

AGENDA ITEM 6.
FY2025 MONETARY AWARD RECOMPUTE FORMULA

Submitted for: Action

Summary: In September 2023, the Commission approved a Monetary Award Program (MAP) Start-up formula to calculate eligibility for applicants planning to attend college in the 2024-25 academic year. Typically, establishing a formula when the FAFSA-filing cycle begins helps financial aid advisors assemble aid packages that are needed for applicants to decide whether and where to enroll. Recompute takes place when the appropriation is finalized at the end of the state budget process the following spring. The Commission may consider MAP formula improvements if funding allows.

The MAP received \$10 million more for FY2025, as proposed in Governor Pritzker's budget, for a total of \$711.6 million. This appropriation provides at least \$697.3 million for grants; up to two percent may be used for agency operational costs. This follows increases of \$122 million in FY2023 and \$100 million in FY2024, which enabled MAP formula improvements that boosted coverage of sector-average tuition and fees. Even if FY2025 was a normal year, the \$10 million would be likely be applied to extending award announcements rather than formula improvements, since the FY2024 increase in applicants resulted in a suspension. However, the FY2025 MAP cycle has been anything but typical.

The biggest issue for the FY2025 MAP - and for Higher Education nationwide - is the *FAFSA Simplification Act*. At the end of 2020, Congress passed this legislation as part of the *Consolidated Appropriations Act, 2021*. The goal was to simplify FAFSA filing and expand access to student aid. FAFSA filing was streamlined by importing financial data from the IRS and reducing the number of questions. Eventually, the changes will likely accomplish the intended goal. However, this first year rollout was fraught with problems.

In addition to changes to the FAFSA form and filing process, need analysis methodology, which converts FAFSA data into a Student Aid Index (SAI), formerly the Expected Family Contribution (EFC), was extensively overhauled. The MAP formula uses the SAI as a starting point, so methodology changes potentially affect students' MAP eligibility.

Approval of a FY2025 MAP Recompute formula is the primary purpose of this item. To help with context, information is provided on topics such as the MAP eligibility formula, effects of FAFSA Simplification, and MAP application volume.

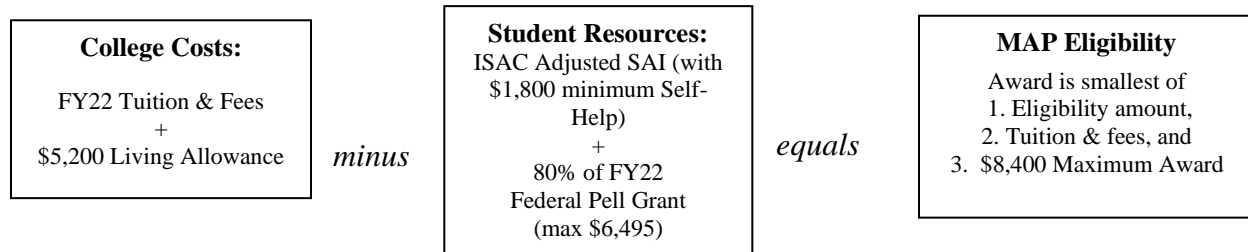
Action Requested: Staff requests Commission approval of the formula found in Table Four, at the end of this item, as the FY2025 MAP Recompute Formula. This is the same as the FY2025 MAP Start-up Formula approved in September 2023, with some additional clarification made necessary due to FAFSA Simplification allowing for negative SAIs and parent contributions.

**ILLINOIS STUDENT ASSISTANCE COMMISSION
FY2025 MONETARY AWARD PROGRAM RECOMPUTE**

The MAP Eligibility Formula

The MAP formula determines whether a student is eligible for a grant and calculates the annual award amount. Figure One shows the basic formula, which uses the difference between a cost of attendance figure and student resources to calculate maximum eligibility. Costs include FY2022 tuition and mandatory fees and a \$5,200 living allowance.

Figure One: MAP Eligibility Formula



Resources include an inflated Student Aid Index (SAI) and a portion of FY2022 Pell grant eligibility. MAP eligibility is determined by subtracting resources from costs. If the difference is 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 costs, or the \$8,400 maximum award. Awards based on the eligibility amount are rounded in \$150 increments. Applicants with a Federal SAI of \$9,000 or more are not eligible for a MAP grant.

From FY2002 until recent years, components of the MAP formula had become outdated. With demand for college aid surging through FY2013, focus had been placed on providing awards to more students rather than increasing award size. FY2002 is the last year that current tuition and fees and Pell table were used. The formula included FY2004 tuition and fees and Pell amounts from FY2006 until increasing to FY2010 values in FY2018 and to FY2022 values in FY2023. The EFC (now SAI) cap has been \$9,000 since FY2001. The living allowance was set at \$4,875 from FY2002 through FY2021 then increased to \$5,020 in FY2022 and \$5,200 in FY2024. The maximum award was \$4,968 from FY2002 until being raised to \$5,340 in FY2020; \$5,496 in FY2022; \$7,200 in FY2023; and \$8,400 in FY2024. And prior to the increases, the maximum award was often lowered by a reduction factor to enable providing awards to more eligible applicants.

