AGENDA ITEM 5.

FY2025 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

Submitted for: Action

Summary: The Commission approves a Monetary Award Program (MAP) eligibility formula near the start of the Free Application for Federal Student Aid (FAFSA) filing process, more than 10 months before the academic year begins. This enables schools to provide financial aid packages early, which helps students with enrollment decisions. Since MAP Start-up occurs before the state budget process, we assume the MAP will receive level funding of $701 million, and that up to two percent may be used for operational costs.

Major changes in financial aid are taking place this year, with the implementation of the *FAFSA Simplification Act,* which passed Congress at the end of 2020 as part of the *Consolidated Appropriations Act, 2021*. FAFSA data – student and family characteristics, income, assets - is used by Federal need analysis methodology to calculate a Student Aid Index (SAI), formerly known as the Expected Family Contribution (EFC). Based on their SAIs, applicants are determined eligible, or not, for Federal student aid including Pell grants and student loans. Because the MAP formula piggybacks on this Federal process, changes in need analysis methodology have the potential to affect MAP eligibility as well.

Due to extensive system changes made necessary by FAFSA Simplification, the 2024-25 FAFSA will not be available by the usual October 1 release date. The Department of Ed has stated that the FAFSA should be released some time in December 2023 for filing to begin.

While approval of a FY2025 MAP Start-up formula is the focus of this item some basic MAP issues are also discussed, in addition to FAFSA Simplification. These include overviews of the MAP cycle and current eligibility formula, effects of recent formula improvements on tuition and fee coverage, and trends in application volume. As typically happens at start-up, staff is recommending adoption of the current FY2024 MAP eligibility formula for beginning the FY2025 MAP cycle.

Action requested: Staff requests Commission approval of the MAP formula found in Table One, at the end of this item, as the FY2025 MAP Start-up Formula. This is the same as the FY2024 MAP Recompute Formula approved at the June 22, 2023 Commission meeting, with some additional clarification necessitated by FAFSA Simplification.

ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2025 MONETARY AWARD PROGRAM START-UP FORMULA

The Monetary Award Program Cycle

Approval of a start-up eligibility formula is the first step in the MAP cycle, which is illustrated in Figure One. An early start-up formula enables schools to include Monetary Award Program (MAP) grants in financial aid packages and helps students make informed enrollment decisions. An approved start-up formula also allows staff to track projected MAP claims as applications are submitted, to help determine whether adjustments may be needed. Free Application for Federal Student Aid (FAFSA) and Alternative Application for Illinois Financial Aid (Alternative Application) filings for academic year 2024-25 will begin sometime in December, when the FAFSA is currently expected to be available. The Alternative Application is filed by undocumented students who are not eligible for federal student aid. Typically, the MAP eligibility formula from the previous year is recommended as the start-up formula for the upcoming year.

