

AGENDA ITEM 6

FY2021 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, more than 10 months before the academic year begins. This enables financial aid officers to provide aid packages early and helps students make informed decisions. The FY2021 budget process has not begun, so staff assumes the MAP will receive \$451.3 million, level with the FY2020 appropriation. Staff also assumes that up to 2 percent of the appropriation may be used for administration.

Two recent legislative actions will affect the MAP in FY2021. Public Act 100-0823, signed by then-Governor Rauner in August 2018, requires that staff set a “MAP priority consideration date.” Filing a FAFSA by this date, which will be announced prior to October 1st, ensures that MAP recipients from the previous year will again receive MAP, provided they are still eligible. Those who apply after the priority consideration date will still be eligible for an award, as long as forecasts indicate the appropriation has not yet been expended.

The FY2021 MAP will also be affected by the Retention of Illinois Students and Equity (RISE) Act. This legislation was signed by Governor Pritzker in June 2019 and becomes effective January 1, 2020. The RISE Act secures consideration for state financial aid eligibility for Illinois residents who are not eligible for federal financial aid. This includes undocumented immigrants who meet criteria for in-state tuition at Illinois public universities, as well as transgender students who were male at birth but are ineligible for federal aid because they do not register for the Selective Service. Sponsors of the RISE Act also felt that requiring MAP recipients to attain junior status before receiving more than 75 MAP Paid Credit Hours (MPCH) was harming access for disadvantaged students, and so that cap will be eliminated when RISE becomes effective. The 75 MPCH Cap had been adopted in FY2005 to preserve MAP eligibility for students seeking a four-year degree.

This item reviews basic MAP issues and requests approval of a FY2021 MAP Start-up Formula. Staff typically recommends adopting the current formula for beginning the upcoming year. Once approval is granted, the formula is incorporated into the system and staff begins 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, generally before the 2020-2021 academic year begins. Changes, if necessary, may be recommended for the recompute formula at the June 2020 Commission meeting.

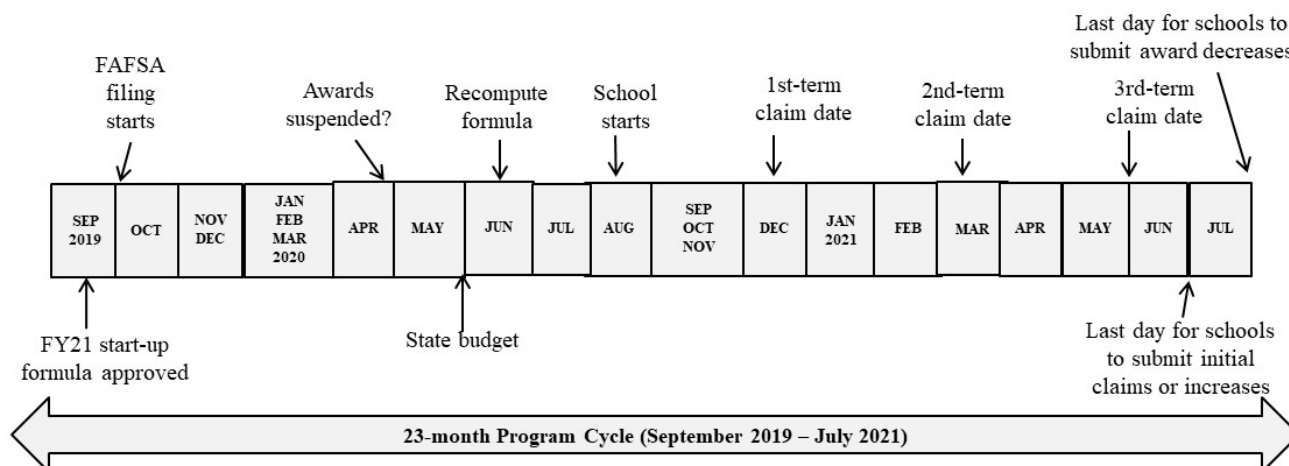
Action requested: Staff requests Commission approval of the MAP formula summarized in Table Four as the FY2021 MAP Start-up Formula. This formula is consistent with the FY2020 MAP Recompute Formula that was approved at the June 24, 2019 Commission Meeting.

