

AGENDA ITEM 4.

FY2023 MONETARY AWARD RECOMPUTE FORMULA

Submitted for: Action

Summary: Last September 2021, the Commission approved a Monetary Award Program (MAP) start-up formula to calculate eligibility for applicants planning to attend college in the 2022-23 academic year. Establishing a formula when the FAFSA-filing cycle begins enables financial aid advisors to create aid packages that help applicants decide whether and where to enroll. The program's appropriation is settled by the end of the state budget process the following spring. The Commission then revisits the MAP formula, incorporating improvements when the appropriation increases.

As proposed in Governor Pritzker's FY23 budget, the MAP received an additional \$122 million, which fulfills his campaign goal of increasing the MAP appropriation by 50 percent in his first term. The \$601 million budget will provide at least \$589 million for grants, while up to two percent may be used for administration. The increase will also provide MAP grants for eligible students enrolled in credit bearing certificate programs of less than one academic year at community colleges and public universities. This MAP expansion, which was part of HB4700, will provide eligible applicants financial assistance for career opportunities offered by more than 2,000 short-term certificate programs. An *estimated* \$15 million will be required to serve this new population of MAP recipients, leaving \$574 million for providing MAP grants to the current population, compared to \$470 million in FY2022.

This most welcome influx of funding comes at a time when application volume is down and therefore provides a long-overdue opportunity to update the MAP eligibility formula. MAP coverage of tuition and fees has significantly eroded over the past 20 years. For perspective, the highest MAP award, based on sector average tuition and fees, covered 100 percent at community colleges and public universities and 29 percent at private universities in FY2002. By FY2022, coverage had dropped to 38 percent, 33 percent, and 13 percent, respectively. Changes proposed herein for the FY23 eligibility formula will improve the size of MAP grants across *all* sectors. Based on *projected* FTE-weighted sector average FY23 tuition and fee levels, highest MAP awards will cover about 55 percent at community colleges, 42 percent at public universities, and nearly 17 percent at private schools.

A Thriving Illinois, the recent higher education strategic plan spearheaded by IBHE, set a goal for MAP to cover 50 percent of tuition and fees at public institutions. At public universities, this would require increasing the MAP maximum to nearly \$8,500 based on projected FY2023 tuition and fees. The statutory MAP maximum

award has been increased from \$6,468 to \$8,508. (The odd amounts are evenly divisible by both two and three, which provides even dollar term awards at both semester and quarter schools). While an \$8,508 maximum grant size will not be possible this year, given the varied demands on the increased appropriation, significant affordability gains will be made with the proposed FY23 MAP recompute formula.

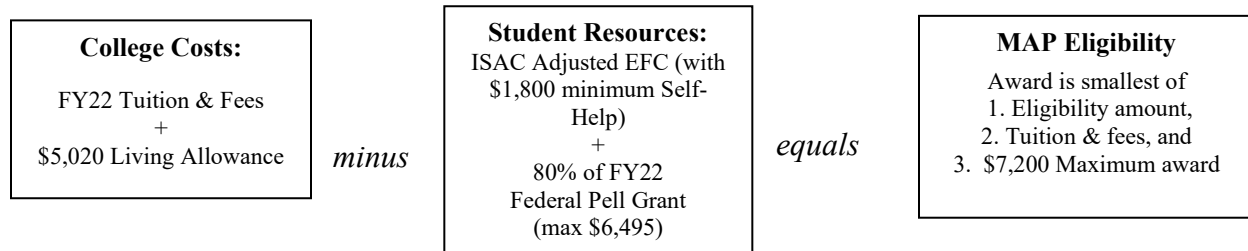
ILLINOIS STUDENT ASSISTANCE COMMISSION FY2023 MONETARY AWARD PROGRAM RECOMPUTE

This item describes recommended improvements to the MAP formula made possible by the \$122 million increase to the FY2023 appropriation, as recommended by Governor Pritzker's budget proposal. The new money increases the MAP appropriation to just over \$601 million. Combined with lower application volume, the money creates a long-overdue opportunity to restore some of the tuition and fee coverage provided by MAP grants that has declined over the past twenty years, and will improve college affordability for low-income students. Also new in FY2023 is the expansion of MAP eligibility to students enrolling in credit bearing certificate programs of less than one academic year in length at public institutions. There are over 2,000 such programs, mostly offered by community colleges, with an estimated current enrollment of 18,000 students.

