

AGENDA ITEM 4.

FY2007 MONETARY AWARD PROGRAM (MAP) START-UP

Submitted for: Action

Summary: Each year the Commission approves a start-up formula to calculate student eligibility for the Monetary Award Program (MAP) for the upcoming academic year. Typically, the Commission takes action in January so awards can be calculated and announced to students starting in February or March. Announcing awards in early spring enables students to make enrollment decisions and helps financial aid administrators advise applicants on available resources. Once final appropriations are known, the Commission approves a recompute formula and awards are recalculated during the summer.

College affordability in Illinois continues to decline. Since FY2000, average tuition and fee costs have increased 48 percent while family incomes for low-income and lower middle-income students have increased less than 5 percent and need-based financial aid has not kept up due to tight state and federal budgets. Out-of-pocket costs for attending a community college or public university have more than doubled for students from the lowest income families.

At this time, FY2007 is expected to be another difficult year for MAP. Without significant additional funding, little headway toward regaining college affordability can be made by reallocating existing dollars. Using the FY2006 recompute formula as the start-up formula assumes the program will receive level funding in FY2007. If new state funding is allocated to MAP, the Commission will expend the funds to address its priorities of improving college affordability during adoption of the MAP recompute formula.

Action requested: Staff recommends that the Commission approve the formula summarized in Table 4 as the FY2007 MAP start-up formula.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2007 MONETARY AWARD PROGRAM (MAP) START-UP**

Background

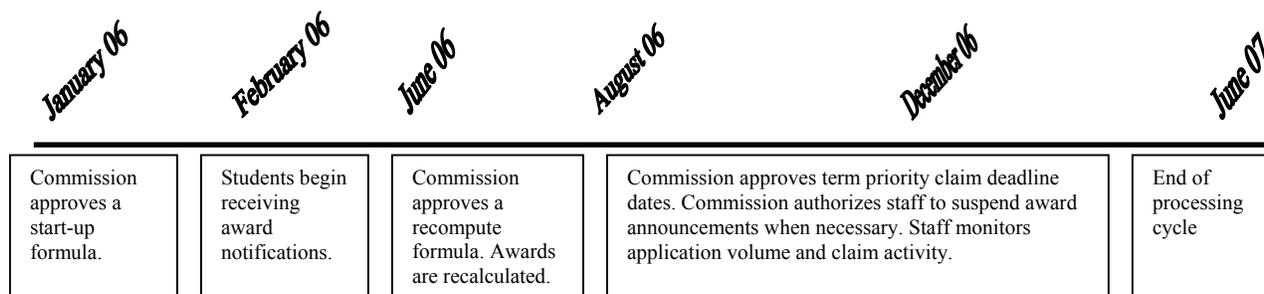
Students may begin applying [see margin explanation] for financial aid for the 2006-07 academic year in January 2006. Since the MAP appropriation is not known at this time, the Commission historically has used the previous year’s formula, possibly with modifications, to begin award announcements for the Monetary Award Program (MAP). The Commission generally takes action in January on a “start-up” formula so awards can be calculated and announced to students starting shortly thereafter. This enables students to make enrollment decisions and helps financial aid administrators advise applicants on available financial aid. Once the final state appropriation is known, the Commission will review the formula and based on appropriation levels, application volumes, etc., may make modifications. Awards are then recalculated based on the new “recompute” formula.

This agenda item reviews the MAP processing cycle, the basic MAP formula, and recent formula changes and history, and discusses factors pertinent to affordability in Illinois. The FY2006 MAP recompute formula is shown in Table 3, and the staff recommendation for the FY2007 start-up formula is shown in Table 4, at the end of this item.

MAP Processing Cycle

Diagram 1 below shows the typical MAP award announcement/processing cycle. As stated above, the Commission approves a start-up formula in January with initial award notification to students beginning in late February or early March. After the MAP appropriation is finalized, the Commission again reviews the formula and approves any modifications so awards can be recalculated during the summer.

Diagram 1: MAP Processing Cycle

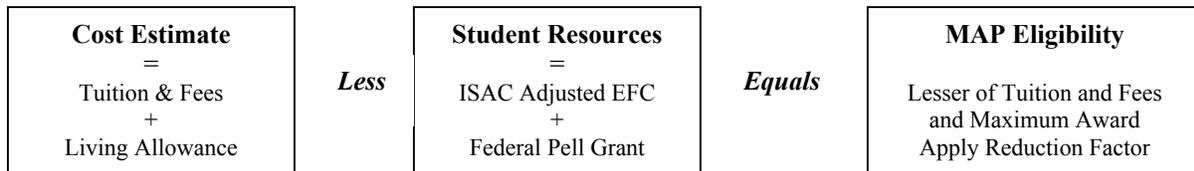


Awards are calculated on an annual basis but payment is made by term and the number of hours enrolled. In late summer or early fall, the Commission approves priority claim deadline dates [see margin explanation] for each term and authorizes staff to suspend award announcements, if necessary, when the appropriation is fully committed. Staff continues to monitor application volume, appropriation levels, etc. and periodically reports to the Commission as the year progresses. The complete processing cycle lasts approximately eighteen months.

