Exploring Ways to Enhance FAFSA Efficiency: Analyzing a One-Time FAFSA

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NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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Overview

Simplifying the Free Application for Federal Student Aid (FAFSA) is a common, bipartisan goal among federal policymakers. For years, elected officials have sought different ways to slash the number of questions on the form from over 100 to as few as two. It's not uncommon to see Lamar Alexander (R-TN), the chairman of the Senate committee that oversees higher education, carrying around a paper FAFSA as a prop to illustrate how it needs to be shorter.[1]

While much of the energy around simplification emphasizes reducing the number of questions, simply shortening the form is not the only way to make the process easier or faster for students and their families. Beyond just asking fewer questions, the federal government could also choose to ask them less often, including the possibility of having students fill out a FAFSA once for their entire undergraduate career.

This concept of a one-time FAFSA has been discussed by lawmakers and members of the higher education community for several years. Most recently, comprehensive proposals to reauthorize the Higher Education Act introduced by Rep. Bobby Scott (D-VA) in 2018 and 2019 included some form of the idea.[2] One of these—the College Affordability Act[3]—has passed out of the House Committee on Education and the Workforce and is expected on the House floor sometime in 2020.

A one-time FAFSA has a lot of potential benefits. It would allow students and families to have a stronger multi-year picture of at least their federal aid, which can assist with planning. It should also save financial aid offices time with not having to process as many forms each year, allowing professional judgment items like dependency overrides to be good for multiple years, and lessening the burden of verification.

Adopting a one-time FAFSA, however, requires wrestling with several policy and implementation questions. It means addressing issues like what, if anything, students should have to submit each year, and what conditions should trigger the need to file a new form. It also means looking at issues that go beyond just federal financial aid because many institutions and states also use data from the FAFSA to award their own funds. Failing to think through these items risks undermining the benefits of a one-time FAFSA if it results in the proliferation of many new forms at the state or institutional level.

While these issues matter from a policy standpoint, they must also be countered with a key operational lens focused on how to make a one-time FAFSA as simple as possible. Addressing all the issues listed above with complicated solutions that include widely variable rules on who refiles and under what circumstances could result in colleges and universities simply erring on the side of students refiling each year. That situation would undercut much of the potential gains of a one-time FAFSA and make it not seem like a true option.

The potential move to a one-time FAFSA also raises broader questions around changes to need analysis. These include questions like whether, when calculating the expected family contribution (EFC), the number of household members simultaneously enrolled in college could be replaced by a different treatment of the number of individuals in the household. It also entails rethinking whether there should be less precision around how much small changes in income can change the EFC number that drives Federal Pell Grant eligibility.

[1] Andrew Ujifusa, "What's in a Bipartisan Pitch to Simplify the FAFSA," *Education Week*, December 4, 2019, http://blogs.edweek.org/edweek/campaign-k-12/2019/12/federal-student-aid-simplify-bipartisan-senators.html.

[2] Aim Higher Act of 2018, H.R. 6543, 115th Cong. (2018), https://www.congress.gov/bill/115th-congress/house-bill/6543/text.

[3] College Affordability Act of 2019, H.R. 4674, 116th Cong. (2019), https://www.congress.gov/bill/116th-congress/house-bill/4674/text.

This paper takes a closer look at the potential policy effects of a one-time FAFSA to see whether family financial circumstances are sufficiently stable to make the policy workable. It then outlines a potential structure of the policy to address obvious challenges, such as under what circumstances students should file a new FAFSA. Finally, it considers implementation and policy questions for institutions and states and the student aid they award.

Overall, the paper concludes that a one-time FAFSA is workable, especially for students whose financial circumstances make them eligible for Pell Grants. Middle-income students do appear to experience greater volatility, such that they may be more likely to fill out the form multiple times. But even some reduction in refiling for that population is a net burden savings. Lastly, the paper shows how many of the implementation and operational challenges can be addressed by providing sufficient time to adopt a one-time FAFSA policy and allow for a collaborative process between ED, institutions, and states to answer key questions like the levels of income changes that should trigger a refiling requirement.

Are family finances stable enough for a one-time FAFSA?

The idea underlying a one-time FAFSA is that it is acceptable to only look at a family's financial situation once because it is largely stable year to year. To put it more succinctly, we should not make low-income families prove they are poor every year. While it is obviously unrealistic to expect that each of the 19 million FAFSAs filed each year will come from a student and family with a stable financial situation, the steady state needs to be sufficiently prevalent for a one-time FAFSA to make sense. If it is not, then the policy risks unfairly assessing families' circumstances, which can hurt them if they get significantly less aid than they otherwise would have or could potentially raise taxpayer costs if the government awards aid it otherwise would not have.

