

# FAFSA Simplification: EFC to SAI Transition

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## Outline

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- FAFSA Simplification
- Technical Changes to the Formula – Focus on Dependent Students
- Differences between EFCs to SAI and Pell Grant Amounts
- Preliminary estimates for ITG
- Moving Forward

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# FAFSA Simplification

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**FAFSA Simplification**

For award year 2024-2025, major changes are coming for the FAFSA.

**Expected Family Contribution to the Student Aid Index**



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**Substantive Changes**

- SIMPLIFICATION = FAFSA questions from 108 to 36
  - Able to do this because of the Data Retrieval Tool
- Lowest SAI is -\$1,500, allowing for cost of attendance
- Formula less dependent on number of children in college
- For children of divorced parents, the parent who files the FAFSA is the parent who provides the majority of the financial support
- Pell grants available to incarcerated individuals
- Small business and farms included in the SAI formula



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**ICA Work**

- Interpreted the bill language - current no major guidance from ED
- Using our FAFSA data, we simulate SAIs for dependent & independent students
- Worked with other researchers (e.g., individuals in Illinois and Wisconsin) to refine our estimates
- Members of a SHEEO leadership team to familiarize stakeholders with these changes



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# Technical Changes to the Formula

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## First, some notes

- This is our interpretation of the bill language.
- These estimates use 2019-2020 FAFSAs & 2020-2021 FAFSAs (2021-2022 coming)
- We welcome feedback, thoughts, concerns, etc.,
  - This is a work in progress
  - We are willing to share anything that we have presented, code, materials, etc.,

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## Technical changes to the formula – Dependent Students

- **Auto -\$1,500 SAI = Non-tax filer**
  - Maximum pell
  - Other aid determined by SAI
  - No asset questions
- **Auto \$0 SAI = Child of 9/11 OR Single-parent household w/ AGI <225% of poverty OR Married parent household w/ AGI <175% of poverty**
  - Maximum pell
  - Other aid determined by SAI
  - No asset questions
- **No asset questions**
  - AGI <-\$60K and no schedules OR
  - AGI <-\$60K and only schedule C filed with gain/loss <-\$10K OR
  - MTB recipient (although we are missing some (e.g., HUD))

NASFAA: Federal Methodology Student Aid Eligibility Determination Effective 2023-24 FAFSA

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**Technical changes to the formula: Parents of Dependent**



Line	EFC	SAI
12	Income protection allowance (Associated table considers number in parents' household including student & number of college students in the household)	Income protection allowance (Associated table considers number in parents' household including student & <del>number of college students in the household</del> )
13	Employment expense allowance 2 working parents = lesser amount of 35% or \$4,000 1 parent family = lesser amount of 35% or \$4,000 2 parent family but only 1 working = 0	Employment expense allowance 2 working parents = lesser amount of 35% or \$4,000 1 parent family = lesser amount of 35% or \$4,000 <del>2 parent family but only 1 working = 0</del>
14	Total allowances (sum of lines 8, 9, 10, 11, 12, and 13)	Total allowances (sum of lines 8, 9, 10/11, 12, and 13)
15	Available income (sum of total income [line 7] and total allowances [line 14]) May be a negative number	Available income (sum of total income [line 7] and total allowances [line 14]) May be a negative number

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**Technical changes to the formula: Parents of Dependent**



Line	EFC	SAI
16	Cash, savings, checking	Cash, savings, checking, <b>child support received</b>
17	Net worth of investments If negative, enter zero	Net worth of investments If negative, enter zero
18	Net worth of business and/or investment farm If negative, enter zero	Net worth of business and/or investment farm If negative, enter zero

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**Technical changes to the formula: Parents of Dependent**



Line	EFC	SAI
19	Adjusted net worth to business/farm (Associated table)	Adjusted net worth to business/farm (Associated table)
20	Net worth (Sum of lines 16, 17, and 19)	Net worth (Sum of lines 16, 17, and 19)
21	Education savings and asset protection allowance (Associated table considers age of older parent and number of parents)	Education savings and asset protection allowance (Associated table considers age of older parent and number of parents)
22	Discretionary net worth (line 20 minus line 21)	Discretionary net worth (line 20 minus line 21)
23	Asset conversion rate (12%)	Asset conversion rate (12%)
24	Contribution from assets If negative, enter zero	Contribution from assets If negative, enter zero

