

“Time to Finish Fixing the FAFSA”

September 17, 2020

Testimony to the U.S. Senate Committee on Health, Education, Labor and Pensions

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Mr. Chairman, Ranking Member Murray, and members of the committee, thank you for this opportunity to testify on “Time to Finish Fixing the FAFSA.” I am particularly honored to offer this testimony as a Pell Grant recipient myself who once completed financial aid forms of her own to change her life.

The National College Attainment Network (NCAN) and its over 500 affiliates work in communities across the country to close equity gaps in postsecondary attainment. Committee members may know some of our programs such as the Tennessee College Access and Success Network and the Ayers Foundation in Tennessee and the College Success Foundation in Washington state.

As a nation, we have made progress over the past 20 years with more students pursuing higher education, but when we scratch the surface of the data, attainment gaps of over 20 percent points persist by race and income.

Much of that gap is fueled by an affordability challenge, with NCAN’s “Growing Gap” research finding that only 25% of public, four-year institutions are affordable to even those students who work hard to gather all of the federal and state financial aid for which they are eligible. FAFSA completion is the bare minimum required to afford college. FAFSA simplification must not only make the process of completing the FAFSA easier, but also take into account changes in Pell eligibility to ensure our nation’s students who are struggling to pay for college are left in a better position than they are today.

This one-two punch of inequity and lack of affordability, exacerbated by family income losses due to the COVID global pandemic, make today’s conversation about federal student aid all the more important. And FAFSA, as the key to access that federal student aid, critical. When we look at FAFSA completion by school districts, the gap between higher- and lower-income school districts is more than 7 percentage points, meaning those with the most need are less likely to apply. The high school class of 2018 left nearly \$2.6 billion on the table in unclaimed Pell dollars by not completing the FAFSA. Many students miss out on the Pell they deserve because the form is unduly complicated and often requires expert assistance to complete, as we heard from these students.

Christina from Los Angeles who matriculated at UC Berkeley said, “There were words I didn’t understand, so I had to wait until my counselor could meet with me so I could put in the right answers.” Daniel from Phoenix who matriculated at Bowdoin College said, “The people from

College Depot walked around and helped. I had questions about household size. I'm the only one that lives with my parents, but my brother is listed on their taxes too. If they weren't there, I'm pretty sure I would've gotten stuck."

The chairman's home state of Tennessee has been a leader in FAFSA completion every year since the Tennessee Promise, with its FAFSA completion requirement, was implemented in 2015. Louisiana shares the top rankings the last few years as the first state to implement FAFSA completion as a requirement for high school graduation. Louisiana has not only increased FAFSA completion by 25 percent, but it also has closed the FAFSA completion gap between low-income and high-income students, successfully leveraging federal Pell Grants on behalf of its students. Referred to in policy circles as "Mandatory FAFSA," this policy has now been adopted by Illinois and Texas with over a dozen states and DC considering it. Tennessee and Louisiana's success demonstrate that states can greatly increase completion with targeted effort and programs.

I'm also proud to report that we continue to see promising practices out of the Evergreen State. NCAN members in Tacoma have spearheaded a broad effort including K-12 systems, postsecondary institutions, and community-based partners to support the class of 2020 through a difficult spring and summer and help keep them on a postsecondary pathway ([source](#)). My colleagues at NCAN have had the chance to work with two Educational Service Districts, ESD 121 near Puget Sound and ESD 105 serving Yakima. The former has offered students and families excellent college transition checklists. The latter has focused in recent months on reducing summer melt. Both are examples of what NCAN would like to see more of in terms of partnerships that support students with college and career readiness.

I appreciate this opportunity to reunite with my fellow panelists from our first hearing about the FAFSA almost 7 years ago. Since then, we have been improving the FAFSA through changes such as use of prior-prior year income information to allow students to file the application earlier to better align with the decision-making timeline and the launch of a mobile app and web-responsive application to reach students where they are. In the year following those changes, we saw a 9% increase in FAFSA completions for high school seniors and reversed a four-year decline in overall applications.

PPY not only increased applications, but it also allowed FAFSA filers to file earlier. This increased the percent of high school seniors applying to one more than college by five points, which is an important improvement as admissions best practices show that students apply to at least four schools to provide them the chance to find the best academic fit and financial match. Finally, PPY also increased the percentage of FAFSA filers who are Pell eligible, adding over 58,500 Pell eligible FAFSA filers.

Clearly, simplification matters.

The December passage of the FUTURE (Fostering Undergraduate Talent by Unlocking Resources for Education) Act will reduce up to 22 questions on the FAFSA by allowing for data-sharing

between the U.S. Department of Education and the Internal Revenue Service. While we celebrate the passage of this legislation, it's important to note that it faces a long, and perhaps more complicated than anticipated, road to implementation, which is currently not expected until the 2023-24 FAFSA.

We're now at an important inflection point to think about what's left to fix the FAFSA. We see three key steps remaining: remove unnecessary questions, simplify the Pell Grant eligibility formula, including fast-tracking eligibility for students receiving means-tested benefits, and streamline verification.

First, NCAN has long advocated to remove unnecessary questions on the FAFSA. In our 2017 research "Half the FAFSA," we developed and user-tested a streamlined FAFSA with dramatically fewer questions. We found that the simplified FAFSA improved completion time by three percent, and even more importantly, reduced the error rate by 56%.

Twenty-five percent of the questions, totaling 30, on today's FAFSA are answered by less than 1% of applicants, including payments to tax-deferred pension and savings plans, net worth of businesses and investment farms and other untaxed income such as workers' compensation and disability. Of those questions 7 are transferred as part of the IRS Data Retrieval Tool and will be automatically transferred as part of the FUTURE Act. An additional two have been removed due to tax code changes. However, the remaining 16 questions provide little useful information on the FAFSA form and should be removed due to less than one percent of FAFSA filers having a non-\$0 answer to those questions. NCAN also recommends removing an additional 15 questions that are not required for the current federal methodology, particularly questions related to selective service and drug convictions.