Figure One: The 23-Month FY2025 MAP Cycle
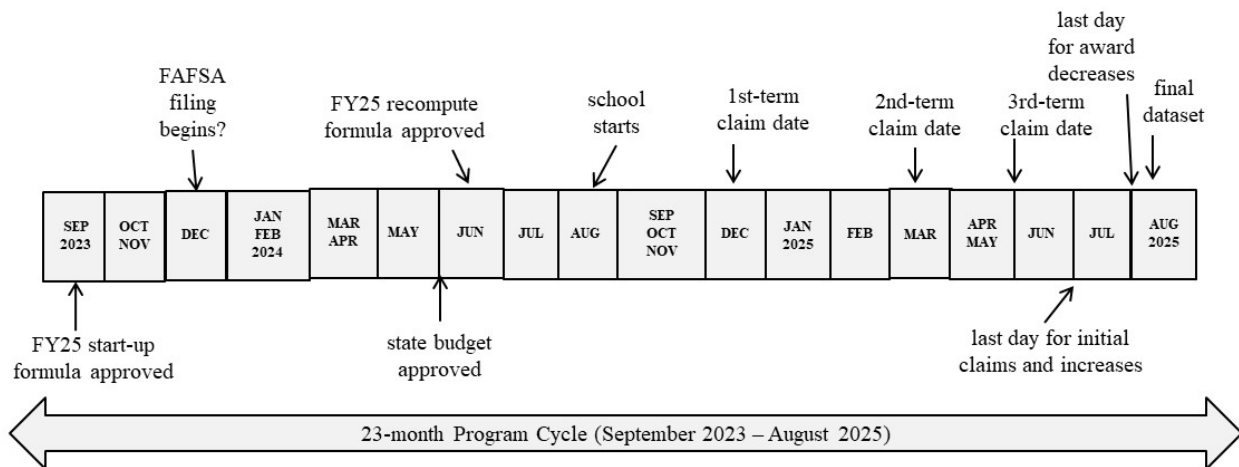
Ideally, a state budget is approved by the end of May. Based on the final appropriation, changes may be made to the MAP formula and presented to the Commission in June. If changes are made, awards are recalculated shortly thereafter. The fall term typically begins in mid- to late-August and the first-term MAP claim deadline is in early December. If a suspense date had been set prior to that, staff re-evaluates projected annual claims based on actual first-term claims, to determine whether any suspended awards could be released. The MAP Cycle continues through the academic year, and wraps up in the months following the end, which for most
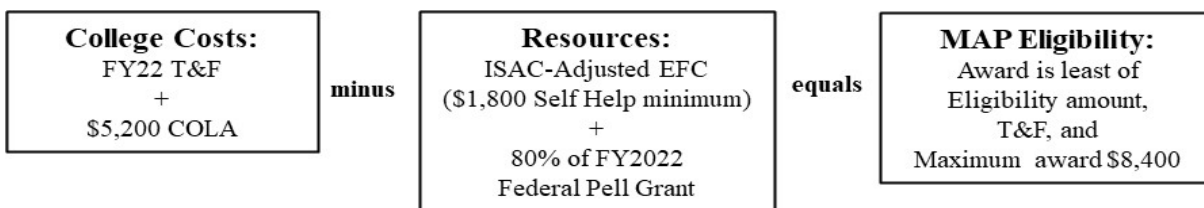
schools is in early May. By the end of July, claim submissions should be complete, and the final dataset for the year is created in early August.

Recent Improvements to the MAP Eligibility Formula Have Improved Purchasing Power

MAP eligibility is determined by subtracting student resources from the cost of college enrollment. Costs are represented by tuition and fees plus a living allowance. Resources include an adjusted EFC amount and 80 percent of Pell eligibility. The annual MAP award is the lowest of the eligibility amount, tuition and fees, or the MAP maximum award.
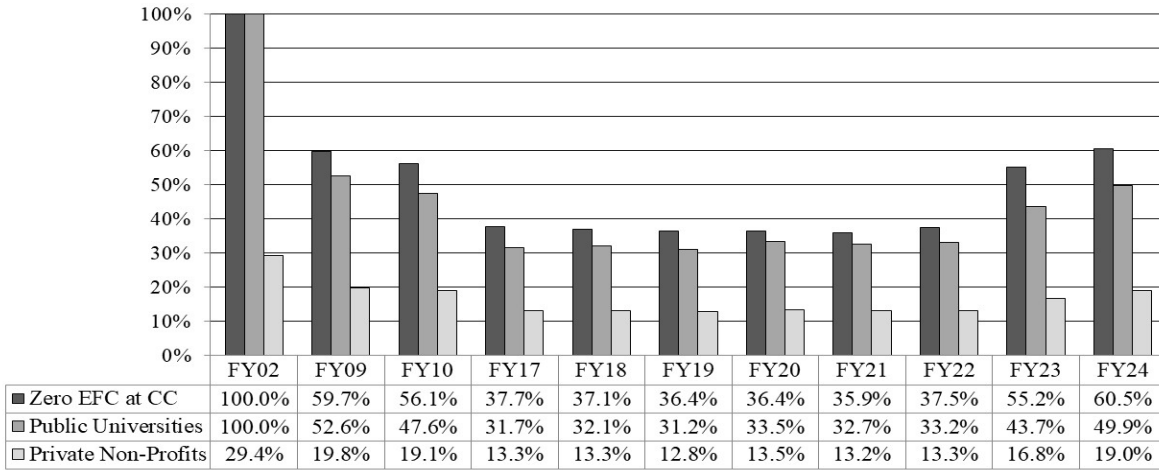
Prior to MAP receiving substantial increases of $122 million and $100 million in the past two years, formula components had become very outdated. Some advances were made with increased funding in FY2018 through FY2022, but a portion of that funding was used to offer MAP grants to more eligible students, whose awards would have been suspended in the absence of additional funding. The expense of updating the formula to maintain tuition and fee coverage was high and making components current would have resulted in fewer students receiving awards. The formula used FY2004 tuition and fee amounts from FY2006 through FY2017 and a $4,968 maximum award from FY2002 through FY2019. From 2011 through 2019, all awards were reduced by a percentage, or reduction factor, to stretch the appropriation further. Figure Two shows the greatly improved FY2024 formula.

