SHEEO

State Higher Education Executive Officers Association

# FAFSA SIMPLIFICATION GUIDEBOOK

MARK WIEDERSPAN

RACHEL BURNS

UPDATED FEB. 27, 2024

# ACKNOWLEDGEMENTS

This report would not have been possible without additional support, particularly from SHEEO staff members Gloria Auer, Jessica Duren, and Dustin Weeden.

The data in the report may be freely used with the appropriate attribution and citation: Wiederspan, M. & Burns, R. (2024) *FAFSA Simplification Guidebook.* State Higher Education Executive Officers Association.

> This publication has been update based on the 2/27 guidance regarding the change to the SAI formula for dependent students.

The State Higher Education Executive Officers Association (SHEEO) serves the executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs. Founded in 1954, SHEEO promotes an environment that values higher education and its role in ensuring the equitable education of all Americans, regardless of race/ethnicity, gender, or socioeconomic factors. Together with its members, SHEEO aims to achieve this vision by equipping state higher education executive officers and their staffs with the tools to effectively advance the value of higher education, promoting public policies and academic practices that enable all Americans to achieve success in the 21st century, and serving as an advocate for state higher education leadership. For more information, visit sheeo.org.

# TABLE OF CONTENTS

# INDEX OF TABLES

# INTRODUCTION

For almost two decades, there has been a push among higher education stakeholders and advocates for a more simplified Free Application for Federal Student Aid (FAFSA). The need for a more streamlined process led to the introduction and passage of the FAFSA Simplification Act, an important piece of legislation that aimed to enhance postsecondary access and success by simplifying the financial aid application process and making aid eligibility for students and their families transparent and more predictable. However, the move to a new FAFSA, in conjunction with a new needs analysis formula, requires states to make alterations in how they administer their financial aid programs, such as updating their financial aid processing systems or altering their respective aid formula that determines eligibility.

This guidebook is designed to provide insights for state higher education agency offices and boards, especially those dealing with financial aid programs, to navigate and understand the benefits and implications associated with the change to a new simplified FAFSA. While every state administers its financial aid programs in a different way, this guidebook serves to highlight the upcoming changes to the new FAFSA and needs analysis formula, ways in which students and their families may be impacted, issues associated with the new FAFSA that state agencies and legislatures may want to consider, and examples on how the new needs analysis formula alters the eligibility distribution for state aid programs.

# SUMMARY OF FAFSA CHANGES

In December 2020, Congress passed and President Trump signed the Consolidated Appropriations Act of 2021. A provision within the Act included the FAFSA Simplification Act, which worked to streamline the FAFSA application process and reduce the complexity in completing the form. One of the Simplification Act's most significant changes to the FAFSA included the transition from the Expected Family Contribution (EFC) to the Student Aid Index (SAI). Traditionally, EFC served as a measure of a student and their family's financial ability to cover education expenses for an academic year and was often used to determine a student's eligibility for federal, state, and institutional financial aid programs. Starting in 2024-25, the SAI replaces the EFC. While the two measures function in a similar manner to determine aid eligibility, the calculation for aid eligibility under SAI is slightly different and the elements collected on the FAFSA have also changed as a result. Some of the changes associated with the move to SAI include:

- Whereas the minimum amount for the EFC could be $0, the minimum amount under SAI is -$1,500.
- Removal of the consideration of the number of family members in college.
- Elimination of the simplified needs test (SNT) and auto-zero EFC calculations. Instead, a filer's ability to have assets excluded from the formula is based on income, tax filing status, and receipt of a mean-tested benefit.
- Dependent students whose parents are not required to file a tax return or independent students who are also not required to file automatically qualify for a -$1,500 SAI.
- Receipt of child support and the net worth of family farms and small businesses will be reported as assets.
- Elimination of reporting of state and other income tax exclusions.
- Elimination of questions relating to selective service and drug-related offenses.
- Pell eligibility can be determined with income below specific poverty thresholds.

The implementation for the SAI was to initially occur for the 2023-24 academic year. However, Congress passed the Consolidated Appropriations Act of 2022, which delayed the implementation for the 2024-25 academic year. Traditionally, students would have begun to complete the FAFSA on October 1, 2023. However, because of unforeseen issues, U.S. Department of Education (ED) delayed the release of the FAFSA to December 31, 2023.

