

AGENDA ITEM 5

FY2020 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Submitted for: Action

Summary: In September 2018, the Commission approved a startup formula to calculate Monetary Award Program (MAP) eligibility for applicants planning to attend college in the 2019-20 academic year. Establishing the formula early enables financial aid advisors to package awards and helps applicants make enrollment decisions. The Commission then revisits the formula, if the appropriation changes from what was expected at startup.

A state budget for FY2020 has been approved and MAP received an increase of \$50 million, for a total appropriation of \$451.3 million. Up to 2 percent may be used for agency operations. Since the startup MAP formula and the April 29 suspense date were set based on an expectation of level funding, improvements to the MAP formula are being recommended for recompute.

The infusion of \$50 million into the MAP could be used to improve purchasing power, extend awards to more applicants, or both. Staff reviewed options and consulted with the ILASFAA Formula Committee. Improving affordability is long overdue – the maximum MAP award has been set at \$4,968 since FY2002. In addition, although application volume has declined in the past seven years, awards for more than 82,000 eligible applicants were suspended in FY2019. The consensus was that a balanced approach of improving affordability first, but also offering awards to more students, would be ideal.

Staff therefore submits, for Commission approval, a FY2020 MAP recompute formula that removes the 2 percent reduction factor and increases the maximum award from \$4,968 to \$5,340. These formula improvements are expected to increase projected claims for the current non-suspended MAP-eligible population by about \$34 million. The remaining \$16 million will be used to release about four weeks of suspended awards. The forecasting model indicates that MAP awards will be offered to 11,500 more eligible applicants, with around 6,700 expected to claim.

FAFSA application volume peaked in FY2013 and has declined since then. As of early June, announced MAP applications were down nearly 5 percent from FY2019. About 2 percent fewer dependent students had applied, and independent applications were down nearly 11 percent. It is likely this decline is affected by Illinois' unemployment rates, which have fallen from 8.3 percent in April 2012 to 4.0 percent in April 2019. There may also be residual effects from the FY2016 and FY2017 budget impasses.

Action requested: Staff requests Commission approval to use the FY2020 MAP recompute eligibility formula shown in Table 2, which eliminates the reduction factor and increases the maximum award to \$5,340. The increased appropriation will also enable the release of suspended awards. Staff also requests to retain authority to reduce second- and third-term claims as a last resort, if necessary to keep claims within the appropriation.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2020 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

Background

In September 2018, the Commission approved a startup formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2019-20. The formula is determined early so financial aid advisors can give prospective students an idea of the aid they may receive, and students can make informed enrollment decisions. Prior to the start of the first semester – ideally, when the appropriation is final -- the Commission approves a recompute formula, which may differ from the startup formula, if the appropriation changes from the expectation at startup.

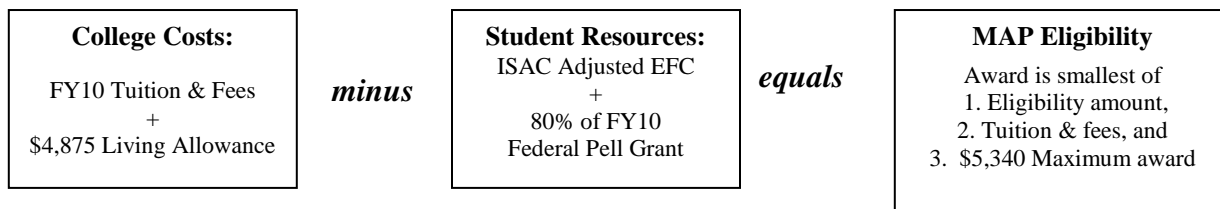
A state budget for FY2020 has been approved, and MAP received \$50 million additional funding, for an appropriation of \$451.3 million. Staff, in consultation with the ILASFAA Formula Committee, is recommending a MAP eligibility formula that removes the 2 percent reduction factor and increases the maximum award from \$4,968 to \$5,340. These changes will cost an estimated \$34 million. Removing the reduction factor increases all awards. Increasing the maximum award will improve affordability for MAP recipients at public universities and private schools. A release of about four weeks of suspended MAP awards will be possible with the remaining \$16 million. The release should provide awards to at least 6,700 more students; nearly 60 percent are expected to attend a community college.

