

TIME TO FINISH FIXING THE FAFSA

HEARING
OF THE
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
UNITED STATES SENATE
ONE HUNDRED SIXTEENTH CONGRESS
SECOND SESSION
ON
EXAMINING FIXING THE FREE APPLICATION FOR FEDERAL STUDENT
AID

SEPTEMBER 17, 2020

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TIME TO FINISH FIXING THE FAFSA

Thursday, September 17, 2020

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10:02 a.m., in room 430, Dirksen Senate Office Building, Hon. Lamar Alexander, Chairman of the Committee, presiding.

Present: Senators Alexander [presiding], Murray, Hassan, Jones, Warren, Cassidy, Casey, Murphy, Collins, Braun, Murkowski, and Rosen

OPENING STATEMENT OF SENATOR ALEXANDER

The CHAIRMAN. The Chairman. Good morning everyone. The Committee on Health, Education, Labor, and Pensions will please come to order. First, a few administrative matters. We have gotten advice from the Sergeant at Arms, Health and Human Services, Centers for Disease Control, individuals in the hearing room will be at least six feet apart. There is no room for the public therefore, but this is all streaming and there will be an unedited version of it that anyone can watch later. Our witnesses are participating by video conference today and some Senators are as well. I would like to say something about masks.

The Office of Attending Physician has said that since we are six feet apart, we don't need to wear masks, although some may. That is why my mask is off, although I have one and I wear it outside because as Dr. Redfield reminded us yesterday, it is extremely important tool for stopping the spread of COVID. I am grateful to the Rules Committee, Sergeant at Arms, the press gallery, the Architect of the Capitol, the Capitol Police and Chung Shek and Evan Griffis, our staff, people—all their hard work in helping to keep us safe and to helping us do these conferences by video at which everyone seems to have become pretty expert. Senator Murray and I will have an opening statement. We will then turn to our witnesses who we thank for being with us today. Each witness will have—if you would summarize your remarks in 5 minutes, that would leave more time for questions and answers. Each Senator will have 5 minutes and we will try to keep the questions and answers for each Senator at 5 minutes so everyone can have a chance to participate.

I would like to begin today by thanking Senator Murray. She offered some kind words for me at our hearing on Tuesday. Let me say something about her. Four years ago, she and I received the National Education Association's Friend of Education Award. It

was the first time in 30 years the NEA had awarded that award to a Republican but it was the second time in 4 years that they awarded it to Senator Murray. So we would seem like an unlikely pair. But there is a little secret to our relationship. Senator Murray was a preschool teacher and my mother had a kindergarten in our backyard where she had 25, three and 4 year olds in the morning and 25, 5 year olds in the afternoon for 30 years. And I was there for almost every year until I was six.

Senator Murray and I have found a lot of common ground in what you learn in preschool, which was the childhood lesson of play well together. An indispensable part of our success has been staff director Evan Schatz and David Cleary, my staff director, as well as other members of the Murray staff and the Alexander staff who have also learned to work well together and made it easier for us to succeed. Our staff affectionately calls them the Murrays. The laws that we have passed in this Committee over the past 6 years when I have been Chairman and she has been the Ranking Member wouldn't have happened without Senator Murray, whose leadership and effectiveness helped yield, for example, the Every Student Succeeds Act that—President Obama called that a Christmas miracle. It affects 100,000 public schools and 50 million children, or the 21st Century Cures Act.

Senator McConnell called that, which passed in 2016, the most important law of the entire Congress, speeding up lifesaving cures for diseases from Alzheimer's to cancer to flu. It has been helpful in driving research for COVID-19. Then there is the Opioid Response Crisis Act of 2018 and the FUTURE Act of last year when we begin the process of simplifying the dreaded FAFSA by law and permanently funded historically black colleges, a goal for a long time. And there have been many more, including the Perkins law and other important laws. Senator Murray has been extraordinarily effective, partly because she is a Member of the Democratic leadership and she commands great respect on her side of the aisle. But she also knows how to create an environment in which bills can become law, which requires bipartisan action.

For example, when she and I first began the work on fixing No Child Left Behind, she said that what we should do is write the bill together. Well, that hadn't been my plan but I took her advice. Turned out to be good advice and we got a result that not many people thought we would get. That bill had many complicated and contentious issues. There were crocodiles at every part of the pond, but Senator Murray helped create—find creative ways to conquer those challenges and proceed to the finish. One of the most special times for me in my 18 years in the Senate was on April 16, 2015 when we called the roll and the Every Student Succeeds Act. In a Committee, this Committee, of so many different points of view, every single Senator voted yes to recommend that bill to the Senate.

That type of bipartisan support never would have happened without Patty Murray. We have had some disappointments. We have certainly had some differences of opinion. But Senator Murray has always been willing to sit down and try to find a path forward even on the most contentious issues. I often say it is hard to get to the U.S. Senate. It is hard to stay here. And while you are

here, you might as well try to accomplish something good for the country. Senator Murray is that kind of Senator, the kind that is here to get something done and Americans are fortunate that the result has been new laws to tackle the opioid crisis, spur new cures for diseases, to make it easier to obtain and afford college, and to help 50 million children and 100,000 public schools. So I thank her for her friendship, for her partnership and her leadership on some of the most important issues of our time.

Now let's turn our attention to one of those important issues, and it is this, 20 million students and their families are in the middle of what has to be the strangest first semester of college in at least a century. Almost everything has changed for students except one thing, students still have to answer 108 questions on the dreaded FAFSA form, the Federal aid application for Pell Grants and student loans to help go to college. For years now, I have carried around the FAFSA as a prop to make the case for simplifying it, but it is no joke, especially this year. Many students are questioning their investment in a college education at a time when many classes are only offering online courses.

Many of low income students who would benefit most economically from college long term are putting it off altogether. There was already an 8 percent drop in the number of black undergraduate students enrolled in summer sessions compared with last summer's enrollment according to the National Student Clearinghouse Research Center. The president of Southwest Tennessee Community College in Memphis, a mostly minority community college, told me three—a few years ago that he loses 1,500 students a semester because of the complexity of filling out the FAFSA. Imagine how much less motivated anyone is to fill out those 108 FAFSA questions this year. This is a form that is especially difficult for students who are homeless, who are in foster care, who are living with grandparents. Hard for them to complete it. Homeless students have to prove they are homeless.

Foster care students may not have access to all the information required to complete the FAFSA, and students living with their grandparents often are still dependent on their parents, and obtaining information from their parents may be difficult. These are the very students Federal aid is meant to help and it is exactly the kind of economy in which a college education proves its value. It is not that Senator Murray and I and others haven't been trying to help fix the FAFSA. When four of today's witnesses appeared before this Committee almost 7 years ago, they universally agreed that the FAFSA was an obstacle to students attending college. They said we could award Pell Grants using just two simple variables, family size and income. Senator Bennett and I then had the same reaction. Well, if there is that much agreement on how to make it easier for 20 million families to apply for Federal aid, why don't we just do it? So Senator Bennett and I set out to turn the lengthy FAFSA into a postcard.

The result was the FAST Act. Senator Murray and I then worked with the Obama administration to allow students to fill out the FAFSA using their tax information from 2 years before they enrolled in college instead of one so they could file in the fall rather than having to wait until spring. The Trump administration has

created an app so students and families can file the FAFSA on their cell phones or tablets. The FUTURE Act, which Senator Murray and I sponsored, which became law last year, reduced the FAFSA by up to 22 questions and eliminated the bureaucratic nightmare created by requiring students to give the Federal Government the same information twice and then to try to catch them in making a mistake. Stopping the Federal Government from asking for your tax information twice, once for the IRS and then once for the Education Department, also helped prevent most applicants from being selected by the Department of Education for income verification caused by mistakes, which many parents and counselors have told me is a bigger burden than filling out the 108 questions in the first place.

Today we have got a piece of legislation that would finish the job. It has broad bipartisan support. It is based on recommendations that four of today's witnesses gave us nearly 7 years ago at a hearing before this Committee. Here is what I mean when I say it is time to finish the FAFSA. The bipartisan legislation Senator Jones and I have proposed would reduce the total questions on the fast from 108 to no more than 33. So let me give you an example of the difference, if I can hold it up. This is the 108 questions. This is the 33 question form that would make the difference if we can enact it this year. That is the first thing it would do. Second, it would end the Department of Education's lengthy financial data verification process by removing unnecessary financial questions and instead using only the financial data that will come directly from the IRS starting in 2023, '24 school year, a change that Congress made in the FUTURE Act which passed last year and which I just mentioned. Three, it will continue to collect and provide states and colleges the information they need to determine state and institutional aid.

The first legislation that Senator Bennett and I worked on cause some problems for states and we have worked with states and counselors to address those problems. Four, it would create a simple Pell Grant eligibility formula so that middle and high school students and anyone interested in applying for aid will know how much Pell Grant money they have to go to college. Five, it does something else, something that Senator Murray has been working on for 20 years that makes it easier for students who are homeless, students in the foster system, or students who are not in touch with their parents. Our bill allows these students to apply for aid as independent students, making the application process for them much simpler. As a result of these changes, Congress would immediately enable more students to receive Pell Grants and many more to receive the maximum Pell Grant. An additional 420,000 students would qualify for Pell Grants each year if this bill passed, according to the Congressional Budget Office. An additional 1.6 million students would qualify to receive the maximum Pell Grant Award each year.

Students from single parent families would benefit more from Pell Grants because the formula would account for the greatest needs of these families. And in addition to Senator Murray, much of this work has been done by Senator Bennett, Senator Jones, who is a Member of this Committee, and others who have helped with

the work include Senator Booker, Senator Burr of this Committee, Senator Collins of this Committee, Senator King, and former Senator Isakson. During these last several years, we have worked carefully with various organizations to make sure our proposals don't cause any unexpected problems. And as a result, we have the support of the National Association for Student Aid Administrators, the National College Attainment Network, the State Higher Education Executive Officers Organization, Schoolhouse Connections, National Association of State Student Grant Aid programs, each of the regional higher education compacts. In conclusion, after nearly 7 years of work on these issues it all boils down to this, it makes no sense to make it this complicated to apply for Federal aid for college. It makes no sense to discourage the very students Congress wants to encourage to attend college and benefit from Federal financial aid.

In Tennessee, former Governor Bill Haslam created the Tennessee Promise and Tennessee Reconnect programs to provide 2 years of free community college to any Tennessean without a degree. All you have to do is fill out the FAFSA. Yet the Governor hasn't told me that the FAFSA is the single biggest barrier to helping more Tennesseans take advantage of the opportunity for two free years of higher education. The right time to finish the job is now a time when college students and their families are under so much pressure, facing so much uncertainty, especially homeless students, students in foster care and those living with grandparents.

I hope we can pass bipartisan legislation to do so by the end of this year. I will now recognize Senator Murray for her opening statement.

OPENING STATEMENT OF SENATOR MURRAY

Senator MURRAY. Well, Mr. Chairman, first of all, let me just say thank you to all of our witnesses for being here today. And Mr. Chairman, thank you for your very kind opening remarks about me. I appreciate it so much. And if I am not mistaken, this is your last scheduled education hearing as the HELP Chairman. So I will say today, thank you for all your contributions to higher education. As I said earlier this week, as a former Governor, president of the University of Tennessee, secretary of education, this Committee and our entire country, everyone has really benefited from your expertise and your experience.

I will say what I said again Tuesday, we all owe you a debt of gratitude and really, really appreciate all your work. You know, throughout our time together and how we have been able to pass the FUTURE Act to permanently fund our Nation's HBCUs, we updated our Nation's career and technical education programs, and worked together with Senator Blunt to restore the year round Pell Grant, just to name a few and just in higher education. again, thank you so much for all of your contributions. And of course, today we are discussing an issue near and dear to your heart where you already have an impressive legacy and that is FAFSA simplification.

I am proud of the steps that we have taken to improve the FAFSA for students across the country. From our work in 2015

with the Obama administration to allow students to fill out the FAFSA earlier and with more accurate financial information, to our work last year on the FUTURE Act, which will streamline the process to help students securely use the tax information already on file with the Federal Government, this is an issue where we have repeatedly been able to find common ground and get things done. And Mr. Chairman, your leadership on this issue has already made the FAFSA much easier to navigate. But of course, we both agree there is more work to be done.

The ongoing pandemic is also having a profound economic impact on families across the country and we are already seeing students are facing unprecedented struggles when it comes to paying for college. The FAFSA must be a tool that expands access to higher education, not a barrier that prevents qualified students from getting the financial aid they need to go to college. And that means we need to build on the valuable work that has been done to make FAFSA easier to navigate by making sure that students experiencing homelessness, students in foster care, and students whose families have low incomes can successfully get access to the Pell Grants available to them.

Because right now it is students that need our help the most who are facing the biggest burdens in getting financial aid. Those students don't often have the resources to navigate the college financial aid process and they struggle without access to college counselors or other support and many times without dependable Internet or access to a computer. So instead of forcing them to jump through unnecessary hoops, we need to do everything we can to make their lives easier, like making the verification process where students have to confirm information on the FAFSA for their schools less of a burden, especially for families with low incomes. Determining Pell Grants based on the Federal poverty level so more students and families can easily know the amount of help they will receive. And fully implementing the FUTURE Act as soon as possible. And we can't stop there by the way, we also need to get serious about connecting these students to more than just Pell Grants.

We must work to ensure that students don't miss out on state and Federal support programs they may be eligible for that could help them afford food and housing and child care. The FAFSA is just the beginning of the financial aid process that we need to make easier for students and families. So I am glad to keep working with you, Mr. Chairman, to get this right. But while simplifying FAFSA is important, I don't have to tell anyone here that the COVID crisis is top of mind for students and families and educators. We just kicked off an unprecedented school year. There have already been over 88,000 cases of corona virus on college campuses and 60 deaths. And these outbreaks have led many colleges to abruptly switch to remote classes and force students to leave campus with little warning.

I am hearing truly heartbreaking stories from college students back in my home State of Washington about the turmoil they are experiencing. So the Senate also needs to get to work negotiating a COVID relief package to make sure colleges can deliver a quality education for their students and implement public health protocols

and provide emergency financial aid to students who are struggling to afford the food and housing and childcare and technology that they now need to have during this crisis. I am going to keep pushing to start bipartisan negotiations on this relief package but for now, I again want to thank our witnesses for being here.

Thanks again to Chairman Alexander. I know we don't always agree, but what I do know is that even when we disagree, we have always been able to listen to each other and quite often find things we can agree on that help the people we are here to serve. That is what we have been able to do with the FAFSA simplification in the past, and I hope even in the few weeks you have remaining this year, that we can build on that work to make much needed progress on the many critical challenges in front of us. So thank you again, Mr. Chairman.

The CHAIRMAN. Thank you so much, Senator Murray. Senator Baker told me one time that the key to being an effective Senator was to become an eloquent listener.

Senator MURRAY. Absolutely.

The CHAIRMAN. You do pretty well at that and I try to as well. Welcome to our witnesses today. Our first witness is Dr. Bridget Terry Long, the Dean and Saris Professor of Education and Economics at the Harvard Graduate School of Education. Dr. Long is an economist who focuses on the transition from high school to higher education and beyond. Her research examines the impact of factors such as affordability and academic preparation on college student outcomes. She was appointed to the National Board for Education Sciences at the U.S. Department of Education where she served as Vice Chair and then Chair. She holds Ph.D. and Master's degree from the Harvard University Department of Economics, as well as bachelor's degree in Economics from Princeton.

Our second witness is Dr. Kim—is Ms. Kim Cook, Executive Director of the National College Attainment Network. Ms. Cook has worked in the higher education and college access field for her entire professional career, including in undergraduate admissions and financial aid and at a last dollar scholarship program and as Executive Director of NCAN since 2008. She holds a Master's degree in Public Administration from Pesche University, bachelor's degree from American University.

Our third witness is Ms. Rachel Feldman, Associate Provos and Director of Scholarships and Financial Aid at the University of North Carolina at Chapel Hill. She served as Director of Financial Aid at the University of California, Berkeley. In this role, she developed and implemented a peer led financial wellness initiative for undergraduate and graduate students. She also co-founded and coled the University of California's system wide Financial Aid Leadership Institute, developed and implemented UC Berkeley's Middle-Class Access Plan. She currently serves in a leadership capacity on several financial aid advocacy boards.

Our fourth witness is Dr. Judith Scott-Clayton, an Associate Professor of Economics and Education at Teachers College, Columbia University. She directs the economics and education program at Columbia. Dr. Scott-Clayton is also a faculty research associate at the National Bureau of Economic Research and a senior research

scholar at the Community College Research Center. She holds a bachelor's degree from Wellesley and a Ph.D. from Harvard.

Our final witness, Kristen Hultquist, a founding partner of the consulting firm of HCM Strategies. She helps steward and direct two recent initiatives, The American Dream 2.0 Coalition and the Doing Better for More Students Technical Report. Ms. Hultquist served as the U.S. Department of Education Senior Advisor to the Undersecretary of Education and the Program Director for Education Policy at the National Governors Association. She also has a bachelor's degree from California Polytechnic State University, a Master's from Georgetown.

I look forward to everyone's testimony. We thank you for being here. Let me please remind you to summarize your testimony in 5 minutes, if you will.

Let's begin with Dr. Long. Welcome.

STATEMENT OF BRIDGET TERRY LONG, PH.D., DEAN AND SARIS PROFESSOR OF EDUCATION AND ECONOMICS, HARVARD GRADUATE SCHOOL OF EDUCATION, CAMBRIDGE, MA

Ms. LONG. Good morning everyone. Chairman Alexander, Senator Murray, and Members of the Committee, thank you for the opportunity to appear before you again today. My name is Dr. Bridget Terry Long, and as just noted, I am the Dean and Saris Professor of Education and Economics at the Harvard Graduate School of Education. I have spent over the last two decades researching issues related to postsecondary opportunity and student success, and my testimony today aims to provide information on the challenges students face in the financial aid system and highlight additional steps that could be taken to reform the FAFSA and improve the Federal financial aid system.

To begin, I must emphasize the importance of financial aid. There is a long, definitive research literature that proves financial aid not only has a positive impact on college enrollment, but also student persistence and degree completion. It is an effective approach for supporting college access and success. Today, the importance of financial aid is only growing, but a major impediment for many families, especially to many low income families, is the complexity of the college financial aid process. There continues to be a lack of information about the process of applying and receiving—applying for and receiving financial aid, and the FAFSA process is difficult to navigate.

Families are burdened with unnecessary questions that do little to nothing to further our estimates of their financial need. There is also confusion about how to renew financial aid. So as a result, students miss out on the support they are eligible to receive, which affects their enrollment decisions and limits college access. Additionally, lost or reduced financial aid undermines student persistence in degree completion. Overall, having a cumbersome, overly complex financial aid system undermines the effectiveness of our financial aid policies, not only Federal but also state and institutional aid programs, because the process and the FAFSA are unnecessarily complicated gatekeepers. Importantly, simplification is an important policy tool, a powerful policy tool. As I have shown in my own research, interventions that simplify the FAFSA for

families have had meaningful, positive impacts on college outcomes.

In my work with Eric Bettinger, Philip Oreopoulos, Lisa Sanbonmatsu, we found that streamlining and providing assistance with the FAFSA had a substantial positive impact on the likelihood of aid application and enrolling in college. And 3 years after that intervention helping students with the FAFSA, we found that students were still persisting in college and they were persisting at higher levels and had higher educational attainment than their counterparts who did not receive help with the FAFSA. In other words, they were able to succeed in college even though the barrier of the FAFSA process would have kept them out of school. I want to acknowledge that there have been improvements to the FAFSA in recent years and those have been amazing. But while these steps have been important, these efforts do not fully address the needs of many students.

In a study I recently completed with Eric Bettinger and Monica Lee, in which we conducted a randomized control trial with 15,000 students in 2017, we found that students still lacked access, awareness of financial aid eligibility, the FAFSA application procedures and aid award rules. And this was even after having prior year early FAFSA and the IRS data retrieval tool. So our intervention, which focused on providing support and information, had a positive impact, which underscores the fact that without additional help and information, the current FAFSA process is still a barrier to getting students aid. And this point was further emphasized with what we just witnessed this past spring, with FAFSA submission rates during COVID.

As students lost access to their teachers, counselors and non-profit organizations that would normally help them, we saw submissions for the FAFSA fall. So, yes, additional simplification is necessary, but much more is needed beyond just reducing the number of questions. First, I would underscore the necessity to improve the need analysis calculation that determines how much a families should receive. We needed to reform it to more accurately reflect the financial situations of most college students today who are not going full time and are financially dependent on their parents after immediately leaving high schools. We have working adults, parents, veterans who are not served as well by the way that we calculate how much aid they should receive. Second, regarding the FAFSA, we must proactively disseminate clear information and enable multiple pathways for families to complete the aid application process.

Finally, perhaps most importantly, now is the time when we need to bolster the aid that is available to students—and numerous examples of racial injustice. While we usually see increases in college enrollment during recessions, this moment of time appears to be different in severity and scale.

According to a new poll, at least half of households in large cities have been affected by depleted savings, job loss and difficulties affording basic needs. Without Government intervention support, we are unlikely to see investments in the skills that will be necessary to take individuals and families in this country to the next stage of economic growth. Thank you.

[The prepared statement of Bridget Terry Long follows:]

PREPARED STATEMENT OF BRIDGET TERRY LONG

Chairman Alexander, Senator Murray, and Members of the Committee, thank you for the opportunity to appear before you today. As we consider ways to improve the financial aid system in the United States and the Free Application for Federal Student Aid (FAFSA), my testimony aims to provide information on the following topics:

- Concerns about the current financial aid system and the FAFSA
- Recent data and research on how the current barriers are impacting college access, persistence, and graduation
- Highlight reforms to the FAFSA that could better address the needs of students and families

Finally, I close with recommendations about we can improve the Federal financial aid system

THE IMPORTANCE OF FINANCIAL AID

Financial aid increases the likelihood of college enrollment.

Research demonstrates that grants have positive effects on college enrollment (Deming and Dynarski, 2010; Dynarski and Scott-Clayton, 2013). For example, Kane (2003; 2004) found that two state need-based aid programs, the Cal Grant and the D.C. Tuition Assistance Grant, each had positive effects on college access for low-income students. The former provides grants for students to attend 4-year colleges in California, while the latter allowed D.C. residents to pay in-State tuition rates at public universities across the country. Dynarski (2000; 2004) found even larger effects (4 to 6 percentage-point increases) among a set of State financial aid programs. As shown by these studies and others (e.g., Long, 2007), grants can be an effective way to increase college enrollment.

Financial aid also has an important role in supporting college persistence and degree completion.

