

The FAFSA Simplification Act makes significant changes to the underlying processes and methodologies for determining federal student aid eligibility. **The goal of this legislation is to make the FAFSA shorter and less complex and to make eligibility more predictable for students and their families.** Implementation of the updated FAFSA will launch as part of the 2024-25 FAFSA, expected to be **available in December 2023.**

NOTE: The final version of the upcoming FAFSA has not yet been published. Results from open comment periods may influence updates to some of the proposed changes.

GOOD NEWS FOR STUDENTS



Larger average Pell Grant awards.



An increased number of students eligible for Pell.



Establishment of the minimum Pell award.

UPCOMING CHANGES TO THE FAFSA

Establishes policy based on Adjusted Gross Income (AGI) so some students automatically qualify for Pell. The AGI threshold is either 175% or 225% of federal poverty guidelines, depending on the student's dependency status and marital status.

Expected Family Contribution (EFC) is now the Student Aid Index (SAI). SAI can be as low as negative \$1,500. It has fewer factors in the formula and more elements imported from IRS tax return data, requiring fewer FAFSA questions.

Eliminates the prohibitions on eligibility for incarcerated students and students with drug-related offenses or who fail to register for Selective Service.

Pell Grant amount will be reduced proportional to actual enrollment if less than full time.

Changes to family size determination, asset calculation, income protection allowances, and excludable income.

- *Eliminates the provision that divides the expected contribution by the number of family members enrolled in college.*
- *Requires small businesses/family farms to report as assets (previously businesses/family farms with less than 100 employees were excluded).*
- *Uses tax forms to determine household size.*

POTENTIAL IMPACTS OF DELAYED TIMELINE

FINANCIAL AID DEADLINES:

States and institutions with FAFSA filing deadlines required for grants and scholarships may need to adjust their deadlines to accommodate later than normal filing for the 2024-25 academic year. Some states may need to go through emergency rule-making or create addendums to policies in order to temporarily change their deadlines. Communicating these updated deadlines will also need to be a high priority.

COMPLETION EFFORTS:

Many states and institutions conduct FAFSA outreach activities from October to December in order to help students file the FAFSA before many major student aid deadlines. States, institutions, and college access groups will need to adjust their timelines for these outreach activities.

IMPLICATIONS AND THINGS TO CONSIDER

- Communicating about FAFSA changes and delayed timelines to students, parents, and counselors.
- Statutory changes making state aid programs more regressive.
- Changes in Pell Grant eligibility and award amounts.
- Changes in state financial aid program eligibility and award amounts.
- Shortfalls or surpluses in appropriations due to changes in state financial aid eligibility.
- Changes to whose parent information must be used. A student with divorced or separated parents will report information on “the parent who provides the greater portion of the student’s financial support.” If the parent is remarried, the stepparent must also provide tax information.
- Potential barriers to students who do not come from a two-parent household. All parties providing information will be required to have an FSA ID username and password and give permission to connect the FAFSA to their tax records via the IRS Data Retrieval Tool.
- Potential barriers to students from family farms and small businesses. Families may have to go to great lengths to get the estimated worth of these assets in order to provide that information on the FAFSA.

FAFSA MODELING TOOL

Because many state financial aid program eligibility requirements are tied directly to Pell Grant eligibility, SHEEO developed a modeling tool to help states understand how changes made to the FAFSA could impact students in their state, including their own state financial aid.

Visit sheeo.org/project/fafsa-simplification/ to view the interactive Tableau tool.

WHAT THIS MEANS FOR