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## The Impact of Prior-Prior Year on Federal Student Aid Eligibility

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The Impact of Prior-Prior Year on Federal Student Aid Eligibility

by

Valerie A. Mockus

A dissertation submitted in partial fulfillment  
of the requirements for the degree of  
Doctor of Business Administration  
Muma College of Business  
University of South Florida

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## DEDICATION

This work is dedicated to: my mother, the strongest person I know; my husband, the best person I know; my grandmother Betty, the driving force for my academic, spiritual, and artistic education; and Max and Medusa, who supervised my work and reminded me to take breaks.

I wrote this for the financial aid professionals who show up every day with the hope of helping students find ways to fund their educational goals.

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It would be easier to say who has not helped me on this journey. Nonetheless, I'll try...

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## ABSTRACT

Each year, millions of Americans complete the Free Application for Federal Student Aid (FAFSA) in hopes of securing federal, state, and institutional funding to support their educational goals. The FAFSA recently changed the age of tax data used to determine eligibility for aid, including the Federal Pell Grant—eligibility for which is often used as a proxy for students with the highest need. This study includes a comprehensive review of the extant literature on the subject of prior-prior year. It is also the first look into the actual impact of the recent shift from Prior Year (PY) tax information to Prior-Prior Year (PPY) tax information used in the FAFSA process. The study includes recalculations of eligibility completed with a sample of over 460,000 applicants from widely diversion institutions supplied by CampusLogic (a vendor that works with public, private not-for-profit, and private for-profit institutions). The study capitalizes on previous research that found slightly older tax data had little impact on Pell eligibility. However, where there was a shift, previous studies found independent students without children had the most volatility in their awards and decreased in amount. This study confirms for 2 of 3 dependency statuses sampled, there was little impact caused by switching from PY to PPY tax information. In contrast to previous research, this study finds Pell grants increased almost \$300 per student for independent students without dependents than for students with dependency statuses of dependent or independent with dependents who had increases closer to \$100. Finally, the study examines if the earlier application timeline is taken advantage of by Pell-eligible students, particularly focusing

on first-time, first-generation college students, and finds these students have a higher rate of application in the first quarter than in previous years.

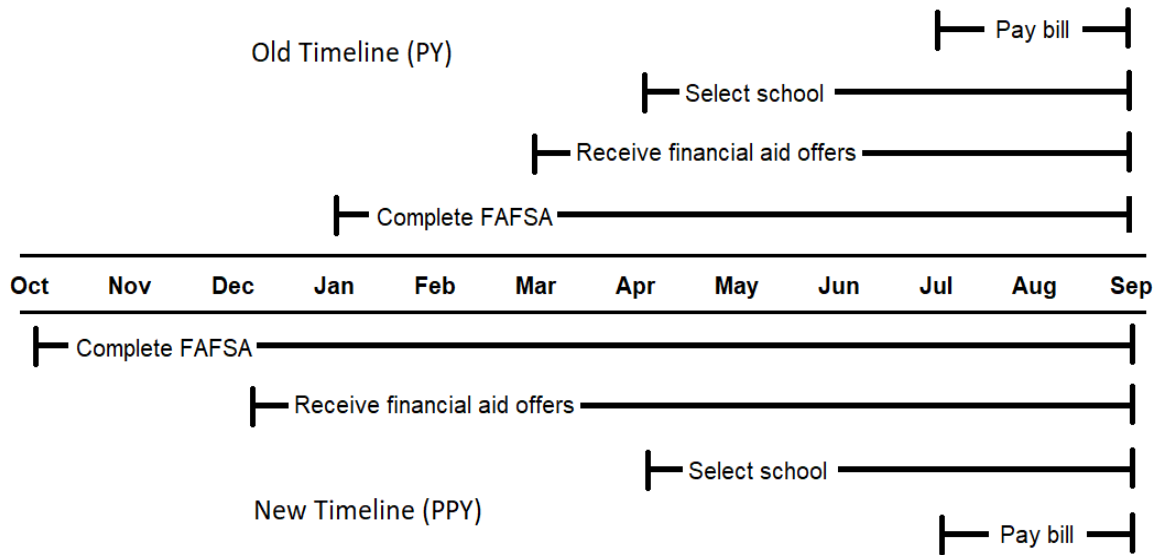
## CHAPTER ONE: INTRODUCTION

Each year, approximately 20 million Americans apply for federal student financial aid using the Free Application for Federal Student Aid (FAFSA) (Federal Student Aid (FSA), 2018). In 2017-2018, the FAFSA was up to 105 questions long plus an additional 32 sub-questions. In fact, the FAFSA has been demonstrated to be considerably longer than most applicants' federal tax forms (Dynarski & Scott-Clayton, 2008). Conversely, the time potential college students have between submitting the FAFSA and paying the bill is short. As a result, researchers have spent considerable energy to identify ways to shorten the application and lengthen the time applicants have to make college-going decisions and take action.

One method considered for reducing the complexity of the FAFSA was the adoption of using older income tax information. In 2008, the federal government passed the Higher Education Opportunity Act that allowed for adoption of prior-prior year tax usage. In 2015 via executive order, President Obama declared changes to the procedures for processing financial aid that allowed for use of the prior-prior year (PPY) income information in the federal aid application process. As the income data used in PPY are available months before the FAFSA is available, the shift to older income data allowed a shift to an earlier FAFSA availability date.

Figure 1 contrasts what traditional high school students experienced in Prior Year (PY) and PPY timelines. The activities above the monthly timeline demonstrate the PY timeline students followed to complete the major activities related to applying for financial aid: completing the

FAFSA, receiving offers, selecting a school, and paying the bill for the first term. Note how the process commenced at the beginning of the calendar year of the planned fall attendance as the FAFSA was available on January 1<sup>st</sup>. In the new timeline, students can begin the financial aid application process three months earlier, elongating the timeline up to 33%, as the FAFSA was made available on October 1<sup>st</sup>.



**Figure 1** PY Timeline Compared to PPY Timeline

Before its adoption, the option of using two-year-old tax data in PPY had been the subject of research for two decades as a possible solution for helping families (Kelchen & Jones, 2015), especially those filing late in the spring or filing extensions. Late filers often risk missing state aid application deadlines (Asher, 2007).

Research on PPY had been relatively lean before its adoption. Early in the debate about PPY, in response to mounting pressure to consider this change, the Office of Post-Secondary Education published a report in 1997 declaring two-thirds of students would have the wrong aid eligibility if

the change to PPY was implemented (Advisory Committee on Student Financial Assistance, 1997).

As documented by other researchers, one year later, Daniel Madzellan at the Department of Education asserted two major findings in his unpublished piece “HEA reauthorization issue: Using ‘prior-prior’ year income” (Kelchen, 2014; Kelchen & Jones, 2015; National Association of Student Financial Aid Administrators (NASFAA), 2013). First, he found that well over 80% of students would receive the same award with the new method PPY as they would have received under the old method Prior Year (PY). Second, he found PPY as only 5% less accurate than the then-current method of PY income usage. It would be almost 15 years before more studies surfaced.

Between 2012 and 2015, four more empirical studies explored the probable impact of implementing Prior-Prior Year. The National Association of Financial Aid Administrators (NASFAA) committed a great deal of time and research to make the argument in favor of the change (McClellan Coval, 2015). NASFAA asserted the “ideal PPY system would not change (i.e., increase or decrease) any students’ awards,”(National Association of Student Financial Aid Administrators (NASFAA), 2013, p. 5). NASFAA also completed an administrative burden survey of members and the top recommendation was that PPY be implemented (National Association of Student Financial Aid Administrators (NASFAA), 2015). That recommendation called out three student benefits of PPY as (1) the ability to apply for financial aid earlier, (2) an application that would be easier to complete and more accurate, and (3) the use of the IRS Data Retrieval Tool (DRT) to reduce selection of records for federal verification.

In one of the four studies during that period, researchers found significantly different outcomes from the implementation of PPY for students based on their dependency status. Specifically,

independent students with no dependents of their own were found to be more likely than the other two statuses to experience a decrease in Pell Grant eligibility (Kelchen & Jones, 2015).

In advance of the 2017-2018 school year, advocates for simplification and longer decision windows declared a large win when the United States Department of Education implemented a change to the collection of tax information for families completing the FAFSA. The change requires families to use tax information from the second preceding tax year. In all previous aid application years of federal student aid, families applying for aid were required to use the income information from the immediately preceding year. With this change, families would begin to use data from two years prior. In Table 1, the FAFSA transition years of both 2016-2017 and 2017-2018 use the same tax income information from 2015 IRS forms.

**Table 1** The Change from PY Income Information to PPY Income Information

School Year	Tax Return Used on FAFSA	Tax Return Year
2013-2014	2012	Prior year
2014-2015	2013	Prior year
2015-2016	2014	Prior year
<b>2016-2017</b>	<b>2015</b>	<b>Prior year</b>
<b>2017-2018</b>	<b>2015</b>	<b>Prior-prior year</b>
2018-2019	2016	Prior-prior year
2019-2020	2017	Prior-prior year
2020-2021	2018	Prior-prior year

Since the announcement to move to PPY, concerns were raised about the likelihood of unintended consequences. Would Pell award amounts change if using a different year of income? Would the new timeline result in high-need students—like Pell-eligible, first-generation students—applying earlier? Or, as research on the relationship between student college preparation and a schools’ guidance counselor ratios and workload (Robinson & Roksa, 2016), would much of the benefit go to students with better guidance counselor to student ratios where college preparation was a focus?



In addition to the questions about the change in amounts and first-generation student participation rate, other questions surfaced. Colleges would have the family financial data earlier in the Admission cycle. What if colleges used the family financial health information to weed out needier applicants (Boeckenstedt, 2015)? What if colleges moved their deposit deadlines earlier and essentially negated the “extra time” families would have to decide, a key benefit of making this processing change—a change NASFAA specifically requested schools not make (National Association of Student Financial Aid Administrators (NASFAA), 2016)?

The push for simplifying the FAFSA by means other than decreasing the number of questions or eliminating the form altogether continued to escalate even as of the publication of this study. During her first Federal Student Aid conference in a speech on Tuesday, November 28, 2017, Department of Education Secretary Betsy DeVos articulated her concern about the complexity of the aid application process. She went on to announce a new federal initiative to simplify the application. “We're excited to announce we're moving FAFSA to a mobile app,” said DeVos. “We will make the financial aid process modern, streamlined, more accessible, and simply easier for students” (Federal Student Aid (FSA), 2017). The Department of Education announced plans make the mobile app available during the summer of 2018.<sup>1</sup> As of mid-August 2018, the mobile app was still labeled as “coming soon” on the FSA website.<sup>2</sup>

### **Statement of the Problem**

For at least 20 years, researchers have been attempting to predict and quantify what the impact of changing to prior-prior year would have on student financial aid eligibility. Six empirical studies

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<sup>1</sup> [https://www.nasfaa.org/news-item/15544/ED\\_FAFSA\\_2018-19\\_and\\_Beyond\\_10\\_15\\_-\\_11\\_15\\_a\\_m](https://www.nasfaa.org/news-item/15544/ED_FAFSA_2018-19_and_Beyond_10_15_-_11_15_a_m)

<sup>2</sup> <https://studentaid.ed.gov/sa/about/announcements/fafsa-mobile-options>

have attempted to predict the impact of the change in the application process from prior year income information to the preceding year income information. The predictions of impact have ranged from one extreme to another. In the earliest of studies, researchers stated the change would cause the majority of students to either unfairly lose aid they should have or to unfairly receive aid they should not. At the other extreme, more recent research predicted very little financial impact but great improvement in the application experience due to decreased complexity and the possibility of additional time for families to prepare for admission and attendance.