Financial aid can also be an important policy lever for increasing rates of college persistence and degree completion. In my study of the Florida Student Access Grant (FSAG), a need-based grant that gave low-income students an additional \$1,300 in support, we found financial aid to have a positive impact on a host of short-, medium-, and long-term college outcomes. The additional \$1,300 in grant aid eligibility (in 2000 dollars) increased the probability of immediate enrollment at a public, 4-year university by 3.2 percentage points while also increasing the probability of staying continuously enrolled through the spring semester of students' freshman year by 4.3 percentage points for students eligible for FSAG. Most importantly, the additional \$1,300 in aid eligibility increased the probability of earning a bachelor's degree within 6 years by 4.6 percentage points, or 22 percent (Castleman and Long, 2016).

It is important to note that the FSAG was awarded on top of the Pell Grant—eligible students would have qualified for both the \$1,300 FSAG and at least a \$1,750 Pell Grant. As such, our results address the question of whether increasing the size of current aid awards would have positive effects on college outcomes (as opposed to questions about the effects of some aid versus no aid). Overall, our results suggest that not only does need-based aid have a positive effect on persistence and degree completion, but also that increasing the award amounts of current aid programs could have beneficial, cost-effective results. Other research has also found that need-based financial aid can improve college completion rates (Bettinger, 2015; Goldrick-Rab, Kelchen, Harris, and Benson, 2016).

CONCERNS WITH THE FINANCIAL AID SYSTEM

It is very challenging, especially for students from low-income families, to navigate the higher education system.

College attendance is the culmination of a series of steps and benchmarks. First, students must aspire to attend college or derive aspirations from their parents, teachers, and/or mentors. In addition, they must prepare academically for college by taking the proper classes and getting a sufficiently high grade point average, par-

ticularly if they wish to attend a selective institution. To gain entry into a 4-year college, students must also register for a college admissions exam (i.e. the SAT or ACT). As they approach the college choice decision, students and their families must contend with the difficulty of simultaneously ranking options along multiple dimensions including measures of quality, academic offerings, cost, and location. Then they must put this information in perspective with their own personal situations and preferences. Families must also discern differences in quality, or the likelihood that the school will impart learning, support student success, and result in future benefits. Such differences are hard to detect as measurements of quality in higher education tend to rely more on the characteristics of the entering student body rather than the value added by the institution or the benefits realized by graduates (Long, 2010a). Difficulty sorting colleges by characteristics and quality is coupled with complicated pricing structures, in which the net price each student pays often differs due to government and institutional financial aid. These choices carry on throughout the enrollment experience as students must constantly reevaluate if their enrollment decision is likely to pay off.

In essence, the process of preparing, choosing, and enrolling in higher education is incredibly complex and involves many small decisions and actions that must be taken in the right order and at the right time. The process extremely difficult for many families to decipher and navigate, especially for low-income families and potential first-generation college students. Numerous studies have found that students are often unaware of the necessary steps or even what questions they need to ask in order to take the steps toward college enrollment (Bettinger, Boatman, and Long, 2013; Page and Scott-Clayton, 2016).

The complexity of the financial aid system is a major barrier to students receiving support.

The financial aid system is itself incredibly complex. To determine eligibility, students and their families must fill out the Free Application for Federal Student Aid (FAFSA). Not surprisingly, students and their families are often confused and even deterred by the form (ACSFA, 2005). In 2006, the Spellings Commission on the Future of Higher Education acknowledged problems with the current aid process by concluding that some students “don’t enter college because of inadequate information and rising costs, combined with a confusing financial aid system” (2006, p. 7). While cost and academic preparation are important hurdles for students, the role of information is also substantial in determining college access and persistence.

More recently, it has been shown that the Federal aid application barrier is especially challenging for families from low-income backgrounds (Bettinger et al., 2012). Such evidence has led many to conclude that the complexity of our financial aid policies results in them not being as effective as they could be. (Dynarski & Scott-Clayton, 2013). This is underscored by the fact that financial aid programs that are simple to access and well-known among eligible families have the largest estimated effects on college outcomes (Long, 2010).

There is also confusion about how to renew aid and financial aid award rules, resulting in lost or reduced support to help them persist in college.

While completing and submitting the FAFSA is a good first step, students need to do this each year to maintain their aid awards, and unfortunately, college students are often unaware of this fact. Bird and Castleman (2016) suggest that about one in five first-year Pell Grant recipients in good academic standing do not re-file their FAFSAs successfully, and these students tend to be concentrated at community colleges. Furthermore, they estimate that over half of previous Pell recipients did not reapply for aid, pointing to inaccurate beliefs about continued aid eligibility as the impetus for this. Additional work by Bettinger, Long, and Lee (2020) underscores the problem of students not renewing their financial aid awards due to misunderstandings about the FAFSA process.

Bird and Castleman further observe that students who fail to renew their FAFSAs are less likely to persist in college over the long term. This is not surprising given the evidence cited above about the causal relationship between aid and educational attainment, but it is important to separate students who do not resubmit a FAFSA due to lack of information versus those who have decided ahead of time not to continue in college.

Students also fail to understand how financial aid awards relate to enrollment choices (Bettinger, Long, and Lee, 2020). For example, students often do not realize how taking more college credits could entitle them to additional financial aid. Based

on the financial aid calculator, a student with a zero Expected Family Contribution (i.e., the family's resources are so low that they are not expected to help pay for college) would receive \$1,444 for enrolling in 8 credit hours, but receive \$2,166 for enrolling in 9 credit hours, a difference of \$722. At many community colleges, this gain in financial aid would more than cover the cost of an additional three-credit course. Attending college part-time is considered a risk factor that is correlated with lower rates of degree completion, and while this is not necessarily a causal statement, encouraging a student to complete their degree in fewer semesters (i.e., a shorter amount of time) reduces the likelihood of progress being derailed by external circumstances.

There are many negative consequences of having a complicated financial aid system.

There are many negative and far-reaching repercussions due to the complexity of the college investment combined with the lack of clear information. This translates to keeping some students out of higher education. Among those who do decide to attend, some college students forego aid they are eligible to receive. An American Council on Education (ACE) study found that 850,000 students who would have been eligible for Federal financial aid did not complete the necessary forms to receive such aid (King, 2004). Kantrowitz (2009) estimated that about four in ten undergraduates do not complete the FAFSA and about one-quarter of this group would be eligible for the Pell Grant. More recently, a 2011 study found many students fail to complete the necessary forms, with only 43.5 percent of students at community colleges completing the FAFSA in 2011 according to the last National Postsecondary Student Aid Study (NPSAS), the NCES' nationally representative survey focusing on how students pay for college. Some students may have good information that they are ineligible for need-based Federal grants (i.e., due to high incomes or not taking enough credits) and choose not to apply, but these students are still eligible for Federal loans and may qualify for State or institutional aid programs that have much higher or no income requirements. Overall, estimates range from about 13 to 23 percent of students who are potentially eligible for financial aid that do not apply (King, 2004; Kofoed, 2017).

With increasing information about high debt burdens and low graduation rates at some college, it is clear that the college investment can be a high-risk proposition. While the average return to a postsecondary credential is substantial and justifies the cost in most cases, there is wide variation in the returns to a degree based on the specific college attended and the major completed. Moreover, nearly half of college entrants do not graduate at all and so forfeit the potential returns to a degree. Oppressive loan burdens and rising student loan defaults also suggests evidence of bad college choices. Some companies have also exploited the heightened need for information by charging families excessive amounts for college facts that are freely available elsewhere if one knew how to navigate through the multiple sources that focus on higher education. This underscores the necessity of a clear and informed college decision process.

SIMPLIFICATION IS A POWERFUL POLICY TOOL

An intervention to simplify the FAFSA had meaningful, positive results.

As noted above, lack of information and the complexity of the financial aid application process are major barriers to college access. However, as research has shown, simplification is an important way to improve outcomes. In 2008 and 2009, using a random assignment research design, my research team designed and implemented an intervention to provide low-to moderate-income families receiving tax preparation help free additional assistance in completing and filing the FAFSA (Bettinger et al., 2012). The just-collected tax information was used to pre-populate the FAFSA, and then individuals were guided through remaining questions to complete the form in less than 10 minutes (including completely the research consent form and background survey). Families were also given an immediate estimate of their eligibility for government aid as well as information about local postsecondary options.

The results suggest that streamlining and providing assistance with the FAFSA had a substantial positive impact on the likelihood of submitting an aid application. The FAFSA treatment substantially increased college financial aid applications, improved the timeliness of aid application submission, increased the receipt of need-

based grant aid, and ultimately increased the likelihood of college attendance and persistence.

- Assistance with the FAFSA increased the likelihood of submitting the aid application substantially.
 - FAFSA submissions increased 39 percent for seniors in high school, from 40 percent for the control group to 56 percent for the treatment group.
 - Aid application submissions increased 186 percent, from 14 percent to 40 percent, among independent students (those age 24 and above or who were married, a parent, or a veteran) who had never been to college before. This translates to an almost tripling of the number of potential students who submitted an aid application.
 - FAFSA submissions increased 58 percent for independent students who had previously attended college, from 35 percent for the control group to 56 percent for the treatment group. This suggests there are large numbers of students in college who are foregoing financial aid they are eligible to receive because they have not completed the FAFSA.
 - Compared to the control group, FAFSA's were filed over 1 month earlier for high school seniors and almost 3 months earlier for independent students. This has implications for the treatment group in terms of increased eligibility for State and institutional financial aid programs.
- Receiving assistance on the FAFSA significantly increased college enrollment.
 - Among graduating high school seniors, there was a substantial increase of 7 percentage points in college going (34 percent compared to 27 percent among the group who did not receive any FAFSA help or information).
 - Among older, independent individuals who had completed high school or a GED but not attended college previously, the number enrolled in college and receiving financial aid increased by about 2 percentage points. Given that only 10 percent of the control group did this, the program effect represents a 20 percent increase.
 - The effect seems to be concentrated among those with incomes less than \$22,000. This corresponds to the point at which individuals are not expected to contribute anything to college expenses (i.e., they have EFCs of zero).
 - The program also increased the percentage who received a Federal student grant.

These results suggest that streamlining the aid application process could be an effective and efficient way to improve college access for low-income students. The effects of the FAFSA treatment are large, especially relative to the intervention's low marginal cost in terms of resources and time—providing FAFSA assistance took only 8 minutes, on average. It is also important to emphasize that once they entered college, the students persisted. Three years after the intervention, we found that students who attended college after receiving assistance with the FAFSA were persisting at higher levels and had higher educational attainment than their counterparts who had not received the streamlined process. In other words, they were able to succeed in college even though the barrier of the FAFSA process would have kept them out of school. These findings suggest other opportunities for streamlining processes and providing quick assistance could increase greatly participation in programs that require filling out forms to become eligible.

While the project above emphasizes the benefits of providing assistance and a streamlined process to complete the FAFSA, we did not similarly find positive effects from just giving families information about their aid eligibility. In the context of the FAFSA project, we told a random subset of families the amount of a Pell Grant they were eligible to receive if they completed the FAFSA by themselves. Unfortunately, families who received aid information but no assistance with the FAFSA did not experience improved outcomes. This suggests information alone is not enough to help families overcome barriers in the college enrollment process, and the complexity of the FAFSA and/or the burden of navigating through the application process alone are significant barriers. However, it is possible that earlier information could generate more positive effects.

**ADDITIONAL SIMPLIFICATION IS NEEDED: RESEARCH ON
CONTINUING CONCERNS**

There has been important progress in reforming the FAFSA in recent years.

Given the many critiques of the FAFSA, there have been numerous calls to simplify the financial aid process, and some progress has been made in recent years. This includes efforts to simplify the existing online FAFSA, including introducing skip-logic to minimize the number of questions. Moreover, the Data Retrieval Tool (DRT) allows applicants and parents to import IRS income tax data. Another change has been the switch to using Prior-Prior-Year income data, which allows families to complete their FAFSAs sooner. Most recently, the FUTURE Act will eliminate up to 22 questions on the FAFSA and allow the Internal Revenue Service to share applicants' tax information directly with the U.S. Department of Education.

While there have been recent improvements to the FAFSA, these efforts do not fully address the needs of many students, and there is still significant room for improvement.

While recent reforms have begun to address a number of the concerns related to the FAFSA, students and families continue to grapple with a complex system that fails to meet many of their needs. For example, the recent improvements to the FAFSA still require families to be aware of the form and process. Many families still do not know that the FAFSA exists and how to access it. No amount of simplification will help if individuals do not actually access the form. Additionally, many individuals, particularly low-income students, often greatly overestimate the cost of higher education) and so do not bother completing form because they do not think they can afford college or will qualify for financial aid. As discussed below, it is clear the complexity of the process still hampers many students and families.

Additionally, the improvements related to prepopulating the form with IRS information are not helpful to non-filers. Moreover, as we saw with the initial implementation of the DRT, the IRS pre-population was not available to all individuals, and technical requirements also made the process challenging. Students and parents can only access the IRS data retrieval if they have a filed a tax return, have a valid social security number, an unchanged marital status, no amended tax return, a filing status that is not married filing separately, and a Federal student aid pin.

It is also the case that to benefit from the simplified form and process (i.e., skip logic and pre-population using data from the IRS), student must have access to a private, online computer, preferably with high-speed internet, a problem for many low-income families. An additional impediment is the number of times a family must revisit the FAFSA to complete it. As shown in our FAFSA Project, streamlining the process by allowing participants to submit the FAFSA immediately had large, positive effects. With each additional delay, families are less likely to fully complete the process.

Recent research on FAFSA awareness and submissions

In recent work, we investigate experiences with the FAFSA for a nationally representative subsample of over 15,000 college students from the 2015–16 National Postsecondary Student Aid Study (NPSAS:16). In a randomized controlled trial (RCT), and under a unique partnership with the National Center for Educational Statistics, we implemented a set of interventions designed to address students' lack of awareness about financial aid eligibility, FAFSA application procedures, and aid award rules related to enrollment intensity (Bettinger and Long, 2017). During the year of our experiment, the U.S. Department of Education implemented two nationwide changes on the FAFSA filing process. First, the early availability of FAFSA made it so that applications were available 3 months earlier during the year of our experiment than in previous years. Second, the "prior-prior year" mandate required all students to file the FAFSA using income tax information from 2 years ago, rather than from the previous year. The research attempts to better understand what format, frequency, or type of information should be supplied, and whether other types of supports must be provided to meaningfully influence decisionmaking processes.

The paper on the results (Bettinger, Long, and Lee, 2020), concludes that interventions focused on support and information are still needed to help students even after the recent improvements to the FAFSA. Preliminary findings suggest our intervention increased FAFSA submissions by 3.8 percentage points and persistence

in postsecondary enrollment by 2.1 percentage points. Stated another way, our intervention still had important effects even after incorporating recent efforts to improve the aid system—students still needed extra supports to help them complete the FAFSA.

Lessons from Spring 2020: A FAFSA Season without Help

The most recent experience of students attempting to navigate the higher education experience during the COVID-19 pandemic also underscores the need for additional reform to the FAFSA and financial aid system. During this past spring, FAFSA filings fell. According to the National College Attainment Network, the number of high school seniors who had completed the FAFSA through June 26 fell by 3.5 percent in comparison to the previous year. They also found that fewer than half of high school seniors in Florida completed the form (Field, 2020).

Students who needed to renew their FAFSA applications also experienced a decline. The total number of completed applications by returning students from low-income families (defined as having an income of \$25,000 or less) fell by 170,605 through June 30, the unofficial end of the financial aid season (June, 2020).

While additional analysis is necessary to fully understand the reason for the drop in FAFSA submissions, one leading hypothesis is that this is an indication of how reliant students are on supports to complete the FAFSA process. With the move to remote learning for most, many K-12 and higher education students lost access to counselors and teachers who could help them with this. Additionally, many of the non-profit organizations that would ordinarily be available to provide support reduced their services. Therefore, one conclusion from this trend is that even with recent efforts to simplify the FAFSA, students are struggling with the complexity of the process and form. More is needed to support their college process.

ADDITIONAL WAYS TO IMPROVE THE FINANCIAL AID SYSTEM

While more simplification of the FAFSA would be helpful in addressing students' needs, additional steps could be taken to improve the entire financial aid system and process.

The current need analysis calculation does not reflect accurately the financial situations of many college students.

While the current financial aid system was created with the idea of determining the need of recent high school graduates who are dependent on their parents and attend college full-time, college students are a much more diverse group. Most would be considered “nontraditional,” meaning someone who fits at least one of the following criteria:

- Delays enrollment after high school
- Does not have a regular high school diploma (i.e., a GED or other certificate)
- Attends part-time
- Works full-time while enrolled
- Is a displaced workers or unemployed
- Considered financially independent
- Is a welfare recipient
- Has dependents other than a spouse
- Is an immigrant

Nearly three-fourths of all undergraduates are nontraditional. The nontraditional group includes working adults, parents, welfare recipients, immigrants, displaced workers and the unemployed, and single, financially independent students.

Given the disconnect between how the financial aid system was designed and the profile of many college students, many suggest that the current financial aid system does not adequately meet the needs of many, particularly nontraditional, students.

There are several major criticisms of the way Federal need analysis is applied to nontraditional students. First, it is assumed that the earnings of the potential student are relatively minor (i.e., the result of a summer job) and should be taxed highly to cover college expenses. Moreover, the calculation assumes that the parents' income, the main source of support for the child, will continue even while the student is in college and should be used to help cover expenses. In contrast, independent

students do not have other major sources of support to rely upon. Most nontraditional students are formally engaged in the labor market when applying for financial aid, and while the government assumes this income level will remain the same even after college enrollment, the nontraditional student is actually likely to experience a reduction in earnings while pursuing a degree. Therefore, assumptions about the amount of earnings available to them while in school are incorrect. As an extension of this, the EFC for many nontraditional students may be too high as they are penalized for their earnings the year before starting school.

Proactively disseminate clear information to families early and often.

Proactively disseminating the information is my second recommendation. Additional effort must be taken to translate and circulate it to an audience that may understand little about higher education offerings, pricing, financial aid, or quality. Therefore, the Federal Government should actively reach out to potential students where they live, study, and work rather than putting the responsibility on the individual to seek out the information on their own. This should be done through a series of partnerships with educational, social services, and employment organizations along with other government agencies. For instance, the government should work with college access programs and youth organizations to reach students.

One specific idea would be to send students and their families information about possible aid eligibility as early as elementary school. Using information from tax returns, an estimate could be made, and these reports could be similar to old Social Security projected benefits letters that working adults received. A related idea would be to summarize financial aid eligibility in a table with family income on one side and family size on the other. Research suggests those two variables give a very good estimate of aid eligibility (Dynarski and Scott-Clayton, 2006), and such simple, early information could help combat misperceptions about college costs and the availability of aid.

Use and enable multiple pathways for families to complete the aid application process.

As noted above, while there have been improvements to FAFSA on the Web, students without access to a private computer with high-speed internet access are not able to use the tool. Moreover, awareness of the FAFSA remains low. Therefore, I encourage maintaining the paper FAFSA as a submission method while also enabling community-based organizations, which help students and families complete the FAFSA free-of-charge, to submit batches of FAFSA once receiving consent from families. This would increase the opportunities for interacting with the form and help the many organizations working in the field to streamline their FAFSA assistance by interacting directly with the Department of Education (rather than having to take each individual family through the FAFSA on the Web or paper form). In my FAFSA project, having electronic submission directly from the tax site to the Department of Education reduced the amount of time and effort needed on both the part of the family and the tax professional.

Minimize the burden on families when completing the FAFSA.

The FAFSA is a significant barrier to accessing college financial aid, or even just determining eligibility level. The barrier is so large that even informing families of \$4,000 of grant eligibility was not enough to have them overcome the burden of navigating through the aid application process. Therefore, as much as possible, the process should limit the amount of work a family needs to do to complete the form.

Most importantly, we should eliminate steps that could be accomplished other ways. For instance, families should not be required to supply information available elsewhere. To some degree, this is the purpose of having IRS data populated into the FAFSA on the Web. However, another step forward would be to have this match happen behind the scenes automatically. As we have demonstrated, for most families, one could complete approximately two-thirds of the FAFSA using tax information. As a result, it took less than 10 minutes to complete the rest of the form (Bettinger, et al., 2012). If a family wanted to opt out of the system or question the validity of their matched data, they could do so, but for the vast majority of families, they would be able to skip a burdensome step, especially for those who are not able to use FAFSA on the Web. Information on family background and income is also available from other sources, including the Free and Reduced-Price Lunch system

and other government programs, and these sources could also be used to determine family aid eligibility.

Making a shorter form (simplification) would likely increase FAFSA submissions. Moreover, such a change would make it easier to develop programs that could help families to fill out and submit the form. By streamlining the form and process, community-based organizations would be able to serve students more easily as fewer pieces of information would be required, and their outreach and assistance could be more effective.

We should also limit the number of interactions and steps needed to complete the FAFSA. In my research on the effects of simplifying the FAFSA process, we found the largest effects associated with individuals who used both simplification to complete the form and then took advantage of automatic filing or assistance in filing. These individuals for whom assistance and simplification were most prominent (and the FAFSA was completed in the office) appear to be the ones most affected by the treatment.

Bolster the aid that is available to students.

Unmet need and substantial loan burdens continue to be a problem in the United States. With the recession and increasing financial uncertainty prompted by the COVID-19 pandemic, the financial needs of students are only going to increase. In fact, many institutions have already experienced increases in requests for additional financial aid. To help students and invest in our future, it is critical that we increase the amount of financial aid available to low-income students.

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The CHAIRMAN. Thank you, Dr. Long. Ms. Cook, welcome.

STATEMENT OF KIM COOK, EXECUTIVE DIRECTOR, NATIONAL COLLEGE ATTAINMENT NETWORK, WASHINGTON, DC

Ms. COOK. 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 former Pell Grant recipient myself. The National College Attainment Network, NCAN, and its over 500 affiliates, working communities across the country to close equity gaps in postsecondary attainment. 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, we find attainment gaps of over 20 percent—percentage 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 percent of public 4 year institutions are affordable to even those students who work hard to get it all of the Federal and state aid for which they are eligible. FAFSA completion is the bare minimum to afford college. This one, two punch of equity of inequity and lack of affordability exacerbated by family income losses due to COVID, make today's conversation about FAFSA, as the key to access that Federal aid, critical. The high school class of 2018 left nearly \$2.6 bil-

lion 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. Since our hearing 7 years ago, we have been improving the FAFSA through changes such as the use of prior, prior year income to allow students to file the application to better align with their decisionmaking timeline and the launch of a mobile app to reach students where they are. In the year following news changes, we saw a 9 percent increase in FAFSA completions for high school seniors and reversed a 4-year decline in overall applications. Prior, prior year also increased the percentage of FAFSA filers who are Pell eligible, adding over 58,000 Pell eligible FAFSA filers. Clearly, simplification matters.