ILLINOIS STUDENT ASSISTANCE COMMISSION FY2021 MONETARY AWARD PROGRAM (MAP) START-UP FORMULA

Introduction

Free Application for Federal Student Aid (FAFSA) filing for academic year 2020-21 will begin October 1, 2019. This will be the fourth year for the three-month earlier start date. October aligns more closely with the college application process and gives students more time to explore their options. A timely start-up formula enables financial aid administrators to include MAP grants in students' financial aid packages and helps students make informed enrollment decisions. An approved start-up formula also enables staff to track projected MAP claims and recommend an award suspense date when necessary. Figure One shows the timeline of a typical program cycle for the MAP.

Figure One: The Basic 23-Month MAP Cycle

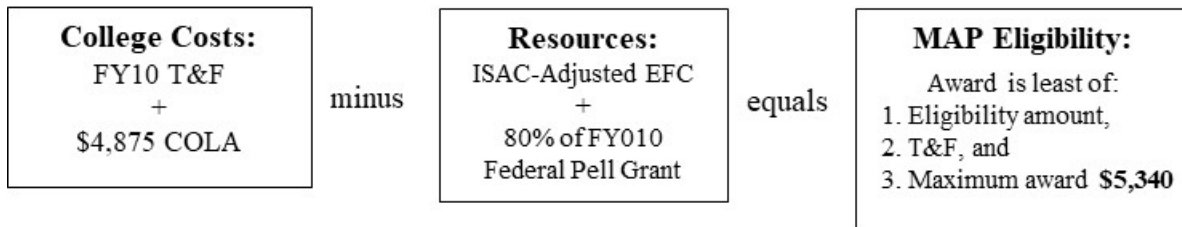


As a result of the earlier FAFSA-filing cycle, staff now requests Commission approval in the fall, rather than at the January meeting. Typically, the formula from the current year is recommended as the start-up formula for the upcoming year. When the FY2021 appropriation has been determined, any necessary adjustments may be requested at the June 2020 Commission meeting.

Basic MAP Eligibility Formula and Recent Improvements

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 with demand. The expense of updating the formula to maintain purchasing power was weighed against providing smaller awards to more applicants, in the constant struggle between affordability 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.

Figure Two: The MAP Eligibility Formula



Application volume peaked in FY2013 and has declined each year since. This decline, combined with a \$44 million budget increase, made an update to the formula possible in FY2018. Tuition and fees, as well as the Pell table, were updated to FY2010 levels, and the 5 percent reduction factor was reduced to 2 percent. Using more current tuition and fees increased eligibility amounts for many students, particularly those at the four public universities where FY2004 tuition and fees were lower than the \$4,968 maximum award. The lower reduction factor increased all awards, and increased the effective maximum award from \$4,720 to \$4,869.

In FY2020, the MAP received an additional \$50 million, for a total appropriation of \$451.3 million. This most welcome addition enabled the maximum award to be raised for the first time since FY2002. The reduction factor was also eliminated, so the effective maximum award increased \$471, from \$4,869 to \$5,340. The higher appropriation also allowed for the release of awards for applicants who applied between the original suspense date of April 29 through May 26. This release occurred in early July, so it is likely that enrollment behavior for the fall term was affected. MAP recipients in all sectors benefitted from the increase in funding.

MAP Application Volume

The MAP’s balance between improving purchasing power and providing basic access depends in part upon demand for the program, measured by application volume. For a historical perspective, Figure Three shows applications by sector of first-choice school since FY2001. Announced applicants, who are undergraduate Illinois residents completing FAFSAs and expressing interest in a MAP-approved school, increased more than 85 percent between FY2001 and FY2013, when application volume peaked. By the end of FY2019, applications were down 22 percent from the peak, lowering the increase since FY2001 to 44 percent. In FY2020 applications are currently down more than 4 percent.