The Center for American Progress took a closer look at the year-to-year stability of EFCs for its 2018 paper, "One and Done."[4] It used data on a quarter of a million students at 27 different colleges obtained in partnership with the National Association of Student Financial Aid Administrators and the Association of Community College Trustees. These data are not representative; they include a larger share of students at community colleges, underrepresent private nonprofit colleges, and do not include any private for-profit colleges. However, they can provide some broad indications of areas that might merit further exploration when designing a one-time FAFSA.

The analysis showed that EFCs are especially stable for Pell recipients but a bit more variable for other individuals. A majority of independent students receiving Pell Grants had no change in their EFC, including 52 percent without dependents and 76 percent with dependents. While only 38 percent of dependent Pell students had no change in their EFC, another quarter of them had changes of $500 or less. That means building in some tolerance for fluctuation would still allow the policy to cover most dependent Pell recipients.

[4] Colleen Campbell, "One and Done," Center for American Progress, November 26, 2018. https://www.americanprogress.org/issues/education-postsecondary/reports/2018/11/26/460723/one-and-done/.

Table 1: Average Year-to-Year EFC Changes Among All FAFSA Applicants, by Dependency Status and Pell Grant Eligibility

	Share of applicants					
	Dependent students		Independent students without dependents		Independent students with dependents	
Average EFC Change	Not Pell Grant recipient	Pell Grant recipient	Not Pell Grant recipient	Pell Grant recipient	Not Pell Grant recipient	Pell Grant recipient
-$5,001+	19%	<1%	20%	<1%	22%	0%
-$2,501 – $5,000	11%	1%	16%	3%	18%	<1%
-$1,001 – $2,500	11%	4%	15%	7%	16%	2%
-$501 – $1,000	4%	4%	6%	5%	6%	3%
-$1 – $500	5%	10%	7%	6%	6%	5%
$0	<1%	38%	<1%	52%	<1%	76%
$1 – $500	5%	14%	7%	6%	5%	5%
$501 – $1,000	5%	7%	6%	4%	3%	2%
$1,001 – $2,500	10%	10%	10%	9%	8%	3%
$2,501 – $5,000	10%	6%	6%	6%	7%	2%
$5,001+	19%	5%	7%	4%	9%	2%

Note. Figures may not total 100 due to rounding. Pell Grant recipients are defined as those receiving a Pell Grant at entry. Students' dependency status is defined as their status upon entering college. Data in the table are collected from the sample of students included in the Center for American Progress study for the paper "One and Done."

Source. Colleen Campbell, "One and Done," Center for American Progress, November 26, 2018, https://www.americanprogress.org/issues/education-postsecondary/reports/2018/11/26/460723/one-and-done/.

Cost estimates of a one-time FAFSA from the Congressional Budget Office (CBO) also support the notion that Pell Grant recipients have largely stable financial circumstances over time. The College Affordability Act contained a provision that allowed dependent and independent students who received a Pell Grant to only file a FAFSA once.[5] The good news is that about 56 percent of undergraduate FAFSA filers each year receive Pell Grants, so that means even a more limited version of the idea would cover most people who apply for federal aid for their undergraduate education.[6]

[5] College Affordability Act of 2019, H.R. 4674, 116th Cong. (2019), https://www.congress.gov/bill/116th-congress/house-bill/4674/text.

[6] Author's analysis of National Center for Education Statistics, "The National Postsecondary Student Aid Study, Graduate 2015–16," Table dacabc3c, https://nces.ed.gov/datalab/powerstats/default.aspx (accessed March 2020).

A December 2019 cost estimate by the CBO found that the one-time FAFSA provision in the College Affordability Act would cost about $1.6 billion over 10 years in additional discretionary spending on the Pell Grant plus another roughly $330 million increase in direct spending on Pell Grants and student loans.[7] The discretionary spending number is somewhat lowered due to a multi-year phase in, but even the end of the budget window suggests a cost of around $350 million a year. It is also not clear how much, if any, of this cost might be driven by other changes to make Pell more generous, such as a larger maximum award. Still, the estimated cost of a one-time FAFSA for Pell students is about a tenth of proposals to adjust the income protection allowance upward and about the same as extending lifetime Pell eligibility by two semesters.

Non-Pell recipients have more variability in EFCs

While EFCs may be stable enough for most Pell recipients, the 44 percent of undergraduate filers who do not get the grant represents a potentially problematic group. The Center for American Progress data showed that nearly 40 percent of dependent students who did not receive Pell had an EFC change of $5,000 in either direction, and 60 percent had a change of $2,500 or more.

