

AGENDA ITEM 7.

FY2010 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

Submitted for: Action

Summary: The Commission approves a start-up formula for the Monetary Award Program (MAP) each January so financial aid advisors can create aid packages and help students make enrollment decisions. When the MAP appropriation is final, the Commission revisits the issue to determine whether the formula should be changed to compute final award amounts.

A major challenge when considering a MAP formula is to strike a balance between providing awards large enough to enable enrollment by making college affordable and extending award announcements long enough to help as many students as possible. MAP application volume increased 21 percent between FY2002 and FY2008, as nearly 63,500 more potential students sought aid. FY2009 application volume is currently up by more than 8 percent and this trend is likely to continue through FY2010.

As demand for need-based aid has increased, affordability issues have also weighed heavily on MAP. In FY2002 the maximum announced MAP award covered average tuition and fees at community colleges and public universities. By FY2009 MAP covered only 70 percent of average tuition and fees at community colleges and 53 percent at public universities, leaving needy students with a gap of nearly \$4,500 to cover tuition and fees at public universities and a gap of \$800 at community colleges.

Unfortunately, the state has been unable to provide the increased funding that MAP applicants have sorely needed. Funding has been virtually level at around \$385 million since FY2007. The Illinois Board of Higher Education is submitting a FY2010 budget request with various funding levels for MAP. Scenarios include \$389.0 million, \$394.8 million, and \$399.1 million funding levels. Given the expected application volume increase and higher costs from changes to Federal Need Analysis, even the best scenario would not allow MAP to announce similarly sized awards for as long as it did in FY2009.

Further declines in MAP coverage of tuition and fees could seriously jeopardize college affordability for needy students. While increasing award amounts is a worthy goal, in the current environment any additional MAP funding will be needed to address higher application volume and additional costs to MAP from Federal Need Analysis changes. Therefore, staff recommends the FY2009 formula also be used again in FY2010. The ILASFAA Formula Committee has been consulted and agrees with this recommendation.

Action requested: Staff recommends that the Commission approve the formula summarized in Table 3 as the FY2010 MAP start-up formula.

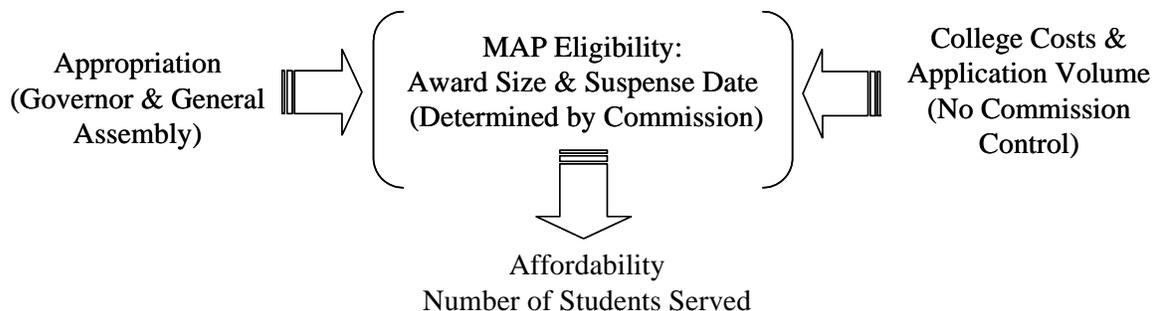
ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2010 MONETARY AWARD PROGRAM (MAP) START-UP

Introduction

Students began applying for financial aid for the 2009-10 academic year in January 2009. Around this same time the Commission typically approves a start-up MAP formula so eligibility amounts can be calculated, enabling financial aid administrators to advise potential students on their financial aid packages and helping students make enrollment decisions. Since the FY2010 MAP appropriation is not known until the state budget process is completed, the MAP recompute formula from the previous year is generally used as the start-up formula for the upcoming year. When the appropriation is final and application volume trends emerge the Commission may modify the formula as needed. Awards are then recalculated based on the “recompute” formula, usually by July.

The challenge faced by the Commission – to balance between awards large enough to make college affordable and extending award announcements long enough to help as many students as possible – is illustrated in Chart 1 below. The size of awards and number of students served are determined to a large extent 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 to a large extent on tuition and fee amounts, which are not under Commission control. Although application volume is affected to some extent by outreach efforts, it is more dependent on demographics and economic conditions. These factors are discussed below and the recommended FY2010 Start-up Formula is shown in Table 3 at the end of the item.

