

AGENDA ITEM 5.

**FISCAL YEAR 2016 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 students with information useful for college planning. The formula is revisited when the MAP appropriation is final to determine whether changes are needed.

The Commission must balance opposing goals of providing awards large enough to make college accessible and extending award announcements to help more students. In the past decade this has become more challenging as program demand has increased and the state's financial condition worsened. Although improvements in the economy tempered demand in FY2014 and FY2015, MAP application volume is still 50 percent higher than ten years ago.

Unfortunately, the state has been unable to provide funding to match demand, severely straining the purchasing power of MAP awards. In FY2002 the highest MAP award fully covered sector average tuition and fees at community colleges and public universities. By FY2015 the highest MAP award covers less than half of tuition and fees at community colleges and about one-third at public universities, leaving recipients to cover gaps of nearly \$2,000 and \$9,300. Further declines in MAP purchasing power could jeopardize college access.

In addition to these challenges, recent legislation requires MAP funding to be set aside for displaced workers who apply after the general suspense date. Analysis of FY2015 data indicates that more than \$4 million would need to be reserved for displaced workers applying between late February and late July. This will require a suspense date to be set even earlier, most likely by one or two days.

Given the financial condition of the state and the recent change in the Governor's office, the FY2016 MAP appropriation is surrounded by uncertainty. Options for dealing with the uncertainty range from applying a much larger reduction factor to MAP awards at start-up and expecting to process a similar number of awards, to keeping the current formula and setting a conservative suspense date. The suspense date could possibly be changed when more is known about funding.

Following a brief consultation with members of the ILASFAA Formula Committee, and considering the drastic decline in MAP purchasing power, staff recommends the latter approach – to use the FY2015 MAP formula as the FY2016 start-up formula.

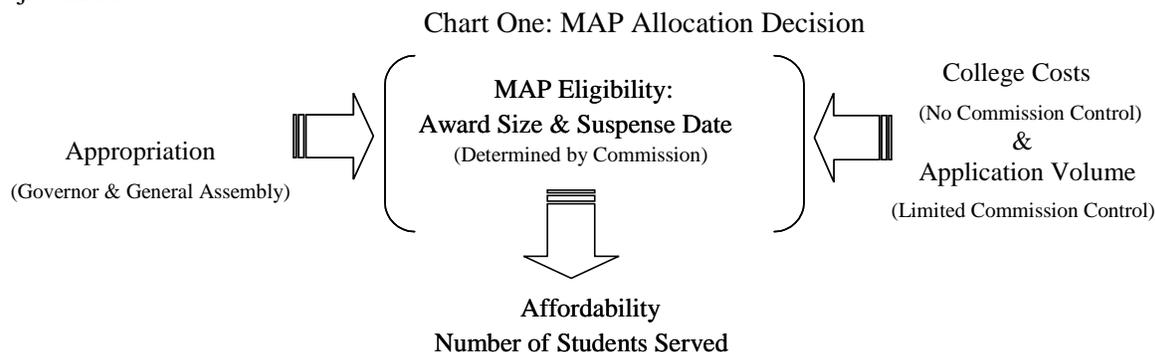
Action requested: Staff recommends the Commission approve the formula summarized in Table 4 as the FY2016 MAP start-up formula. This formula has been used since FY2012, reducing all awards by 5 percent for a \$4,720 effective maximum MAP award.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2016 MONETARY AWARD PROGRAM (MAP) START-UP

Introduction

Free Application for Federal Student Aid (FAFSA) filing for 2015-16 began January 1, 2015. Since MAP eligibility calculations begin with FAFSA data, the Commission approves a start-up MAP formula in January. Financial aid administrators can then put together aid packages and help students decide whether and where to enroll. The MAP appropriation is unknown until the state budget process is completed so the current formula is generally used to announce start-up awards. When the appropriation is final and application volume trends emerge the Commission may modify the formula and recompute MAP eligibility amounts if necessary.

The challenge faced by the Commission – to balance between awards large enough to make college accessible and extending award announcements to help more students – is shown in Chart One. 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 also not controlled by the Commission. Application volume, including the timing of submissions, is affected by outreach efforts, but still largely depends on demographics and the job market.



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 50 percent between FY2004 and FY2014. There were nearly 172,000 more MAP applicants in FY2014 than in FY2004; this is an increase of 50 percent. Although demand decreased slightly in the past couple years, applicants are filing earlier. At the end of February, FY2015 application volume was 7 percent higher than the previous year. Currently, 13 months into the 19-month program cycle, FY2015 application volume is down 5 percent.

