

AGENDA ITEM 5.

FY2021 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Submitted for: Action

Summary: In September 2019, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for applicants planning to attend college in the 2020-21 academic year. Establishing the formula early enables financial aid advisors to create aid packages which help 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 consistent with the prior year.

Changes were made to MAP with passage of the Retention of Illinois Students and Equity (RISE) Act, which became effective January 1, 2020. This legislation enables certain groups of students, not eligible for federal student aid, to apply for MAP grants and other state programs. The RISE Act also eliminated the rule requiring students to reach junior status before using more than 75 MAP paid credit hours. However, the strongest influence on MAP this year will be the COVID-19 pandemic. Despite extreme COVID-19 disruptions, a state budget for FY2021 was approved. MAP received level funding of \$451.3 million.

In early March, just before shutdowns began in Illinois, announced applications for FY2021 were nearly level and eligible applications for FY2021 were down about 3 percent from the prior year. After ten weeks of shutdown in late May, announced application volume was down nearly 5 percent and eligible application volume was down 8 percent. Applications from dependents and applicants planning to attend a four-year school were down about 6 percent, while independent applicants and those interested in enrolling at a community college were down 11 percent. It appears, at least in the short-term, that the pandemic has discouraged people from applying for financial aid.

At this point, it is unclear how the fall 2020 term will pan out. Some theorize that, if classes are limited to online, enrollment could suffer as students who prefer to learn in person decide to not enroll. On the other hand, unemployment rates resulting from the pandemic could cause a surge in enrollment, particularly at community colleges.

To help MAP weather such uncertain conditions, the Commission typically grants Staff authority to reduce second- and third-term claim amounts after the first-term deadline in December, if necessary, to stay within the appropriation. Having this strategy as a safety valve facilitates more accurate forecasting and can prevent the addition of a reduction factor to the MAP eligibility formula at recompute.

Action requested: Staff requests Commission approval to continue using the FY2021 MAP eligibility formula approved last September. 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 FY2021 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Background

In September 2019, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2020-21. The formula is determined when the FAFSA-filing cycle begins 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 school. Prior to the start of the first semester - ideally, when the appropriation is final - the Commission approves a recompute formula, which typically is the same as the start-up formula when the final appropriation is level with the prior year.

The FY2021 MAP cycle faces changes that began with passage of the Retention of Illinois Students and Equity (RISE) Act in 2019. The RISE Act enables certain student groups not eligible for federal financial aid, including qualified undocumented immigrants and certain transgender students to apply for MAP grants and other state aid. To accommodate these applicants, ISAC staff built the Alternative Application for Illinois Financial Aid that largely replicates the FAFSA and the federal calculation of an expected family contribution. The Alternative Application was made available in early January, shortly after the RISE Act became effective. As of late May, nearly 1,800 students had completed the application, and nearly 1,600 are eligible for a MAP grant at their first-choice school.

Another change from the RISE Act is elimination of the 75-MAP paid credit hour cap for recipients who have not yet reached junior status. The cap, which equated to 2.5 years of full-time attendance, had been adopted in FY2005 to preserve MAP eligibility for students seeking a four-year degree. However, advocates believed the cap was harmful to some disadvantaged students. Since the RISE Act became effective January 1, 2020, the cap was eliminated for the second half of the FY2020 MAP cycle, and will not apply to any MAP recipients beginning in FY2021.