Chart 1: MAP Allocation Decision



Application Volume

The ideal funding level 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 21 percent between FY2002 and FY2008. This percentage increase represents nearly 63,500 more potential students applying for need-based financial aid. FY2009 application volume is currently up by more than 8 percent and, given the state of the economy, the increase will likely continue through FY2010.

The 21 percent increase in MAP applicants is spread fairly evenly across dependency types. However, as shown in Table 1 the increase has been much higher at community colleges than at public universities or private schools, as nearly two-thirds of the additional applicants are expressing interest in attending a community college. This shift may be at least partly attributed to the relative affordability of community colleges compared to other types of schools.

Table 1: Announced MAP Application Volume, FY2002 Compared to FY2008

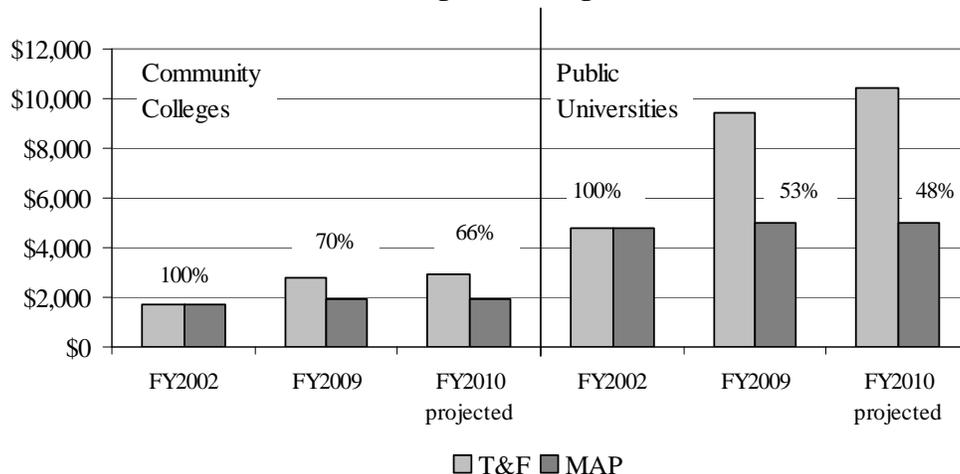
	FY2002	FY2008	# Difference	% Difference
Public Universities	95,141	106,337	11,196	11.8%
Private Schools	81,810	89,031	7,221	8.8%
Community Colleges	112,900	153,751	40,851	36.2%
Proprietary Schools*	14,284	18,508	4,224	29.6%
Dependent Students	168,364	205,382	37,018	22.0%
Independent Students	55,577	66,402	10,825	19.5%
Ind With Dep Students	80,193	95,843	15,650	19.5%
Total	304,135	367,627	63,492	20.9%

* Seven proprietary schools participated in MAP in FY2008, compared to three in FY2002.

Affordability

The growing demand for need-based aid is largely driven by higher college costs and incomes that cannot keep up. In nominal dollars, average tuition and fees increased 97 percent (nearly \$4,700 more) at public universities, 60 percent (about \$200 more) at community colleges, and 48 percent (about \$8,250 more) at private schools. MAP funding has been unable to keep up and as a result the amount of tuition and fees covered by MAP has decreased over time. Chart 2 shows that in FY2002, the maximum announced MAP award, equal to the lowest of tuition and fees or the \$4,968 maximum award, covered average tuition and fees at community colleges and public universities. By FY2009 the coverage decreased to 70 percent at community colleges and 53 percent at public universities. Students with little to no resources had to come up with nearly \$800 more and \$4,500 more, respectively, to cover tuition and fees. In the absence of a huge influx of funding, this erosion of MAP's contribution to affordability will only worsen over time. The maximum award covered about 29 percent of private school tuition and fees in FY2002 and will cover an estimated 19 percent in FY2010.