The inconsistency of EFCs among non-Pell recipients does not have significant federal implications beyond the potential awarding of some subsidized Federal Direct Student Loans or Federal Work-Study. However, it does present potential challenges for states or institutions that award their own financial aid to middle-income students. These funds are typically much more limited than those offered by federal programs and do not function as entitlements. As a result, states and institutions have a stronger incentive to ensure their dollars are as close to perfectly targeted as possible. If states and institutions do not trust the validity and consistency of EFCs, then they may resort to creating additional forms for students, potentially undermining the benefits of a one-time FAFSA.

Some of the potential elements of the one-time FAFSA policy design discussed below may be able to address the variation among non-Pell recipients. This includes an annual form asking about changes in family circumstances and the possibility of improved linkages with the Internal Revenue Service to identify cases where students need to refile.

The effect of family circumstances on EFC volatility

It is also possible that some of these fluctuations in EFC may be driven by factors besides income. For example, almost 40 percent of students in the sample who had a change in their EFC also had a change in their family circumstances—either the number in college or the number in their household. Dependent students were more likely to have changes in the number in college, while independent students with dependents were more likely to have changes in the number in their family. It is possible that addressing need analysis changes related to family circumstances in the Higher Education Act could make EFCs for dependent students more stable.

[7] *H.R. 4674, the College Affordability Act of 2019, as Ordered Reported by the Committee on Education and Labor on October 31, 2019, Estimated Changes in Direct Spending*, prepared by the Congressional Budget Office (Washington, DC, 2019). https://www.cbo.gov/system/files/2019-12/55939-Discretionary.pdf; *H.R. 4674, the College Affordability Act of 2019, as Ordered Reported by the Committee on Education and Labor on October 31, 2019, Estimated Changes in Direct Spending, Outlays Only*, prepared by the Congressional Budget Office (Washington, DC, 2019). https://www.cbo.gov/system/files/2019-12/55939-Direct-Spending.pdf.

Table 2: Share of FAFSA Applicants With an EFC Change, by Family Circumstance Change and Dependency Status

Type of change in family circumstance	All applicants	Dependent students	Independent students without dependents	Independent students with dependents
No changes	64%	59%	84%	63%
Number in college only	16%	20%	10%	12%
Number in family only	12%	13%	3%	19%
Number in family and number in college	7%	8%	3%	7%

Note. Figures may not total 100 due to rounding. Data from table are collected from the sample of students included in the Center for American Progress study for the paper "One and Done."

Source. Colleen Campbell, "One and Done," Center for American Progress, November 26, 2018, https://www.americanprogress.org/issues/education-postsecondary/reports/2018/11/26/460723/one-and-done/.

It is also possible that a one-time FAFSA may require building less precision into the need analysis system. Looking at the average income changes associated with fluctuations in EFC shows that small income changes could move family contributions by amounts that might be deemed significant enough to warrant refiling a FAFSA. Consider dependent students with no change in family circumstances who had an EFC change of $500 to $1,000 in either direction. They had a median parental income change of about $3,000. That means every $10 in income change could affect $1.67 to $3.33 in their EFC. Even EFC changes of up to $2,500 resulted from median income changes of around $5,000 for all groups except independent students with dependents.[8]

Table 3: Median Parental Income Change for Dependent Students With Changes in EFC but Not Family Circumstances, by EFC Change

	All students	Ever received Pell	Never received Pell
-$5,000+	$(24,536)	$(67,330)	$(24,535)
-$2,501 – 5000	$(10,750)	$(19,894)	$(9,906)
-$1,001 – 2,500	$(5,516)	$(8,424)	$(4,540)
-$501 – 1,000	$(2,780)	$(3,998)	$(1,796)
-$1 – 500	$(640)	$(906)	$(144)
$1 – 500	$1,287	$1,338	$1,132
$501 – 1000	$3,073	$3,624	$2,541
$1,001 – 2,500	$5,115	$6,815	$4,638
$2,501 – 5,000	$8,869	$14,948	$8,502
$5000+	$18,412	$20,609	$18,412

Source. Colleen Campbell, "One and Done," Center for American Progress, November 26, 2018, https://www.americanprogress.org/issues/education-postsecondary/reports/2018/11/26/460723/one-and-done/.

[8] Author's analysis of data used for Colleen Campbell's "One and Done," Center for American Progress, November 26, 2018, https://www.americanprogress.org/issues/education-postsecondary/reports/2018/11/26/460723/one-and-done/.

