



FAFSA Simplification Act—Title VII of CRRSA

The year-end omnibus bill (Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act), included a modified version of the Senate’s FAFSA Simplification Act (S. 2667). As the name implies, the act significantly simplifies the Free Application for Federal Student Aid (FAFSA). The simplification legislation had been long sought by retiring Senator Lamar Alexander (R-TN), chairman of the Senate Health, Education, Labor and Pensions (HELP) Committee. It gained steam late last summer when ranking HELP Committee member Patty Murray (D-WA) indicated her willingness to support the bill, and then late in the Congress House members helped move the legislation. The bill was never marked up in committee and deliberations were largely held behind closed doors.

At least as important as the modification of the aid application process is the bill’s substantial change to Title IV need analysis. The potential negative impact on some students inherent in such an overhaul has been blunted by the overall hiking up of Pell Grant spending, resulting in an overwhelming number of “winners,” and very few losers relative to the current system. The bulk of the increased cost (official projections have not been released) will be borne by appropriators, who will now have to fund the program’s added expenditures. (There is always the possibility that appropriators will change student eligibility to reduce program cost. This was done in 2010, with the elimination of the year-round Pell Grant.) Some of the additional program cost (primarily for the mandatory portion of the Pell Grant program that provides an additional increment to the appropriated maximum grant each year) has not been “paid for,” i.e., not offset by otherwise required budgetary reductions.

Of prime interest to community colleges is the bill’s reinstatement of Pell Grant eligibility for incarcerated individuals. AACC had been advocating for this change for many years – in fact, since eligibility was eliminated in 1994. Success in this area reflects a remarkable shift in sentiment across the political spectrum.

The legislation generally takes effect for the 2023-24 award year.

Some of the bill’s key provisions follow.

Application and Related Process

Capitol Hill documents state that this legislation will reduce the number of FAFSA questions from 108 to 33, but the number of questions a student completes depends on family resources and which of the three dependency categories apply to the student. This builds on the “FUTURE Act” passed in late 2019, which will allow IRS tax data to be imported directly into a student’s FAFSA, obviating the need for families to self-report income items, or receive them from the IRS before forwarding for FAFSA processing. This should greatly lighten verification burdens and facilitate application generally.

Under the new bill, determination of Pell Grant eligibility will be made separately from that for other student aid—the single, longstanding “Expected Family Contribution” (EFC) has been jettisoned. Instead, students will be assigned a “Student Aid Index” for the purpose of qualifying for federal aid.

The legislation eliminates questions on drug convictions and Selective Service registration. AACC has long championed the elimination of these non-germane barriers to student aid eligibility.

Need Analysis/Student Eligibility

The current simplified needs analysis has been altered, in part to enable low-income students and their families to know their likely eligibility for Pell Grants years before they reach college, assuming their income stays relatively constant as is generally the case. College aspirants will only need to know income and family size to determine their probably Pell eligibility. Also, Pell Grant eligibility will now be explicitly keyed to federal poverty standards, which will be annually updated, giving the program a more “rational,” comprehensible aspect.

Under the new legislation, maximum Pell Grant awards would go to:

- Independent student (and spouse, if applicable) tax non-filers
- Dependent children of non-filing parent(s)
- Independent students who are single parents and whose student AGI is below 225% of the poverty level
- Dependent children of a single parent whose parent AGI is below 225% of the poverty level
- Independent students who are not single parents whose student AGI is below 175% of the poverty level
- Dependent students with parents who are not single parents whose parent AGI is below 175% of the poverty level

For example: Using 2020 federal poverty levels, a dependent student with a single parent and a family size of two would be eligible for the maximum Pell Grant award if the family's AGI was < \$38,790. A single independent student would be eligible for the maximum Pell Grant award if his or her AGI was < \$22,330.

Means-tested benefits recipients and students whose incomes are below \$60,000 or — in the case of dependent students — whose parents’ incomes are below \$60,000 and who file simple tax returns would qualify for a simplified needs test and would not be required to provide asset information on the FAFSA.

Program Impact

According to unofficial estimates, more than 2 million Pell Grant recipients will see their awards increase by \$100 or more, while fewer than 300,000 will see their awards decrease by that amount, or

more. More than 4 out of 5 students will receive the maximum grant, up from 63% under current law. However, the legislation does not increase the maximum Pell Grant.

The category of students with the highest percentage of “losers” vis-à-vis current law by far are dependent students with married parents; 1 out of every 5 recipients in that category will have a reduced award.

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Second Chance Pell

The Simplification Act also reinstates title IV eligibility for non-profit institutions that offer federal and state prison education programs, under certain conditions. Requirements include:

- The program must be approved to operate in a correctional facility by the appropriate state agency
- Credits must be transferable to at least one institution of higher education in the state in which the correctional facility is located
- The program must satisfy applicable requirements for professional licensure or certification

The legislation is “sentence blind,” not differentiating among those with certain types of convictions or sentence lengths. This is considered a big victory for Second Chance Pell advocates.

The bill directs the ED Secretary, within one year of the enactment, to conduct an external evaluation that assesses the ability of confined or incarcerated individuals to access and complete the FAFSA, and to report on related topics.

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