The December passage of the FUTURE 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 is important to note that it faces a more complicated than anticipated road to implementation, which is currently not expected until the '23, '24 FAFSA. We are now at an important inflection point to think about what is left to fix the FAFSA and can seize 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. I expand on these in my written testimony and would be happy to discuss more in the question and answer period. First, NCAN has long advocated to remove unnecessary questions. 25 percent of the questions on today's FAFSA are answered by less than 1 percent of applicants.

In our 2017 research, half the FAFSA, we developed and user tested a streamline FAFSA with radical fewer questions. We found that our simplified FAFSA improved completion time by 3 percent, and even more importantly, reduced the error rate by 56 percent. Second, we turned to the Pell Grant, the cornerstone of Federal student aid for low income students. NCAN Advocates for a simplified Pell eligibility formula that ties adjusted gross income and family size to Federal poverty levels. We also support the fast track to full Pell Grant eligibility to those receiving means tested benefits such as the SNAP program. While examining the Pell Grant, it is important to address the need to restore its purchasing power by doubling it. At its peak of '75,' 76, a maximum Pell Grant covered more than three quarters of the average cost of attendance for a 4-year public university.

Today, it covers less than 30 percent. NCAN's long term investment proposal calls for a return to a Pell Grant that covers 50 percent of the cost of attendance for public 4 year university. Our third and final component to fix FAFSA is to better target and significantly decrease verification selection rates. The students' FAFSA is not complete or actionable until this process is resolved, often causing missed deadlines and missed opportunities or first come, first served state and institutional aid.

Earlier this year, NCAN worked with the Office of Federal Student Aid Data to find that slightly more than 70 percent of students who completed verification experience no change in their Pell

Grant Award, and that 93 percent of applicants within auto-zero EFC retained that award after verification. These data raise questions about both the costs and benefits of verification and how upcoming policy implementations could knock down this barrier.

In closing, we thank you for having this important discussion today. Mr. Chairman, as you retire from the Senate, please let me take this opportunity to thank you for being a tireless champion for FAFSA simplification and help all of our students succeed. Thank you.

[The prepared statement of Kim Cook follows:]

PREPARED STATEMENT OF KIM COOK

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 percent of public, 4-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 decisionmaking 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 percent increase in FAFSA completions for high school seniors and reversed a 4-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 3 percent, and even more importantly, reduced the error rate by 56 percent.

Twenty-five percent of the questions, totaling 30, on today's FAFSA are answered by less than 1 percent 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 less than 1 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-1970's. 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 4-year public university. Today, it covers less than 30 percent. 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 percent of the cost of attendance for a public 4-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 percent 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 percent 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 percent 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 percent 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 percent), and higher-income taxpayers (annual income of \$500,000 or more) can have an audit rate that exceeds 6 percent. Both figures pale in comparison to the approximately 50 percent 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 percent 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.

The CHAIRMAN. Thank you very much, Ms. Cook, for your testimony and your nice comments. Ms. Feldman, welcome.

STATEMENT OF RACHELLE FELDMAN, ASSOCIATE PROVOST AND DIRECTOR, SCHOLARSHIPS AND STUDENT AID, THE UNIVERSITY OF NORTH CAROLINA CHAPEL HILL, CHAPEL HILL, NC

Ms. FELDMAN. Thank you. Thank you, Chairman Alexander, Ranking Member Murray, and Members of the Committee for this opportunity to speak about simplifying the aid application process. As a person on a campus, I see every day how important this is. At Carolina, we are a public flagship university that prides itself on being truly public, and that includes making it affordable for anyone who earns their admission through their scholarship and hard work. More than 10 percent of our undergraduates participate in our Carolina Covenant program, which is a no loans promise for low income students.

A quarter of our undergraduates receive Pell Grants and nearly half receive some sort of need based aid. This means Carolina provides significant funding to make college affordable to every student across the income spectrum. Therefore, we much stretch our precious taxpayer and donor dollars and direct funds where they are needed most. This means we need a FAFSA that works for our lowest income students, but also for middle income families that still need help to afford college and also for those seeking Federal loans to finance their education.

On the campus, I see firsthand how students and families get discouraged by the complexity of the process. In difficult times like this pandemic, I really see the worry and frustration families have as they try to make it through all their paperwork. As you can imagine, our neediest students were among the hardest hit as they and their family members lost jobs, had to close small businesses, and students were uncertain of where to live and how to take their courses remotely. We want to be there to answer their questions and to provide them help and support, something we would have more time to do if we didn't have to explain a complicated application or follow-up on missing tax transcripts. I applaud the Senate's efforts to make sure students can more easily make it through the process and concentrate on their education. As an aid office we really want three things, an aid application that is easy for stu-

dents to complete, a precise and meaningful measure of financial need, and to be empowered to serve individual students in unique situations.

With the FUTURE Act and further reform we can get there. The director of IRS—information is key. It means the FAFSA won't need to ask questions about things we already know. That will make more students likely to complete the process and attend college. And we can be assured of the quality and accuracy of the data we are receiving. So we should not need to subject so many families to verification, a roadblock for needy students, and frankly, a burden for schools as well. I hope you will enact, in fact, additional legislation that will leverage the expanded IRS data in the FUTURE Act to further streamline the process. While schools like mine could use that expanded tax information right now for rewarding our own funds, its value could be multiplied exponentially by using Federal needs analysis. I have several specific thoughts on how this could make things easier and more equitable, which I outlined in my written testimony and I would be happy to comment on in question and answer.

Also in my written testimonials, I applaud many of the ideas in the FAFSA Simplification Act, particularly removing questions that are not related to finances and making the FAFSA easier for those in simple situations without sacrificing information for people with complex situations. I would love to see a FAFSA that not only simply and equitably helps us distribute Pell, but also contains enough information to eliminate any need for supplemental forms from states or from schools. As simple as we make the FAFSA, so we also need to make sure it makes sense for all families, including those in the nontraditional situations many of my colleagues have mentioned.

Aid can be confusing even beyond the FAFSA. We need time to dig into each student situation and to use professional judgment to address unique challenges. Otherwise, the simplified formulas that work for the many may harm the few. The pandemic has proven this point, without the flexibility to adjust aid for job losses and extra expenses, many students would have dropped out. But families face hardships all the time, not just during pandemics. And we want to help them all and use their true ability to pay to guide that help. I hope that once the FUTURE Act and further legislation helps us simplify the FAFSA, students, parents and aid officers can all spend less time navigating forms, fixing errors and submitting and reviewing tax forms for verification.

Instead, I hope students and families have more time for learning and living, and I hope aid officers have more time to counsel families, encourage financial literacy, help students facing emergency, and address special circumstances. Our goal should be to help students not only with access but to successful graduation. Once again, let me thank you for the steps we have already taken in the FUTURE Act and the excellent proposals to make things easier and simpler for all families.

As an aid officer, I hope you will create a simple but meaningful process that allows professionals like me to concentrate on helping students and making their dream of obtaining a college degree come true. Thank you very much.

[The prepared statement of Rachelle Feldman follows:]

PREPARED STATEMENT OF RACHELLE FELDMAN

Chairman Alexander, Ranking Member Murray and Members of the Committee:

My name is Rachelle Feldman; I am the associate provost and director of scholarships and student aid at the University of North Carolina at Chapel Hill. Carolina is a public flagship that prides itself on being truly public, including making it affordable for anyone who earns their admission through their scholarship and hard work. More than 10 percent of our undergraduates participate in Carolina Covenant—our no loans program for low-income students. Nearly 25 percent of our undergraduates receive Pell grants and nearly half receive some kind of need-based aid. I see firsthand how students and families—particularly those new to the process—can get discouraged by complexity and can struggle to make it through the application process. In difficult times like the COVID-19 pandemic, I really see the worry and frustration of low-income families as they try to make it through all the paperwork. As aid officers navigating this pandemic, we want to help students not just pay for and succeed in college, but counsel students on all their options, help them with emergency aid, and support them with the full range of resources available. I applaud the Senate's efforts to make sure that students can more easily make it through the process and concentrate on their education.

At the same time, we need to ensure we balance the integrity of the Federal aid programs with this simplicity. We must continue to do our best to direct these precious taxpayer funds where they are most needed. This is very important for key Federal programs like the Pell grant. It is also key for states and institutions that are important partners to Federal student aid in providing a complete package of support to students. Carolina provides significant institutional funding and strives to make college affordable to every student across the income spectrum. This means we need a FAFSA that works for our lowest income students, but also for middle income families that still need help to afford college and for those seeking Federal loans to finance their education.

Those of us on the ground at colleges and universities are very excited about the passage of the FUTURE Act. Simply said, we think it can be a game changer. While the IRS Data Retrieval Tool (DRT) has already been very helpful, too many applicants cannot use it. Once the direct share of IRS information allowed by FUTURE is implemented, this will be a huge step forward—simpler and more efficient for the whole process. Using what we already know about a student's finances without having to ask will not only make students more likely to complete the application process and attend college, but we can be assured of quality and accuracy. This means not subjecting as many families to verification—a process many of the neediest students struggle to complete.

I am especially excited to know that more IRS data will be shared, including information about which tax schedules are filed and key line items from those schedules. I hope that we will see additional legislation that will leverage this data to further streamline the process where appropriate. While this expanded information is immediately helpful for awarding institutional aid, its value could be multiplied by using it in Federal needs analysis. For example:

- Automatic verification on non-filing could mean no more information is needed for a zero Expected Family Contribution (EFC) or equivalent.
- The presence of no schedules (or only Schedule 1) paired with an income cap could also be used to eliminate further questions. This could be expanded further if the family or student indicates receipt of certain means-tested benefits, which should qualify them for the maximum Pell Grant.
- The presence of other schedules and fields showing significant investments, business assets, and real estate holding could indicate that more information is needed, including information on assets. Assets can reflect generational wealth and resources, which are not available to other students, even when incomes are similar.
- The presence of negative figures on Schedule 1 which lead to negative adjusted gross income (AGI) often indicates that the current formula significantly understates a family's ability to pay for college. I suggest including these figures and adding them back to AGI in the analysis of EFC.
- Foreign income is currently excluded from consideration, but in today's global economy, where foreign income is present it is often significant and should be included to be fair and equitable.

I also applaud many of the ideas in the FAFSA Simplification Act, particularly:

- Fewer questions for those with means-tested benefits and simple income situations, and more questions for those with more complex tax situations, including questions about their assets.
- the removal of questions that do not have any impact on the formula to determine need, such as those about drug conviction and selective service registration.
- renaming the EFC to a need index. With a real reconsideration of form and process, this makes a lot of sense and will give families more clarity.
- the predictability of a simple lookup chart for Pell eligibility, decoupled from the more complex information needed to package other aid. This makes good sense and can help encourage college going behaviors. This eligibility method should effectively reverse the 2011 cuts to “auto-zero” for all families, particularly single independent students who don’t have a system of family support.
- I hope though that aid administrators will be given some guardrails to help ensure program integrity, such as the ability to use Professional Judgement to reduce a Pell grant if the AGI does not appear to reflect a true ability to pay.

In order to stretch our precious taxpayer dollars, it is so important that we target the funds where they are needed most. Our program for our lowest income students, the Carolina Covenant, promises the opportunity for debt-free graduation and includes co-curricular and academic supports. At Carolina we have 4,200 students eligible for Pell grant but when we look at them with more scrutiny, 200 aren’t eligible for our grants because of other assets or other untaxed income. While this seems a small percent, the funds saved for state taxpayers are significant and the program is better targeted to those who need it. We also have programs for middle income students and need to be able to distinguish students above the Pell grant limit from one another to make sure every student can afford and graduate from Carolina.

I would love to see a FAFSA that not only simply and equitably helps us distribute Pell, but also contains enough information to eliminate any need for supplemental forms. As simple as we make the FAFSA, we also need to ensure it makes sense for all families, including those in non-traditional situations (e.g., students supported by grandparents or other guardians, those with non-custodial parents providing support, those self-employed parents or students, those with small businesses and those with traditional employment).

I’d like to offer a couple of other considerations from “on the ground.” The aid process can be confusing for students even after they successfully apply, and an aid administrator has taken the time to truly dig into and understand each student’s situation. Simply stated, we know our students best.

- Even if it is very well designed and appropriate, changing the measure of a student’s need to a new index partway through their school career may be confusing. I hope that if you pass legislation changing the Federal formula, include a transition period and allow aid administrators to hold students who have been receiving aid under the old rules harmless as they finish their degree.
- In addition, aid administrators need the reassurance of the 2009 Dear Colleague Letter (GEN 09–05) on unemployment clarifying the use of Professional Judgement for unemployed students and families. This ability to locally update and evaluate a student’s true and current situation based on reasonable documentation and assumptions is essential for applying whatever measures are in place fairly and moving students toward graduation whose circumstances have changed. Recent guidance from this Administration was too vague and missed some key parts. Unemployment benefits should be counted as zero, since they are only a temporary benefit, and the Departments of Education and Labor should inform students of their aid eligibility. I hope you will consider codifying this in law, including the ability to assume zero income for unemployed independent students
- Again, in times like this pandemic with the loss of income and resources we already see our students facing, we need more resources to help them. We also need the flexibility to evaluate their current situation.

I hope, once we truly implement the FUTURE Act and simplify the process of applying for aid, we in the aid offices can spend less time on helping families with

the forms, following up on errors and verifying information using IRS tax forms. Instead, I hope we can have more time to counsel families on the types of supports available, help students facing emergencies, address special circumstance and financial literacy, and support students not only with access—but to completion—success!

Once again, let me thank you for the steps we have taken with the FUTURE Act and the excellent proposals to make things easier and simpler for all families—but particularly those most vulnerable to getting discouraged. I hope you will support steps to integrate even more information from the IRS with ED to eliminate more questions, but equally importantly to improve the quality of the index information the Federal Government, states, and colleges use to award financial aid.

[SUMMARY STATEMENT OF RACHELLE FELDMAN]

Why Simplification is Important:

- On our campus, we see firsthand how families and students, particularly those who are first generation and low-income, struggle with the complexity of the application.
- We are a public flagship that prides itself on being truly public—including making it affordable for anyone who earns their admission. More than 10 percent of our undergraduates are in Carolina Covenant—a no loans program for low-income students. Nearly 25 percent receive Pell grants and nearly half receive need-based financial aid.
- FAFSA simplification will enable aid offices like ours to spend more time counseling families and students and less time on helping families with the forms, following up on errors and verifying information using IRS tax forms.
- In a time like now with the COVID pandemic, it's more important than ever to be able to spend time reassuring students and dealing with their changing circumstances instead of walking them through forms.

Striking the Right Balance:

- We need to balance the integrity of the Federal aid programs with this simplicity, ensuring we direct precious taxpayer dollars where they are most needed.
- This is really important for key Federal programs like the Pell grant.
- It is also vital for states and institutions that are important partners in providing a complete student aid package to students. This is especially true for institutions like Carolina where we provide significant institutional funding to make college affordable across the income spectrum.
- We need a FAFSA that works for all—our lowest income students, middle income families that still need help to afford college, those seeking Federal loans to finance their education, and those in non-traditional situations.
- We don't want to oversimplify and drive states and institutions to use supplemental forms or move the questions to the burdensome verification process.

Forward Motion and Progress:

- The FUTURE Act is great start. The implementation of data sharing through this Act will be an enormous step toward making things not only simpler, but more efficient. Eliminates issues with Data Retrieval Tool
- The quality and accuracy of information shared directly from the IRS should reduce verification burden.
- The FAFSA Simplification Act contains more progress—by ensuring those with means-tested benefits and simple income situations would answer fewer questions, and those with more complex tax situations would answer more questions (including questions about assets); by removing questions unrelated to financial strength. The proposal to separate Pell into a predictable formula can encourage college going behaviors but needs guardrails.

What is Needed: Expand Use of IRS Data in Federal Needs Analysis

The value of IRS data could be multiplied by using it in Federal needs analysis. For example:

- Automatic verification on non-filing could mean no more information is needed for a zero Expected Family Contribution (EFC) or equivalent.
- The presence of no schedules (or only Schedule 1) paired with an income cap and means-tested benefits could also be used to eliminate further questions and automatically qualify students for Pell Grants.
- Other schedules and fields showing significant investments, business assets, and real estate holding could indicate that more information is needed, including assets which reflect generational wealth and resources, which are not available to other students, even when incomes are similar.
- Figures on Schedule 1 which lead to negative adjusted gross income (AGI) often significantly understate a family's ability to pay and should be added back to AGI in analysis of need including Pell eligibility.
- Foreign income is currently excluded from consideration, but in today's global economy, where foreign income is present it is often significant and should be included to be fair and equitable.

Campus Expertise and Application

- Schools know students best and it is important to pair any measure of need with Professional Judgement, codifying the use of Professional Judgement into law important for schools and students.
- With a simpler, but effective FAFSA and need analysis, schools can spend more time counseling students, helping in emergencies, improving financial literacy, and supporting students to completion.

The CHAIRMAN. Thank you, Ms. Feldman. Dr. Scott-Clayton, welcome.

STATEMENT OF JUDITH SCOTT-CLAYTON, PH.D., ASSOCIATE PROFESSOR OF ECONOMICS AND EDUCATION, TEACHERS COLLEGE, COLUMBIA UNIVERSITY, NEW YORK, NY

Ms. SCOTT-CLAYTON. Thank you, Chairman Alexander, Ranking Member Murray and Members of the Committee. It is a true honor to be here in front of you again, this time virtually. Obviously, a lot has changed since we first testified in 2013 and especially during these past 6 months. So the first thing I would like to address is why FAFSA simplification still matters in the context of everything else that is going on right now. To put it simply, FAFSA simplification still matters because college access still matters, and perhaps now more so than ever. We know that the burdens of this pandemic, from unemployment to food and housing insecurity, to increased exposure to illness and death are falling hardest on low income families and communities of color.

In addition, low income college students may lack adequate computer technology and Wi-Fi to support online classes, and the public institutions that they are most likely to attend are facing drastic cuts in state and local funding. With a full recovery not expected for perhaps a decade, much is uncertain about the future, but the one thing that we can count on is that without large and sustained Federal efforts to support low income students at all levels of education, educational inequality is likely to explode in the coming years. And if we don't take every step that we can to address this now, we will be addressing the fallout for generations. When it comes to inequality and college access, fixing the FAFSA can be a meaningful part of the solution.

We know from decades of rigorous research that when students get financial aid, it increases enrollment, helps students graduate and can lead to higher earnings and higher rates of home owner-

ship after college. Unfortunately, as my collaborator, Dr. Susan Dynarski and I wrote when we first began studying this issue, the Federal student aid programs hide their substantial benefits behind a tangled thicket of bureaucracy embodied in the FAFSA application process.

For many families, throwing out a FAFSA is more complicated than an income tax form and it is something that they have less experience with. Too many eligible students or prospective students have simply never heard of it and have no idea it could provide them with up to a year \$38,000 in Pell Grants support over the course of their degree. Others try to file but get stuck along the way, including in the cumbersome verification process, some don't realize that they have to reapply every year, and still others are shut out due to the process' unnecessary and counterproductive question 23 about prior drug convictions, like a woman I met just this month when we were on a panel together speaking about college access to members of the Oklahoma House of Representatives.

This complexity undermines our investment in student aid by making it harder to reach the very students that need it most. And this is not just speculation as Dr. Long just talked about. One of the studies that she mentioned that she was a co-author on showed that just helping families fill out and submit the FAFSA increased college enrollment by 8 percentage points. That is huge. Yet millions of students fail to file each year, losing out on an estimated 24 billion in aid annually. And right now, during the pandemic, the FAFSA is just one more baffling frustration for students and families to navigate when so much of their energy is consumed just trying to survive. And most frustrating of all is that it does not have to be this way. Most of the questions on the FAFSA are not even necessary to accurately target Federal student aid.

Simulations show that college eligibility could be accurately predicted using only a few key items like income and family size. We could get rid of what we think of as the FAFSA completely and here is what that could look like. First, base Pell Grants on a limited number of elements that are already available from the IRS so that no separate financial application would even be needed. Second, we could continue to provide an index of eligibility that states and institutions can use for their own purposes. Third, fix eligibility for several years so that students can plan a multiyear course of study without needing to reapply. Four, summarize Pell eligibility by income and a simple lookup table.

Finally, use IRS information to proactively communicate to prospective students and their families about likely Pell eligibility. Since 2013, substantial progress has been made for simplification thanks to the hard work of Members of this Committee. The FUTURE Act will reduce the hassle even further and minimize the need for verification. But concerningly, FAFSA applications are actually down since the Committee took up this issue in 2013, and they are down the most among low income students and independent students.

Without further action, the FAFSA will still be the FAFSA and will still be a barrier for low income students. Of course, this isn't the only action that we need to address persistent and growing inequality in education. But right now, we can't afford not to take

every opportunity that we have to help low income students who need our support now more than ever. Thank you and I look forward to your questions.

[The prepared statement of Judith Scott-Clayton follows:]

PREPARED STATEMENT OF JUDITH SCOTT-CLAYTON

CHAIRMAN ALEXANDER, RANKING MEMBER MURRAY, AND MEMBERS OF THE COMMITTEE:

My name is Judith Scott-Clayton. I am an Associate Professor of Economics and Education at Teachers College, Columbia University, as well as a Research Associate of the National Bureau of Economic Research and a Senior Scholar at the Community College Research Center. For more than a decade, I have conducted my own research on the impacts of financial aid policy, reviewed the evidence from others doing work in the field, and participated in policy working groups examining financial aid and other college access interventions at both the State and Federal level.

In the following testimony, I draw upon a longstanding body of research. While I have made similar points in prior testimony to the Committee, I place this body of knowledge in context of the current policy landscape, and I also incorporate new, recent findings from the literature. I first discuss the critical importance of Federal student aid in the context of the ongoing COVID-19 crisis. I then focus on three questions: What does the latest evidence tell us regarding the likely benefits of financial aid simplification? Which aspects of simplification are the most important? And how can we address the remaining barriers to simplification?

Thank you for your Committee's continuing bipartisan interest in this important topic, and for the opportunity to testify. I look forward to your questions.

I. The COVID-19 crisis heightens the critical role of Federal student aid, as well as the urgent need to finish fixing the FAFSA.

Well before the onset of the COVID-19 pandemic, troubling trends had emerged in higher education: while college enrollment has increased substantially since the passage of the Higher Education Act of 1965, gaps in enrollment between high and low income families are actually greater for recent cohorts than for those born in the early 1960's (Bailey & Dynarski, 2011). Racial disparities in college attainment have grown as well (Emmons & Ricketts, 2017).

