

Special Study of Simplification of Need Analysis and Application for Title IV Aid

**Advisory Committee on Student
Financial Assistance**

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Agenda

- **Simplification Study Background**
- **The Charge from Congress**
- **Study Approach and Consultation Process**
- **Interim Legislative Recommendations**
- **Simplification Study Next Steps**

Executive Summary

- Recommendations will simplify the financial aid application process for all students.
- Recommendations will significantly simplify the process for low- and moderate-income students.
- Simplification and information, while important, are not enough to solve the access problem.

The Access Crisis

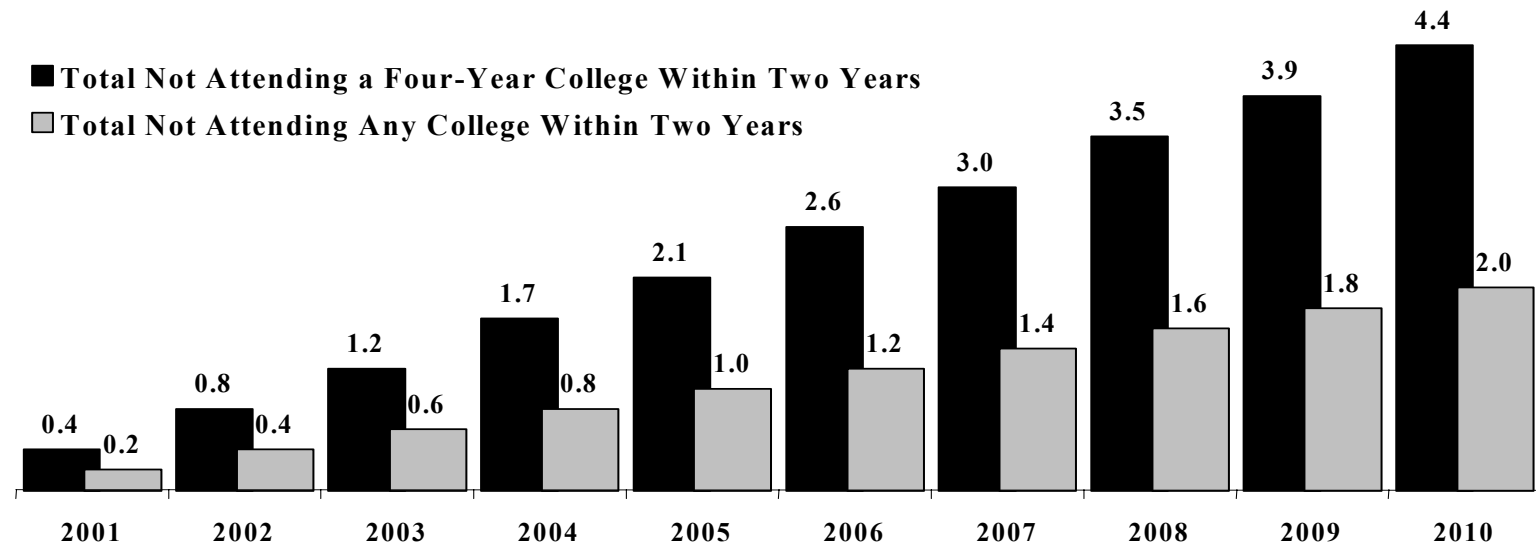
- ***Empty Promises (June 2002): access crisis for low- and moderate-income, college-qualified high school graduates over the next decade.***
 - ***4.4 million students will not enroll in a four-year college within two years of graduation.***
 - ***2 million students will not attend any college at all.***

The Access Crisis

Over the Next Decade

FIGURE 6: CUMULATIVE IMPACT OF HIGH UNMET NEED ON LOW - AND MODERATE-INCOME HIGH SCHOOL GRADUATES FROM 2001 TO 2010

College-Qualified
(in millions)



Between 2001 and 2010, high unmet need will prevent 4.4 million high school graduates from attending a four-year college and 2 million of them from attending any college at all.

The Role of Simplification in Access

- **High unmet need and the student work penalty are the biggest barriers for college-qualified, low-income students.**
- **An overly burdensome and complex financial aid application process also serves as a barrier to low-income students.**

Simplification Study: Background

- The Advisory Committee's 2003 Reauthorization recommendations included:
 - Provide students with early assurances of adequate grant aid through strengthened federal-state-institutional partnerships.
 - Simplify the financial aid application process.

