

Editor's Column: Déjà Vu

As Congress once again takes up the issue of Reauthorization in the coming months, it is helpful to review how we can better encourage our most “at risk” students to aspire to higher education and convey to them the immense benefits it typically provides. A recent report by The Education Resources Institute (TERI) describing a study funded by the Lumina Foundation indicates the need for a good deal more research on the ways that the design, operations, and marketing of student financial aid programs influence student behaviors and college-going plans. Findings from this study are summarized by Laura Perna in this issue of the *Journal*.

Toward this end, the American Council on Education (ACE) has initiated a special project, *Improving Lives: Ensuring Academic Success for Low-Income Adults*, focusing on the information needs of low-income adult students. A January 2005 report by the Congressionally commissioned Advisory Committee on Student Financial Assistance, *The Student Aid Gauntlet: Making Access to College Simple and Certain*, further supports the need to simplify and streamline the federal student aid process with the goal of increasing college access for low-income students. This report restated many of the same findings the Advisory Committee had identified in its previous publication, *Access Denied* (February 2001).

Congressional reaction to the most recent Advisory Committee's report was mixed. While acknowledging the Advisory Committee's good work and recommendations, Congress expressed concern about what simplifying the process might mean for students whose circumstances are not typical. The increasing influence of technology will surely play a role in the simplification process, but other factors may bear upon the ultimate result.

During the 40 years since the Higher Education Act of 1965 (HEA) became law, the process for determining eligibility for need-based federal student aid has grown in complexity and purposes. Originally, the process for determining eligibility for the federal Guaranteed Student Loan was separate from the process for determining eligibility for campus-based funds. In the meantime, an entirely separate application was created in the 1970s for measuring eligibility for the Basic Educational Opportunity Grant (BEOG), now known as the Federal Pell Grant. The 1986 Reauthorization challenged further efforts to merge the eligibility determination for the BEOG and other federal aid programs into a single process through the Multiple Data Entry (MDE) initiative.

In 1992, Congress sought to reduce this complexity when it legislated the Federal Methodology—commonly referred to as

FM—and the Free Application for Federal Student Aid (FAFSA). The FAFSA was intended to promote simplicity, efficiency, and consistency in the aid application process—certainly all positive goals. An additional goal was to eliminate all fees for determining a student’s eligibility for federal student aid.

The FAFSA, however, became the dumping ground for a growing array of political needs (e.g., determining registration for Selective Service, immigration status, and later, felony status related to certain drug convictions), as well as data elements based on the needs of a few influential state programs. As a result, the “simple” FAFSA now contains many questions that play absolutely no role in measuring a family’s ability to pay for school—that is, the Expected Family Contribution (EFC). It is now an eight-page application, including directions, worksheets, and more than 100 questions. “Shortcuts” for certain low-income applicants attempt to truncate this process, but completing the FAFSA remains daunting to many students and their families.

Both the Lumina report and the recent Advisory Committee report conclude that the current complexity of the application does little to support the simplicity, predictability, and encouragement needed to assist our most at-risk students. By trying to use the same form to accommodate all federal student aid program requirements, a series of politically motivated requirements, and the specific needs of certain states, the good intention of making the process more simple has had the exact opposite result. The FAFSA has become a roadblock to low-income students and a disincentive for the neediest members of our society.

So what can be done? Perhaps a review of the original vision and platform for providing need-based aid as authorized in the HEA would be enlightening. In the past, evaluating eligibility for the Guaranteed Student Loan was separate from determining an EFC for other federal student aid programs. While trying to do all things for all applicants through one, “simple” process may be admirable in the ideal world, such efforts too often end in confusion and unintended consequences. Why not consider returning to a simple adjusted gross income (AGI) test for determining eligibility for the massive federal subsidies involved with the largest federal student aid programs currently used by students: the Federal Family Education Loan Program (FFELP) and the Federal Direct Student Loan. Subsidies would be based on the family’s AGI, *regardless* of cost of attendance. This would be simple, predictable, and efficient, and therefore encouraging to families. While some students from higher-income families may lose eligibility for federal subsidies, such a loss typically would not alter their college-going plans and behaviors in a significant way. On the other hand, the encouragement for lower income families may indeed serve to address the

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special needs of this socioeconomic group, as pointed out in numerous Congressional studies and research efforts.

While this may appear to be a dramatic step, the process has already proven successful in many ways during the early days of the Guaranteed Student Loan program, and even in a number of states involved in this program *before* the enactment of the HEA. It worked rather well then and served the purpose intended by our public policymakers. Could the wisdom of the past still serve the needs of today? Legislators approaching this very serious challenge in an open-minded and common-sense manner can rise above the political constraints and special requests from subsets of players by providing the needed shift in direction.

Because the other federal need-based aid programs are not entitlements and will always be limited by funding levels, perhaps a similarly simplified process using three IRS data elements (AGI, federal tax paid, and number of exemptions) could produce an EFC that is simple, consistent, efficient, and predictable. Solutions would need to be found for those who do not file federal income tax returns, as well as perhaps for those whose AGI has been “adjusted” in ways that do not necessarily result in an accurate picture of total family income. But these challenges are no different in the current, much more complex process. Institutions may choose to use this EFC in awarding institutional funds or may seek additional data through a separate process such as that provided by The College Scholarship Service (CSS). Indeed, CSS and later the American College Testing Program (ACT), served this supplemental role very well at one time. Of course, institutions could also attempt to secure additional data on their own and use whatever formula they deemed appropriate for distributing their own institutional funds, as many do already.

Surely there is a need for further debate and compromise. However, the Reauthorization process provides a special opportunity for policymakers to honestly review the basic purpose of the federal student aid process, and to seriously evaluate the suggestions and findings of federally commissioned studies as well as those of privately financed organizations.

In addition to Laura Perna’s article, we are also pleased to welcome back another previous author, Randy Spaulding, and his coauthor, Steven Olswang. Their article provides our readers with a model intended to help researchers and enrollment managers assess the effectiveness of institutional financial aid packaging policies.

This issue also includes an article by Thomas Wolanin, who for many decades has been well-recognized in the world of student aid. Indeed, through his leadership role in directing the simplification of the federal student aid process through several Reauthorizations, he has made significant and lasting contributions to our profession.

Finally, our Opinion Corner reflects two sides of the on-going academic discourse about the benefits and risks of credit card usage by college students. First, Robert Manning and Ray Kirshak refute the recent *Journal* article, "Usage of Credit Cards Received through College Student-Marketing Programs," (Vol. 34, No. 3, 2004). This is followed by a rebuttal by the article's original authors, John M. Barron and Michael E. Staten.

Those of us responsible for producing the *Journal* hope these fine contributions to our literature will keep our readers informed, and will inspire further research and analysis.

Joseph A. Russo, Editor
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