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
25	Adjusted available income (AAI) (Available income + contribution from assets) May be a negative number	Adjusted available income (AAI) (Available income + contribution from assets) May be a negative number
26	Total parents' contribution from (AAI) (Associated table takes in ranges of AAI and then converts it to a contribution) If negative, enter zero	Total parents' contribution from (AAI) (Associated table takes in ranges of AAI and then converts it to a contribution) <i>if negative, enter zero</i>
27	Number in college (Exclude parents)	<i>Number in college</i> (Exclude parents)
28	Parents' contribution (line 26 divided by line 27) If negative, enter zero	Parents' contribution (same as line 26) <i>(line 26 divided by line 27)</i> <i>if negative, enter zero</i>

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
29	Adjusted gross income If negative, enter zero	Adjusted gross income <i>if negative, enter zero</i>
30	Income earned from work	<i>Income earned from work</i>
31	Taxable income (If tax filer, enter the amount from line 29. If non-tax filer, enter amount from line 30)	Taxable income (If tax filer, enter the amount from line 29. <i>if non-tax filer, enter amount from line 30</i> )

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
32	Total untaxed income and benefits (Pension, IRA payments & distributions, child support, interest income, military and veteran benefits, other untaxed income, money received)	Total untaxed income and benefits (Pension, IRA payments & distributions, <i>child support</i> , interest income, <i>military and veteran benefits</i> , other untaxed income, <i>money received</i> )
33	Taxable and untaxed income (sum of line 31 and line 32)	Taxable and untaxed income (sum of line 31 and line 32)
34	Total additional financial information (Education credits, child support paid, need-based employment programs, parents' taxable college grants and scholarships, taxable combat pay, cooperative education program earnings)	Total additional financial information (Education credits, <i>child support paid</i> , <i>need-based employment programs</i> , parents' taxable college grants and scholarships, <i>taxable combat pay</i> , <i>cooperative education program earnings</i> )
35	Total income (line 33 minus line 34) May be a negative number	Total income (line 33 minus line 34) May be a negative number

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
36	U.S. income tax paid (tax filers only) If negative, enter zero	U.S. income tax paid If negative, enter zero
37	State and other tax allowance (Associated table) If negative, enter zero	<del>State and other tax allowance (Associated table for that includes a percentage for each state)</del> <del>If negative, enter zero</del>
38	Social Security Tax allowance (Associated table indicates percentage depending on earned income from work)	Allowances for payroll taxes (we assume the same social security tax allowance as the EFC calculated on combined income)

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
39	Income protection allowance (specific amount)	Income protection allowance (specific amount \$9,410)
40	Allowance for parents' negative adjusted available income	Allowance for parents' negative adjusted available income
41	Total Allowances (sum of lines 36, 37, 38, 39, and 40)	Total Allowances (sum of lines 36, <del>37</del> , 38, 39, and 40)
42	Available income (AI) (Total income minus total allowances)	Available income (AI) (Total income minus total allowances)
43	Assessment of AI (50%)	Assessment of AI (50%)
44	Student's contribution from AI (if negative, enter zero)	Student's contribution from AI <del>If negative, enter zero</del>

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Technical changes to the formula: Parents of Dependent



Line	EFC	SAI
45	Cash, savings, and checking	Cash, savings, checking, <b>child support received</b>
46	Net worth of investments (if negative, enter zero)	Net worth of investments (if negative, enter zero)
47	Net worth of business and/or investment farm (if negative, enter zero)	Net worth of business and/or investment farm (if negative, enter zero)
48	Net worth (sum of lines 45, 46, and 47)	Net worth (sum of lines 45, 46, and 47)
49	Assessment rate (20%)	Assessment rate (20%)
50	Student's contribution from assets (line 48 times line 49)	Student's contribution from assets (line 48 times line 49)

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**Technical changes to the formula: Parents of Dependent**



Line	EFC	SAI
	Parents' contribution (from line 28)	Parents' contribution (from line 28)
	Student's contribution from AI (from line 44)	Student's contribution from AI (from line 44)
	Student's contribution from assets (from line 50)	Student's contribution from assets (from line 50)
51	Expected Family Contribution (sum of parent's contribution, student's contribution from AI and student's contribution from assets) if negative, enter zero	Student Aid Index (sum of parent's contribution, student's contribution from AI and student's contribution from assets) <small>#negative, enter zero</small>

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## Differences between EFCs and SAIs

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**Distribution Shift in EFC to SAI: All Students 2020-2021**



Descriptive Statistics	EFC	SAI
Average	\$16,253	\$16,086
Median	\$4,974	\$1,278
Average difference between EFC and SAI		\$167
Same EFC and SAI		19%
SAI within \$500 of the EFC		25%
SAI increases over \$500		13%
SAI decreases over \$500		62%
Correlation between EFC & SAI		0.82
R <sup>2</sup>		0.68