Figure Two: The Current MAP Eligibility Formula

College Costs: FY22 T&F + $5,200 COLA	minus	Resources: ISAC-Adjusted EFC ($1,800 Self Help minimum) + 80% of FY2022 Federal Pell Grant	equals	MAP Eligibility: Award is least of Eligibility amount, T&F, and Maximum award $8,400

In FY2002, the highest MAP awards fully covered tuition and fees at community colleges and public universities, as shown in Figure Three. Coverage declined as application volume increased and funding did not keep pace. Even with appropriation increases in three of the five years prior to FY2023, coverage could best be described as holding steady. Formula improvements made possible by $122 million and $100 million in the past two years moved the bars noticeably upward. Tuition and fee coverage in FY2024 is now *fairly similar* to FY09-FY10 levels for all sectors. (Coverage analysis is based on sector average tuition and fees, so varies by the actual amounts faced by students.) While the goal of 50 percent coverage at public schools, set in *A Thriving Illinois,* was surpassed for community colleges, and reached for public universities in FY2024, more MAP funding will be needed each year to keep up with tuition and fee increases and continue serving all eligible students.

Figure Three: MAP Tuition and Fee Coverage

	FY02	FY09	FY10	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
■ Zero EFC at CC	100.0%	59.7%	56.1%	37.7%	37.1%	36.4%	36.4%	35.9%	37.5%	55.2%	60.5%
▨ Public Universities	100.0%	52.6%	47.6%	31.7%	32.1%	31.2%	33.5%	32.7%	33.2%	43.7%	49.9%
☐ Private Non-Profits	29.4%	19.8%	19.1%	13.3%	13.3%	12.8%	13.5%	13.2%	13.3%	16.8%	19.0%

MAP Application Volume Decreased from FY2013 – FY2023 but is Increasing in FY2024

The balance between improving MAP purchasing power and providing basic access, by offering awards to all eligible students, depends in part upon demand for the student aid. For a historical perspective, Figure Four shows announced applications by sector of first-choice school from FY2001 to FY2023. Announced applicants (undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school) increased more than 85 percent between FY2001 and FY2013, when application volume peaked. By the end of FY2023, application volume was down 32 percent from the peak, but still 25 percent higher than in FY2001.

Community college enrollment tends to include larger portions of independent students, whose college enrollment rises and falls with the business cycle. Independent FAFSA filing nearly doubled from FY2001 to FY2013, then decreased by half by FY2023. In comparison, dependents increased 75 percent between FY2001 and FY2013, then decreased 17 percent by FY2023. In FY2023, dependent application volume was 45 percent higher than in FY2001, while the increase for independents was only 2 percent.

Lower demand since FY2013 can be attributed to several factors, including an improved job market that kept many independents working instead of seeking post-secondary education. The COVID-19 pandemic also affected enrollment. The increase in MAP tuition and fee coverage provided by larger awards in FY2023 and FY2024, as well as the expansion to cover credit bearing short-term certificates, seems to be having a positive effect on MAP application volume in FY2024.

