AGENDA ITEM 4.

FY2018 MONETARY AWARD PROGRAM UPDATE AND RECOMPUTE FORMULA: REVISED

Submitted for: Action

Summary: In September 2016, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for applicants planning to attend college in the 2017-18 academic year (FY18). This timing enables financial aid advisors to package awards and helps prospective students decide whether and where to enroll. Before the fall semester begins, the Commission revisits the formula when necessary. Continuation of the start-up formula is typically approved when the final appropriation is close to expectations or when an appropriation is still unknown.

At the end of May, FY18 MAP application volume was fifteen percent lower than a comparable point in the FY17 cycle, continuing the downward trend that began after volume peaked in FY13. This trend is discussed in detail in the agenda item.

This agenda item has been revised because the General Assembly passed budgets for both FY17 and FY18 in early July, 2017. The FY18 MAP appropriation is $401,341,900. When choosing the January 16 suspense date (FAFSA filing for FY18 began October 1, 2016), a level budget of $364.9 million was assumed. The budget ultimately passed by the legislature for FY18 increased the MAP appropriation from approximately $365 million to approximately $401 million, an increase of about $36 million, necessitating a formula change or a suspense date change or both for FY2018.

ISAC staff consults with the ILASFAA Formula Committee when making changes to the MAP formula. Options to both increase affordability and access were considered. In the end, the combination of formula changes that best met the parameters established by the Committee and ISAC staff and stayed within the $401 million budget includes an increase in tuition and fees to the FY2010 level (with a corresponding change in the Pell level); a lowering of the reduction factor from its current 5% to 2%; and an extension of award announcements of two weeks (students filing during those two weeks are currently held "in suspense.")

Staff recommends that the these modifications be made to the FY18 MAP start-up formula approved in September 2016 and that this recompute formula replace the start-up formula to calculate MAP awards. The changes will result in approximately 10,000 more students being served and an increased average award size of about $170.

When considering a recompute formula, the Commission has granted Staff authority to reduce second- and third-term claim amounts following the first-term claim deadline if necessary to stay within the appropriation. While reducing awards after they have been announced is undesirable, revisiting total claim projections after first-term claims have been submitted facilitates a more accurate projection and can minimize or prevent award reduction at recompute.

Action requested: Staff requests Commission approval to make the changes to the FY18 MAP formula outlined in Table 5 on page 9. Staff also requests that the Commission approve the reduction of second- and third-term claims in the unlikely event that it is necessary to keep claims within the final FY18 MAP appropriation.

ILLINOIS STUDENT ASSISTANCE COMMISSION

FY2017 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Background

In September 2016, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2017-18 (FY18). The formula is determined early so financial aid advisors can give prospective students an idea of the aid they may receive and students can better decide whether and where to attend. Prior to the start of the first semester, the Commission approves a recompute formula, which may or may not differ from the start-up formula depending on circumstances.

This agenda item has been revised because the General Assembly passed budgets for both FY17 and FY18 in early July, 2017. The FY18 MAP appropriation is $401,341,900. When choosing the January 16 suspense date (FAFSA filing for FY18 began October 1, 2016), a level budget of $364.9 million was assumed. The budget ultimately passed by the legislature for FY18 increased the MAP appropriation from approximately $365 million to approximately $401 million, an increase of about $36 million, necessitating a formula change or a suspense date change or both for FY2018.

This item also reviews the MAP formula and discusses trends in application volume.

The MAP Formula

The MAP formula determines whether a student is eligible for an award and calculates award amounts. Figure 1 shows the basic formula, which uses the difference between a cost of attendance figure and student resources to calculate maximum eligibility. College costs include tuition and mandatory fees plus a $4,875 living allowance.