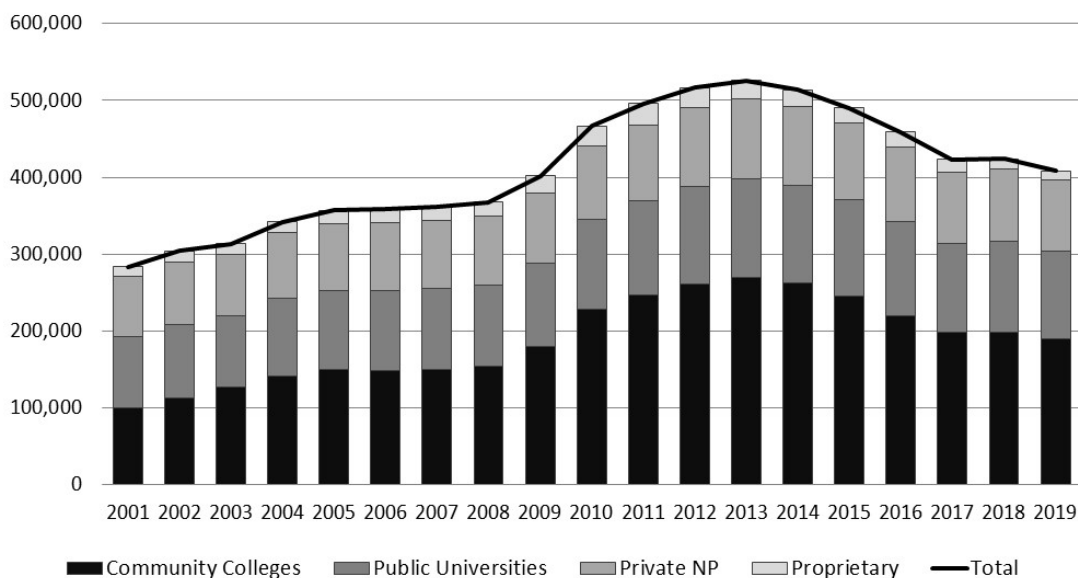
Figure Three shows that community colleges saw the biggest changes in FAFSA volume, increasing nearly 171 percent between FY2001 and FY2013, then declining 30 percent by FY2019. Public universities and private schools saw nearly 40 percent increases by FY2013; the decline to FY2019 is about 10 percent for public and private non-profit universities. Many schools in the proprietary sector have closed, and application volume fell by more than half since FY2013.

Community colleges and proprietary schools 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 more than one-third by FY2019. In comparison, applications from dependent students increased 75 percent between FY2001 and FY2013, then decreased 10 percent by FY2019. In FY2019, application volume was 58 percent higher for dependents and 26 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. Increased uncertainty about receiving the MAP grant caused by state budget troubles during FY2016 and FY2017 may have contributed to the decline as well. 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.