These persistent college attainment gaps are troubling because the benefits of postsecondary education remain near historically high levels. Prior to the pandemic, full-time workers with a bachelor's degree were earning \$24,900 more annually than workers with only a high school diploma (Ma, Pender, & Welch, 2019). Those with a college education also have substantially higher employment rates, receive better employment benefits, are less likely to smoke, more likely to vote, and pay more in taxes (Ma, Pender, & Welch, 2019).

The COVID-19 pandemic has fallen especially hard on those without a college degree, and unfortunately is likely to exacerbate college attainment gaps even further. Unemployment among those with only a high school diploma is typically around twice as high as for those with a bachelor's degree, but the gap gets even bigger during recessions. In August 2020, for example, unemployment for those with only a high school degree was 9.8 percent compared to 5.6 percent for 4-year graduates (versus 3.6 and 2.4 percent, respectively, in August 2019). The situation for Black, Hispanic, and low-income families is particularly dire as these groups not only experience higher rates of job loss, but also higher rates of COVID-related illness and mortality than White, Asian, and higher-income families (Hardy & Logan, 2020; Gould & Wilson, 2020; Kinder & Ross, 2020).¹

College enrollments typically rise when the labor market is weak, but this is not typical recession: colleges and students currently face the same or even greater barriers to normal operations as do employers and workers. As a result, enrollments for the current academic year are expected to fall by around 15 percent (American Council on Education, 2020). Even after the public health crisis abates, however, the economic damage is likely to linger for years. The Congressional Budget Office (2020) estimates that unemployment will be twice as high as before the pandemic through the end of 2022, and will remain above its pre-pandemic level for the next decade. The National Council of State Legislators (2020), citing survey data, pre-

¹ Statistics retrieved from <https://fred.stlouisfed.org/release/tables—eid=48713&rid=50>.

dicts that COVID-related financial uncertainty—for both students and colleges—will be a long-term concern that could undermine enrollment and retention.

Without significant additional Federal investments in education, at all levels of schooling, the consequences of the COVID-19 pandemic may last for far more than a decade; the inequalities we see exacerbated today will be passed on to the next generation.

When it comes to postsecondary education, the Federal Pell Grant—the Nation’s single largest grant program, used at over 6,300 eligible institutions nationwide, and providing up to \$6,345 per student per year for up to 6 years of undergraduate study—has never been more essential. Unfortunately, for too many prospective low-income students the Pell Grant—remains unknown and unclaimed, due to its opaque design and the unnecessarily burdensome Free Application for Federal Student Aid (FAFSA). One study estimated that students lose out on \$24 billion in financial aid annually due to failure to file the FAFSA (Kofeod, 2017).² The application may be especially challenging during the pandemic, as families juggle other urgent concerns.

Fixing the FAFSA—so that Pell eligibility could be determined automatically, without a separate application, and awards could be fixed for several years without the need to reapply—will enhance the impact of Federal student aid, and thus will provide a meaningful improvement in educational opportunity for low-income students. Now more than ever, we must ensure that Federal student aid lives up to its promise of ensuring that “the path of knowledge is open to all that have the determination to walk it.”³

II. A longstanding body of research suggests substantial benefits to simplifying the financial aid application process, and substantial costs to the status quo.

Nearly forty years of research convincingly demonstrates that financial aid can influence college enrollment, persistence, and completion (see Page & Scott-Clayton, 2016, for a recent review). The latest research indicates that financial aid influences not just college enrollment and completion, but also important post-college outcomes like earnings and homeownership (Bettinger, Gurantz, Kawano, & Sacerdote, 2019; Scott-Clayton & Zafar, 2019; Denning, Marx, & Turner, 2019). The benefits of financial aid are shared by taxpayers as well: Denning, Marx, & Turner (2019) estimate that the costs of grant aid are fully recovered in the form of higher Federal tax payments within 10 years of college entry.

While financial aid clearly can influence college enrollment, this does not imply that every aid program is equally effective. Many of the studies that have found positive impacts of financial aid examined programs with simple, easy-to-understand eligibility rules and application procedures. In contrast, accessing Federal financial aid requires students to submit a Free Application for Federal Student Aid (FAFSA), the complexity of which has been well-documented (Dynarski & Scott-Clayton 2006; Dynarski, Scott-Clayton & Wiederspan, 2013; Bill & Melinda Gates Foundation, 2015). With over 100 questions, the FAFSA is longer and more complicated than the 1040A and 1040EZ, the tax forms filed by a majority of taxpayers.

The original intent of all these questions is to more accurately target aid to those that need it most, but ironically the effect is the opposite. Most of the financial information collected on the FAFSA contributes very little to aid eligibility determination. **Pell eligibility and even the Expected Family Contribution (EFC) itself can be approximated with a high level of precision using just a handful of elements from the form, primarily relying upon adjusted gross income and family size** (Dynarski & Scott-Clayton, 2006, 2007; Dynarski, Scott-Clayton, & Wiederspan, 2013; Reuben, Gault, & Baum, 2015).⁴

The FAFSA isn’t just an annoyance. Its complexity and lack of transparency make it harder to reach students who need aid most, undermining the effectiveness of aid. Many students never receive the Federal aid for which they would qualify: of the 30 percent of undergraduates who fail to file a FAFSA, one-third would have quali-

² Estimated amount includes foregone Pell Grants as well as other aid dependent upon FAFSA application

³ Lyndon Baines Johnson, “Remarks at Southwest Texas State College Upon Signing the Higher Education Act of 1965,” November 8, 1965. Archived online by Gerhard Peters and John T. Woolley, The American Presidency Project (www.presidency.ucsb.edu/ws/?pid=27356).

⁴ For example, when Dynarski and Scott-Clayton (2006) estimated Pell awards and EFCs for dependent students using only parental adjusted gross income, marital status, family size, and number in college, the correlation between estimated and actual Pell awards was 0.88 and the correlation between estimated and actual EFC was even higher at 0.91.

fied for a Pell Grant.⁵ Some of those who do successfully file may submit the form too late to qualify for State and institutional aid they otherwise could have received (King, 2004). And even those who submit in 1 year may fail to reapply the next year, increasing the risk of dropout (Bird & Castleman, 2014).

Of even greater concern are those who never show up in college because they never knew they would qualify for aid, or weren't sure they could really count on it. Misperceptions about college costs and financial aid are widespread and are most prevalent among students from the lowest-income backgrounds (ACSFA, 2005; Grodsky & Jones, 2007; Horn, Chen, & Chapman 2003; Hoxby & Avery, 2013; Hoxby & Turner, 2013; Radford, 2013). **For lower-income and first-generation students who are particularly uncertain about their ability to afford college, when the time comes to file a FAFSA it may already be too late. College preparation needs to start well before the end of high school. But if students assume college is out of reach, they may never seek out the information that would challenge that assumption, and may not take the steps they need to take academically to be prepared.** Similarly, workers who have lost their jobs need to know that Pell Grants are available for them, otherwise they might not even consider the option of returning to school to retrain or upskill (Barr & Turner, 2015).

We don't have to speculate about the potential impact of simplification: rigorous research shows that reducing application hurdles can be a highly cost-effective strategy for reducing inequality in college access. In one study, researchers randomly selected a subset of low-income families who visited tax-preparation centers and were offered personal assistance with completing and submitting the FAFSA. The intervention increased immediate college entry rates by 8 percentage points (24 percent) for high school seniors and 1.5 percentage points (16 percent) for older participants with no prior college experience (Bettinger, Long, Oreopoulos, & Sanbonmatsu, 2012). After 3 years, participants in the full treatment group had accumulated significantly more time in college than the control group. Other studies document similar or even larger positive effects (up to 8–14 percentage point increases in enrollment or persistence) of providing students support to navigate paperwork, and reminding them about deadlines for financial aid application or renewal (Castleman, Page, & Schooley, 2014; Castleman & Page, 2016).

Question 23 on the FAFSA, which asks about prior drug convictions and renders some applicants ineligible for Federal student aid as a result, is yet another unnecessary barrier that keeps Federal aid from reaching those who could benefit most. Research indicates that this question does not do anything to deter drug use (Lovenheim & Owens, 2014), nor does it make campuses safer (Custer, 2016). Determining how to answer the question correctly may require filling out an additional, highly complicated worksheet. Out of the 18 million students facing this question annually, about 1,000 students are denied aid as a result (Kreighbaum, 2018). Thousands more may simply abandon the application altogether out of confusion and stress.⁶ The question is particularly problematic given troubling racial disparities in drug arrests and convictions (Schanzenbach et al., 2016). It is also particularly counterproductive given that further education may be one of the best ways to promote successful re-entry, and reduce relapse and recidivism (see research review by Alliance for Excellent Education, 2013).

III. Progress in recent years to improve the FAFSA has laid essential groundwork for transformative change—but urgency is needed to fully implement and build further upon these reforms.

To be effective, a simplification strategy needs to address at least two related but distinct problems. First is the burden of completing the application itself, which imposes compliance costs, stress, and may deter even some applicants who intend to apply. Second is the overall lack of transparency which makes aid eligibility difficult to predict, communicate, and rely upon (ACSFA, 2005; Dynarski & Scott-Clayton, 2007). **Thus, in evaluating “how much simplification is enough,” the critical criteria should be: does the reform both substantially reduce application hassle and substantially improve transparency and predictability?**

Efforts to simplify the FAFSA have a long history. In 1986, Congress introduced a “simplified needs test” so that some families could omit asset information from

⁵ Author's calculations based on data from the 2011–2012 National Postsecondary Student Aid Study (NPSAS).

⁶ A study of college application attrition at the State University of New York found that for every one student who was denied admission as the result of prior criminal history, 15 abandoned the application entirely (Rosenthal et al., 2015).

the form, and in 1992 Congress introduced the “automatic-zero EFC” for families with incomes below a cutoff amount. More recently, a mobile-friendly form was introduced, some questions have been eliminated, and the “skip-logic” has been improved in the online application so that students don’t have to answer questions that aren’t relevant to their circumstance. Two particularly helpful changes are that students can now automatically import tax information from the IRS via the IRS Data Retrieval Tool (DRT), and because the formula now uses prior-prior year tax information, students can apply several months earlier than they could before. The FUTURE Act, passed in 2019, makes additional important strides by authorizing the Internal Revenue Service to directly share taxpayer information with the Department of Education.

These changes are important, and help reduce the application burden. They will also help reduce the need for costly FAFSA verifications, which costs institutions an estimated \$500 million per year, representing 15–22 percent of typical financial aid office operating budgets (Guzman-Alvarez & Page, 2020). Research indicates that the verification process on its own may reduce enrollment of Pell-eligible students by 2 to 3 percentage points (Wiederspan, 2019).

Still, many of the most complicated questions remain, such as questions about untaxed income, the value of investments, and drug convictions. And because students are advised to assemble their documents and even to fill out a paper “work-sheet” prior to beginning the online form, it is not clear that these reforms necessarily eliminate all the time and hassle required.⁷ One recent study of the auto-zero EFC concludes that this “behind the scenes” simplification on its own likely has little or no effect on college enrollments (Matsudaira, 2018). Other studies have found that information on aid eligibility alone is not enough to generate meaningful changes in enrollment (Bettinger et al., 2012; Bergman, Denning, & Manoli, 2019).

While the form is getting easier and moving earlier, the eligibility formula remains opaque and unpredictable, so it remains difficult for students and families to discern their likely eligibility well in advance of application, or to have much confidence they can count on the award over time. This uncertainty and lack of transparency matters: one recent randomized study found that providing early outreach, clear communication, and a multi-year aid guarantee dramatically increased matriculation rates even though the program simply re-packaged aid for which students would have qualified anyway (Dynarski et al., 2018).

Concerningly, FAFSA submissions have actually declined noticeably since 2013, both overall and as a percentage of college enrollees.⁸ The reasons for this decline are not entirely clear, but the trend suggests that reforms are still needed. To finish fixing the FAFSA, we need to not only dramatically reduce application hassle, but also to dramatically increase transparency and certainty around financial aid. Under the current system, describing how the EFC is calculated, and how Pell Grant awards are calculated from that, is very difficult to explain in simple terms, and students have to reapply every year.⁹ While many calculators and estimators are available online, the students most in need of assistance may not even know these exist, let alone go looking for them in the 9th grade. The opacity of Pell eligibility may be one reason why the program lacks the name recognition of the simpler, highly advertised aid programs now in place in many states, like the Tennessee Promise.

To promote early awareness of Pell eligibility will require clear communication tools and proactive outreach, both of which would be much easier with a more transparent formula. How could this be done? **Since the main determinants of Title IV aid eligibility are already collected via the IRS Form 1040, some (including myself) have proposed simplifying the Pell formula, eliminating the FAFSA completely and instead determining eligibility automatically, using income and other data from tax forms.** Various teams have articulated how a simplified formula could work (including the bipartisan Financial Aid Simplicity and

⁷ See, for example, this blog post from the U.S. Department of Education, “7 Things You Need Before You Fill Out the 2018–19 FAFSA Form,” which doesn’t mention the auto-zero or simplified needs test. It does mention the IRS-DRT, but notes that since not everyone will be able to use it, applicants should still have their tax forms available for reference (<https://blog.ed.gov/2017/09/7-things-need-fill-2018-19-fafsa-form/>)

⁸ In 2013–14, 21.2 million FAFSAs were submitted (equivalent to 79 percent of 12-month headcounts), compared to 18.1 million for the 2019–20 school year (70 percent of 12-month headcounts).

⁹ The document that outlines the 2020–21 EFC formula is 36 pages long, and the Federal Student Aid Application and Verification Guide that explains the FAFSA process for financial aid professionals is currently 140 pages long.

Transparency [FAST] Act introduced by Senators Alexander and Bennet in 2014; as well as proposals by The Institute for College Access and Success, 2007; Dynarski & Scott-Clayton, 2007; Baum & Scott-Clayton, 2013; Bill & Melinda Gates Foundation, 2015; Rueben, Gault, & Baum, 2015). Beyond reducing application hassle, simplifying the Pell eligibility formula to the point it could be expressed in a simple lookup table would substantially improve transparency.

In the debate around various simplification proposals, two concerns are commonly raised. One is that if the formula doesn't include asset information, then wealthy families with low incomes will claim aid that they don't really need. But surprisingly, although the FAFSA questions about net worth are arguably among the most challenging to answer, the answer is basically ignored for the vast majority of applicants. Why? Retirement accounts and home equity are excluded, and this is where most families hold their assets. Other assets are considered only if they fall above a threshold that rises with the age of the oldest parent.¹⁰ Dynarski and Scott-Clayton (2006) found that assets had no effect on Pell eligibility for 99 percent of dependent applicants and no effect on EFC for 85 percent of dependent applicants. Asset information likely matters even less for independent students.

A second common concern is that while simplified formula might work fine for Federal aid, states and institutions may need more detailed information for their own programs. By far the most common financial element used for State aid eligibility is the EFC—which is explicitly preserved under some simplification proposals, and could be easily estimated under others. As discussed above, EFCs can be closely approximated using only a fraction of the information currently collected on the FAFSA. Baum, Little, Ma, and Sturtevant (2012) show that these minor changes in EFC have only small effects on the distribution of State aid. While the specific effects may vary from State to State, data on current applicants could be used to predict state-specific effects so that states have time to make any necessary adjustments.

Adjusted gross income is another element that could easily be preserved and passed to states under even the most radical proposals for simplification. Finally, if aid eligibility were determined automatically via the tax system, information on demographics, institutions, and application date could easily be collected via a supplementary non-financial form. Once students know what they qualify for, they may be much more likely to fill out a simple form that doesn't require complex information on income and assets.

Institutional aid presents a somewhat different challenge. Changes in EFC that have little implication for Federal or State need-based aid may matter more for institutional aid that often extends to much higher-income households. However, schools with substantial institutional aid typically already use an additional financial aid form, the CSS Profile, and would continue to do so even if the FAFSA were dramatically simplified. The Federal aid process need not burden all applicants with questions required for only a fraction of institutions.

IV. Summary of key recommendations

A low-income student today can qualify for up to \$38,070 in lifetime Pell Grant aid, over the course of their studies. But too many give up on college before they start, or drop out before they finish, because of complexity and a lack of transparency in the aid application process.

In recent years, important reforms have been made that lay the foundation for further simplification. My key recommendations to finish fixing the FAFSA are to:

- Base Pell awards on a limited number of data elements that are available from the IRS so that eligibility is transparent and no separate financial application is needed.
- Continue to provide states and institutions with an index of eligibility, as well as basic demographic and institutional information, to use in distributing other financial aid.
- Fix eligibility for several years, allowing students to securely plan for a multi-year course of study without the need to reapply.

¹⁰ This threshold was reduced in recent years, e.g. from \$25,400 in 2018 to \$7,100 in 2020 for a two-parent dependent student in which the elder parent was age 55. The median net worth of households with children age 18 or younger, excluding home equity but including retirement accounts, is \$14,993 (U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1). On average, retirement savings represent about 40 percent of remaining assets, suggesting the median net worth excluding both home equity and retirement savings could be well under \$10,000.

- Summarize Pell eligibility by family income in a lookup table—even if some fine print is required—that schools, counselors, and community organizations can post and distribute.
- Use IRS information to proactively communicate to prospective students and their families about their Pell eligibility.

Figuring out the FAFSA is a major hurdle in the process of applying for college, but it is hardly the only one. If Federal policymakers can simplify the cost calculus for students and their families, it could free up the time and effort of thousands of counselors, aid administrators, college advisors, and volunteers nationwide that are currently devoted to helping students fill out FAFSAs. Instead, these critical human resources could be redirected to helping students identify a high-quality college option that not only fits their budget, but furthers their educational aspirations. And students themselves could worry a little less about this form, and a little more about everything else they need to do to prepare for, persist, and succeed in college.

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The CHAIRMAN. Thank you, Dr. Scott-Clayton. Now our final witness is Ms. Hultquist. Welcome.

**STATEMENT OF KRISTIN HULTQUIST, FOUNDING PARTNER,
HCM STRATEGISTS, ENGLEWOOD, CO**

Ms. HULTQUIST. Thank you. Good morning, Senator Alexander, Senator Murray, and Members of the Committee. Thank you for the opportunity to appear today. I am Kristin Hultquist and I come before you as a lifelong higher education analyst, a former senior adviser in the U.S. Department of Education, and a last witness to the coalesce interest and support of the FAFSA Simplification Act.

525,600 minutes sing artists performing Seasons of Love in the Tony Award winning play Rent. They ask, how do you measure a year? I ask, how do you measure the time it takes to coalesce the voices for the FAFSA Simplification Act?

It is been 24 years since President Clinton introduced with his budget the concept of using prior year income provided through tax returns, 4,362 days since Secretary Margaret Spellings first waived the 10 page FAFSA when rolling out the Bush administration's call for FAFSA simplification, 68,102 hours since The New York Times covered HCM Strategists' release of our American Dream 2.0 report on simplifying student aid. This is a bipartisan report signed by civil rights leaders, a sitting Governor, the president of the Nation's largest historically black college university system, the former head of the Congressional Budget Office, employers, and Ms. Cook.

3.6 million minutes since we four sat before you to demonstrate our shared conviction that fewer questions asked of students could yield approximately the same determination of need. States agree, we must finish fixing the FAFSA now. SHEEO, MHEC, WICHE, and NEBHE, SREB, an alphabet soup for sure of state based educational leadership organizations, unite on this. Tennessee's experience shows us why they do. Tennessee has implemented multiple layers of staffing and infrastructure to achieve its best in the Nation FAFSA completion status. Every school counselor gets a FAFSA kit. This leads to a FAFSA frenzy day across the state. No joke, that is a real thing. Finally, students receive individual reminders throughout the application period, urging them to complete their form and connecting them to call centers for support.

Institutions agree, we must fix the FAFSA now. NASA supports this bill. I see the consequences of not having a simplified needs analysis for Pell. In my role as a trustee of one of our Nation's Hispanic serving institutions, Metro State University, Denver, we are the opportunity generator in Colorado. Blacks and Latinos comprise half of our student body. One third of our full time students qualify for the maximum Pell Grant. The hard work of racial justice on our campus needs a simplified Pell formula. And for Denver's 130,000 unemployed, with a Pell look up table, MSU, Denver can partner with our state's unemployment insurance program to reach these adults that need rescaling and upskilling.

Advocates for students coalesce around other changes in the FAFSA Simplification Act. As vice chair of the Institute for Higher Education Policy, I joined the voices of nearly 40 national faith, justice reform, business corrections and higher education organizations calling for removal of question 23, prohibiting students from prior drug related offenses from getting aid. I sit before you not just as one to remind you of the consensus achieved, but as a former Department of Education adviser, one who knows that delaying now to adopt the FAFSA Simplification Act is wasteful and inefficient. Federal student aid today is incorporating necessary upgrades to the future. Changes in the FAFSA do not happen quickly because a backend systems, but we have the opportunity to do the full renovation once. Future FAFSA filers will authorize the IRS to share data and then no additional financial information will be

needed. My mom raised me to never quit a race nine tenths from time machine.

As a former 400 meter hurdler, I know that is one hurdle from the tape. As a first generation Pell graduate, as a mother of a daughter just started college this fall, as the financial supporter of Cornerstone Christian School, where every one of our students will be first gen and needs us to finish the job we started 24 years ago, I implore you, don't quit now. We have 53 questions, one hurdle to go to finish this race. We can and must measure the impact of consensus achieved in more than time elapsed. Millions more Americans will access financially they need to improve their lives if you pass now the FAFSA Simplification Act. Thank you. I welcome your questions.

[The prepared statement of Kristin Hultquist follows:]

PREPARED STATEMENT OF KRISTIN HULTQUIST

Chairman Alexander, Senator Murray and Members of the Committee, thank you for the opportunity to appear today. I am Kristin Hultquist, and I come before you as a lifelong higher education analyst, a former senior advisor in the US Department of Education and a last witness to coalesced student, parent, institutional, and state interests.

525,600 minutes sing artists performing Seasons of Love in the Tony-winning play

Rent. They ask, how do you measure a year. I ask, how do measure the time it takes to coalesce the voices for the FAFSA Simplification Act?

- 24 years since President Clinton introduced with his budget the concept of using prior year income provided in tax returns as a means of simplifying the application process.
- 4,362 days since Secretary Spellings first waved the 10-page FAFSA when rolling out the Bush administration's response to the Spellings Commission's report, which called for FAFSA simplification.
- 68,102 hours since the New York times covered HCM Strategists' release of our American Dream 2.0 report on simplifying student aid, a report signed by civil rights leaders, a sitting Governor, the head of the nation's largest HBCU system, a foundation president, employers and Ms. Cook.
- 3.6 million minutes since we sat before you to demonstrate our shared conviction that fewer questions asked of students could yield approximately the same determination of need.

