

## AGENDA ITEM 5.

### FY2010 MONETARY AWARD PROGRAM (MAP) RECOMPUTE FORMULA

**Submitted for:** Action

**Summary:** 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 2009-10. Establishing a formula early in the cycle enables financial aid directors to package awards and helps students decide where to enroll. When the appropriation is closer to being finalized and application volume trends become apparent, the Commission approves a MAP recompute formula based on the new information.

FY2010 MAP recompute is complicated by multiple issues. First, announced (Illinois undergraduate residents planning to attend a MAP-approved school) application volume is up 22 percent and eligible (subset of announced who are eligible for MAP) application volume is up 28 percent over last year. As of June 12 there were nearly 52,000 more announced and nearly 41,000 more eligible applicants than this time last year. Soaring demand for need-based financial aid forced the Commission to suspend award announcements for applications received on or after May 15 to avoid over-committing MAP funds. May 15 is the earliest suspense date in the history of the program and was chosen based on the assumption of a level \$385.2 million appropriation, which at the time seemed sufficiently conservative.

However, as discussed in Agenda Item 4 on the FY2010 budget, the Commission must now consider the possibility of a scenario that appropriates only \$159.8 million to MAP. This amount would not even cover first-term awards that have already been announced for applications received before the May 15 suspense date. This item discusses the staff recommendation for distributing MAP awards in the event that the appropriation is reduced from the \$385.2 million that was expected at start-up. A specific example for a \$159.8 million appropriation is also provided.

**Action requested:** Staff requests the Commission approve a recompute formula that reduces annual awards by the amount necessary to stay within the appropriation and still provide awards for students whose applications were received prior to the May 15 suspense date. Term awards will be “front-loaded” and distributed as described in this item. This recommendation is shown in Table 3 at the end of this item.

If the state budget appropriates \$385.2 million for FY2010 MAP, staff requests that the Commission retain the FY2010 start-up formula for FY2010 recompute. If the final appropriation exceeds \$385.2 million, the FY2010 start-up formula should be retained and remaining funds used to release some suspended applicants.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FY2010 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

**Background**

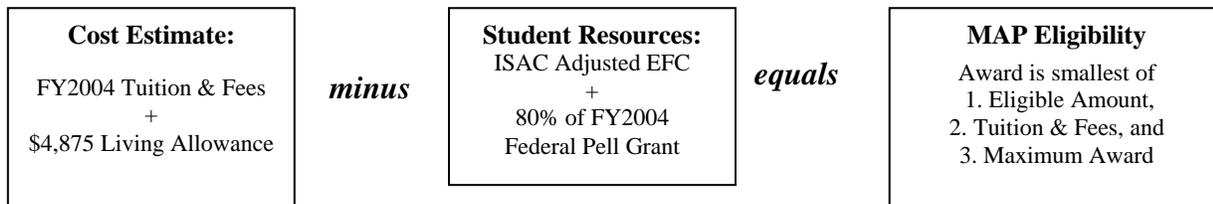
In January, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2009-10. The formula is determined early in the program cycle to give financial aid advisors and prospective students an idea of the aid they may receive. When volume trends emerge and the annual appropriation is finalized the Commission reviews and approves a recompute formula, which may differ from the start-up formula. Unfortunately, this year recompute needs to occur before the Governor and General Assembly have agreed upon a state budget. Staff is therefore recommending a general concept for a FY2010 recompute formula with an example based on the most conservative expected outcome of the budget process.

This item provides a brief review of the start-up formula, discusses current trends in application volume, and discusses possible FY2010 MAP appropriations and its effects on the recommended recompute formula.