# IMPACT

## HOW WILL THE NEW FORMULA IMPACT STUDENTS?

To determine how changes to the new FAFSA impact students' aid eligibility, SHEEO used data from the 2017-18 National Postsecondary Student Aid Study, Administrative Collection (NPSAS:18-AC) to model the SAI formula and compare the findings to the previous EFC formula.[1] The results demonstrate that the move to the new SAI formula benefits most students. Roughly 76% of FAFSA filers had an SAI measure that is lower than the EFC, whereas approximately 11% experienced an increase in the measure determining aid eligibility. The remaining 13% had roughly equal SAI and EFC values. Because of the large share of individuals who had a decrease in the SAI relative to the EFC, 22% of Pell-ineligible students became newly eligible for a Pell Grant and 33% of students overall received a higher Pell Grant amount. Overall, it is anticipated that the move to the new SAI formula will lead to expanded aid eligibility and higher award amounts.

There are some students who will experience aid eligibility loss due to formula changes. First, unlike the EFC formula that considers the number of family members in college and distributes the EFC accordingly, the SAI formula eliminates this factor. This formula change impacts families with multiple members in college, as each member will now be subject to the full SAI amount. With the number of family members no longer being considered in the formula, it is anticipated that families with multiple family members in college may experience a loss in federal and state aid eligibility or amounts within SAI's inaugural year. In SHEEO's analysis of the SAI formula, roughly 1.1% of filers will lose Pell eligibility. However, a large majority of those losing Pell eligibility will be dependent students in families with at least one additional member in college.

Despite SAI's exclusion of the number of family members in college, the FAFSA will collect this element to allow states and postsecondary institutions to utilize this number for their respective financial aid programs. For states that do not want to deviate from the federal formula nor develop their own formula, utilizing the number of family members in college could serve as a factor to identify affected students and enable them to preserve their aid eligibility through a grandfathering provision. Regardless of the method employed, states will need to provide notification and guidance to students and their families on this FAFSA change and how it will potentially impact their eligibility for federal and state aid. SHEEO has a publicly available press kit that states and postsecondary institutions can use to assist students and their families in understanding the changes to the 2024-25 FAFSA, whether students are first-time filers or re-filing for the upcoming academic year.[2]

Another significant change to the federal formula relates to consideration of the net worth of family farms and small businesses with fewer than 100 employees. While this measure was previously excluded under the EFC formula, the SAI formula requires this reporting, and it will be considered as an asset. This leads to some individuals having an inaccurate representation of their ability to pay for college as these reported assets are not easily convertible to cash. Previous research from Iowa College Aid demonstrated that a reported net worth of $1 million for a family farm or small business would increase a student's expected amount to pay for college from $7,626 to $41,056.[3] As a consequence, these individuals may be deemed ineligible for federal and state need-based financial aid.

1. sheeo.org/wp-content/uploads/2023/10/ImpactsofFAFSASimplification.pdf
2. socialpresskit.com/sheeo#2024-25-fafsa-simplification-resources
3. Iowa College Aid. (2023). *The FAFSA simplification act: Policy simulations and implications for state aid programs.* Des Moines, IA: Iowa College Aid. drive.google.com/file/d/1xXf2D_tUPAjJzU755Y5Q6GiP_qsn8R0r/view

The exact number of college students affected by the inclusion of farms and businesses as an asset within the formula is unknown due to data limitations. However, states with large agricultural or entrepreneurial communities should anticipate that students are likely to experience a change in their aid eligibility because of this new requirement and prepare guidance on how students and their families should correctly report this information in the FAFSA. According to the FAFSA, the definition of businesses or investment farms encompasses ownership of the business or income-producing farms.[4,5]

## HOW WILL THE NEW FORMULA IMPACT THE ADMINISTRATION OF STATE AID PROGRAMS?

At the state and institutional levels, guidance from ED restricts the release of data relating to students' and their families' federal tax information (FTI), be it individually or in the aggregate.[6] This constraint may present challenges for states and institutions who rely on FTI for reporting purposes to illustrate the distribution of aid programs by household income, as income is generally more comprehensible compared to EFC or SAI. In such cases, states will need to explore alternative reporting methods in illustrating the distribution of aid. Such examples could include depicting the aid distribution by income quartiles or percentiles.

