

## AGENDA ITEM 5.

### FY2020 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

**Submitted for:** Action

**Summary:** The Commission approves an eligibility formula for the Monetary Award Program (MAP) near the start of the Free Application for Federal Student Aid (FAFSA) filing process. This helps financial aid officers provide MAP-eligible applicants with aid packages well before the school year begins, enabling them to make informed decisions. An early formula also enables staff to monitor projected MAP claims. In FY2018, the FAFSA-filing start date was moved three months earlier due to changes at the federal level, so filing for the 2019-20 academic year begins October 1, 2018. Commission approval of the start-up MAP formula is therefore being sought in September instead of in January.

Ideally, an eligibility formula would take into account application volume and a program appropriation. Since neither is known until much later, projections based on the past are used. The FY2020 budget process is not yet underway, so unless directed otherwise, staff assumes the MAP will receive \$401.3 million, level with the FY2019 appropriation. We also assume that up to 2 percent of the appropriation may be used for agency operations, as has been the case since FY2014.

Unless reasons exist to do otherwise, staff typically recommends that the current MAP formula be used as the start-up formula for the upcoming year. Once Commission approval is granted, the formula is incorporated into the system and staff starts tracking projected claims, in anticipation of choosing a suspense date to prevent over-promising awards. The formula will be revisited when the appropriation is final, hopefully before the academic year begins. Changes, if necessary, may then be recommended through the recompute formula at the June 2019 Commission meeting.

**Action requested:** Staff recommends the Commission approve the FY2019 MAP formula summarized in Table Four as the FY2020 MAP start-up formula. This formula reduces awards by 2 percent for a \$4,869 effective maximum MAP award.

**ILLINOIS STUDENT ASSISTANCE COMMISSION  
FY2020 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA**

**Introduction**

The Free Application for Federal Student Aid (FAFSA) filing cycle for academic year 2019-20 will begin October 1, 2018. This will be the third year for the three month earlier start date. The October 1st start date aligns more closely with the college application process and gives students more time to explore their options, as shown in Figure One. A timely start-up formula enables financial aid administrators to include MAP grants in students’ financial aid packages. An approved start-up formula also enables staff to track projected MAP claims and recommend an award suspense date when necessary.

Figure One: The Basic 20-Month School Cycle



As a result of the earlier FAFSA-filing cycle, staff now requests Commission approval in the fall, rather than at the January meeting. Typically the formula from the current year is recommended as the start-up formula for the upcoming year. When the FY2020 appropriation has been determined, any necessary adjustments may be requested at the June 2019 Commission meeting.

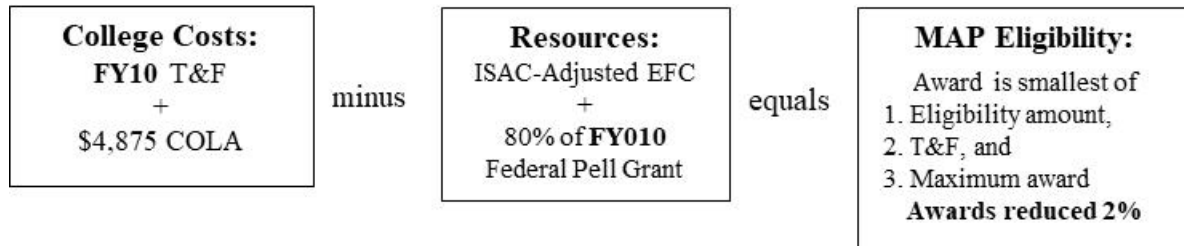
**Recent Improvements to the MAP Formula**

In the broadest terms, MAP eligibility is determined by subtracting student resources from the cost of college attendance, as shown in Figure Two. Through FY2002, the MAP formula used current tuition and fee amounts to represent costs. Application volume then began to soar, and appropriations did not keep up. The expense of updating formula components to maintain purchasing power had to be weighed against providing smaller awards to more applicants, in the perennial struggle between award size and basic access. Scales tipped towards providing access, and from FY2006 through FY2017, the formula used FY2004 tuition and fees plus a \$4,875 living allowance to represent costs.

Application volume peaked in FY2013 and a four-year decline followed. This decline, combined with a nearly \$44 million increase in appropriation, made an update to the formula possible in FY2018. Both the tuition and fees in the cost component and the Pell table in the resource component were updated to FY2010 levels. Incorporating more current tuition and fees in the MAP formula increased the size of the grant for many students, boosting affordability. This was particularly helpful to MAP-eligible students at the four public universities where FY2004 tuition and fees were lower than the maximum award. In

addition, the five percent reduction factor was reduced to two percent, increasing award sizes for all eligible students. The effective maximum award, which is the amount for which most four-year school students are eligible, increased from \$4,720 to \$4,968.