The MAP Eligibility Formula

A quick review of the MAP eligibility formula helps with understanding effects of formula changes on tuition and fee coverage. The MAP formula determines whether a student is eligible for a grant and calculates annual award amounts. Figure One shows the basic formula, including proposed improvements, which uses the difference between a cost of attendance figure and student resources to calculate maximum eligibility. College costs include FY2022 tuition and mandatory fees plus a \$5,020 living allowance.

Figure One: Proposed MAP Eligibility Formula



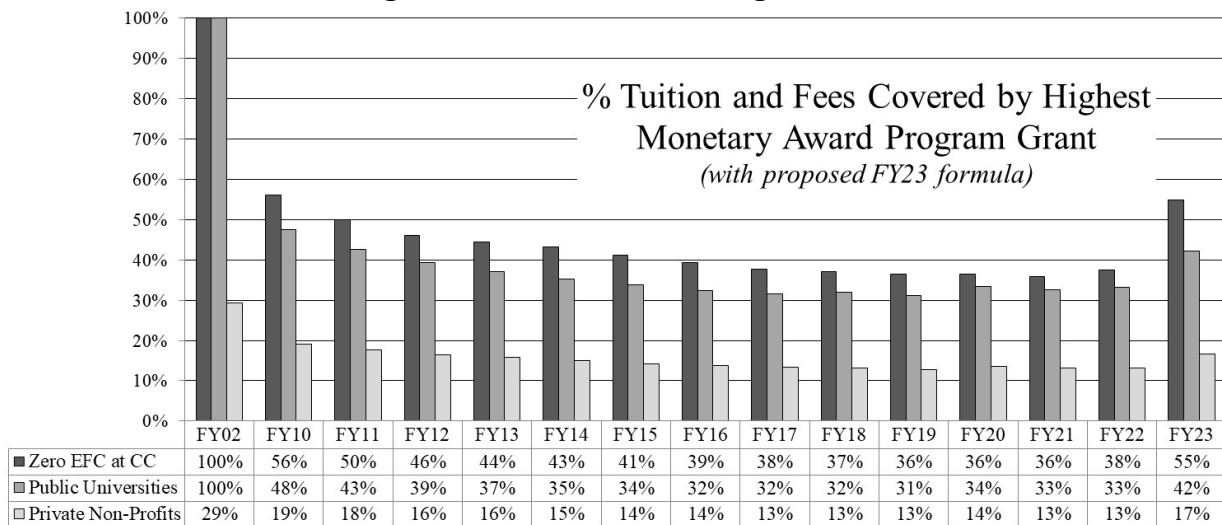
Student resources include an inflated federal expected family contribution (EFC), plus a portion of FY2022 Pell grant eligibility. MAP eligibility is determined by subtracting resources from costs. If costs exceed resources by at least \$300 and other criteria are met, the student is eligible for a MAP grant. Eligibility is capped by the lowest of the eligibility amount from the formula, tuition and fees used in the cost portion, or the maximum award. Awards based on the eligibility amount are rounded by \$150 intervals. Applicants with a federal EFC of \$9,000 or more are ineligible.

Over time, components of the MAP formula became outdated, because with surging demand, focus was placed on providing awards to more students. FY2002 is the last year current tuition and fees and Pell table were used. The formula included FY2004 tuition and fees and Pell from FY2006 until increasing to FY2010 values in FY2018. The EFC cap has been \$9,000 since FY2001. The maximum award was \$4,968 from FY2002 until it was raised to \$5,340 in FY2020 then to \$5,496 in FY2022. The max was also effectively lowered for many years by a reduction factor placed on all awards to stretch the appropriation. For FY2023 recompute, a \$7,200 maximum MAP award is being recommended.

