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national association of state student grant and aid programs
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Dear Anne:

The National Association for State Student Grant & Aid Programs (NASSGAP) applauds the College Board for its efforts to identify the probable impact of further simplification of the Free Application for Federal Student Aid (FAFSA) on state aid programs. The process was difficult as there were limited means to conduct the study, but NASSGAP believes that the results for the five sample states provide a reasonable context on the potential impact for all states once scale and other differences have been factored in.

Simplification is already a success

Studies have demonstrated that the complexity of the FAFSA application served as a barrier to student participation in higher education and, for that reason, simplification has been necessary. Improvements to date include elimination of Worksheet A, on-line skip-logic, FAFSA redesign, elimination of specific questions, improved wording and instructions, and a user-friendly display.

Congratulations are in order for the Department of Education and the Administration as these efforts have already significantly reduced the FAFSA as a barrier for students. Proof of this success is the dramatic reduction in the average time it takes a student to complete the FAFSA and the results of customer satisfaction surveys. The Department of Education has reported that the average completion time declined from 32 minutes and 53 seconds to just 23 minutes and 17 seconds -- a 30 percent reduction. Furthermore, the on-line FAFSA scored an 89 in a survey evaluating customer satisfaction of federal websites which outpaced other federal websites averaging only 75.

Removing asset questions affects eligibility and impacts state-funded programs

In light of this success, NASSGAP believes any further simplification steps should be made only after a cost/benefit analysis to ensure that the FAFSA is both a simple and an *effective* financial aid application tool. NASSGAP's opinion is that the latest proposal to remove all asset questions from the FAFSA moves beyond the issue of simplification and into the realm of program eligibility. This change does not just make the application simple to complete for those that are eligible; it expands the number of students that meet the eligibility criteria and, as such, impacts state- and institution-funded programs that are based on the federal need formula. While NASSGAP is ready and willing to discuss changes to the formula, the impact of such changes are far reaching from the state perspective and must be considered in concert with the simplification effort.

The College Board study demonstrates that complete removal of assets can cause harm

The evidence as presented by the College Board is troubling. The College Board produced a number of charts tracking changes in calculated student Expected Family Contribution (EFC) and award eligibility by income level as well as by dependent / independent status. While these charts are informative on the student level, they are misleading, especially when making assumptions at the state or systemic level. NASSGAP disputes the assumption that removing assets from the FAFSA would have a "minimal" impact on states or on students.

Looking solely at the EFC changes, it could be construed that using IRS – only data would create a relatively modest impact to state aid budgets. Since the impact is modest to some students, it is inferred that the impact would also be modest to the state. However, a chart demonstrating the potential *total* cost to the state would be necessary before making a reasonable assessment regarding the impact to state programs and budgets.

By way of example, we refer to the College Board chart displaying the results of removing assets from dependent FAFSA applications. As reported, this would result in an EFC reduction of $73 to $468 for students with household incomes of under $15,000; $414 to $1,164 for middle income ($45-$60k); and $1,946 to $3,181 for high income ($75K and above). There are a number of concerns with these statistics:

1. While the change per student appears small, it represents a significant percentage drop in EFC for low and middle income students (those most likely to receive state grants). **Multiply the changes by the tens of thousands of students within these various categories and the total increase in need in most states will reach well into the millions of dollars**. The College Board does not report the total cost to the Pell grant budget, but these costs should also be assessed, as any artificial increase in Pell eligibility will make it more difficult to retain current Pell grant award levels in the future.
2. The study assumes that states will fund the increase in need – so low income students would have net gains in both the federal Pell grant and in state grants; however, few states will be able to keep pace with the resulting increase in need. This will result in either states reducing awards or many students who previously received state awards will go unawarded as funds are exhausted earlier in the awarding process. Under the College Board scenarios, this could result in a net loss of funds for some low income students, even after factoring in an increased Pell grant. The only other alternative would be an increase in state applications to capture the needed data, which would be antithetical to the federal simplification goals. It should be noted again that the federal government is not immune to increases in program costs. The recent changes to Pell grant eligibility rules demonstrate that increased demands on the program not only compromise the possibility of future increases to the maximum award but can also result in reduced program benefits.
3. Using averages across a student population masks some egregious consequences of removing assets as the FAFSA would no longer be able to differentiate between a family with significant resources from a low income family. Take the following two families as an example. If assets are ignored, then only the following data are considered, which reportedly would produce an EFC of just $645 for both families.

