



SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

FAFSA Update

Midwestern Higher Education Compact Annual Meeting

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Tom Harnisch, Vice President for Government Relations, SHEEO

Today's Presentation

- **Background on the Free Application for Federal Student Aid (FAFSA)**
- **Discussion of the history and key features in the change to the FAFSA**
- **Outstanding issues and timeline**
- **SHEEO research**
- **Potential effects on states**

About the FAFSA

- The Free Application for Federal Student Aid was created in 1992, replacing the Common Application Form
- The FAFSA unlocks student access to federal financial aid, including Pell Grants, federal student loans, Federal Work-Study, and Federal Supplemental Educational Opportunities Grants (FSEOG)
- Roughly 1 in 3 undergraduates receives a Pell Grant
- About 600,000 students participate in federal work-study
- 1.8 million students participate in FSEOG
- 38% of first-time, full-time students receive loan aid

2023-2024

July 1, 2023 – June 30, 2024

Federal Student Aid PROUD SPONSOR of the AMERICAN MIND®

FAFSA®

FREE APPLICATION for FEDERAL STUDENT AID

Step One (Student): For questions 1-28, leave any questions that do not apply to you (the student) blank. OMB # 1845-0001

Your full name (exactly as it appears on your Social Security card) If your name has a suffix, such as Jr. or III, include a space between your last name and suffix.

1. Last name

2. First name

3. Middle initial

Your permanent mailing address

4. Number and street (include apt. number)

5. City (and country if not U.S.)

6. State

7. ZIP code

8. Your Social Security Number See Notes page 9.

9. Your date of birth MONTH DAY YEAR

10. Your telephone number () -

Your driver's license number and driver's license state (if you have one)

11. Driver's license number

12. Driver's license state

13. Your e-mail address. If you provide your e-mail address, we will communicate with you electronically. For example, when your FAFSA form has been processed, you will be notified by e-mail. Your e-mail address will also be shared with your state and the colleges listed on your FAFSA form to allow them to communicate with you. If you do not have an e-mail address, leave this field blank.

FAFSA Completion Facts

- According to the National College Attainment Network (NCAN), about 57% of high school graduates complete the FAFSA each year.
- FAFSA completion rates vary by state, with Louisiana leading at 74% and Alaska at the lowest at 28%
- According to NCAN, the high school class of 2021 left \$3.8 billion on the table due to not completing the FAFSA
- A growing number of states are implementing or consider making FAFSA completion a high school graduation requirement

Current FAFSA Completion Rates by State

[Download](#)

FUTURE Act

- Passed in December 2019
- Allowed for direct data sharing between the Internal Revenue Service and the U.S. Department of Education and replaces the Data Retrieval Tool (DRT)
- Streamlines the FAFSA process by allowing data to be directly imported into the form instead of having to manually enter it, eliminating numerous questions and reduces the possibility of verification
- Allow students currently unable to use the Data Retrieval Tool (DRT), including both non-tax-filers and tax filers of all filing statuses. This will simplify the FAFSA process.
- Because the data is coming directly from the IRS, it is subject to more stringent confidentiality requirements.

FAFSA Simplification Act

- President Trump signed the Consolidated Appropriations Act, 2021 on December 27, 2020
- Included the FAFSA Simplification Act, which was intended to go into effect July 1, 2023 for the 2023-24 school year (this was pushed back to July 1, 2024).
- Addresses concerns about the length and complexity of FAFSA and the lack of transparency and predictability in federal awards.
- Goal is to make the FAFSA shorter and less complex and to make eligibility more predictable for students and their families.
- Makes significant changes to methodology for determining eligibility for federal student aid.
- Most provisions scheduled to go into effect on July 1, 2023. Some provisions have phased implementation into the 2024-25 academic year.
- This one of the most significant overhauls to financial aid in 40 years



Department of Education Data

- US Department of Education released new data on the FAFSA this morning
- Form will help 610,000 new students from low-income backgrounds receive Federal Pell Grants
- 1.5 million more students will receive the maximum Pell Grant amount to more than 5.2 million
- ED has released a state-by-state breakdown of the impacts of the new FAFSA form, with numbers on the increase in the number of Pell recipients and increases in the number of maximum Pell recipients

FAFSA Simplification Act

- The new FAFSA is projected to be unveiled in late December
- Three main areas of change
 - Expected Family Contribution (EFC) will now be the Student Aid Index (SAI)
 - Greater student access to federal financial aid
 - Form will be simplified

EFC to SAI

- New methodology: Eligibility will now be based on family size and adjusted gross income compared to federal poverty rates, allowing students to preview Pell eligibility in advance
- **Expected Family Contribution (EFC) will now be the Student Aid Index (SAI)**
- Old Formula:
 - $\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}$
- New Formula
 - $\text{Cost of Attendance} - \text{Student Aid Index (SAI)} = \text{Financial Need}$
- SAI will be allowed to go as low as -\$1,500, but you cannot receive an award more than the Cost of Attendance. Students will be allowed for extra institutional aid if they have a negative SAI.
 - 1. Max Pell grant is the first consideration based on the look-up chart
 - 2. If the student does not qualify for max Pell, then the equation is $\text{Max Pell Amount} - \text{SAI} = \text{Pell Amount}$
 - 3. If they are not eligible for 1 or 2, then they are considered for minimum Pell
- Reduces the Pell Grant in proportion to the student's actual enrollment rate (if less than full time).