The introduction of a new, simplified FAFSA is intended to streamline the financial aid application process, ultimately increasing completion rates. However, the current delay in the release of the FAFSA form may impact these completion rates. With the FAFSA open date having moved from the traditional October 1 to December 31, 2023, the delay may confuse students and their families on when to apply or they may inadvertently complete the FAFSA for the 2023-24 academic year as opposed to 2024-25. States can move their financial aid deadlines to a later date in spring to alleviate some confusion and complexity surrounding this delay. States' abilities to adjust the deadline vary, as states can make this change through powers provided to the state agency, a governor's executive order, or legislation.

The delays are also likely to impact some states with FAFSA completion goals that closely monitor national and state completion rates on a weekly or monthly basis. This is especially true for states that have a universal FAFSA policy requiring high school seniors to complete the FAFSA before graduation. States with their own tracking mechanisms can monitor their respective completion rates as soon as they receive their state's FAFSA data.[7] However, for states and higher education stakeholders without the ability to track their completion rates and who rely on the publicly available rates that ED publishes, complete information will not be available until April.[8] While high-school level FAFSA submissions by state are currently available from ED, these data are incomplete and not finalized.[9] This also makes it difficult for states to compare completion rates with surrounding states or at the national level.

4. studentaid.gov/sites/default/files/2024-25-fafsa.pdf
5. This would include the fair market value of the land, buildings, livestock, and machinery used in commercial activities. However, the net worth excludes the value of crops that are grown for personal consumption as well as the principal residence if located on the farm. The residence could include the home, adjacent structures, and land that is not used for farming.
6. fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-05-12/access-and-use-federal-tax-information-fti-federal-student-aid-programs-beginning-2024-25-fafsa-processing-cycle
7. See Louisiana as example: competetocompletela.org
8. fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-12-15/2024-25-fafsa-soft-launch-details-and-timelines-updated-jan-22-2024
9. studentaid.gov/data-center/student/application-volume/fafsa-completion-high-school

Additionally, based on ED guidance, the FAFSA delay will impact states' ability to disburse aid awards. With the FAFSA release in December, states are not anticipated to receive the necessary FAFSA data elements from ED until mid-March.[10] States will need to ensure that proper processes are in place to award aid in a timely manner and work with postsecondary institutions on a communication strategy to inform students and their families that any postponement in awards is due to the delayed release of the FAFSA. The messaging regarding this delay will vary by state. Some states may use text messaging to prior FAFSA applicants, advertisement through social media, providing communication materials to high school counselors or financial aid administrators, or hosting online and in-person FAFSA completion events.

While there are some restrictions on how states can release and report FAFSA data, the changes to the formula do provide additional benefits to states in targeting aid to those with the most financial need. States can use the negative SAI to identify students with higher financial need than students who have an SAI greater than 0. For example, states could use the negative SAI as a criterion to select students who are in the most financial need and prioritize financial awards to them. However, per current ED guidance, financial aid administrators are not allowed to package financial aid awards that exceed the cost of attendance.[11] This implies that a negative SAI cannot be used in calculating aid packages but can be used to determine students who are in more financial need than others.

For the states using their own aid application, the new FAFSA and resulting SAI formula provide an opportunity to determine which elements in their state applications are needed or could be eliminated from their respective state aid formulas. States will need to compare which FAFSA elements they use in their application and determine whether these measures change or are eliminated under the SAI formula. If certain elements are eliminated, states will need to determine an alternative measure or method for calculating aid eligibility, such as including the FAFSA-eliminated measure on the state aid application. On the other hand, states may be able to take advantage of some of the FAFSA element changes and eliminate duplicate questions from their respective applications, allowing for a reduction in the overall number of questions used to determine eligibility.

In prior FAFSA filing years, certain students had the ability to automatically transfer their FAFSA information into their respective state aid application. States offering this transfer included Iowa, Minnesota, Mississippi, New Jersey, New York, Pennsylvania, and Vermont. However, for the 2024-25 filing year, students will no longer have this transfer ability. Instead, students will be directed to a state-approved URL to complete the state application separately.[12] States that utilized this function in the past will need to communicate this change to students to prevent the risk of losing state aid eligibility due to their inability to complete the form. Additionally, states should also inform financial aid administrators of this change to ensure that there is no significant disruption in the share of students receiving state aid at their respective institution.

10. fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-01-30/2024-25-fafsa-student-aid-index-update-and-timeline

11. The existing guidance preventing aid awards from exceeding cost of attendance may change. States can advocate for this change if it would be beneficial to their students.

12. fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-12-15/2024-25-fafsa-soft-launch-details-and-timelines-updated-jan-22-2024

## HOW WILL STATE AID PROGRAMS BE IMPACTED?

Similar to previous SHEEO analyses, NPSAS:18-AC was used to simulate how changes in the FAFSA formula impact state aid award programs. SHEEO examined the design of four different state aid programs: first dollar scholarships, last dollar scholarships, eligibility based on an EFC/SAI threshold or Pell Grant, and eligibility based on adjusted gross income (AGI). We used an unweighted sample of FAFSA filers, consisting of roughly 100,000 students, to represent a hypothetical state for the 2021-22 academic year. All simulations adjust financial aid amounts based on students' enrollment intensity (e.g., full-time, part-time, and half-time) and the cost of attendance or tuition and fees. Our analysis only accounts for Pell Grant awards in students' financial aid packages and does not consider other types of aid. The following simulations are designed to provide a representation of the changes in state award eligibility as a function of the changes in the FAFSA formula and, when necessary, Pell amounts.

*Table 1* demonstrates the differences in Pell eligibility and amounts under the EFC and SAI formulas for the full sample we used for the simulations. At baseline, approximately 60% of the sample received a Pell Grant under the EFC formula. Consistent with previous findings, students were likely to experience an increase in Pell Grant eligibility and award amounts with the change to the SAI formula, as 8% of the sample gained Pell eligibility and 25% experienced an increase in Pell awards by more than $500. Less than 1% of the sample lost their eligibility or had a decrease in their award.

*TABLE 1:*
**PELL ELIGIBILITY UNDER EFC AND SAI**

| | EFC FORMULA | SAI FORMULA |
|---|---|---|
| PELL ELIGIBLE | 60% | 68% |
| NO CHANGE IN ELIGIBILITY | | 92% |
| GAIN ELIGIBILITY | | 8% |
| LOSE ELIGIBILITY | | <1% |
| AVERAGE AWARD (INCLUDES ZEROS) | $2,492 | $2,957 |
| AWARD WITHIN $500 | | 75% |
| AWARD INCREASES OVER $500 | | 25% |
| AWARD DECREASES OVER $500 | | <1% |
| TOTAL AWARD AMOUNT | $256 MILLION | $303 MILLION |

NOTES:
1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

### FIRST DOLLAR GRANT OR SCHOLARSHIP PROGRAMS

A first dollar grant or scholarship is a type of financial aid that covers a student's educational expenses without consideration of other financial aid received. This means that a student's eligible award amount is applied directly to their educational expenses and not adjusted from awards of other financial aid programs. Under the SAI formula, a student's award under a state aid program that is first dollar should not be negatively impacted as award amounts will not be altered from the receipt of other aid programs. While the design of first dollar grant or scholarship programs do vary by state, we simulate awards for a $2,500 first dollar scholarship for students who are Pell Grant eligible.

For states that use SAI as a criterion to determine eligibility, they should anticipate an increase in the number of eligible students if the SAI threshold used to determine state grant eligibility is close to or below the Pell eligibility threshold. As *Table 2* demonstrates, the results are similar to the Pell results in *Table 1*. Because there was an increase in the share of Pell Grant-eligible students under the SAI formula, there was an 8 percentage point increase in the share of students receiving a first dollar scholarship, and the average award increased from $938 to $1,065. States should anticipate an increase in total expenditures under the SAI as the first dollar scholarship total will increase by $13 million, from $96 million to $109 million.

*TABLE 2:*
**FIRST DOLLAR SCHOLARSHIP UNDER EFC AND SAI FORMULAS**

| | EFC FORMULA | SAI FORMULA |
|---|---|---|
| PERCENT RECEIVING | 63% | 71% |
| NO CHANGE IN ELIGIBILITY | | 92% |
| GAIN ELIGIBILITY | | 8% |
| LOSE ELIGIBILITY | | <1% |
| AVERAGE AWARD (INCLUDES ZEROS) | $938 | $1,065 |
| AWARD WITHIN $500 | | 92% |
| AWARD INCREASES OVER $500 | | 8% |
| AWARD DECREASES OVER $500 | | <1% |
| TOTAL AWARD AMOUNT | $96 MILLION | $109 MILLION |

