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# Simplification May Not Be So Simple: Gauging state alignment with the FAFSA

SARAH PINGEL

Applying for financial aid can be a complicated, time-consuming endeavor for students and their families. Fortunately, many state aid programs have taken strides to align aid applications to the form used for federal aid programs, the Free Application for Federal Student Aid (FAFSA), making state aid more readily accessible. New conversations surrounding simplifying the FAFSA can lead to new efficiencies for students completing the process – but only if state-level stakeholders are willing to rework current alignments.

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**32 states plus D.C.** use at least **three of five major FAFSA data elements** to administer state aid programs.

States play an important role in **informing federal financial aid policy development**, but lack clear pathways to exert influence.

## Introduction

In the 114th Congress, Sen. Lamar Alexander, R- Tenn., chair of the Senate Health, Education, Labor and Pensions (HELP) committee, unfurled a 100+ question FAFSA in front of the committee. Describing the form as a “waste [of] millions of hours and countless dollars,” he implored fellow senators to reduce the size of the form.<sup>1</sup> Together with Sen. Michael Bennet, D- Colo., he introduced legislation to reduce the form to only two questions. The simpler form would take students less time to complete, protect student privacy and still allow the U.S. Department of Education to administer federal Pell Grants and student loans with minimal interruption.

While that piece of legislation failed to pass, the issue of simplifying the FAFSA continues to percolate within federal policy conversations. For example, in her confirmation hearing, Secretary of Education Betsy DeVos stated that the form should be “no more difficult than it has to be.”<sup>2</sup> FAFSA simplification efforts seem to therefore be aimed at streamlining the application process and ensuring that federal aid is allocated efficiently.

The Office of Federal Student Aid (FSA) disbursed more than \$125 billion in aid to more than 13 million students in the 2016 fiscal year.<sup>3</sup> In 2015, the most recent available data, the states collectively provided an additional \$11.7 billion in aid to more than 4.5 million students,<sup>4</sup> which is no small sum for the students that benefit from these programs nor the state budgets that fund them. States require information from the FAFSA to determine eligibility for 77 percent of state grant and scholarship expenditures,<sup>5</sup> demonstrating the wide utility of the federal aid application for state aid programs.

Given this alignment, states will be impacted by FAFSA reform efforts and must be included as a partner in conversations surrounding simplification. In a best-case scenario, states and the federal government can work together to ensure that the form asks what is needed to support aid program administration at multiple levels. In a worst-case scenario, an updated FAFSA that does not include the information that states need may place them in a position to create their own aid applications – diminishing the impact of federal-level simplification on students applying for aid.

This report is intended to inform conversations surrounding FAFSA simplification at both the federal and state levels. To begin, research supporting the importance of timely FAFSA completion is briefly reviewed, followed by a synopsis of enacted state and federal level simplification efforts. Second, findings of a national survey and policy analysis of state-level reliance on the FAFSA are discussed. The results show that most state aid application procedures are highly aligned with the current FAFSA. Finally, policy considerations intended to enhance collaborative approaches between states and federal policy leaders are presented.

## Existing Efforts to Simplify the FAFSA

When a student completes a FAFSA, research shows that they are more likely to enroll and persist in college than their non-filing peers.<sup>6,7</sup> Therefore, states, high schools, non-profit organizations and postsecondary institutions focus on increasing on-time FAFSA completion rates, especially among low-income students who may be leaving financial aid on the table by failing to apply.<sup>8,9</sup> Postsecondary researchers point to complexities in the financial aid application process as a potential root cause of non-completion and eventual non-enrollment in postsecondary education.<sup>10,11</sup>

These findings, in part, prompted several major reforms to the financial aid application process at the federal level. Early steps included the implementation of skip logic within the online FAFSA, so applicants would only be presented with questions relevant to their filing situation. A partnership between the U.S. Department of Education and the Internal Revenue Service (IRS) made it possible for students and parents with completed, processed tax returns to merge information directly into the FAFSA. Students and parents can now access the FAFSA in the fall preceding a students’ eligibility for aid and can merge tax information from two years prior to college attendance – increasing the likelihood that the IRS will have a completed, processed return available to merge.

States have made efforts to streamline extraneous application processes, especially where states can obtain the information directly from the FAFSA. However, states vary in terms of their progress. For example, students in

many states, including **Colorado** and **Washington**, do not have to complete any additional paperwork to qualify for state aid beyond the completion of the FAFSA. In other states, such as **Mississippi**, additional state-specific questions have been added to the FAFSA and are available for state agency staff to assess eligibility for state-funded aid programs. A number of states use an online application portal, such as **Indiana**'s ScholarTrack, to monitor state grant eligibility in conjunction with the completion of the FAFSA. Finally, several states rely on students and families to submit paperwork in addition to the FAFSA directly to a state agency, as is the case in **Oklahoma**.