Figure Three: MAP Application Volume

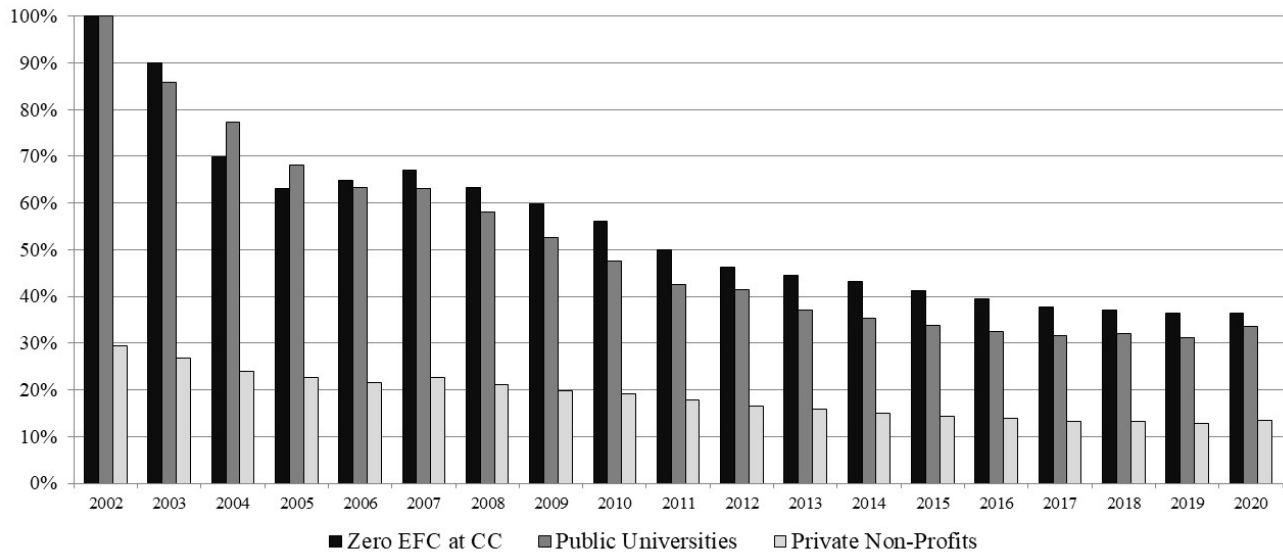


MAP Purchasing Power

The portion of tuition and fees covered by MAP awards has declined steadily for eighteen years, as the state has been unable to provide sufficient funding to match rising tuition and fees. In FY2002, the highest MAP award *fully covered* sector-average tuition and fees at community colleges and public universities, and covered nearly 30 percent at private schools. Between FY2002 and FY2020, sector-average tuition and fees increased by more than three times at public universities (\$4,786 to \$15,936); by more than two-and-a-half times at community colleges (\$1,731 to \$4,528) and more than doubled at private schools (\$16,888 to \$39,417.) In FY2017, prior to formula improvements in FY2018 and FY2020, the MAP maximum award covered only 32 percent of tuition and fees at public universities and 13 percent at private non-profits. Awards for Zero-EFC community college MAP recipients covered 38 percent of tuition and fees.

FY2018 and FY2020 MAP Formula improvements included updating tuition and fees and the Pell table from FY2004 to FY2010 amounts, removing the 5 percent reduction factor, and increasing the maximum award from \$4,968 to \$5,340. While these improvements were much needed and certainly appreciated, their effect on MAP purchasing power was less than might be expected. The larger maximum award increased tuition and fee coverage to 34 percent at public universities and 14 percent at private non-profit schools. Community college tuition and fee coverage for Zero-EFC students actually declined to 36%, largely due to a \$1,300 increase in the maximum Pell grant, 80 percent of which is counted as a resource, between FY2004 and FY2010. Failure to continue improving the MAP formula will result in further declines in MAP purchasing power and likely jeopardize college access for students who rely on financial aid.

Figure Four: MAP Coverage of Tuition and Fees



MAP and Basic Access

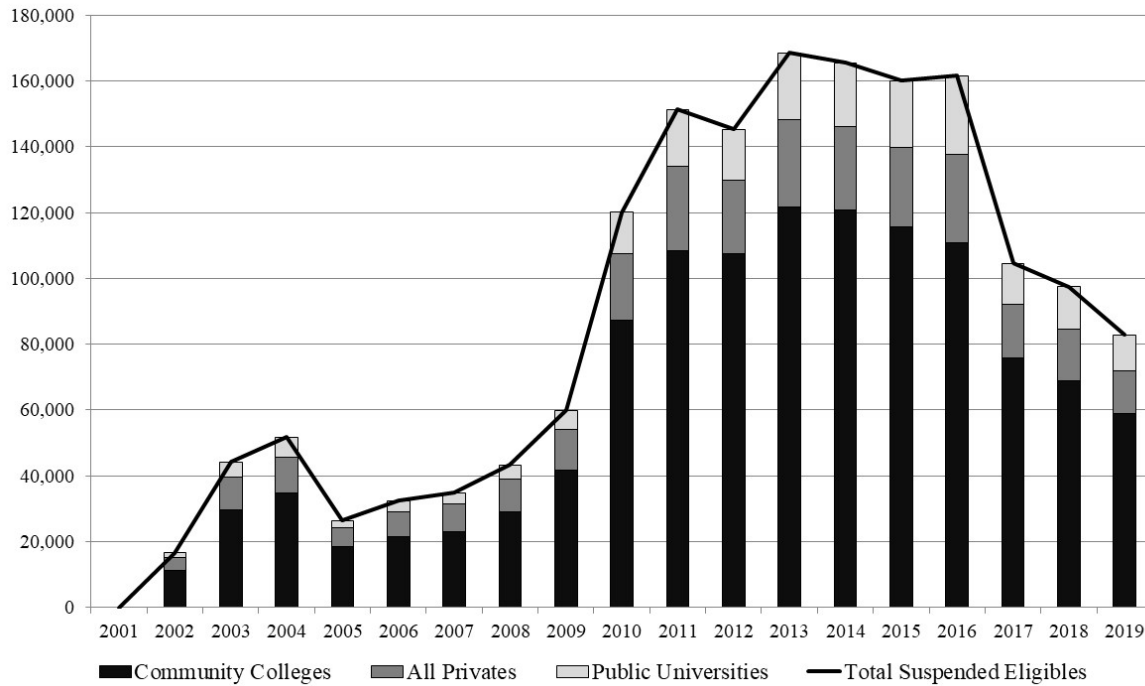
Whether MAP awards cover a sufficient amount of tuition and fees to help provide access to college is only a relevant debate for those who apply in time to claim an award. Unfortunately, a large percentage of applicants are denied awards because the MAP appropriation cannot provide grants to all eligible applicants. Figure Five shows the number of eligible applicants whose awards were suspended due to lack of funding from FY2002 through FY2019. FY2001 was the last year when all eligible applicants were offered awards. 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 FY2019 there were fewer than 83,000 suspended eligible applicants, who made up 29 percent of eligible 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.