MAP Coverage of Tuition and Fees and How \$122 Million Will Help

The highest MAP grant covered 100 percent of enrollment-weighted sector average tuition and fees at public universities and community colleges, and 29 percent at private non-profit schools in FY2002. Since then, tuition and fees have increased dramatically, and in the absence of sufficient funding increases, coverage steadily declined. By FY2017, the maximum MAP award covered less than 32 percent of public university tuition and fees, 38 percent at community colleges, and just over 13 percent at private non-profit schools. The MAP Appropriation increased in FY2018, FY2020, and FY2022 which enabled formula improvements to improve affordability and extend award announcements, greatly reducing the number of eligible applicants not offered a MAP grant due to budget constraints. But until this year, coverage could best be described as holding steady, rather than improving. As shown in Figure Two, FY2017 and FY2022 coverage rates are similar for all sectors.

Figure Two: MAP Purchasing Power



Proposed formula changes from the \$122 million – using FY22 tuition and fee amounts to represent costs and FY22 Pell amounts as a resource, as well as increasing the maximum award to \$7,200 - will greatly improve MAP tuition and fee coverage for students in all sectors. Incorporating FY2022 tuition and fees and Pell amounts will cost more than \$32 million. This change primarily benefits community college students, because their tuition and fees are lower than the MAP maximum, but some public university students benefit as well. Tuition and fee

coverage for community college students with no resources will increase from 38 percent to 55 percent, which is similar to the coverage level in FY2010.

Most awards at four-year schools are constrained by the MAP maximum award, so raising the max is the most direct way to improve public and private university tuition and fee coverage. *A Thriving Illinois*, the higher education strategic plan spearheaded by IBHE, includes a goal of increasing public institution tuition and fee coverage to 50 percent. This past legislative session, the *statutory* MAP maximum was raised from \$6,468 to \$8,508 to help support this goal. Unfortunately, the projected cost of an \$8,508 max is about \$195 million so incorporating the statutory max into the formula will not be possible this year.

Modeling indicates that the increased appropriation, coupled with lower application volume, would provide for increasing the \$5,496 max award to \$7,200 in addition to using FY2022 tuition and fee and Pell amounts and providing MAP grants for credit bearing certificates less than one year in length. Figure Two shows that a \$7,200 max would improve coverage from 33 to 42 percent at public universities, and from 13 to 17 percent at private non-profit schools.

Awards will be Higher, and Some Applicants will Gain MAP Eligibility

Increased tuition and fee coverage is of course provided by higher MAP awards. Table One shows the expected increase in eligibility amounts and claims by dependency type and sector of school attended. Eligibility represents the MAP grant a student would receive upon enrolling in 15 credit hours for both semesters. While amounts vary by school, the overall average MAP eligibility is expected to increase from \$3,755 to \$5,023 and the average claim is expected to increase from about \$3,100 to \$4,100.

In addition to improving purchasing power for MAP recipients, the increased appropriation will help some previously ineligible students gain eligibility. For the traditional MAP population seeking long-term certificates through bachelor's degrees, using FY2022 instead of FY2010 tuition and fee amounts to represent costs in the formula is projected to help nearly 4,700 applicants gain eligibility. Of these, more than 2,600 are expected to enroll. Most will attend a community college, as will most students seeking credit bearing short-term certificates, newly eligible for MAP in FY2023.

**Table One: Projected Effects of Formula Improvements
For the Traditional MAP Population***

	# Gaining Eligibility	% by category	Mean Eligibility Increase - All Applicants	Additional Recipients	% by category	Mean Claim Increase - All Recipients
Dependents	3,471	74%	\$1,446	1,951	74%	\$1,103
Independents Without	991	21%	\$1,362	548	21%	\$926
Independents With Deps	234	5%	\$1,205	128	5%	\$745
Public Universities	995	21%	\$1,816	714	27%	\$1,406
Private Non-Profits	18	<1%	\$1,709	11	<1%	\$1,403
Community Colleges	3,683	78%	\$923	1,902	72%	\$442
Proprietary Schools	0	0%	\$1,739	0	0%	\$965
Totals	4,696		\$1,374	2,627		\$1,000

* An estimated 18,000 students in short-term certificate programs, primarily at community colleges, may also gain eligibility for MAP, with claims expected to total around \$15 million.