States currently vary in terms of the alignment of their aid administration processes with the FAFSA. Nevertheless, changes to the FAFSA will have implications for the plurality of major state aid programs. An inability to clearly anticipate and articulate state-level implications of potential changes to the FAFSA form risks impeding efforts to simplify the aid application process altogether.<sup>12</sup> To address this issue, the following section illustrates findings from a 50-state survey of state aid directors tasked with administering state aid programs, augmented with Education Commission of the States' review of state aid program statutes and regulations.

Findings demonstrate that states have mixed opinions vis-à-vis the necessity of simplification and that they rely heavily on the federal aid application process as it is currently constructed. This alignment is desirable, however, the ability of policy leaders to identify and act on opportunities to sacrifice state-level alignment in favor of overall simplification of the process will be key in developing effective approaches to FAFSA reform.

## Gauging State Alignment with the FAFSA

To gather the data for this report, Education Commission of the States distributed an online survey over the listserv for the National Association of State Student Grant and Aid Programs (NASSGAP). Within the survey, state financial aid directors answered questions regarding how their state currently uses data obtained from the FAFSA. Twenty-three states plus the District of Columbia responded to the survey.

In order to provide a full picture of FAFSA usage across the nation, Education Commission of the States analyzed the remaining 27 states using the **50-State Financial Aid Policy Database**.<sup>13</sup> The database provides links to the statutes and regulations for the 100 largest state financial aid programs in the country. Education Commission of the States' research team populated non-opinion-based state survey questions based on statutes and regulations for the largest financial aid program(s) within the state.

This report explores two distinct, policy-relevant questions related to FAFSA simplification: (1) to what extent do states rely on the FAFSA process as it is currently constructed and (2) do state education policy leaders agree with the notion that the FAFSA is in need of simplification?

To find out about states' reliance on the current process, the online survey and policy review sought information about five major sections of the FAFSA: demographic information, Estimated Family Contribution (EFC), other income or asset information, the application date and the institutions listed on the form. Individuals were asked if they relied on any of these five sections of the form to administer their aid programs. For states that did not respond to the survey, Education Commission of the States reviewed policies for their two largest state financial aid programs to determine if they required information from any of the five major FAFSA sections to determine eligibility. Understanding how states currently use the information in these five FAFSA sections is critical to informing reform discussions.

To address the second question, states were asked for their level of agreement to a series of opinion-based statements regarding the complexity of the application and potential avenues that states have to influence conversations around simplification. Responses to the opinion-based questions are limited to the 23 states that completed the online survey; none were populated by the Education Commission of the States research team. The purpose is to take stock of current attitudes and support for simplification efforts across the states.