The 2017-2018 school year implementation of PPY provided an opportunity to explore the initial impact of the change to the application process. Particularly, research can help confirm which methods used to predict outcomes came closest to the actual impact on the student eligibility.

In 2004, Federal Student Aid gave financial aid administrators (FAAs) the primary directive “to deliver the right aid, to the right student, at the right time, and at the right cost,” (Federal Student Aid (FSA), 2004). The financial aid community and researchers, tasked with that imperative, can now look for indicators of the successes and failures due to the transition from PY to PPY with a keen focus on the impact on students. In addition to this directive for practitioners, research has suggested major impacts on degree completion associated with changes in aid. Researchers findings suggest additional aid of \$1,300 increased 6-year degree completion by 22% (Castleman & Long, 2016) and \$3,500 increased degree completion by 29% in an even tighter timeline of 4 years (Goldrick-Rab, Kelchen, Harris, & Benson, 2016).

Using the prior year methodology as the accepted baseline or “the right aid to the right students” and testing the first year of PPY for similar results, this research attempted to answer if, overall, the right aid was given to the right students after switching from PY to PPY. Also, the research attempted to answer if those most at-risk—low-income, first-generation students—would take

advantage of the early application date. As of the date of this study, no post-implementation analysis has been published.

### **Motivation for the Study**

The researcher was keenly interested in this topic for both professional and personal reasons. As a workstudy student working in a financial aid office in the early 1990s, the researcher recalled office conversations about the proposed switch from PY to PPY. To the casual observer, the use of complete, even if slightly older, data seemed like an excellent way to allow families to apply earlier in the calendar year. As this researcher advanced in her career in financial aid, the discourse surrounding PPY quieted but then resurfaced in the 2010s due to NASFAA's efforts to bring about the change to PPY in the aid application process.

The researcher then completed a pilot phenomenological study to identify themes associated with PPY. The study found that the participants recalled most administrators in the 1990s financial aid profession were generally opposed to the shift PPY. One participant stated:

A lot of people were complaining that [PPY] would drastically increase the number of professional judgement calls we'd be asked to make because you were widening that window of time between the earning of the income that was being reported and the beginning of the enrollment that using financial aid determined by that income. You already had things, adjustments to possibly make from a prior year. If you go back two years, you're talking about even more adjustments, so that was always the objection. I think for a long time, those objections were drowning out the argument about the potential advantages of it (Mockus, 2018).

Gradually, there was a shift in support of moving to PPY. While there were still many who did not support the shift at the time of implementation due to the expectation there would be many

requests for adjustments due to changes in circumstances within the year between the tax information provided and year of attendance to be aided, many FAAs looked forward to the shift and the benefits to the students applying for aid.

The timing of this research was very early in the post-PY era. Typical financial aid samples like those available from The National Postsecondary Student Aid Study (NPSAS) are collected after the aid year and released the following calendar year. For example, NPSAS plans to collect 2018-2019 data in 2019 and release them in 2020 (The National Postsecondary Student Aid Study (NPSAS), 2017). In fact, according to NASFAA, it was expected most researchers would not revisit this issue until there are multiple years of data to evaluate trends instead of a direct year-over-year comparison of the impact on the first wave of adopters—the purpose of this research (National Association of Student Financial Aid Administrators (NASFAA), 2017). The researcher’s ability to begin the evaluation in 2018 for data included in the 2016-2017 through 2018-2019 aid years was two years in advance of the availability of the typical data set used by most researchers.

### **Purpose of the Study**

Research in the area of prior-prior year published before 2018 could have only been predictive as the earliest actual PPY data did not exist before that year. As such, all previous studies have provided models for predicting how moving from prior year to prior-prior year tax reporting on the FAFSA would have impacted students, schools, and tax payers but they have not supplied insights into the actual outcomes. Previous studies have also been limited in the type and size of samples available to researchers.

The purposes of this study were to explore the impact of prior-prior year including (1) determining the actual, not predicted, impact of prior-prior year and (2) analyzing a larger, more diverse sample

to provide more generalizable findings. While two types of schools—public and private, not-for-profit—have been represented in research samples, schools labeled as private, for-profit institutions (sometimes called proprietary institutions) are often missing in research samples (Kelchen & Jones, 2015; National Association of Student Financial Aid Administrators (NASFAA), 2013; Rueben, Gault, & Baum, 2015).

To achieve the primary purpose of the study, the research was performed immediately after the first two quarters of data were available on March 31, 2018. The method and initial findings were shared at a practitioner conference at the end of June 2018, where participants offered suggestions on how to improve the study. This early analysis provided immediate insight into the shifts that occurred in student eligibility for early applicants, especially as it related to the applicant dependency status.

To achieve the second purpose of the study, the sample includes a larger sample of over 450,000 students versus up to 30,000 students in some of the previous studies on PPY. Moreover, the sample student records are from not just public and private, not-for-profit but also from private, for-profit institutions.

### **Significance of the Study**

The impact of implementing prior-prior year on student financial aid eligibility, the focus of this study, has significance for both practitioners involved with administering student financial aid and researchers focusing on FAFSA simplification.

#### **Of Interest to Practitioners and Researchers.**

This study was the first of its kind to study the actual impact of the change to federal student aid caused by the switch from using prior year income information to using prior-prior year income

information on the FAFSA. All previous studies sought to predict the impact of the change but were unable to confirm or deny those predictions given the change had not yet occurred.

### **Of Interest to Practitioners.**

This research sought to address practitioner questions like the following. Did PPY continue to offer the right aid to the right students at the right time, assuming PY was doing so? Did lower-income students really apply earlier and, therefore, take advantage of the application availability date shift?

While a shift of a few dollars in an award may seem insignificant to researchers, as per the 2017-2018 federal guidelines, such changes were required to be reported by FAAs.<sup>3</sup> Given the low funding and high need of applicants, FAAs regularly used the difference of the Expected Family Contribution (EFC) index from \$0 to \$1 to disqualify students from entire grant programs like the Federal Supplemental Educational Opportunity Grant and sometimes sought additional ways to discriminate among the highest need students, those with an EFC of 0 (Kelchen, 2014). Moreover, FAAs were expected to report changes to any non-dollar items and any changes greater than 24 on dollar items on the FAFSA according to 2017-2018 verification guidelines. While that \$25 difference could change the EFC index significantly, more often it has little to no impact on the EFC given the many variables, allowances, and factors in the EFC formula. Nonetheless, these tiny variances in values (non-dollar changes and dollar changes of more than \$24) are federally required to be reported. Given the scrutiny placed on FAAs to be exacting in their calculations, variance in a student's federal aid eligibility caused by using a different year's income seems to run counter to the high value placed on exacting accuracy.

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<sup>3</sup> <https://ifap.ed.gov/fsahandbook/attachments/1718AVGCh4.pdf> page 89

### **Of Interest to Researchers.**

This research hopes to address researcher questions like the following. Were the predictive methods adequate and accurate? What could have been done to improve the models proactively to get better estimates, if anything?

The size of the sample and types of institutions also add to the value of this study as well as the distribution of almost equal portions of dependent and independent students in the sample.

### **Research Question**

#### **What Has Been the Impact of Implementing Prior-Prior Year on Federal Student Financial Aid Eligibility?**

The goal of this research is to uncover what has been the impact of the Prior-Prior Year implementation on federal student financial aid eligibility. Particularly, how do the existing predictive empirical studies compare to the actual impact on individual student aid eligibility? For example, in a study that predicted switching from PY to PPY would cause no change in aid for two-thirds of students, does that hypothesis hold up when examining the impact on a sample of students who experienced the switch from PY to PPY during the 2016-2017 and 2017-2018 school years (Kelchen & Jones, 2015)?

### **Definition of Terms**

This study highlights issues related to a change in the federal student financial aid application process and the resulting impact on student financial aid eligibility. The following list defines common words and terms used in the financial aid industry and in this study.

### ***Dependency Status.***

Students were assigned to one of three formula calculations to determine their eligibility for federal financial aid. Those formulae were assigned according to three statuses: **Dependent Students**, **Independent Students with Dependents**, and **Independent Students with No Dependents**. A dependent student must supply parental financial information as they are deemed to not be fiscally independent of their parents. Independent students do not supply parental financial information as they are deemed fiscally independent. Independent students are further classified as either having or not having dependents (other than a spouse) of their own.

Students who answered “Yes” to any of the questions in Table 2 for 2017-2018 school year were considered **Independent**:

**Table 2** Questions to Determine Dependency Status

Were you born before Jan. 1, 1994?
As of today, are you married? (Also answer “Yes” if you are separated but not divorced.)
At the beginning of the 2017–18 school year, will you be working on a master’s or doctorate program (such as an M.A., MBA, M.D., J.D., Ph.D., Ed.D., graduate certificate, etc.)?
Are you currently serving on active duty in the U.S. armed forces for purposes other than training? (If you are a National Guard or Reserves enlistee, are you on active duty for other than state or training purposes?)
Are you a veteran of the U.S. armed forces?
Do you now have—or will you have—children who will receive more than half of their support from you between July 1, 2017, and June 30, 2018?
Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2018?
At any time since you turned age 13, were both your parents deceased, were you in foster care, or were you a dependent or ward of the court?
Has it been determined by a court in your state of legal residence that you are an emancipated minor or that someone other than your parent or stepparent has legal guardianship of you? (You also should answer "Yes" if you are now an adult but were in legal guardianship or were an emancipated minor immediately before you reached the age of being an adult in your state. Answer "No" if the court papers say "custody" rather than "guardianship.")



Table 2 continued

At any time on or after July 1, 2016, were you determined to be an unaccompanied youth who was homeless or were self-supporting and at risk of being homeless, as determined by (a) your high school or district homeless liaison, (b) the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development, or (c) the director of a runaway or homeless youth basic center or transitional living program?
---

Of the students who answered “Yes” to any of the previous questions, those who answered “Yes” to either of the questions in Table 3 for 2017-2018 school year were considered **Independent Students with Dependents**. Of the students who answered “Yes” to any of the previous questions, those who answered “No” to the questions in Table 3 were considered **Independent Students without Dependents**.

**Table 3** Questions to Determine Dependents Other Than Spouse

Do you now have—or will you have—children who will receive more than half of their support from you between July 1, 2017, and June 30, 2018?
Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2018?

Students who answered “No” to all questions in Tables 2 and 3 were considered **Dependent Students**.

***DRT.***

The Internal Revenue Service Data Retrieval Tool supplied income information from the IRS database directly to the FAFSA in an automatic way after the student and, if appropriate, the parent authorized transferal of income information. This tool was only helpful for 1 in 4 students because, prior to PPY, most families had not filed their taxes early enough to use the retrieval tool. After PPY was implemented, it was expected significantly more families could and would use the DRT.

### ***EFC.***

The Expected Family Contribution (EFC) is a measure of a student's family's financial strength and is calculated according to a formula established by federal regulation. The student's family's taxed and untaxed income, assets, and benefits (such as unemployment or Social Security) are all considered in the formula. Also considered are the student's family size and the number of family members who will attend college during the year.<sup>4</sup> The EFC is a whole number between 0 and 999,999. The change to the EFC year-over-year will be of interest in the study as the EFC has a direct relationship with Pell eligibility. See **The EFC Formula, 2017-2018**<sup>5</sup> to review the calculation for EFCs in the financial aid year of interest for this study.