MAP formula components are still not current, but improvements from FY2022 through FY2024 helped MAP coverage of sector-average tuition and fees. Applicants eligible for the highest awards saw coverage increase from 38 to 61 percent at community colleges, from 33 to 50 percent at public universities, and from 13 to 19 percent at private non-profit schools. The MAP received \$10 million more for FY2025, for a total of \$711.6 million; providing at least \$697.3 million for grants. Even if FY2025 was a normal year, the \$10 million would probably be used to offer awards to more students rather than improve the formula, since the FY2024 applicant increase resulted in a suspension. However, the FY2025 MAP cycle has been anything but typical.

FAFSA Simplification and Expected Effects on Monetary Award Program Applicants

The *FAFSA Simplification Act*, passed by Congress at the end of 2020, was intended to simplify FAFSA filing and expand access to student aid. FAFSA filing was streamlined by importing financial data from the IRS and reducing the number of questions. Eventually the changes should accomplish the intended goals, but this first year has not gone smoothly. An article titled “Untangling the Bungled FAFSA Launch” in the March 4, 2024 Inside Higher Ed newsletter provides a thorough description of events; only a few are mentioned below.

Since FY2018, FAFSA filing has begun on October 1st of the preceding year. The FY2025 FAFSA was not available until the very end of December, with technical issues yet to be discovered and fixed. Normally, once the FAFSA data is processed and EFCs (now SAIs) calculated, information is sent to schools so financial aid officers can package aid and offers can be made to applicants. Data is also sent to state agencies, to be used for projections and planning. This year, the data began flowing in late March and as problems surfaced and fixes made, many applications had to be reprocessed.

One of the issues, which matters for projecting MAP claims (and keeping claims within the appropriation) is that the schools listed by applicants on their FAFSA were ordered by descending school code in the data sent to state agencies instead of the order students entered them on the FAFSA. A fix was made in mid-April, and applications filed before the fix and had more than one school listed were reprocessed at very end of April. However, analysis indicates the fix was not complete. For example, there are over 7,000 applications with more than one school listed that have a latest transaction processed date prior to mid-April. If these had been reprocessed, the latest dates would be no earlier than the very end of April. Since “announced” applicants is defined as “Illinois resident undergraduates with a MAP school listed as first-choice” and used to project MAP claims and in many reports, school order is important.

In addition to changes to the FAFSA form and filing process, need analysis methodology, which converts FAFSA data into a Student Aid Index (SAI), was extensively overhauled. The MAP formula uses the SAI as a starting point, so methodology changes potentially affect MAP eligibility. Staff analyzed effects of FAFSA Simplification on MAP in 2021 and again in 2023, as Federal Student Aid (FSA) began releasing specifications. Analysis found that MAP eligibility gains/increases and losses/decreases would roughly cancel each other out. However, at the end of January 2024, the Feds announced large changes to some components of the need analysis formulas. These changes resulted in lower SAIs for many applicants, thus increasing their eligibility for aid.

Table One: Projected Changes in MAP Eligibility from FY2024 to FY2025

ORIGINAL WITH JAN 2024 CHANGES	Public Universities	Private Non-Profits	Community Colleges	Proprietary Schools	Dependents	Inds Without Deps	Inds With Deps	Overall
GAIN	3% 5%	4% 6%	3% 6%	3% 6%	4% 6%	4% 9%	1% 3%	3% 6%
INCREASE	2% 5%	0% 0%	11% 22%	1% 1%	6% 15%	9% 16%	3% 2%	6% 13%
DECREASE	4% 2%	0% 0%	12% 10%	0% 0%	7% 5%	9% 7%	5% 6%	7% 6%
LOSS	4% 3%	4% 3%	3% 1%	1% 0%	6% 3%	<1% <1%	<1% <1%	3% 1%
SAME	86% 85%	92% 92%	71% 60%	95% 93%	78% 71%	78% 67%	91% 89%	81% 74%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Table One above shows the expected direction of change in MAP eligibility between FY2024 and FY2025. The first percent in each cell is from the original analysis and the second is from the analysis with need analysis changes made at the end of January 2024. Overall, the percent of applicants (with MAP eligibility in one or both years as the denominator) whose eligibility increased or was gained changed from

9 percent to 19 percent; those with decreased or lost eligibility went from 10 percent to 7 percent; those whose eligibility amount did not change went from 81 percent to 74 percent. The need analysis changes made in January are good for students but somewhat costly to MAP. Modeling suggests that, with application volume similar to FY2024, these changes could cost about \$50 million.

Another factor increasing the uncertainty around MAP eligibility is the unavailability of the FAFSA school correction process. This process allows financial aid officers to conduct professional judgments, verifications, dependency overrides, etc. This process is normally in place at the beginning of a new FAFSA cycle, but for FY2025, FSA has communicated late June availability. Unfortunately, due to FAFSA filing difficulties, the higher costs associated with these uncertainties may be offset by fewer applicants.

