

AGENDA ITEM 5.

FY2022 MONETARY AWARD PROGRAM RECOMPUTE FORMULA

Submitted for: Action

Summary: In September 2020, the Commission approved a Monetary Award Program (MAP) start-up formula to calculate eligibility for applicants planning to attend college in the 2021-22 academic year. Early determination of the formula enables financial aid advisors to package aid and helps applicants determine whether and where to enroll. When the MAP appropriation is settled through the state budget process, the Commission may revisit the formula based on the new information. Typically, the start-up formula continues if the appropriation remains level, and formula improvements are adopted when more funds are received.

As proposed in the Governor's FY22 budget, the MAP received an additional \$28.2 million, for a total of \$479.6 million; two percent may be used for administration. The additional funds were intended to enable MAP purchasing power to keep up with tuition and fee increases, with the remainder providing awards to more eligible applicants, whose awards would otherwise be suspended.

With this balanced approach in mind, staff is proposing a FY22 MAP recompute formula that increases the maximum award from \$5,340 to \$5,496 and increases the living allowance from \$4,875 to \$5,020. Projections indicate these improvements will cost about \$16 million. The remaining \$12 million will provide awards for more eligible applicants. Projections suggest that the higher living allowance and additional awarding combined will result in nearly 6,000 additional recipients.

MAP has been affected by legislation several times in recent years. In FY22, Public Act 101-108 requires that high school seniors, starting with the Class of 2021, file either a Free Application for Federal Student Aid (FAFSA), ISAC's Alternative Application for Illinois Financial Aid, or sign a waiver, as a condition for high school graduation. Although the COVID-19 pandemic dampened FY21 and FY22 MAP application volume overall, the influx from high school seniors has bolstered FY22 volume. As many schools were operating virtually for much of 2020-21, the effect of high school seniors filing FAFSAs has been more evident in recent months.

Action requested: Staff requests Commission approval of the MAP eligibility formula shown in Table Three, with the living allowance increased to \$5,020 and the maximum award increased to \$5,496 compared to the \$4,875 living allowance and \$5,340 maximum award in the start-up formula. Staff also requests authority to either release some suspended awards if first-term claims are low or reduce second- and third-term claim amounts after the first-term deadline in December, if necessary, to maximize awards without exceeding the appropriation.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2022 MONETARY AWARD PROGRAM RECOMPUTE FORMULA**

Background

In September 2020, the Commission approved a start-up formula to calculate Monetary Award Program (MAP) eligibility for students planning to attend college in academic year 2021-22. 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, and ideally is improved if MAP receives an increase.

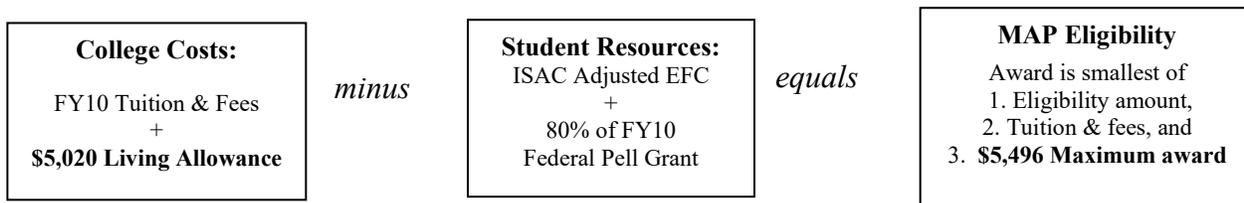
A state budget for FY22 has been approved, and MAP received \$28.2 million additional funding, for an appropriation of \$479.6 million. Staff, in consultation with the ILASFAA Formula Committee, is recommending a MAP eligibility formula that increases the maximum award from \$5,340 to \$5,496 and increases the living allowance from \$4,875 to \$5,020. These changes will cost an estimated \$16 million. Increasing the maximum award by about three percent will help MAP awards keep up with projected tuition and fee increases at public universities and private schools. Increasing the living allowance, for the first time since FY02, improves affordability at community colleges and adds some recipients by helping some formerly ineligible applicants gain eligibility. Announcing MAP awards longer, likely by at least three weeks but depending on future application volume, will be possible with the remaining \$12 million.

This item reviews the basic MAP formula and the changes being proposed for FY22 – increasing the maximum award from \$5,340 to \$5,496; increasing the living allowance from \$4,875 to \$5,020; and announcing MAP awards likely for at least three weeks longer - including their effects on MAP purchasing power. Trends in application volume are also discussed.

The MAP Formula and Proposed Improvements

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 maximum eligibility. College costs include tuition and mandatory fees plus a proposed \$5,020 living allowance.

Figure One: Basic MAP Formula



Student resources include 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 proposed \$5,496 maximum award. Applicants with an EFC of \$9,000 or more are ineligible. MAP grants are claimed by the school on behalf of the student and applied towards tuition and mandatory fees.