### ***FAFSA.***

The Free Application for Federal Student Aid is the form used in the United States to apply for federal student aid. The application serves to apply for federal grant, work, and loan programs. The calculation performed on the data supplied on the FAFSA results in the EFC. See Appendix A for the complete 2017-2018 FAFSA and Appendix B for the calculations for all EFC formulae for 2017-2018.

### ***First-Generation.***

Students classified as first-generation meet one of two conditions. The first condition is, when a student is raised by both parents, neither parent completed a bachelor's degree. The second condition, when a student is raised by only one parent, the single parent did not complete a

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<sup>4</sup> Adapted from <https://fafsa.ed.gov/help/fftoc01g.htm>

<sup>5</sup> Available at <https://studentaid.ed.gov/sa/sites/default/files/2017-18-efc-formula.pdf>

bachelor's degree.<sup>6</sup> These students often do not have family members who can provide guidance on the college application process nor the attendance experience.

### ***ISIR.***

The Free Application for Federal Student Aid (FAFSA) results in a report that is sent to the colleges or universities selected by the student. The report, the Institutional Student Information Record, is typically referred to as the ISIR. The ISIR has both the student's information submitted on the FAFSA as well as information provided by the Department of Education related to the student's application and eligibility for federal aid.

### ***Low-SES.***

Students of low socioeconomic status, or low-SES, are those with low financial resources and, in the case of dependent students, those whose parents have low financial resources. While SES generally relates to the three factors of income, education, and occupation, this study will primarily focus on the income factor. Therefore, students described as low-SES are those most in need of student financial aid to pay for college and those with high SES are least in need of student financial aid to pay for college.

### ***Pell, Shift in.***

Pell Grant eligibility, often used as a proxy to denote students with low-SES, is a primary concept in this study. Changes in Pell Grant eligibility or large changes (more than \$500) caused by adoption of PPY would indicate to the aid community the policy did not have the desired effect.

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<sup>6</sup> <https://www2.ed.gov/about/offices/list/ope/trio/triohea.pdf>

### ***PJ.***

When a student requested an adjustment to the FAFSA based on a change of circumstances (or a change in cost of attendance) and the request was approved, the financial aid administrator granted a Professional Judgement (PJ). The PJ allowed the aid administrator to take into consideration unusual situations that the regular financial aid application process does not address. Records with special circumstances and resulting PJs were, strictly speaking, not following the same data standards as those records that have not had PJs performed. While a PJ sought to more accurately reflect the student's then-current financial situation, it did not reflect the actual financial situation of the FAFSA year.

### ***PPY.***

Prior-Prior Year is the financial aid application methodology that uses family income from the second preceding tax year.

### ***PY.***

Prior Year is the financial aid application methodology that uses family income from the immediately preceding tax year.

### ***Verification.***

Verification is the process of requiring students to submit documentation to confirm information they and their families reported on the FAFSA.<sup>7</sup> The process was complicated by the transition from PY to PPY for two reasons. First, students had to submit 2015 tax information for 2016-2017 and, months later, also for 2017-2018 FAFSAs. Skip-logic was not provided unlike most

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<sup>7</sup> Verification can be required due to federal requirements—called federal verification—or due to an institution choosing to perform verification for their own reasons. This study focuses exclusively on federal verification.

other fields where previously recorded data remained available for update but did not require re-entry. Second, the Department of Education chose to perform cross-year validation of the repeated data and asked schools to work with students to address all discrepancies. If students did not complete the process of cross-year validation, they would lose their federal aid.

### **Organization of the Study**

This study is organized into five chapters. Chapter One introduced the issue of prior-prior year as well as described the purpose of the study. Chapter Two examines theory related to the topic and delivers a comprehensive review of the extant literature on the topic of prior-prior year. Chapter Three describes the data used in the study and the methods used to study the impact of prior-prior year on student financial aid eligibility. Chapter Four presents the findings of the study. Chapter Five will draw conclusions as well as cover implications and recommendations.

## **CHAPTER TWO: THEORY AND HYPOTHESES**

### **Introduction**

This chapter reviews academic literature related to the implementation of prior-prior year tax information on the FAFSA as well as discusses this study's hypotheses. First, the chapter begins with a discussion of theories contributing to the research. PPY is then positioned within the greater research arena of FAFSA simplification. Third, the relevant PPY research is reviewed and seminal works related to PPY are summarized. Lastly, the research question is framed into this study's hypotheses.

### **Theories**

This section discusses three theories that underpin the framework of this study: social mobility theory, human capital theory, and social capital theory.

#### **Social Mobility Theory**

Social mobility theory examines how people move vertically or horizontally between social statuses. Horizontal movement is used to label movement from one social group to another but the subject has remained at the same status level. Of particular interest in this study is vertical movement. Vertical movement is used to label movement from one social group to another at a different status level. The vertical movement can be upward or downward (Shkaratan, 2012).

Upward vertical mobility is associated with better outcomes for individuals (Iveson & Deary, 2017). Specifically, groups with higher social status enjoy access to “material things, educational opportunities, healthful environments, and economic growth. It is also an important predictor of health across the lifespan, with people of lower social status having both higher morbidity and mortality” (Johnson, Brett, & Deary, 2010).

Social mobility can be measured intergenerationally or intragenerationally.<sup>8</sup> Intergenerational social mobility considers the vertical movement of a unit, usually a family, from one generation to another. Intragenerational social mobility considers the vertical movement of an individual that, by definition, takes place within a single generation. Intragenerational social mobility is considered short-term compared to intergenerational social mobility. Sustained mobility takes longer.

Research has shown that children whose parents moved down in mobility had less education than peers in the status of origin but better than peers in the status of destination and the converse was true (Plewis & Bartley, 2014). Beginning in the mid-1900s, the United States made significant investment into higher education as a means of providing upward social mobility to citizens (Goldrick-Rab et al., 2016). Research has shown that a college degree is essentially a requirement for social mobility (Baum et al., 2013; Buyyounouski, 2010; Engle & O'Brien, 2007; Goldrick-Rab et al., 2016).

Not surprisingly, research has also shown the general lack of intragenerational mobility of the household heads for students during the brief few-year periods students complete their financial aid applications (Dynarski & Wiederspan, 2012; Kelchen & Jones, 2015; National Association of

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<sup>8</sup> Researchers interested in exploring within-generation social mobility should search for both “intragenerational” and “intra-generational.”

Student Financial Aid Administrators (NASFAA), 2013; Rueben et al., 2015). Researchers then asked, given the general lack of intragenerational social mobility—specifically, the lack of income changes—during brief periods, could applicants not achieve similar aid eligibility results with relatively recent income data, not necessarily waiting for the data that become available late in the traditional student’s senior year of high school?

Providing an opportunity for upward social mobility has been the argument for awarding student financial aid so otherwise-able students could afford college degrees. Given how very slow upward social mobility is achieved and the need for a completed degree to achieve it, social mobility theory is also a justification for considering older income data on the FAFSA, specifically the argument for the use of PPY.

### **Human Capital Theory**

Human capital theory examines the value of the knowledge, skills, creativity, and attitudes a worker brings to the process of creating economic value. This theory was advanced by Schultz, particularly in the arena of education. Schultz compared wages of different groups and asserted organizations pay higher wages to more educated workers due to the additional economic value they create for the organization (1961). Those higher wages can lead to upward vertical social mobility described in the previous section. In the context of education, Schultz developed concepts relating to human capital and the individual. Individuals must make investments of time and other resources to secure or enhance the knowledge, skills, creativity, and attitudes necessary to create or improve the products (Schultz, 1961). Schultz found forgone earnings as often overlooked in educational planning and asserts that lost earnings of the student during the period of building human capital are in excess of the real cost of capital formation (Schultz, 1968).

Higher education is often seen as “an investment in human capital that can provide an individual with the means to improve their earning potential and employment prospects,” (Esson & Ertl,



2016). In fact, education is identified as the primary mechanism for increasing human capital (Becker, 1993). Researchers have argued that United States educational policy and investment in student financial aid, while ideally tied to upward social mobility, often focused on more practical outcomes like improved gross domestic product via investment in additional human capital through the distribution of student financial aid (Palmadessa, 2017).

Even with this understanding of the importance of investment in human capital, it is not always so clear to the consumer: potential college students. Nonetheless, while the potential consumer of education often is not able to fully predict outcomes from choosing to attend college or not nor does the potential consumer always behave rationally as economic theory often assumes, human capital theory predicts and research has confirmed that “more financial aid leads to increased college entry and therefore completion,” (Boyd, 2014). (The following section on FAFSA simplification expands on the challenge of helping the consumer, the student, get visibility into the investment and rewards from investment into human capital.)

So how does financial aid increase entry and completion? First, the aid acts as an offset. The investment of money to complete a college degree by students could have been offset or delayed by the awarding of student financial aid in multiple forms including grants (funds that did not need to be repaid), loans (funds that had to be repaid), and work (jobs that earnings did not count against calculations for additional student financial aid).

Second, the calculation for determining the maximum aid allowable for a student receiving federal Title IV aid covers a wide range of expenses. In the years of interest for this study, the calculation to determine eligibility for aid began with subtracting the EFC from the cost of attendance (COA). The cost of attendance included tuition, fees, books, supplies, and other direct costs. However, it also typically included housing, food, and personal expenses for the student. In the case where the student was attending at least halftime, not in correspondence classes, and not responsible for

dependents (like their own children), this cost of attendance was designed to take into account most expense centers students experience during enrollment.<sup>9</sup> Where financial aid was sufficient to cover all unmet need (the difference between the COA and the EFC), it was possible the student subsisted on the financial aid.

Loans can offset lost wages while enrolled for some students (Abernathy et al., 2013). Researchers have found that schools choosing not to offer loans—typically to reduce the schools’ risk of losing eligibility to participate in federal aid programs due to high default rates—may have unintentionally impacted students’ ability to replace earnings with student loans thus causing students to have to work during enrollment and negatively impact their outcomes. The non-borrowing students’ time spent working created an opportunity cost great enough to decrease attempted credit hours by 19 in their first year of enrollment when compared to peers who had access to student loans (Wiederspan, 2015).

If aid acted as an offset to decrease or delay the expense of education and the calculation for determining aid was designed to include all of the student’s expenses centers, human capital theory may offer some insights into why different households have different outcomes. Let’s consider the three types of student statuses and how the household was prepared to make the investment in education.

Dependent students, who likely had to forgo income to attend, typically did not have sizable income. Their parents, whose income was taken into consideration for determining the family’s ability to pay, needed not forgo income to attend. As social mobility would have predicted little

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<sup>9</sup> <https://ifap.ed.gov/fsahandbook/attachments/1718FSAHbkVol3Chapter2.pdf>

volatility in parental income changes and the magnitude of the change in student income would have likely been small, the change to PPY would likely have little impact on these records.

