

Testimony to the Advisory Committee on Student Financial Assistance

Bart Astor
Director, Washington Office
NASSGAP

June 5, 2007

We are submitting this testimony on behalf of the National Association of State Student Grant and Aid Programs (NASSGAP). NASSGAP is a member organization representing the higher education student grant agencies of every state and U.S. territory. Each year our member states provide more than \$7.3 billion in aid to 3.5 million students. Our members are partners with the federal government in administering important student aid and outreach programs such as LEAP, Byrd Scholarships, GEAR UP, TRIO, and some of our member agencies also administer student loans under the Federal Family Education Loan Program (FFELP). I serve as the director of the NASSGAP Washington, DC office.

I am here today for three reasons. First, I hope to dispel some myths that many in our community have about the states' position on simplification. Second, I will explain some of the concerns state grant agencies have about various proposals to simplify the financial aid application and process. And interspersed with these two reasons, I will provide some suggestions for how we believe we can together best serve students and their families.

I would like to begin by repeating five principles that NASSGAP identified in our March 2004 advisory committee testimony:

- (1) States use the FAFSA as the primary application in determining eligibility and award amounts for over \$7 billion in grants, scholarships and other awards to 3.5 million students.
- (2) State financial resources are finite, but the population of needy students is growing as is their costs.
- (3) The prior point requires increased diligence on the part of states to make sure that the most-needy students do not lose financial aid at the expense of simplifying a form that would have the effect of increasing the number of less-needy students receiving more aid;
- (4) Simplification is a relative term; efforts in its name should be conducted knowing that there is a very delicate balance between reducing complexity of a federal form and sacrificing good stewardship of public funding; and,
- (5) If questions important to state grant agencies are eliminated from the FAFSA, states will have to create additional forms for students to complete in order to capture required data elements.

Dispelling Myths

First, I will talk about the myths. There have been reports which appear to reflect a belief by some that the states are one of the *barriers* to simplification. That is simply not true. As has been proven over time, states are actually part of the *solution*!

States are partners with the federal government in the financial aid application process. In fact, the states were instrumental in making the application process cheaper and more transparent to students and their families. In the early 1990's, NASSGAP worked with the Advisory Committee on Student Financial Assistance and the Department of Education (ED) to identify ways to integrate state aid applications within the FAFSA. In late spring 1992, NASSGAP surveyed its members to identify which states required supplemental application forms (many fee-based), and what questions they asked.

Despite the individuality of the state student aid programs, and differences in related application questions, several "common" state questions were brokered by NASSGAP among its members. The result was an agreement by states to accept the FAFSA as the application for their state grant programs, and a decision by the Department of Education and the Congress to include on the FAFSA some of the common questions required by states. This helped free millions of families from the need to complete multiple applications, and save money paid for application fees. Two questions alone regarding state residency inception date for the applicant and parents saved 2.2 million families from the need to address the questions on a supplemental form that year. This effort represented cooperative simplification at its best!

The integrated form was confirmed in the 1998 HEA amendments, and continues today through NASSGAP's participation in ED's Technical Forms Committee. That committee annually reviews NASSGAP member state surveys to determine what application questions are required by the states to award state aid, how many students are served through these questions, and why the questions are needed (e.g., statute, regulation, policy). With this information, NASSGAP and ED fine-tune the list of state questions to be included on the FAFSA.

The beneficiaries of this cooperation are students and their families. They have saved time and money and receive notice of their government aid sooner.

With the recent attention being given to the number of questions on the FAFSA, states have been erroneously labeled by some as obstacles to simplification. As I look over the FAFSA, I find just six questions that are specifically not required by the federal government either for identification purposes, to determine independence, or to calculate an Expected Family Contribution (EFC). Four of these questions deal with the date and state of legal residence for both student and parents; and two ask the highest education level completed by the applicant's father and mother.

Clearly, the states are not the only ones interested in those questions since public colleges also need to know that information to determine tuition rates. And we know that many institutions use the results of these questions as well. But we acknowledge that they are state-requested and not used to calculate either EFC or eligibility for Federal aid. Furthermore, we believe strongly that

Assets

Another myth is that states will not accept proposals to eliminate assets, nor accept the proposed expansion of incomes eligible for auto-zero and the simple needs test.

With respect to assets, we need to look at the funding issue. Since the EFC is used by all but one or two states to determine the state grant awards, the states have a huge interest in this issue.