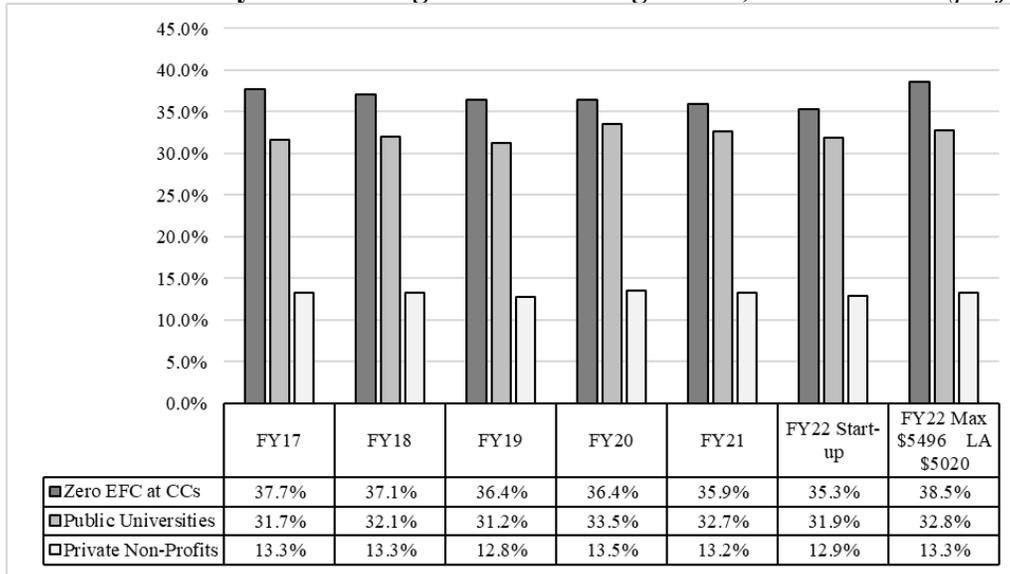
Over time, components of the MAP formula have become outdated due to surging demand – announced application volume increased 85 percent between FY01 and FY13 and appropriations did not enable the MAP to reach its ideals of affordability and access. Since peaking in FY13, announced volume has decreased 29 percent, but is still about 32 percent higher than in FY01. FY02 is the last year that the current tuition and fees and Pell table were used and the last year that the living allowance increased. The formula included FY04 tuition and fees and Pell from FY06 until being increased to FY10 values in FY18. The EFC cap has been \$9,000 since FY01. The maximum award was \$4,968 from FY02 until it was raised to \$5,340 in FY20 and was lowered in many years by a reduction factor. The maximum award was increased in statute to \$6,498 in FY09, but this change was subject to sufficient funding.

Models indicate that increasing the maximum award to \$6,468 would cost over \$80 million. Models indicate that *at least* an additional \$1.2 billion would be needed to restore the MAP to where it was in FY01 – providing awards to all eligible applicants who enroll and, for those with the highest eligibility, fully covering tuition and fees.

Proposed Formula Improvements’ Effects on MAP Purchasing Power

MAP is challenged to cover enough of tuition and fees to make college affordable for recipients. FY02 was the last year that the highest MAP award covered 100 percent of sector-average tuition and fees at public universities and community colleges, and 29 percent at private non-profit universities. In spite of receiving appropriation increases in three out of five recent years; \$37 million in FY18, \$50 million in FY20, and \$28 million in FY22, MAP is struggling to keep up.

Figure Two: Monetary Award Program Purchasing Power, FY17 – FY22 (projected)



Nearly all MAP eligible applicants at private non-profits and about 95 percent at public universities are eligible for the maximum award, so increases improve affordability for a large number of students but are expensive to implement. For FY22, Staff proposes to increase the maximum from \$5,340 to \$5,496 at a projected cost of about \$11 million. MAP awards for community college students are not affected by changes to the maximum award, since FY10 tuition and fees at all community colleges are lower than the maximum. To help community college awards keep up with tuition and fee increases, raising the living allowance from \$4,875 to \$5,020 is proposed, at a projected cost around \$5 million.

As shown in Figure Two, with the proposed FY22 recompute formula, the highest MAP award will cover almost 33 percent of projected sector-average FY22 tuition and fees at public universities, about 39 percent at community colleges, and just over 13 percent at private non-profit universities. This coverage is slightly higher than in FY17 (by no means a respectable benchmark year – FY17 is simply the year prior to the recent three-out-of-five-year appropriation increases) for the two public sectors and the same for private non-profits. In the absence of the appropriation increase and proposed improvements, coverage would be as shown by the FY22 Start-up figures, which are lower than FY17 for community college and private non-profit university and only a fraction higher for public university awards.

Even with the proposed FY22 increased MAP award amounts, and using sector-average projected FY22 tuition and fees, MAP recipients are left with large gaps; nearly \$2,900 at community colleges; more than \$11,200 at public universities; and nearly \$35,900 at private non-profit universities. These gap amounts are only based on tuition and fees, not the total cost of attending college. Federal Pell grants, with a FY22 maximum of \$6,495 for students with expected family contributions of zero, definitely help, and some recipients are awarded institutional aid as well. However, too often the gaps are filled with student loans, which can quickly become burdensome.

