

**AGENDA ITEM 6.**

**FY2019 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 start-up formula was then revisited when the MAP appropriation was final, ideally before the academic year began. As of last year, due to changes at the federal level, the FAFSA-filing cycle for FY2018 began on October 1 rather than January 1. For FY2019, the FAFSA filing process opened on October 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. For the MAP program, it means staff needs a start-up formula approval in September rather than January to enable them to track MAP application volume.

Anticipating state budgets has always been difficult and has become more difficult in recent years. Unless it is directed otherwise, staff is proceeding with the assumption that for FY2019 MAP will receive \$401.3 million, the same as the final FY2018 appropriation, which was about a \$36 million increase over FY2017. Staff will also assume that up to 2 percent of the appropriation may be used for agency operations, as has been the case since FY2014.

Staff usually requests that the previous year's recompute formula be used as the current start-up formula in October. As the year progresses, staff can assess the year's application volume and once the FY2019 MAP appropriation becomes known, adjustments can be made to the recompute formula with more confidence at the June 2018 Commission meeting to balance out access and affordability.

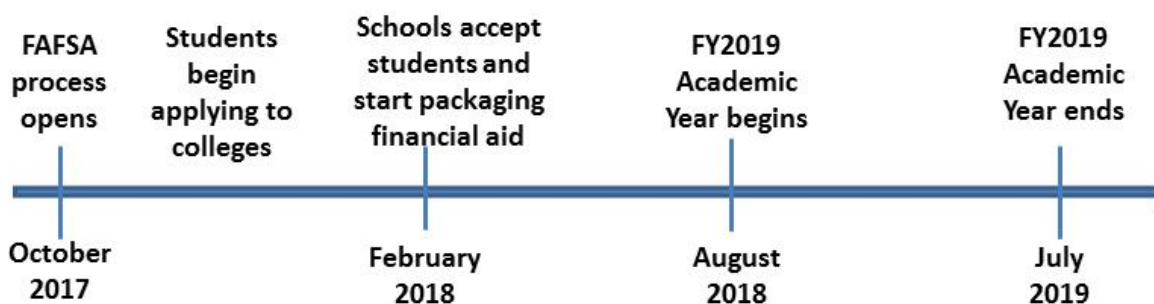
**Action requested:** Staff recommends the Commission approve the formula summarized in Table Four as the FY2019 MAP start-up formula. This formula is consistent with the formula for FY18 and reduces awards by 2 percent, for a \$4,869 effective maximum MAP award.

**ILLINOIS STUDENT ASSISTANCE COMMISSION  
FY2019 MONETARY AWARD PROGRAM (MAP) START-UP**

**Introduction**

The Free Application for Federal Student Aid (FAFSA) filing cycle for academic year 2018-19 began October 1, 2017. This is the second year for the new, earlier start date (previously the start date was January 1). The new start date aligns more closely with the college application process and can give students more time to explore financial aid options (Figure One). Since MAP eligibility calculations use the FAFSA data, staff is requesting that the Commission approve a start-up MAP formula at this meeting. Using an approved formula, ISAC staff will be able to estimate and track application volume and school financial aid administrators will be able to estimate MAP grants for their students.

Figure One: The Basic 20 Month School Cycle



Staff usually requests that the previous year's recompute formula be used as the current start-up formula in October. As the year progresses, staff can assess the year's application volume and once the FY2019 MAP appropriation becomes known, adjustments can be made to the recompute formula with more confidence at the June 2018 Commission meeting to balance out access and affordability.

**The FY2018 Recompute Formula**

In FY2018, ISAC made changes to the MAP recompute formula, the first time changes (other than a reduction factor) had been made since 2006. The MAP formula determines eligibility for the MAP grant by subtracting a student's resources from the cost of college attendance. In FY2017, the costs used in the model were the FY2004 tuition and fees and a living allowance of \$4,875. As with previous years and for reasons discussed further in this memo, the FY2017 formula severely underestimated the costs students faced. The resources subtracted from those costs were the current, federally calculated expected family contribution (EFC, adjusted further by ISAC), and 80% of the 2004 Pell grant eligibility (maximum eligibility, \$4,050). Historically, MAP models have included the Pell eligibility from the same year as the tuition and fees used to calculate costs.

Because appropriations for MAP have been flat while demand for the program has grown over the past decade, staff did not request Commission approval to make adjustments to the formula that would have updated the costs used in the model, preferring, instead, to extend the application deadline. In essence, given a limited amount of MAP dollars the Commission has been trading off small award sizes and reduced affordability to be able to offer more awards to provide greater access. However, continued use of these very outdated tuition and fees was having some serious consequences:

- (1) The model understated eligibility for some students. Thousands more students, particularly at public universities, would be eligible for a MAP grant if costs were updated in the formula.
- (2) The model was producing unequal awards for similar costs. Awards are capped at the maximum award or tuition and fees, whichever is lower. In 2004, four public universities had tuition and fees lower than the maximum awards. Eligible students at these schools were receiving much smaller MAP grants although they are now facing similar costs to students attending other Illinois public universities.
- (3) Since the maximum award for community college students is equal to tuition and fees, students at all community colleges were subject to maximum awards that were far smaller than they would receive if current costs were considered.

Incorporating more current tuition and fees in the MAP model increases the size of the grant for many students, improving affordability. The challenge faced by the Commission is to balance between giving awards large enough to help make college affordable and extending the award announcement period further to help more students. Throughout most of the current century, application volume has been rising, and despite using any additional appropriation dollars for extended processing and imposing a 5% reduction factor on the size of the awards to further stretch those dollars, the number of students to whom we could not offer awards continued to rise. We have attempted to maintain access while affordability declined. It is important to note that at some point, the MAP award will not be large enough to actually provide access because it will not be large enough to improve affordability.