MAP Application Volume Trends

MAP application volume has declined each year since peaking in FY2013. Announced (IL resident undergraduates seeking to enroll in a MAP-eligible school) application volume decreased about 4 percent in both FY2020 and FY2021 and is down about 3 percent near the end of FY2022. Eight months into the FY2023 MAP cycle, announced applicants are down more than 7 percent and eligible applicants are down 9 percent. Technical difficulties with the federal FAFSA filing system are believed to have contributed to this decline, and the decrease has lessened over time, as shown in Table Two below.

While the gap between FY2023 and FY2022 application volume has decreased to roughly a third of what it was after one month, it seems unlikely that application volume will catch up as the cycle is at the point where volume typically drops off. Then again, FAFSA filing patterns may change somewhat, with the addition of MAP eligibility for students in short-term certificate programs. Staff continuously monitors application volume as part of the effort to maximize spending without exceeding the appropriation.

The “silver lining” in this situation is that, between the decrease in demand and additional MAP funding in four of the past six years, the number of eligible applicants *not offered* a MAP grant due to lack of funding has dramatically decreased. From FY2013 through FY2016, there were more suspended awards than MAP recipients. The number suspended has declined each year since. In FY2022, for the first time since FY2001, essentially all MAP-eligible applicants were offered a grant, although awards for those who applied after late August were initially suspended.

Table Two: Change Between FY2023 and FY2022 Application Volume

	End of October 2021 (1 month)		End of December 2021 (3 months)		End of May 2022 (8 months)	
	Announced	Eligible	Announced	Eligible	Announced	Eligible
Total	-20%	-24%	-17%	-20%	-7%	-9%
Public Universities	-16%	-21%	-11%	-15%	-4%	-7%
Private Non-Profits	-19%	-24%	-16%	-19%	-9%	-12%
Community Colleges	-25%	-28%	-24%	-26%	-9%	-9%
Proprietary Schools	-32%	-33%	-23%	-24%	-6%	-7%
Dependent 1 st -time freshmen <=19	-9%	-14%	-2%	-4%	-5%	-8%
Dependent >19 or not 1 st time freshmen	-21%	-25%	-19%	-21%	-7%	-9%
Independent without dependents	-27%	-28%	-26%	-26%	-10%	-11%
Independent with dependents	-32%	-33%	-30%	-30%	-11%	-11%

Years of decreasing application volume and the unprecedented \$122 million appropriation increase create a perfect environment for improving college affordability for MAP-eligible students. MAP coverage of tuition and fees has declined in all sectors and, while it cannot be completely restored with the proposed budget, substantial gains can be made. A meeting was held with the ILASFAA MAP Formula Committee in May, to discuss FY2023 MAP recompute issues and gain insights from schools. Staff will continue to monitor FY2023 MAP application volume and strive to maximize the spending of MAP dollars without exceeding the appropriation.

Action Requested

Staff requests Commission approval of the formula summarized in Table Three as the FY2023 MAP Recompute Formula. The recommended formula uses FY2022 tuition and fees and Pell table and a \$7,200 maximum award.

Table Three: Recommended FY2023 Recompute Formula

<i>Budget</i>	
1	Use 2021-2022 reported tuition and fees at all institutions, assessed at 100 percent.
2	Use one living allowance for all applicants, set to \$5,020.
<i>Resources</i>	
1	Use 80 percent of Pell Grant eligibility as determined by the 2021-2022 Pell Grant Payment Schedule , which contains a \$6,495 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 \$7,200 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 AND/OR adjust second- and third-term claims to maximize claims without exceeding the appropriation.
4	Students who have used 135 or more MAP paid credit hours will not be eligible for MAP.