

AGENDA ITEM 4.

FY2017 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 an improving economy has slowed demand in recent years, MAP application volume is still thirty-seven percent higher than ten years ago.

Unfortunately, the state has been unable to provide funding to match demand, and the purchasing power of MAP awards continues to diminish. In FY2002 the highest MAP award *fully covered* sector average tuition and fees at community colleges and public universities. By FY2016 the highest MAP award covers *less than half* of tuition and fees at community colleges and *just under one-third* at public universities, leaving recipients to cover gaps greater than \$2,100 and \$9,800, respectively. Further declines will continue to jeopardize college access.

FY2017 will be the second year of the two-year pilot study for setting aside money for dislocated workers who apply between the suspense date and mid-August. FY2016 data indicates these applicants could claim up to \$4 million, if an appropriation is ever finalized. To accommodate this program, which was required by legislation, the suspense date had to be set one day earlier.

An appropriation for FY2016 MAP has not been determined yet, so details of an appropriation for FY2017 are unclear. Options for dealing with this 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, with the possibility of releasing awards if the appropriation allows. Staff and members of the ILASFAA Formula Committee have in recent years consistently agreed on the merits of keeping the same MAP formula in times of uncertainty.

Action requested: Staff recommends the Commission approve the formula summarized in Table 4 as the FY2017 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.

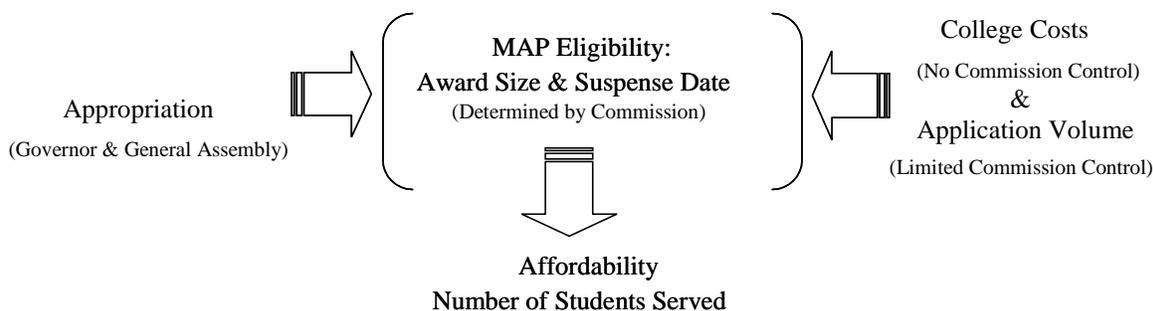
**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2017 MONETARY AWARD PROGRAM (MAP) START-UP**

Introduction

Free Application for Federal Student Aid (FAFSA) filing for academic year 2016-17 began on January 1, 2016. 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 complete 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 giving awards large enough to make college accessible and extending the award announcement period further 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 also depends on demographics and the job market.

Chart One: 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 37 percent in the past ten years; over 130,000 more people applied for FY2015 MAP compared to FY2006. Demand has decreased slightly in the past couple years, but applicants are filing earlier. At suspense in February 2015, FY2016 application volume was up 5 percent. Currently, 13 months into the 19-month program cycle, FY2016 application volume is down 7 percent.

Table One shows the increase in announced applicants has been highest at community colleges, at 66 percent compared to 37 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, FY2006 Compared to FY2015

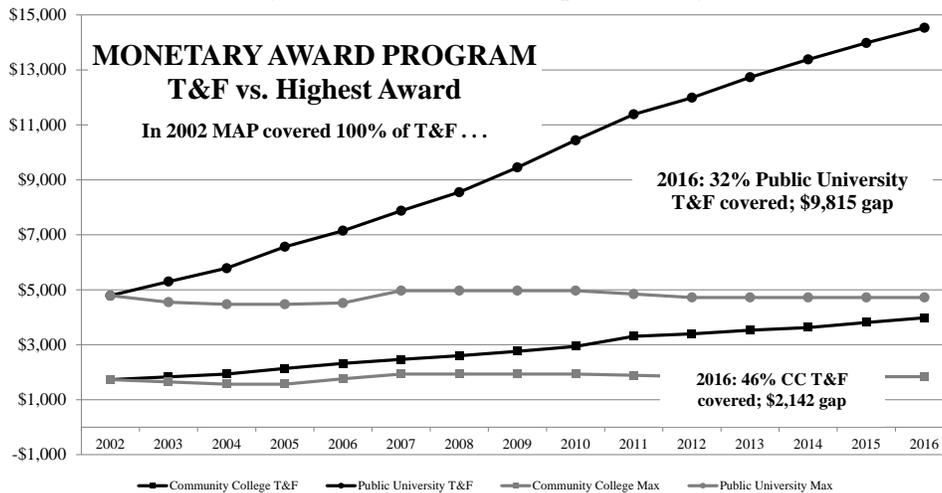
| | FY2006 | FY2015 | # Difference | % Difference |
|-----------------------|----------------|----------------|----------------|--------------|
| Public Universities | 104,688 | 124,209 | 19,521 | 18.6 |
| Private Schools | 88,164 | 100,770 | 12,606 | 14.3 |
| Community Colleges | 148,417 | 245,845 | 97,428 | 65.6 |
| Proprietary Schools* | 17,574 | 19,153 | 1,579 | 9.0 |
| Dependent Students | 195,354 | 277,239 | 81,885 | 41.9 |
| Independent Students | 65,680 | 97,580 | 31,900 | 48.6 |
| Ind With Dep Students | 97,809 | 115,419 | 17,610 | 18.0 |
| Total | 358,843 | 489,977 | 131,134 | 36.5% |

* Nine proprietary schools participated in MAP in FY2015 compared to six in FY2006.

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 FY2016 average tuition and fees increased by 204 percent at public universities, 130 percent at community colleges, and 102 percent at private schools. In FY2002 the MAP maximum award was \$4,968; in FY2016 the maximum was \$4,720 due to the reduction factor. FY2004 tuition and fees are still used in the formula, so in FY2016 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



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 | Student Resources | Eligibility | |
| | | | T&F Component used in Formula | Assessment Component used in Formula | 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 | -4.7% | 03-04 T&F | Adjusted EFC+80% Pell | 5% | 2/28/2014 |
| FY2016 | Unknown | - 6.6 (Jan) | 03-04 T&F | Adjusted EFC+80% Pell | 5% | 2/22/2015 |

*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.

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 awards 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 appropriation dropped down to \$371.3 million. Final application volume decreased in both FY2014 and FY2015, but increases in early filing necessitated earlier suspense dates. At this time, a budget has not been finalized for FY2016. First-term claims have been submitted and are being held, but no payments have been made.

FY2016 was the first year of a two-year pilot study for setting aside money for dislocated workers who apply between the suspense date and mid-August. FY2016 data indicates these applicants could claim up to \$4 million. To accommodate this program, which was required by legislation, the suspense date was set one day earlier. The pilot program will continue in FY2017.

Action Requested

An appropriation for FY2016 MAP has not been determined yet, so details of an appropriation for FY2017 are unclear. Options for dealing with this 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, with the possibility of releasing awards if the appropriation allows. Commission staff and members of the ILASFAA Formula Committee have in recent years consistently agreed on the merits of keeping the same MAP formula in times of uncertainty.

Staff recommends the Commission approve the formula summarized in Table 4 as the FY2017 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.

Table Four: Recommended FY2017 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. |