This item reviews the basic MAP formula as well as the recommended changes, looks at the effects on MAP purchasing power, and discusses the downward trend 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

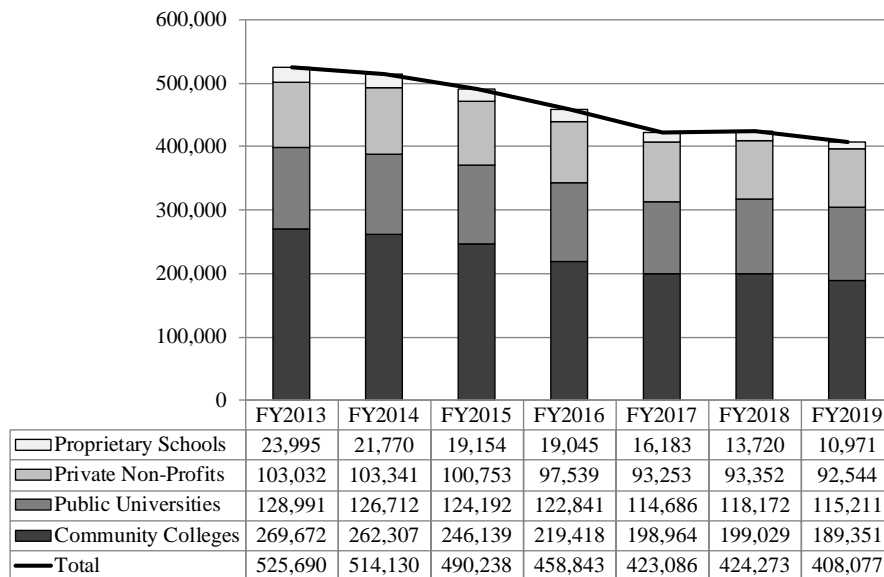
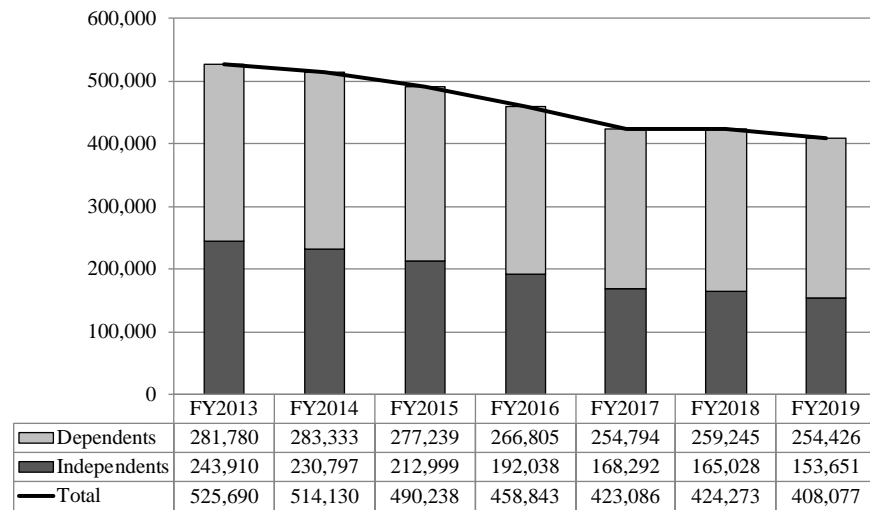


Student resources include an inflated federal expected family contribution (EFC) plus a portion of Pell grant eligibility. MAP eligibility is determined by subtracting resources from costs. If costs exceed resources by \$300 or more and other criteria are met, the student is eligible for a MAP grant. Eligibility is capped at the lesser of the eligible amount, the tuition and fees used in the cost portion of the formula, or the maximum award of \$5,340 (if approved.) A reduction factor may then be applied so more awards can be made; the recommended formula removes the reduction factor this year. Applicants with an EFC of \$9,000 or more are ineligible. MAP grants are claimed by the school on behalf of the student and applied towards tuition and mandatory fees.

FAFSA Filing by Dependency Type and Sector of First-Choice School

Interest in financial aid, as measured by FAFSAs filed by Illinois undergraduate residents indicating a MAP-eligible school as first-choice, is affected by demographics and economic conditions that change over time. Non-traditional, or independent students seek out education at higher rates when the economy declines, and return to work when jobs are available. Unemployment in Illinois was 4.0 percent in April 2019, compared to 8.3 percent in April 2012. The top chart in Figure 2 shows independent applicants declined 37 percent from the FY2013 peak to FY2019. That trend continues in FY2020, as independent filing was about 11 percent lower in early June. Dependent applicants are also affected by the job market, though to a lesser extent. Application volume for dependents declined nearly 10 percent between FY2013 and FY2019, and for FY2020, was down nearly 2 percent in early June.