Unfortunately, the parent in the household just described in the previous paragraph would have had a vastly different experience. For working parents who wished to go back to school, the decision to forgo wages during the period of enrollment would have had a much larger impact on the family's financial health. Additionally, researchers found that low-income students still had thousands of dollars per year in unmet need—the difference between the COA and EFC—and low-income parents who wished to go back to school had even more unmet need as the COA calculation did not reflect the additional number of household members beyond the student (Polakow, 2004). While the argument for the investment in education may have been compelling for these working parents, the offset—especially for the most at-risk families of low-income—was not adequate and the expense centers in the aid calculations did not take the students' whole financial situation into account. Assuming the actors would make rational choices, working independent students with dependents whose incomes were necessary for the household to function would not likely have been in a position to sacrifice wages to attend school. Independent students with dependents who were not previously working or who were able to attend without decreasing their professional workload would not have had this challenge. They would also not have had a change in aid eligibility caused by the switch from PY to PPY because their choice to attend did not cause a change in income.

The third student status, independent without dependents, had yet another experience. Independent students without dependent were similar to dependent students in that they did not have children dependent on their income, so they were more at liberty to forgo income. Moreover, the COA took most of their expense centers into account, unlike independent students with dependents who did not have costs of attendance that reflected the majority of their expense centers. So, while

these students may have chosen to forgo income to make the investment in human capital, they had better odds of having their aid cover a larger portion of their expenses. In spite of the temporary lack of income, these students were more likely to have had the fortitude to subsist in modest or inconvenient conditions for the duration of an academic program as dependent children were not dependent upon that lost income.

To summarize, dependent students typically did not supply the majority of household income, so their delayed wages did not have a large impact on the decision to invest in human capital nor would the small change in income dramatically impact the EFC when using PPY instead of PY. Independent students with dependents were often a major source of household income and the COA did not reflect the whole household's expenses. In fact, low-income students and students who attended community colleges (like most single mothers attended) had 7 to 8.5 times as much unmet need as high income students attending public schools (Polakow, 2004). As such, it was reasonable to deduct that low-income students providing the majority of income did not see the delay in wages as a viable option and avoided the investment of time and money in education. Independent students without dependents were often a major source of household income but the COA reflected close to their expenses so their temporary delay in wages were reasonable as those students anticipated a return on the human capital investment.

Students with the dependency status of independent without dependents seemed most likely to have the largest shift in EFCs due to the implementation of PPY. Moreover, Kelchen and Jones anticipated the move to PPY would have a significant impact on "independent students who worked before entering college," (Kelchen & Jones, 2015).

### **Social Capital Theory**

Coleman, in the title of his seminal work, placed prominent the relationship between human and social capital: "Social Capital in the Creation of Human Capital" (Coleman, 1988). In the work,

Coleman discusses the nature of social capital in that it is not like other forms of capital because social capital is between actors, not something in the actors or physical items associated with production. There must be multiple actors and this form of capital is part of the interaction between them as well as the requirement that the interaction provides information that facilitates action. Coleman captures the difference between forms of capitals (1988, p. 100):

Social capital, however, comes about through changes in the relations among persons that facilitate action. If physical capital is wholly tangible, being embodied in observable material form, and human capital is less tangible, being embodied in the skills and knowledge acquired by an individual, social capital is less tangible yet, for it exists in the relations among persons. Just as physical capital and human capital facilitate productive activity, social capital does as well.

In an effort to understand how various sources of social capital impact students and college-going behaviors, researchers in the area of higher education examined the difference for middle- and upper-class families compared to lower-class families as well as the difference between legacy students (those whose parent(s) attended) and first-generation college students and how those differences impacted students' abilities to get information needed to attend college. Particularly as it relates to first-generation students, researchers found that first-generation students were less likely to discuss college with their parents and requirements such as SAT and ACT entrance exams (Ceja, 2006).

The whole picture, though, went beyond just income and parental college attendance—items that are closely tied to social class. Researchers argue, when families made proactive investments of social capital into their children, there were significant changes. Coleman provides an example of parents in a particular community securing additional copies of school textbooks so immigrant mothers from Asia could help their children with their academics. Coleman states, “Here is a case

in which the human capital of the parents...is low, but the social capital in the family available for the child's education is extremely high” (1988, p. 110).

Guidance counselors are a tremendous resource to students to provide information to facilitate the action of attending college. The interaction and call to action provided by a guidance counselor are clear examples of social capital: the counselor has information to bestow, the information is designed to result in a call for action, and the interaction with the other actor (the student) are the fundamental components necessary to create social capital. Researchers explored the relationship between guidance counselor and high school student interactions at schools grouped according to the college-going culture: specifically, from high college-going culture where expectations, resources, and structures reinforced college attendance to low college-going culture where expectations, resources, and structures did not reinforce college attendance. Researchers found that simply meeting with guidance counselors increased the likelihood a student attending a moderate college-going culture high school would attend a 4-year school (Robinson & Roksa, 2016).

Unfortunately, research has also shown that students attending schools in low-income areas have less access to guidance counselors (Gagnon & Mattingly, 2016), and to information needed to attend college due to the high student to counselor ratio at low-income high schools (Bryan, Moore-Thomas, Day-Vines, & Holcomb-McCoy, 2011).

Given the need for the investment of social capital to create human capital and the lower investment for first-generation, low-SES students, social capital theory offers a framework by which to consider the likelihood of those at-risk, potential first-generation college students will have secured guidance regarding the earlier FAFSA application date with the advent of PPY.

## Summary

Social mobility examines the shift in social groups as either the movement vertically (achievement of a higher social status along with the benefits or lower status with the associated losses) or horizontally (lateral moves among social groups). Upward social mobility affords the attainer better results—from improved access to material goods to improved health outcomes. The length of time it takes to achieve social mobility is often over multiple generations. As such, one would expect metrics like income used on the FAFSA to have been relatively stable. Therefore, does the older income information lend itself to substitution from one year to the next as proposed in early prior-prior year research?

Investment in human capital serves as a main force to achieve upward social mobility. A primary method to develop human capital is education. The investment, however, must be made when possible. Young people still dependent upon their parents had their parental income as the primary resource on the FAFSA and that income, as described in the context of social mobility, would not likely change dramatically during enrollment. Those applying for aid who were no longer dependent upon parents but had to provide for dependents of their own were probably least able to forgo income to attend college and, therefore, likely seek ways to keep income steady while attending or not attend at all. The last group of students, those who were independent and did not have to provide for dependents of their own were probably the most likely to see a change in income—a temporary downward change in the form of sacrificed wages. Does it then follow that when a significant change occurred in income year-over-year—and resulting significant changes in EFC and Pell Grant awards—it was most likely to be in the case of those students who were independent and did not have dependents of their own?

Social capital, key in the formation of human capital, focuses on the resources developed between actors. The key component of social capital is that the capital provides information that facilitates

action. In particular, the effect of social capital on human capital development is particularly poignant when examining human capital development intergenerationally. As with Coleman's example of the parents buying any extra copy of textbooks to assist their students, the investment does not necessarily call for high human capital, but the interaction between players is of interest. Parents, community members, and schools all play key roles in the development of students through sharing information with students. With the advent of the use of slightly older income data thereby making the FAFSA available at earlier dates, what would the impact be on some of the most at-risk students—Pell-eligible, first-generation students—who likely did not have low student-to-counselor ratios, college-going cultures in their high schools, nor parents with knowledge of the application process available to provide guidance and assistance?

Social mobility, human capital, and social capital offer theoretical lenses through which to view PPY and can provide direction in developing the research question of impact into hypotheses. But first, two examinations are in order: an examination of the larger arena surrounding PPY—the effort to simplify the FAFSA and make the application process less difficult—and, later, a review of what researchers have found thus far on the subject of PPY. Both will assist to position the study within the context of practitioner concerns related to PPY.

### **FAFSA Simplification**

Simply put, potential college students cannot respond to a price subsidy if they do not know it exists.

–Dynarski & Scott-Clayton, 2006

During the period of interest for this study, the Free Application for Federal Student Aid (FAFSA) was the singular method for students to apply for federal student aid. Given its status as the



gatekeeper to access all federal funds (Pell Grants, Direct Loans, Federal Work Study, and others), much research has focused on finding ways to make the form as simple as possible.

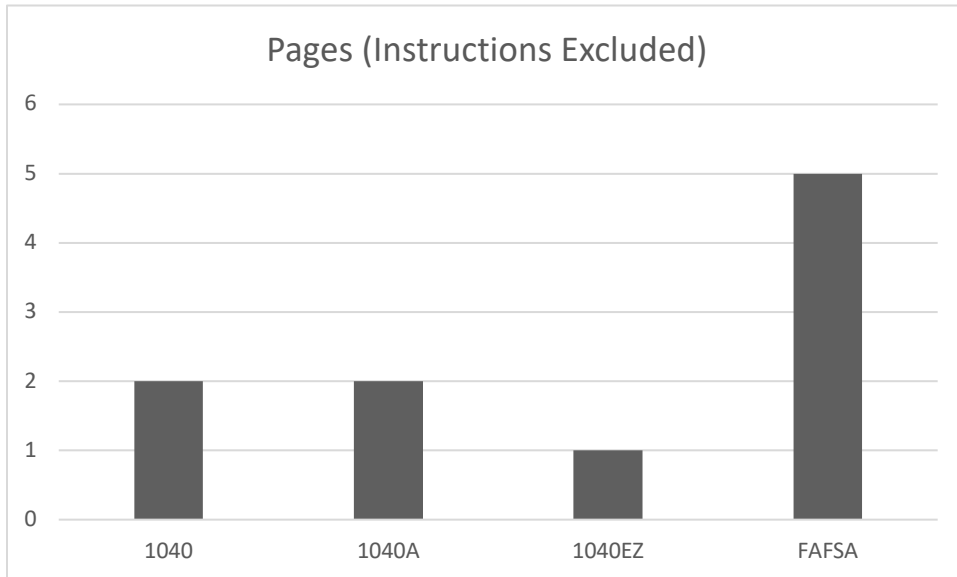
Researchers found in 2004 that approximately 1.5 million students who would have been eligible for Pell Grant did not complete the FAFSA, likely due to the complexity of the aid application process (Asher, 2007). By 2007-2008, the estimation of students who would have been eligible but did not apply had increased to 2.3 million (Scott & U. S. Government Accountability Office, 2009). These numbers did not include the number of potential college students who opted out of attending because of the difficulty of determining the possibility of a discount that would make college education affordable.

In a study published in 2017, Kofoed found several characteristics have a significant impact on the likelihood of a student completing the FAFSA. Students with the following characteristics are less likely to complete a FASA than their counterparts: lower to middle income, white, male, independent, resident, and upper-class students (Kofoed, 2017).

Researchers have focused on how the most at-risk population, low-income students, are discouraged by the complexity of the application process (Avery & Kane, 2004). In addition to being the gatekeeper for federal aid, researchers have noted that the FAFSA also served as the official application for most state aid programs and institutional scholarships (Dynarski & Scott-Clayton, 2006). As such, if a student did not complete the FAFSA, they had to forgo, in addition to federal aid, state aid.