Chart 2: MAP Coverage of Average Tuition and Fees



The loss of college affordability is reflected by changes to MAP claim rates over time. Overall claim rates declined from 64.2 percent in FY2002 to 60.6 percent in FY2008. Although claim rates decreased for all dependency types, independent students with children have been affected the most; their claim rates dropped from 47.2 percent to 42.2 percent compared to a 75.3 percent to 73.2 percent decline for dependent students. Also, claim rates for students with the fewest resources, as measured by the expected family contribution, decreased more than claim rates for middle-income students. Claim rates for students with zero expected family contributions (EFCs) were already much lower than students with higher EFCs and they declined from 57.9 percent in FY2002 to 54.1 percent in FY2008. In contrast, students with EFCs in the highest MAP-eligible group claimed 70.7 percent of eligible dollars in FY2002 and 70.5 percent in FY2008. While affordability is certainly not the only factor affecting claim rates, it is certainly an important one.

MAP Formula

The MAP formula calculates student eligibility for MAP, which is determined by the difference between estimated costs and resources available to the student to help pay them. 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.

Each year the Commission makes allocation decisions based on the MAP appropriation level, application volume, and affordability concerns. The Commission cannot control college costs or application volume but is responsible for allocating funds to best meet the needs of Illinois students. A balance must be kept between helping as many students as possible and providing awards that are large enough to enable students to enroll. Table 2 below summarizes how the Commission has handled the pressure between growing demand for need-based aid and MAP appropriations that were insufficient to provide adequate support to every 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, 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 will be in FY2009, and the living allowance, maximum award, and EFC cap have not been updated in 8 or 9 years. The same formula was used in FY2008 and FY2009. In FY2009 award announcements were suspended in late July, the earliest date for continuing students in the history of the program, although some will ultimately be released.

Table 2: Recent MAP Formula Changes and Suspense Dates

Fiscal Year	Program Margins		MAP Award			
	MAP Appropriation	Announced Application Volume Increase	Cost Estimate	Student Resources	Eligibility	
			T&F Component used in Formula	Assessment Component used in Formula	Reduction Factors	Initial Date of Award Suspension*
FY2002	\$370.6	7.2%	01-02 T&F	Adjusted EFC	None	10/27/01
FY2003	\$333.2	6.2%	01-02 T&F	Adjusted EFC	5%	8/13/02
FY2004	\$338.7	6.7%	02-03 T&F at 95%	Adjusted EFC**	10%	8/2/03
FY2005	\$338.7	3.7%	02-03 T&F at 95%	Adjusted EFC	10/11%	8/16/04
FY2006	\$348.7	0.5%	03-04 T&F	Adjusted EFC	9%	9/1/05
FY2007	\$384.8	0.8%	03-04 T&F	Adjusted EFC	None	8/26/06
FY2008	\$384.8	1.6%	03-04 T&F	Adjusted EFC	None	8/16/07
FY2009	\$385.2	8.1% to date	03-04 T&F	Adjusted EFC	None	7/26/08

*MAP-eligible students applying after these dates could not be paid due to limited funding. The FY2002 suspension date was later changed to 12/7/01 and the FY2005 suspension date was changed to 10/15/04. The FY2009 suspension date will likely be extended to very early August. **EFC inflation method was simplified.

Possible FY2010 Funding Levels

The Illinois Board of Higher Education is submitting a FY2010 budget request with various funding levels for MAP. Scenarios include \$389.0 million, \$394.8 million, and \$399.1 million funding levels. In FY2010 the MAP budget will be stretched not only by higher application volume, but also by changes made to the federal need analysis formulas that will reduce expected family contributions. Even the best FY2010 funding scenario would not allow MAP to announce similarly sized awards for as long as it did in FY2009.

Any additional funding provided to MAP in FY2010 would be immediately absorbed by the expected increase in students seeking aid. It is also quite possible that MAP will receive only level funding. However, given the decline of MAP coverage of tuition and fees that has occurred since FY2002, staff believes that further reductions to MAP awards could jeopardize access and affordability for needy students. Therefore it would be undesirable to add a reduction factor to the MAP formula even though doing so would help extend processing. Staff recommends that the FY2009 MAP recompute formula, shown in Table 3 on the next page, be used as the FY2010 start-up formula. These issues have been discussed with the ILASFAA Formula Committee and the committee agrees with the recommendation.

Action Requested

Staff recommends the Commission use the formula in Table 3 for FY2010 MAP start-up.

Table 3: FY2009 MAP Recompute Formula / Recommended FY2010 MAP Start-up Formula

<i>Budget</i>	
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.
<i>Resources</i>	
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.
<i>Award Amounts</i>	
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	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.