Figure 1: Basic MAP Formula

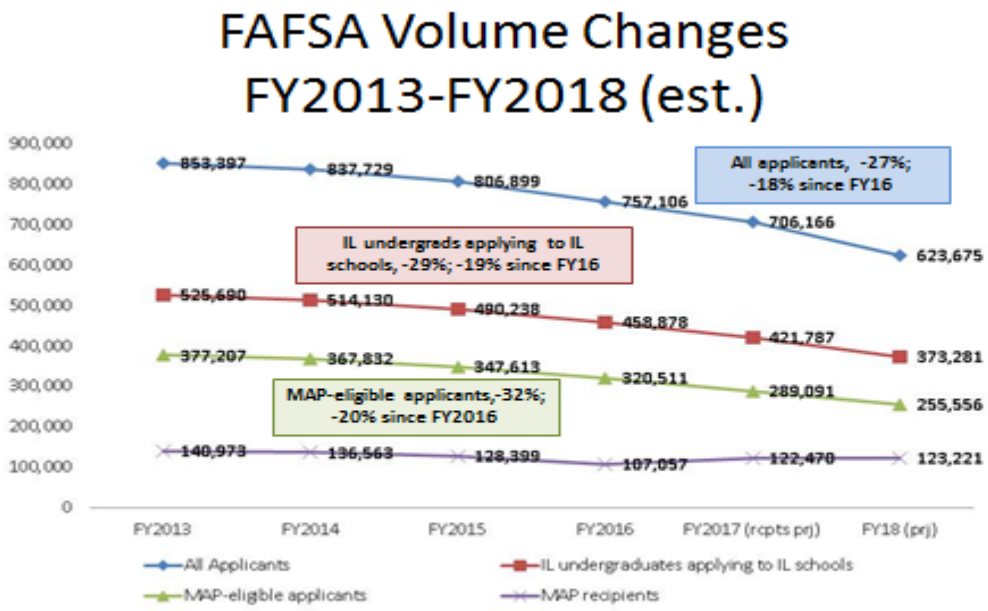
College Costs:		**Student Resources:**		**MAP Eligibility**
FY10 Tuition & Fees + $4,875 Living Allowance	***equals***	ISAC Adjusted EFC + 80% of FY10 Federal Pell Grant		Award is smallest of 1. Eligibility amount, 2. Tuition & fees, and 3. Maximum award **Awards reduced 2%**

Student resources 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 costs. 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. A reduction factor may then be applied to reduce the maximum amount of each award, so that more awards can be made. Applicants with an EFC of $9,000 or more are ineligible. MAP grants can only be used for tuition and mandatory fees.

Application Volume Update

The state budget impasse took its toll – IL FAFSA volume is declining for both MAP-eligible students and students from higher income families. Independent student volume has been declining for several years and continues to do so, at an even faster rate. Dependent student volume declined for the first time in decades during FY15 (initially at community colleges) and continues to fall in all sectors through FY18.

The graph below illustrates the FAFSA volume changes since FY13. Total FAFSA application volume (includes the applications for all Illinois residents, both undergraduates and graduates, and out of state students who are applying at one or more Illinois schools) has declined 27% since FY13. "Announced" volume (Illinois students applying to Illinois schools) has declined by 29% during the same period and MAP-eligible students have declined by even more – 32%. The number of MAP claims paid depends on both the number of eligible students and the appropriated dollars. That number had also been declining, but with the newly passed budgets, more students will be paid MAP in FY17 and FY18 than in FY16.



When MAP-eligible volume declines, it is largely due to students choosing not to attend college at all. Some of the decline in announced volume, however, can likely be attributed to more students attending out of state schools.

Announced and eligible volumes are tracked by sector using the first school choice listed on each FAFSA. This is the most likely school attended by the filer – historically approximately 80% of Illinois FAFSA filers attend their first choice school. The volume changes vary by dependency type (dependent, independent). (See Table 1). Some volume declines observed were 50% or more: all student types attending proprietary schools; independent students at community colleges (52.4%) and MAP-eligible independent students at community college (54.1%). No sector or dependency type saw an increase in volume during the six years represented in the table (FY17 and FY18 are projected.)

Table 1: MAP Application Volume by Dependency Type and Sector

Dependent IL Students Selecting an IL School					
	Pub 4	Pub 2	Priv NFP	Proprietary	Total
FY2013	93,675	112,008	68,979	7,118	281,780
FY2014	92,450	114,785	69,792	6,306	283,333
FY2015	91,206	111,456	69,029	5,548	277,239
FY2016	91,511	102,561	67,754	5,002	266,828
FY2017*	86,520	94,793	65,946	3,933	251,192
FY2018*	83,607	73,543	61,709	3,418	222,277
Change	-10.7%	-34.3%	-10.5%	-52.0%	-21.1%

Independent IL Students Selecting an IL School					
	Pub 4	Pub 2	Priv NFP	Proprietary	Total
FY2013	35,316	157,664	34,056	16,877	243,913
FY2014	34,262	147,572	33,499	15,464	230,797
FY2015	32,968	134,683	31,742	13,606	212,999
FY2016	31,295	116,947	29,766	14,042	192,050
FY2017*	27,355	100,793	26,509	11,976	166,633
FY2018*	24,460	75,103	22,703	8,386	130,651
change	-30.7%	-52.4%	-33.3%	-50.3%	-46.4%