In general, the size of income changes needed to produce EFC swings is smaller for non-Pell recipients than it is for Pell recipients. This may reflect the fact that non-Pell recipients have higher incomes, so marginal dollars are less likely to be affected by need analysis elements like the income protection allowance. But this does matter, especially if institutions and states closely hew to the federal EFC for determining their own aid, since a median income decline of less than $1,800 is associated with a $501 to $1,000 decrease in the EFC for non-Pell recipients who are dependents and did not have a change in family circumstances.

Conclusions

This look at some modeling of a one-time FAFSA suggests that the group of students with the biggest implications for federal policy—Pell recipients—have sufficiently stable EFCs for this policy to have value. However, it also shows that filers who do not receive Pell—middle-income students and above—have much greater volatility in their EFCs from year-to-year. While that doesn't much matter for federal aid purposes since unsubsidized loans are awarded without regard to income, it does mean that this policy has potentially significant implications for institutions and states that award need-based aid to students who do not receive Pell Grants. The next section looks more closely at the potential policy design of a one-time FAFSA, which could help address some of these issues for institutions and states.

Crafting a one-time FAFSA policy

A one-time FAFSA is a catchy and clear policy proposal, but the underlying details matter. To that end, this section considers common implementation questions that would need to be addressed for the proposal to be enacted. These issues must strike a careful balance. On the one hand, the policy should address obvious areas where the results of an earlier FAFSA may not deliver a sufficiently accurate picture of a student and family's financial situation. But it also must balance the operational necessity of simplicity because an overly complicated setup could lead institutions to simply counsel students to refile the form each year—an approach that undercuts the whole point of a multi-year form.

How long should students be able to use one FAFSA?

A one-time FAFSA might be more aptly called a multi-year FAFSA. The idea is that a student and family's submission would be good for multiple years, but not indefinitely. Ideally, any FAFSA should suffice for the length of time needed to complete a bachelor's degree at full-time or close to full-time speed. That would mean either four or five academic years. Longer than that, and the data involved would be getting rather old—especially when considering that the move to using prior-prior year information on the application already means that the financial data on the FAFSA is roughly two years behind the academic year in which it is used.

When should students complete a new FAFSA?

There are a few clear circumstances in which students would have to fill out a new FAFSA. One would be upon moving from undergraduate to graduate education. This is important for dependent students, all of whom are automatically considered independent when they go to graduate school. While the same is not true for independent students, it is simpler to adopt a consistent rule rather than creating varied requirements for different students.

Students changing from dependent to independent status for any other reason would also have to resubmit a FAFSA. That's because their parents' financial information would no longer be necessary. Moreover, depending on the reason for the dependency change, there could be other factors that need to be included, such as the addition of a child to the household or the income of a spouse.

What non-financial information would students need to submit each year?

Perhaps the most crucial element of a one-time FAFSA policy is figuring out what, if anything, a student should still have to submit each year. An annual submission could serve several potential purposes, with two related to the existing need analysis formulas: one for determining whether a student would be better off submitting a new form and another for eligibility criteria related to loan defaults or drug convictions that could change year to year. A later section of this report also examines the potential need for non-financial information relating to student transfers.

There are many non-financial items that clearly should not be resubmitted each year. For example, most of the basic eligibility checks should only be conducted with the first FAFSA and not run again. This includes items like verifying citizenship, social security numbers, and enrollment in Selective Service for men. None of these items should change for a student from their first year, so looking at them repeatedly is not worth it.

The two non-financial items related to need analysis are the number of students in college and the number of individuals in the household. While neither directly involves financial data, they have significant implications for the need analysis formulas. For example, the parental contribution for a dependent student is divided by the number of individuals in college.[9] That means having a sibling go to college can halve what a parent is expected to contribute to a given student. However, it can also double what parents are supposed to give to a student if the sibling exits college.

The number of individuals in the household and the number in college, meanwhile, affect the size of the parents' income protection allowance—the amount of income not considered for need analysis purposes. For example, a three-person household with one individual in college can protect $23,140. Add another person to the household who isn't in college, and the amount protected rises by $5,440 to $28,580.[10]

[9] The EFC Formula 2019 – 2020, prepared by the Office of Federal Student Aid (August 20, 2018), https://ifap.ed.gov/sites/default/files/attachments/efcformulaguide/1920EFCFormulaGuide.pdf.

[10] Ibid.

An applicant's household size and number in college plays such a large role in the EFC generated using FAFSA data that this information would either need to be collected annually or the formula would have to change so that it plays less of a role on an annual basis. Such changes could include dividing the parental income by the number of dependents in the household as part of the income protection allowance calculation rather than a later division based on the number in college. This approach could result in a system where students would only need to submit a new FAFSA if the number in their household changed—something that is unlikely to happen in large numbers on an annual basis.