MAP Application Volume Trends

MAP application volume peaked in FY2013 and declined every year until FY2024. Near the end of the program cycle, announced applicants are up 4.5% from FY2023 and eligible volume is up 6.2%. The highest increases are at community colleges and independent students are up more than dependents. As shown in Table Two, as of early June, total applications are down 12 percent from last year after being down 40 percent in the (very rough) first three months of filing. There is a chance that applications could catch up as there are many outreach efforts to help potential students who have not yet filed.

Table Two: FY2025 Compared to FY2024 Application Volume

	End of March			End of April			End of May			Early June		
	FY25*	FY24	% diff	FY25	FY24	% diff	FY25	FY24	% diff	FY25	FY24	% diff
Total applications	165,337	273,355	-40%	220,131	295,470	-25%	282,471	327,877	-14%	291,600	332,546	-12%
Announced applications	112,886	218,207	-48%	160,723	235,330	-32%	220,237	261,302	-16%	227,593	264,970	-14%
announced / total	68%	80%		73%	80%		78%	80%		78%	80%	
Eligible applications	74,163	136,807	-46%	103,808	147,957	-30%	144,800	165,796	-13%	149,947	168,289	-11%
eligible / announced	66%	63%		65%	63%		66%	63%		66%	64%	

** note that FY25 filing began with a "soft launch" at the very end of December 2023; ISIR distribution began in late March*

The difference between the announced/total ratios illustrates the issue of schools being listed in school code order instead of the order listed on the FAFSA, resulting in fewer applications with a MAP school listed first. While 78 percent seems fairly close to 80 percent, the 80 percent has been consistent for years and additional evidence suggests the issue has not been completely fixed. The higher percentage of eligible applicants compared to all announced (eligibles are a subset of announced) is due to the new need analysis methodology making more applicants eligible for MAP.

Table Three below compares applicant counts for FY2025 and FY2024 by sector of first-choice school and dependency type. While counts for all are categories are currently down, applicant counts for schools in the private sectors are down by less than those in the public sectors. Independent student application volume is down less than application volume for dependent students.

Table Three: FY2025 vs FY2024 Applications by Sector and Dependency Type

Announced by sector:	FY25	FY24	
public universities	77,463	91,850	-16%
private universities	57,944	64,068	-10%
community colleges	86,578	103,026	-16%
proprietary	5,608	6,026	-7%
Eligible by sector:			
public universities	47,183	54,116	-13%
private universities	37,257	38,505	-3%
community colleges	60,794	70,859	-14%
proprietary	4,713	4,809	-2%
Announced by dep type:			
dependent	160,047	188,495	-15%
independent	67,546	76,475	-12%
Eligible by dep type:			
dependent	90,909	104,326	-13%
independent	59,038	63,963	-8%

Staff met with the ILASFAA MAP Formula Committee in May, to discuss FY2025 MAP recompute issues and gain insights from schools. While feelings about whether application volume would rebound this year were mixed, it was clear that the FY2025 FAFSA changes and the rough start to the cycle has been challenging for everyone. Staff will continue to monitor FY2025 MAP application volume, with the goal of maximizing MAP award dollars to students without exceeding the appropriation.

Action Requested

Staff requests Commission approval of the formula summarized in Table Four as the FY2025 MAP Recompute Formula. This is the same formula approved at start-up, with some additional clarification on how to handle negative SAIs and parent contributions when calculating ISAC-Adjusted SAIs.

Table Four: Recommended FY2025 Recompute Formula

Budget	
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 \$5,200.
Resources	
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	<p>Calculate the ISAC-adjusted Student Aid Index (SAI) by inflating the SAI:</p> <p><u>Adjusted Student Aid Index for Dependent Students:</u> If $SAI \leq 0$ set the following =0 to calculate Adjusted SAI: Parent Contribution (PC), Student Contribution from Income (SCI), Student Contribution from Assets (SCA) If $SAI > 0$ and $PC < 0$ set $PC = 0$ to calculate Adjusted Parent Contribution Adjustment Factor = $[(Parent\ Contribution / 11,000) + 1.10]$ rounded to 2 decimals places Adjusted PC = $PC \times Adjustment\ Factor$ (round to nearest whole number) Student Contribution (SC) = $SCI + SCA$ Adjusted SC = highest of SC or self-help expectation Adjusted SAI = $Adjusted\ PC + Adjusted\ SC$</p> <p><u>Adjusted Student Aid Index for Independent Students:</u> If Student Aid Index (SAI) < 0, set $SAI = 0$ for calculation of Adjusted SAI Adjustment Factor = $[SAI / 11,000 + 1.10]$ rounded to 2 decimal places Adjusted SAI = highest of $SAI \times Adjustment\ Factor$ (rounded to nearest whole number) 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 \$8,400 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) SAI 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 claims to maximize claims without exceeding the appropriation.
4	Students with 135 or more MAP paid credit hours will not be eligible for MAP.