Figure 2: Monetary Award Program Announced Application Volume, FY2013 – FY2019



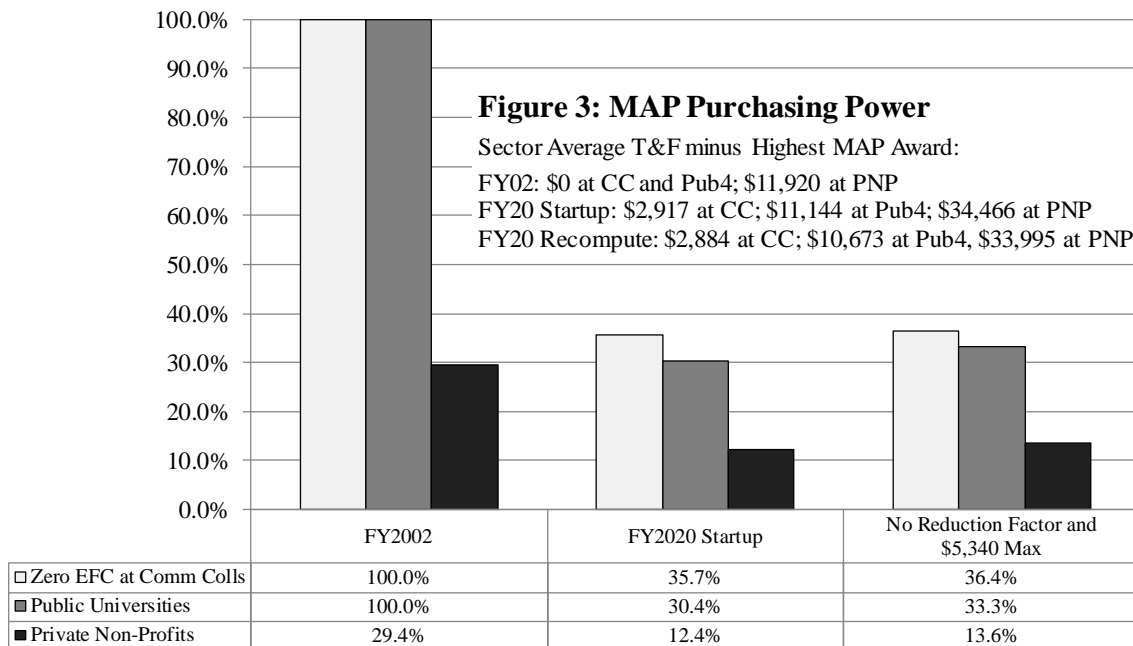
Applications by sector of first-choice school are shown in the bottom graph of Figure 2. About 61 percent of independent FAFSA filers choose a community college as their first-choice school. Community colleges saw the largest drop, with a nearly 30 percent decrease from FY2013 to F2019. FAFSAs filed by

applicants interested in MAP-eligible proprietary schools fell by more than half, but that is largely due to school closings. In FY2013, nine proprietary schools were MAP-eligible; by the end of FY2019, only five remained. About 61 percent of dependent FAFSA filers choose a public university or a private non-profit school as their first choice. Application volume was down more than 10 percent at both public and private non-profit universities. The downward trend continues across sectors so far in FY2020, with announced application volume down about 2 percent for public and private non-profit universities, more than 7 percent for community colleges, and more than 21 percent for proprietary schools.

Decreasing demand for financial aid does not mean that the MAP is on stable financial ground. FY2001 was the last year that MAP awards were offered to all eligible applicants. Since then, there has been a suspension of MAP awards due to insufficient funding each year, despite efforts to stretch MAP further by reducing award amounts. Suspended awards peaked at nearly 169,000 in FY2013, and from FY2013 through FY2015 there were more suspended eligible applicants than MAP recipients. Even though application volume declined more than 22 percent by FY2019, more than 82,000 eligible applicants were not offered a MAP grant. While the \$50 million gained in FY2020 is a much-appreciated step in the right direction, it will not be enough to offer meaningful awards to all eligible applicants.

MAP Purchasing Power

Meeting application volume demand is not the only issue for the MAP. The program is also challenged to cover enough of tuition and fees to make college affordable. Figure 3 compares the amount of sector-average tuition and fees covered by the highest MAP award in FY2002 (wistfully referred to as “the last good year”), with the FY2020 startup formula, and with the proposed FY2020 recompute formula. Coverage depicted at community colleges represents the amount of sector average tuition and fees covered for students with no resources, since about 70 percent of community college MAP recipients fall into the zero-EFC category.



