

AGENDA ITEM 6.

FY2019 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Submitted for: Action

Summary: In November 2017, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for applicants planning to attend college in the 2018-19 academic year. Establishing the formula early enables financial aid advisors to package awards and helps applicants determine whether and where to enroll. Once the MAP appropriation is known, the Commission revisits and approves the formula based on the new information. Continuation of the start-up formula is typically approved when the final appropriation is similar to what was expected.

A state budget for FY2019 has been approved, and MAP received level funding of \$401.3 million. Up to 2 percent may be used for agency operations. Since the start-up MAP formula and the February 28th suspense date were based on an expectation of level funding, no change to the formula is being proposed.

FY2019 is the second year since the Department of Education started “early” FAFSA filing, enabling students to apply for aid three months sooner than before. FY2018 application volume will end slightly higher than FY2017, likely due to those three extra months. However, at the end of May, FY2019 MAP eligible application volume was down nearly 3 percent from FY2018. While dependent students have applied at nearly the same rate, applications from independent students are down more than 7 percent. The drop in independent students may be attributed to the downward trend in Illinois’ unemployment rates.

The Commission has in recent years granted Staff authority to reduce second- and third-term claim amounts following the first-term 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 lower or prevent award reduction at recompute.

Action requested: Staff requests Commission approval to continue using the FY2019 MAP eligibility formula approved last November. Although the scenario is unlikely, staff also requests that the Commission approve the reduction of second- and third-term claims if a review following the first-term claim deadline deems it necessary to keep claims within the appropriation.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2019 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

Background

In November, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2018-19. 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 – ideally, when the appropriation is final -- the Commission approves a recompute formula, which may or may not differ from the start-up formula, depending on circumstances.

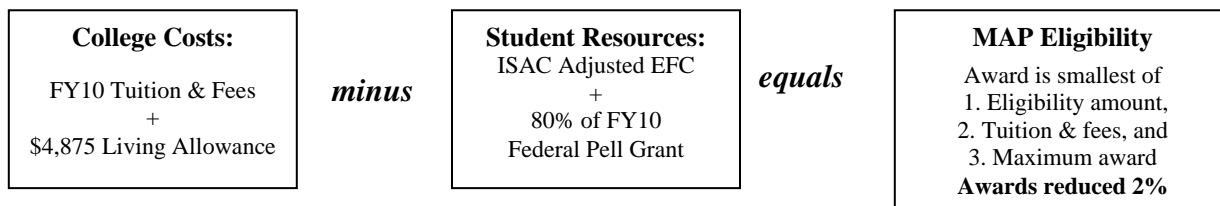
A state budget for FY2019 has been approved, and MAP received level funding of \$401.3 million. Since the start-up MAP formula and the February 28th suspense date were based on an expectation of level funding, no change to the formula is being proposed.

This item also reviews the MAP formula, discusses application volume, and describes some challenges faced in managing the program.