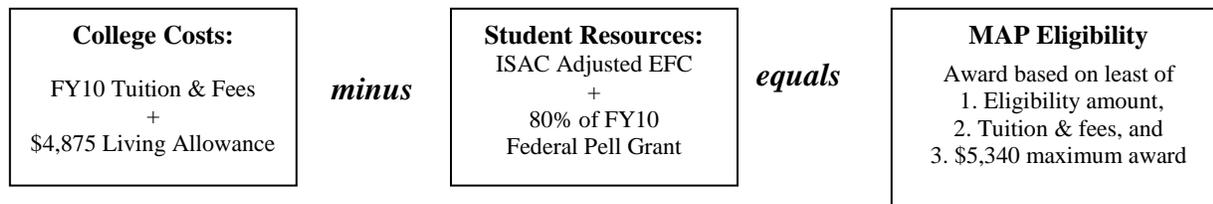
However, the greatest influence on FY2021 MAP, as on many areas of life worldwide, will be challenges caused by the COVID-19 pandemic. In mid-March, to slow the spread of the deadly virus, Governor Pritzker declared a shutdown order for the state. Non-essential businesses were closed. People were encouraged to stay home whenever possible. Classes were completed on-line for elementary and high school students, and college students were sent home to finish the spring term on-line. Some restrictions were loosened at the end of May, but it is not yet clear what to expect this fall. Some schools have announced plans to resume in-person classes to the extent possible. Other schools may offer only on-line classes or some type of hybrid. Despite extreme COVID-19 disruptions, a state budget for FY2021 was approved in May. MAP received level funding of \$451.3 million, with up to two percent to be used for agency operations. Therefore, staff is recommending that the FY2021 MAP start-up eligibility formula be approved as the FY2021 recompute formula.

The Basic MAP Formula

The MAP formula determines whether a student is eligible for an award and calculates award amounts. Figure One shows the basic formula, which uses the difference between a cost of attendance figure

and student resources to calculate each student’s maximum eligibility. College costs include tuition and mandatory fees plus a \$4,875 living allowance. 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. The award is determined by the lowest of the eligible amount, the tuition and fees used in the cost portion of the formula, and the \$5,340 maximum award. Applicants with an EFC of \$9,000 and those who have already received 135 MAP paid credit hours or more are ineligible. MAP grants are claimed by the school for the student and applied to help pay tuition and mandatory fees.

Figure One: The MAP Formula



MAP Application Volume

Prior to the COVID-19 pandemic, recent declines in MAP application volume appeared to be slowing somewhat. As shown in Table One, FY2021 announced applications were nearly level with FY2020 and eligible applications were about 3 percent lower. But as of late May, after ten weeks of shutdown, FY2021 announced application volume was down nearly 5 percent and eligible applications were down 8 percent from last year. Nearly 6 percent fewer eligible dependent students had applied, and eligible independent applicants were down 11 percent. Eligible applicants planning to attend public or private four-year schools were down about 6 percent, and applications from those planning to attend a community college were down nearly 11 percent. It appears, at least for now, that the pandemic has delayed enrollment plans and discouraged people from applying for student financial aid.

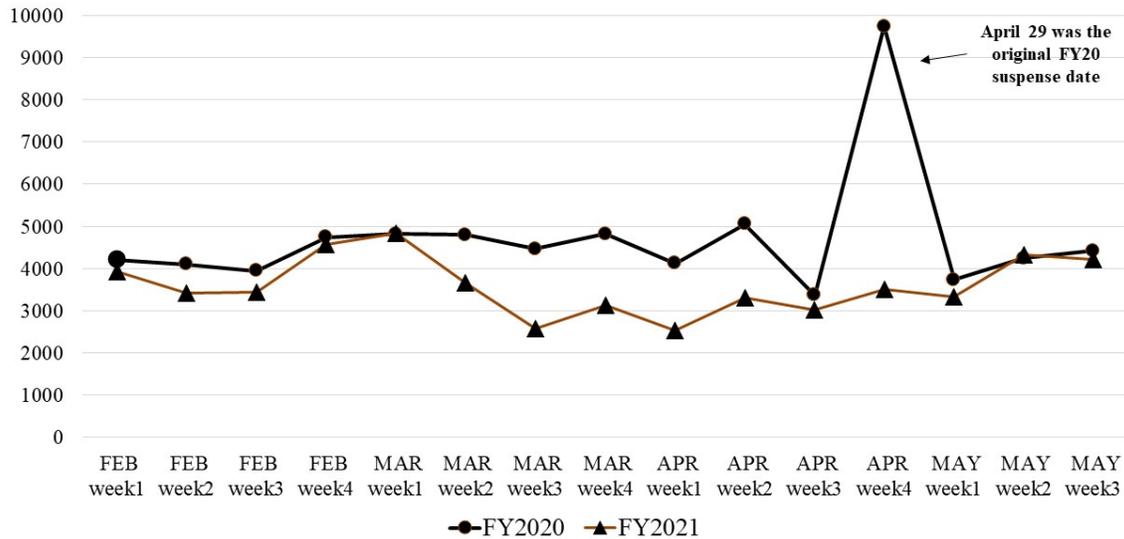
Table One: FY2021 vs FY2020 Application Volume