FAFSA data for Family 1		**FAFSA data for Family 2**	
Student cash/investments	$1,000	Student AGI	$300
Parent AGI	$25,000	Dad's income from Work	$5,000
Mom's income from Work	$20,000	Non-taxed Income	$2,700
Parents Cash and Savings	$1,000		

However, consider that these two families also have the following:

Family 1		**Family 2**	
Non-taxed income:	$0	Non-taxed income: tax exempt interest	$2,700
Disability	$1,200	Business net worth	$200,000
EIC	$1,500	Home value:	$900,000
Rent payment:	$800	Home debt	$600,000
Prior year income:	$45,000	Prior year income	$250,000

If assets are completely removed from the FAFSA, clearly the resulting EFCs would not reflect an accurate comparison of the two families. While not all of the above data points are covered by current FAFSA asset questions, the questions would enable a more reasonable EFC calculation.

4. Many state programs award well into the middle income bracket of families, often awarding to students with EFCs up to $90,000, but the College Board definition of "high income" begins at just $75,000. This is an unusually broad definition of high income and creates the false impression that the biggest change to EFC occurs only with those having little or no financial need. However, a family of just $75,000 income routinely has financial need that exceeds the availability of federal student loans.

These concerns can be repeated with little variation for most of the charts developed by the College Board. Clearly, further simplifying the FAFSA to use only IRS-provided information and removing asset questions would provide minimal benefits to the student applicant – especially low income students who most often need only input zeros for these questions. This move could in fact harm low income students by reducing their total aid packages when state funds are not able to adjust to the resulting increase in the student eligibility pool or by increasing the number of applications to be completed.

Further simplification should still be explored

NASSGAP agrees that simplification is not complete and that further efforts are warranted – but the pursuit of simplification does not justify significant changes to program eligibility or unintended consequences. Each proposed change must be weighed. Dropping one question might save 30 seconds of application time but could impact millions of dollars in state aid that can no longer be awarded using solely the FAFSA. While the FAFSA cannot be a single source application for all state and institutional programs as well as the federal government, decisions should be made based on whether a question is serving a significant number of students or whether retaining a question can eliminate the need for a separate state or institutional application, thus ensuring that simplification of a *form* does not compromise simplification of the financial aid *process*.

The College Board has suggested alternatives to the blanket approach of removing assets from the FAFSA application. These include making modest changes to the federal need analysis so that EFC results are less affected or using information on the tax form to impute assets. **NASSGAP supports steps that retain the ability to differentiate students' ability to pay.** A similar step would be to identify trigger questions on the FAFSA that would prompt reporting of assets (i.e. completing the 1040-EZ means no asset reporting or interest/dividend listed on tax form requires asset reporting). NASSGAP is also open to discussions about reworking the formula to improve its function to assess an individual's ability to pay for college.

In summary, NASSGAP congratulates the federal Department of Education and the administration for the outstanding results achieved to date in simplifying the FAFSA. Any further work should be conducted using a cost/benefit assessment that evaluates what is gained in terms of time and simplicity versus what is lost in terms of ability to effectively administer and disburse federal, state and institutional need-based funds. This assessment should include the potential increased cost in the Pell grant and state grants, possibility of net loss of aid for low and middle income students, and whether additional state or institutional applications become necessary with the loss of questions on the FAFSA.

NASSGAP also applauds the College Board for completing the very complex task of assessing the impact of simplification on state aid programs. The College Board's work provides a context from which to evaluate the impact for other states. However, NASSGAP disputes the language in the report that claims the impact of removing assets from the FAFSA would be "minimal" to students or to the states. The report demonstrates the high probability of a net negative benefit for low and middle income students that exceeds any perceived or real benefit due either to loss of aggregate aid or in additional applications to complete. NASSGAP encourages the College Board to do further work to identify *systemic* costs to the sample states, not just per student effects, and to publish those findings in its final report.

Finally, NASSGAP supports the College Board's recommendation that further simplification results in a net EFC-neutral change to students. Specifically, NASSGAP recommends that the FAFSA application process retain its ability to differentiate between students' ability to pay for higher education. This result is the only way to ensure that federal and state taxpayer dollars are awarded in the most effective and efficient manner.

Thank you for your attention to this very important matter.

Best regards,

Julie Leeper

Julie Leeper
NASSGAP President

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