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 and eventually, awards were released for applicants through early March. The original FY2019 suspense date was February 28, and awards through April 4 were released following the first term claim deadline. The FY2020 suspense date was originally set at April 29; when the MAP appropriation was increased by \$50 million, awards for applicants through May 26 were released. Projected claims will be closely monitored to determine whether another release will be possible.

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. Based on that ratio, it is likely that one-third or more of the *suspended* eligible applicants would not have enrolled even if they had received a MAP award. Nevertheless, the number of applicants denied awards due to suspense is concerning.

Figure Five: Suspended Eligible MAP Applicants



Changes for the FY2021 MAP

MAP will be affected by two recent legislative actions in FY2021. Public Act 100-0823, signed by then-Governor Rauner in August 2018, requires the setting of a “MAP priority consideration date” for the previous year’s MAP recipients. Filing a FAFSA by this date, which will be announced prior to October 1st, ensures that they will again receive MAP, provided they are still eligible. Those who apply after the priority consideration date will still be eligible for an award, as long as forecasts indicate the appropriation has not been expended.

The Retention of Illinois Students and Equity (RISE) Act will also affect MAP and other ISAC programs in FY2021. This legislation was signed by Governor Pritzker in June 2019 and becomes effective January 1, 2020. The RISE Act secures consideration for state financial aid eligibility for Illinois residents who are not eligible for federal financial aid. This includes undocumented immigrants who meet criteria for in-state tuition at Illinois public universities, as well as transgender students who were male at birth but are ineligible for federal aid because they do not register for the Selective Service.

Sponsors of the RISE Act also felt that requiring MAP recipients to attain junior status before receiving more than 75 MAP Paid Credit Hours (MPCH) was harming access for disadvantaged students. The 75 MPCH Cap had been adopted in FY2005 to preserve MAP eligibility for students seeking a four-year degree, but will be eliminated when the RISE Act becomes effective, halfway through the FY2020 program cycle.

Early estimates indicate the RISE Act could possibly result in about 3,500 newly eligible applicants, and could add about \$9.0 million in demand for the program. These estimates include undocumented Illinois students, transgender students who do not register for the Selective Service, and students not previously eligible because they had used 75 MAP Paid Credit Hours prior to attaining junior status.

Action Requested

Staff requests Commission approval of the formula summarized in Table Four as the FY2021 MAP Start-up Formula. This is the FY2020 MAP Recompute Formula that uses FY2010 tuition and fees, the FY2010 Pell table, and a maximum award of \$5,340.

Table Four: Recommended FY2021 Start-Up 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 = [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 \$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>