

AGENDA ITEM 5.

FY2023 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. As the FY2023 budget process has not begun, this item assumes the MAP will receive about \$479.5 million, level with the FY2022 appropriation, and that up to two percent may be used for operational costs.

FY2023 MAP application volume will be affected by the passing of Public Act 101-108, which requires that public high school seniors, beginning with the Class of 2021, either complete a FAFSA, ISAC's Alternative Application for Illinois Financial Aid (Alternative Application), or present a signed waiver, to be allowed to graduate. Demand for MAP should increase, as high school seniors will be aware of the federal and state aid available for college. Claims have just begun for the FY2022 MAP, so we will soon learn how large an affect this new requirement will have on the program.

FY2022 and subsequent years of the MAP will be also be affected by the federal decision to early implement the elimination of the requirement to register for Selective Service to be eligible for student aid. This change was included in FAFSA Simplification, passed by Congress in December 2020 as part of the Consolidated Appropriations Act of 2021.

The ongoing COVID-19 pandemic will undoubtedly affect college enrollment and MAP claims in FY2023. Although application volume has been decreasing, MAP eligibility may increase due to pandemic job losses. The FY2023 FAFSA will use 2020 income, which for many applicants, will be the lowest in recent years. It is also reasonable to expect increased interest in college due to job market shifts caused by struggles with the virus.

While approval of a FY2023 MAP Start-up formula is the main purpose, this item also reviews basic MAP issues. Staff typically recommends adopting the current formula for beginning the upcoming year.

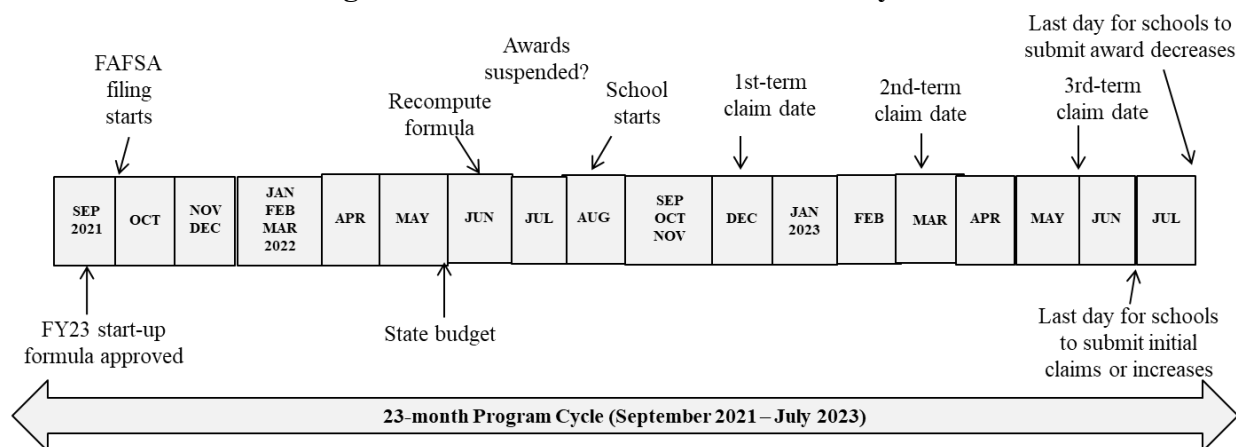
Action requested: Staff requests Commission approval of the MAP formula found in Table One as the FY2023 MAP Start-up Formula. This formula is the same as the FY2022 MAP Recompute Formula approved at the June 17, 2021 Commission Meeting.

ILLINOIS STUDENT ASSISTANCE COMMISSION FY2023 MONETARY AWARD PROGRAM START-UP FORMULA

Introduction

Free Application for Federal Student Aid (FAFSA) filing for academic year 2022-23 will begin October 1, 2021. An early start-up formula enables financial aid administrators to include Monetary Award Program (MAP) grants in 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 a suspense date when the projection indicates the appropriation will be spent. Figure One shows the timeline of a typical program cycle for the MAP.