Congress, with this Administration and the last one, have done much to simplify FAFSA. But the work is far from finished. It is work that requires Congress to simplify the Pell formula and split it from the Expected Family contribution. Then, and only then, will it be as simple as a look up table. A simple table for the recently unemployed, the first-generation middle school students in rural communities and cities across the country to know that they are eligible for a Pell Grant is available to support their educational and training needs and improve their futures. Adopting the FAFSA Simplification Act of 2019 will result in the largest expansion of the Pell program in over a decade. Isn't that the type of consensus-supported change we should adopt to close out this very, very difficult 2020?

States agree we must finish fixing the FAFSA now. SHEEO, MHEC, NEBHE, SREB, WICHE—an alphabet soup of the top state organizations supporting states' educational systems—unite on this. One of the states that has led the country consistently in FAFSA completion is Tennessee. To achieve this type of success, Tennessee has implemented multiple layers of staffing and infrastructure. First, every school counselor in Tennessee gets a FAFSA kit from the State higher education commission. This leads to a "FAFSA frenzy" day across the state, where in Tennessee both state and local officials work to build a sense of excitement among the state to complete their FAFSA. Finally, students receive individual reminders from the State throughout application period, urging them to complete their form and providing support through a call center support.

Put simply, it should not be so hard that students and their families need such extensive help to apply for Federal aid to go to school so they can pursue lives with more prosperity that they have known. States should not have to establish staff in-

frastructure and communications campaigns for low income students to receive financial help to attend college. And even with all of these efforts, Tennessee has thousands of high school seniors each year that don't complete the FAFSA. This was true before COVID-19; it is even more urgent today.

Institutions agree we must finish fixing the FAFSA now. The National Association of Student Financial Aid Administrators supports the FAFSA Simplification Act. I see the consequences of not having the simplified Pell determination in my role as a trustee of one of our nation's Hispanic-Serving Institutions, Metro State University Denver. One-third of our full-time students qualify for the maximum Pell grant. Our college serves more Blacks and Latinos than any other university in Colorado; students of color comprise half of our student body. This fall, first-time FAFSA rates are down 13.5 percent and our fall enrollment is down 6 percent. The hard work of racial justice on our campus needs a simplified Pell formula. And for Denver's 130,000 recently unemployed? MSU Denver could reach these adults that need reskilling and upskilling and partner with the state's unemployment insurance program if we had a Pell grant look-up table like this bill will create.

Advocates for students coalesce around other changes in the FAFSA Simplification Act we need now. As vice-chair of the Institute for Higher Education Policy's board, and a believer in second chances, I join the voices of nearly forty national faith, justice reform, business, corrections and higher education organizations that support expanding affordable postsecondary pathways to thousands more students by ensuring that individuals who were convicted of drug-related offenses are not discouraged from applying for Federal financial aid. A 2015 study by the Center for Community Alternatives focused on the State University of New York found that nearly two out of every three undergraduate applicants who disclosed a felony conviction never completed their FAFSA applications. This chilling effect may be felt by Federal student aid applicants as well. Acting on the FAFSA Simplification Act now will remove Question 23 and allow Federal aid to be awarded to students seeking to reach their full potential by pursuing a postsecondary education.

Last, I sit before you not just as one to remind you of the consensus we have achieved and the need for Congress to act on it. I sit as a former Department of Education adviser, one who knows that delaying now to adopt the FAFSA Simplification is inefficient and wasteful—senseless when every person applying for financial aid stands to benefit if we finish the job.

Federal Student Aid today is incorporating necessary upgrades to the system required by the Future Act. Changes in the FAFSA do not happen quickly due to the backend systems, but we have the opportunity to do the full renovation once. For example, the current law uses elements of tax forms that no longer exist under the Tax Cuts and Jobs Act, namely the 1040 A and EZ. Currently, the Department has had to "make do" and substitute Schedule 1 as a proxy for the A or EZ. The Future Act does not use the Schedule 1. The FAFSA Simplification Act provides new data points in the letter schedules that are better understood to delineate complex filers from simple ones. If we don't align what we will be getting from Federal tax records with what FSA collects through the legislatively mandated need analysis, we continue to have the problem where individuals do not know if they filed a Schedule 1, just like they didn't know if they were eligible for a 1040 A or EZ. And we will still ask more financial questions than are needed.

My mom, the daughter of an immigrant and World War II vet, raised me never to quit a race when you are 9/10 from finishing. As a former 400 meter hurdler, that is one hurdle from the tape. I implore you, don't quit now. These times are full of overwhelming problems. With the measures in the FAFSA Simplification Act, we can bring hope to the millions of Americans who seek to improve their lives and their families' lives with increased education and training. We owe it to them to act on our consensus.

Every year you delay, it takes two more years to get a simple Pell grant look up table, to get applicants minimally comparable consumer information and potential eligibility for other means-tested aid. Wanting or waiting for comprehensive reauthorization of the Higher Education Act is not a reason to waste more time. We need your leadership now more than ever during these times.

We can and must measure the impact of the consensus we have achieved in more than time elapsed but rather by the millions more Americans receiving the financial aid they need to improve their lives. Again, passing the bipartisan FAFSA Simplification Act is the type of legislation we should adopt to close out this very, very difficult 2020.

The CHAIRMAN. Well, thank you very much to our witnesses. A compelling testimony and I have—will now begin a series of questions from Senators limited to 5 minutes each. Listening to all of you, especially the numbers that Ms. Hultquist just mentioned, takes me back 7 years to the testimony when four of the witnesses who are here today, when I asked them, I said, well, could you each write as a letter about what we need to do to simplify the FAFSA? And they turned around, looked at each other and said, we don't need to each write you a letter. We all agree on what needs to be done. And so they wrote us one letter. And that was 7 years ago. And it sounds like today it seems even more urgent to do it now. Sometimes in the Senate, we get in a position of saying, well, let's wait till we agree on everything to do anything. This is a very significant thing that we are talking about.

I mean, just to go back to where I started, this is the FAFSA. This is 108 questions that in the middle of a pandemic 20 million families are expected to fill out in order to get their free education in Tennessee for 2 years or any Pell Grant or any student loan. 20 million families filling it out every year. And what our witnesses have told us is that there are 53 questions on that list that we don't need. And there is really not any disagreement about that. I guess there is someone somewhere who disagrees about that but I haven't met them. I rarely have met any issue about which there is much more compelling agreement than this. So this would be the new FAFSA, minus 53 questions, that our witnesses say is unnecessary. Now, let me talk about a technical matter. The law that Senator Murray and I introduced last year that took the 22 questions and said—that were on the FAFSA—that are on the FAFSA, and with one click, a student applicant and family can ask the IRS to answer that question for them.

That is a big step forward. And the 53 we are talking about are in addition to that. But it will take a while to implement the law we passed last year and we are told that may be the year '23, '24. Well, my question, and let me ask Ms. Hultquist and Ms. Cook to start with this question, wouldn't it make sense to go ahead and pass this legislation, removing the 53 questions so that it can be implemented at the same time, the law we passed last year is, so that the new simplified FAFSA can be introduced all at once to 20 million families in the same year, '24? How much difference would that make, Ms. Hultquist?

Ms. HULTQUIST. Well, thank you, Mr. Chairman. I wanted to start by echoing Senator Murray's commendation of you. And on behalf of all first generation students, we owe you a debt of gratitude. From a student perspective, no doubt, the FAFSA Simplification Act finishes the job to only ask the questions we need and no more for states and for institutions. From a taxpayer and U.S. Department of Education perspective, I believe you measure twice and cut once. We are going to have one back office system upgrade. It is going to be more secure because we are transferring data from the IRS and the Department of Education. But we are not linking up our data elements. So the current law uses data elements from tax forms that no longer exist.

The Tax Cuts and Jobs Act got rid of the 1040a and 1040ez. So currently the Department of Education is using schedule one as a

proxy for these. But the FUTURE Act doesn't recognize schedule one. So what you have is one model not talking to the old model. Let's cleanup the legislation so that our statutory formula for student affordability index, bye, bye EFC, would actually be able to be sufficient and so individuals don't have to wonder, do I fill out a schedule one? Just like right now they don't know what is a 1040a, what is an ez—

The CHAIRMAN. I am going to run out of time here—I am going to run out of time. Let me, if I may, move on to Ms. Cook and ask her the same question. Wouldn't it make sense to go ahead and pass this law this year, getting rid of the 53 questions so that it could be implemented at the same time of the FUTURE Act that Senator Murray and I sponsored?

Ms. COOK. Mr. Chairman, NCAN is fortunate to help serve and advise on the implementation of the FUTURE Act. And we have seen, as you understand well, from your time at the sausage making process is difficult. I would say to the extent that we can make these sweeping changes once, I am sure that would be helpful and I would be hopeful that we would be able to integrate them all into a '23, '24 FAFSA.

The CHAIRMAN. Dr. Scott-Clayton, do you have anything to add?

Ms. SCOTT-CLAYTON. I simply agree with the prior statements. I absolutely think, get it done once to make it efficient.

The CHAIRMAN. My time is up. Senator Murray.

Senator MURRAY. Well, thank you, Mr. Chairman. Ms. Feldman, let me ask you, in overseeing Federal financial aid at USC Chapel Hill, you see firsthand how FAFSA is just one part of a complicated financial aid and enrollment process. Unfortunately, families face a lot of barriers in getting access to the support they need to afford higher education. And you are on campuses seeing the tumultuous impact of trying to make this process work during a pandemic.

As a former Pell Grant recipient myself, I know how forms and eligibility rules create hurdles and headaches for families. And unfortunately, these barriers have only gotten worse, with students and families now facing more rules and more forms to get into college, get financial aid, and maintain that support. So I want to ask you, besides completing the FAFSA, what are the biggest hurdles students and families face in getting access to the financial aid that they need?

Ms. FELDMAN. Thank you, Senator Murray. That is a fabulous question. And there certainly are more hurdles than simply the FAFSA alone. I think we have mentioned several of them. In particular, the verification process, which is like an audit of what they have already filled out on the form. But in fact, students are verified on their financial aid application at much higher rates than we audit people on their tax returns, which is a little confusing. In addition, if I can be naive and frank, students just need more money.

Students need higher Pell Grants and students need higher thresholds for that Pell Grant and maybe this decoupling of the Pell Grant eligibility from our complicated EFC formula gives us a chance to address that issue. And finally, we need to make sure, as I said earlier, that whatever we do to simplify those formulas for the index isn't so simple that schools like ours decide that stu-

dents need to fill out the CSS profile or other supplemental forms, which are even more complicated than the FAFSA today.

Senator MURRAY. Okay. Thank you. You know, while it is critical, we know that FAFSA is just the front end of the process that students go through to get the help they need to afford college. There is a lot more we can do or should be doing to make sure our students have the support they need to afford food and housing and child care. And as the economic devastation of this pandemic is continuing, many students and families, particularly students and families of color, are now experiencing unemployment and are really struggling to make ends meet.

Those financial pressures threaten to exacerbate existing racial disparities regarding access to higher education. So to any of our witnesses who would like to answer, let me just start with Ms. Cook and then Ms. Feldman, how can the Department of Education, states and colleges use the FAFSA and financial aid process to connect students to other Federal programs like SNAP or TANF or Medicaid and help make sure they can meet their basic needs while going to school?

Ms. COOK. Senator, our experience is that many, many of our students have overlapping eligibility for Pell Grant or SNAP, for TANF, for example. We see some opportunities perhaps on loan counseling to flag those students and share those eligibility that they may not be aware of. I also think we have some promise in the proposed simplified Pell Grant eligibility index since that is tied to Federal poverty level. It could give us a chance to crosswalk other means tested benefits programs that are also tied to Federal poverty level.

Senator MURRAY. Okay, good.

Ms. Feldman.

Ms. FELDMAN. Thank you. I agree with the statements of Ms. Cook, especially about the Federal poverty level. I also believe that we need to make sure that whatever measures we are using to accommodate nontraditional situations such as students who live with their grandparents, the students aren't even sure which are the parents they should be putting on the form, and our independent students returning to school, which make up more and more of our populations.

Senator MURRAY. Okay. I just have a minute left, but I wanted to ask Dr. Long and Dr. Scott-Clayton, you have both written about the benefits of predictability for financial aid. What should we, as policymakers, do to make sure students know their options, including those offered by their college financial aid administrators should they need their aid adjusted because of financial hardship that we are seeing now because of the pandemic and other conditions?

Ms. LONG. Thank you, Senator Murray. Just to say we need to move out of these acronyms that we use like EFC. We have seen lots of research, other colleges and universities have moved just to income thresholds that families understand or parents understand much better. I think this also builds on your previous question where we know about other aid programs and using crosswalks between them. If you are already qualifying for food stamps or other kinds of assistance, communicating that to students, same as if you

were qualifying for financial aid, having to go back and notifying students, we have seen this work in the past very effectively and increasing access to support.

Senator MURRAY. Good. Thank you. I know I am out of time, so maybe if some of the others can give me a written response, that would be great. Thank you.

The CHAIRMAN. Thank you, Senator Murray.

Senator Cassidy.

Senator CASSIDY. Thank you, Mr. Chairman. Mr. Chairman. I mean, it is like such a no brainer. You have convinced me over the last four or 5 years we have worked together as to the wisdom of this and some of these witnesses whom we have heard before. Similarly, by the way, my wife is a general surgeon. She was filling out FAFSA and she threw up her hands in the air. She was like, I can't do this.

I think if your first language is not English, how would you accomplish it? And so it really gives me sympathy. With that said, I am going to actually open up speaking about something which is not directly on point, but at least would like to make the point. Ms. Hultquist, it is not only important that somebody be able to access the financial means to go, but I personally think that it is important that they have the student level data. As I tell folks, if you look in the mirror, what does someone who looks like you going to do in this curriculum at this university?

Senator Warren and I have a bill, College Transparency Act, that would request this to be published so that someone can say, I look like this, what am I going to do in this curriculum at this school. Do you have any comments on that? You are on mute. You are on mute again—there you go.

Ms. HULTQUIST. Thank you, Senator, for the tip and also for your question and for your leadership in sponsoring with Senator Warren the College Transparency Act. Currently, students must make choices about whether where to attend college or to study or how to pay for it based on woefully inadequate information. This is because our national data systems are incomplete. They are inconsistent. They are duplicative and they are burdensome. So a student level data network like the one you have proposed would fix this.

It would provide students with quality information on institution and programable outcomes to inform their choices, but also give policymakers better information to drive evidence based decisions, which is very critical in a time like this when resources are scarce.

Senator CASSIDY. Thank you very much. Thanks for—and frankly, I am going to ask you be called as a witness if we ever have a hearing on it, we thank you. Ms. Feldman, your testimony stated that you hope that the aid administrators—that aid administrators will be giving guardrails to ensure program integrity, such as the ability to use professional judgment to reduce a Pell Grant if the AGI does not appear to reflect the student's true ability to pay. Can you elaborate on that? Because I think that—we are trying to get help to people. And sometimes it gets just kind of tied in a knot. And I think you want to untie it. Can you elaborate on that, please?

Ms. FELDMAN. Absolutely. Certainly our overall goal is to make things as simple and straightforward as possible for the majority of families. But I can tell you a story about a family that I had a few years ago. The student apply for aid. They were selected for verification. The mother's AGI was \$20,000, \$4,000 from earned work and \$16,000 from interest income. As we dug in, that woman was a lawyer who owned her own firm and worked out of her home, and her income was actually much closer to \$300,000 but she had a lot of paper write offs as she depreciated her home, her car, and wrote off a lot of other things as her personal expenses.

It feels like it is not a good use of taxpayer money to give the student a full Pell Grant when there are so many true need rather than those who are able to quite legally use the tax system to write down their income with these non-financial paper expenses that don't really affect their true ability to pay. I think using that would be rare, but in some cases, particularly for institutional and state aid, it can be very important.

Senator CASSIDY. Well, I will tell you, Ms. Feldman, one of the things we always have to push back on is a lack of accountability. And I think you are asking for administrator level accountability. So thank you for treating the taxpayers money like it is your own money. But let me ask you one more question. Tell me, UNC, how has the pandemic affected students' ability to pay, those who may have lost jobs, etc. Can you just comment on that?

Ms. FELDMAN. Yes. The pandemic has really been devastating, particularly for our lowest income students. And with our switch to remote learning, many of them needed help just getting hooked up to broadband Internet so that they were able to study. Students needed a desk to study and maybe they shared a room at home with three of their siblings. It—thank goodness we had the Cares Act to help us with emergency aid but our resources are dwindling and I worry about what we will do next year when we are facing a huge increase in students who are coming to us for reconsideration because they—their parents have lost jobs, they can't find part time work and they are so uncertain about the future. We would really appreciate some support.

Senator CASSIDY. Okay, thank you. Mr. Chairman, I yield the floor.

The CHAIRMAN. Thank you, Senator Cassidy.

Senator CASEY.

Senator CASEY. Mr. Chairman, thanks very much. I wanted to start by saying that I think I speak for a lot of Members of the Committee when I say that most of us would incorporate by reference what both you and Senator Murray said about each other. So we wanted that on the record. But let me start with the circumstance we face with the worst public health crisis in a century, the COVID-19 pandemic. That pandemic, we know, has created all kinds of disruptions. And in the education system, those disruptions range from child care through post-secondary education and so many other disruptions in between.

At the same time, there has been a jobs crisis that has flowed in the wake of the pandemic. We know that post-secondary education will be a critical component to any economic recovery. And unfortunately for many students, the pandemic has not only cre-

ated financial strain, but it has exacerbated other barriers to post-secondary education, such as access to technology, access to transportation, and even access to affordable, high quality child care. We have heard testimony this past March, as well as today, that only 45 percent of low income students complete the FAFSA and missing out on some \$24 billion in grants and loans in institutional aid each year. So to ensure that any student with financial need is able to obtain assistance, it is clear that we must make the form and verification process simpler.

I think we all agree on that. But I have to say, without any—without further reforms to the Higher Education Act and significant investments in child care, elementary and secondary education, higher education, state and local funding and so many other investments we should be making, post-secondary access and success will unfortunately remain out of reach for many Americans. I will start with Associate Provost Feldman for this question.

Many college financial aid offices because of the pandemic had to cancel in-person counseling and training events and many college access organizations transitioned to virtual operations. Supporting students solely online or by phone as they navigate these complex forms is indeed challenging. And for many low income and rural students, a lack of access to technology or reliable high speed Internet can make it nearly impossible.

According to the Pew Research Center, 30 percent of low income households with school age children lack reliable Internet at home. My fundamental question is this, what can the Department of Education and institutions of higher education do to better support these students in applying for financial aid without the in-person assistance?

Ms. FELDMAN. Thank you, Senator Casey. That is indeed a challenging question. In here in North Carolina we are certainly a state that has broadband deserts in our rural counties and places. We in fact, as we move to remote instruction, gave students supplements, very particularly to try to purchase broadband access. But in some cases, students chose to stay and live in an apartment in Chapel Hill rather than go home, because no matter how much money we throw at them, there simply wasn't that access available and they couldn't be successful.

On the other hand, students have been very resilient at using things like Zoom or this WebEx product we are using now or their phone to apply for aid and ask for help. And we have been able to help them much more carefully and strongly than we thought. I think if there is anything the Department can do again to provide funding for students who need it to help enhance their access to technology in their schools or in their homes or both, it would be key to them successfully transitioning to college this coming year.

Senator CASEY. Before I close just want to ask any other member of the panel if they wanted to comment on this question about what the Department can do.

Ms. LONG. Thank you, Senator, for the question. I would just briefly say, we want students and families to be focusing their time on their academic preparation, and we know they have to focus now on many other needs. The more that we can do in proactively be pushing out information—so for families, we have already estab-

lished that they are struggling and that they are poor, why make them go through the form? Why are we not doing outreach? And so these recommendations to based things off of poverty levels and qualification for other programs, we can be much more proactive in meeting families where they are in their needs.

Senator CASEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Casey.

Senator Murkowski.

Senator MURKOWSKI. Okay. You can hear me. You can see me now, right?

The CHAIRMAN. I can hear you. I can't see you. Now I can see you. Senator Murkowski, we can see you.

Senator MURKOWSKI. Alright. Thank you, Chairman Alexander, and thank you to those who have gathered to talk about these important issues for our students and what we can do to ease the process for them. Several of you have noted the importance of decoupling the Pell Grant need analysis from Federal student loan to ensure that our middle schoolers, our high school students will know that they have got the money then to go into college. We recognize, though, that the FAFSA Simplification Act does not provide a promise that students will be eligible for a Pell Grant because we know that circumstances can change, families' incomes may change, and there has been that discussion this morning.

The early awareness chart idea, I assume, is intended to let the students know that college may be an option if the income levels stay the same. But I am afraid that message may get lost there. I am concerned that families may believe that a chart showing a certain family income and family size equals a certain Pell Grant amount and that is—that is a promise. That is a guarantee. So how can the FAFSA Simplification Act avoid that misunderstanding? Have we thought through how we ensure in a clear way that this is conditioned on circumstances remaining the same? Is this a fear or concern that you have? And I throw that to any member of the panel who may wish to speak to it.

Ms. SCOTT-CLAYTON. I will speak to that. Thank you, Senator. I do think that is a little bit of a concern, but you sort of have to weigh the relative concerns here. Right now, I think that the far larger concern is that students don't know or aren't preparing for college because they think they won't qualify. If we do have some students who are preparing and doing everything they can to get ready for college, then at the end they get a surprise in the other direction, that is a concern.

But I think there are so many other ways to help those students. For the long term, I think the ideal solution there is to think about taking that eligibility and basing it on a family's income as they are going along and preparing for college so that it can really be a promise when we get to that point—they know. It is almost more like a savings account for a baby bond sort of idea where by the time you get there, they know exactly what they have in the bank. And I think that FAFSA simplification is a step that will move us in that direction.

Senator MURKOWSKI. We are not quite there yet, but we are laying the groundwork for what you have, perhaps—

Ms. SCOTT-CLAYTON. I think this is a huge step. I think this would be a huge step, the legislation that is on the agenda today, I think will be a major step. And like I said, I am way more worried about students not preparing for college because they think they won't qualify. And we know that there is a lot of persistence to family income over time. We saw that in the conversation about the prior, prior year switch. There is a lot of persistence in eligibility over time. So that is not the biggest of my concerns right now. I think it will open the door to even greater reforms in the future.