Map-eligible Dependent Students					
	Pub 4	Pub 2	Priv NFP	Proprietary	Total
FY2013	45,993	73,295	38,081	5,240	162,609
FY2014	46,476	75,321	39,059	4,710	165,566
FY2015	46,118	72,591	38,429	4,164	161,302
FY2016	46,844	65,750	37,643	3,699	153,936
FY2017*	43,939	58,710	36,345	2,726	141,720
FY2018*	43,198	46,120	34,683	2,523	126,523
change	-6.1%	-37.1%	-8.9%	-51.9%	-22.2%

Map-eligible Independent Students					
	Pub 4	Pub 2	Priv NFP	Proprietary	Total
FY2013	38,347	140,459	20,996	14,799	214,601
FY2014	29,519	130,715	28,538	13,494	202,266
FY2015	28,345	118,939	27,023	12,004	186,311
FY2016	26,862	102,241	25,312	12,160	166,575
FY2017*	23,160	86,816	22,391	10,179	142,546
FY2018*	20,479	64,480	18,943	7,053	110,955
change	-46.6%	-54.1%	-9.8%	-52.3%	-48.3%

For FY18 compared to FY17, the average volume decline of 14.9% (Table 2) also hides large differences in sector declines which run from -5.1% (public universities) to -24.0% (community colleges), average *sector* differences can obscure large differences among the schools in each sector. While the overall

announced volume decrease between FY17 and FY18 for the public universities is currently about -5% (see Table 2 below), the changes experienced by individual schools varied greatly – from a decrease of about -25% to an increase of 8%. Only two schools saw increases in volume. Eight public universities saw double digit decreases and five saw decreases that exceeded 15%.

Table 2: Announced Volume by Sector as of June 1, 2017

	FY2018	FY2017	# change	% change
public universities	102,893	108,424	-5,531	-5.1%
private universities	76,960	84,280	-7,320	-8.7%
community colleges	124,176	163,406	-39,230	-24.0%
HSN / professional	2,318	2,480	-162	-6.5%
proprietary	10,077	13,229	-3,152	-23.8%
	316,424	371,819	-55,395	-14.9%

There is an even larger variation in FAFSA volume change between FY17 and FY18 for private non-profits. The overall sector decrease is currently 8.7% (Table 2). Nine schools out of 62 MAP-eligible private non-profit institutions showed positive volume increases in the 1% to 20% range (the latter, for two highly selective institutions). The more than 50 remaining schools saw decreases of 0.2% to 49%. Seven schools saw decreases larger than 24% and another 18 had double digit decreases.

All community colleges saw decreases between FY17 and FY18, ranging from 13% to 39%. Fourteen schools saw decreases in excess of 30%. Another 26 saw decreases in excess of 20%. Overall, volume is down 24% for the sector – *for a single year*.

While we do not know for sure what enrollments will be at Illinois schools in the fall, we believe that FAFSA filing volume is a strong leading indicator and at it would indicate that overall fall undergraduate enrollments will be down significantly.

Challenges in Choosing a Suspense Date and Projecting Claims

Projecting MAP claims months before the academic year starts has always been a challenge, but this has been intensified by both the uncertainty caused by starting the filing cycle three months earlier, and a general atmosphere of instability caused by the absence of state higher education appropriations. Uncertainty comes from projecting how much eligible MAP dollars will increase as a result of "corrections" and changes in school choice as well as from projecting claims that will be made by eligible MAP applicants. Correction rates and claim rates from previous years are used to project current claims.

"Corrections" for the purpose of estimating MAP claims result from students filing subsequent FAFSAs that change their expected family contribution (EFC) resulting in different eligibility amounts. For MAP projection purposes, corrections are also caused by students claiming MAP at schools that were not listed as first-choice on their FAFSAs. Percentage changes vary by timing, dependency type, and sector. Each overall percentage difference can result in a roughly $4 million change in MAP claims.

"Claim rates" reflect the percentage of MAP-eligible students who are eligible for MAP awards who actually attend school in the fall and "claim" the award. Claim rates vary significantly by sector and can also change from year to year.

Past year correction rates are applied to current year data to project final eligible dollars based on eligible dollars and application distribution by dependency type and sector. Claim rates are applied to the

projected eligible dollars to determine when award announcements should be suspended. Given the change in the start of the filing cycle earlier FAFSA filing and uncertainty caused by lack of a budget, previous-year claim rates are becoming less effective for projecting current year claims.