MAP purchasing power has been eroded by some years of steep tuition and fee increases and relatively stagnant appropriations, to the point where FY2020 startup awards cover less than 36 percent of community college tuition and fees, leaving a gap of \$2,917; just over 30 percent of public university tuition and fees, leaving a gap of \$11,144; and just over 12 percent of tuition and fees at private non-profit

schools.(FY20 tuition and fee amounts are projections.) Keep in mind these gap amounts are only based on tuition and fees, not the total cost of attending college. Federal Pell grants, with a maximum of \$6,195 for zero EFC students in FY2020, definitely help, and some MAP recipients are awarded institutional aid as well. Often, however, the gaps between college costs and need-based grants are filled with student loans, which can quickly become burdensome.

Eighteen years of declining purchasing power cannot be erased with \$50 million, but the recommended FY2020 recompute formula does reverse the downward trend. Removing the 2 percent reduction factor increases community college awards for zero EFC students by about \$33, improving tuition and fee coverage from 35.7 percent to 36.4 percent. At public universities, where 95 percent of MAP recipients are eligible for the maximum, increasing the maximum award to \$5,340 coupled with removing the reduction factor increases coverage from 30.4 percent to 33.3 percent. Virtually all MAP recipients are eligible for the maximum award at private non-profit universities, where coverage increases from 12.4 percent to 13.6 percent. The maximum MAP award effectively increases by \$471, from \$4,869 (\$4,968 maximum reduced 2 percent) to \$5,340.

It should be noted that the maximum award has been set at \$4,968 since FY2002. In all but four years since, awards have been lowered by reduction factors ranging from 2 percent to 11 percent. The maximum award is set in statute and, while the statutory maximum has been \$6,468 since FY2009, sufficient funding has never been provided for such an increase. Recent estimates indicate increasing the maximum award to \$6,468 would cost over \$100 million. A \$6,468 maximum would increase public university tuition and fee coverage to just over 40 percent.

Summary of Effects of RecommendedFY2020 MAP Recompute Formula

Changes resulting from improving the MAP formula by removing the reduction factor and increasing the maximum award to \$5,340 as well as releasing about four weeks of suspended MAP awards are shown in Table 1. Currently, FY2020 FAFSAs received from eligible applicants October 1, 2018 through April 28, 2019 are currently offered MAP awards. This is the longest awards have been announced since FY2008. Awards for those applying on April 29, 2019 or later are held in suspense.

Table 1: Estimated Effects of Improved Formula and Releasing Four Weeks of Suspended Awards

	Increase to Recipients	Increase to Claims	Increase to Average Claim
Dependents	2,482	\$31,174,709	\$267
Inds Without	1,841	\$10,640,749	\$211
Inds With Deps	2,418	\$8,477,036	\$136
ZERO EFC	4,319	\$26,305,969	\$191
1 - 1000	619	\$5,584,471	\$239
1001-3000	854	\$7,447,377	\$242
3001-5000	495	\$5,104,747	\$273
5001-7000	291	\$3,669,043	\$307
7001-8999	162	\$2,180,887	\$294
Public Universities	1,394	\$23,796,706	\$375
Private Non-profits	1,127	\$19,656,291	\$393
Community Colleges	3,945	\$5,103,553	\$23
Proprietary Schools	275	\$1,735,944	\$314
TOTALS	6,741	\$50,292,494	\$219

Releasing awards should add at least 6,700 more recipients. Nearly 60 percent will be enrolled at a community college, 21 percent at a public university, 17 percent at a private non-profit, and the remainder at a proprietary school. About 64 percent of the additional recipients will have a zero EFC, and about 63 percent will be independent students.

The overall average claim is expected to increase about \$219 to \$3,277. Average claim increases by sector include a \$23 increase (to \$1,048) at community colleges from eliminating the reduction factor, a \$375 increase (to \$4,394) at public universities, and a \$393 increase (to about \$4,527) at private non-profit schools from eliminating the reduction factor and increasing the maximum award to \$5,340.

Recommended FY2020 Recompute Formula

Staff recommends that the formula shown in Table 2 be used to recalculate FY2020 MAP awards. Formula changes are highlighted. Staff also requests Commission approval to reduce second- and third-term awards, as a last resort, if necessary to stay within the appropriation. On the other hand, if claims are lower than projected, it may be possible to release even more suspended awards.

Table 2: Staff Recommended FY2020 Recompute Formula

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 \$5,340 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	NO Reduction Factor.
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

* The cap limiting MPCH over 75 to students with junior status has been eliminated by the RISE Act, which will be effective January 1, 2020. This change is expected to cost MAP \$2 million in FY2020 as it will take effect in the middle of the academic year.