Figure Two: The MAP Eligibility Formula



### MAP Application Volume

As already mentioned, the MAP’s balance between improving purchasing power and providing basic access depends in part upon demand for the program, which is measured by application volume. For a historical perspective, Figure Three shows applications by sector of first-choice school for the past eighteen years. Announced applicants, or undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school, increased more than 85 percent between FY2001, which was the last year with no award suspension, and FY2013, when application volume peaked. By the end of FY2018, applications were down 19 percent from the FY2013 peak, lowering the FY2001 to FY2018 increase to about 50 percent.

Figure Three: MAP Application Volume

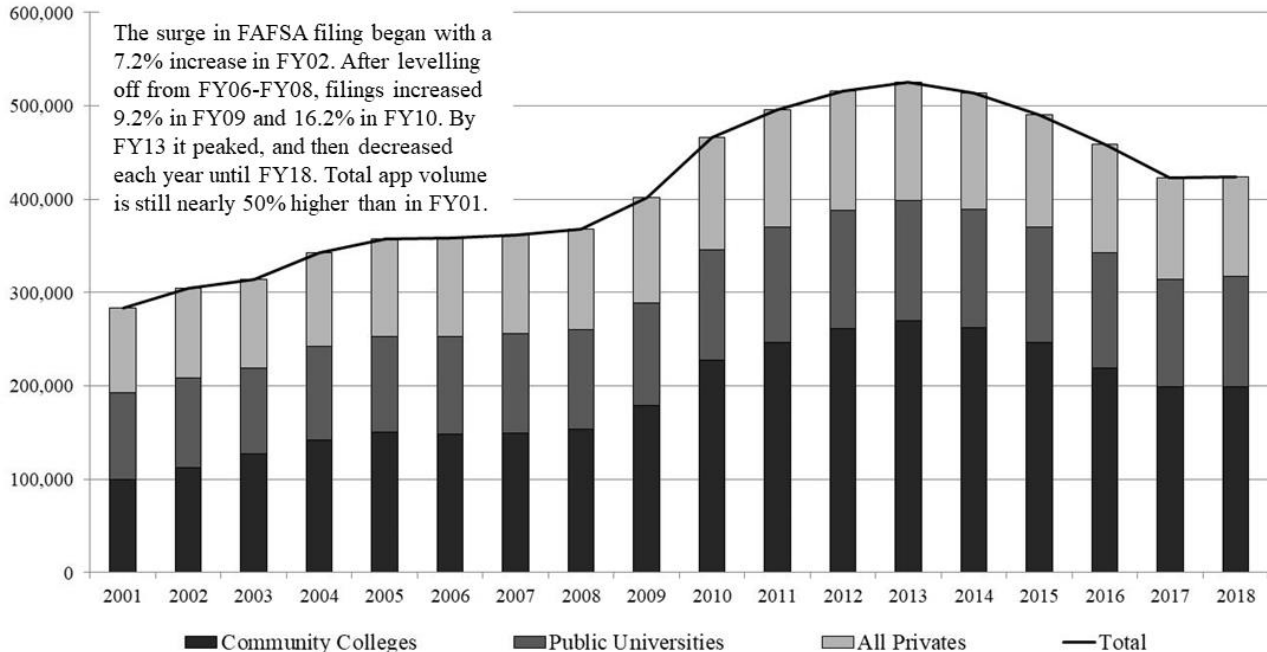


Figure Three shows that community colleges saw the biggest changes in FAFSA volume, increasing nearly 171 percent between FY2001 and FY2013, and then declining 26 percent by FY2018. Public universities and private schools saw nearly 40 percent increases by FY2013, but the decline since then in the private school sector has been 16 percent, double the 8 percent decline for public universities, largely due to dramatic decreases in applicants at the MAP-eligible proprietary schools.