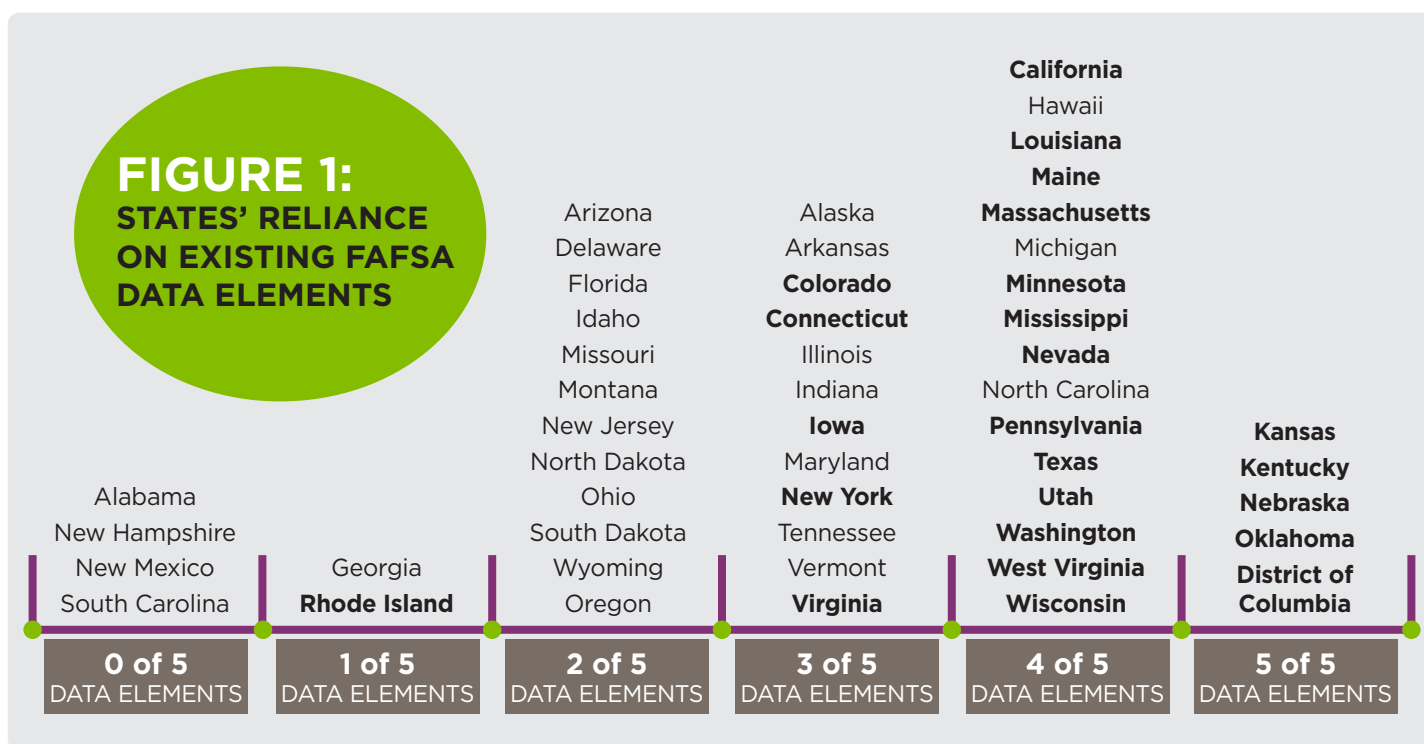
A full explanation of the methodology is available in the **Technical Appendix** to this brief.

## Current Reliance on the Process

Overall, states are largely aligned with the current FAFSA process. This result was expected; many states design their state financial aid programs explicitly around information that state agencies receive from student FAFSAs, in many cases with the goal of eliminating or reducing additional application burdens on students and administering agencies.

In particular, Education Commission of the States found that states most commonly rely on the EFC and the filing date of

the FAFSA. Approximately half the 50 states use additional income information, demographic information and/or the institution(s) a student lists on their FAFSA either for policy-relevant research and reporting or to administer state-funded aid programs. The continuum below shows how many of the five data elements each state currently utilizes. States in boldface type responded to the survey and states in regular type are placed based on statutes and regulations for their two largest state financial aid programs.



## Exploring the Necessity of Simplification

Twenty-six respondents representing state aid agencies in 23 states plus the District of Columbia indicated their level of agreement with several opinion-based statements surrounding the current state of the FAFSA process. An overwhelming majority of respondents indicated that states

have an important role to play in informing federal financial aid policy development, but lack clear pathways to exert influence on reform discussions. This disconnect illustrates the need for effective bridges between state-level practitioners and policy leaders at the federal level.



Across the responses, state-level directors of financial aid largely disagree that the FAFSA is overly complicated, excessively time consuming or burdensome for students, parents or states. These opinions run explicitly counter to much of the rhetoric surrounding simplification in the

HELP committee or among college access and affordability advocates. By and large, states' responses support the notion that the current FAFSA process delivers limited resources to eligible students:

“ The absence of certain information/data currently available on the FAFSA form could make it even harder for state [sic] to adequately distribute limited resources to students in a most efficient manner. ”

“ Simplification should be approached cautiously, since oversimplification will likely result in more secondary state applications... ”

“ I disagree with ‘overly burdensome’ but do think some simplification could occur including removing questions that don’t relate to aid eligibility. ”

“ ...the level of difficulty of completing the FAFSA for most students has been overblown nearly to the point of urban myth. I feel it is as important to combat the negative opinions and hype as it is to actually simplify the FAFSA. ”

State support for the current process is perhaps unsurprising given their unique usages of the FAFSA process. First, most states are explicitly reliant on the process as it currently stands. In fact, many have built processes expressly around the FAFSA with the goal of minimizing or eliminating additional burdens on students. Reimagining the FAFSA requires that states re-examine their internal uses of FAFSA information. In many states, this will involve revision of program regulations or the passage of legislation. Depending on the state’s specific policy architecture, both enabling legislation and regulatory changes may be necessary.