MAP Awarding Will Be Extended

Table One: Projected Effects of Formula Improvements and Awarding Longer

	Additional Recipients		Increased Claims	
Dependents	2,458	41%	\$14,479,897	53%
Independents Without	1,548	26%	\$6,659,639	24%
Independents With Deps	1,959	33%	\$6,342,856	23%
Zero EFC	3,614	61%	\$15,599,609	57%
1 - 1000	524	9%	\$2,785,628	10%
1001-3000	870	15%	\$3,796,247	14%
3001-5000	569	10%	\$2,483,169	9%
5001-7000	218	4%	\$1,693,535	6%
7001-8999	170	3%	\$1,124,204	4%
Public Universities	990	17%	\$10,209,336	37%
Private Non-profits	731	12%	\$8,295,858	30%
Community Colleges	4,137	69%	\$8,255,419	30%
Proprietary Schools	107	2%	\$721,779	3%
Totals	5,965	100%	\$27,482,392	100%

In addition to improving purchasing power for MAP recipients, the \$28.2 million increase will provide awards for more eligible applicants. The higher living allowance and, to a much greater extent, announcing MAP awards for at least three more weeks is projected to add nearly 6,000 more recipients, as shown in Table One. (Because awards for *existing* recipients increase, the increased claim amounts divided by increased recipient numbers *do not* result in average awards for additional recipients.) Almost 70 percent will likely be enrolled at a community college, more than 60 percent will have a zero EFC, and just under 60 percent will be independent students.

Application Volume and Suspended MAP Awards

FY22 MAP application volume has been affected by Public Act 101-108. This legislation requires that high school seniors, starting with the Class of 2021, file either a Free Application for Federal Student Aid (FAFSA), ISAC's Alternative Application, or sign a waiver, as a condition for high school graduation. This was intended to educate students on available student aid and help them realize post-secondary education could be possible. Although the COVID-19 pandemic dampened FY21 and FY22 MAP application volume overall, the influx from high school seniors has bolstered FY22 volume. As most schools were operating virtually for much of 2020-21, the effect of high school seniors filing FAFSAs has been more evident in recent months. As of early June 2021, filers identified as first-time college freshmen age 19 or under is the only dependency type category of applicants that has increased over last year, as shown in Table Two:

Table Two: MAP Application Volume – Early June 2021

Announced by dependency type:	FY2022	FY2021	% change
dep >19 &/or not 1st time freshmen	123,911	132,482	-6.5%
dependent 1st time freshmen <=19	70,660	65,196	8.4%
independent without dependents	41,943	44,117	-4.9%
independent with dependents	38,447	40,149	-4.2%
	274,961	281,944	-2.5%

Closely tied to application volume is the issue of suspended awards. When forecasts indicate the MAP appropriation may be spent on current applicants, MAP awards are suspended to avoid the risk of exceeding the appropriation. In recent times, suspense has occurred every year since FY02 – first in December, then in August for most years FY03 through FY08, then earlier each year until FY16, when suspense was in February and there was a budget impasse that prevented any awards from being released. In FY18, the Feds began starting the FAFSA filing process three months earlier, on October 1st of 2016 for the 2017-18 academic year. In spite of fears that this would cause the suspense date to occur before January 1st, the traditional start of the FAFSA season, the initial FY18 suspense date was in mid-January and awards for applicants through March 9 were eventually released.

Decreasing application volume and aforementioned increases to the MAP appropriation have enabled later suspense dates and fewer suspended awards. At the peak of application volume increases in FY13 there were 168,595 eligible applicants with suspended awards; by FY20 applicants through July 26 (nearly 10 months of FAFSA filing, compared to about three months in FY13 and less than two months in FY16) were offered awards and there were fewer than 53,000 suspended. In FY21, applicants through August 22 (nearly 11 months) were eventually offered awards, and with the year nearly final, it appears there will be about 25,825 suspended eligible applicants. It is important to note that, while claim rates vary, it is likely that fewer than 60 percent of suspended applicants would have claimed their award, based on the percentage of those who are offered an award who enroll and claim.

It is difficult to know the extent to which the FY21 MAP and perhaps to a lesser degree, the FY22 MAP was influenced by the COVID-19 pandemic. As life in Illinois slowly returns to normal, application volume may increase as potential students feel comfortable returning to campus. On the other hand, the job market is rebounding, which may hinder enrollment. Either way, the MAP will be there to help students gain access and to help make college affordable.

Action Requested

Staff requests Commission approval of the formula in Table Three below for the FY2022 MAP recompute formula. The \$28.2 million increase allows for raising the maximum award from \$5,340 to \$5,496; increasing the living allowance from \$4,875 to \$5,020; and announcing MAP awards for three or more additional weeks.

Table Three: Recommended FY2022 Recompute Formula

Budget	
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 \$5,020 .
Resources	
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	<p>Calculate the ISAC adjusted EFC by inflating the Federal EFC.</p> <p>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</p> <p>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</p>
3	Use a minimum self-help expectation of \$1,800 for all students.
Award Amounts	
1	Set maximum award equal to lesser of \$5,496 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 a Federal 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. (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)