NOTES:

1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

## LAST DOLLAR GRANT OR SCHOLARSHIP PROGRAMS

A last dollar grant or scholarship is a type of financial aid that is intended to cover a student's remaining costs of their education after other sources of financial aid have been applied, such as federal grants, state grants, or institutional aid. The design of these last dollar programs can vary. For most states, the last dollar award covers the remaining financial need up to the price of tuition and fees, which would not include costs associated with room and board and books. In this simulation, we first estimated students' Pell Grant awards under the SAI formula and then adjusted the last dollar scholarship to any outstanding balance in their tuition and fees. Because last dollar scholarship programs are often associated with community colleges (TN Promise as an example), we limited our analysis to students attending a public 2-year college.

Because of the increase in Pell Grant-eligible students and the first application of Pell Grant awards in students' aid packages, *Table 3* demonstrates that the share of students receiving a last dollar scholarship decreases from 53% under EFC to 46% under SAI. The last dollar awards also decrease from an average of $1,311 to $1,043 and roughly 16% will experience over a $500 reduction in their award. For states that do have a last dollar scholarship, they should anticipate that an increase in eligibility for aid programs under SAI, such as the Pell Grant, will result in a reduction in overall expenditures for their last dollar program. In our simulation, the total expenditure decreased $8 million, from $41 million under EFC to $33 million under SAI.

While it does appear that a large share of students are losing eligibility for a last dollar scholarship award, the total award amount they receive in combination of Pell and last dollar is still the same in covering the full amount of tuition and fees. In general, the results demonstrate that the transition to the new FAFSA and Pell formula is more likely to "crowd-out" last dollar scholarship awards. States can redirect these savings as more of tuition is subsidized by Pell Grants towards: expanding grant eligibility to include more students, providing larger grant awards to each student, covering additional expenses beyond tuition and fees, or reappropriating to institutional general operating funds.

*TABLE 3:*
**LAST DOLLAR SCHOLARSHIP UNDER EFC AND SAI FORMULAS**

| | EFC FORMULA | SAI FORMULA |
|---|---|---|
| PERCENT RECEIVING | 53% | 46% |
| NO CHANGE IN ELIGIBILITY | | 92% |
| GAIN ELIGIBILITY | | <1% |
| LOSE ELIGIBILITY | | 8% |
| AVERAGE AWARD (INCLUDES ZEROS) | $1,311 | $1,043 |
| AWARD WITHIN $500 | | 84% |
| AWARD INCREASES OVER $500 | | <1% |
| AWARD DECREASES OVER $500 | | 16% |
| TOTAL AWARD AMOUNT | $41 MILLION | $33 MILLION |

NOTES:

1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

## ELIGIBILITY BASED ON EFC/SAI OR PELL GRANT ELIGIBILITY THRESHOLDS

An EFC/SAI threshold can be used as a factor in determining a student's eligibility and award amount for state aid programs. For example, in Missouri, students need to have an EFC below $12,000 to be eligible for a maximum award under the Access Missouri Financial Assistance Program. We simulated a $2,500 financial aid program wherein students needed to have an EFC or SAI below $10,000 to be eligible.

For states using an EFC or SAI threshold to determine eligibility, they should expect an increase in the number of eligible students, as more students will fall below the SAI threshold than fall below the EFC threshold. *Table 4* demonstrates a 7 percentage point increase in eligible students under the SAI formula. For 93% of students, eligibility would not change, 7% would experience a gain in eligibility, and fewer than 1% would lose eligibility. The average award would increase by $100 and the total awards would increase by $10 million from the baseline of $105 million.

We also simulated awards should a state wish to keep its funding at status quo—meaning that it would not be able to increase the overall funding by $7 million. Under the status quo funding, the SAI threshold would need to be decreased from $10,000 to roughly $4,700 and a slightly higher percentage of students would lose their eligibility, roughly 2%.