Two final non-financial items related to aid eligibility merit a brief mention. One is that a student's signature on the FAFSA indicates they are not in default on a federal student loan, because someone who is cannot receive additional federal aid. Ideally, this defaulted loan check should be automated by ED's own systems, but since default status could change from year to year, it would either have to be eliminated or added as something students affirm when they sign any annual update. The same is true for the FAFSA question about whether a student has been convicted for the possession or sale of illegal drugs while they have been receiving federal aid. Ideally, this question should be eliminated from the form entirely. If it is not, then a checkbox for this question might have to be included on any annual update form.

When should income changes lead to filing a new FAFSA?

Moving to a one-time FAFSA is likely to raise debate about how much deviation in income from the figures initially submitted should be allowed before requiring students to fill out a new form. This is particularly important for the student if their financial condition worsens from when they first submitted a FAFSA, since they might be eligible for greater amounts of aid. Identifying instances when a family's income improved significantly is arguably less important from a policy standpoint, but it serves a political purpose of protecting against anecdotal critiques of "undeserving" students getting federal aid.

Having financial aid offices provide students with recommendations around refiling when their circumstances change is one way to particularly address situations where financial conditions worsen. Students could be asked each year if their income circumstances are significantly worse than the year considered on the existing FAFSA. Those who answer in the affirmative could be referred to the financial aid office, which could offer guidance and non-binding recommendations to the students about whether they should refile. This approach has the advantage of allowing the financial aid office to determine whether a new FAFSA would ultimately matter. For example, it will not matter if a family member of a maximum Pell recipient loses a job because the student is already eligible for the most federal student aid possible.

Two potential downsides should be considered in making the aid office play this guidance role. One is that students may be reluctant to reach out to an aid office, which could result in them not getting the additional help needed or not refiling when they might have had to. The other is that aid offices could be too inclined to recommend borrowers refile. This would be more likely to happen if the policy design around the one-time FAFSA is too complex, making it hard to determine what changes might look like, or if small income changes play too big a role in how much the EFC changes.

Handling students with large income increases is a bigger challenge. Providing guidance in this situation is more awkward because refiling would likely result in less aid. Depending on the amount of institutional aid provided, aid offices could thus have greater or smaller incentives to encourage borrowers to refile. Either way, the effects would appear to be the result of the aid office's suggestions when refiling is really a federal directive.

Recent legislation may provide a way to address the income change issue. In mid-December 2019, the president signed the FUTURE Act.[11] This bill makes changes to allowable data sharing between the Internal Revenue Service and ED. In particular, it makes it possible to authorize automatic sharing of tax information by filling out a form once. A one-time FAFSA could make use of this data sharing to create automatic triggers that would request students to submit a new application. For example, it could check each year to see if a family's adjusted gross income grew or declined by more than a set dollar amount over the amount used for the currently active need analysis calculation. Families where income grew above or fell below the levels would then be asked to submit a new form.

An automatic trigger process has the advantage of applying consistent rules across all institutions. It also would mean that no student would have to resubmit a FAFSA unless there are already clear indications that doing so would matter.

Setting the right threshold for an automatic process is not easy. Ideally, the dollar amount required for income growth should be quite large, such as $20,000 or more. That makes the point of recalculating the FAFSA about outlier cases, not getting the analysis perfect. A dollar-based threshold is also easier to administer than other options, such as whether the income grew enough to change the amount of Pell Grant a student would be eligible for by a set amount. That test would be more specific and individualized, resulting in situations where someone right on the cusp of Pell eligibility might have to resubmit a FAFSA due to a small income change.

Thresholds for income declines may need to be somewhat lower. That's because not refiling in these circumstances means students get less help than they otherwise would. In other words, a decline of $5,000 may be a more appropriate threshold than the same $20,000 change suggested for income growth. One thing that is harder to tell is whether income declines would be more likely to show up through professional judgment activity anyway since a student would have a strong reason to report a major income shock like a loss of job or illness rather than wait to file taxes. Still, an automatic process could serve as a potential backstop to identify situations where income fell and the student didn't fill out a new FAFSA.

One challenge with automatic required refiling based on income growth or loss is it could result in students submitting new FAFSAs where their overall eligibility for need-based aid remains unchanged. For example, a student with a very high EFC will not be eligible for need-based federal aid even if that number declines by a few thousand dollars. Similarly, someone who already has a high EFC will not be affected by pushing that number further upward. That argues for potentially adding a threshold where students above a certain EFC do not refile unless the income loss is an even larger number. Here, however, differences between federal and institutional or state policy become significant. There are likely many EFC levels where changes do not ultimately matter for the federal government, but they might be very important for an aid office or a state program. That makes it somewhat hard to pinpoint the exact best way to design this automatic refile threshold.