**FY2010 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 FY2010 Start-up MAP Formula**



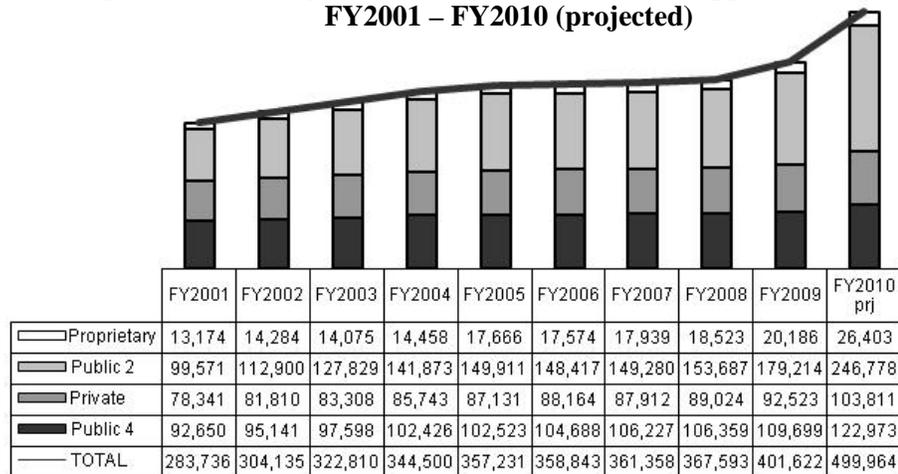
College costs used in the MAP formula include tuition and mandatory fees plus a \$4,875 living allowance. Between FY2001 and FY2009 application volume increased 42 percent and FY2010 eligible volume is currently 28 percent higher than last year. MAP funding has not increased accordingly and as a result, formula components have fallen behind. Current tuition and fees have not been used in the formula since FY2002; the FY2010 formula uses FY2004 tuition and fees. Resources addressed in the formula 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.

## FY2010 Application Volume

The number of prospective students seeking financial aid is affected by demographic variables and economic conditions that vary from year to year. According to Illinois State Board of Education figures and National Center for Education Statistics estimates, the number of Illinois high school graduates increased more than 16 percent between 2000 and 2009. At the same time, the proportion of Illinois students from low-income families is rising, so more dependent students are seeking and qualifying for need-based financial aid. Independent student application volume follows economic conditions. The unemployment rate in Illinois was 4.5 percent in April 2007, 5.0 percent in April 2008, and 9.4 percent in April 2009. As a result more independent students are applying for financial aid to either start their postsecondary education or return for retraining.

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 actually started out lower than FY2007 but by June was even, and at the end of the year was 1.6 percent higher. FY2009 saw an increase of more than 9 percent over FY2008 and although the FY2010 processing cycle is less than six months old, nearly 52,000 more potential students have submitted applications for an increase of 22 percent. Projected FY2010 volume is based on the current increase, which could change by the end of the program cycle.

**Figure 2: Monetary Award Program Announced Application Volume  
FY2001 – FY2010 (projected)**



Eligible applicants are announced applicants who qualify for a MAP award. In early June, FY2010 eligible application volume was nearly 28 percent higher than last year; 40,775 more applicants qualified for an award. While the increase in announced applicants is split fairly evenly between dependent and independent applicants, independent students make up 60 percent of the increase in eligible applicants. Application volume is higher in every sector but 57 percent of the increased volume is found at community colleges, where volume is up nearly 42 percent. Eligible applicants are up nearly 17 percent at private schools and public universities and 38 percent at proprietary schools.

When determining the formula components and suspense date that will keep program commitments within the appropriation, staff considers the distribution of applicants by dependency type and sector. Dependent students are generally more likely than independent students to claim their award and a higher proportion of dependents attend full-time at public and private universities. Independent students, particularly those with dependents, are more likely to attend community colleges where awards are less than half of the maximum award. They are also more likely to attend part-time.

## MAP Appropriation

At this point a FY2010 state budget has not been finalized. However, a scenario is on the table that requires staff to prepare for the possibility of the \$385.2 million appropriation received by MAP in FY2009 being slashed to \$159.8 million. Table 1 shows the difference between claim amounts for the base start-up formula and the formula with awards reduced to 41 percent of their start-up amounts ( $\$159.8/\$385.2=.4148$ , then round to two digits). The models show the same number of recipients because a reduction factor does not change whether students are eligible or not; however, it is inevitable that some students will not be able to enroll if their MAP awards are cut so drastically.

The average award amount lost under the \$159.8 million appropriation scenario varies from \$584 lost by an average community college student to \$2,433 lost by a private school recipient. For many students, this loss comes at a time when they have already taken out the maximum allowed by Stafford loans and they will need to seek out alternative loans to be able to attend school for the full year.