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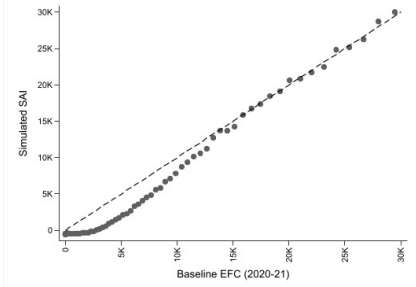
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Distribution Shift in EFC to SAI: All Students 2020-2021



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Distribution Shift in Pell Grants: All Students 2020-2021

Descriptive Statistics	Pell under EFC	Pell under SAI
Percent pell eligible	52%	63%
Average of Pell-eligible students	\$5,278	\$5,541
Median of Pell-eligible students	\$6,345	\$6,345
Average difference between Pell estimates	\$722	
Pell difference within \$500	71%	
Pell increase over \$500	29%	
Pell decrease over \$500	0%	
No change in Pell estimate	68%	
Correlation between Pell estimates	0.88	
R <sup>2</sup>	0.77	



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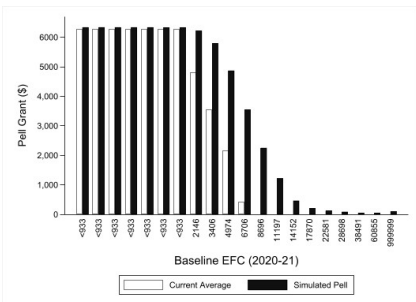
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Distribution Shift in Pell Grants: All Students 2020-2021



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## Preliminary Estimates for Iowa Tuition Grant

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### Iowa Tuition Grant (nfp): Details

- Any Iowa resident attending an undergraduate degree program at private, not-for-profit colleges/universities in Iowa
- Decentralized
- FAFSA is the only application – deadline generally July 1 prior to the academic year
- Need-based, but with extensive EFC range
- Receives an appropriation (~\$50 million/year); we set the maximum award to fund all eligible applicants without overspending (not entitlement)
- Iowa does not need to make statutory changes in align with the transition from EFC to SAI (only administrative rule amendments are necessary)

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### Iowa Tuition Grant (nfp): Details

	Recipients	Maximum Award	EFC Range
2019-20	9,558	6,000	0-15,000
2020-21	9,291	6,200	0-15,000

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### Iowa Tuition Grant (nfp): Process



Recalculated an SAI for all Iowa resident FAFSA filers for each of the two years

- Processed those records through our commitment software
  - Produced a high-level count of 'eligible applicants'
  - Also identifies shifts in the applicant population
- Appended SAIs to recipients for both years to determine direct impact on that population

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### Iowa Tuition Grant (not-for-profit) Summary of Impact – Eligible Applicant



	EFC 0-15,000	EFC 0 or negative	SAI -1,500 to 15,000	SAI -1,500 to 0
2019-20	15,283	4,876	16,186	9,484
2020-21	14,488	4,757	15,182	8,845

Large increase in applicants at the lower end of the SAI range (relative to EFC):

- No impact on ITG, per se
- Significant impact on programs that provide higher awards to applicants in the lowest ranges

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### Iowa Tuition Grant Summary of Impact – Recipients who Lose Eligibility



	EFC at or below 15,000 but SAI Exceeds 15,000
2019-20	416 (4.4%)
2020-21	463 (5.0%)

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lowa Tuition Grant (not-for-profit)  
*Profile of Recipients who Lose Eligibility*



	EFCs over \$7,500	Percent of total
2019-20	413	99.3%
2020-21	462	99.8%

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lowa Tuition Grant (not-for-profit)  
*Profile of Impacted Recipients who Lose Eligibility*



	Exclusion of # in College Causes Ineligible SAI		Other Factors
	Dependent	Independent	Dependent/Independent
2019-20	387 (93.0%)	18	11
2020-21	418 (90.3%)	30	15

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lowa Tuition Grant (not-for-profit)  
*Summary of Impact – Recipients who Gain Eligibility*



	EFC above 15,000 but SAI at or below 15,000
2019-20	788
2020-21	697

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# Moving Forward

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# Moving Forward

- 2021-2022 estimates (this is about 90% done)
- We want to keep the federal/state grant application process for Iowans as simple and efficient as possible
  - Continue to leverage the FAFSA
  - Leverage the SAI for state grant eligibility
  - Reduce complexity
- SHEEO Learning community
- Legislative sessions

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# Questions

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