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



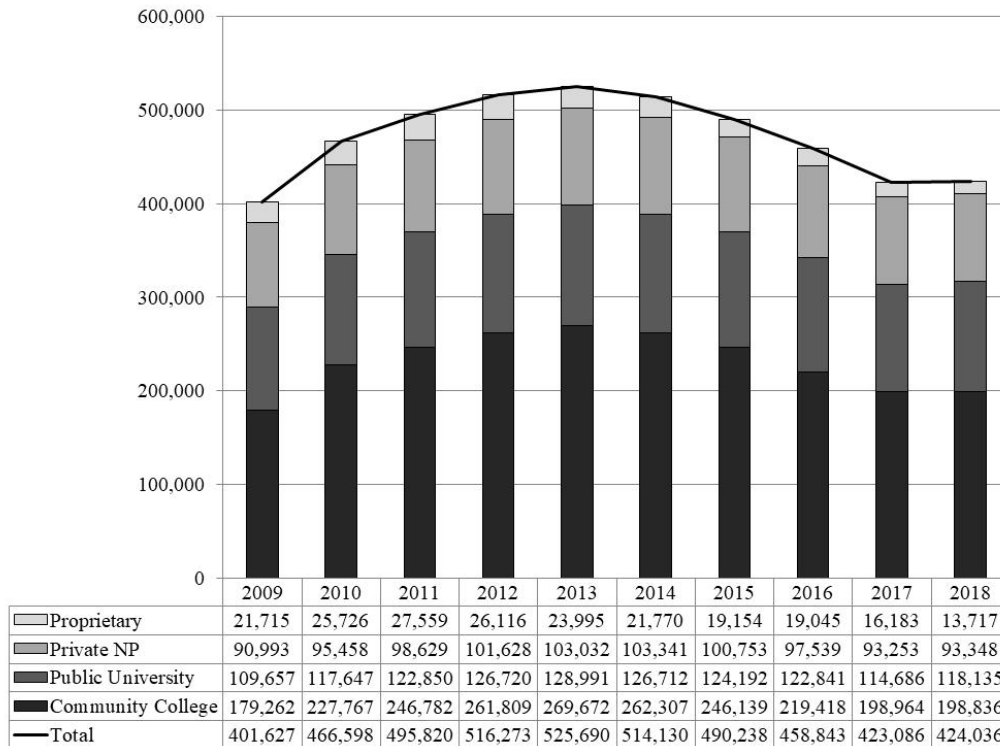
Student resources are based on an inflated federal expected family contribution (EFC) plus a portion of Pell grant eligibility. MAP eligibility is determined by subtracting resources from costs. If costs exceed resources by \$300 or more and other criteria are met, the student is eligible for a MAP grant. 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 so more awards can be made. Applicants with an EFC of \$9,000 or more are ineligible. MAP grants are applied towards tuition and mandatory fees.

Application Volume and MAP Purchasing Power

MAP application volume is affected by demographics and economic conditions that vary over time. Projections from the National Center for Education Statistics (NCES) indicate the number of high school graduates is expected to decrease before rising slightly at the end of the decade. Even though the proportion of Illinois students from low-income families is rising, application volume for dependent students is currently about the same as last year. However, over 7 percent fewer independent students have filed, likely due to an improved economy.

Announced MAP application volume is shown in Figure 2. Volume rose 16 percent in FY2010, the largest annual hike in recent times. Increases then slowed, peaked in FY2013, and decreased four years before increasing slightly in FY2018. The total number of FY2018 applicants is within 6 percent of FY2009. Community colleges saw the widest swings in application volume, with a 27 percent increase in 2010 and an 11 percent decrease in FY2016. Annual changes at public universities stayed in single digits, and private non-profit schools were affected the least, with volume changes of 5 percent or less.