Announcements of FY18 MAP awards for applications received January 16 or later have been suspended. We suspended based on historical appropriation levels; with an FY2018 appropriation in place that suspense data can be revisited and perhaps extended. Projected claims are calculated by applying FY15 claim rates to FY18 applications and using previous years' percentage increases for application corrections and changes in school choice. Staff usually recommends waiting until after the first-term claim deadline in early December before deciding whether to release any more suspended MAP awards.

Using the additional $36 million in funding

Because of underfunding and increased demand for higher education, MAP awards have become inadequate both in cost and applicant coverage. We are not offering aid to at least 100,000 students who are eligible. In FY2002, the largest MAP award covered 100% of average public university and community college tuition and fees but now covers less than a third for universities and less than half for community colleges.

The most straightforward way to spend the additional appropriation would be to simply extend processing and provide aid to about 24,000 more students. The average award at public universities would be about $3,624; $3,973 at private institutions, and $947 at community colleges. While students in all sectors would receive the additional awards, the majority of the new recipients, about 13,000, would be in the community college sector.

There are other ways the additional funding could be used to improve access and affordability. For most of the previous decade, an already undersized MAP grant has been further reduced by the imposition of a 5% reduction factor, reducing the maximum award from $4,968 to $4,720. Removing the reduction factor would increase award sizes in all sectors by five percent and still allow us to give new MAP grants to an additional 14,500 students, (8,000 of them at community colleges). Under this option, the average award at public universities would rise to $3,823; to $4,186 at private universities, and to $994 at community colleges.

MAP eligibility is calculated by subtracting students' resources from their college costs. The costs that we consider in our MAP models include 2004 tuition and fees – costs that are now 14 years out of date. This reduces or eliminates eligibility for students that do have need. Using more recent tuition and fees in MAP models would increase existing eligibility for some students and make others newly eligible. In the community college sector, nearly all students would see an increase in their awards because their awards are capped at the tuition and fees used in the model. A scenario where we increased the tuition and fees to FY2010 levels and removed the reduction factor would raise the average award to students at public universities by $427; for students at private institutions the increase would be $232; at community colleges $68. In addition to award size increases, an additional 6,700 students would receive MAP grants, most those attending public universities (3,900) and community colleges (2,000). Table 3 below summarizes the general impacts of these changes by sector.

Table 3: Sector Impacts of Formula Changes and Extending Award Announcements

Affordability Improvement Options	Public Universities	Private Institutions	Community Colleges
Extend processing of MAP award offers	helps students at the urban year-round admission institutions	helps students at the urban year-round admission institutions	Big benefit: over half of the students in suspension are at community colleges
Remove award reduction factor	adds 5% to each student's award regardless of sector		
Use more current tuition and fees	Largest benefit: more eligibility and larger awards	Some benefit but many students already capped at maximum award	Large benefit: all awards would be increased

Recommended FY2018 Recompute Formula

ISAC staff consults with the ILASFAA Formula Committee to get their advice and recommendations when making changes to the MAP formula. ILASFAA Formula Committee members are financial aid professionals representing all higher education sectors. ISAC staff met with the Formula Committee on July 19th and discussed the impact of combinations of the changes described above. The Formula Committee evaluated various options presented to them by ISAC staff.

In the end, expanding access by extending processing to at least February 1 (17 weeks) was considered very important. Updating tuition and fees to ensure that formula costs more accurately reflect the costs students face was also considered very important. An additional affordability benefit from increasing the tuition and fees used in the formula is that students in all public universities would be eligible for the maximum award. The MAP grant is capped at the maximum award or tuition and fees, whichever is lower. In 2004, four public universities had tuition and fees under the maximum award. Therefore, today students attending those institutions receive less than the current maximum award of $4,968. The recommended formula changes that. ISAC staff advocated another improvement to affordability by removing or reducing the reduction factor thus increasing the size of the awards.

The combination of formula changes that best met the parameters considered important by the Formula Committee and ISAC staff and stayed within the $401 million budget includes an increase in tuition and fees to the FY2010 level (with a corresponding change to the FY2010 Pell level – 80% of the Pell grant is considered an asset in the MAP formula); a lowering of the reduction factor from its current 5% to 2%; and an extension of award announcements of two weeks (awards for students filing during those two weeks are currently held "in suspense.")