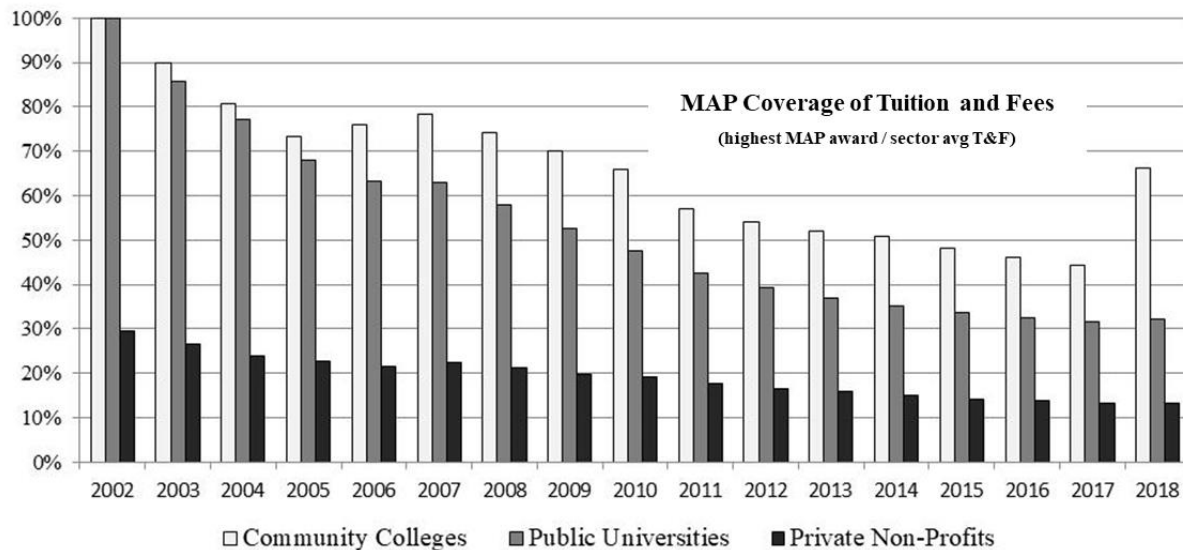
Community colleges and proprietary schools as well have a high percentage of independent students, whose college attendance tends to rise and fall according to changes in the business cycle. FAFSA filing by independent students nearly doubled between FY2001 and FY2013 then fell by one-third by FY2018. In comparison, applications from dependent students increased 75 percent by FY2013, and then decreased 8 percent by FY2018. In FY2018, application volume was 61 percent higher for dependents and 35 percent higher for independents than in FY2001.

Lower demand since FY2013 can be attributed to several factors, including an improved job market that keeps many independents, and likely some dependents, working instead of attending school and increased uncertainty about receiving the MAP grant caused by state budget troubles during FY2016 and FY2017. Affordability issues likely also play a role, as may doubts about the value of a college degree fueled by national stories of underemployment of recent college graduates, and stories concerning student loan debt.

### MAP Purchasing Power

The portion of tuition and fees covered by MAP awards has declined steadily for more than fifteen years, as the state has been unable to provide sufficient funding to match rising tuition and fees and higher demand for need-based financial aid. In FY2002, the highest MAP award *fully covered* sector-average tuition and fees at community colleges and public universities, and nearly 30 percent at private schools. Between FY2002 and FY2018, sector-average tuition and fees increased by more than three times at public universities (\$4,786 to \$15,182); by about two-and-a-half times at community colleges (\$1,731 to \$4,356) and more than doubled at private schools (\$16,888 to \$36,747.) By FY2017 the highest-possible MAP grant covered only 44 percent of sector-average community college tuition and fees, less than one-third at public universities, and only 13 percent at private schools.

Figure Four: MAP Coverage of Tuition and Fees



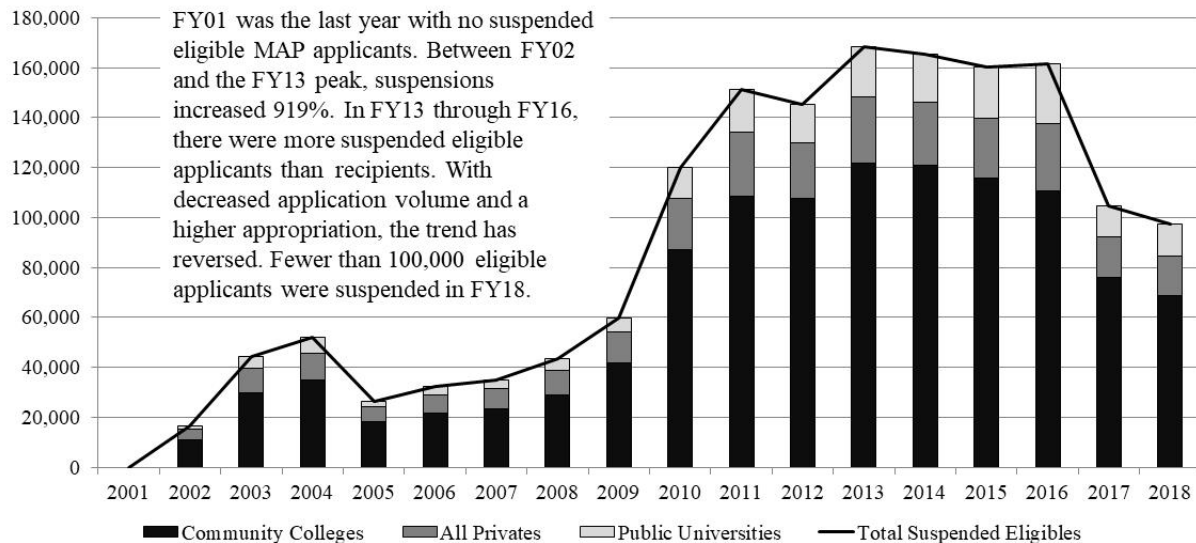
The FY2018 formula improvements boosted coverage provided by the highest possible MAP award back up to the FY2010 level of 66 percent at community colleges, where awards are constrained by tuition and fee amounts used in the formula rather than the maximum award. But while recognition of more current tuition and fees was desperately needed at the four public universities where FY2004 amounts were lower than the maximum award, on a sector-average basis, the formula improvements just