Figure 2: Monetary Award Program Announced Application Volume, FY2009 – FY2018*

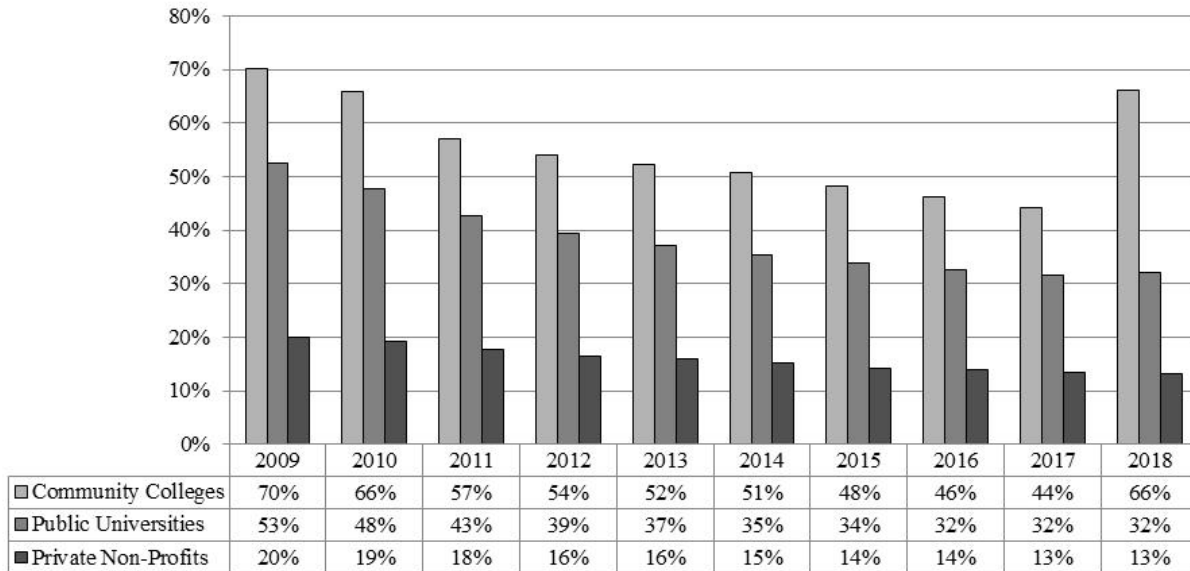


*FY2018 was the first year that FAFSA filing began October 1st instead of January 1st, so there were 3 more months of filing.

While surging demand has settled in recent years, challenges remain. MAP appropriations are still not enough to cover all eligible applicants. When projections indicate that eligible applicants may claim the MAP appropriation, awards for subsequent applicants are placed in “suspense” status to avoid over-spending. There were nearly 60,000 suspended eligible applicants in FY2009, and that number doubled the next year and peaked at nearly 170,000 in FY2013. The number of suspended eligible applicants has since declined and dropped below 100,000 in FY2018.

Meeting demand is not the only issue for MAP. The program is also challenged to cover enough of tuition and fees to make college affordable. On average, tuition and fees at public schools have increased 60% since FY2009. Figure 3 below shows the amount of sector-average tuition and fees covered by MAP between FY2009 and FY2018. (For some historical perspective, 100% of public university and community college tuition and fees could be covered by MAP in FY2002.) Formula improvements in FY2018 improved MAP coverage at community colleges to about two-thirds of tuition and fees, restoring FY2010 levels. However, coverage at four-year schools slipped from over half to less than one-third at public universities and from 20 percent to 13 percent at private non-profit schools.

Figure 3: MAP Coverage of Tuition and Fees, FY2009 – FY2018



Challenges in Choosing a Suspense Date and Projecting Claims

Projecting MAP claims months before the academic year begins has always been a challenge. Uncertainty comes from projecting how much eligible MAP dollars will increase as a result of corrections to applications and changes in school choice, as well as from projecting how many eligible MAP applicants will claim. “Corrections” for the purpose of projecting MAP claims come 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 filing time, dependency type, and sector. Each percentage difference may result in a roughly \$4 million change in MAP claims.

Past year correction rates are applied to current year data to project final claims based on eligible dollars and application distribution by dependency type and sector. Claim rates by class level and school are applied to eligible dollars to project claims and determine when award announcements should be suspended. However, events such as early FAFSA filing, and the lack of timely appropriations which rendered FY2016 and FY2017 claim rates unusable, have complicated the process. FY2018 was the first year of early filing, and also a year in which the MAP appropriation was known before the school year began, so staff anticipates that FY2018 claim rates will contribute to more accurate projections for FY2019 MAP.

Announcements of FY2019 MAP awards for applications received February 28 or later have been suspended, as in February it appeared possible that the appropriation could have been depleted. Staff typically recommends waiting until after the first-term claim deadline in early December before deciding whether to release suspended MAP awards. However, an earlier release may be considered if FY2018 claim rates significantly lower projected FY2019 claims.

Recommended FY2019 Recompute Formula

Staff recommends that the FY2019 MAP start-up formula approved in January continue to be used to calculate MAP awards. 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. On the other hand, if claims are lower than projected it may be possible to release some suspended applications.

Table Four: Staff Recommended FY2019 Recompute Formula

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