[11] FUTURE Act of 2019, H.R. 5363, 116th Cong. (2019), https://www.congress.gov/bill/116th-congress/house-bill/5363/text.

What about graduate students?

The analyses and discussions in this paper almost exclusively focus on undergraduate students. That reflects the greater budgetary stakes for the federal government and institutions for these students. Need analysis decisions for undergraduate students affect tens of billions of dollars in Pell Grants and subsidized loan dollars. Similarly, many undergraduate institutions offer substantial amounts of their own scholarship or grant assistance.

By contrast, Federal Work-Study is the only federal program with a need component that awards money to graduate students, and colleges and universities decide who gets this support. Institutions may offer their own aid to graduate students, but the amounts vary a lot by the type of program and credential level.

The lack of need-based federal programs for graduate students makes a strong case for simply allowing these individuals to file a FAFSA once since their ongoing financial circumstances will have minimal effect on their federal aid. One could play that idea out even further and ask whether the FAFSA for graduate students should even include any financial questions beyond what might be needed to conduct the credit check on a Graduate PLUS loan.

From the federal perspective, a one-time FAFSA for all graduate students seems clearly feasible with few or none of the potential risks outlined elsewhere in this paper. The fact that so many graduate programs last only a year or two further bolsters the case that a one-time FAFSA should be doable even for institutions that offer their own aid. The only potential consideration would be around how graduate schools handle longer programs like doctoral degrees. A one-time FAFSA would not be an issue if those aid packages come with set funding over multiple years.

This analysis suggests two possible approaches with graduate students. One would be to simply move to a one-time form and allow programs to use their own approaches to need analysis for future years if they need more updated data. Another would be an approach that moves to a one-time FAFSA for all master's degree and certificate programs and gives institutions flexibility to decide if they want to require refiling for longer programs. The rationale for this approach is to provide a way for institutions to obtain updated financial information without having to use a form like the CSS Profile, which costs students money to complete and send. Regardless of the path chosen, a one-time FAFSA for graduate students could be implemented without the more complex work on determining refiling requirements that must be done for undergraduates.

Technical considerations

While the bigger-picture questions outlined above are key for creating a successful one-time FAFSA policy, a few technical items merit consideration. These include:

- Whether ED should send new Institutional Student Information Records (ISIRs) each year
- Professional judgment overrides
- Whether schools should require a new FAFSA for transfer students

ISIRs

One question is whether ED should send institutions a new ISIR for students each year even if the FAFSA data do not change. The ISIR is a document that contains all the information entered on the FAFSA as well as calculated amounts like the EFC.[12] Sending a new ISIR each year in some ways provides protection for institutions because it means the federal government affirms the results. That said, the effect of transmitting a new ISIR is to provide a lot of data that would not have changed if the student did not submit any new information. Those data would then have to be processed by the institution for minimal benefit. As a result, it is likely better to add fields to the ISIR that indicate how long it is valid and to only transmit a new ISIR if a student fills out a new FAFSA or there is a change in the number in family or number in college.

Professional judgment overrides

How to handle professional judgment overrides is another implementation issue. Currently, institutions that use professional judgment to do something like change a student's dependency status must redo it each year. Moving to a one-time FAFSA should provide a process for them to allow that override to automatically stay in place for the same period as that FAFSA. That should save time for aid offices and ensure they can lock in the results from the first FAFSA received.

Transfer students

A final issue is whether the financial aid office should request a new FAFSA when a student transfers into the institution. While the college or university should obviously receive an ISIR for transfer students, it does not seem necessary to make these students fill out a new FAFSA as long as they are not switching dependency status, moving from undergraduate to graduate education, or exceeding the time limit on the existing form. While these data will admittedly be older for the new institution than they were for the place where the student started, it would be fairer for the students to keep their federal aid eligibility amounts consistent across colleges or universities.[13]

The transfer issue, however, raises a more basic information-flow question: How would the federal government know to send the FAFSA data to a different institution? While there could theoretically be a way for an institution to obtain the information automatically, it would likely need affirmative consent from the student. Otherwise, institutions across the country could simply obtain financial information on any student they wished. Solving this would either require adding a question to the annual update form or finding a way for a student to authorize the institution to request the FAFSA information from ED.

[12] The ISIR Guide 2020 – 2021," prepared by the Office of Federal Student Aid (August 8, 2019), https://ifap.ed.gov/sites/default/files/attachments/2019-08/2021ISIRGuide.pdf.

[13] It is possible that actual awarded amounts could change if the cost of the new institution is higher than the old one, but at least the EFC should stay the same.

