NASSGAP

National Association of State Student Grant & Aid Programs

www.nassgap.org

Frank Ballmann, Director, Washington Office
(518) 429-8773 • frank@nassgap.org

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The Honorable Bernie Sanders
Chair
Senate Health, Education, Labor & Pensions Committee

The Honorable Bill Cassidy
Ranking Member
Senate Health, Education, Labor & Pensions Committee

The Honorable Virginia Foxx
Chair
House Education & Workforce Committee

The Honorable Bobby Scott
Ranking Member House Education & Workforce Committee

We are writing on behalf of the National Association of State Student Grant and Aid Programs (NASSGAP). Collectively, NASSGAP members award over $13 billion annually in state-funded grant and scholarship aid to students pursuing postsecondary education. Most of this aid is determined and awarded through the Free Application for Federal Student Aid (FAFSA). As such, we have an interest in how aid eligibility is calculated through the federal needs analysis formula.

In December 2020, Congress passed, and the President signed into law, the Consolidated Appropriations Act of 2021, which contained the FAFSA Simplification Act. The FAFSA Simplification Act included provisions that alter the federal needs analysis formula, reduce the number of questions on the FAFSA, and change the Expected Family Contribution (EFC) to the Student Aid Index (SAI). These provisions are to be implemented for the 2024-25 application cycle, which means students will be filing under this new FAFSA starting October 1, 2023. However, we have significant concerns regarding the treatment of family farms and small businesses.

Currently, the federal needs analysis excludes the net worth of a family farm and small business (defined as a family-owned business with 100 or fewer full-time equivalent employees). These exclusions are intended to protect an individual's livelihood from the needs analysis, while at the same time ensuring that large businesses and investment farms are still required to report those assets. The FAFSA Simplification Act will require families to report the net worth of a family farm or small business on the FAFSA and to treat it as an asset in the calculation of the SAI. We fear that many individuals will appear to have asset wealth that is not financially liquid and far exceeds their actual income and ability to pay for college. These newly reported assets are anticipated to make a significant number of FAFSA filers ineligible for federal or state need-based financial aid.

Research from one of our member organizations, Iowa College Student Aid Commission (Iowa College Aid), has simulated the effects of the treatment of family farms and small businesses in the formula, and the results demonstrate that many FAFSA filers whose families own a small farm or business would be negatively impacted. For example, a dependent student from a family of four, a parental income of $60,000, and a reported small business or family farm of median value would have an EFC of $7,626 with the existing needs analysis formula. But under the new formula, the SAI would be $41,056.

Iowa College Aid research also finds that if the net worth of family farms and small businesses were excluded in the SAI calculations (as defined under the current EFC formula), many students, especially those from middle-income families, would become eligible for federal and state financial aid, which is the intention of the new simplified FAFSA. Excluding the value of small businesses and family farms achieves this goal without negatively impacting small business and family farm owners.

In addition to the clear adverse impact to students' financial aid eligibility highlighted above, there are multiple policy considerations that support repealing this valuation requirement:

- It's hard enough for students living in rural areas to pursue college; asking families to value their family farm – and then asking them to sign the FAFSA right after a statement that any false or misleading statements could lead to a fine and/or imprisonment – is going to discourage a lot of families.

- Unlike stocks, bonds or mutual funds, a family can't sell a portion of their farm or small business to pay for their child's college.

- FSA has already confirmed that they are not qualified or able to provide guidance to students or parents on how to value their farm or small business; state grant agencies are also not qualified or able to provide this guidance.

- A farm likely includes the family's primary residence; other families are specifically directed to exclude the value of their primary residence from any assets listed on the FAFSA; it would be unfair to farm families to expect them to include their residence's value or to expect them to figure out how to split up the value.

We also understand that the U.S. Department of Education (ED) recently indicated the possibility of delaying the 2024-25 FAFSA launch date from October 1, 2023, to as late as January 1, 2024. We urgently request that the family farm and small business valuation requirement be revised or eliminated as soon as possible to ensure the resolution does not contribute to a further delay of the FAFSA launch.

Sincerely,

Irala K. Magee

Irala Magee
NASSGAP President

Frank Ballmann

Frank Ballmann
NASSGAP Federal Liaison