Second, we turn to the Pell Grant, the cornerstone of financial aid for low-income students pursuing higher education since its creation in 1972. This need-based grant provides crucial support for around 7 million students each year, or about one-third of undergraduates. NCAN advocates for a simplified Pell Grant eligibility formula that ties Adjusted Gross Income and family size to federal poverty levels. This new formula should be written with the goal to ensure that our low- and moderate-income families are able to afford college regardless of how many children they have enrolled. This formula should err on the side of generosity to students and not budget neutrality.

We also support a clear path to full Pell Grant eligibility for those receiving means-tested benefits such as the SNAP program. Those students have already proven to the federal government that their family has a low-income. Students from families receiving means-tested benefits should be placed into the auto-zero Expected Family Contribution (EFC) category and asked no further financial questions.

Finally, this new formula would let middle school and high school students know what federal funds they have available to them to help pay for the costs of their higher education.

While addressing the Pell Grant, it is also important to address the need to restore its purchasing power by doubling it. Unfortunately, the purchasing power of the Pell Grant has continuously declined since the mid-1970s. At its peak in 1975-76, the maximum Pell award covered more than three-fourths of the average cost of attendance – tuition, fees, and living expenses – for a four-year public university. Today, it covers less than 30%. While Congress' efforts during the last two appropriations cycles have temporarily and partially curtailed the decreasing strength of the Pell Grant, lawmakers must make bolder investments in this program to empower traditionally underserved students. NCAN's long-term investment proposal calls for a return to a Pell Grant that covers 50% of the cost of attendance for a public four-year university. Given these extraordinary times of COVID and its resulting economic downturn, Congress should respond by immediately doubling the maximum Pell award, allowing it to direct federal aid to our students with most need through an established program with clear regulations and delivery mechanisms.

Our third and final component to fix FAFSA is to better target and significantly decrease verification selection rates. Each year after submitting the FAFSA, about 25% of all filers, and roughly half of all low-income filers, are flagged for an audit-like process known as verification, in which they must submit additional documents to prove the accuracy of the information included in their financial aid application. This process aims to reduce improper payments made by the federal government. But verification unintentionally and quietly wreaks havoc on financial aid applicants, particularly low-income students. Some obstacles include obtaining and completing different forms if they are applying to multiple schools, long waits for mailed IRS documents, and painful visits to records offices for death certificates. The student's FAFSA is not complete or actionable until this verification process is resolved, often causing missed deadlines and missed opportunities for first-come, first-serve state and institutional aid.

These barriers lead to "verification melt," or a failure to complete the verification process that derails a student's receipt of a Pell Grant and other financial aid. Only 56% of Pell-eligible students selected for verification actually complete this review process and go on to receive a Pell Grant. In comparison, among Pell-eligible students not selected for verification, 81% ultimately receive a Pell Grant. This represents a 25 percentage-point melt.

FAFSA verification strikes some advocates, NCAN included, as too aggressive compared to similar processes. For example, the Internal Revenue Service only audits a fraction of a percent of all tax returns— approximately 0.5% of all returns filed in 2017. There is some variation in IRS audits: Taxpayers earning less than \$25,000 annually have slightly higher audit rates (0.69%), and higher-income taxpayers (annual income of \$500,000 or more) can have an audit rate that exceeds 6%. Both figures pale in comparison to the approximately 50% selection rate for Pell Grant-eligible FAFSA filers.

Earlier this year, NCAN worked with the Office of Federal Student Aid (FSA) of the U.S. Department of Education (ED) to obtain a data extract on changes to the Federal Pell Grant

amounts received by students selected for FAFSA verification. NCAN's examination of verification and the Pell Grant program found the following:

- In the two most recent award years, slightly more than 70% of students who completed verification prior to November 1st experienced no change in their Pell Grant award.
- Among students whose Pell Grant award did change, Pell Grants were twice as likely to decrease rather than increase after verification.
- Ninety-three percent of applicants with an auto-zero EFC, i.e., applicants from low-income households who met the tax filing and income requirements to complete a shorter FAFSA and receive a maximum Pell Grant Award, retained that award after verification.

These data not only shed light on an area in which policymakers and researchers had been generally in the dark, but also raise questions about both the costs and benefits of verification and how upcoming policy implementations (specifically of the FUTURE Act [PL 116-91]) can affect FAFSA applicants and the verification process. In addition to the 22 questions the FUTURE Act will remove from the FAFSA using direct data sharing between IRS and FSA, it will also improve the FAFSA verification process by confirming which individuals are not required to file taxes. This will help NCAN students such as [Alex](#) and [Dorothy](#), both of whom needed support from NCAN members to navigate the process of the verification of non-filer tax form during verification. Alex had to obtain documents about his mother's earnings in Mexico and Dorothy needed to confirm that her mother was on disability and SNAP, both programs already administered by the government.

In closing, we appreciate the major improvements made to the FAFSA since our 2013 hearing on this topic. As we look to what could be final steps to fix FAFSA, we support removing unnecessary questions, simplifying the Pell Grant eligibility formula, including fast-tracking eligibility for students receiving means-tested benefits, and streamlining verification. These ideas are further explained in my written testimony. NCAN and its member programs offer our assistance and best practices to inform your considerations of these next steps. We thank you for having this important discussion today and for your ongoing commitment to closing the equity and affordability gaps in college attainment. Mr. Chairman, as you retire from the Senate, please let me close by taking this opportunity to thank you for being a tireless champion for FAFSA simplification to help all of our students succeed. Thank you.