AGENDA ITEM 7.

FY2013 MONETARY AWARD PROGRAM 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 students with information useful for college planning. The formula is revisited when the MAP appropriation is final to determine whether changes are needed.

When considering a MAP formula the Commission must balance opposing goals of providing awards large enough to make college accessible and extending award announcements 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 63 percent from FY2002 to FY2011. For FY2012 there are currently 5 percent more announced applicants than last year.

Although the MAP appropriation has increased in recent years, the state has been unable to match rising demand. Funding was fairly level at around $385 million from FY2007 to FY2009. The FY2010 appropriation increased to $403 million after being halved early in the budget process. The FY2011 appropriation was $407.8 million. In FY2012 MAP received over $30 million in addition to the original $387 million appropriation. Unfortunately this additional funding is not expected for FY2013.

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 FY2012 the highest MAP award covered only 54 percent at community colleges and 39 percent at public universities, leaving needy students to cover respective gaps around $1,600 and $7,300. Further significant declines in MAP purchasing power could seriously jeopardize college access.

Higher demand for financial aid and the recent trend towards filing Free Applications for Federal Student Aid (FAFSAs) earlier have necessitated moving the initial suspense date from August in FY2008, July in FY2009, mid-May in FY2010, mid-April in FY2011, and late March in FY2012. In FY2012 staff and members of the ILASFAA Formula Committee agreed it would be prudent to reduce awards by 5 percent to enable longer processing. This same approach is being recommended for FY2013.

Action requested: Staff recommends the Commission approve the formula summarized in Table 3 as the FY2013 MAP start-up formula. It is identical to the formula used in FY2012 and reduces awards by 5 percent for an effective maximum of $4,720.

Item 7.
1/27/12

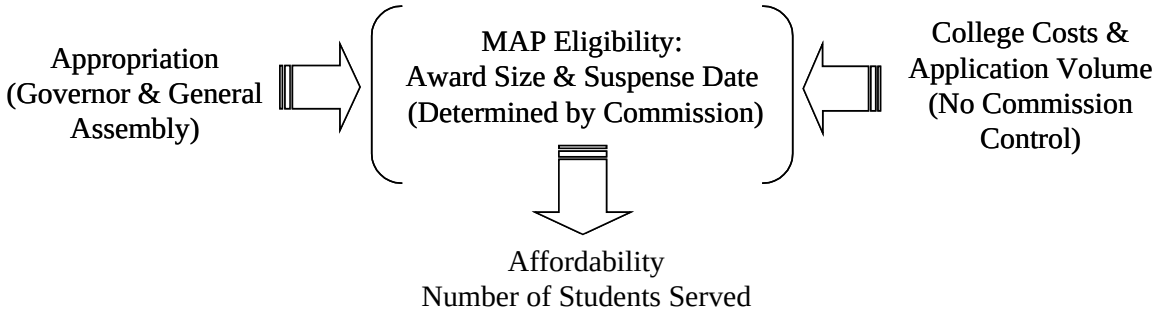
ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2013 MONETARY AWARD PROGRAM (MAP) START-UP

Introduction

Prospective students started filing Free Applications for Federal Student Aid (FAFSAs) with the U.S. Department of Education for the 2012-13 academic year on January 1, 2012. The Commission typically approves a start-up MAP formula in January so MAP eligibility can be calculated, enabling financial aid administrators to advise potential students on their aid packages so students can make enrollment decisions. The MAP appropriation is unknown until the state budget process is completed so the MAP recompute formula from the current year is generally used as the start-up formula for the upcoming year. In FY2012 the trend towards increasingly early suspense dates, which shifted from August in FY2008 to early-April in FY2011, inspired the addition of a 5 percent reduction factor. Staff recommends that the same formula be used for FY2013. When the appropriation is final and application volume trends emerge the Commission may modify the formula if necessary. If changes are made 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 largely on tuition and fee amounts, which are not under Commission control. Application volume is somewhat affected by outreach efforts, but mostly depends on demographic and economic conditions.

Chart 1: MAP Allocation Decision



Application Volume

The appropriation needed for MAP 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 63 percent between FY2002 and FY2011. This increase represents nearly 192,000 more potential students applying for need-based financial aid. Halfway through the fiscal year, FY2012 announced application volume is about 5 percent higher than last year, which is a steep decline from the 30 percent increase faced when the suspense date was determined in March 2011.

Table 1 shows the increase in announced applicants has been highest at community colleges, at 119 percent compared to 63 percent overall. Lower tuition and fees and accessibility make community colleges an increasingly attractive alternative for dependent students. Community colleges have traditionally been the school type of choice for independent students.

Table 1: Final Announced MAP Application Volume, FY2002 Compared to FY2011

	FY2002	FY2011	# Difference	% Difference
Public Universities	95,141	122,850	27,709	29%
Private Schools	81,810	98,629	16,819	21%
Community Colleges	112,900	246,782	133,882	119%
Proprietary Schools*	14,284	27,559	13,275	93%
Dependent Students	168,364	260,542	92,178	59%
Independent Students	55,577	99,276	43,699	79%
Ind With Dep Students	80,193	136,002	55,809	70%
Total	304,135	495,820	191,685	63%

* Nine proprietary schools participated in MAP in FY2011 compared to three in FY2002.

