

AGENDA ITEM 5.

FY2018 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

Submitted for: Action

Summary: The Commission has traditionally approved a start-up formula for the Monetary Award Program (MAP) in January so financial aid advisors could provide students with information useful for college planning well before the school year began. The formula was then revisited when the MAP appropriation was final, ideally before the academic year began. Due to changes at the federal level, staff is requesting approval of a FY2018 start-up formula months earlier than usual. The FAFSA-filing cycle will begin on October 1, 2016 instead of January 1, 2017. The earlier start date is intended to align FAFSA completion more closely with the college application process and provide students more time to explore financial aid options.

Along with the earlier start date, the FY2018 FAFSA will require income data from two years prior to the start of the academic year instead of one year prior. Therefore, 2015 income data will be used instead of 2016 on the FY2018 FAFSA for the 2017-18 academic year. This change eliminates any need to estimate income and tax data since by October 2016, 2015 tax forms will have already been filed. The use of prior-prior income data on the FAFSA is not expected to have much of an impact on the Monetary Award Program.

Many students will appreciate and benefit from the extra time provided by the earlier FAFSA cycle. However, there is some concern that first-time independent students, who may not be as easily reached as traditional dependent students, may not hear about the earlier deadline. Independent students generally file later anyway and are more likely to miss the MAP suspense date, which inevitably will be earlier than in recent years. Staff will monitor the situation to determine whether any changes to MAP should be recommended in the future.

In addition to the uncertainty created by the earlier FAFSA-filing date, uncertainty caused by lack of a state budget continues. A FY2017 appropriation is not expected before the end of calendar 2016, as the legislature failed to finalize a FY2017 budget this spring and is not scheduled to reconvene until after elections in November. Timing on a FY2018 appropriation is even less clear. Unless it is directed otherwise, staff is proceeding with the assumption that MAP will receive \$364.9 million, the same as the final FY2015 appropriation after the 2.25 percent reduction. Staff will also assume for now that up to 2 percent may be used for agency operations, as has been the case since FY2014.

To deal with the uncertainty, staff recommends keeping the current MAP formula and using a conservative suspense date until more is known about funding, with the plan to release awards if the FY2018 appropriation allows. If the appropriation is lower than expected, later term awards could be reduced. 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 FY2018 MAP start-up formula. This formula reduces awards by 5 percent, for a \$4,720 effective maximum MAP award.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2018 MONETARY AWARD PROGRAM (MAP) START-UP**

Introduction

The Free Application for Federal Student Aid (FAFSA) filing cycle for academic year 2017-18 will begin October 1, 2016 instead of January 1, 2017. The new start date aligns more closely with the college application process and will give students more time to explore financial aid options. Since MAP eligibility calculations piggyback on FAFSA data, staff is requesting that the Commission approve a start-up MAP formula several months earlier as well. Financial aid administrators will then be able to package MAP and help students decide whether and where to enroll.

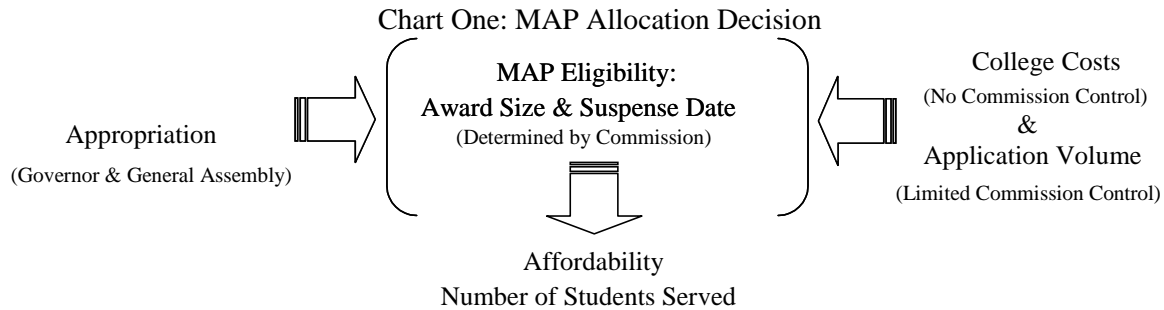
Along with the earlier start date, the FY2018 FAFSA will require income data from two years prior to the start of the academic year instead of one year prior. With this change, 2015 income data will be used instead of 2016 on the FY2018 FAFSA. This should eliminate the need for early filers to estimate income and tax data. The use of prior-prior income data on the FAFSA is not expected to have much of an impact on the Monetary Award Program.

While many students, especially high school seniors, will likely appreciate and benefit from the extra time provided by the earlier FAFSA cycle, there is some concern that first-time independent students, who may not be as easily reached as traditional dependent students, may not hear about the earlier deadline and be less likely to file before the MAP suspense date, which will inevitably be earlier than in recent years. Staff will monitor the situation to determine whether any changes to MAP should be recommended in the future.

In addition to the uncertainty caused by the earlier FAFSA cycle, the FY2017 MAP appropriation has not been determined yet. FY2016 was an abnormal budget year, with appropriations patch worked together without a formal budget. Therefore, staff is proceeding with FY2018 MAP plans based on the assumption of funding similar to the \$364.9 million final appropriation received in FY2015.

Balancing Award Number and Size

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.