MAP Formula Review

The MAP formula serves two purposes. First, the formula determines which students are eligible for a MAP grant, and, second, it determines the amount of each grant. The basic formula, shown in Diagram 2, estimates the costs of attendance and assesses the student’s resources to pay these costs. Need is determined from the difference between the estimated costs and the available resources.

Diagram 2: Basic MAP Formula

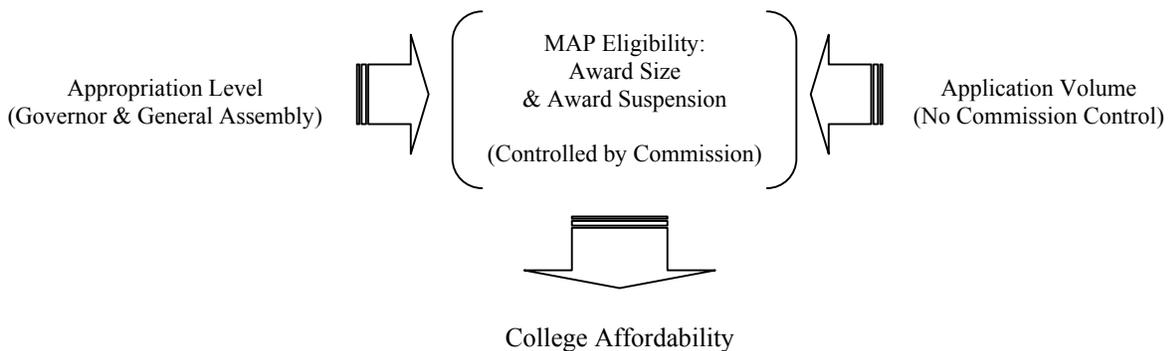


In terms of the MAP eligibility formula, the costs incurred by students (also known as the MAP budgets) are calculated by adding tuition and mandatory fee amounts to a standard living allowance of \$4,875, which reflects an estimate of the college costs students will face. Since tuition and fees vary from school to school, this cost estimate will vary as well among student applicants. On the resource side, ISAC bases a student’s ability to pay for college using an inflated federal expected family contribution (EFC) figure [see margin explanation]. The inflated, or adjusted EFC is added to any federal Pell grant eligibility [see margin explanation] to complete the picture of student resources. MAP eligibility is determined by subtracting the student resources from the cost estimate. If the costs are greater than the resources, the student is eligible for a MAP grant. The eligible amount is capped at the lesser of tuition and mandatory fees or the statutory maximum award of \$4,968 and then a reduction factor is applied. MAP grants can only be used toward tuition and mandatory fee costs.

Recent Formula History

Each year the Commission must make allocation decisions based on the MAP appropriation level, application volume, and affordability concerns. This relationship is shown graphically in Diagram 3 below. While the Commission acts as an advocate for student financial aid, the Governor and the General Assembly determine the final appropriation. The Commission also has no control over application volume or college costs but is responsible for allocating funds which best meet the overall needs of Illinois students. A balance must be kept between helping as many students as possible and providing adequate financial support for student enrollment.

Diagram 3: MAP Allocation Decision



The past several years have presented challenging allocation decisions for the Commission. Increases in college costs and application volume combined with tough economic conditions within the state have taken their toll on college affordability. Table 1 shows the changes made in the MAP formula to relieve the pressures created from reduced or level funding and increased application volume. In order to cover more students, the Commission has had to reduce eligibility by suspending award announcements [see margin explanation] or by decreasing the amount of each award, or both.

The MAP appropriation reached an historic highpoint of \$372 million in FY2002. Even so, the Commission had to suspend awards announcements at the end of October 2001. State economic problems resulted in a \$38 million reduction in the MAP appropriation while application volume increased. To stretch funds, the previous years' tuition and fee amounts were used to calculate eligibility, awards were further reduced by five percent, and suspension occurred in mid-August. Due to another large increase in application volume, the reduction factor was increased to 10 percent in FY2004 and award suspension occurred in early August.

In FY2005, the Commission incorporated tiered reduction factors based on the federal EFC. Students with an EFC of \$3,000 or less continued to have their MAP award reduced by 10 percent while awards for students with an EFC greater than \$3,000 were reduced by 11 percent. These reductions enabled the Commission to address increased application volume to some degree. Suspension occurred in mid-August but applications through mid-October were later released for payment. In FY2006, level application volume combined with a small increase in the appropriation allowed the Commission to incorporate 2003-04 tuition and fee amounts, lower the reduction factor to nine percent, and suspend award announcements in September rather than August.