Senator MURKOWSKI. Anybody else want to speak to that quickly? I have got one more question I would like to ask.

Ms. LONG. Sure. If I could just interject about just briefly, I do have some research in this area. When we were focusing on 20,000 students in Ohio, North Carolina, we also ended up having a small experiment where we shared with their younger siblings and with the sophomores and freshmen in their schools the kind of postcard that we are talking about right now with a pre-estimate of financial aid.

What we actually found is that families all became interested in all of a sudden meeting with their guidance counselors, meeting with the nonprofits that were available to start a conversation. It grabbed their attention so that they were coming in to get the advising not just about financially, but also about college choice and program of study, which is also a very important part of the process. So we really interpreted as starting the conversation, which is absolutely critical, given all the misinformation that is out there, that there is no aid.

Senator MURKOWSKI. I appreciate that. Let me ask, switch to a question that came from the University of Alaska and this relates to the need for changes in the income verification process. From their perspective, this verification process has been—they have described it almost as a pyrrhic victory. It has captured a minimum amount of fraud and abuse. She likened it to getting audited by the IRS every year and finding nothing every time. It is good that you find nothing, but it puts applicants through quite a process for what they feel is very small benefit to the Department's Federal student aid office.

The FSA provided guidance that allowed for applicants to submit a signed copy of their 1040 for the academic year 2021. This is very, very helpful from previous guidance that had required an IRS return transcript that was very burdensome for many of my constituents, particularly those that come from low income households. So we saw previously that these applicants were more likely to be selected for verification, which ultimately led to less completed FAFSA applications. The guidance hasn't been extended yet for academic year 2021–2022.

I guess the quick question and hopefully quick answer is whether or not a permanent change in required documentation is necessary in your view?

Ms. COOK. Senator, I will take that, yes. So quick answer, yes. A permanent change to allow flexibility in the ways that students meet verification is a temporary fix. A longer term fix is to use the data that we have learned about this many times audited, few

times changed to really better target and lessen and perhaps get to the point where we can eliminate this backed process.

The CHAIRMAN. Thank you—

Senator MURKOWSKI. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murkowski. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman. This is our fourth annual hearing simplifying student aid applications. And by now, I think all of us agree that this is a good idea. But four hearings? Since the Republicans took control of the Senate nearly 6 years ago, we have not had one single hearing in this Committee on the student debt crisis. Instead of spending more time on how to make it easier for students to borrow more money, I think we ought to focus on how to deal with the \$1.6 trillion in debt that is crushing millions of people. And I think that is particularly urgent because student loan debt is disproportionately a serious problem for black and brown communities, especially as the COVID-19 pandemic and economic crisis also disproportionately hits the same communities.

I believe it is time to explore bold solutions like broad student debt cancellation. Congress should do that, but even if Congress doesn't cancel student loan debt, the President and Secretary of Education could do that right now. So, Dr. Scott-Clayton, just how bad is the student debt crisis for black and brown families?

Ms. SCOTT-CLAYTON. It is really shockingly bad. Even prior to the pandemic, nearly half of black student loan borrowers will experience a student loan default within 12 years of college entry. That is compared to about a third of Hispanic borrowers and one in five white student borrowers. It is so bad that a black college graduate with a bachelor's degree is more likely to experience a default than a white college dropout. And unfortunately, these stats might get worse due to the pandemic.

Senator WARREN. Right. And Dr. Long, what are the consequences of the student debt crisis for students who are still in school? Does debt have an impact on their completion?

Ms. LONG. Thank you, Senator Warren, for highlighting this issue. Yes, it is affecting not only attainment, but the quality of the experiences. The research shows lower GPAs, lower academic engagement, taking advantage of resources, reduction in course loads so attainment has been affected. And then these students that affect their ability to save and to participate in asset building. So it has many negative consequences.

Senator WARREN. Thank you. Just quickly, Dr. Scott-Clayton, I know you agree with me that simplifying the FAFSA form is a good idea. But do you also agree that student debt cancellation is the most efficient and effective solution to the crisis facing borrowers right now?

Ms. SCOTT-CLAYTON. I do agree, given the urgency right now, we absolutely need to talk about some debt cancellation to address the crisis in student loans.

Senator WARREN. Thank you. I appreciate that. I request unanimous consent to submit into the hearing record a letter from the Harvard Law School project on predatory student lending that details the legal authority of the Secretary of Education to cancel student loans without congressional action. Millions of people are getting crushed by student loan debt and that is why I have a bill to

broadly cancel student loan debt as well. Mr. Chairman, do I have permission to enter this into the record?

The CHAIRMAN. So ordered, Senator Warren.

[The following information can be found on page 64 in Additional Material:]

Senator WARREN. Thank you. You know, but even if Congress doesn't act later, Leader Schumer and I introduced a resolution this morning calling on President Trump and Secretary DeVos to use the authority Congress has already given them to broadly cancel student loan debt now. It is time to get this done. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warren. Senator Scott. We will go to Senator Jones.

Senator JONES. Thank you, Mr. Chairman. And let me also echo what Senator Casey said, I so very much appreciate the comments that you have made about Senator Murray and Senator Murray's comments about you. And for those that may think that we have a cynical Washington, DC, I can assure folks that heard those comments that they are heartfelt. And as someone who has worked with both of you in a really close way, particularly on this issue with you, Senator Alexander, are being a heartfelt and appreciated. And that is why it has been such a joy for me to work on this Committee over the last two and a half years. So I really appreciate everything that has been commented on today and your work together. I would have to say, Senator Alexander, I appreciate especially the work that we have been doing together on this really important issue. In Alabama, there are so many kids that just walk away from the FAFSA. I think in 2018 I saw statistics that close to 50 percent of our high school seniors just walk away from FAFSA leaving a lot of grant money on the table, not just scholarship money for loans, but grant money and scholarships on the table.

One of the issues that we have seen with the implementation of the bill that we passed for the FUTURE Act, it seems to be that the Department of Education is going to be pretty slow to implement this. And I am not sure who is best to answer this, but I am trying to figure out what you are hearing about why it is going to take so long. And let me say, I completely agree with Senator Alexander that if we could get our bill passed to do a complete overhaul and get them implemented at the same time, that is the ideal solution.

Given this pandemic, given the end of this Congress it is going to be tough to get that done. So I am assuming that we may end this Congress simply with what we have got, which is the FUTURE Act. Why is it taking so long and what can we do, especially in Congress, to speed that up so it could be ready earlier? Anybody. I will open up to anybody that might want to answer that.

Ms. COOK. Senator, I will kick off here. What we are hearing is that there are complications in data security and in use of Federal tax information. So concerns about how that information is and can be shared between the departments and then with filers and even with family members who are part of an application. What Congress can do is clarify its intentions of how that information can

and should be used and help us certainly respect and care for data that we understand is sensitive, but to use it wisely.

Senator JONES. Would anybody else want to share anything that they have heard or just simply ask, how is it—how important would it be for Congress to do whatever is necessary to get that implemented earlier, if at all possible?

Ms. FELDMAN. Senator, thank you. This was Rachelle. As a person at a school, we would certainly love to see the FUTURE Act and any further simplification implemented as soon as possible. The longer it takes, the longer we have to help people through difficult forms and the more risk we have that students don't complete the process, especially during this time of pandemic and extra needs. So we appreciate that support. It is hard to understand how all the sausage making at a very complex organization like Federal Student Aid works, but certainly, the sooner the better.

Ms. SCOTT-CLAYTON. I would just add to emphasize a sense of confusion about why it does need to take so long, and that some pressure may be necessary to see that along, because I think it is a huge frustration to go through all the work of getting that legislation and then not have the urgency to get it implemented as soon as possible.

Senator JONES. Well, thank you all. A lot of my questions have been answered. Let me just say again, we are going to continue to work on this. It is something that is really important to all these states. I may, following this hearing, get with Senator Murray and Senator Alexander to see what we could do to try to push that date up somehow some way. You know, Senator Collins, who is also on this Committee, and I got a bill passed recently that would provide some extra security for the IRS by creating a voluntary program for your PIN number for the IRS. That would create an extra level of security.

Maybe we could work to try to help implement that through some of this somehow, some way so we can give all our parents and all those affected with this the level of comfort that they need for the security. So in this day and age, the U.S. Government of all people ought to be able to keep that information secure. So, again, thank you, Mr. Chairman, for this work on this issue. Thank you for including me on this work on this issue. I really very much appreciate that. I have enjoyed it very much. And thanks to all our witnesses for being here today.

The CHAIRMAN. Thank you, Senator Jones. And thanks for your leadership and sponsorship both on the FUTURE Act and on this legislation, reducing 53 questions from the FAFSA. Senator Rosen.

Senator ROSEN. Thank you, Mr. Chairman, Ranking Member. Thank you to all the witnesses for being there for our students, educating them and caring about them. And Mr. Chairman, I just want to thank you for your leadership on this Committee in the U.S. Senate and for welcoming me here to both of them. And I really appreciate that and we are going to miss your guidance.

But moving on, I just want to talk a little bit about what is going on in Nevada. And so with so many students in Nevada, across our country, of course, are facing financial pressures due to the pandemic of COVID-19. So removing barriers, increasing access to meet programs is just radical. Unfortunately, low income students,

those in rural areas, first generation students have long faced obstacles when applying student aid. Since the start of the pandemic, the number of students completing FAFSA has decreased for Pell eligible students with the greatest decreases coming from families with incomes of \$25,000 or less.

Additionally, students with the greatest barriers are also with students most likely to be required to complete a burdensome secondary income verification, which results in many eligible students missing out on that very important financial aid they need to reach their goals. And so Ms. Feldman, excuse me, what modifications to the family income verification process can be made, particularly to address the low income students facing a changing education and financial landscape?

Ms. FELDMAN. Thank you very much, Senator Rosen. I think the first thing to ask is why we verify so many families in the first place. The rate of verification has hovered around 30 percent. The Department has talked about lowering it to 22 percent. These are much higher rates than we see on income tax verification, which are in the single digits. And we have not shown that is necessary or effective, as most of the families we verify show little to no change in their ultimate eligibility, although many fail to complete it because it is difficult to obtain the forms they need.

In addition, I think that research, as my colleagues have mentioned, has shown that verifying the lowest income families, those with means tested benefits or who qualify for auto-zero EFC or expected family contribution is particularly ineffective. And yet at schools, we continue to see those students selected over and over again. And those are the students who often have the most difficulty getting the forms they need to complete the process. So if I could make two recommendations, they would be very simple. Well, three.

One, let's implement the FUTURE Act so we don't have to ask them questions because we know already from their tax forms what their income is. Two, let's really look at both formula and select fewer people. And three, let's not concentrate on the lowest income families, but more on the business owners or middle income families where we see actual change when we do verification.

Senator ROSEN. Thank you, I want to just really quickly ask a question about our student vets and our dreamers. And, of course, like you said, a lot of reasons people don't fill out FAFSA, a lot of barriers, a lot of confusion, a lot of our veterans don't realize they might be able to get FAFSA or get other student aid in addition to their G.I. benefits. We have got a lot of DACA recipients out there. And so we intentionally provided flexibility to determine how to distribute the funding. And so we have to be sure that we get it out there.

Again, Ms. Feldman, I am going to ask you, as Director of Scholarships and Student Aid, how do you think we should be sure that our student vets, our DACA recipients, how can we be sure that they understand their eligibility, particularly those student vets, that they have more in addition to our G.I.—actually or all of them. So what recommendations do you have there for dreamers and student veterans?

Ms. FELDMAN. Thank you. It is a little bit of a complicated question since particularly dreamers have different eligibility depending what state they live in. I think it would be easier for everyone if we had some consistent eligibility for students who have been in the country since they were very small.

For veterans, I would really like to see more outreach and more understanding for them that their veterans benefits often do not offset the other aid they are eligible for, or that they could save those benefits for graduate schools if they used other aid to further their undergraduate career. And I should hope we could enlist the Department of Defense and the other veterans support services in helping us craft a message together with the Department of Education in schools that would let them know that it is worth their time to apply for aid.

Senator ROSEN. I thank you and I look forward to working with you in the future on doing all of those things. Thank you.

The CHAIRMAN. Thank you, Senator Rosen.

Senator HASSAN.

Senator HASSAN. Well, thank you, Mr. Chair and Ranking Member, for having this hearing. And Mr. Chair, I just want to echo what you have heard from the witnesses and from our Ranking Member today. I want to thank you for your leadership and thank you for your outreach to me as a new Senator when I started in particular. And we have had some candid exchanges, but we have always had productive ones and that really speaks to your leadership.

Thank you so much for everything you have done for so many. And I want to thank the witnesses for being here today as well. And I am going to start with a question to Ms. Cook. And Ms. Feldman. In May, I sent a letter to Secretary DeVos with Senators Tim Scott, Loeffler and Booker urging the Department of Education to ensure that students who had been financially impacted by COVID-19 received the financial aid that they are now eligible for.

Well, the Administration has since clarified that financial aid administrators may use what is known as professional judgment to adjust students financial aid eligibility if their financial situation or employment status has changed. The Department has continued to count unemployment benefits toward a students earned income calculation, something that simply doesn't make sense given the uncertain duration of the benefits and the economic disruption that the need for the benefits represent. The Department of Education has also failed to conduct any outreach to recently unemployed individuals about their higher education options, which the Obama administration did during the last economic recession, or committed to changing the online FAFSA form to capture students with recent financial changes.

We need to do more for our current and future students. So Ms. Cook and Ms. Feldman, what are your recommendations for how Congress and the Department of Education can address the challenges that students are facing while navigating their changing financial circumstances? And we will start with you, Ms. Cook.

Ms. COOK. Thank you for this question and for your attention to a rapidly changing situation. Many of our students, unfortunately, do find themselves or family members with changes in employ-

ment, catastrophic health care bills, and unfortunately, in some situations, the death of a parent. This is a lot to manage and certainly triggers for professional judgment. We appreciate the flexibility that has been put in place so far but I agree with you that more can be done to better support our students, particularly those with unemployment. I will yield some time to Mr. Feldman too.

Senator HASSAN. Thank you.

Ms. Feldman.

Ms. FELDMAN. Thank you. I think you have made some excellent points, and it would certainly help students and aid administrators to have a lot of clarity about the flexibility were allowed in professional judgment, including not counting temporary means of support such as unemployment benefits.

I think you will see in my written testimony that I call on you as Members of Congress to codify into law the provisions that were made in the 2009 Dear Colleague letter, which allowed for both of those provisions and protected schools from getting professional program reviews from the Department of Education based on the number of professional judgments done during a pandemic or other crisis such as this one.

Senator HASSAN. Thank you very much for those responses. Ms. Hultquist, I have a question for you as well. The COVID-19 pandemic has devastated businesses across New Hampshire and across the country and put a record number of people out of work. I have heard from many constituents who are struggling to find work in their chosen field and who need access to upskilling and retraining programs. In August, Senator Young and I introduced the bipartisan Upskilling and Retraining Assistance Act, which would help expand educational assistance programs for employers who hire and retrain workers.

We need to provide robust support to workers and businesses who are adapting during and after this pandemic and institutions of higher education play a significant role in this effort. Ms. Hultquist, with this shift in workforce and business needs, can you speak to the role of higher education in economic recovery and to how employers and industry leaders may partner with higher education on some of these initiatives?

Ms. HULTQUIST. Absolutely. Thank you, Senator, for your question. I will say that higher education is absolute critical to economic recovery. It is, in fact, one of the benefits of the FAFSA Simplification Act. We will be able to directly go to the actual job fairs over time, of course, with the Pell lookup table. When you look at certain communities around the country, let's take in San Diego, impressive partnerships between higher education, the Workforce Development Council, and employers to create real clear pathways to the adults. They reach them when they are unemployed. They let them know. They actually combine with an income shared agreement that says if you finish this program, it is in high need in our San Diego County, you won't have to pay for your education. And so if you have an income below a certain level.

Senator HASSAN. Thank you very much. And thank you, Mr. Chair.

The CHAIRMAN. Thank you, Senator Hassan. That will complete our questions from Senators but let me go to Senator Murray and see if she has any closing remarks or additional questions.

Senator MURRAY. I don't have any additional questions, but let me just thank the witnesses for joining us today. And Mr. Chairman, thank you again for all the work you have done to simplify the FAFSA. As I said earlier, it is really largely thanks to your leadership that we have taken great strides in making FAFSA easier to navigate for many students across the country. But it is still clear we have a lot more to do, especially to make sure that our most at risk students can easily access the Pell Grants that are available to them.

We have got to make sure the financial aid process is easier for these students by making the verification process less of a burden, determining Pell grants based on the Federal poverty level so more students and families can easily know the amount of help they are going to receive, and fully implementing the FUTURE Act. And we absolutely have to address what is top of mind for so many higher education students and their families, and that, of course, is the COVID crisis.

Mr. Chairman, I am very proud of the successful bipartisan work that we have done on FAFSA simplification in the past. I hope in the coming weeks we can continue in that vein to address the critical challenges in front of us. Thank you.

The CHAIRMAN. Thank you, Senator Murray. And once again, thanks to you and your staff for making this hearing possible and making it easy. And I agree that—I look forward to continuing to work over the next few weeks to see if we can finish the job. I have two comments to make and then I will conclude the hearing. One is Senator Warren mentioned that we hadn't had any hearings on student debt. Well, that is wrong.

We have had five on student college costs, student loans, student debt, student loan repayment options. On March 27, 2014, May 28, 2015, June 2015, January 2018, February 2018. Those were all bipartisan hearings. We had good, robust discussion. Obviously, there is lots of discussion that we can have among ourselves on access to college and student debt, the cost of college, student loan repayment. Those are all very important issues and I am sure that the Congress will continue to deal with them. Now, we have not agreed on exactly how to deal with all those issues, as well as some other ones, such as accountability in higher education. We have substantial agreement, but it looks like we are not going to have a bill, a broad bill reauthorizing higher education this year.

But it seems to me that is not a good reason not to finish the job on FAFSA simplification. In the first place, we are talking about a lot of Americans when we talk about FAFSA. We are talking about 20 million families, a disproportionate number of them, low income families, minority families, for whom Federal aid is designed to help them have a ticket to a better life and a higher income to higher education. And any time we can do something that important that helps 20 million of the most deserving families in the country, and we have substantial agreement on it, we should do it.

Second, we do have substantial agreement on it. As I pointed out, Senator Murray and I have worked with the Obama administration and the Trump administration and we have passed a law last year that would take significant steps to simplify the FAFSA. But for the last 7 years, most of the witnesses who are here today have told us what else we need to do and that is to take the 108 questions and get rid of 53 questions and come up with something about this size. So why would we deliberately require 20 million lower income families in America to continue to fill out 53 questions they don't need to fill out, according to all the witness testimony that we have had at all or hearings? Why would we insist that they continue to do that when we could finish the job and pass the bill that we have before us? That is one. Second, we have the pandemic.

For the people who have, who the witnesses, Senator Murray and others have mentioned are especially in need of help, who may live with their grandparents, not be able to identify their parents, homeless people, foster children, we through this legislation can allow them to apply as independent students and make it much easier for them to access the FAFSA. The Congressional Budget Office says if we act, 420,000 more students will apply for Pell Grants. I know that in our State of Tennessee, which fills out the FAFSA some more than any other state, lots of students will be able to have 2 years of free college education.

Then we have got the practical consideration that the FUTURE Act that Senator Murray and I sponsored is now law. And the Treasury Department and the Department of Education are finding ways to implement it, and it would make much more sense and be much easier if we could pass this bill, removing the 53 additional questions, and let both the FUTURE Act and this legislation be implemented at the same time. So at some point in the Senate, what we usually do is say, okay, we have talked about something enough, we have got as much advice as we need. There is really nothing much more we need to do to finish this job. It is an important job for the country.

There is bipartisan support, no real opposition to it. So let's do it. So it is my great hope that Senator Murray, I, and this Committee can work together in the next few weeks to do as we have often done, and that is to finish the job, simplify the FAFSA and make it easier for 20 million families to have, especially low income families, especially during this pandemic, to have access to higher education. The hearing record will remain open for 10 days. Members may submit additional information for the record within that time if they would like.

The CHAIRMAN. I want to thank our witnesses today. You are real experts on this subject. You spend your life in dealing with students and their families and helping them have access to college. And as you have for the last 7 years, you have near unanimous agreement on what we need to do so I hope we will be wise enough to take your advice and do it.

Thank you for being a part of our hearing today. Our Committee will meet again on Wednesday, September 23 at 10 a.m. for a hearing entitled COVID-19, An Update On the Federal Response. We will hear from Dr. Anthony Fauci, Dr. Robert Redfield, Admiral

Bret Giroir, and Dr. Steven Hahn. Thank you for being here today. The Committee will stand adjourned.

ADDITIONAL MATERIAL

CHAIRMAN ALEXANDER, RANKING MEMBER MURRAY, AND SENATOR JONES,
U.S. Senate Committee on Health, Education, Labor, and Pensions,
455 Dirksen Senate Office Building,
Washington, DC.

DEAR CHAIRMAN ALEXANDER, RANKING MEMBER MURRAY AND SENATOR JONES:

We write to thank each of you for your leadership to advance the simplification of the Free Application for Federal Student Aid (FAFSA) and to encourage passage of the FAFSA Simplification Act of 2019 this year. We fully agree that it is time to finish fixing the FAFSA.

We represent state and regional higher education leaders, government officials, and agencies in all fifty states. Our members know that filing the FAFSA is the first, but overly complicated step, for students to enroll in colleges and universities. Too many prospective students never make it past this first step.

During the unprecedented COVID-19 emergency students and families are re-evaluating their plans to attend college and some are less likely to consider attending. We have already seen dramatic reductions in enrollment and concerning declines in FAFSA completion rates, particularly among students who are underrepresented in higher education. This will exacerbate existing inequalities.

It is urgent to finish fixing the FAFSA through passage of the FAFSA Simplification Act due to four timely issues:

1. The new simple Pell Grant formula will allow for clear communication with students and families about the money available for them to earn a postsecondary credential. In uncertain economic times, people need more certainty when considering college opportunities.
2. States and public institutions will continue to have the information they need to award \$8.2 billion dollars in state-appropriated financial aid and will receive more nuanced information regarding needy students by allowing the formula to show shades of gray with a negative student aid index.
3. Putting off reforms to the FAFSA means that when FUTURE Act implementation occurs the data coming in will not align to the current law's formula, adding new and unnecessary complexity. Students and families will still have to answer financial questions and try to understand their tax filing situation.
4. The flexibility provided to financial aid administrators regarding professional judgment, as well as the new opportunity for students to file for provisional independence, will assist many of the students who struggle the most.

Thank you each for your strong commitment to this issue. It is important to enact this reform this year so our states and regions will be able to set up students and families for success.