Table One shows the increase in announced applicants has been highest at community colleges, at 85 percent compared to 50 percent overall. Although community colleges have traditionally been the school type of choice for independent students, lower costs and accessibility make community colleges an increasingly attractive alternative for dependent students.

Table One: Final Announced MAP Application Volume, FY2004 Compared to FY2014

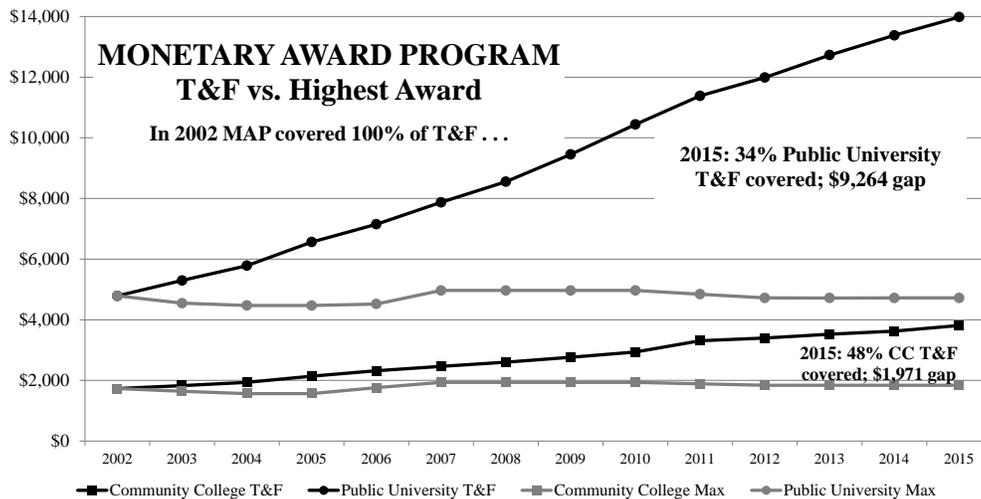
	FY2004	FY2014	# Difference	% Difference
Public Universities	101,308	126,712	25,404	25.1
Private Schools	85,114	103,341	18,227	21.4
Community Colleges	141,503	262,307	120,804	85.4
Proprietary Schools*	14,384	21,770	7,386	51.4
Dependent Students	186,641	283,333	96,692	51.8
Independent Students	60,888	104,411	43,523	71.5
Ind With Dep Students	94,780	126,386	41,606	49.1
Total	342,309	514,320	172,011	50.3

* Nine proprietary schools participated in MAP in FY2014 compared to four in FY2004.

Affordability

The growing need for financial aid is primarily driven by higher tuition and fees faced by students whose family incomes have not kept pace. FY2002 is the last year that current tuition and fees were used in the MAP formula, so it is the last year that tuition and fees could be fully covered by a MAP grant. Between FY2002 and FY2015 average tuition and fees more than doubled - increasing about 192 percent at public universities, 120 percent at community colleges, and 96 percent at private schools in Illinois. In FY2002 the MAP maximum award was \$4,968; in FY2015 the maximum had been reduced 5 percent to \$4,720. FY2004 tuition and fees are still used in the formula, so in FY2015 a community college student would at most receive 95 percent of FY2004 tuition and fees. FY2004 tuition and fees at all but four public universities and all private schools exceeded the MAP maximum so most awards are limited to \$4,720. Chart Two illustrates these changes. Without a large funding increase for MAP, affordability will only worsen.

Chart Two: Average Tuition and Fees Compared to Highest MAP Award



The lack of affordability is also reflected in the general decline of MAP claim rates, shown in Table Two. In FY2005, 78 percent of all non-suspended eligible students who applied through February claimed 65 percent of the MAP amount for which they were eligible. In FY2014, 69 percent of students who applied in the same timeframe claimed 59 percent of their awards. Between FY2005 and FY2014, both number claim rates (the percent of eligible applicants who enroll) and dollar claim rates (the percent

of eligible dollar awards claimed based on enrollment) declined in each sector, each EFC level, and each dependency type *except* for students in the highest EFC level eligible for MAP. Perhaps some of these students would have attended out-of-state schools in the past but are now staying home and claiming their MAP award, due to higher costs.

