

AGENDA ITEM 7.

FY2012 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 aid packages to students to help them prepare to finance their education. The formula is revisited when the MAP appropriation is finalized to determine whether changes should be made.

When considering a MAP formula the Commission must strike a balance between providing awards large enough to make college accessible and extending award announcements long enough to help as many students as possible. This challenge has become increasingly difficult as application volume has soared and the state's financial condition has worsened. The number of Illinois undergraduate residents considering MAP-approved schools (announced applicants) increased 53 percent from FY2002 to FY2010. As of mid-January, FY2011 announced application volume is 6.8 percent higher than last year.

Although in nominal dollars, the FY2011 appropriation was the highest ever, the state has been unable to increase funding to match the rising need. Funding was fairly level at around \$385 million from FY2007 to FY2009. The FY2010 appropriation was increased to \$403 million after being halved earlier in the budget process and the FY2011 appropriation was \$407.8. However, these increases were largely accomplished by cutting funding to other programs. Expectations for the FY2012 appropriation are not clear at this time.

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 FY2011 the highest MAP award covers 57 percent at community colleges and 43 percent at public universities, leaving needy students to cover respective gaps of about \$1,400 and \$6,500. Further declines in MAP purchasing power could seriously jeopardize college access for needy students.

On the other hand, increased application volume and a trend towards filing earlier have necessitated moving the initial suspense date from August in FY2008, July in FY2009, mid-May in FY2010, to mid-April in FY2011. Given this trend, staff and members of the ILASFAA Formula Committee believe it would be prudent to reduce FY2012 awards by 5 percent to enable awards to be processed longer if application volume remains the same or to help prevent an earlier suspense date if application volume increases.

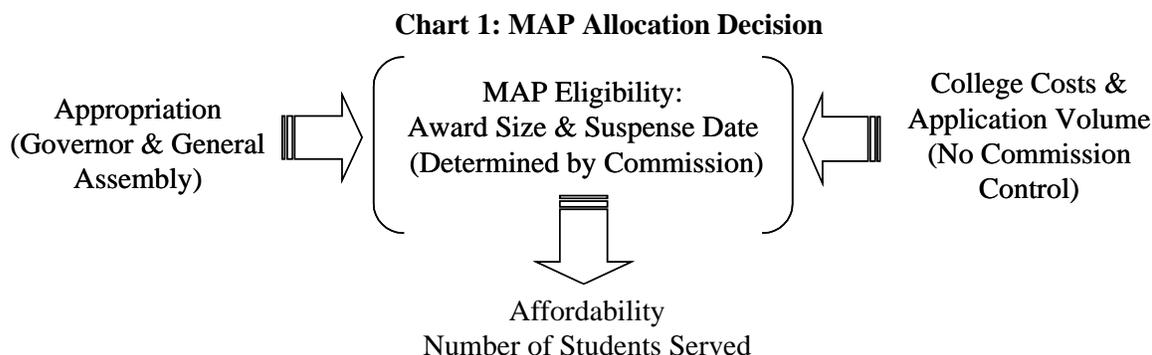
Action requested: Staff recommends that the Commission approve the formula summarized in Table 3 as the FY2012 MAP start-up formula. The proposed formula reduces awards by 5 percent.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2012 MONETARY AWARD PROGRAM (MAP) START-UP**

Introduction

The U.S. Department of Education started accepting Free Applications for Federal Student Aid, (FAFSAs), for the 2011-12 academic year on January 1, 2011. The Commission typically approves a start-up MAP formula in January so eligibility can be calculated, enabling financial aid administrators to advise potential students on their aid packages so students can make enrollment decisions. Since the MAP appropriation is not known until the state budget process is completed, the MAP recompute formula from the current year is generally used as the start-up formula for the upcoming year. However, given the trend towards increasingly early suspense dates, which have shifted from August in FY2008 to mid-April in FY2011, staff is recommending a 5 percent reduction factor be used to help avoid having to suspend even earlier for FY2012. When the appropriation is final and application volume trends emerge the Commission may modify the formula if necessary. MAP eligibility amounts are then recalculated based on the recompute formula, usually around July.

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 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 even more dependent on demographics and economic conditions. These factors are discussed below and the recommended FY2012 Start-up Formula is described at the end of the item.



Application Volume

The appropriation needed for MAP is determined by the number of applicants, MAP eligibility amounts (formula), 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 53 percent between FY2002 and FY2010. This percentage increase represents nearly 162,500 more potential students applying for need-based financial aid. Halfway through the fiscal year, FY2011 announced application volume is up about 7 percent, which has declined from the 22 percent increase faced when the suspense date was determined in April.

The 53 percent increase in MAP applicants since FY2002 is spread fairly evenly across dependency types. However, Table 1 shows the increase has been much higher at community colleges compared to the other sectors. Community colleges are an increasingly attractive alternative for dependent students and have traditionally been the college sector of choice for independent students.

Table 1: Final Announced MAP Application Volume, FY2002 Compared to FY2010

	FY2002	FY2010	# Difference	% Difference
Public Universities	95,141	117,647	22,506	23.7%
Private Schools	81,810	95,458	13,648	16.7%
Community Colleges	112,900	227,767	114,867	101.7%
Proprietary Schools*	14,284	25,726	11,442	80.1%
Dependent Students	168,364	246,584	78,220	46.5%
Independent Students	55,577	87,384	31,807	57.2%
Ind With Dep Students	80,193	132,630	52,437	65.4%
Total	304,135	466,598	162,463	53.4%

* Nine proprietary schools participated in MAP in FY2009 compared to three in FY2002.