Major Changes in the New FAFSA

Dependent Student Look-Up Tables: 48 Contiguous States and District of Columbia

Student's Parent is a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Parent AGI Limit (225% of Poverty Guideline)	Min Pell Parent AGI Limit (325% of Poverty Guideline)
2	\$18,310	\$41,198	\$59,508
3	\$23,030	\$51,818	\$74,848
4	\$27,750	\$62,438	\$90,188
5	\$32,470	\$73,058	\$105,528
6	\$37,190	\$83,678	\$120,868
7	\$41,910	\$94,298	\$136,208
8	\$46,630	\$104,918	\$151,548
9+	Add \$4,720 to the poverty guideline for each additional person. Then multiply the AGI by 225% (Max Pell) or 325% (Min Pell) to determine the Parent AGI Limit.		

Student's Parent is not a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Parent AGI Limit (175% of Poverty Guideline)	Min Pell Parent AGI Limit (275% of Poverty Guideline)
2	\$18,310	\$32,043	\$50,353
3	\$23,030	\$40,303	\$63,333
4	\$27,750	\$48,563	\$76,313
5	\$32,470	\$56,823	\$89,293
6	\$37,190	\$65,083	\$102,273
7	\$41,910	\$73,343	\$115,253
8	\$46,630	\$81,603	\$128,233
9+	Add \$4,720 to the poverty guideline for each additional person. Then multiply the AGI by 175% (Max Pell) or 275% (Min Pell) to determine the Parent AGI Limit.		

Major Changes in the New FAFSA

Independent Student Tables: 48 Contiguous States and District of Columbia

Student is a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Student AGI Limit (225% of Poverty Guideline)	Min Pell Student AGI Limit (400% of Poverty Guideline)
2	\$18,310	\$41,198	\$73,240
3	\$23,030	\$51,818	\$92,120
4	\$27,750	\$62,438	\$111,000
5	\$32,470	\$73,058	\$129,880
6	\$37,190	\$83,678	\$148,760
7	\$41,910	\$94,298	\$167,640
8	\$46,630	\$104,918	\$186,520
9+	Add \$4,720 to the poverty guideline for each additional person. Then multiply the AGI by 225% (Max Pell) or 400% (Min Pell) to determine the Student AGI Limit.		

Student is a parent but not a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Student AGI Limit (175% of Poverty Guideline)	Min Pell Student AGI Limit (350% of Poverty Guideline)
2	\$18,310	\$32,043	\$64,085
3	\$23,030	\$40,303	\$80,605
4	\$27,750	\$48,563	\$97,125
5	\$32,470	\$56,823	\$113,645
6	\$37,190	\$65,083	\$130,165
7	\$41,910	\$73,343	\$146,685
8	\$46,630	\$81,603	\$163,205
9+	Add \$4,720 to the poverty guideline for each additional person. Then multiply the AGI by 175% (Max Pell) or 350% (Min Pell) to determine the Student AGI Limit.		

Student is not a Parent			
Family Size	2022 Poverty Guideline	Max Pell Student AGI Limit (175% of Poverty Guideline)	Min Pell Student AGI Limit (275% of Poverty Guideline)
1	\$13,590	\$23,783	\$37,373
2	\$18,310	\$32,043	\$50,353
3	\$23,030	\$40,303	\$63,333
4	\$27,750	\$48,563	\$76,313
5	\$32,470	\$56,823	\$89,293
6	\$37,190	\$65,083	\$102,273
7	\$41,910	\$73,343	\$115,253
8	\$46,630	\$81,603	\$128,233
9+	Add \$4,720 to the poverty guideline for each additional person. Then multiply the AGI by 175% (Max Pell) or 275% (Min Pell) to determine the Student AGI Limit.		