It has been argued that the EFC is not an accurate reflection of ability to pay since for the most part the two largest assets – home equity and small business equity – have already been removed from the formula. That is certainly true. But taking out the only other data that distinguish among families will not necessarily make it a better formula. It will only make it more expedient.

The questions that all of us must ask are whether expedience is more important than good stewardship of funds and whether asking families to report their assets is a barrier to access. Keep in mind that our goal is to know as much as we can about a family's net worth so we can distinguish between the needy, the needier, and the neediest.

Simple Needs Test & Auto-Zero

The Simple Needs Test (SNT), by which applicants can skip questions based on an adjusted gross income figure, we believe is a poor way to achieve expediency. It fails the “cliff test” where a family with an income of \$50,001 (\$1 more than the cutoff) is penalized by having to provide asset information when the family with \$1 less income does not. The threshold is inequitable. Yet, to the degree states reject this artificial and unfair threshold, we are considered barriers to simplification. I submit that few in the financial aid community think this method of simplifying the application is a good solution. That said, more than two-thirds of the states do in fact allow applicants to skip the asset questions if they qualify for the SNT.

The Auto-zero, on the other hand, in which families below a certain level of income or who are recipients of certain means-tested programs do not have to provide asset data and are automatically given an EFC of zero, is an excellent approach. In fact, with a couple of exceptions, the states do accept auto zero, despite the fact that some of the means tests for which students qualify for auto zero are not accurate. Still, while some families qualify for a zero EFC who should not, those numbers are quite small and almost every state has accepted the use of auto zero. As the income threshold for auto-zero rises, however, there is some concern that more students from more affluent families would qualify and therefore dilute the pool of eligible state awardees as discussed with regard to assets.

Proposals to expand the income caps for auto-zero and simple needs test need to be analyzed and discussed with the states and institutions to fully determine their impact. If those incomes caps are increased, states that use the EFC (and most do) are bound by the results in awarding their aid. Deleting assets for a new class of students increases their eligibility for state and institutional awards. If states and institutions cannot afford to increase their program appropriations by necessary amounts, they are faced with the difficult task of reducing or eliminating aid to current recipients, not an easy or popular task.

These consequences can also build pressure for states to divorce themselves from the federal need analysis formula and process because of funding issues. It could also lead to multiple aid eligibility formulas and forms, adding to family confusion and uncertainty, the antithesis of what we're all trying to achieve.

Because of the states' use and dependence upon the FAFSA and the Federal Methodology, NASSGAP urges federal policymakers to work closely with the states to pilot test proposed changes in the need analysis methodology to avoid unfortunate unintended consequences. The pilot-testing approach for such major proposals was confirmed as a good way to proceed by Advisory Committee staff at the NASSGAP spring conference held here in Washington, DC last week. We would suggest that research test whether imputing assets from tax-reported dividend and interest income would be an acceptable approach to keeping assets as part of the EFC formula.

Greater Access through Early Outreach

Early notification of potential financial aid awards can and must be done throughout a student's educational career. States have partnered with many agencies and colleges to set up early awareness programs. State grant agencies also administer the GEAR UP and TRIO programs which help to address the problem. Others are involved in cooperative information outreach such as the College Access network and Mapping Your Future.

The new ACCESS Act (S. 938) introduced by Senator Jack Reed and likely to be included in the HEA Reauthorization bill, addresses this need by expanding the state and federal partnership to include private companies and philanthropic organizations. The Leveraging Educational Assistance Partnership (LEAP) program, coupled with a new "Grants for Access and Persistence" (GAP) program contained in the bill, would increase early awareness and also help states find matching dollars for grants to low-income students. In the bill, states would partner with colleges and others to also provide non-binding financial aid estimates as early as middle and high school.

At the same time LEAP/GAP would maximize the federal government's funding by requiring a state match. NASSGAP worked very closely with Senator Reed's staff to frame this program. We know the Advisory Committee was also a key player in creating this bill, so we hope the Committee will continue to advocate for the LEAP program.

Increasing Access for Low-Income Students

Early awareness and outreach in middle school are critical to helping increase college enrollments of students from low incomes. But we also have to address the problem of high school students and their families being turned off by what appears to many of them to be a daunting financial aid application *process*.

NASSGAP members believe we can do that by looking at ways to get solid financial aid information to potential college applicants before they have to decide on which colleges they will apply to for admission. The key is not stripping key questions from an application, but providing assistance where needed, and giving families knowledge of what they could expect when the student does go to college.