Figure One: The Basic 23-Month MAP Cycle



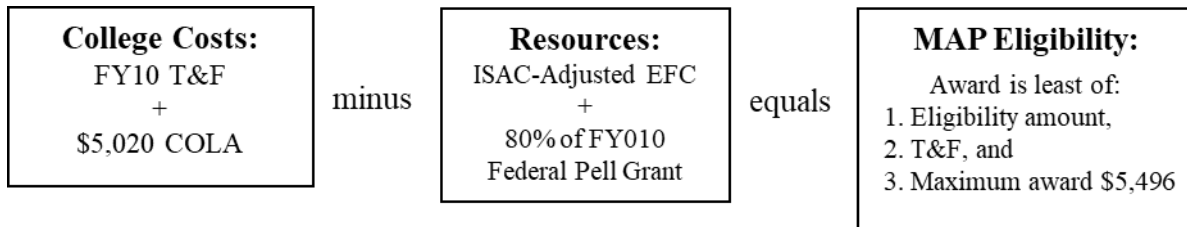
The MAP eligibility formula from the current year is typically recommended as the start-up formula for the upcoming year. When the FY2023 appropriation has been determined, adjustments to the formula may be requested at the June 2022 Commission meeting before the academic year begins.

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 soared, and appropriations were unable to 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 access. Scales tipped towards providing access, and from FY2006 through FY2017, the formula used FY2004 tuition and fees.

Application volume peaked in FY2013 and has declined each year since. This decline, combined with a \$36 million increase in FY2018, a \$50 million increase in FY2020, and a \$28 million increase in FY2022, enabled formula improvements including upgrading T&F levels to FY2010, eliminating the five-percent reduction factor, increasing the living allowance, and increasing the maximum award. Circumstances also enabled announcing awards for a longer period of time. In FY2017, MAP awards were offered to students who applied in the first 3.5 months, in FY2018 this metric was nearly 5.5 months. An initial FY2021 suspense date of July 1 enabled offering awards to 9 months of applicants. Due to the COVI-19 pandemic’s effect on application volume, awards were released and ultimately offered to filers through August 22 (10.75 months.) An August 27 initial suspense date has been set for FY2022, so awards are currently offered to nearly 11 months of applicants. If additional awards are released later on, that timeframe will obviously be extended.

Figure Two: The Current MAP Eligibility Formula



Using more recent tuition and fees increased eligibility amounts for many students, particularly at the four public universities where FY2004 tuition and fees were lower than the maximum award. Eliminating the reduction factor increased all awards. The effective maximum award improved from \$4,720 in FY2017 to \$5,496 in FY2022, increasing most four-year school awards by \$776 in five years. Increasing the living allowance from \$4,875 to \$5,020 boosted eligibility for community college students.

With the additional funding, MAP has been able to help many more students. In FY2017 (a budget impasse year with an unusually low number of recipients) 121,579 students claimed an average \$2,850 and in FY2021 139,918 students claimed an average \$3,150. In FY2022, the additional \$28 million should enable MAP to serve about 6,000 additional students and the formula improvements boost the average award size by about \$150.

