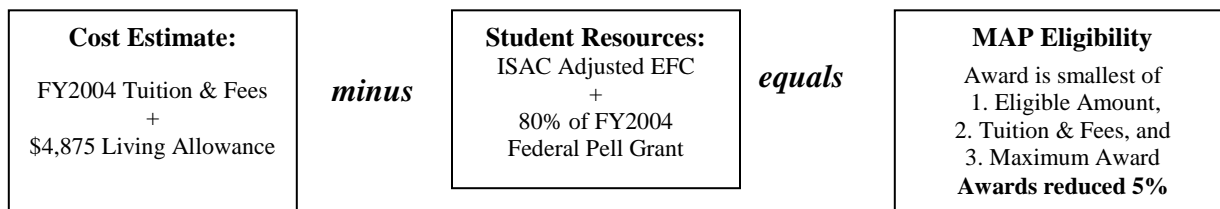
In January the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2012-13. The formula is determined early in the program cycle so financial aid advisors can give prospective students an idea of the amount of aid they may receive. When the appropriation is (ideally) final the Commission reviews and approves a recompute formula, which may or may not differ from the start-up formula. The FY2013 MAP appropriation is \$371 million – about 4 percent less than was expected when the suspense date was set in March. Nevertheless staff recommends the FY2013 MAP start-up formula be retained as the recompute formula with the option of reducing second- and third-term awards if determined necessary to keep claims within the appropriation.

This item briefly reviews the start-up MAP formula, discusses current trends in application volume and recommends a FY2013 recompute formula designed to minimize the effects of these trends and ensure the appropriation is spent but not exceeded.

**FY2013 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 FY2013 Start-up MAP Formula**



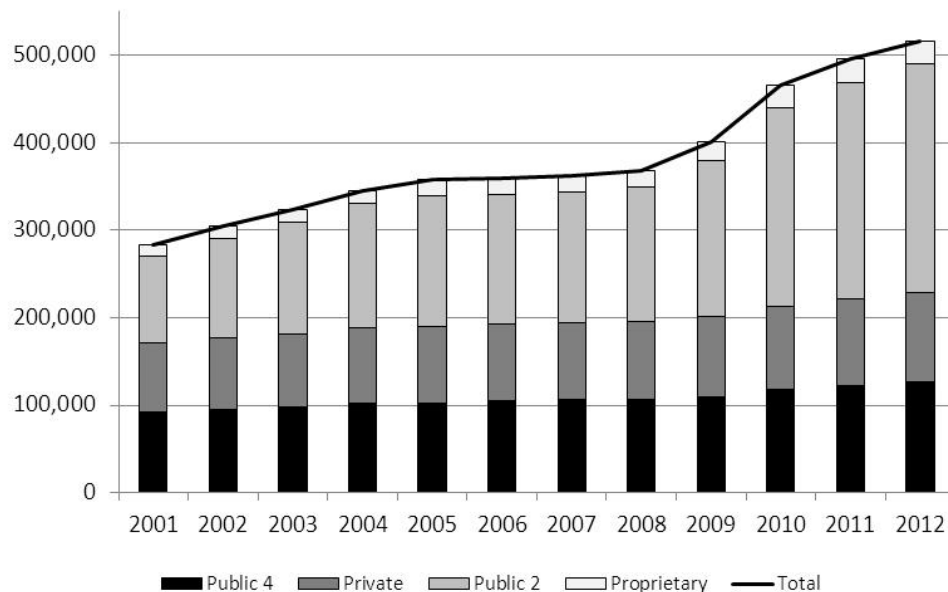
College costs used in the MAP formula include tuition and mandatory fees plus a \$4,875 living allowance. Between FY2002 and FY2012 announced application volume increased 70 percent. MAP funding has not increased accordingly and formula components have fallen behind. Current tuition and fees have not been used in the formula since FY2002; the FY2013 formula still uses FY2004 tuition and fees. Formula resources 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 can only be applied to tuition and mandatory fees.

## FY2013 Application Volume

MAP application volume is affected by demographic variables and economic conditions that vary over time. Illinois State Board of Education and National Center for Education Statistics data indicate the number of Illinois high school graduates increased about 13 percent between 2002 and 2012. At the same time, the proportion of Illinois students from low-income families is rising, so more students are qualifying for need-based financial aid. The number of independent students applying for aid typically depends on the economy. Although Illinois' unemployment rate is lower than a year ago the most recent 8.6 percent in April 2012 is still significantly higher than 4.5 percent in April 2007 so there are still many "non-traditional" students attending college to improve their employment prospects. Increased outreach efforts, especially targeting high school students, have also affected the volume and timing of MAP application submissions.