Number of Children in College

- The new FAFSA will not provide a benefit to those with multiple kids in college. Under the current formula, the expected contribution is cut in half for having multiple kids in college
- This change was made to increase transparency/predictability and improve equity
- This is not expected to impact eligibility for low-income students
- This change is expected to negatively impact aid eligibility for middle- and higher-income students with multiple children in college
- Student aid administrators can use “professional judgment” adjustments to help these families

Family Farms and Small Businesses

- The new FAFSA focuses more on wealth than cash flow. Net worth of family farms and small business are included. Previous, this was excluded if there were 100 or less employees on the farm/business
- The draft FAFSA refers to net worth of businesses and "investment farms"
- SHEEO supports the *Family Farm and Small Business Exemption Act* to revert to the old approach. This is sponsored by Sens. Moran (R-KS), Grassley (R-IA), Ricketts (R-NE), Braun (R-IN), and Tester (D-MT).

— 40 Parent Assets —

[See Notes page 22.] —

If the answer to question 32 was "Married," "Remarried," or "Unmarried and both legal parents living together," enter the combined amounts held by the parent and their spouse.

Current total of cash, savings, and checking accounts

\$

Don't include student financial aid.

Current net worth of investments, including real estate

\$

Don't include the home the parent lives in. Net worth is the value of the investments minus any debts owed against them.

Current net worth of businesses and investment farms

\$

Enter the net worth of the parent's businesses or for-profit agricultural operations. Net worth is the value of the businesses or farms minus any debts owed against them.

Changes to Cost of Attendance (COA)

- COA elements must be on an institution's webpage
- ED can now regulate cost of attendance (but not tuition/fees)
- Room and board will change to housing and food
- College cannot set housing costs at zero if the student is living at home
- Food allowance is for three meals a day now, not two
- Expanded transportation costs
- Cost of attendance can include costs of computers

Pell Grant Expansion

- SHEEO research---the changes to Pell will
 - About 2 in 3 students should expect no change
 - 1 in 3 students should expect an increase in Pell
 - 1.4% should expect a decrease, with .6% expected to lose eligibility

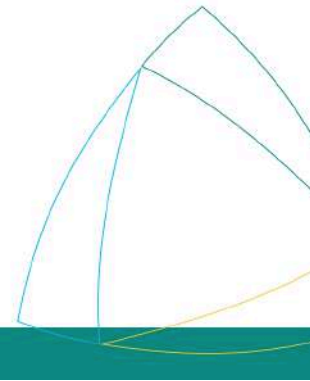


TABLE 6
CHANGE IN PELL ELIGIBILITY BY DEPENDENCY STATUS

	DEPENDENT	INDEPENDENT
LOSE PELL ELIGIBILITY	1.1%	0.2%
REMAIN PELL ELIGIBLE	98.9%	99.9%
GAIN PELL ELIGIBILITY	6.8%	26.9%
REMAIN PELL INELIGIBLE	93.2%	73.1%
PERCENT ELIGIBLE (OLD)	67.4%	91.2%
PERCENT ELIGIBLE (NEW)	68.9%	93.4%

Greater Student Access to Federal Financial Aid

- Removes ban on Pell Grants for incarcerated students
- Restores lifetime Pell eligibility for students affected by an institutional closure
- Removes federal prohibition on those that don't register for Selective Service
- Removes federal prohibition for those with drug conviction

Simplified Form

- Data will now be directly shared from the IRS due to the FUTURE Act, and skip logic will greatly reduce the number of questions
- The number of questions will be reduced from 108 to 46
 - Selective service question will be eliminated
 - Drug conviction question eliminated
 - Housing question will be eliminated
- New question on race/ethnicity, but this and question about gender do not impact eligibility. They will be used in the aggregate for analysis.

Outstanding Issues

- Undocumented parents and FSA ID
- Federal Tax Information (FTI) Data Access
- Valuation of family farms
- Use of professional judgment for multiple kids in college

State Concerns about FAFSA Simplification

- Communicating FAFSA changes to students, parents, and other stakeholders.
- Statutory changes making state aid programs more regressive.
- Changes in Pell Grant eligibility and award amounts.
- Changes in state financial aid program eligibility and award amounts.
- Shortfalls or surpluses in appropriations due to changes in state financial aid eligibility.

FAFSA Simplification Act and State Financial Aid

- Changes to the FAFSA could also affect state financial aid programs, policies, and award levels.
- The extent of these changes depends on the structure of the state financial aid program, including first vs. last dollar, how the state aid formula using SAI/EFC, and whether programs
- States that tied eligibility to Pell could see increased program and should budget accordingly

Policy Window for States

- The changes to FAFSA provide an opportunity for states to revisit their financial aid programs
- Some states will need to regulatory and statutory changes to their programs
- States can look at issues of administrative burden, as well as explore whether their current structure helps students with the most financial need
- SHEEO has developed a learning community of states to help them navigate the new FAFSA environment, as well as consider changes to their state financial aid programs

Questions and Contact Information

Tom Harnisch

Vice President for Government Relations

State Higher Education Executive Officers Association

tharnisch@sheeo.org