MAP Application Volume

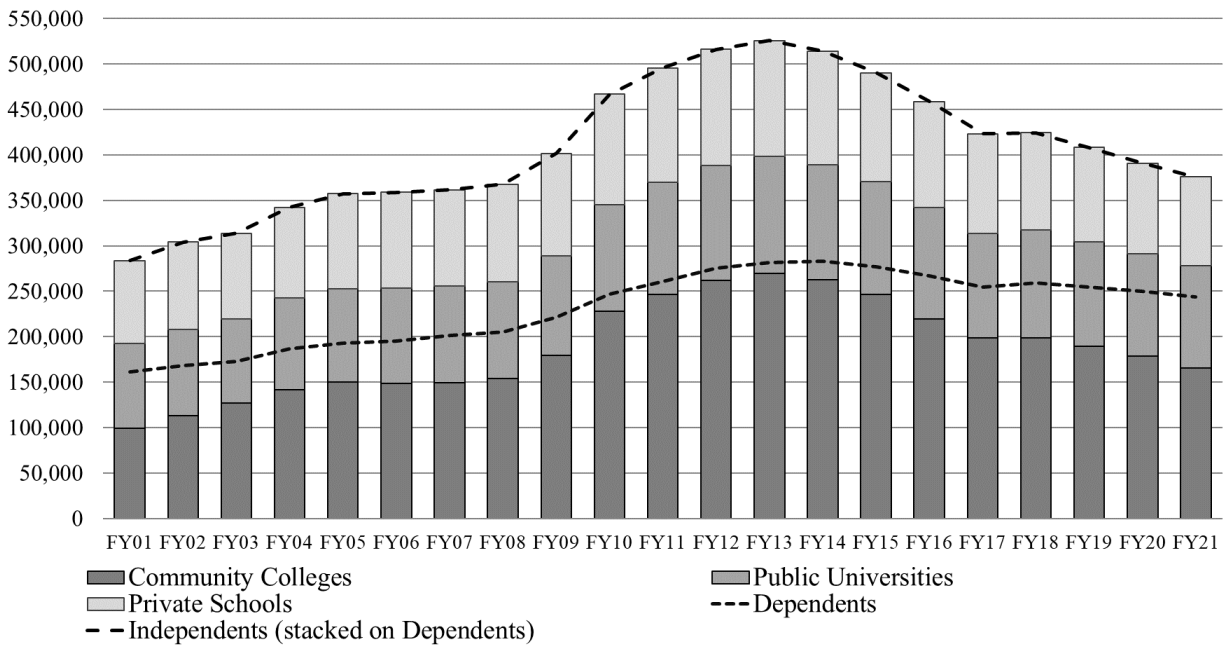
The MAP’s balance between improving purchasing power and providing basic access depends in part upon demand for the program. For a historical perspective, Figure Three shows announced applications by sector of first-choice school from FY2001 to FY2021. Announced applicants (undergraduate Illinois residents 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 FY2021, applications were down 29 percent from the peak, but still 32 percent higher than in FY2001. Currently, FY2022 announced applications are down nearly four percent from last year.

Figure Three shows that community colleges saw the biggest changes in FAFSA volume, increasing nearly 171 percent between FY2001 and FY2013, then declining 39 percent by FY2021. Public universities and private schools saw nearly 40 percent increases between FY2001 and FY2013; the decline to FY2021 is 13 percent for public and 15 percent for private non-profit universities. Many proprietary schools have closed, and application volume has fallen by 59 percent since FY2013.

Community colleges and proprietary schools have large portions of independent students, whose college attendance rises and falls with the business cycle. Independents' FAFSA filing nearly doubled between FY2001 and FY2013, then fell 46 percent by FY2021. In comparison, dependents increased 75 percent between FY2001 and FY2013, then decreased 14 percent by FY2021. In FY2021, dependent application volume was 51 percent higher and independent was 8 percent higher than in FY2001.

Lower demand since FY2013 can be attributed to several factors, including an improved job market (prior to the pandemic) that kept many independents, and likely some dependents, working instead of attending school. Increased uncertainty about receiving the MAP grant caused by state budget troubles in FY2016 and FY2017 may have contributed to the decline as well. The COVID-19 pandemic has affected application volume and enrollment though perhaps in different ways in the short- and long-terms. Affordability issues also likely play a role.