The impact of these changes is shown in Table 4 below. Access is increased by both a change in eligibility for some students and extended processing. Affordability is increased by a smaller reduction factor and using more current tuition and fees in the model; both changes increase the size of the award. The average award increases by $171 with higher increases at public universities, on average, $343. There would be almost 10,000 new MAP recipients, about half at public universities and almost 4,000 at community colleges. About 55% of the new recipients would be dependent (traditional) students and the remaining 45% would be non-traditional (adult) students. Overall, more students are enrolled in all sectors and all students see an increase in their awards.

Table 4: Impacts of Recommended Formula on Affordability and Access

FY18 MONETARY AWARD PROGRAM - $401 MILLION

Recommended Formula: FY10 T&F, FY10 PELL with $5350 Max, 2% RF, award Oct 1 - Feb 2 (approx 17 weeks)

	# RECIPIENTS		$ CLAIMED		AVERAGE AWARD	
Scenario:	BASE	Recommended FY10TFP - 2% RF-RLSE	BASE	Recommended FY10TFP - 2% RF-RLSE	BASE	Recommended FY10TFP - 2% RF-RLSE
Award # weeks:	15	17	15	17	15	17
Dependents	74,197	79,674	$239,319,236	$273,716,190	$3,225	$3,435
Inds Without	21,504	23,720	$58,975,997	$68,429,542	$2,743	$2,885
Inds With Deps	20,866	23,120	$43,669,702	$50,611,862	$2,093	$2,189
Public Universities	44,242	48,928	$161,300,641	$195,165,866	$3,646	$3,989
Private Non-profits	34,950	36,144	$139,172,136	$149,205,984	$3,982	$4,128
Community Colleges	34,501	38,230	$32,497,912	$37,872,788	$942	$991
Proprietary Schools	2,875	3,211	$8,994,246	$10,512,956	$3,128	$3,274
TOTALS	116,568	126,513	$341,964,935	$392,757,594	$2,934	$3,104

DIFFERENCES BETWEEN BASE FORMULA AND RECOMMENDED FORMULA

	CHANGE # RECIPIENTS		CHANGE $ CLAIMED		CHANGE AVERAGE AWARD	
Scenario:	BASE	Recommended FY10TFP - 2% RF-RLSE	BASE	Recommended FY10TFP - 2% RF-RLSE	BASE	Recommended FY10TFP - 2% RF-RLSE
Change from Base:						
Award # weeks:	15	17	15	17	15	17
Dependents	--	5,477	--	$34,396,954	--	$210
Inds Without	--	2,216	--	$9,453,545	--	$142
Inds With Deps	--	2,254	--	$6,942,160	--	$96
Public Universities	--	4,686	--	$33,865,225	--	$343
Private Non-profits	--	1,194	--	$10,033,848	--	$146
Community Colleges	--	3,729	--	$5,374,876	--	$49
Proprietary Schools	--	336	--	$1,518,710	--	$146
TOTALS	--	9,945	--	$50,792,659	--	$171

Staff recommends that the following modifications (highlighted in Table 5) be made to the FY18 MAP start-up formula approved in January and that this recompute formula replace the start-up formula to calculate MAP awards. The changes will result in approximately 10,000 more students being served and an increased average award of about $170.

Staff also requests Commission approval to reduce second- and third-term awards, in the unlikely event that it would be necessary to stay within the appropriation. If claims are lower than projected it may be possible to release some suspended applications.

Table 5: Staff Recommends the Following Changes (Highlighted)

Budget	
1	Use 2009-2010 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.
Resources	
1	Use 80 percent of Pell Grant eligibility as determined by the 2009-2010 Pell Grant Payment Schedule, which contains a $5,350 maximum.
2	Calculate the ISAC adjusted EFC by inflating the Federal EFC. Adjusted Dependent Students' Expected Family Contribution: Adjustment Factor =[Parent Contribution (PC)/11,000 + 1.10] rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted EFC = Adjusted PC + highest of Student Contribution or self-help expectation Adjusted Independent Expected Family Contribution: Adjustment Factor =[EFC/11,000 + 1.10] rounded to 2 decimal places Adjusted EFC = EFC x Adjustment Factor or self-help expectation
3	Use a minimum self-help expectation of $1,800 for all students.
Award Amounts	
1	Set maximum award equal to 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	Reduce awards by 2%
4	If determined necessary after first-term claims are received, either release some suspended applications to spend as much of the appropriation without exceeding it OR reduce second- and third-term awards to stay within the appropriation.
5	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