*TABLE 4:*
**AWARDS BASED ON $10,000 EFC/SAI THRESHOLD**

| Need-Based Award | EFC FORMULA | SAI FORMULA | SAI FORMULA (STATUS QUO) |
|---|---|---|---|
| PERCENT RECEIVING | 68% | 75% | 68% |
| NO CHANGE IN ELIGIBILITY | | 93% | 96% |
| GAIN ELIGIBILITY | | 7% | 2% |
| LOSE ELIGIBILITY | | <1% | 2% |
| AVERAGE AWARD (INCLUDES ZEROS) | $1,020 | $1,120 | $1,020 |
| AWARD WITHIN $500 | | 93% | 96% |
| AWARD INCREASES OVER $500 | | 7% | 2% |
| AWARD DECREASES OVER $500 | | <1% | 2% |
| TOTAL AWARD AMOUNT | $105 MILLION | $115 MILLION | $105 MILLION |
| EFC/SAI THRESHOLD | $10,000 | $10,000 | $4,691 |

NOTES:

1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

It is common for some state aid programs to use Pell Grant eligibility as the same criterion for determining state aid eligibility. We ran the same simulation as the $10,000 EFC/SAI threshold but treated Pell Grant eligibility as an eligibility requirement. Similar to the results in *Table 4*, *Table 5* displays an overall increase in eligibility and awards at the Pell threshold. The share of students receiving an award increased 8 percentage points and 8% of students gained eligibility. The average award increased from $935 to $1,061, and the total expenditure increased $13 million, from $96 million to $109 million.

One of the primary factors associated with the increase in awards under SAI is due to the change in Pell Grant eligibility. Under the SAI formula, Pell eligibility is based on either federal poverty guidelines or the SAI measure. Students who have a household heads' income below poverty thresholds or an SAI at or below zero are eligible to receive the maximum Pell award. For students who do not meet the poverty guidelines or have an SAI greater than zero, they are eligible to receive a Pell award, but their award is calculated by subtracting their SAI from the maximum award.

We simulate awards again with the status quo appropriations by calculating students' eligibility for state aid at the same SAI threshold that determines eligibility for a Pell Grant. This approach is similar to our simulation above with the $10,000 SAI threshold, but this simulation is focused on students near the SAI threshold that determines Pell eligibility. If states were to have a status quo budget, the SAI threshold to determine state aid eligibility decreases from $5,846 to $308. While 97% of students under this scenario experience no loss in their state aid eligibility, there is still a small percentage of students that will experience either a gain or loss in eligibility (3%).

*TABLE 5:*
**AWARDS BASED ON PELL GRANT ELIGIBILITY**

| Need-Based Award | EFC FORMULA | SAI FORMULA | SAI FORMULA (STATUS QUO) |
|---|---|---|---|
| PERCENT RECEIVING | 63% | 71% | 62% |
| NO CHANGE IN ELIGIBILITY | | 92% | 97% |
| GAIN ELIGIBILITY | | 8% | 1% |
| LOSE ELIGIBILITY | | <1% | 2% |
| AVERAGE AWARD (INCLUDES ZEROS) | $935 | $1,061 | $935 |
| AWARD WITHIN $500 | | 92% | 98% |
| AWARD INCREASES OVER $500 | | 8% | 1% |
| AWARD DECREASES OVER $500 | | <1% | 1% |
| TOTAL AWARD AMOUNT | $96 MILLION | $109 MILLION | $96 MILLION |
| EFC/SAI THRESHOLD USED TO DETERMINE ELIGIBILITY | $5,846 | POVERTY THRESHOLDS | $308 |

NOTES:

1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.
3. For students who do not meet poverty guidelines or who have an SAI greater than 0, SAI is used to determine eligibility.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

Both simulations demonstrate that state aid awards and eligibility will increase if states do not make any adjustments to the SAI or Pell Grant eligibility thresholds. States may consider using an SAI threshold that is lower than the EFC threshold to keep state aid appropriations neutral. However, states will need to remember that the decline in the SAI measure is not universal, as some students will not experience any change in their measure of financial aid eligibility. In this instance, lowering the threshold may result in some students losing their eligibility for state aid. If states do wish to keep their SAI threshold the same as it was under the EFC formula, states should anticipate an increase in overall awards and expenditures.

Overall, the results illustrate that a small portion of students are likely to lose eligibility because of the change from EFC to SAI. States may want to consider creating emergency grants or a grandfather clause that allows returning students to remain eligible to ensure that they are not adversely affected by the change to the new needs analysis formula.