Figure Three: MAP Announced Application Volume



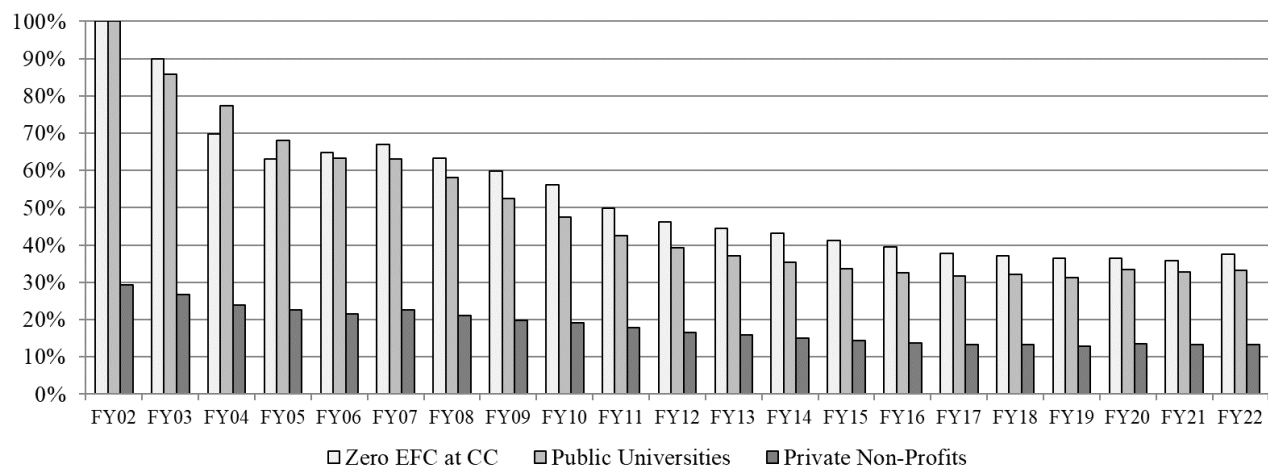
MAP Purchasing Power

The portion of tuition and fees covered by MAP awards has declined steadily since FY2002, and even with appropriation increases in three of the past five years, coverage could best be described as holding steady. As shown in Figure Four, the highest FY2002 MAP award

fully covered sector-average tuition and fees at community colleges and public universities, and covered nearly 30 percent at private schools. In the past twenty years, sector-average tuition and fees increased 246 percent at public universities (\$4,786 to \$16,539); 177 percent at community colleges (\$1,731 to \$4,798) and 145 percent at private schools (\$16,888 to \$41,423). In FY2017, prior to formula improvements in FY2018, FY2020, and FY2022, the maximum award covered less than 32 percent of tuition and fees at public universities and just over 13 percent at private non-profits. FY2017 awards for Zero-EFC community college MAP recipients covered nearly 38 percent of tuition and fees.

MAP Formula improvements in FY2018, FY2020, and FY2022 included updating tuition and fees and the Pell table from FY2004 to FY2010, removing the 5 percent reduction factor, increasing the maximum award from \$4,968 to \$5,496, and increasing the living allowance from \$4,875 to \$5,020. While these improvements were much appreciated, the effect on MAP purchasing power was not dramatic. Comparing FY2017 and FY2022, MAP coverage of tuition and fees increased from 31.7 to 33.2 percent at public universities, remained constant at 13.3 percent at private non-profits, and declined slightly, from 37.7 to 37.5 percent, for zero-EFC students at community colleges. Failure to continue improving could 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 Sector Average 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 relevant for eligible students who apply in time to claim an award. Although application volume decreases and appropriation increases have greatly reduced suspended awards, some eligible students are denied awards because the appropriation is insufficient. Figure Five shows the number of eligible applicants whose awards were suspended from FY2002 through FY2021, by sector of the school listed first on their FAFSA.