Researchers have also observed that the application is significantly longer than the federal tax forms most families in the United States complete but the published estimates of time required to complete the form are significantly less than the shorter tax forms (Dynarski & Scott-Clayton, 2006). Figure 2 compares the number of pages on relevant federal forms: tax returns and the FAFSA. Most striking is the difference between the FAFSA, at 5 pages, and the 1040EZ, at 1

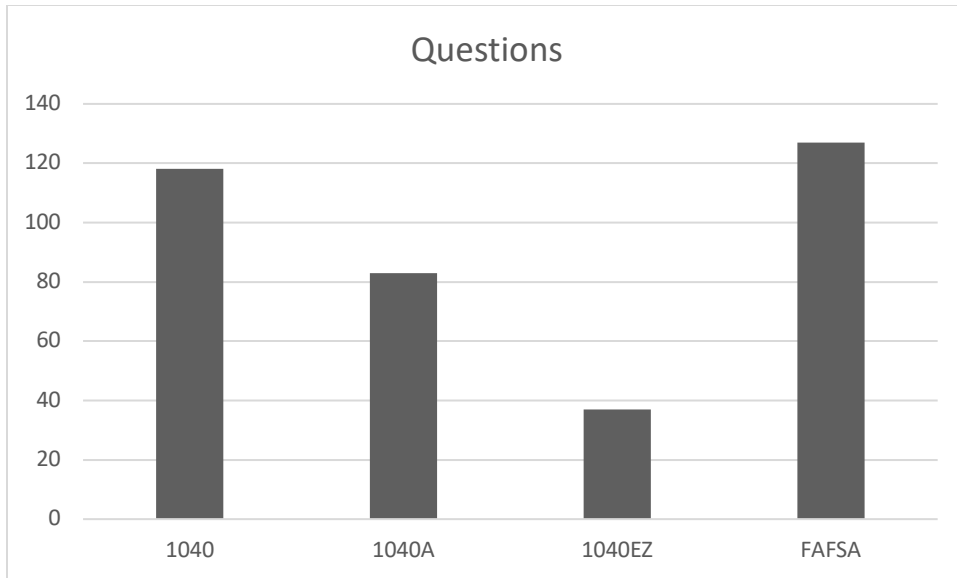
page. Now consider the 1040EZ is designed for filers with thresholds on income from wages and assets. And the FAFSA is supposed to be targeting aid to the most financially vulnerable students, likely the same population.



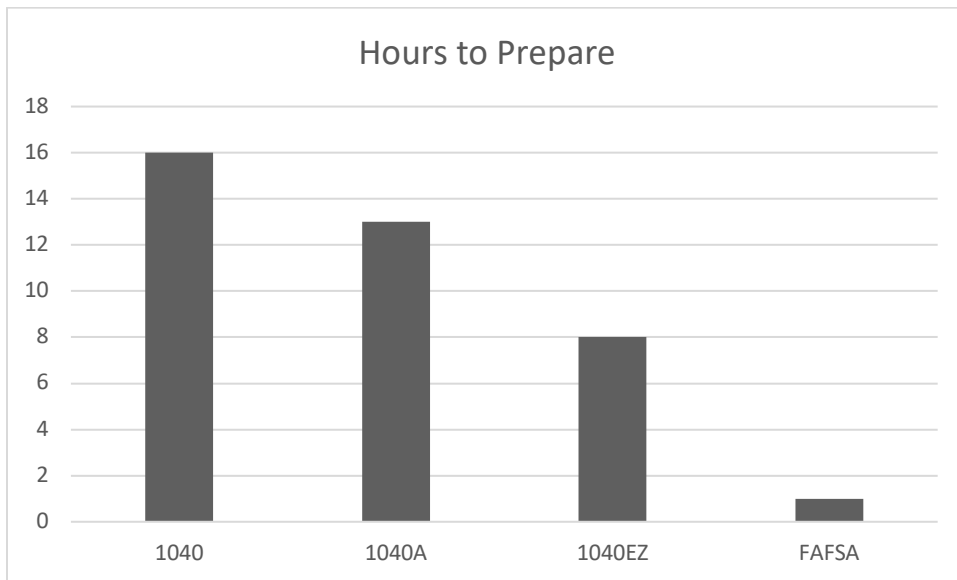
**Figure 2** Comparison of Federal Form Lengths: Pages

The number of questions on federal tax returns and the FAFSA are shown in Figure 3. Again, the most striking difference is between the number of questions on the FAFSA and the 1040EZ as the FAFSA is about 3 times the length.

Figure 4, unlike the previous figures showing more pages and questions on the FAFSA than any tax return, shows the estimated time to complete the tax forms according to the federal government. There appears to be a mismatch. The chart shows the government estimates that the longer form, the FAFSA, takes significantly less time to complete than tax forms, even the 1040EZ that is the shortest and targeted to those with the least financial resources.



**Figure 3** Comparison of Federal Form Lengths: Questions



**Figure 4** Comparison of Federal Form Lengths: Preparation Time

In their working paper on the cost of the complexity, Dynarski and Scott-Clayton when on to assert that locating financial records is a significant obstacle for poor students due to higher frequency of changing addresses and family dysfunctions such as divorce and separation of children from

parents (Dynarski & Scott-Clayton, 2006). Part of their research proposed a new methodology of calculating aid eligibility using significantly fewer FAFSA fields. They found that when they eliminated 80% of FAFSA questions, the Pell still stayed within \$500 for 88% of sample. One minor change alone, getting rid of the worksheets at the end of the FAFSA, resulted in 91% of records getting Pell within \$500 of the Pell award including the worksheet data in the calculations. They attributed this outcome to the fact that the worksheets focus on the extremes of income distributions (top or bottom of incomes). Specifically, the values the applicants supplied on non-worksheet fields either already disqualified the applicants for aid or they already qualified for the maximum aid; therefore, their aid eligibility was not impacted by the worksheet items.

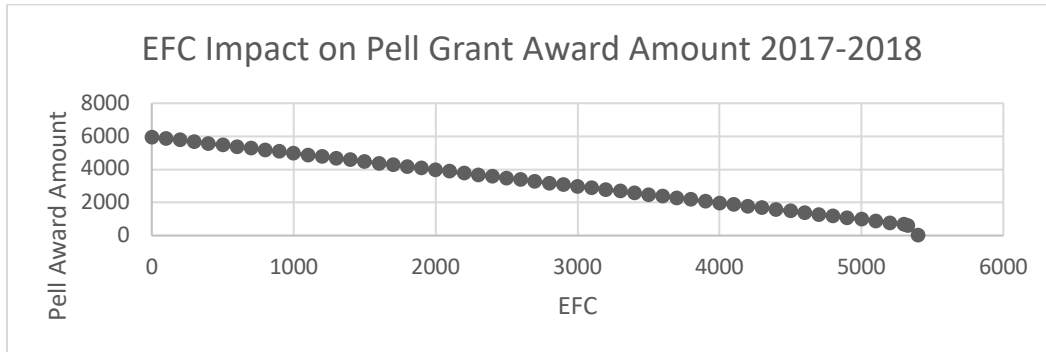
A study published in 2012 found an 8% increase in college attendance when assistance completing the FAFSA was provided that reduced application time to about 10 minutes compared to a group that only received additional information about applying for financial aid and a control group that received neither (Bettinger, Long, Oreopoulos, & Sanbonmatsu, 2012).

Given the findings of the complexity associated with completing the FAFSA, the number of students not completing the process when eligible, and the impact when complexity is reduced, achieving the goal of simplifying the FAFSA seems paramount to improving outcomes for students and potential students alike.

### **Pell Grant**

Since the early 1990s, the reported values on each student's FAFSA has been used in a formula to create an index called the Expected Family Contribution (EFC). The EFC is either zero or a positive whole dollar amount. That index, if low enough, then drives the award amount of the Federal Pell Grant for each aid applicant. Students with a 0 EFC qualify for the maximum Pell Grant (Goldrick-Rab et al., 2016).

For the 2017-2018 year, the maximum Pell Grant for a 0 EFC student was \$5,290 over two fulltime semesters (Federal Student Aid (FSA), 2016). As the EFC increased, the Pell decreased, as seen in Figure 5. As has been the general rule of the Pell Grant calculation, for the 2017-2018 year, as the EFC went up by 100, the Pell Grant went down by \$100. Students with EFCs between 5301 and 5328 were awarded \$606; however, beginning at EFCs of 5329, applicants received no Pell.



**Figure 5** Pell Grant Amounts 2017-2018

The distribution of Pell Grants is fairly targeted. Stedman, in his 2003 report to the United States Congress, found the Pell Grant is awarded almost exclusively to applicants with family incomes below \$40,000 per year (Dynarski & Scott-Clayton, 2008). Given the targeted nature of the grant and the low-income of the families who are eligible for Pell Grant, the impact on these students of any policy change is the subject of much discussion.

Researchers and practitioners alike often use eligibility for Pell Grant as a proxy for indication of the highest need aid applicants (Brock, Mayer, & Rutschow, 2016; Mezza & Sommer, 2016; Scott-Clayton & Minaya, 2016). The rest of this study, too, will use eligibility for Pell Grant as a proxy for indication of low income and, when discussing college costs, high financial need. Although the Pell Grant has failed to keep pace with rising costs associated with college attendance (Lassila, 2010), it is still a significant source of aid for the most at-risk students and continues to serve as the proxy for indication of financial need.

## Verification

Once a student submits the FAFSA, the application process may be incomplete and the complexity may increase. Verification is the process of selecting a FAFSA for an additional review to verify the information reported on the FAFSA with documentation including IRS-provided tax transcripts as well as statements about the nature of the household size and those in the household who are enrolled in college, etc. The FAFSA record, in addition to possibly being flagged for verification by the Department of Education, may also be selected for verification by the college or university. Schools have the requirement to collect additional information to confirm values when there is conflicting information on file. The selection by institutions sometimes take on the form of gatekeeping as financial aid administrators perceive protecting tax payer dollars from abuse as part of their duties (Cochrane, Institute for College, & Success, 2007).

Researchers have found California community colleges report approximately somewhere between 55% and 65% of FAFSA completers are selected for verification (Cochrane et al., 2007). This is surprising given that, until the 2012-2013 school year, schools were only required to complete verification on up to 30% of records. Through 2011-2012, schools could choose to stop forcing students to complete verification once the institution had verified 30% of records. There are also many institutions that choose to verify all aid applicants even though research shows there is no measurable benefit realized through the additional process (Asher, 2007; Davidson, 2015).

Starting in 2012-2013, the cap on the percentage of records schools must verify was removed. In 2017-2018, schools began to report unusually high rates of selection for verification. The new unlimited verification selection process matched with unusually high selection led the Department of Education to adjust the algorithms used to select applications for verification. NASFAA, in response to member institutions reporting drastic spikes in verification selection rates, requested

the cap be reinstated (National Association of Student Financial Aid Administrators (NASFAA), 2018).

The cost of verification is well-documented in the literature. It was estimated schools spent almost \$100 per record to perform verification in 2005 and, overall, \$432 million confirming FAFSA values<sup>10</sup> (Asher, 2007; Davidson, 2015). Researchers have found that close to half of the time, the process of completing verification has no impact on the EFC (Evans, Nguyen, Tener, & Thomas, 2017).

### **Prior-Prior Year Empirical Studies**

Use of income information to determine eligibility for financial aid is based on the understanding that income inequalities call for different subsidizes for families with different financial situations. For many years, those calculations were based on the immediately preceding year's income information. Prior-prior year income information was explored by several researchers as a means for securing the income information earlier and, possibly, notifying potential students earlier of their eligibility for financial aid.

A literature review was performed on prior-prior year as follows. All articles with “prior-prior year” and “student financial aid” in Google Scholar, USF Library, and ProQuest Dissertation & Theses Global databases were collected. The number of results were 68, 146, and 6, respectively. Duplicates were removed. After reading abstracts or introductions and removing inapplicable sources, 29 articles and practitioner pieces were selected, read, and segregated into empirical and non-empirical sources. Additional sources were added based on bibliographical references.