Affordability

The growing demand for need-based aid is primarily driven by higher college costs and incomes that have not kept pace. Between FY2002 and FY2011 average tuition and fees increased 138 percent (\$6,600) at public universities, 91 percent (\$1,580) at community colleges, and 62 percent (\$10,400) at private schools in Illinois. In FY2002 the MAP maximum award was \$4,968. In FY2011 second and third term awards were reduced 5% to keep claims within the appropriation so the effective maximum award was reduced to \$4,844. FY2004 tuition and fees are still used in the formula, so in FY2011 a community college student could at most receive 95 percent of FY2004 tuition and fees.

Chart 2: Changes in MAP Purchasing Power

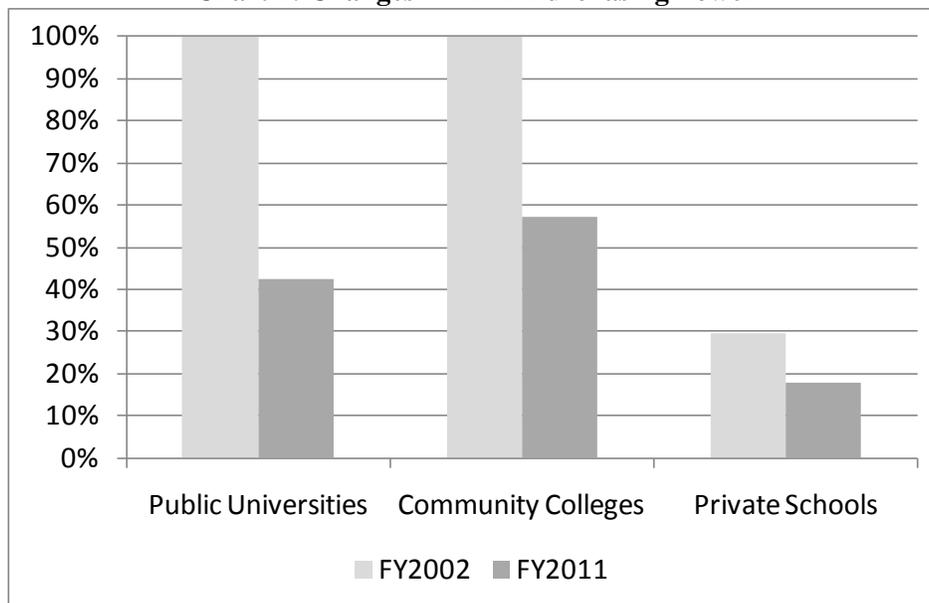


Chart 2 shows that in FY2002, the maximum announced MAP award, equal to the minimum of tuition and fees or the \$4,968 maximum award, covered 100 percent of average tuition and fees at community colleges and public universities. By FY2011 the coverage decreased to 57 percent at community colleges and 43 percent at public universities. The situation will worsen in FY2012 as funding is not expected to increase enough to both announce awards longer and incorporate more current tuition and fees. Students with few resources to pay for college have to come up with nearly \$1400 more at community colleges and \$6,500 more at public universities to cover tuition and fees. The maximum award covered about 29 percent of private school tuition and fees in FY2002 and 18 percent in FY2011.

The loss of college affordability is reflected in changes to MAP claim rates over time. Overall dollar claim rates declined from 64.2 percent in FY2002 to 59.7 percent in FY2009. 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 40.2 percent compared to a 75.3 percent to 72.6 percent decline for dependent students. When considering differences by income level, 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 53.5 percent in FY2009. Students with EFCs in the highest MAP-eligible group claimed 70.7 percent of eligible dollars in FY2002 and 69.0 percent in FY2009. It is difficult to compare FY2010 claim rates with earlier years because the suspense date was nearly ten weeks earlier than the previous year.

MAP Formula

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.

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 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. Faced with uproar from students and the post-secondary education community in general, legislators appropriated \$205 million more for MAP so non-suspended students could claim full-year awards.

In FY2011 the suspense date was set in mid-April, as application volume soared to new heights; at the peak in March announced application volume was 25 percent higher and eligible application volume was nearly 37 percent higher. The increases have since fallen to about 7 percent for announced and 13 percent for eligible, perhaps indicating that many applicants were just filing earlier than they normally would. After first-term claims were received it appeared that claims would exceed the appropriation so second- and third-term claims were reduced 5 percent for a 2.5 percent annual reduction.

Table 2: Recent MAP Formula Changes and Suspense Dates

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	6.8% to date	03-04 T&F	Adjusted EFC+80% Pell	5% Term2	4/19/10

*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, the FY2005 suspension date was changed to 10/15/04, the FY2009 suspension date was extended to 8/1/08; and the FY2010 suspension date was changed to 6/5/2009. **EFC inflation method was simplified.

Uncertainties Surrounding FY2012 Funding Levels

As FY2012 funding levels are unclear at this time staff believes that a 5 percent reduction factor should be used for the FY2012 start-up formula. This proposed reduction would enable award announcements to be processed 5 to 7 days longer if application volume is similar to FY2011 levels and would help keep the suspense date from being set even earlier if application volume is higher. The 5 percent reduction would result in an effective maximum award of \$4,720.

Staff recommends that the Commission adopt the formula shown in Table 3 below as the FY2012 start-up formula. ILASFAA Formula Committee members have been consulted and agree with this recommendation. Staff will continue to seek their opinions as more budget information becomes known.

Action Requested

Staff requests that the Commission approve the formula in Table 3 for FY2012 MAP start-up. The change from FY2011 is shown in bold type.

Table 3: Recommended FY2012 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 = $[\text{PC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted Independent Student Contribution: Adjustment Factor = $[\text{EFC}/11,000 + 1.10]$ 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.