## **MAP 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. However, by the end of FY2017, applicant numbers had decreased 19.5 percent since the FY2013 peak and the increase from FY2007 was only 17%. The drop in volume can be attributed to several factors including improvements in the economy that keep potential independent students working instead of attending school and increased uncertainty about receiving the MAP grant caused by the budget troubles during the past two years.

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 FY2017. Community colleges have traditionally been the sector of choice for independent students, whose college attendance tends to rise and fall according to changes in the business cycle. When jobs are relatively plentiful, fewer independent students attend college.

The decline in dependent student volume is less easily explained and especially troubling. Affordability issues may play a role in this decline as many doubts about the value of a college degree are fueled by national stories of underemployment and unemployment of recent college graduates, as well as stories concerning student loan debt.

Table One: Final Announced MAP Application Volume: FY2007, FY2013, and FY2017

	FY2007	FY2013	FY2017**	% Diff 07 to 13	% Diff 07 to 17	%Diff 13 to 17
Public Universities	106,185	128,991	114,608	21.5%	7.9%	-11.2%
Private Schools	87,925	103,032	93,266	17.2%	6.1%	-9.5%
Community Colleges	149,625	269,672	199,065	80.2%	33.0%	-26.2%
Proprietary Schools*	17,972	23,995	16,165	33.5%	-10.1%	-32.6%
Dependent Students	201,207	281,780	254,818	40.0%	26.6%	-9.6%
Independent Students	64,868	106,782	79,996	64.6%	23.3%	-25.1%
Ind w/ Dep Students	95,632	137,128	88,290	43.4%	-7.7%	-35.6%
<b>Total</b>	<b>361,707</b>	<b>525,690</b>	<b>423,104</b>	<b>45.3%</b>	<b>17.0%</b>	<b>-19.5%</b>

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

\*\* Nearly final.

### Affordability

The purchasing power of MAP awards has declined steadily for fifteen years, as the state has been unable to provide sufficient funding for MAP. 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. Between FY2002 and FY2017 average tuition and fees at public universities nearly tripled, and it more than doubled at community colleges. In contrast, MAP grants remained flat. In FY2002 the MAP maximum award was \$4,968; in FY2017 the maximum was \$4,720 due to the reduction factor. The changes made to the FY2018 recompute formula helped a little when FY2004 tuition and fees were replaced by FY2010 tuition and fees, significantly increasing award sizes at community colleges and some public universities. For example, in FY2017 a community college student would at most receive 95 percent of FY2004 tuition and fees; under the FY2018 formula, he will receive 98% of FY2010 tuition and fees. However, the maximum MAP grant is still only \$4,869.

### Some MAP Formula History Illustrating the Balance of Affordability and Access

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 Two 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 received 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 until FY2018, 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 Two: MAP Formula Changes and Suspense Dates since FY2007

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*
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%	3/20/12
FY2014	\$373.2	-2.2%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/02/13
FY2015	\$373.3	-4.7%	03-04 T&F	Adjusted EFC+80% Pell	5%	2/28/14
FY2016	\$320.8	- 6.4%	03-04 T&F	Adjusted EFC+80% Pell	5%	2/22/15
FY2017	\$364.9	-8.9%	03-04 T&F	Adjusted EFC+80% Pell	5%	3/10/16
FY2018	\$401.3	-5.5% (Aug)	09-10 T&F	Adjusted EFC+80% Pell	2%	1/15/17**

\*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 8/6/08; in FY2010 to 6/4/2009, in FY2012 to 4/8/2011, in FY2013 to 4/2/2012, in FY14 to 3/19/2013, in FY15 to 3/05/14, in FY17 to 4/14/16. Some awards will also be released in FY18.

\*\* FY18 FAFSA filing began 10/01/16.

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 covered timely claims.

The FY2017 MAP appropriation was finally approved in July, 2017, when most schools had already completed their academic year. The appropriation was sufficient to pay all timely claims and allow us to make more award announcements, reducing the number of suspended students.

**Impact of the FY2018 MAP Recompute Changes**

The change to the FY2018 recompute formula increased the number of students eligible for, and offered awards. As shown in Table Three, increasing the costs used to calculate eligibility in the model, resulted in over 6,000 newly MAP eligible students, almost all at public institutions. The expected extending of the award announcement period should reduce the number of suspended students by over 7,500 students, primarily at community colleges. In total, about 13,600 more students will be offered awards, nearly 50 percent of whom are at community colleges and nearly 90 percent of whom are at public institutions.

Table Three: Increase in MAP recipients from the additional \$36 Million appropriation

Students at:	Newly eligible from formula changes	New awards expected from extended announcement period	New Awards Total
Public Universities	3,929	1,387	5,316
Private, Non-profit Institutions	202	1,098	1,300
Community Colleges	1,859	4,673	6,532
Proprietary Schools	53	408	461
<b>Total</b>	<b>6,043</b>	<b>7,566</b>	<b>13,609</b>

As the year progresses, we will be better able to see how the FY2018 formula changes impact the number of FY2018 claims. Using this information, coupled with additional budget information usually available by late spring, will allow the Commission to make informed changes to this formula at recompute, if necessary.

**Action Requested**

Staff recommends the Commission approve the formula summarized in Table Four as the FY2019 MAP start-up formula. This formula is the FY2018 recompute formula approved by the Commission at the July Commission meeting that uses FY2010 tuition and fees and includes a reduction factor of 2 percent, for an effective maximum award of \$4,869

Table Four: Staff Recommended FY2019 Start-Up Formula

<b>Budget</b>	
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.
<b>Resources</b>	
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.
<b>Award Amounts</b>	
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