## ELIGIBILITY BASED ON ADJUSTED GROSS INCOME

Instead of relying on an EFC/SAI threshold, some state aid programs determine eligibility and award amounts based on students' and their families' adjusted gross income (AGI). States may derive the AGI from the FAFSA but will not take into consideration the final SAI measure as the determining factor for aid eligibility. *Table 6* displays the results of a $2,500 financial aid program for students whose household heads have an AGI less than $100,000. The results demonstrate that students will not be impacted under the SAI formula as eligibility and award amounts are based on AGI and not the SAI.

*TABLE 6:*
## AWARDS BASED ON $100,000 AGI THRESHOLD

| | EFC FORMULA | SAI FORMULA |
|---|---|---|
| PERCENT RECEIVING | 76% | 76% |
| NO CHANGE IN ELIGIBILITY | | 100% |
| GAIN ELIGIBILITY | | 0% |
| LOSE ELIGIBILITY | | 0% |
| AVERAGE AWARD | $1,132 | $1,132 |
| AWARD WITHIN $500 | | 100% |
| AWARD INCREASES OVER $500 | | 0% |
| AWARD DECREASES OVER $500 | | 0% |
| TOTAL AWARD | $116 MILLION | $116 MILLION |
| AGI | $100,000 | $100,000 |

NOTES:

1. Dollar amounts were adjusted to 2023-24 values.
2. See Burns, R. (2023). *National and state impacts of FAFSA simplification* for estimating SAI and Pell Grant amounts.

SOURCE: 2017-18 National Postsecondary Student Aid Student, Administrative Collection

# CONCLUSION

The implementation of the FAFSA Simplification Act represents a significant step forward in making higher education more accessible and affordable, as the shift from the EFC to SAI benefits a large majority of students through the expansion of aid eligibility and increased award amounts. While this transition provides positive changes, state agencies that oversee financial aid programs need to be aware of the nuanced issues that impact students and the administration of state aid programs.

The delayed release of the FAFSA poses some challenges that require strategic planning at the state level. States are navigating the changes to the FAFSA and need to make decisions in ways that relate to the potential impact on completion rates and disbursement of aid awards. The simulations highlighted in this guidebook provide insight into the effects of the new SAI, and emphasize the need for states to adapt their aid programs to ensure they continue to maintain the goal of promoting college access and success.

States need to consider the following aspects as they develop their strategies:

- The intent of the changes to the FAFSA is to lead to expanded Pell Grant eligibility and higher award amounts, which prior research has demonstrated will occur. However, certain students, especially those from families with multiple members in college or families with a farm or business, may experience a loss of federal and state aid eligibility.
- It is crucial for states to provide effective communication to students and their families and financial aid administrators with guidance that helps them understand the changes to the SAI formula and the potential impacts on state aid eligibility and awards.
- The new SAI formula offers states an opportunity to reassess their respective aid programs. States can use the negative SAI as a criterion to identify students with higher financial need and prioritize awards accordingly. States can also simplify their own financial aid applications by eliminating or reducing redundant questions that are collected on the FAFSA. However, the delayed release in the FAFSA may impact states' completion rates and the disbursement of state aid programs. States can respond to this delay by moving their priority filing deadlines.
- Simulation analysis based on different state aid program designs demonstrates the varied effects of the 2024-25 FAFSA changes. For first dollar scholarships, an increase in eligibility is anticipated if the SAI is near the Pell Grant eligibility threshold. Last dollar scholarship programs may experience a reduction in overall expenditures due to the increased eligibility for the Pell Grant. States using EFC/SAI or Pell Grant eligibility thresholds may witness changes in the number of eligible students and average award amounts. States utilizing AGI thresholds are likely to see no impact as eligibility is based on income rather than SAI.
- Emergency grants present an opportunity for states to expand access to financial aid. These grants can assist students who are at risk of losing Pell Grant eligibility due to the changes in the SAI calculation. Emergency grants are also permitted to exceed cost of attendance and can support students with urgent needs. Particularly when states anticipate seeing cost savings (such as the "crowding out" example for last dollar scholarships), the creation of an emergency grant program can ensure that these funds are distributed to the students with the greatest financial need.

**STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION**

3035 CENTER GREEN DRIVE, SUITE 100, BOULDER, COLORADO, 80301 • 303.541.1600
1233 20TH STREET NW, SUITE 360, WASHINGTON, D.C., 20036 • 202.558.2236

**SHEEO.org**