Table 2: MAP Claim Rates for Applicants through the End of February

Category	FY05 # %	FY14 # %	# diff	FY05 \$ %	FY14 \$ %	\$ diff
Overall	78.1	69.3	-8.8	65.3	58.9	-6.4
Public Universities	85.5	80.1	-5.4	69.9	67.6	-2.3
Private Non-Profits	84.1	79.4	-4.7	72.1	67.6	-4.5
Community Colleges	65.5	56.2	-9.3	39.9	34.1	-5.8
Proprietaries*	80.1	60.1	-20.0	64.5	37.1	-27.4
Zero EFC	72.6	64.3	-8.3	57.8	52.4	-5.4
1-1000	80.5	77.0	-3.5	66.5	67.5	-1.0
1001-3000	81.7	75.9	-5.8	68.5	66.7	-1.8
3001-5000	82.8	75.6	-7.2	72.2	67.0	-5.2
5001-7000	84.6	80.8	-3.8	74.2	70.4	-3.8
7001-8999	78.9	80.4	1.5	70.4	70.9	0.5
Dependents	85.2	78.7	-6.5	75.8	70.7	-5.1
Independents	71.0	60.8	-10.2	53.3	46.7	-6.6
Ind with Deps	68.8	53.7	-15.1	46.3	35.0	-21.3

* Nine proprietary schools participated in MAP in FY2014 compared to four in FY2004.

Some MAP History

The MAP formula calculates a student's maximum eligibility amount, 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 exceed resources by at least \$300, the student is eligible for a MAP grant at that school. Eligibility is capped at the lesser of this eligibility amount, the tuition and fee amount used in the formula, or the \$4,968 maximum award. Students with \$9,000 or higher federal EFCs are ineligible. Table 3 below summarizes how the Commission, through MAP formula components, has handled the pressure between growing demand for need-based aid and appropriations that could not provide adequate support to every eligible 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. However, legislators ultimately appropriated \$205 million more for MAP so non-suspended students could claim full-year awards.

Table Three: MAP Formula Changes and Suspense Dates since FY2005

Fiscal Year	Program Margins		MAP Award			
	MAP Appropriation	Announced Application Volume Change	Cost Estimate T&F Component used in Formula	Student Resources Assessment Component used in Formula	Eligibility	
					Reduction Factors	Initial Date of Award Suspension*
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	4.1%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/26/11
FY2013	\$371.3	1.8%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/20/2012
FY2014	\$373.2	-2.2%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/02/2013
FY2015	\$373.3	-4.1% Jan 2	03-04 T&F	Adjusted EFC+80% Pell	5%	2/28/2014

*MAP-eligible students applying after these dates could not be paid due to limited funding. Suspended applications may be released if funding allows: in FY2005 to 10/15/04, in FY2009 to 8/1/08; in FY2010 to 6/5/2009, in FY2012 to 4/8/2011, in FY2013 to 4/2/2012, in FY14 to 3/19/2013, and in FY15 to 3/05/14. **EFC inflation simplified.

In FY2011 the suspense date was in mid-April, as early application volume soared to new heights; at the peak in March announced application volume was 25 percent higher than the year before. By the end of FY2011 the increase fell to about 6 percent, indicating that many applicants were just filing earlier than in previous years. After first-term claims were received it appeared that claims would exceed the budget 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 but by the end of the program cycle the increase decreased to 4 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 awards. In FY2013 the additional funding was not available and the appropriation dropped down to \$371.3 million. In FY2014 final application volume decreased by 2 percent and volume is currently down for FY2015, but increases in early filing necessitated earlier suspense dates.

Due to recent legislation, in FY2016 MAP funding will need to be set aside for displaced workers who apply after the general suspense date. Analysis of FY2015 data indicates that more than \$4 million would need to be reserved for displaced workers applying between late February and late July. This will require a suspense date to be set a day or two earlier than it would be otherwise.

Action Requested

In light of the state’s financial condition and changes in the Governor’s office, the FY2016 MAP appropriation is quite uncertain. Options for dealing with the uncertainty range from reducing MAP awards at start-up and expecting to process a similar number of awards, to keeping the current MAP formula and using a conservative suspense date until more is known about funding. More information on the appropriation should be available before school starts so a release may be possible.

Following a brief consultation with members of the ILASFAA Formula Committee, and considering the drastic decline in MAP purchasing power, staff recommends the latter approach – to use the FY2015 MAP formula as the FY2016 start-up formula, as shown in Table Four.

Table Four: Recommended FY2016 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.