Respectfully,

ROBERT E. ANDERSON
President, State Higher Education Executive Officers Association (SHEEO)

SUSAN G. HEEGAARD
President,
Midwestern Higher Education Commission (MHEC)

MICHAEL K. THOMAS
President,
New England Board of Higher Education (NEBHE)

STEPHEN L. PRUITT
President,
Southern Regional Education Board (SREB)

DEMARÉE K. MICHELAU
President,
Western Interstate Commission for Higher Education (WICHE)

THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS
September 17, 2020

Senator LAMAR ALEXANDER, Chairman
U.S. Senate Committee on Health, Education, Labor, and Pensions,
455 Dirksen Senate Office Building,
Washington, DC.

CHAIRMAN ALEXANDER, RANKING MEMBER MURRAY, AND MEMBERS OF THE COMMITTEE:

The National Association of Student Financial Aid Administrators (NASFAA) respectfully submits the following written testimony for inclusion in the “Time to Finish Fixing the FAFSA” hearing, to be held on Sept. 17, 2020. NASFAA represents financial aid administrators at 3,000 colleges across the country. Collectively, our schools serve nine out of every 10 undergraduate students.

Background

The Free Application for Federal Student Aid (FAFSA) has come a long way over the past decade, from the initial implementation of the Internal Revenue Service (IRS) Data Retrieval Tool in 2009–10,¹ to refined skip logic to minimize the number of questions presented to an applicant, to the launch of the mobile FAFSA in October 2018.² There are many examples of small adjustments throughout the years that, taken together with the shift in 2017–18³ to using prior-prior year income data, have reduced the time it takes for a student to fill out the FAFSA. Today, the average completion time is approximately 31 minutes,⁴ a vast improvement from the time it took to fill out the form when it was first developed.

However, even with these successes, the average FAFSA completion time has only dropped 34 seconds from the 2010–11 application cycle, when completion times were first made publicly available on the U.S. Department of Education’s (ED) office of Federal Student Aid (FSA) Data Center, to the 2017–18 application cycle, the most recent available year. This small, incremental progress suggests that the significant streamlining of the FAFSA—which is very much needed—must be achieved through legislative change. Complexity of the FAFSA is often cited as a barrier to FAFSA completion, especially for our neediest students.⁵ As a result, significant numbers of needy students do not receive Federal aid for which they would be eligible, making a postsecondary education financially impossible, if they attend at all. Based on data from the 2011–12 National Postsecondary Student Aid Study (NPSAS), about one-third of students who did not file a FAFSA would have been eligible for a Federal Pell Grant.⁶

Fortunately, there is bipartisan and bicameral interest in tackling the challenges of FAFSA simplification. In this Congress, there have been 11 bills introduced related to FAFSA simplification, including the Simple FAFSA Act of 2019, the HOPE (Heightening Opportunities for Pathways to Education) for FAFSA Act, the Student Aid Improvement Act of 2019, the FAFSA Simplification Act of 2019, and the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE) Act of 2019.

In particular, the FAFSA Simplification Act, which NASFAA supports, would significantly reduce the number of questions on the FAFSA—including irrelevant and unnecessary questions, such as the Selective Service and drug offense-related questions—and present only the applicable questions as predetermined based on an applicant’s reported family income. Taking into account feedback from financial aid professionals nationwide, the bill takes a commonsense approach to shorten the FAFSA application to an extent that would not deprive institutions of crucial infor-

¹ “Overview of IRS Data Retrieval process for 2009–10 FAFSA on the Web”, Electronic Announcement, November 5, 2009: <https://ifap.ed.gov/electronic-announcements/11-05-2009-application-processing-subject-overview-irs-data-retrieval>

² “Next GEN FSA Update,” Presentation from ED, 2018 FSA Training Conference for Financial Aid Professionals, December 2018: <https://fsaconferences.ed.gov/2018sessionlist.html>

³ “The President’s Plan for Early Financial Aid: Improving College Choice and Helping More Americans Pay for College” The White House, September 13, 2015: <https://obamawhitehouse.archives.gov/the-press-office/2015/09/14/fact-sheet-president-s-plan-early-financial-aid-improving-college-choice>

⁴ Federal Student Aid, Federal Student Aid FAFSA Volume Reports: FAFSA Data by Demographic Characteristics, 2010–11 and 2017–18 Application Cycles

⁵ Davidson, J. C. (2013). Increasing FAFSA completion rates: Research, policies and practices. *Journal of Student Financial Aid*, 43(1), Article 4. <http://eric.ed.gov/?id=EJ1018058>

⁶ Page, L. C., & Scott-Clayton, J. (2016). Improving college access in the United States: Barriers and policy responses. *Economics of Education Review*, 51, 4–22.

mation needed to appropriately disburse billions of dollars of financial aid to eligible students.

The FUTURE Act, passed in December 2019, amends both the Internal Revenue Code and the Higher Education Act to allow for the automatic transfer of IRS tax data to the FAFSA, which will simplify the financial aid application process for millions of students and families. In addition to providing a more streamlined, less burdensome process for students and families, the law, when fully implemented, will create a more secure data-sharing experience, limit applicant errors in reported income, and reduce improper payments.

While the FUTURE Act focuses on much-needed enhancements to the application process, it does not address the Federal Methodology (FM) need analysis formula which dictates the questions that are asked of applicants as they complete their FAFSA. While we work to implement the FUTURE Act, we should also be considering potential statutory modifications to FM to further our FAFSA simplification goals.

Striking the Balance

To address the complexity of the FAFSA, we must first underscore the basic tenets that underpin the philosophy behind the Federal student financial aid programs:

1. Federal student financial aid is predicated on the idea that the primary responsibility to pay for college is that of the student and their family.
2. In instances where students and families do not have the means or ability to pay for college, the Federal Government will provide need-based financial aid.
3. Because need-based financial aid dollars are limited, the Federal Government asks students to complete an application that helps to determine the financial strength of each family, and then aid is awarded accordingly. Students and families of strong financial means receive little to no need-based aid, and those with more limited means receive more need-based aid.

As Congress explores ways to simplify the FAFSA, it is important to remember these three tenets, because, taken together, the formula and form implement these philosophical underpinnings. Inherent in this implementation is a tension between two key goals: (1) The desire to make the form as easy as possible to complete, and; (2) creating a form that allows the Federal and State governments, and schools, to accurately measure the financial strength of applicants to ensure need-based grants are well targeted.

Put more simply, the real challenge is to put together an application that is as simple as possible but allows us to accurately distinguish the truly needy from those who are not.

Ultimately, it is this tension that causes most debates within the application simplification discussion. Historically, trying to balance these two objectives has meant tradeoffs between simplification and accuracy. For example, the most accurate measure of the financial strength of an applicant would be assessed by asking detailed questions about income amounts, sources of income, assets, savings, tax brackets, annual expenditures, and more. However, such a structure would make the form complex, tedious, difficult to verify, and—most importantly—extremely daunting for low-income students. First-generation students, whose families have no prior experience with the college application process, are at risk of being deterred by such a complex FAFSA and potentially losing the opportunity to attend college simply due to the form.

On the other hand, simplifying the form too much would not give aid administrators the information we need to differentiate between students who appear poor based on their Adjusted Gross Income (AGI) alone but actually come from financially strong families who have resources elsewhere, from students who are truly low income.

Even if we found a very simple, generally strong proxy like AGI as a determinant for Federal student aid programs, that same proxy would not necessarily work for all other forms of non-Federal need-based grants. Schools, states, and private scholarship providers all provide need-based aid and want to make sure their funds are going to truly needy students. If we go too far in simplifying the Federal application, we could inadvertently complicate this process even further by driving states, insti-

tutions and private scholarship providers to return to requiring their own separate applications, as they did prior to the creation of the FAFSA in 1992.⁷

To that end, we offer what we believe should be the two core tenets of any FAFSA simplification effort: 1) While any change in public policy creates winners and losers, Congress must ensure that any changes in the name of simplification do not do more harm than good to students; and 2) Congress should work to ensure that efforts to simplify the FAFSA will not result in states or institutions having to create supplemental financial aid applications to collect necessary information.

Recommendations for Improvement

With today's technology the tradeoff between simplification and accuracy is not as daunting as it has been in the past. By relying on timing and technology, NASFAA believes Congress can dramatically reduce the number of questions for all applicants, but most of all for low-income students.

The direct data sharing between the IRS and ED authorized by the FUTURE Act is the linchpin to any future simplification effort. After collecting consent and minimal information upfront, the data sharing can function as a tool to sort applicants quickly and accurately.

As an example of the impact of the direct data sharing in a FAFSA simplification model, NASFAA's 2015 FAFSA Simplification Proposal⁸ was recently updated⁹ to incorporate the potential inherent in the FUTURE Act, as well as new Federal tax forms. Broadly, our approach sorts students and families up-front to direct them down one of three potential application pathways based on their predicted financial strength. We highlight the updated proposal and pathways below as a well-developed concept for FAFSA simplification, building on the data-sharing authority in the FUTURE Act.

Path 1: Automatic-Zero Expected Family Contribution (EFC) Group

After the applicant answers the initial questions on identifiers, demographics, and dependency status, IRS/ED data sharing would be conducted.

Applicants whose data sharing results indicate a non-filing tax status would need only to list the school codes where they would like their application sent, sign and date the FAFSA, and submit it. The FAFSA would gather no further financial information and the applicant would automatically be eligible for the maximum Federal Pell Grant.

Applicants whose data sharing results indicate an income tax return with an AGI of \$50,000 or above would proceed to Path 2 or Path 3.

Applicants whose data sharing results indicate a tax return with an AGI of less than \$50,000 would be asked if a parent (for dependent students) or anyone in their household (for independent students) was a recipient of any of the following means-tested benefits:

- Supplemental Nutrition Assistance Program (SNAP)
- Medicaid
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Applicants answering "yes" to the means-tested benefit question would list the school codes where they would like their application sent, sign and date the FAFSA, and submit it. The FAFSA would gather no further financial information, and the applicant would automatically be eligible for the maximum Pell Grant.

Applicants answering "no" to the means-tested benefit question would proceed to Path 2 or Path 3.

The goal of Path 1 is to ensure that our country's neediest students, especially those whose income is below the tax filing threshold or who have already proven themselves poor through their eligibility for means-tested benefits, do not have to

⁷ Public Law 102-630

⁸ "FAFSA Simplification," NASFAA FAFSA Working Group Report, July 2015:<https://www.nasfaa.org/fafsa-report>

⁹ "Exploring Ways to Enhance FAFSA Efficiency: 2020 NASFAA FAFSA Simplification Proposal Update," August 2020:<https://www.nasfaa.org/uploads/documents/FAFSA—Series—Pt7—Simplification—Proposal—Update.pdf>

yet again fill out a cumbersome form that yields the same results. Since the non-filing status and AGI has been verified directly by the IRS, there is both a higher degree of data integrity and less burden for the applicant.

Path 2

Applicants who do not meet the conditions for Path 1 (the automatic-zero EFC group) and who filed no tax schedules or only filed Schedule 1 would be directed to Path 2. The filing of tax schedules would have already been confirmed earlier in the process by IRS/ED data sharing, so the funneling of applicants would be seamless from their perspective.

The EFC formula would be functionally the same as it is currently, except with the elimination of some fields related to untaxed income, excludable income, and assets.

Untaxed income fields would include:

- Individual Retirement Arrangement (IRA) deductions
- Tax-exempt interest income
- Untaxed IRA distributions
- Untaxed pensions
- Child support received

Excludable income would include only education tax credits (American Opportunity Tax Credit and Lifetime Learning Tax Credit).

Related to assets, by definition, applicants who don't file IRS forms and/or schedules other than Schedule 1 do not have significant assets. Therefore, under Path 2, the FAFSA would ask only about cash, savings, and checking accounts. This question would apply only to dependent students (not parents of dependent students), and independent students without dependents.

Path 3

Having not qualified for Path 1 or Path 2, applicants who filed a 1040 with forms and/or schedules other than Schedule 1 would be steered to Path 3.

All of the taxable and untaxed income questions would be the same for Path 3 as for Path 2. However, under Path 3 any dollar amount listed in line 45 of IRS Form 2555, Foreign Earned Income, would be counted as untaxed income.

For assets, the FAFSA would ask all applicants the cash, savings, and checking accounts question. It would present the other existing asset questions on investments and business/farms if IRS/ED data sharing indicated that a specific line item on the 1040 or Schedule 1 was populated, which suggests the existence of those assets. For example, if line 3 on Schedule 1 is populated, that may indicate a business whose net worth should be reported on the FAFSA, and the corresponding FAFSA question would then be presented to that applicant. This would require expanding data sharing to include information about the filing of specific IRS forms and schedules as well as specific line items.

When negative income is reported on Schedule 1, we recommend that ED automatically adjust the AGI reported through IRS/ED data sharing to add back negative income items and use that adjusted AGI in need analysis. As Federal budgets have tightened and Congress has instituted eligibility changes solely to save money, aid administrators have become increasingly concerned about FAFSA applicants who can claim a loss for tax purposes even though that loss does not indicate a reduction in the family's actual financial strength. Under the current formula, many of these applicants appear to be much needier than they actually are. Prohibiting negative figures from Schedule 1—specifically lines 3–6 and line 8—levels the playing field somewhat while still allowing financial aid administrators to retain their ability to consider a family's special circumstances under their professional judgment authority in situations where a family's losses on the tax return do reflect an actual loss in financial strength.

Finally, the result from these changes would be to produce an index that ranks applicants according to their financial strength, instead of creating the current "Expected Family Contribution," a misnomer and major point of confusion for students and families. This three-pathway approach, along with the indexed ranking, is a simple, streamlined, fair, and accurate way to reform the FAFSA.

The bipartisan FAFSA Simplification Act of 2019 also proposes ridding the FAFSA of many questions, using tiered pathways for non-Pell Grant need-based aid, and relying on direct data sharing authorized by the FUTURE Act. Applicants who

identify as nonfilers for tax purposes or recipients of certain means-tested benefits would only be asked to complete basic demographic and benefit-related questions to complete their FAFSA. All other applicants would be required to answer the same introductory questions, and would then go on to have the income information needed to calculate their eligibility for need-based aid transferred directly from the IRS to ED.

Both NASFAA's proposal and the FAFSA Simplification Act strive to strike a balance between a simple application that is easy to complete, but that simultaneously allows the Federal and State governments, and schools, to accurately measure the financial strength of applicants and ensure need-based grants are well targeted.

Impact on Verification

Unfortunately, the application process does not end after a student submits a FAFSA. Many applicants are then required to verify the information they have just submitted. Verification of FAFSA information can be confusing and tedious for students, particularly for disadvantaged students who are unfamiliar with the process. In some cases, the verification requirements can be cumbersome enough to deter students from completing the process. Only 56 percent of Pell-eligible students selected for verification go on to receive a Pell Grant, in comparison to 81 percent of Pell-eligible students not selected for verification. This represents a 25 percentage-point "verification melt" (i.e., students who likely were Pell-eligible but were unable to access Federal Pell Grant dollars).¹⁰

One of the major benefits of the NASFAA proposal, taken together with the FUTURE Act, is the positive impact this approach would have on reducing verification burden for both students and schools. The current IRS Data Retrieval Tool is clunky and not all applicants are eligible to use it. With direct data sharing, information for many more applicants will be coming directly from the IRS, greatly reducing the need for verification. This eliminates hurdles for low-income students and frees up more time for financial aid administrators to counsel students, rather than push paperwork.

Conclusion

In order to strengthen the FAFSA for those who need it the most, we will need to work to balance the tension between simplification and accuracy and be willing to accept that there might be some imperfection in pursuit of balancing these goals.

Simplifying the FAFSA is not a panacea for the larger issues of college access and affordability but creating an application form and process that are succinct, easy, and predictable is a crucial piece of the overall puzzle. We look forward to working with you to continue to ensure higher education access and promote college success.

NATIONAL ASSOCIATION OF STATE STUDENT GRANT AND AID PROGRAMS
September 16, 2020

Senator LAMAR ALEXANDER, Chairman
*U.S. Senate Committee on Health, Education, Labor, and Pensions,
455 Dirksen Senate Office Building,
Washington, DC.*

The National Association of State Student Grant and Aid Programs (NASSGAP) thanks you for considering an urgent update to the Higher Education Act that could include key provisions of the FAFSA Simplification Act of 2019 ("the Act"). We write today in support of critical and time-sensitive improvements contained in the Act. We are hopeful that you will be able to engage in mark-up with the full Committee to incorporate these key simplification initiatives into legislation that can pass both chambers of Congress or to enact the simplification features most important to students and their families in time to incorporate this needed simplification with the FUTURE Act implementation.

NASSGAP strongly supports several key proposals in the Act:

- Establishing the Pell tables will greatly simplify the process both for students and parents looking to estimate their potential aid awards and for the high school counselors and college access professionals, including our

¹⁰ Warick, C. and Lowry, D. (2018) "FAFSA Verification: Good Government or Red Tape?" National College Attainment Network. <https://cdn.ymaws.com/www.ncan.org/resource/resmgr/publications/verificationwp2018.pdf>.

many members, who assist students in college access and outreach initiatives and FAFSA completion events.

- Reducing the number of FAFSA questions by up to two-thirds will greatly enhance the perceived ease of FAFSA completion. NASSGAP's members greatly appreciate your retaining the four questions that most states need to establish eligibility for our \$12 billion in State grant and scholarship aid.
- Providing 'auto-zero' status to students in families already receiving means-tested benefits

Transitioning to the "Student Aid Index" (SAI) better describes the existing "Expected Family Contribution" (EFC) term and will allow for better differentiation among high need students. We support this transition and are working closely with our members to explore how this transition will work. We are pleased to see the need for State guidance reflected in the Act to expedite the transition in states where EFC is the term defined in the State statute or regulations for awarding State need-based aid.

While significant improvements were made to the financial aid process with the inclusion of key provisions of the Faster Access to Federal Student Aid Act in the FUTURE Act, we think the current COVID-19 crisis calls for further steps to simplify the FAFSA at a time when it is difficult, if not impossible, for counselors and college access professionals to meet with first-generation and other low-income students and their parents to help them complete the FAFSA. If these students do not complete the FAFSA, they are far less likely to enroll in postsecondary education and acquire the skills needed to power America's 21st century economy.

NASSGAP's members are on the front lines of working with high school counselors and college access professionals to help students and parents complete the FAFSA. With the COVID-19 crisis, it is no longer possible to hold in-person FAFSA completion events; and FAFSA completion rates, especially for low-income and first-generation students dropped markedly once schools began transitioning to remote learning in March. Every question that can be removed from the FAFSA expedites the application process, enabling us to assist more students and parents in completing the FAFSA.

We are hopeful that the provisions of the FAFSA Simplification Act can be enacted in the current session of the 116th Congress. Declines in FAFSA completion and enrollment because of the COVID-19 crisis make passage of this legislation urgent.

NASSGAP greatly appreciates your consideration of the provisions of the FAFSA Simplification Act. We continue to be very interested in working with you and the Department of Education on further FAFSA simplification initiatives. Because each State is different and the financial aid programs we manage are often subject to State statute, we work carefully with our members to ensure that simplification initiatives do not create additional application steps for students and parents in the State financial aid process.

In the most recent academic year, NASSGAP's members provided about \$12 billion in grant aid to over four million students pursuing their higher education goals. We would be happy to meet with you to discuss any further financial aid proposals so that we can expedite evaluation of the impact on the application process for students and parents in our respective states.

Respectfully,

JENNIFER ROGERS,
President

FRANK BALLMANN,
Director, Washington Office

LEGAL SERVICES CENTER OF HARVARD LAW SCHOOL
 CENTRO DE SERVICIOS LEGALES
 PROJECT ON PREDATORY STUDENT LENDING
Jamaica Plain, MA 02130

Hon. Elizabeth Warren
 317 Hart Senate Office Building
 Washington, DC 20510

DEAR SENATOR WARREN:

You have previously proposed that the President of the United States could direct the Secretary of the United States Department of Education (Secretary) to exercise his or her existing authority to cancel Federal student loan debt on a broad or categorical basis.

We have consulted the statutory and regulatory framework governing Federal student loan programs administered by the Department of Education, as well as the framework and controlling interpretations of the budgetary structure of these programs. We conclude that such broad or categorical debt cancellation would be a lawful and permissible exercise of the Secretary's authority under existing law.

By way of background, the power to create debt is generally understood to include the power to cancel it. This power rests in the first instance with Congress. The Constitution gives to Congress the power to "dispose of" the property of the United States. U.S. Const. Art. IV, sec. 3, Cl. 2. This means that Congress alone is able to "release or otherwise dispose of the rights and property" of the Federal Government, and thus "[s]ubordinate officers of the United States are without that power, save only as it has been conferred upon them by an Act of Congress or is to be implied from other powers." *Royal Indemnity Co. v. United States*, 313 U.S. 289, 294 (1941) (emphasis added).

Congress gave a general but restricted authority to administrative agencies of the executive branch to cancel debt owed to the Federal Government in the Federal Claims Collection Act of 1966 (FCCA), as amended by the Debt Collection Improvement Act (DCIA), 31 U.S.C. § 3701 et seq.¹ The Departments of Justice and the Treasury have promulgated standards by which this authority is to be exercised by agencies, known as the Federal Claims Collection Standards (FCCS), 31 C.F.R. Subt. B, Ch. IX.

However, as relevant to your proposal, Congress has granted the Secretary a more specific and unrestricted authority to create and to cancel or modify debt owed under Federal student loan programs in the Higher Education Act (HEA) itself. That provision empowers the Secretary to execute the broad debt cancellation plan you have proposed.

A. Statutory Authorization to Create Student Loan Debts and Guarantees

Under the Federal Family Education Loan Program (FFELP), Congress authorized the Department of Education to guarantee (and pay a portion of interest on) loans issued to students in eligible institutions as defined by the program. See generally 20 U.S.C. § 1071(a)(1); HEA, Title IV, Part B. Congress authorized appropriations for "such sums as may be necessary" under the program, which "shall remain available until expended," 20 U.S.C. § 1071(b).² Generally, funds are expended under FFELP when a guarantee agency makes a demand for payment following borrower default, at which point the loan may be assigned to the Department.³ Congress has authorized the Secretary in certain circumstances to require a guaranty agency to assign to the Secretary any FFELP loan on which the Secretary has made a payment to the guaranty agency. 20 U.S.C. § 1078(c)(8).

Under the Direct Loan Program (DLP), HEA, Title IV, Part D, Congress made available to the Department of Education "such sums as may be necessary" to lend to "all eligible students (and the eligible parents of such students)" who are eligible under the program. 20 U.S.C. § 1087a(a); see also 20 U.S.C. § 1087b(a) ("The Secretary shall provide, on the basis of the need and the eligibility of students...funds for student and parent loans under this part...").