Conclusions

While crafting a one-time FAFSA is not as simple as declaring students never have to file again, there are some easy changes that would make the policy more workable for the federal government, institutions, and states. Annual questions about family circumstances coupled with need analysis changes to how that information gets used can address fluctuations in the EFC that are not due solely to income. The trickiest part going forward is figuring out the right thresholds for income changes that should result in refiling a FAFSA. This is particularly challenging because the benchmarks needed from a policy standpoint may differ from where they need to be put for political reasons at the federal level. It's also likely that the thresholds needed may vary by institution or state depending on the extent to which it offers its own aid.

Beyond these policy design questions, there are a few more specific implementation issues to unpack for institutions and states. The next two sections work through those questions.

Institutional policy considerations

The institutional implications of a one-time FAFSA are largely around how this policy change might affect colleges and universities that award a lot of their own aid. It is worth exploring how the effects might differ among these institutions depending on whether the aid office uses the CSS Profile.

Institutions already using the CSS Profile

The fact that many of the wealthiest institutions already use a separate need analysis system for their own funds means that the potential challenges around inaccuracy for a one-time FAFSA are less of a problem. This matters both from a policy standpoint as well as the political implications of enacting a one-time FAFSA since these institutions carry outsized weight.

There are several hundred undergraduate institutions, graduate programs, and scholarship funds that use the CSS Profile instead of the FAFSA to make their aid decisions.[14] This form looks at factors that the FAFSA does not consider, such as a family's equity in their primary home and the income of a non-custodial parent in cases of divorce. It also has its own methodology for making aid determinations.

The institutions using the CSS Profile already include the wealthiest places in the country, which award large amounts of institutional aid. For them, a one-time FAFSA may not end up mattering much since they would presumably still just keep requiring the CSS Profile. While that helps surmount potential political challenges, it does mean that students at these colleges or universities would derive less of a simplification benefit, especially since the price of these places means their institutional aid package is likely much more important for affordability than a Pell Grant award.

[14] College Board, "CSS Profile 2020-21 Participating Institutions and Programs," https://profile.collegeboard.org/profile/ppi/participatingInstitutions.aspx.

A potentially more interesting question is whether the Profile or the institutions using it would change at all to accommodate a multi-year process. The Profile did move to using older tax data as the primary source of income information for its need analysis to match the federal move to using prior-prior year tax data (in other words, using 2018 tax information for the application that opens on October 1, 2019). While the Profile does still ask for some data on income for more recent years, it does mean that most of the analysis around need should look at similar years for institutional and federal aid.

Any multi-year Profile use would almost certainly be done only in more limited circumstances. The institutions using that form tend to have large shares of students who do not receive Pell. Because so many of their students are very wealthy, they must also grapple with complex financial scenarios where normal wage income is not the primary source of money for the family. This includes things like running small businesses where families can show up as having massive losses or monetary gains mostly coming from assets. While families in those situations may be so wealthy that their institutional aid conditions do not change much, institutions may still wish to get an annual snapshot to ensure there is no potential manipulation of financial data occurring.

Under what circumstances an institution might consider using a multi-year Profile is hard to tell. It likely would not use Pell as the sole determining factor due to concerns outlined above about families inaccurately appearing to have a low income due to business losses or other items that are not considered in the federal need analysis process. That means institutions would likely need to come up with their own approach to making judgments about multi-year eligibility for aid.

The good news is that institutional flexibility in the Profile does mean that any institution could move to a multi-year model if it wished. Whether any chooses to do so is likely a function of how strict the college or university is in making the financial aid office stay within its budget for institutional aid, whether it has any perceived benefit for competitive purposes, and whether it would ultimately save enough time and resources processing applications to be worth it.

Institutions not using the Profile

There is some risk that a one-time FAFSA could encourage more institutions to begin requiring the Profile. While colleges and universities are free to make their own choices about need analysis for their own aid, greater usage of the Profile could add more work for students and have financial implications (it costs $25 to fill out for one institution and $16 for each additional institution).[16]

The good news is that such an expansion would still have limits. For example, it is inconceivable that community colleges or private for-profit colleges would ever end up using the Profile. However, many public flagship universities do not currently use the form. If more of those institutions chose to start using the Profile, that could translate into tens of thousands more students having to fill out additional paperwork.

Institutions obviously have the discretion to choose whether to collect another form for need analysis, but the potential for greater Profile adoption emphasizes the importance of getting the policy mechanics of a one-time FAFSA right. That particularly means surveying institutions to understand if they would perceive a one-time FAFSA for everyone differently versus just for Pell recipients and testing different thresholds for when a student or family should have to refile.