kept coverage from worsening from FY2017 levels. This is because MAP awards at four-year schools are generally constrained by the maximum MAP award, rather than tuition and fees. Further declines in MAP purchasing power will likely continue to jeopardize college access.

### MAP and Basic Access

Whether MAP awards cover a sufficient amount of tuition and fees to help provide access to college is only a relevant debate for those who apply in time to claim an award. Unfortunately, a large percentage of applicants are denied awards because the MAP appropriation cannot provide grants to all eligible applicants. Figure Five shows the number of eligible applicants whose awards were suspended due to lack of funding from FY2002 through FY2018. FY2001 was the last year when all eligible applicants who enrolled were able to claim their award. The number of suspended awards peaked in FY2013 at nearly 169,000; this was nearly 45 percent of the total eligible population. Suspended applicant numbers have since declined along with total application volume. In FY2018 there were 97,546 suspended eligible applicants, who made up 30 percent of eligible applicants.

Figure Five: Suspended Eligible MAP Applicants



As for the actual suspense *dates*, by November 2001, it was clear the FY2002 appropriation would not cover all eligible applicants who were likely to enroll, so those who applied on December 7 or later were suspended. In FY2003 through FY2009, suspense dates crept towards early August, then June in FY2010, April for FY2011 through FY2013, March in FY2014 and FY2015. The earliest suspense date was February 22 in FY2016. The budget impasse that year and the next provided extenuating circumstances; otherwise decreasing application volume would have likely enabled later suspense dates.

Increasingly earlier suspense dates were not just caused by more people filing, but by the fact that they were filing *earlier*. This phenomenon was likely fueled partly by outreach efforts to educate potential students about financial aid, and by attention given to the suspense date issue by schools and even the media. By FY2018, the first year of earlier FAFSA filing, many feared the suspense date would need to be set before the end of 2016. Although the initial suspense date was December 22, a release of applications through mid-January was made early in 2017. Eventually, awards were released for applicants through early March.

It should be noted that, although it varies by year and other factors, typically about two-thirds of *non-suspended* eligible applicants enroll and claim their MAP award. So it is highly probable that one-third or more of the *suspended* eligible applicants would not have enrolled even if their grants had not been suspended. Nevertheless, the number of applicants denied awards due to suspense is truly alarming.

**Action Requested**

This item was meant to provide some context behind the MAP formula. It is hoped that future conditions will allow for gradual improvements and more up-to-date formula components. Nevertheless, at this time, staff requests that the Commission approve the formula summarized in Table Four as the FY2020 MAP start-up formula. This is the FY2019 formula that uses FY2010 tuition and fees and Pell Table and includes a 2 percent reduction factor, for an effective maximum award of \$4,869.

Table Four: Recommended FY2020 Start-Up Formula

| <b>Budget</b>        |  |
|----------------------|--|
| 1                    | Use 2009-2010 reported tuition and fees at all institutions, assessed at 100 percent.  |
| 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.<br>Adjusted Dependent Students' Expected Family Contribution:<br>Adjustment Factor = $[\text{Parent Contribution (PC)} / 11,000 + 1.10]$ rounded to 2 decimal places<br>Adjusted PC = PC x Adjustment Factor<br>Adjusted EFC = Adjusted PC + highest of Student Contribution or self-help expectation<br><br>Adjusted Independent Expected Family Contribution:<br>Adjustment Factor = $[\text{EFC} / 11,000 + 1.10]$ rounded to 2 decimal places<br>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   |