¹ In general, the FCCA gives heads of agencies the power, in certain circumstances, to compromise (or, cancel) debts owed to the Government of up to \$100,000 (exclusive of interest) without the involvement of the Attorney General. 31 U.S.C. § 3711(a)(2).

² congressional authorization for the Department to make or insure new loans under FFELP terminated as of June 30, 2010. 20 U.S.C. § 1071(d).

³ 20 U.S.C. § 1080.

Both FFELP and DLP are mandatory programs that Congress has exempted from annual appropriations requirements,⁴ the relevance of which to your proposal is discussed below.

Through the Federal Perkins Loan Program (FPLP), HEA, Title IV, Part E, Congress authorized the Secretary to “carry out a program assisting in the maintenance of funds at institutions of higher education” for making loans to undergraduate students. 20 U.S.C. § 1087aa(a). For each fiscal year, Congress appropriates funds for the FPLP, 20 U.S.C. § 1087aa(b), and directs the Secretary in how to allocate such funds to eligible institutions. 20 U.S.C. § 1087bb.

B. Statutory Authorization to Compromise and Modify Student Loan Debts and Guarantees

Congress enumerated general powers of the Secretary under Title IV, including the power to prescribe such regulations as are necessary to carry out the programs; to sue and be sued in Federal court; and to include terms, conditions, and covenants relating to repayment, and to modify such terms. 20 U.S.C. § 1082(a). Although located in the portion of the HEA specific to FFELP, the Secretary openly relies on these authorities in carrying out activities under other Title IV programs,⁵ and Congress has acquiesced in this interpretation. Direct Loans are understood to have the same terms and conditions as FFELP loans, 20 U.S.C. § 1087a(b)(2).

i. Secretary’s Compromise Authority under the HEA

Amongst the general powers conferred by Congress to the Secretary in the HEA is the power to “enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption.” 20 U.S.C. § 1082(a)(6) (emphasis added).⁶ This compromise authority was contained in the HEA from its initial enactment.⁷ Any exercise of this compromise authority “shall be final and conclusive upon all accounting and other officers of the Government.” 20 U.S.C. § 1082(b). The only statutory limitation on this authority is the requirement that the Secretary “may not enter into any settlement of any claim under [Title IV] that exceeds \$1,000,000” without requesting “a review of the proposed settlement of such claim by the Attorney General,” 20 U.S.C. § 1082(b).⁸

In 1988, the Secretary finalized a regulation, 34 C.F.R. § 30.70, which explains how the Secretary exercises discretion to compromise a debt.⁹ This regulation was enacted as part of a package of regulations addressed to the Secretary’s general authority to collect debt. As explained, those regulations “supplement the FCCS in those instances where the FCCS requires agency-specific rules or the nature of a particular debt collection activity administered by the Department calls for further

⁴ See OMB Circular No. A–11 (2016), Section 20, p. 6 (“Entitlement refers to a program in which the Federal Government is legally obligated to make payments or provide aid to any person who...meets the legal criteria for eligibility. Entitlements are generally provided by an authorizing statute, and can include loan and grant programs.”). Congress separately provided for an appropriation of “such sums as may be necessary” for “administrative expenses necessary for carrying out [Title IV], including expenses for staff personnel, program reviews, and compliance activities.” 20 U.S.C. § 1098b.

⁵ For example, there is no other congressional authorization for the Secretary to sue and be sued in the Higher Education Act, and the Secretary regularly initiates and defends lawsuits related to DLP activities. Likewise, the Secretary promulgates regulations under the DLP. Insofar as the general power conferred in §1082 relates to the ability to set terms and conditions of Federal student loans, and to cancel or compromise those loans, congressional intent to apply such powers to DLP loans is evident in the DLP “parity provision,” 20 U.S.C. § 1087e(a)(1): “Unless otherwise specified in this part, loans made to borrowers under this part shall have the same terms, conditions, and benefits, and be available in the same amounts, as loans made to borrowers [of FFELP loans].” Statutory discharges exemplify the functioning of the parity provision. Congress has authorized the Secretary to discharge (or, cancel) student loans under the FFELP in circumstances of death, disability, or false certification by an institution of the student’s eligibility for the loan. 20 U.S.C. § 1087. The Secretary has promulgated regulations making these discharges available to borrowers under the DLP. See 34 C.F.R. §§ 685.212 (discharge of a DLP loan obligation when borrower dies); 685.213 (discharge of a DLP loan obligation when a borrower is disabled); 685.214 (discharge of a DLP loan obligation when a borrower’s school closes); 685.215 (discharge of a DLP loan obligation when a borrower’s eligibility is falsely certified by an institution).

⁶ Subsection (a)(5) authorizes the Secretary to compromise “any claim on, or arising because of, any such insurance or any guaranty agreement” under FFELP.

⁷ Pub. Law 89–329, Section 432(a)(6) (Nov. 8, 1965).

⁸ Congress similarly granted authority to the Secretary under the FPLP “to enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption,” 20 U.S.C. § 1087hh(2).

⁹ 53 Fed. Reg. 33424–01 (Aug. 30, 1998).

clarification of the FCCS. In some cases, these regulations clarify the relationship between the laws administered by the Secretary and the requirements of the FCCS.¹⁰ The compromise-specific regulation at §0.70 clearly preserves the Secretary's authority "to compromise a debt, or suspend or terminate collection of a debt, in any amount," without reference to FCCS or referral to DOJ, "if the debt arises under the Guaranteed Student Loan Program" under Title IV, Part B (FFELP), or Title IV, Part E (PLP). 34 C.F.R. 30.70(h) (eff. until June 30, 2017).¹¹ With respect to non-Title IV debt, the Secretary would apply the FCCA and FCCS standards only where the Secretary's regulations require that a debt be referred to DOJ for resolution.¹² This requirement is found only in relation to funds misspent by institutional recipients under specific grant programs or cooperative agreements.¹³

As part of the 2016 borrower defense regulations, the Secretary amended § 30.70.¹⁴ The stated intent of the regulatory change was to "reflect a series of statutory changes that have expanded the Secretary's authority to compromise...debts,"¹⁵ and to "[c]larify" that certain limits do "not apply to resolution of claims arising under the FFEL Program, or under the Direct Loan Program or Perkins Loan Program..."¹⁶ The only statutory change to the Title IV compromise authority was the 2008 amendment to section 432 of the HEA to require the Department to provide DOJ an opportunity to review and comment on any proposed resolution of a claim arising under any Title IV program that exceeds \$1 million.¹⁷

The amended §30.70 continues to differentiate the treatment of Title IV debts, addressing them in a new subsection (e). However, this new subsection includes a cross reference to the FCCS—"Subject to [the requirement to consult with DOJ on compromise of a claim over \$1 million], under the provisions of 31 CFR part 902 or 903, the Secretary may compromise a debt in any amount, or suspend or terminate collection of a debt in any amount, if the debt arises under" FFELP, DLP, or PLP.¹⁸

The best reading of the amended regulation is that the Secretary may compromise debts under Title IV programs without following the procedures outlined in the FCCS. First, cabinining the Secretary's broad authority to compromise Title IV debts under the HEA to the considerations and procedures outlined in the FCCS would constitute a significant limiting of that authority. There is nothing in the regulatory history to suggest this was the intent of the Department. To the contrary, the regulation was revised so as to reflect expansions in the Secretary's authority. Second, the language of subsection (e) is not reconcilable with the FCCS. Subsection (e) states that the Secretary may compromise a debt in any amount, without prescribing any procedures or considerations for the exercise of that discretion, whereas the FCCS (found in 31 CFR part 902 or 903) apply restrictions on the dollar amounts and prescribe considerations and procedures that an agency must follow before compromising a debt.¹⁹ Moreover, the FCCS, on their own terms, apply only

¹⁰ 53 Fed. Reg. at 33424. Other Department regulations clarify that the Secretary may take "any action authorized by law"—not just the FCCA or FCCS—to collect (or compromise) a debt, 30 C.F.R. § 30.1(a), and that the Secretary "complies with the requirements of the FCCS...that are not inconsistent" with the Secretary's own regulations, 30 C.F.R. § 30.1(b).

¹¹ The pilot version of the DLP was signed into law in the 1992 Reauthorization of the HEA, after the promulgation of this regulation.

¹² 34 C.F.R. § 30.70(a)(1) (eff. until June 30, 2017).

¹³ 34 C.F.R. § 30.70(b) (referring to section 452(f) of the General Education Provisions Act (20 U.S.C. § 1234a), which only applies to "recipients" of a "grant or cooperative agreement under an applicable program." With respect to Title IV programs, the Secretary is required to consult with—but not refer to—a proposed compromise of any single Title IV debt that is greater than \$1 million, 20 U.S.C. § 1082(b).

¹⁴ 81 Fed. Reg. 75926 (Nov. 1, 2016).

¹⁵ Generally speaking, the FCCS were amended to allow for agencies to compromise debts at a higher dollar level—\$100,000 rather than \$20,000—without referring them to DOJ.

¹⁶ 81 Fed. Reg. 39330, 39369 (June 16, 2016) (NPRM); accord Issue Paper 11, Negotiated Rulemaking Committee, <https://www.ed.gov/policy/highered/reg/heardrulemaking/2016/bd3-i11-collection.pdf> (proposing to amend § 30.70 to "[c]larify that the generally applicable \$100,000 limit does not apply to resolution of claims arising under" FFELP, DLP, or PLP; "and include the requirement that the Department seek DOJ review of any proposed resolution of a claim exceeding \$1,000,000 under any of those loan programs").

¹⁷ See Pub. L. 110–315.

¹⁸ 34 C.F.R. 30.70 (e)(1) (eff. July 1, 2017) (emphasis added).

¹⁹ For the same reason, subsection (e) is incongruous with subsection (a)'s language that "the Secretary uses the standards in the FCCS, 31 CFR part 902, to determine whether compromise of a debt is appropriate if the debt arises under a program administered by the Department..."

when an agency is relying on the congressional delegation of authority under the FCCA to compromise a debt.²⁰

Alternately, it is not inconsistent with the amended regulation for the Secretary to compromise a Title IV debt outside of, rather than “under” the provisions of the FCCS. The regulation’s language is precatory rather than mandatory, and the statutory authority of § 1082 is broad. The Secretary need not rely on a regulation in order to implement it. Prior to 1988, there was no regulation even addressing the compromise authority, and other powers granted by Congress in § 1082 do not have any implementing regulations, yet are regularly used.²¹

It is also possible that the Secretary could compromise a significant number of outstanding loans in conformity with the FCCS. Specifically, under those standards, agencies may compromise a debt when its collection is in doubt because the debtor is unable to pay the full amount in a “reasonable time,”²² or if the cost of collecting a debt is greater than the amount likely recoverable in a single installment. 1A²³

ii. Secretary’s Authority to Modify Loans under the HEA

The Secretary may carry out your plan to cancel existing student loan debt under a distinct statutory authority—the authority to modify existing loans found in 20 U.S.C. § 1082(a)(4). Like the compromise authority, the modification power is included in the FFELP section of the HEA, but is read to apply to the DLP, and has a corollary in the FPLP, see 20 U.S.C. § 1087hh(1).

Modification of existing loans under Title IV programs is outside of the FCCA and FCCS, which address compromise and settlement, but not modification. The Secretary has the authority to modify a loan to zero,²⁴ and exercises this authority even in the absence of any implementing regulations.

Such modification (and, likewise, any act to compromise existing student loans), is permissible under the budgetary standards that govern Title IV programs.

Under the Federal Credit Reform Act of 1990 (FCRA), direct loan obligations and guarantee commitments may only be incurred or made to the extent that their “costs” are annually appropriated by Congress. See 2 U.S.C. § 661c(b). However, the FCRA specifically exempts any “direct loan or loan guarantee program” that “constitutes an entitlement (such as the guaranteed student loan program...)” from this appropriations requirement. 2 U.S.C. § 661c(c) (exemption for mandatory programs). Likewise, subsection (c) exempts mandatory programs such as FFELP and DLP from the requirement that any outstanding direct loan or loan guarantee “shall not be modified in a manner that increases its cost” unless the cost increase is provided for in an appropriations Act, 2 U.S.C. § 661c(e). Congress also anticipated and provided “permanent indefinite authority” for agencies’ “reestimate” of the cost for a group of direct loans or loan guarantees made in a single fiscal year. 2 U.S.C. § 661c(f).

For the foregoing reasons, we conclude that your proposal calls for a lawful and permissible use of the authority Congress has conferred on the Secretary of Edu-

²⁰ See 31 C.F.R. § 902.1(a) (“The standards set forth in this part apply to the compromise of debts pursuant to 31 U.S.C. § 3711); 31 C.F.R. § 903.1(a) (“The standards set forth in this part apply to the suspension or termination of collection activity pursuant to 31 U.S.C. § 3711); see also 31 C.F.R. § 900.1(a) (“The regulations in this chapter prescribe standards for Federal agency use in the administrative collection, offset, compromise, and the suspension or termination of collection activity..., unless specific Federal agency statutes or regulations apply to such activities...”); §900.4 (“the laws and regulations that are specifically applicable to claims collection activities of a particular agency generally take precedence over [the FCCS]”).

²¹ For example, section 1082(a)(4) authorizes the Secretary to consent to modification of “any note or other instrument evidencing a loan” under Title IV. The Secretary does modify loans even in the absence of any implementing regulations—and the FCCS do not address modification at all. In fact, the Secretary has used the modification power to cancel out, or modify to zero, loan obligations under FFELP and DLP in certain circumstances. See Carr et al. v. DeVos, Case No. 19-cv-6597 (S.D.N.Y.), Dkt. No. 15-1 (Decl. of Cristin Bulman), 16 (Stipulation of Dismissal) (Secretary modified DLP and FFELP loans of Plaintiffs pursuant to 20 U.S.C. § 1082(a)(4) resulting in balances of \$0.00).

²² 31 C.F.R. § 902.2(a)(1).

²³ 31 C.F.R. § 902.2(e),(f).

²⁴ See fn 21, supra.

cation, which is anticipated and allowed for in the budgetary and accounting treatment of Federal student loan programs.

Sincerely,

EILEEN CONNOR,
Legal Director
DEANNE LOONIN,
Attorney
TOBY MERRILL,
Director

QUESTIONS AND ANSWERS

RESPONSE BY BRIDGET TERRY LONG TO QUESTIONS OF SENATOR MURKOWSKI, AND
SENATOR SCOTT

SENATOR MURKOWSKI

Question 1. Dr. Long, your written testimony included information that an estimated 40 percent of undergraduates do not complete the FAFSA and that one-quarter of these would be eligible for a Pell Grant. Further, that a 2011 study of students at community colleges found that only 43.5 percent completed a FAFSA. Do this research indicate what variety of reasons there are for this low FAFSA completion rate?

Answer. Based on surveys and interviews, students do not complete the FAFSA for a myriad of reasons. First, awareness about the form and its purpose has been low historically. In my work helping families complete the FAFSA in H&R Block offices, we learned that parents were unaware that the FAFSA is an information-gathering tool. In other words, completing the form is the process by which families find out about their financial aid eligibility. Students and their families also have a number of misperceptions about who is eligible to receive aid, and so they did not apply because they assumed their income was too high or they were too old.

A second reason students do not complete the FAFSA is that they and their families report difficulty completing the form. This can be due to uncertainty regarding the questions and/or the length of the form. As discussed at the hearing, and previous hearings, the FAFSA contains numerous (and unnecessary) questions. Additionally, language threatening Federal prosecution for incorrect information is a deterrent for some families—they fear an honest mistake might result in a serious penalty.

FAFSA submission rates may be especially low at community colleges due to the population these institutions tend to serve. Students at community colleges tend to be from lower-income backgrounds, are older, and often are balancing other commitments, such as employment and caring for dependents. Based on this profile, we know these students are more likely to come from high school that have very high student-to-school counselor ratios, meaning that they have fewer supports to help them navigate the FAFSA. It is also more likely that they will be first-generation college students, so their parents may be less able to help them with the form. As older students, they may not have access to any high school-based supports, and therefore, may not receive information or assistance with the form. Finally, as students balancing other commitments, the complexity and length of the FAFSA may make the process more difficult to handle.

SENATOR SCOTT

Question 1. As the co-chair of the Financial Literacy Caucus, I believe financial literacy skills are integral to attaining a high-quality education and achieving economic mobility. Families and students should have a clear financial picture when choosing where to invest in education. Senator Manchin and I introduced the Student Loan Modernization Act, which aims to help students and families make informed and responsible decisions by providing prospective borrowers with clear and accessible disclosures about Federal student loan obligations.

a. Dr. Long, private lenders are required to issue plain-language disclosures of this type, but the Federal system has not been aligned. The Federal Government disbursed over \$87 Billion dollars in Federal student loans in 2018–19 school year and holds 92 percent of all student loans. Considering this, what recommendations do you have to help student aid administrators

and students make informed financial decisions when they're presented with their student aid award?

b. A 2019 survey found that 90 percent of Americans believe that borrowers should receive disclosures detailing costs and terms before taking out an education loan, and more than 90 percent believe that such disclosures should always provide specific monthly payment amounts. During your tenure, have you come across any data available that correlates explicit financial disclosures with repayment, default, or college completion rates?

Answer. I commend your efforts to increase the clarity and transparency of the Federal student loan program. Similar to private loans, government loans should also be required to provide disclosures in plain language. In discussions with other scholars, the comparison is often made to home mortgages, in which the payments and impact of interest is made clear at the time of taking out the loan.

Similar to the survey data you describe, I endorse the idea of highlighting monthly payment information. Other research makes clear that the average person has difficulty doing even simple calculations in their head, so quoting total or annual amounts will not have the same effect as monthly payments. Moreover, so much of personal finance is defined in terms of monthly units that the loan system should follow. Several years ago, I came across a non-profit organization that went a step further to help college students understand how the size of a monthly payment translated into what other things the student might be able to afford. For example, a high monthly payment combined with a low salary meant the student would not be able to afford a car and would need to live with multiple roommates. Alternatively, a low monthly payment and moderate salary suggested the student would be able to live alone and perhaps afford a small car. In other words, the organization was attempting to translate debt burden into units familiar to the student with the hope of informing their choices about debt and major choice. While this example may be extreme, the principle is relevant: we must make highly consequential decisions like the option to take out student loans, completely clear and transparent so that we can help individuals to make informed choices and to begin to plan accordingly for the longer-term responsibility of debt repayment.

Several years ago, I believe the Department of Education did pilot a small study to examine the impact of financial disclosures on student loan choices. However, I do not know if that project continued to track longer-term outcomes such as repayment. In other work, we have seen that providing clear information regarding college finances (in this case, financial aid) has had a positive effect on persistence and college completion.

RESPONSE BY JUDITH SCOTT-CLAYTON TO QUESTIONS OF SENATOR COLLINS

SENATOR COLLINS

Question 1. Maine is leading in the effort to create 529 savings accounts to help families save for college. The Alford Foundation in Maine, for example, provides \$500 to every child born in Maine, which can be used to open a 529 account, and the finance authority of Maine provides matching grants to Mainers to open up 529s. Because the FAFSA takes 529 savings into account when calculating the Expected Family Contribution, some families worry that contributing to a 529 will decrease their child's grant aid. Yet saving in advance can make a big difference in the ability to finance an education. The more that is saved, the less a family may need to borrow.

a. As we work to simplify the FAFSA, should we consider ways to encourage more college saving strategies?

Answer. Thank you for this question, which incorporates two important issues: first, whether the considerations of assets in the FAFSA process may serve as a disincentive to save for college, and second, whether college savings incentive programs are worthy of expansion separate from FAFSA reforms.

On the first question, I am concerned that asking about 529s—and assets in general—on the FAFSA serves as a disincentive to college saving, in addition to adding significantly to the complexity of the form. This is particularly frustrating because assets are basically ignored for the vast majority of applicants in the EFC calculation. Retirement accounts and home equity are excluded, and this is where most families hold their assets. Other assets are considered only if they fall above a

threshold that rises with the age of the oldest parent.¹ Dynarski and Scott-Clayton (2006) found that assets had no effect on Pell eligibility for 99 percent of dependent applicants and no effect on EFC for 85 percent of dependent applicants. Asset information likely matters even less for independent students. The savings disincentive embedded in the current FAFSA—whether real or only perceived—provides yet another justification for simplifying the formula to include only those elements available from IRS income tax data.

On the second question, regarding the efficacy of college savings programs, the evidence is somewhat mixed. An evaluation of a 529 savings match program in Oklahoma (OK SEED) found that take-up was surprisingly low—only 16 percent took up the offer to open an account with \$100 in seed funds—and that disproportionately higher-income families opened and used accounts (Marks et al., 2014). A study of the Michigan SEED program, which offered a \$1000 account-opening incentive as well as a match incentive for participants to contribute their own funds, found that only 67 percent opened accounts and only 22 percent contributed their own funds, with 55 percent of the amount contributed simply representing shifts from other types of savings (Engelhardt et al., 2012). Both of these studies note that procedural hassles to account set up and maintenance, paired with the young age of children in targeted families, may help explain the findings.

Early findings from one recent study, on the other hand, are more encouraging. A study by Long and Bettinger (2017) explicitly examines the effect of combining account-opening assistance with a small (\$50) account opening incentive. In their study, the program is targeted to families of children much closer to college-age (7th–10th grade). They find that account-opening assistance alone had little impact, but families that received the small financial incentive in addition to assistance were 22 percentage points more likely to open a 529 account, and 7 percentage points more likely to sign up for automatic monthly contributions, leading to account balances that were nearly \$2,000 higher on average than families who received no assistance or incentive. While they find no impacts on college enrollment overall, assistance-plus-incentives does appear to increase the chances that students enroll in 4-year rather than 2-year institutions (Long & Bettinger, 2017).

One important caveat is that none of these studies, even the most optimistic ones, find impacts on savings that would be large enough to substantially fund a college degree. Thus, while they may be a helpful tool in the college access toolkit, they are unlikely to take the place of a robustly funded and accessible system of student financial aid.

[Whereupon, at 11:49 a.m., the hearing was adjourned.]

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¹ This threshold was reduced in recent years, e.g. from \$25,400 in 2018 to \$7,100 in 2020 for a two-parent dependent student in which the elder parent was age 55. The median net worth of households with children age 18 or younger, excluding home equity but including retirement accounts, is \$14,993 (U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1). On average, retirement savings represent about 40 percent of remaining assets, suggesting the median net worth excluding both home equity and retirement savings could be well under \$10,000.