[16] College Board, "2019-20 CSS Profile Comprehensive Question and Instruction Listing," https://sfs.virginia.edu/sites/sfs.virginia.edu/files/2019-20%20CSS%20Profile%20Comprehensive%20Question%20and%20Instruction%20Listing.pdf.

Conclusions

One nice thing about the FAFSA and federal methodology is it covers a wide range of institutions. In most cases, a student looking for help to attend their state flagship college fills out the same form as someone seeking a vocational certificate in a one-year program. The downside of that breadth is that moving to a multi-year model has implementation considerations for institutions where their own aid plays a bigger role in achieving affordability than the federal money. The good news is that those institutions represent a small share of student enrollment across the country. The usage of the CSS Profile at those institutions means they are unlikely to have major policy challenges with the move to a one-time FAFSA. The design and implementation of a one-time FAFSA, however, should be attuned to the chance that more institutions may choose to adopt the Profile if the new policy doesn't fully meet their needs. That means the development of a one-time FAFSA must be a patient and collaborative process that provides opportunities for feedback and adjustment.

At a practical level, this need for collaboration has implications for how Congress should consider authorizing a one-time FAFSA. It should provide flexibility for ED to determine the right thresholds for refiling and the data collected on an annual basis rather than spelling all those items out in law. Doing so ensures that the policy can evolve to address unanticipated challenges and not lock thousands of institutions into a set of conditions that may need tweaking.

State Policy Considerations

From the state side, the biggest consideration with a one-time FAFSA is providing sufficient time for states to adapt their own eligibility formulas in case they use the federal form. States would likely need at least a year or two to update their own systems to handle receiving a FAFSA only once or to make decisions about adjusting their own need analysis.

The extent to which the reduced precision of a one-time FAFSA is an issue for states depends a great deal on the structure and type of aid programs they currently offer. Programs that are solely based on merit criteria are unlikely to be affected since they are not dependent on a student's financial circumstances. Programs that operate like de facto entitlements also likely face fewer concerns with a one-time FAFSA because they have already committed to broad-based eligibility. The challenges are more likely to come with those in the middle that operate need-based programs awarded on a first-come, first-served basis and target more middle-income students. These programs would have to grapple with the policy call of whether it is better to use a slightly less precise EFC so they can promise consistent aid for students once they qualify for the program, versus an approach that may be more willing to grant aid to new applicants and drop support for returning students who see income gains. First-come first-served programs with income cutoffs closer to Pell would likely have fewer issues because Pell Grant EFCs appear to be more stable.

Similar to the institutional issues discussed above, any state challenges beyond timing would best be addressed through collaborative policymaking processes that afford opportunities to understand the best way to structure things like when and how to trigger refiling requirements. Making these voices heard in the upfront stages can help increase buy-in and reduce the chances that a one-time FAFSA policy has the unintended effect of driving more states to boutique forms.

Conclusion

The FAFSA will turn 30 years old in 2022. Though Congress and ED have made tweaks along the way, the basic premises of federal need analysis have not changed during that time.

The ongoing efforts to reauthorize the Higher Education Act represent a good opportunity to rethink foundational elements of the need analysis approach established in 1992. That doesn't just mean how many questions students and families must ask to assess financial circumstances. It's also time to explore other approaches, including how often students fill out the FAFSA.

As discussed in this paper, a one-time FAFSA would be a workable solution, especially for those who receive Pell Grants. There are implementation issues to flesh out—such as thresholds for refiling—but family circumstances, especially among lower-income households, are stable enough to lock in federal aid for multiple years.

Going to a one-time FAFSA would be a great opportunity for students and families to have more predictable aid packages. That alone is beneficial. But ideally, such a move should open up a broader rethinking of federal need analysis. This includes considerations like whether the number of household members in college should be treated as an issue distinct from the number of dependents in a family or whether there needs to be less precision in how small income changes can move the EFC.

It should also raise questions about whether the determinations of family contributions are accurate anymore. It is already clear that, at the very least, the EFC is misnamed—almost never does it reflect what a family might actually end up paying. That includes questions about how much income should be protected in the need analysis formulas, as well as how much of that unprotected amount should be considered available.

Of course, any potential changes, including a one-time FAFSA, must be made thoughtfully and collaboratively. One big benefit of the current form is it provides information that can help institutions and states with more limited pots of funds to make their own awarding decisions. Losing those multiple uses would be unfortunate and risks undermining the burden savings and certain benefits a one-time FAFSA produces. Similarly, an overly complicated one-time process could result in institutions and others simply counseling students to fill out a new form each year.

It's time for a bigger rethink around the FAFSA, its frequency, and its elements. A collaborative and flexible examination of a one-time FAFSA is the place to start that conversation.

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