FY2021 MAP Application Volume Compared to FY2020		
	Early March 2020	Late May 2020
Announced Applicants	-0.1%	- 4.7%
Eligible Applicants	-2.9%	- 7.9%
Eligible Dependents	-1.9%	- 5.7%
Eligible Independents	-5.0%	- 11.2%
Sector of First-Choice School:		
Public Universities	-3.9%	-5.6%
Private Universities	-2.4%	-6.3%
Community Colleges	-2.3%	-10.8%

The current effect of the pandemic on FAFSA filing can also be illustrated by *weekly*, rather than cumulative numbers. Figure Two compares weekly applications for Illinois undergraduates who listed at least one MAP school on their FAFSA. In February 2020, FY2021 weekly application counts were slightly lower but still fairly close to FY2020. From mid-March through early April 2020, FY2021 filing fell between 24 and 42 percent lower than FY2020. It is important to note that the FY2020 spike in the fourth week of April was caused by the original April 29 suspense date. By mid-May the post-suspense decrease

in FY2020 applications and an increase in FY2021 applications brought *weekly* numbers for the two years closer again.

Figure Two: Weekly Application Volume



While employment opportunities may influence FAFSA filing for both high school graduates and older students, the volume of applications for independent students typically increases the most when unemployment rates are high. Prior to the COVID-19 pandemic, the Illinois unemployment rate was an incredibly low 3.4 percent for February, according to the U.S. Bureau of Labor Statistics. However, business shutdowns and stay at home orders, while necessary to slow the spread of the virus, resulted in a preliminary April 2020 unemployment rate of 16.4 percent. Effects have not yet shown up in increased FAFSA filings, but it is reasonable to expect increased MAP demand at some point, particularly at community colleges. For now, increased application volume is likely being tempered by pandemic-related uncertainty both in the job market and in how classes will be offered in the near future.

Projecting Claims and Choosing a Suspense Date

Projecting MAP claims months before the academic year begins can be challenging. Even when the eligible population is set, uncertainty comes from several directions. Eligible MAP dollars change as FAFSAs are corrected and also as students change schools. Past-year correction rates are applied to current year data to adjust eligible dollars. Claim rates from the previous year, calculated by class level and first-choice school, are then applied to eligible dollars to project claims. Of course, actual claims depend on the number of students who enroll and whether they enroll part or full time, which partly depends on the economy. For the FY2021 MAP cycle, the economy has been disrupted by the COVID-19 pandemic. Immediate effects on school enrollment and on MAP claims are not yet clear.

Projected MAP claims are used to determine when award announcements should be suspended. The \$50 million increase for MAP received in FY2020 was used to both increase the size of awards and to extend the April 29 suspense date to May 26. Before the year ended, awards were released for applicants who filed through June 26. With level funding in FY2021, announcing awards through a similar timeframe will likely be possible. While FY2021 applications are currently down, claim rates are higher for applicants whose awards were never suspended, so the lower number of applicants does not necessarily translate to a later suspense date. Application volume and projected claims are closely monitored, with the goal of maximizing claims without over-spending the appropriation.

Action Requested

Staff requests Commission approval of the formula in Table Two below for FY2021 MAP recompute. With the \$50 million increase to MAP in FY2020, the formula was improved by removing the reduction factor and increasing the maximum award from \$4,968 to \$5,340. This formula was also approved by the Commission in September 2019 as the FY2021 start-up formula.

Table Two: Recommended FY2021 Recompute Formula

<i>Budget</i>	
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.
<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 = $[\text{Parent Contribution (PC)} / 11,000 + 1.10]$ 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 = $[\text{EFC} / 11,000 + 1.10]$ 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 \$5,340 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	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.
4	Students who have used 135 or more MAP paid credit hours will still not be eligible for MAP. <i>(NOTE: The 75 MPCH Cap for students who had not yet attained junior status was eliminated as of January 1, 2020 by the RISE Act)</i>