Affordability

The growing demand for need-based aid is primarily driven by higher tuition and fees and incomes that have not kept pace. Between FY2002 and FY2012 average tuition and fees increased about 150 percent ($7,200) at public universities, 96 percent ($1,700) at community colleges, and 70 percent ($11,800) at private schools in Illinois. In FY2002 the MAP maximum award was $4,968. In FY2012 the effective maximum was reduced 5 percent to $4,720. FY2004 tuition and fees are still used in the formula, so in FY2012 a community college student could at most receive 95 percent of FY2004 tuition and fees. Current tuition and fees at public universities and private schools exceed the MAP maximum so most awards are limited to the $4,720 maximum.

Chart 2: Changes in MAP Coverage of Tuition and Fees

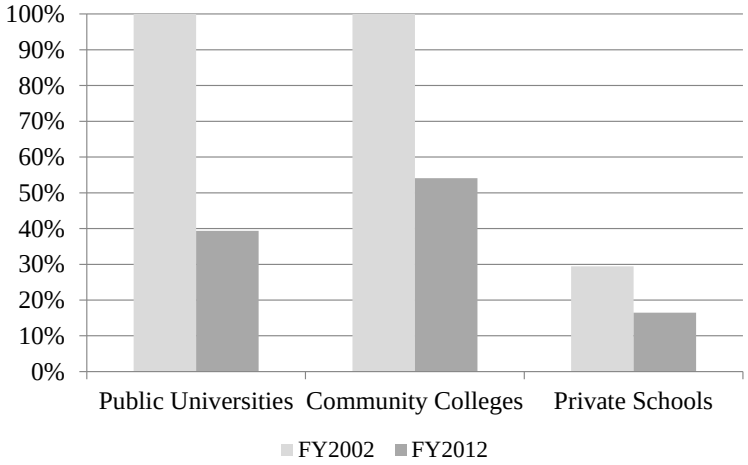


Chart 2 shows that in FY2002 the maximum announced MAP award, equal to the minimum of current tuition and fees or the $4,968 maximum award, covered 100 percent of average tuition and fees at public universities and community colleges and about 30 percent at private schools. By FY2012 coverage decreased to 39 percent at public universities, 54 percent at community colleges and 15 percent at private

schools. Without a huge surge in MAP funding or an unexpected drop in application volume the college affordability situation will only worsen in FY2013.

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. Independent students with children were 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. Claim rates for students with zero expected family contributions, already much lower than students with higher EFCs, declined from 57.9 percent in FY2002 to 53.5 percent in FY2009. It is difficult to compare claim rates in more recent years because the suspense date was nearly ten weeks earlier. However, overall claim rates for students applying from January through March decreased 2.7 percent just between FY2010 and FY2011.

Some MAP History

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, through MAP formula components, 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. By the end of FY2011the increase fell to about 6 percent, indicating that many were just filing earlier than in previous years. After first-term claims were received it appeared that total claims would exceed the appropriation so second- and third-term claims were reduced 5 percent for a 2.5 percent annual reduction.

The trend toward filing earlier accelerated in FY2012. In late March 2011 when award announcements were suspended, application volume was up nearly 30 percent. By mid-January 2012 this increase decreased to 5 percent. A 5 percent reduction factor was added to the formula at start-up in an attempt to process longer. Near the end of the fall semester an additional $33.5 million was secured for MAP, raising the appropriation to $420.5 million and averting the reduction of later-term awards. Unfortunately this additional funding is not expected for FY2013.

Table 2: Recent MAP Formula Changes and Suspense Dates

	Program Margins		**MAP Award**			
			Cost Estimate	**Student Resources**	**Eligibility**	
Fiscal Year	MAP Appropriation	Announced Application Volume Increase	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+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	6.4%	03-04 T&F	Adjusted EFC+80% Pell	5% Term2	4/19/10
FY2012	$420.5	5.1% at Dec 31	03-04 T&F	Adjusted EFC+80% Pell	5%	3/26/11

*MAP-eligible students applying after these dates could not be paid due to limited funding. Suspended applications are sometimes released if funding allows: in FY2002 to 12/7/01, in FY2005 to 10/15/04, in FY2009 to 8/1/08; in FY2010 to 6/5/2009, and in FY2012 to 4/8/2011. **EFC inflation method was simplified.

FY2013 Funding Levels

FY2013 MAP funding is not yet certain. The additional $33.5 million received in FY2012 may not be received, leaving a base of $387 million. Staff believes the 5 percent reduction factor used in FY2012 should be kept for the FY2013 start-up formula. Without a dramatic decrease in application volume, eliminating this reduction would result in an even earlier suspense date than in FY2012. The effective maximum award would remain at $4,720.

Action Requested

Staff requests that the Commission approve the formula in Table 3 for FY2013 MAP start-up. The recommendation is identical to the FY2012 formula.

Table 3: Recommended FY2013 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 =[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 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.