**Table 1: Comparison of Start-up Formula and Staff-Recommended Recompute Formula**

	START-UP FORMULA			RECOMPUTE based on \$159.8 M				LOSS
	# Claims	Claims \$M	Avg Claim	# Claims	Claims \$M	Claims diff \$M	Avg Claim	Avg Diff
TOTAL	136,536	\$385.2	\$2,820	136,536	\$159.8	\$225.4	\$1,170	\$1,650
Public University	41,949	\$153.7	\$3,664	41,949	\$63.7	\$90.0	\$1,519	\$2,145
Private NFP/Hosp	38,663	\$160.7	\$4,158	38,663	\$66.7	\$94.0	\$1,725	\$2,433
Community College	48,856	\$48.9	\$1,000	48,856	\$20.3	\$28.6	\$416	\$584
Proprietary	7,068	\$21.9	\$3,100	7,068	\$9.1	\$12.8	\$1,287	\$1,812
Dependent	77,229	\$256.2	\$3,318	77,229	\$106.2	\$150.0	\$1,375	\$1,942
Independent	59,307	\$129.2	\$2,179	59,307	\$53.6	\$75.6	\$904	\$1,275
Zero EFC	76,096	\$195.6	\$2,570	76,096	\$81.1	\$114.5	\$1,066	\$1,504
1 to 2999	33,019	\$100.3	\$3,038	33,019	\$41.6	\$58.7	\$1,260	\$1,778
3000 to 8999	27,421	\$89.5	\$3,265	27,421	\$37.1	\$52.4	\$1,353	\$1,912

Staff believes, and ILASFAA Formula Committee members concur, that the best way to distribute the reduced awards is to “front-load” them into the first term. This would give students more time to find additional loan money to make up for the gap left by reducing MAP awards.

Using the \$159.8 million budget scenario as an example, awards would be reduced to 41 percent of their original or start-up amounts. “Front-loading” the awards would provide a semester school student with a first-term award equal to 82 percent of the first-term amount announced at start-up; this is equal to 100 percent of the reduced annual award. A student attending a quarter school would be eligible for a first-term award equal to the same amount announced at start-up, since the first-term award is only one-third of the annual award. A quarter school student would also be eligible for a small second-term award equal to the difference between their reduced annual award and the first-term award. Table 2 illustrates this concept with an annual award based on the \$4,968 maximum.

<b>Table 2: Comparison of FY2010 Start-up and Likely Recompute Term Awards</b>			
<b>FY2010 Start-up Annual Award: \$4968</b>	<b>Term 1</b>	<b>Term 2</b>	<b>Term 3</b>
Semester schools:	\$2484	\$2484	
Quarter schools:	\$1656	\$1656	\$1656
<b>Recommended Recompute: \$4968*.41=\$2037</b>			
Semester schools:	\$2037	\$0	
Quarter schools:	\$1656	\$381	\$0

### **Recommended FY2010 Recompute Formula**

The FY2010 MAP appropriation is still uncertain. However, the Commission must prepare for a scenario in which MAP will receive less than the \$385.2 million that was expected at start-up. If this occurs, staff recommends the Commission adopt a recompute formula that applies the reduction factor necessary to remain within the appropriation. The reduced annual award should then be front-loaded to the first term. If the reduced annual award exceeds the first-term award announced at start-up, a second-term award equal to the difference between the reduced annual award and the first-term award should be made available. Third-term awards would be available to students attending quarter schools only if the sum of their first and second-term awards was less than the reduced annual award.

For example, if the \$159.8 million MAP appropriation scenario currently being discussed becomes final, staff recommends that the Commission adopt a recompute formula that reduces annual awards to 41 percent of their start-up values. Awards should then be front-loaded to the first term, with a small second-term award for quarter school recipients. The general FY2010 MAP recompute formula recommendation and this specific example are shown in Table 3 below. Changes from the FY2010 start-up formula are in bold text.

If MAP receives a level \$385.2 million appropriation, staff recommends that the Commission retain the FY2010 start-up formula for the FY2010 MAP recompute formula. If the final appropriation exceeds \$385.2 million the start-up formula should be retained and remaining funds used to release some suspended applications.

**Table 3: FY2010 Staff- Recommended MAP Recompute Formula**

<b>Budget</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>Resources</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' 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.
<b>Award Amounts</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	<b>Reduce annual awards by the amount necessary to remain within the appropriation given the expected number of MAP recipients with applications received prior to the May 15 suspense date. Front-load the reduced annual award to the first-term to provide a first-term award as close as possible to the amount announced at start-up. If the reduced annual award exceeds the first-term award announced at start-up, provide the remainder as a second-term award. For quarter school students, provide a third-term award only if the reduced annual award exceeds the sum of the first two term awards.</b>  <b>Using the \$159.8 million MAP appropriation scenario as an example, reduce annual awards to 41% of their original amount then round to the nearest dollar. At semester schools, 100% of this reduced amount will be awarded in term 1. At quarter schools, the reduced annual award will be provided in the first two terms; the first-term award will be the same as the first-term award announced at start-up and the second-term award will equal the reduced annual award minus the first-term award.</b>
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.