Simplification Study: Background

- **Broad congressional support for simplification.**
- **Financial Aid Simplification Act (H.R. 2956) introduced by Rep. Howard P. “Buck” McKeon (R-CA) in July 2003:**
 - Included the *Special Study of Simplification of Need Analysis and Application for Title IV Aid* – the Simplification Study.

The Consolidated Appropriations Act of 2004 (H.R. 2673)

- Signed into law on January 23, 2004.
- Includes the current version of the Simplification Study:
 - *Directs the Advisory Committee to submit interim legislative recommendations in six months.*
 - *Final set of recommendations to be submitted within one year from date of enactment.*

Advisory Committee's Charge from Congress

- **Primary Objectives:**
 - *Reduce application burden and complexity.*
 - *Address two key problems in need analysis.*
 - *Abide by certain constraints.*

Advisory Committee's Charge from Congress

- **Examine ways to reduce application burden and complexity:**
 - *Using participation in federal means-tested programs to qualify for the SNT.*
 - *Tailoring the form to students' circumstances.*
 - *Providing students with an estimate of their eligibility for various types of aid.*
 - *Streamlining the timing of the application process.*
 - *Reducing the number of data elements.*

Advisory Committee's Charge from Congress

- **Identify ways to simplify need analysis and address two key problems:**
 - *The student work penalty.*
 - *The current process for updating the state and local tax allowance.*

Constraints from Congress

- Focus on the needs of low- and moderate-income students.
- Identify and assess any potential adverse effects on:
 - *Federal program costs*
 - *Program integrity*
 - *Delivery system*
 - *Distribution of Pell Grants*
- Consult broadly with stakeholders in higher education.

Simplification Goals

- **Implement a paperless application and delivery system.**
- **Minimize burden by tailoring the requirements of the application and other processes to individual students.**
- **Address key problems identified by Congress.**
- **Maintain the current federal-state-institutional partnership in aid delivery.**

Advisory Committee's Study Approach

- **Exhaustive review of opportunities for simplification:**
 - *Comprehensive literature review*
 - *Review of reauthorization proposals*
- **Extensive community consultation.**
- **Analyses conducted by ED using the Pell Grant Cost Estimation Model.**
- **Rigorous analysis of simplification options.**

Advisory Committee's Community Consultation

- **Three public hearings.**
- **Public request for comment.**
- **Focus groups and site visits.**
- **Individual interviews and consultations.**
- **Consulted a variety of stakeholders in higher education.**

Advisory Committee Members'

Constraints and Considerations

- **Identify recommendations that:**
 - *Minimize adverse effects on program costs, integrity, delivery, and distribution.*
 - *Avoid significant redistribution of federal aid.*
 - *Maintain and enhance the federal-state-institutional partnership in the current delivery system.*
 - *Have broad community support.*

Simplification Study

Recommendations

- **Expand the automatic zero EFC (auto-zero) income threshold from \$15,000 to \$25,000.**
- **Adjust the auto-zero income threshold annually using the Consumer Price Index.**

Simplification Study Recommendations

- **Expand and streamline the Simplified Needs Test (SNT).**
- **Implement a simplified, paper EZ FAFSA for low-income students.**

Simplification Study Recommendations

- **Phase out the current complex paper form.**
- **Reduce the number of data elements required in FAFSA on the Web.**

Simplification Study Recommendations

- **Expand and integrate the use of appropriate technology.**
- **Implement a comprehensive system of early awareness of financial aid information.**

Simplification Study Recommendations

- **Allow students to apply for financial aid earlier.**
- **Reduce application complexity by eliminating data elements and questions wherever possible.**

Simplification Study

Recommendations

- **Eliminate the drug conviction and Selective Service registration questions.**
- **Reduce the work penalty:**
 - *Increase the IPA by \$1,000.*
 - *Lower the assessment rate to 40 percent.*

Simplification Study

Recommendations

- **Eliminate the unfairness associated with updates to the state and local tax allowance:**
 - *Eliminate the allowance and raise the IPA as long as funds are available to hold the maximum number of students harmless.*

Simplification Study Next Steps

- **Develop a final set of recommendations related to a variety of issues, such as:**
 - *Implementing a comprehensive system of early awareness.*
 - *Enabling students to apply earlier.*
 - *Implementing a paper EZ FAFSA for low-income students.*
 - *Simplifying the verification process.*
 - *Simplifying the application process for students from non-traditional families.*

Questions and Answers

The Special Study of Simplification of Need Analysis and Application for Title IV Aid