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<sup>10</sup> This cost estimation does not include where more than one college completed the verification process on the same application.

Two sections follow. The first describes all six empirical studies discussing the topic. The next section discusses the observations and assertions from non-empirical sources.

### **Study 1: Office of Postsecondary Education (1997)**

The OPE took all federal financial aid applicant income information from 1995-1996 and 1996-1997 and then charted how the income, year-over-year per aid applicant, changed. OPE found over 50% of families had changed income ranges incremented by \$10,000 (Advisory Committee on Student Financial Assistance, 1997).

In this piece, OPE asserted about 63% of all aid applicants had either over- or underestimates of income. The implication was that use of two-year-old data would have significantly different awards. In one direction, it caused students with year-over-year increasing income to get more aid than their more recent one-year-old financial information would have warranted. Conversely, students with declining income would be harmed by delayed use of more recent decreased income. This methodology did not consider the complexity of the EFC formula that used dozens of variables to determine the EFC and, therefore, the student's Pell eligibility. Exploration of a series of individual cases could have been helpful to better understanding why using 10,000-incremented income range variability was not the best indicator for eligibility. For example, because a family moved from \$9,999 to \$10,001 income did not mean their financial aid eligibility has changed significantly. Conversely, a family could have the exact same income two years in a row and either lose or gain Pell eligibility based on other factors in the formula like an increase in family size or one less in college (Advisory Committee on Student Financial Assistance, 1997).

The key takeaway was that two thirds of students would get a different Pell Grant if PPY was implemented and the change would disadvantage most students.



### **Study 2: Madzellan (1998)**

According to researchers, Madzellan took financial aid applicant income data for individuals year-over-year in his unpublished report called *HEA Reauthorization Issue: Using Prior-Prior Year Income*. They reported he found that PPY data were 82% accurate versus only slightly better PY income at 87%. The resulting assertion was that there is not a tremendous amount of variance in eligibility due to switching from PY to PPY as most of the variance was caused by using PY instead of current year tax information that (as one considers students typically start school in the fall which is half way through the current year) is not data available at the point of student financial aid application availability. The implication was that PY is 13% inaccurate and the additional 5 points of inaccuracy with PPY was acceptable as the costs experienced by a few are significantly outweighed by the benefits to the majority of student aid applicants (Kelchen & Jones, 2015; National Association of Student Financial Aid Administrators (NASFAA), 2013).

The key takeaway was that PPY data were only 5% less accurate in predicting PY values (87% instead of 82%).

### **Study 3: Dynarski and Wiederspan (2012)**

The researchers asserted that use of PPY data would allow all students to use a FAFSA-IRS link to bring in old income information. They used National Postsecondary Student Aid Survey (NPSAS) application data with 35,000 records representing about 5 million college students. They used the 2008-2009 data set from the income tax return filed in 2007 (2006 earnings) on the 2008-2009 FAFSA to compute the PPY EFC. They compared it to the result calculated when they used the income filed in 2008 (2007 earnings) for the PY EFC. They found there was no change in Pell eligibility for 67% of students. The Pell award, on average, changed about 87%. They also found that 77% of students had a change of Pell eligibility of \$500 or less. The study included additional findings regarding cost. The study estimated if PPY was implemented the average Pell

Grant would increase by \$87 per student and the Pell program cost would increase by approximately \$300 million overall (Dynarski & Wiederspan, 2012).

The key takeaway was 77% of students had a change of Pell eligibility of \$500 or less.

#### **Study 4: NASFAA (2013)**

The researchers took the application data for years spanning 2007-2008 through 2011-2012 and simulated EFCs and Pell awards using PPY instead of PY and found 77% of the time, the student's Pell Grant changed no more than \$500. The sample had approximately 73 thousand students from public and private, non-profit but none from private, for-profit schools. Although approximately half of US students are independent, the sample used was 75% dependent students (National Association of Student Financial Aid Administrators (NASFAA), 2013). They analyzed the impact based on several factors including the applicant's dependency status and the type of institution the applicant attended.

NASFAA found significant differences on the impact of PPY based on students' dependency status. In particular, only 28% of dependent students saw any change in their Pell awards and 29% of independent with dependents saw a change. Forty-one percent of independent students without dependents, however, saw a change to their Pell awards. Only 14% of the overall sample saw a change in Pell over \$1000 (National Association of Student Financial Aid Administrators (NASFAA), 2013).

Similarly, NASFAA found the type of institution had a significant impact on the outcomes when using PPY instead of PY. For community colleges, only 63% of students would have had the same Pell Grant award if PPY data were substituted for PY data. In comparison, 4-year schools with relatively few Pell Grant recipients had significantly better results: students at those schools kept the same Pell award after switching from PY to PPY almost 74% of the time (National Association of Student Financial Aid Administrators (NASFAA), 2013).

The key takeaway was the Pell award amounts changed less than \$500 for 79% of dependent students and independent students with dependents, but only 67% of independent without dependents.

#### **Study 5: Kelchen and Jones (2015)**

The researchers used the same data as the previous 2013 NASFAA study. Kelchen and Jones simulated EFCs and Pell grants using PPY instead of PY, noting when students either moved into or out of Pell range. They then aggregated records into groups based on dependency status. Their findings were that independent students with dependents changed Pell status at a rate of 5.2%. Dependent students changed Pell status (moved into or out of range) at a rate of 9.3%. The most at risk students, independent without dependents, changed Pell status at a rate of 11.4% (Kelchen & Jones, 2015).

Researchers observed independent students without dependents had awards an average of \$88 less when PPY was used in place of PY. All else constant, they also simulated that deployment of PPY could save as much as \$37 million, probably due to independent students' loss of Pell eligibility caused by using tax data from when they were more likely working in the PPY year than the PY year. Conversely, they estimated the high side of the cost of implementing PPY to be approximately \$1.35 billion. They attributed this to use of professional judgements that would allow students to effectively choose the lower year's income and an increase in enrollment due to earlier notification of eligibility (Kelchen & Jones, 2015).

The key takeaways were, first, students most likely to experience a change in Pell were those with the specific dependency status of independent without dependents and, second, the average award would go down, not up as suggested by Dynarski and Wiederspan.

### **Study 6: Rueben, Gault, and Baum (2015)**

The researchers used NPSAS data for 2011-2012 and 2012-2013 with a sample of about 37 thousand observations. They simulated EFCs and Pell grants using PPY instead of PY. They observed that 80% of the time, for families with incomes under \$30,000, the EFC resulting from PPY was within 500 of the EFC for PY. This would roughly approximate to a similar \$500 change in Pell. Researchers saw an average Pell decrease of \$5 for all recipients. They found a \$300 million increase in Pell expenditures. The researchers did not include costs associated with an increase in professional judgements as they predicted it unlikely students would request them even though appropriate (Rueben et al., 2015).

The key takeaway was three-quarters of students had PPY Pell awards within \$500 of their PY awards.

### **Summary**

Early PPY research focused exclusively on the amount family incomes changed and, as a result, assumed drastic changes to Pell eligibility and poor outcomes for students (Advisory Committee on Student Financial Assistance, 1997; Madzellan, 1998). Researchers eventually started simulating Pell Grant awards by taking actual FAFSA tax data in one year and determining the resulting Pell Grant in a later year. The more recent simulation research indicated from seventy to eighty percent of students would likely qualify for a PPY Pell award within \$500 of their PY award amount, noting independent students without dependents would be most at risk for a change in Pell amounts exclusively due to the switch from PY to PPY tax information on the FAFSA (Dynarski & Wiederspan, 2012; Kelchen & Jones, 2015; National Association of Student Financial Aid Administrators (NASFAA), 2013; Rueben et al., 2015).

## **Additional Prior-Prior Year Literature**

The FAFSA is the mechanism used to distribute taxpayer dollars secured by the government and distributes them to students via colleges and universities. Literature on the subject of prior-prior year has taken various positions based on the impacts expected for those stakeholders: taxpayers, government, colleges and universities, and students. The following section discusses those positions and observations.

### **Taxpayers**

Of keen interest has been the impact on taxpayers. An early piece indicated unintentional errors accounted for up to 11% of federal student aid being awarded in error and some of that was due to use of old income information (National Research Council, 1993). Most of the early arguments insist the use of PPY cannot be justified when more recent information (PY) is available (United States, 1998). Part of the anti-PPY argument was based on the assumption that asset information would no longer be collected and, therefore, the older income and missing asset information would cheat taxpayers as less-than-possibly accurate awards would be made (United States, 1998).

### **Government**

Early arguments against PPY insisted movement to older tax information would force states to collect PY information from additional forms (Advisory Committee on Student Financial Assistance, 1997) and destabilize the Department of Education's then-recent five years of effort to simplify and integration (United States, 1998).

Part of the early discussions of FAFSA simplification included dialogue of retrieving income data directly from the IRS instead of having families complete those questions on the FAFSA. Before PPY, most students completed the FAFSA in the same spring that their families completed their tax forms. In this scenario, the IRS would not yet have received the data needed immediately for use on the FAFSA. Education officials indicated that use of IRS data retrieval processes would

not be helpful to most students unless data from two years prior were used in place of the data from one year prior (Scott & U. S. Government Accountability Office, 2009).

### **Colleges and Universities**

Research focusing on the impact of PPY on colleges and universities anticipated many problems due to a shift to PPY. Early work estimated over half of records would need to be recalculated due to the inaccuracy of the older data and, therefore, create a tremendous amount of administrative burden for the institutions (Advisory Committee on Student Financial Assistance, 1997). Researchers indicated the switch from PY to PPY would cause more private institutions to adopt supplemental forms in an effort to collect more recent information as it would not be available via the FAFSA as it had been (Kelchen & Jones, 2015; United States, 1998). Researchers also anticipated a significant increase in the number of professional judgements as families would likely ask that more recent information be used to calculate their aid eligibility (Kelchen & Jones, 2015; Shaffer, Sohl, & Steele, 2016). Given the additional length of time provided by the advent of the earlier application timely, concerns surfaced with regard to allowing families a longer negotiation period and increasing the bottom line as discount rates would likely increase (Boeckenstedt, 2015). Some research indicated there simply may be tradeoffs. The impact on institutions' administrative burden was theorized to essentially have a net change of zero as the increase in professional judgements would be offset by the decrease in verification (Asher, 2007; National Association of Student Financial Aid Administrators (NASFAA), 2016; Sutton, 2016). There was also the expectation that there would be technical challenges impacting schools initially, but they would be worked out within the first or second year (National Association of Student Financial Aid Administrators (NASFAA), 2016; Sutton, 2016).

Other researcher asserted there would be significant benefits outweighing possible problems. NASFAA's research indicated the early application availability would allow schools additional

time to process professional judgements (2013). The Department of Education indicated the shift to PPY would align the financial aid application process with the admission process (2015). Researchers also expected the change to PPY from PY would increase access and, therefore, enrollment (Dynarski & Scott-Clayton, 2008; Kelchen & Goldrick-Rab, 2013; Kelchen & Jones, 2015).