Table 1: Recent Formula Changes

Fiscal Year / School Year	Program Margins		MAP Award			
	MAP Appropriation	Application Volume Increase	Cost Estimate T&F Component used in Formula	Student Resources Assessment Component used in Formula	Eligibility	
					Reduction Factors Placed on Awards	Initial Date of Award Suspension*
FY2000 / 1999-00	\$337.0	---	99-00 T&F	Adjusted EFC	None	None
FY2001 / 2000-01	\$357.1	5.9%	00-01 T&F	Adjusted EFC	None	None
FY2002 / 2001-02	\$370.6	7.2%	01-02 T&F	Adjusted EFC	None	10/27/01
FY2003 / 2002-03	\$333.2	6.2%	01-02 T&F	Adjusted EFC	5%	8/13/02
FY2004 / 2003-04	\$338.7	6.7%	02-03 T&F at 95%	Adjusted EFC**	10%	8/2/03
FY2005 / 2004-05	\$338.7	3.7%	02-03 T&F at 95%	Adjusted EFC	10/11%	8/16/04
FY2006 / 2005-06	\$348.7	0% to date	03-04 T&F	Adjusted EFC	9%	9/1/05

*MAP-eligible students who applied after these dates could not be paid awards due to limited funding. In FY2002, the suspension date was later moved back to early December. In FY2005, the suspension date was moved back to mid-October.

**A simplified methodology for inflating the EFC was introduced in FY2004.

College Affordability

College affordability in Illinois continues to decline. Since FY2000, tuition and fee costs [see margin] have increased almost 48 percent while family incomes for low-income and lower middle-income students have increased less than 5 percent. Need-based financial aid has not kept up due to tight state and federal budgets. The actual costs students must pay for attending a community college or public university (out-of-pocket costs) has more than doubled for students from the lowest income families. Students from families with incomes in the low-middle range have seen out-of-pocket costs increase by more than one-third at community colleges and by nearly one-half at public universities.

Since FY2002, the percentage of tuition and fees coverage by the MAP award for zero-EFC students [see margin explanation] has declined from 100 percent to 76 percent at community colleges, from 100 percent to 63 percent at public universities, and from 29 percent to 22 percent at private institutions. This decline is attributed to stagnant MAP award levels resulting from decreased or fairly level MAP appropriations coupled with large increases in application volume and high increases in tuition and fees as described in the previous section.

Table 2 summarizes formula improvements that would help to regain college affordability lost since FY2000. Using current year tuition and fees would primarily help students in community college and public universities at an estimated cost of almost \$38 million. Removing the reduction factor would help all students and would cost an estimated \$34 million. Extending award announcements to those who apply later in the processing cycle would largely help students at community colleges, as well as students at urban public and private four-year schools at an estimated cost of \$20 million. Finally, increasing the statutory maximum award to an amount equivalent to the average public university tuition and fee amount would help all students who face tuition and fees greater than \$5,000 but would require statutory authority. The estimated cost of increasing the statutory maximum by \$2,000 is \$125 million. The estimated cost of incorporating all of these improvements is more than \$200 million. [see margin note]

Table 2: Summary of MAP Formula Improvements

Parameter	Projected Costs	Principal Beneficiaries
Tuition and Fees		
Incorporate 2004-05	\$16.3 million	Students attending schools with high tuition and fee increases since FY2004 but with tuition and fees still under the maximum award – lower cost public universities and community college students.
Incorporate 2005-06	\$11.2 million	
Incorporate projected 2006-07	<u>\$10.3 million</u> \$37.8 million	
Reduction Factor		
Lower to 5%	\$15.2 million	All benefit, but those with higher awards would benefit most – public and private university students.
Lower to 0%	<u>\$19.2 million</u> \$34.4 million	
Extend Award Announcements		
Announce to end of year	\$12 million	Students who apply later in the processing cycle – typically lower income, urban, and community college students.
Allow for a 3% growth	<u>\$8 million</u> \$20 million	
Increase Maximum Award		
Increase by \$500	\$33 million	Students at schools where the tuition and fees used in the formula exceed the current statutory maximum of \$4,968 – private and public universities.
Increase by \$2,000	<u>\$92 million</u> \$125 million	
Total	\$217.2 million	

Staff Recommendation

The MAP start-up formula usually is based upon the previous year's recompute formula. Prior to FY2003, the Commission authorized changes such as using new tuition and fees at start-up even though final funding for the program was unknown. Since FY2003, however, due to concerns about the state's financial condition, the Commission has opted for a more conservative start-up formula with the hopes that awards would not have to be reduced at recompute.

At this time, FY2007 is expected to be another difficult year for MAP. Without significant additional funding, little headway toward regaining college affordability can be made by reallocating existing dollars. Using the FY2006 recompute formula as the FY2007 start-up formula reflects an assumption of level funding. If new state funding is made available to MAP, the Commission will be able to discuss its priority of improving college affordability during the adoption of the MAP recompute formula.

Staff has discussed the recommendation with the ILASFAA Formula Advisory Committee. The committee agreed with staff that while the recommendation proposed unfortunately does not improve affordability, it reflects a conservative approach which may prevent awards from being reduced further at recompute.

Action Requested

Staff is recommending the Commission use the formula summarized in Table 4 on the following page as the FY2007 MAP start-up formula.

Table 3: FY2006 MAP Recompute Formula

Budget	
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.
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 all awards by 9 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 for MAP.

Table 4: Staff Recommendation for FY2007 MAP Start-Up Formula

Budget	
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.
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 all awards by 9 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 for MAP.

Note: Staff is not requesting any changes between the FY2006 Recompute formula and the FY2007 Start-Up formula.