Announced MAP application volume since FY2001 is shown in Figure 2. Annual increases through FY2004 were around 6 or 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 started out lower than FY2007 but by June was even, and at the end of the year was 2 percent higher. Annual increases since then were 9% in FY2009, 16% in FY2010, more than 6% in FY2011, and 4% in FY2012. Although FY2013 may see a decrease in application volume, the large increases already experienced coupled with a lack of adequate funding result in much lower purchasing power of MAP.\*\*\*

**Figure 2: Monetary Award Program Announced Application Volume, FY2001 – FY2012**



## MAP Appropriation

The FY2013 MAP appropriation is \$371 million, 4 percent lower than expected when the suspense date was chosen in March. Since it appears FY2012 claim rates will be significantly lower than FY2011, projected FY2013 claims may drop by \$12 million once FY2012 is final and those rates are applied to FY2013 applications to project FY2013 claims. It is quite possible that \$371 million will cover FY2013 claims for applicants through March 19 without reducing awards. However, once first-term claims have been made staff would determine whether a reduction to second- and third-term claims would be necessary to keep claims at \$371 million.

## **Uncertainties in Choosing a Suspense Date and Projecting Claims**

As indicated earlier, MAP is now operating in somewhat uncharted territory. While projecting MAP claims before the academic year starts has never been easy, effects of the poor economy and increased outreach efforts have added to the uncertainty. Uncertainty comes from projecting how much eligible MAP dollars will increase as a result of “corrections” as well as from projecting the claims that will be made by eligible MAP applicants. Correction and claim rates from previous years are used to project current year claims.

“Corrections” for the purpose of estimating MAP claims result from students filing subsequent FAFSAs that change their EFCs resulting in different eligibility amounts. For MAP projection purposes corrections are also caused by students claiming MAP at schools that were not listed as first-choice on their FAFSAs. Percentage changes vary by timing, dependency type, and sector, but overall the corrections rate in FY2012 at 5 percent was substantially lower than in previous years. Each percentage difference can result in a roughly \$4 million change in MAP claims.

Once past correction rates are applied to current year data to project what eligible dollars might be at the end of the cycle given current eligible dollars and distribution by dependency type and sector, claim rates are then applied to the projected eligible dollars to help determine when suspense should occur. With the trend towards earlier FAFSA filings, previous-year rates are becoming less effective for projecting current-year claims. It is likely that intense outreach efforts both at the high school level and in general are encouraging people who would have filed a FAFSA later or perhaps not at all, to apply earlier. No one is complaining about more students applying for need-based aid, but it does complicate projections.

## **Recommended FY2013 Recompute Formula**

The FY2012 program cycle is not quite final. But, given the reduction in projected FY2013 claims based on nearly-final FY2012 claim rates compared to projections using FY2011 claim rates, and using the relatively low FY2012 corrections rates it appears likely at this point that the \$371 million will cover claims for FY2013 applicants through March 19. Therefore staff recommends the Commission adopt the FY2013 start-up formula as the recompute formula; with the understanding that second- and third-term awards may be reduced if necessary to stay within the appropriation.

The ILASFAA Formula Committee has agreed with this approach in the past. Another option would be to incorporate a reduction factor at recompute then either increase later-term awards or release applications if the MAP appropriation increased and/or claims were lower than projected, however, the recommended approach has worked very well in the past.

Staff recommends that the Commission adopt the formula described in Table 2 below as the FY2013 MAP recompute formula. Keeping the formula the same as the start-up formula, with the option to reduce second- and third-term awards if necessary is a prudent approach to maximizing the size of MAP awards while keeping claims within the appropriation.

**Table 2: FY2013 Staff- Recommended MAP Recompute Formula**

<b><i>Budget</i></b>	
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.
<b><i>Resources</i></b>	
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' Expected Family Contribution: Adjustment Factor = [Parent Contribution (PC)/11,000 + 1.10] rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted EFC = Adjusted PC + highest of Student Contribution or self-help expectation  Adjusted Independent Expected Family 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.
<b><i>Award Amounts</i></b>	
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	Reduce awards by 5%.
4	<b>If determined necessary after first-term claims are received, reduce second- and third-term awards to stay within the appropriation. Reduction factors will differ slightly for semester schools and quarter schools to keep the percentage award reduction equal whether applied to the second-term award for semester school students or second- and third-term awards for quarter school students.</b>
5	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.