Figure Four: MAP Announced Application Volume
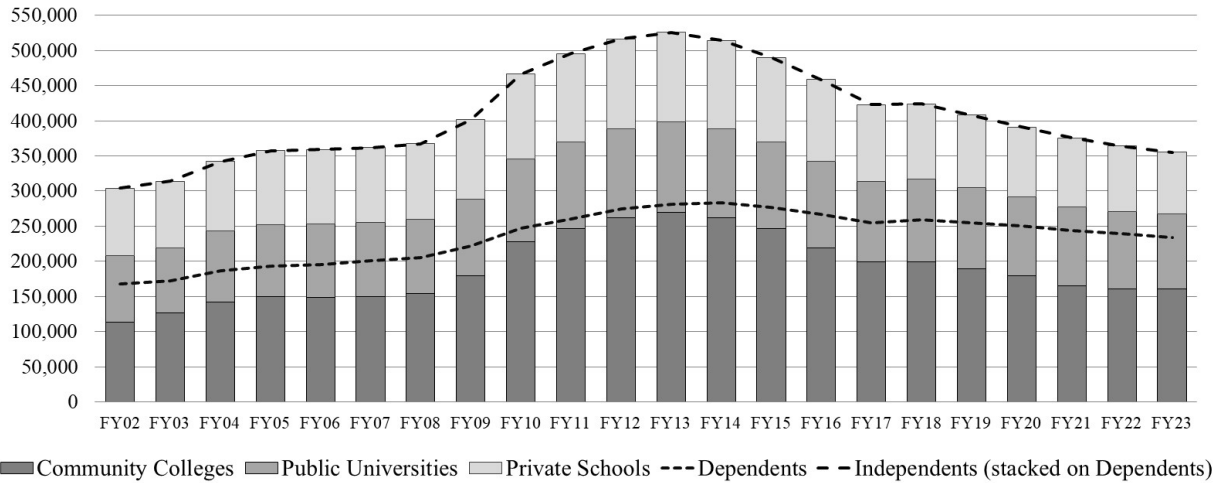
This downward trend from FY2013 to FY2022 now appears to be reversing. While FY2023 announced volume ended 2.4 percent lower than FY2022, it had been down more than 7 percent before the fall term began. And, in mid-August, FY2024 announced applications were about 3 percent higher than FY2023 and eligibles were up nearly 5 percent. By sector, the greatest increase (nearly 6 percent) is for students planning to enroll at community colleges, but application volume is also up nearly 2 percent at public universities and by nearly 1 percent at private non-profit schools. Independent applicant volume is up by more than dependent applications (5.2 vs 2.3 percent).

Another welcome development credited to higher appropriations, is that in FY2022 and FY2023 MAP grants were offered to all eligible students for the first time since FY2001. At the FY2013 peak of application volume, awards for nearly 45 percent of eligible applicants were "suspended" or not offered to those eligible applicants who enrolled.

FAFSA Simplification and Expected Effects on Monetary Award Program Applicants

At the end of 2020, Congress passed the *FAFSA Simplification Act,* as part of the *Consolidated Appropriations Act, 2021*. The FAFSA had been widely considered unwieldy and difficult to complete, making it a barrier to higher education. As the name suggests, the goal of the legislation was to simplify FAFSA filing and expand access to student aid. FAFSA filing will be streamlined by importing filers' financial data from the IRS and asking fewer questions. Need analysis methodology, which is used to convert FAFSA data into a Student Aid Index (SAI, formerly EFC) has also been extensively overhauled. Because the MAP eligibility formula piggybacks on this Federal process, changes in the Federal need analysis methodology have the potential to affect students' eligibility for MAP grants.