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

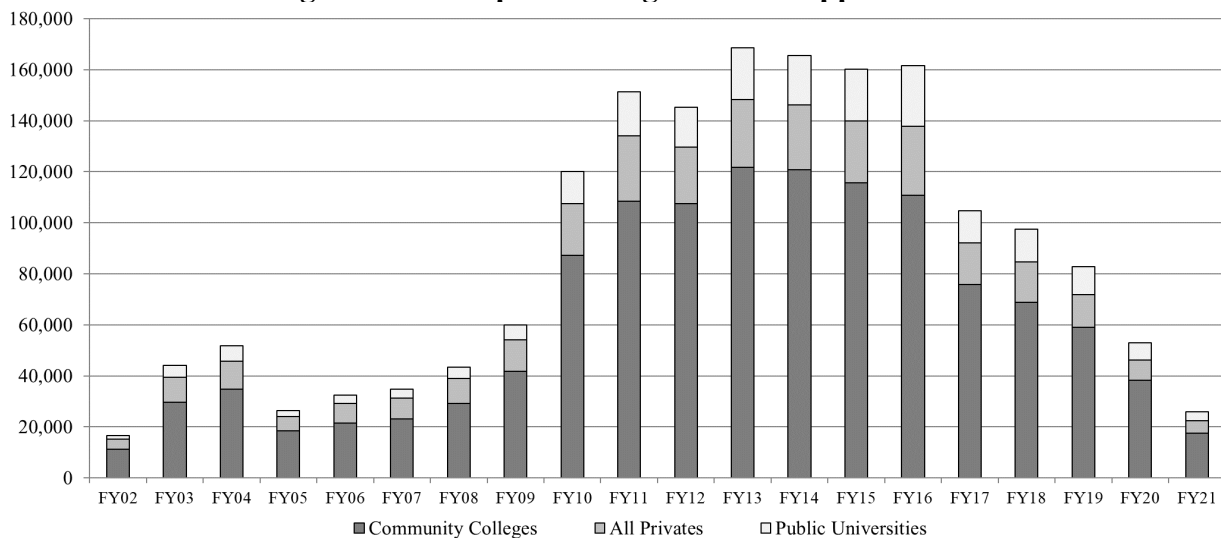
eligible population. Suspended applicants have since declined along with total application volume. In FY2021 there were fewer than 26,000 suspended eligibles, just over 10 percent of eligible applicants. Suspended applicant counts include applicants who filed a FAFSA after the academic year had ended.

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 in FY2017 provided extenuating circumstances; otherwise, decreasing application volume would have likely enabled later suspense dates.

In FY2018, the first year that FAFSA filing began October 1 instead of January 1, 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 awards 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, and applicants through June 26 were released the following spring. While the initial FY2021 suspense date was July 1, eligible applicants through August 22 were eventually offered awards. The initial suspense date for FY2022 is August 27, and projected claims will be closely monitored to determine whether a release will be possible after the first-term claim deadline.

Typically, about two-thirds of *non-suspended* eligible applicants enroll and claim their MAP awards. 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. Of course, in an ideal world, awards would be offered to all eligible applicants who enroll.

Figure Five: Suspended Eligible MAP Applicants



Recent Legislation Affecting the MAP

Starting with FY2022, MAP application volume will be affected by Public Act 101-108. This act requires that public high school students either complete a FAFSA, ISAC's Alternative Application, or sign a waiver indicating they are choosing not to, as a requirement for high school graduation. As of late-August 2021, application volume for dependent first-time freshmen age 19 or younger was more than 6 percent *higher* than the previous year, whereas application volume for older dependents and for independents was *down* more than 6 percent. While final claim rates for FY2022 cannot be calculated until the academic year ends, which is after FY2023 recompute, first-term claim rates should provide some indication on how the new requirement will affect college enrollment and demand for MAP grants for recent high school graduates.

Recent activity at the federal level could also affect MAP claims. FAFSA Simplification was passed as part of the Consolidated Appropriations Act of 2021, and while it will not be fully implemented until FY2025, some provisions were eligible for early implementation. One such provision is elimination of the Selective Service registration requirement for receiving student aid, starting in FY2022. While this change is not expected to have a large effect on MAP claims, it does introduce some uncertainty.

The ongoing COVID-19 pandemic will likely affect the MAP more than any federal or state legislative initiative. Application volume has been decreasing, particularly for community colleges and independents. However, there will be gains in MAP eligibility for some students as 2020 income, which is likely lower for many due to shutdowns, will be used on the FY2023 FAFSA. Eventually, it may be reasonable to expect higher college enrollments due to pandemic-related job market shifts. Whether that occurs in FY2023 depends on how the pandemic, as well as economic recovery from it, progress.

Action Requested

Staff requests Commission approval of the formula summarized in Table One as the FY2023 MAP Start-up Formula. This is the same formula approved for FY2022 recompute, which uses FY2010 tuition and fees and Pell table, a \$5,020 living allowance, and a \$5,496 maximum award.

Table One: Recommended FY2023 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 \$5,020.
<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 \$5,496 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 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 not be eligible for MAP.