The first thing we would suggest is committing to providing one-on-one assistance with completing the application. Over the course of my 25 years in financial aid administration I can't tell you how many times I have sat with students and/or families as they faced filling out the FAFSA. So many of them would look at the form (back when it was only in paper) and throw their hands up in despair, saying, "I can't do this." One by one I would speak with them and ask them to get started, reassuring them that I would be there to help. Inevitably these students and parents would get started and have only a couple of questions to ask me. My point is that it's not the difficulty of the questions themselves; it's the concept, the totality of the application. It's something I call "Forms Anxiety," which is much like math anxiety. It's the fear that they can't do it. And it's the fear that they'll get it wrong. So by letting them know I'll stay to review it with them, they are relaxed enough to tackle the questions and get through it, often in significantly less than an hour.

What we need to do on a larger scale is to be available to help these families get through the forms anxiety and to reassure them that they are doing it correctly by expanding concepts such as College Goal Sunday. We can establish finaid-mobiles, like bookmobiles, to go into communities with wi-fi capability so families can complete the FAFSA-on-the-Web; we can establish a Financial Aid Corps of financial aid professionals (including retired financial aid administrators) to go to schools, community centers, libraries, and churches to help families one-on-one; we can work with families to help them complete the FAFSA-on-the-Web; and most of all we can make sure the FOTW is a smart application, one that skips questions based on previous answers and, like the tax software many people use, conducts an interview to complete only those questions that are needed.

Once the applicant puts in a date of birth, there is no reason to ask whether she was born before a certain year, a question now asked as part of the dependence questions. When an applicant says he lives in Pennsylvania, he needn't be asked questions that are only important to Californians or New Yorkers, unless he's also applying to schools in those states. Using smart logic is not easy to design but it's done all the time and should be done with the FAFSA. And to help ensure that more applicants use the electronic application, we need to establish that as a priority.

Early Notification

One thing that bothers me and my colleagues is the fact that the financial aid and admission processes are backwards. Notification of how much a student can expect in financial aid award should come before the admission process, not afterwards. Ideally we all would want students to select colleges based on factors other than money – the location, size, programs available, the right fit, etc. That's clearly unrealistic with college expenses being as high as they are. So we know that cost does influence which colleges students apply to. We hope that families consider

the net cost not sticker price but that doesn't happen until after the student receives the financial aid award. It should be before that student applies for admission.

So how do we tackle this problem? We can do it by providing real estimates in the early years of schooling. We can provide students in their early high school years with sample financial aid awards that include not just federal programs (Pell Grant and Stafford loan eligibility) but also state and campus-based awards so families see how much they will likely get if the student attends that school. That's how they can know whether they can afford to go to college. And they can have a real choice of which college they want to consider. Many books and websites show this information, including one of the books I wrote where I was able to get sample awards for students I made up. While the Department of Education's new website, Forecaster, is good to have, it doesn't go nearly far enough. And it may, in fact be counterproductive. Yes families can get a good estimate of their EFC. And they would know their Pell and Stafford eligibility. But it may be very discouraging to see that while they're eligible for the maximum Pell and the maximum Stafford Loan, that only amounts to less than \$8000. With public colleges costing \$15,000 or more, a family with a zero EFC may give up knowing they don't have the additional \$7000. They won't know that a combination of state and institutional aid could easily make up the difference.

So what's exciting is that the bill proposed by Senator Reed in his FAFSA Act (S. 939), which we hope will also be part of the HEA Reauthorization bill, *does* go farther. This bill has a provision to create a pilot program in which students will be able to start the financial aid process in their junior year of high school. They would fill out the application, have it processed and sent to participating colleges and state agencies which would then provide estimated awards for when the student would actually attend, two years hence. These awards would include not just Federal aid but also state grants and campus-based aid. A year later those students would fill out a simple renewal application updating the information so the EFC could be official. Colleges and states could adjust the awards as needed at that time. The key here is that students in their junior year of high school would receive estimated awards – before they had applied for admission. They would then be able to make judgments on the affordability of colleges they are considering. It's getting the finances out of the way so the admission and selection process could be dealt with.

After a couple of years this pilot program would be evaluated to determine whether it was effective, what it costs states and schools, and most important, whether it helped students from low income families and whether the college enrollment statistics improved.

Prior-Prior Year Income

A key part of this pilot program would be the use of prior-prior year income since by definition high school juniors would be using not the income from the year prior to college enrollment but the year before that. The evaluation would therefore also include whether the awards changed when the now high school senior updated the data. If it was then determined that prior-prior year income was an acceptable measure of the family's ability to pay, the use of that data could be instituted for all student applicants. At the same time, the evaluation would include whether or not excluding assets would change the awards and if not, whether having the applicant apply for

student aid using IRS data was appropriate, and whether imputing assets from reported interest and dividends was accurate enough to use in the EFC calculation.