### **Potential (Incoming) College Students**

Researchers examining the probable impact on potential college students identified several concerning issues that could arise. Early research indicated students with the lowest socioeconomic status would be most hurt by the transition to PPY as their aid would decrease (Advisory Committee on Student Financial Assistance, 1997). Researchers were concerned that students would suffer from the likelihood schools would require students to complete additional forms due to the older data on the FAFSA (Advisory Committee on Student Financial Assistance, 1997; United States, 1998). Similarly, just as researchers worried about the burden for schools completing the professional judgement process, the same burden would exist for families collecting documentation for the professional judgement. Concerns arose for families and students who did not file taxes and their ability to recall income data (Scott & U. S. Government Accountability Office, 2009). Researchers also indicated the earlier income information could allow admissions offices to stop being need-blind in their selection process as the staff would know the families' abilities to pay at the point of admission (Boeckenstedt, 2015; Shaffer et al., 2016). Researchers also indicated that simply making the form available earlier does not necessarily mean students will take advantage of the earlier application. In fact, they postulated that those least in need of assistance could possibly use the new earlier application more than those most in need of financial aid (Cannon & Goldrick-Rab, 2016).

But most research focused on potential college students and the impact of switching to PPY drew the conclusion that the change would be good for new students. Researchers indicated the earlier FAFSA availability would allow families more time to apply and decide about attending college (Abernathy et al., 2013; Advisory Committee on Student Financial Assistance, 2013; Applegate & Fulton, 2016; Baum, 2015; Dynarski & Scott-Clayton, 2008; Kelchen, 2014; Kelchen & Jones, 2015; National College Access Network (NCAN), 2012; Nienhuser & Oshio, 2017; Stone, 2005; U.S. Department of Education, 2015). Contrary to earlier research, NASFAA found students with the highest need for financial aid would have the best outcomes (2013). Researchers indicated potential students and their families were more likely to be able to use the IRS DRT (Dynarski & Scott-Clayton, 2008; National Association of Student Financial Aid Administrators (NASFAA), 2016; Rueben et al., 2015; Shaffer et al., 2016; Wiederspan, 2015). Researchers pointed to the benefit of using older income data and, therefore, allowing all students to make their respective state grant deadlines (National Association of Student Financial Aid Administrators (NASFAA), 2013; Stone, 2005; U.S. Department of Education, 2015). Another benefit expected was that potential students would have their award information earlier and, as a result of the timeliness, be less likely to choose nontraditional enrollment patterns (Butler, 2016). The additional benefit of families not having to estimate income was identified as well (Dynarski & Wiederspan, 2012; National Association of Student Financial Aid Administrators (NASFAA), 2013; Shaffer et al., 2016; U.S. Department of Education, 2015).

Additional benefits to potential college students included: PPY would reduce the number of students who do not apply but are otherwise eligible (Kelchen & Jones, 2015); the change to PPY would have a minimal impact on Pell award amounts (Rueben et al., 2015; Wiederspan, 2015); the change would result in less manual data entry and fewer applications being selected for verification (Shaffer et al., 2016); the reduction in the complexity of the application would directly improve



accessibility (Bird & Castleman, 2016; Scott-Clayton, 2015); and the alignment of the admissions and financial aid application processes (U.S. Department of Education, 2015).

### **Returning College Students**

Compared to what was written about the switch to PPY and its impact on potential college students, very little research discussed the impact on returning students. Just as with potential college students, early research indicated students with the lowest socioeconomic status would be most hurt by the transition to PPY (Advisory Committee on Student Financial Assistance, 1997) and returning students also would be harmed by requirements to complete additional forms due to the older data on the FAFSA (Advisory Committee on Student Financial Assistance, 1997; United States, 1998).

Researchers indicated it was likely PPY would have no impact on college completion (Advisory Committee on Student Financial Assistance, 2013). While they did not expect improvement to completion, researchers anticipated some of the same benefits as those listed above for potential students: NASFAA anticipated students with the highest need for financial aid would have the best outcomes (2013); families would not have to estimate income (Dynarski & Wiederspan, 2012; National Association of Student Financial Aid Administrators (NASFAA), 2013; Shaffer et al., 2016; U.S. Department of Education, 2015); the change would result in less manual data entry and fewer applications being selected for verification (Shaffer et al., 2016); returning students and their families were more likely to be able to use the IRS DRT (Dynarski & Scott-Clayton, 2008; National Association of Student Financial Aid Administrators (NASFAA), 2016; Rueben et al., 2015; Shaffer et al., 2016; Wiederspan, 2015); PPY would reduce the number of students who do not apply but are otherwise eligible (Kelchen & Jones, 2015).

## **Additional Findings**

Early research asserted that PPY should be reserved for dependent students to be used during their junior year in high school as independent students' income "as greater fluctuations in income make it infeasible for independent students to have their aid determined based on PPY income" (Stone, 2005).

Stone, even though advocating for using PPY for only some students, called for a pilot "to weigh the benefits of such a program against adverse effects on program cost or integrity" (2005, p. 38).

The Government Accountability Office found aid community members expected a pilot study if PPY was deployed (Scott & U. S. Government Accountability Office, 2009). The Advisory Committee on Student Financial Assistance indicated such sweeping changes should be piloted and failure to do so "is not in the national interest" (2013, p. 6). Kelchen and Jones also called for a pilot with several regions or states (Kelchen & Jones, 2015)

## **Hypotheses**

The following hypotheses were designed to test the theories presented by researchers described in the empirical studies. This section will discuss each hypothesis and provide details on the selection, theoretical underpinnings, and related research.

**H<sub>1</sub>: Prior-prior year tax information yields Pell Grant award amounts within \$500 of what students would have received in Pell Grant had prior year tax information been used.**

The first hypothesis was written to test Madzellan's reported assertion that PPY tax data were an adequate substitute for PY tax data. This assertion relied on the lack of social mobility, specifically the parent's or independent student's lack of intragenerational social mobility. Theoretically, that would keep family income resources consistent during the relatively short period of enrollment.

Given researchers' assertion that AGI was the critical component of the EFC and eligibility for a Pell was often used as a proxy to identify low-income aid applicants, substitution of PPY income for PY income would lead to similar results and the ideal PPY system would not change a student's Pell status from what it would have been using PY data.

Dynarski & Wiederspan estimated about 77% of students received a PPY Pell within \$500 of their PY Pell award (2012). Other researchers found 75% of students received a PY Pell award within \$500 of what they would have received had PPY been implemented (Rueben et al., 2015).

**H<sub>2</sub>: Student records with the dependency status of Independent without Dependents will have a larger shift in Pell Grant amounts than the other two dependency statuses of Dependent and Independent with Dependents.**

The second hypothesis was designed to test NASFAA's and Kelchen and Jones' findings with regard to dependency status having had a significant impact on the likelihood of a student's Pell Grant amount changing when PPY tax data were used instead of PY tax data (Kelchen & Jones, 2015; National Association of Student Financial Aid Administrators (NASFAA), 2013). While the families of dependent students would not necessarily experience a change in income, independent students may when decreasing hours or leaving jobs to attend college. In fact, human capital theory would predict the rational actor would rather experience a short period of time with lower or no wages to secure measurably higher wages after degree attainment. Those independent students with no dependents would be at most liberty to forgo current income in hopes of securing higher incomes at a later point in time. NASFAA found that 79% of students other than independent without dependents would receive a PY Pell award within \$500 of what they would have received had PPY been implemented but independent without dependents only stayed within 500% about 67% of the time (2013) and Kelchen and Jones found similar results (2015).

**H<sub>3</sub>: New, first-generation, Pell-eligible students will be underrepresented in the sample that takes advantage of the early filing opportunity.**

The third hypothesis was designed to test whether the change to the timing of the availability of the FAFSA helped low-income students by having provided more time to file and weigh financial aid offers. Specifically, did Pell recipients take advantage of this change or were researchers correct to speculate that families with higher incomes would be more likely to take advantage of the change (Cannon & Goldrick-Rab, 2016)?

Social capital theory would indicate those students with the more people investing time and providing guidance will have the better outcomes and, therefore, be more likely to capitalize on the change to an early application availability date. Researchers have asserted that in schools deemed to have high college-going culture, counselors spend their time on college preparation processes versus counselors in low college-going culture schools who spend most of their time on non-college counseling, discipline, and class assignments (Robinson & Roksa, 2016). As such, we would expect low-income, or Pell-eligible, students to not increase in their rate of application and perhaps even decline.

Additionally, in their research on April 15 Syndrome, researchers found evidence supporting their theory that those who owe taxes are more likely to delay filing and those who filed early were more likely due a refund (Slemrod, Christian, London, & Parker, 1997). As such with PPY, families who pay taxes instead of receiving a refund created by a credit will have their taxes prepared in time for the earlier application unlike in prior years when they waited until after submitting their federal tax return.

## Summary

In conclusion, this chapter moved from theory to the study's position within FAFSA simplification and PPY research to framing the hypotheses. First, the theories of social mobility, human capital, and social capital were discussed and framed within the context of this study. The relationships between the theories—social capital is a primary driver for development of human capital and investment in human capital is a primary source of upward social mobility—are touched upon.

Then, PPY was positioned within a larger effort to simplify the FAFSA as research has shown the complexity is a significant barrier for those who may otherwise wish to attend college. In the same section, there was discussion of how eligibility for a Pell Grant has served as a proxy for identifying low-income families and will do so in this study as well. In the discussion of the existing studies on PPY, it was determined the ideal PPY system would have no impact on Pell Grant eligibility when switched from PY. Historical studies were discussed with particular attention to the following: NASFAA's finding that most students get PY Pell awards within \$500 of what they would have had PPY been implemented; Kelchen & Jones' finding that dependency status may be a predictor in the likelihood of a significant shift in Pell Grant for a student; and Cannon & Goldrick-Rab's indication that simply allowing an earlier application does not mean students who need aid the most will take advantage but those with the least need may very well.

Finally, the goal of this PPY research was framed into hypotheses to (1) determine if PPY was a good substitute for PY, (2) identify if dependency status was likely to be a factor when there was an impact on Pell Grant amounts, and (3) determine if the first-generation, Pell-eligible population took advantage of the earlier filing opportunity with the goal of giving them more time to consider their options and ultimately enroll or lost ground.

## **CHAPTER THREE: METHODOLOGY**

### **Introduction**

This chapter discusses the population and sample used in the study. It covers the data preparations, reiterates the research question, and discusses each hypothesis. The chapter goes on to present the research design and the data analysis procedures.

### **Description of Population and Sample**

The population of study was students who completed the FAFSA in three academic years: 2016-2017 through 2018-2019. The data used to complete this study were taken from Institutional Student Information Records (ISIRs), the electronic output file from the Department of Education in response to student FAFSA submissions.

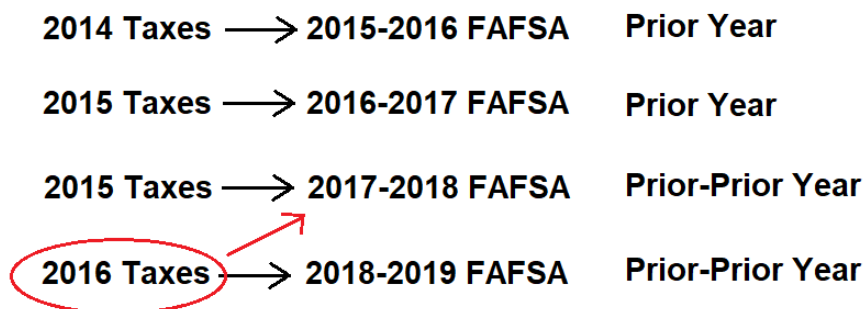
The sample used in this study was provided by CampusLogic. CampusLogic is a premier financial aid technology firm that specializes in providing technical solutions to financial aid offices across the United States. One of those specializations is ISIR collection on behalf of client colleges and universities through the product called StudentForms®. CampusLogic provides tools to perform verification, the federally-required review of student aid applications. CampusLogic works with over 450 colleges and universities; moreover, approximately 150 of those institutions of higher education pass student ISIRs through CampusLogic's data collection mechanism for processing.