Analysis has been conducted, based on draft documentation for FY2025 need analysis methodology, in an effort to project effects of FAFSA Simplification on MAP eligibility. Results suggest a *net* decrease of less than one percent in total MAP eligibility (about a six million dollar decrease out of more than one billion dollars) from FY2024 to FY2025, given the same applicant population. For applicants eligible for MAP in either or both years, projections indicate about 81 percent will see the same size grant, 3 percent become newly eligible in FY2025, 6 percent see

an increase, 7 percent see a decrease, and 3 percent completely lose eligibility. Effects vary by sector and dependency type, as shown in Figure Five. Dependent students experience nearly all of the lost eligibility, and community college students will see the most increases and decreases in MAP awards.

Figure Five: Projected Changes in MAP Eligibility

Change in MAP Eligibility	Public Universities	Private Non-Profits	Community Colleges	Proprietary Schools	Dependents	Inds Without Deps	Inds With Deps	TOTAL
GAIN	3%	4%	3%	3%	4%	4%	1%	**3%**
INCREASE	2%	0%	11%	1%	6%	9%	3%	**6%**
DECREASE	4%	0%	12%	0%	7%	9%	5%	**7%**
LOSS	4%	4%	3%	1%	6%	<1%	<1%	**3%**
SAME	86%	92%	71%	95%	78%	78%	91%	**81%**
TOTAL	100%	100%	100%	100%	100%	100%	100%	**100%**

It should be noted that this analysis only includes effects of changes for which data was available, such as changes in types of untaxed income included in total income, treatment of child support, changes in income protection and other allowances subtracted from total income, changes in criteria for exemption from asset reporting, and no longer considering a family's number in college. Removing the number of family members in college from need analysis is the biggest reason for lost MAP eligibility among dependent students with higher SAIs.

Of changes not addressed in the analysis due to lack of data, the most notable is that owners of small businesses and family farms will now be required to report them as assets. Many applicants with these assets will see an increase in their FY2025 SAI compared to their FY2024 EFC, and a resulting decrease in eligibility for financial aid. The magnitude of that change is unknown.

Due to extensive system changes made necessary by FAFSA Simplification, the 2024-25 FAFSA will not be available by October 1st. The Department of Education has indicated the FAFSA will be ready for filing "some time in December." ISAC plans to make the Alternative Application available at the same time.

Action Requested

      Staff requests Commission approval of the formula in Table One as the FY2025 MAP Start-up Formula. This is the FY2024 recompute formula, which uses FY2022 tuition and fee levels and Pell table; a $5,200 living allowance; and an $8,400 maximum award. "Expected Family Contribution (EFC)" has been replaced with "Student Aid Index (SAI)" and clarification added for how to handle negative SAIs. At the Federal level, students with negative and zero SAIs receive the same maximum Pell amount, so MAP is mirroring that methodology.

Table One: Recommended FY2025 Start-Up Formula

	Budget
1	Use 2021-2022 reported tuition and fees at all institutions, assessed at 100
2	Use one living allowance for all applicants, set to $5,200.

	Resources
1	Use 80 percent of Pell Grant eligibility as determined by the 2021-2022 Pell Grant Payment Schedule, which contains a $6,495 maximum.
2	**If Student Aid Index (SAI) < 0, set SAI = 0** **For Dependent Students, if SAI = 0 then Parent Contribution = 0 and Student Contribution (both income and assets) = 0** Calculate the ISAC-adjusted Student Aid Index (SAI) by inflating the SAI: Adjusted Dependent Students' Student Aid Index: Adjustment Factor = [(Parent Contribution/11,000) +1.10] rounded to 2 decimals places Adjusted PC = PC x Adjustment Factor Adjusted SAI = Adjusted PC + highest of Student Contribution or self-help Adjusted Independent Student Aid Index: Adjustment Factor = [SAI/11,000 + 1.10] rounded to 2 decimal places Adjusted SAI = SAI 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 $8,400 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 a (Federal) SAI of $9,000 or above are not eligible.
3	If determined necessary after first-term claims are received, either release some suspended applications and/or adjust claims to maximize claims
4	Students with 135 or more MAP paid credit hours will not be eligible for