The states are supportive of this proposed legislation. In fact, it was NASSGAP that suggested states and colleges have an opportunity to participate in this early awarding process. States are not against the use of PPY. They are concerned that PPY may not help students very much in college enrollment decisions and may not make the process significantly easier. In addition, approximately three-quarters of the states have statutory requirements prohibiting the use of PPY for actual awards. While that can be changed, it is a factor that must be considered.

Complexity of the Application

While this may be a controversial position to take, it is my personal belief that the form itself is not as daunting as many would have you believe. It is certainly not a form that would take eight hours to complete, as some have suggested. For independent students, who now make up about half of the applicant pool, it can take just minutes. I know because I've done it myself many times with students. And for low-income families with simple finances, the form should take only an hour or two, particularly if there is someone available to help with some of the questions or to reassure the family that they are doing it correctly.

For those with more complex finances, yes, it will take several hours. But we usually don't hear folks talking about those people. We only hear about how difficult it is for low-income people. In my personal experience, very few low-income people take very long to complete the FAFSA when they have the guidance and support they need.

Let's put this into perspective. When we count the number of questions, we see that there are 99 questions. But, of course, that includes the student and parents' names, addresses, social security numbers, dates of birth, etc. That total number also includes the signatures, the six spaces where the applicant designates the schools where the FAFSA results will be sent, and the six questions asking where the student plans to live when attending that school. There are then the six questions used to determine independence (two of which, by the way, are actually repeats of questions asked earlier).

I won't go through all of the rest but let me skip to the bottom line. There are 30 questions that deal with finances and/or tax returns, 15 for the student and 15 for the parents. And then there are the 19 questions on the worksheets which both students and parents of dependents need to complete if they don't qualify for SNT or auto-zero.

Maybe I'm naïve, but I just don't see this as a huge obstacle. As I said earlier, I see it more as forms anxiety, not as an overly complex application. I ask each of you to fill out the form based on your own situation and tell me whether it took more than a couple of hours. If it does, you probably either have *very* complicated finances or you write or type *very* slowly.

Then I ask each of you to fill out the form as if you have a salary of about \$40,000, own your home, have a small 401k, a little money in the bank, and no other investments. I bet it will take you less than hour to complete the form, either on paper or on the web.

This said, what *is* complex about financial aid is the process, not the form. There is just no easy way to explain to students and families how students are awarded, how much they are awarded, from what programs they get funds, why they are expected to contribute their calculated EFC, why different schools give different awards, etc. I wrote a half dozen or so books on the subject and published a newsletter for several years hoping to make it easy to understand. It just is not simple.

But I will say that some of the proposals thrown around, particularly those that reduce the number of elements used to determine the EFC, are questionable methods to simplify the process. While there are certainly a few questions on the application that can be eliminated and don't relate to financial aid (selective service, drug convictions, etc.) we understand that they are Member-driven so are less likely to be removed. Still, we would hope that reason would rule out and those Members of Congress would yield to the greater importance of simplification.

But even by removing those few questions would we gain much? I don't think so. Even if we get all the data from the IRS (or Social Security Administration, which should be considered), wouldn't we still need to ask most of the other 60 or 70 questions? Don't we need to know the student's and parents' address, phone number, dates of birth, whether the student is dependent, what schools the student is applying to, etc.? That new application is still going to be three pages instead of four. Do we honestly think that by taking out a page or so – admittedly many of the most complex questions – we will significantly increase the number of low income students who choose to apply for financial aid? In my opinion the answer is no, unless that is, we implement the other outreach and guidance measures mentioned earlier.

Still, it is worth considering and that's exactly why we support the Reed FAFSA Act which will set up the pilot program discussed above. We would all hope that using the IRS data and pre-populating the FAFSA would make things so much better that more low-income students would apply. We would also all hope that the data obtained would be sufficient for good stewardship of funds, even if we have to rely on imputing assets.

Of course, we are concerned that administratively that might not be possible; but we still suggest going ahead to see if those problems can be worked out.

Summary

In summary, NASSGAP has been, and continues to be a willing partner in exploring and implementing ways to simplify the delivery of student financial aid. We look forward to continuing this dialogue and we thank you for the opportunity to express our views.