## Policy Considerations

Ongoing debates surrounding changes to the FAFSA should be informed by an understanding of the stakes for state-level aid program administration. Federal-level changes that proceed without the involvement of stakeholders at the state level risk inciting new complications for students seeking state aid. Conversely, extant processes that have been shown to pose barriers for student access to necessary financial support should be corrected at both the federal and state levels. Surveying state-level aid directors from across the country revealed that currently, state

processes closely align to the current federal process and that a low level of agreement exists for changing this status quo. Moving forward, policy leaders may consider the following implications as the U.S. Department of Education approaches simplifying the FAFSA:

**1. State-level stakeholders must be included in developing simplification approaches.**

From a student perspective, states are in a position to bolster or complicate efforts to simplify the FAFSA process. To date, states have had limited participation in formulating approaches to simplification. This may be due to myriad reasons: lack of awareness of state alignment with the status quo, fear that states could act as a barrier in the process, or professional networks that simply do not include state-level stakeholders. Historically, states have had little to no time to adapt to changes that impact their awarding processes, perhaps due to their underrepresentation in simplification conversations. The attitudes uncovered in this report demonstrate that states need additional avenues to participate in these key conversations.

**2. Federal and state leaders must define what the FAFSA is intended - and not intended - to do.**

Survey and policy research shows that states utilize data from the FAFSA for a variety of purposes, such as for preparing research on a state's college-going population. Other states use the institutional lists provided on the form for enrollment planning or determining campus-based aid allocations. At the federal level, FAFSA data is used for similar ends. Research activities are integral to the development of future policy; however, leaders should consider asking critical questions about the appropriateness of gathering this information as part of the aid application process.

Additionally, at its core, the FAFSA's main goal is to determine eligibility for the federal Pell Grant, which is a highly-inclusive, fully-funded aid program. State aid programs are seldom fully-funded. In fact, eligibility criteria in state programs are often retrofitted to

acceptable budget outlays. While access to fully-funded, need-based programs should be streamlined, determining eligibility in resource-constrained environments is a separate problem that may benefit from finding new, innovative process solutions. Discussions should take place that address whether using the same application process for both types of program funding structures is possible or desirable.

**3. Changes to the EFC calculation should be undertaken in consultation with states.**

Changes to the questions on the FAFSA may also require a change to the way that the EFC is calculated. The vast majority of state aid programs rely on the EFC calculation to determine eligibility and several states also rely on elements underlying the EFC to determine eligibility. Previous work shows that certain changes to the calculation will not change the distribution of EFCs<sup>14</sup>, however, certain data elements underlying the EFC could pose new complexities for states if removed. This includes student and parent income from work, adjusted gross income and 529 savings plan assets.

**4. Be open to change.**

The data in this report supports that states have made great strides to align their aid programs with the current FAFSA process – changes made to streamline application processes from the student and state perspective. However, reforming the FAFSA process could likely result in efficiencies that are even more beneficial for student access to both federal and state aid programs. To realize these potential efficiencies, states will need to be willing to re-think their existing processes and find innovative ways to administer aid fairly and equitably with less student-level information available from the federal application. States risk being perceived as a barrier to making aid accessible for students if they demonstrate an unwillingness to change. However, these conversations are a two-way street- states cannot readily adapt to changes that they have had little or no opportunity to respond to or comply with.

## Final Thoughts

This report explored the tension between simplifying the FAFSA process for students and maintaining the current state alignments with the status quo. States have made significant progress in aligning their aid application processes to the federal form to alleviate application burden on students and their families. Ongoing conversations surrounding simplifying the FAFSA put these alignments at risk. At the same time, reform has the potential to reimagine

a process that currently poses barriers for student access to the financial support needed to pursue postsecondary education. State- and federal-level stakeholders would be well-served to re-evaluate the intentions behind the FAFSA process, work together to review questions impacting the calculation of the EFC and increase avenues of communication and collaboration at multiple levels of government. Working together, the potential to reform the FAFSA exists – but only if states are engaged and willing to reform their own processes.

## Endnotes

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## AUTHOR

*Sarah Pingel, Ed.D. is a senior policy analyst in the Postsecondary and Workforce Development Institute at Education Commission of the States. Sarah supports states by providing analysis tailored to student financial aid and college affordability policies. When she isn't knee deep in policy research, Sarah spends time in the small Rocky Mountain town where she is from and enjoys finding opportunities to practice her French. Contact Sarah at [spingel@ecs.org](mailto:spingel@ecs.org) or 303.299.3695.*

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