Application Volume

The appropriation needed for MAP is determined by the number of applicants, MAP eligibility amounts, and enrollment rates. Announced applicants, or undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school, increased 45.3 percent between FY2007 and FY2013. At the end of FY2016, applicant numbers had decreased 12.7 percent since the FY2013 peak, partly due to improvements in the economy. Table One shows the increase in announced applicants was highest at community colleges, but that sector has also seen the largest decrease between FY2013 and FY2016. Community colleges have traditionally been the school type of choice for independent students, whose college attendance tends to rise and fall according to the economy.

Table One: Final Announced MAP Application Volume: FY2007, FY2013, and FY2016

	FY2007	FY2013	FY2016	% Diff 07 to 13	% Diff 07 to 16	%Diff 13 to 16
Public Universities	106,185	128,991	122,838	21.5%	15.7%	-4.8%
Private Schools	87,925	103,032	97,539	17.2%	10.9%	-5.3%
Community Colleges	149,625	269,672	219,421	80.2%	46.6%	-18.6%
Proprietary Schools*	17,972	23,995	19,045	33.5%	6.0%	-20.6%
Dependent Students	201,207	281,780	266,805	40.0%	32.6%	-5.3%
Independent Students	64,868	106,782	90,854	64.6%	40.1%	-14.9%
Ind w/ Dep Students	95,632	137,128	101,184	43.4%	5.8%	-26.2%
Total	361,707	525,690	458,843	45.3%	26.9%	-12.7%

* Ten proprietary schools participated in MAP in FY2015 compared to six in FY2007.

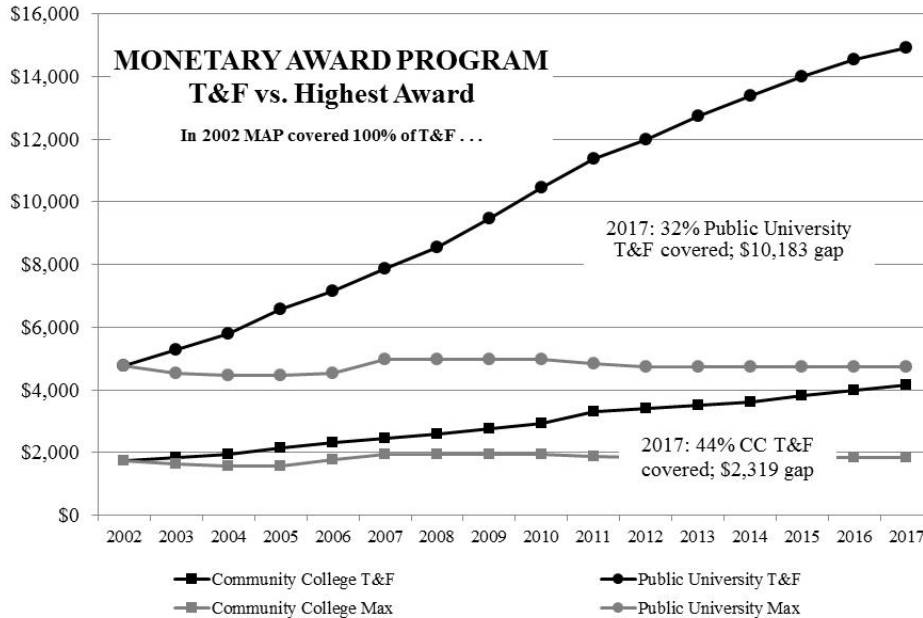
Affordability

The purchasing power of MAP awards has declined in the past fifteen years, as the state has been unable to provide sufficient funding for MAP, and the purchasing power of awards continues to diminish. In FY2002 the highest MAP award *fully covered* sector-average tuition and fees at community colleges and public universities. By FY2017 the highest award covered *only 44 percent* of sector-average community college tuition and fees and *just under one-third* at public universities, leaving recipients to cover gaps greater than \$2,300 and nearly \$10,200, respectively. Further declines will continue to jeopardize college access.

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 FY2017 average tuition and fees at public universities nearly tripled, and it more

than doubled at community colleges. In FY2002 the MAP maximum award was \$4,968; in FY2017 the maximum was \$4,720 due to the reduction factor. FY2004 tuition and fees are still used in the formula, so in FY2017 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: Sector 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 FY2007

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*
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	\$320.8	- 6.4%	03-04 T&F	Adjusted EFC+80% Pell	5%	2/22/2015
FY2017	Unknown	-8.8% (Aug)	03-04 T&F	Adjusted EFC+80% Pell	5%	3/10/2016

*MAP-eligible students applying after these dates could not be paid due to limited funding. Suspended applications may be released if funding allows 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. While a formal FY2016 state budget was never arrived upon, MAP did receive two appropriations totaling \$320.8 million, which will cover timely and nearly all late claims. The situation was far from ideal, but could have been much worse.

Action Requested

An appropriation for FY2017 MAP will not be determined until after the election in November 2016. This delay in the FY2017 budget timing creates greater uncertainty in predicting the expected FY2018 budget for MAP. In addition, the move of the FASFA start-up date from January 1st to October 1st further complicates the situation. With the January 1st FASFA start-up date, we generally had the Governor's proposed budget for MAP for the upcoming fiscal year before the MAP suspense date. With the October 1st FASFA start-up date, it is likely that the MAP suspense date will occur well before the timing of the Governor's budget proposal.

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 FY2018 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 FY2018 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 = $[\text{PC}/11,000 + 1.10]$ rounded to 2 decimal places Adjusted PC = PC x Adjustment Factor Adjusted Independent Student Contribution: Adjustment Factor = $[\text{EFC}/11,000 + 1.10]$ 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.