CampusLogic has been collecting ISIR information on behalf of schools for 6 years from 2012-2013 to 2018-2019.

### Population and Sample

The population for this research was financial aid applicants completing the FAFSA over a three-year period. The first year of interest was 2016-2017, a year that served as a baseline as it was the last year using prior year income information with the old application availability date of January 1. The second year of interest, 2017-2018, was the first application year where prior-prior year income data were used on the FAFSA. The third year of interest, 2018-2019, was the second year where prior-prior year income was used on the FAFSA. The 2018-2019 FAFSA was also the year where the 2016 tax information (i.e., prior-year income for 2017-2018) was supplied. Tax information for 2016 was what would have been used on the 2017-2018 FAFSA had prior-prior year had not been implemented.

As described in Figure 6, if prior year income had remained in use for 2017-2018, then 2016 tax data would have been used on the 2017-2018 FAFSA, not the 2018-2019 FAFSA. As such, taking tax data from the PPY 2018-2019 FAFSA and using them in 2017-2018 EFC calculations essentially replicates what the 2017-2018 EFC would have been calculated had PPY not been implemented.



**Figure 6** Tax Information Supplied on 2018-2019 Was from 2016 Tax Forms

The sample records used for this research are those who attended institutions utilizing StudentForms® during 2016-2017 through 2018-2019. The original sample size was 27,587,559 FAFSA transactions in the 6 financial aid years available from CampusLogic.

### **Institution Type**

United States colleges and universities are classified into three categories. The first designation, *public*, refers to institutions primarily funded by state and federal dollars and includes state and community colleges. The second designation, *private, for-profit*, refers to institutions primarily funded by private funds. These schools have stakeholders seeking profits. The final designation, *private, not-for-profit*, also refers to institutions primarily funded by private funds but these schools do not have stakeholders seeking profits.

According to statistics in the 2012 Almanac, for-profit institutions serve almost 10% of students (United States, 2012). While many samples used in previous studies focused on first and third types of institutions (public and private, not-for-profit schools), this study's sample included students attending the second type of institutions: for-profit institutions. Eight for-profit colleges, with students from eleven campuses, were included in the sample. The private, for-profit records accounted for 3.5% of the records in the sample.

**Table 4** Distribution of Students by School Type

<b>Summary Characteristics of Institutions in the Sample</b>				
		<b>School Size</b>		
<b>School Type</b>	<b>% of Schools</b>	<b>Avg Stu</b>	<b>Min Stu</b>	<b>Max Stu</b>
Private, for-profit	5%	7,000	400	52,600
Private, non-profit	31%	5,100	300	84,300
Public	64%	16,100	400	98,800



## **Subpopulations**

The subpopulations for this study were categorized by Pell award, dependency status, first-time students, and first-generation students. This section will discuss those concepts.

### **Pell Grant Eligibility**

The first hypothesis considers the amount of Pell Grant eligibility demonstrated by the student with PY income information compared to PPY income information. Again, eligibility for Pell Grant is often used as a proxy to indicate low socioeconomic status (low-SES) and high financial need; therefore, Pell eligible students have been one of the primary focuses of policy change.

### **Dependency Status**

There were three dependency statuses determined based on data provided on the FAFSA. One was **Independent without Dependents**. This status was assigned to students who are no longer considered dependent upon their parents and they did not have children in their family that they supported. This particular status was of interest in that previous researchers anticipated this status would have measurably differently outcomes than the other two statuses: **Dependent** and **Independent with Dependents**. Dependent students are often referred to as “traditional students” in that they do not meet federal criteria to be considered independent, their education is a financial responsibility of their parent(s), and parental income information must be provided to apply for federal student aid. The status of independent with dependents was assigned to students who were independent from their parents but supported children of their own.

### **First-Time Students**

First-time students were those who indicated on the FAFSA that they “never attended college” and were a “1<sup>st</sup> year undergraduate.” These students were of interest as advocates for the policy shift believed they were to benefit the most from an early FAFSA date as they had not yet enrolled in college and would benefit from more time to consider how to finance college for the coming years.

### **First-Generation Students**

First-generation students, for the purposes of this study defined as those who indicated both parents attended up to either “Middle School/Jr. High” or “High School,” were believed to be the most at risk for not being aware of the change in the FAFSA date to an earlier time. The third hypothesis tested if there was a shift in the percentage of first-time, first-generation represented in the samples.

### **Data and Preparation**

The following section details the reasons for removal of specific types of records, summary statistics on the records included, and assumptions made.

#### **Observations Removed**

For testing the first and second hypotheses, a subset of records was used for analysis. This section discusses the types of records removed from the analysis and why they were removed. Each type of records removed includes references to Tables 5 or 6 that detail record counts.

#### **Duplicate records.**

Of the over 27 million ISIR records supplied, many were duplicate records with the same student applying to multiple institutions in the same year on the same FAFSA or duplicative entries in the origin system database structure. Where multiple ISIR records had the same student ID, award year, and ISIR transaction number, all but one record was removed from the samples. In the case of  $H_1$  and  $H_2$ , there were 16,528,962 records removed due to being duplicate records (see Table 5).

#### **For Other Year.**

The range of ISIR data supplied by CampusLogic covered years 2012-2013 through 2018-2019. ISIR data provided for different years than those being tested were removed from the samples.

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 3,406,974 records removed due to being records from the wrong years (see Table 5). For H<sub>3</sub>, there were 25,079,482 and 23,078,605 ISIR records removed due to being from the wrong years of 2016-2017 and 2017-2018, respectively (see Table 6).

### **Graduate Students.**

Only undergraduate records were used in this study. Federal Pell Grant, the proxy in this study for high need, was only awarded to undergraduate students. As such, records marked as graduate students were removed from the samples. In the case of H<sub>1</sub> and H<sub>2</sub>, there were 685,225 records removed due to being graduate student records (see Table 5). For H<sub>3</sub>, there were 239,618 records removed due to being graduate student records (see Table 6).

### **Professional Judgement.**

Records with a Professional Judgement (PJ) were excluded from analytical sample as in previous studies (Kelchen & Jones, 2015). PJ is the process by which an aid administrator makes modification to a FAFSA to yield an EFC more reflective of the family's financial situation. This process is initiated by the student or family. It is often the result of changes like a loss of a job that is not yet reflected in reported income or expenses not reflected on the FAFSA like unusually high medical expenses. As such, all records with a PJ in either 2017-2018 or 2018-2019 were eliminated from the H<sub>1</sub>/H<sub>2</sub> sample because, by definition, an aid administrator made a modification to the data based on their discretion of what appropriately reflected the family's financial health, not based on actual historical information. In the case of H<sub>1</sub> and H<sub>2</sub>, there were 14,753 records removed due to professional judgements (see Table 5). As H<sub>3</sub> is not attempting to detect differences from EFC changes within the same group but instead comparing application rates of different years of new students, no ISIRs were removed from this sample due to PJs.

### **Missing Record in Either Year.**

Only those with both 2017-2018 and 2018-2019 valid ISIR data were used for the H<sub>1</sub>/H<sub>2</sub> sample. Those records without 2017-2018 FAFSA data would not show what was calculated for the PPY EFC for 2017-2018 and those missing 2018-2019 FAFSA data would not provide sufficient information to calculate what would have been awarded had PY been left in place for 2017-2018. In the case of H<sub>1</sub> and H<sub>2</sub>, there were 1,617,806 records removed due to missing an ISIR in either 2017-2018 or 2018-2019 (see Table 5).

### **Incomplete Records.**

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 854,844 records removed due to being incomplete (see Table 5). As H<sub>3</sub> is examining date of application, no records were removed due to this issue.

### **Previous ISIR Transactions.**

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 3,327,637 records removed due to being previous transactions (see Table 5). As H<sub>3</sub> is examining date of application, no records were removed due to this issue.

### **Special Circumstances.**

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 82 records removed due to being special circumstances from the remaining sample of just over 1 million records (see Table 5). As H<sub>3</sub> is examining date of application, no records were removed due to this issue.

### **Paired Records.**

In the case of H<sub>1</sub> and H<sub>2</sub>, records were paired to see changes, per student, over two sets of data (see Table 5). As such, the remaining ISIR records selected for analysis, 1,151,276 was halved to reflect two ISIRs per student. As H<sub>3</sub> is not examining paired records per student, no records were removed due to this issue.

### **Dependency Status Changed.**

To prevent inclusion of records that reflected changes that could not be controlled for in replicating the EFC calculations, records that had a change in dependency status, household size, or number in college between 2017-2018 and 2018-2019 were also eliminated from the sample. For example, a student who had been dependent in 2017-2018 but later was independent in 2018-2019 would not have had 2016 parental income available for PY EFC calculations. Such records were thus excluded. In the case of H<sub>1</sub> and H<sub>2</sub>, there were 24,603 records removed due to a change in dependency status (see Table 5). As H<sub>3</sub> is examining between-group differences, not student year-over-year differences in EFCs, no records were removed due to this issue.

### **Missing Parent Marital Status.**

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 44 records removed due to missing parent marital status (see Table 5). As H<sub>3</sub> is examining date of application, no records were removed due to this issue.

### **Number in College Changed.**

To prevent inclusion of records that reflected changes that could not be controlled for in replicating the EFC calculations, records that had a change in number in college between 2017-2018 and 2018-2019 were also eliminated from the sample for H<sub>1</sub>/H<sub>2</sub>. There were 81,954 records removed due to changes in number in college (see Table 5). As H<sub>3</sub> is examining between-group differences, not student year-over-year differences in EFCs, no records were removed due to this issue.

### **Gained or Lost Children to Support.**

In the case of H<sub>1</sub> and H<sub>2</sub>, there were 6,493 records removed due to changes in having dependents to support or not, a critical factor in determining the appropriate dependency status and EFC formula to use (see Table 5). As H<sub>3</sub> is examining between-group differences, not student year-over-year differences in EFCs, no records were removed due to this issue.

**Table 5** Record Tallies after Each Record Type Removal: H<sub>1</sub> and H<sub>2</sub>

H1 and H2 Data Cleaning		Number of records	Total
<b>Observations (Many Observations Per Student)</b>			
Original Number of ISIR Records	-	NA	27,587,559
Duplicate Observations	-	16,528,962	11,058,597
For Other Year (neither 2017-2018 nor 2018-2019)	-	3,406,974	7,651,623
Graduate Students	-	685,225	6,966,398
Professional Judgements	-	14,753	6,951,645
Student Did Not Have Record in Both Years	-	1,617,806	5,333,839
Incomplete Records	-	854,844	4,478,995
Previous ISIRs in Same Year	-	3,327,637	1,151,358
Special Circumstances	-	82	1,151,276
<b>Final Unpaired ISIR Count</b>			<b>1,151,276</b>
<b>Paired (Two Observations per Individual Student)</b>			
Previous Number of Observations, Paired	÷	2	575,638
Student dependency status changed	-	24,603	551,035
Missing Parent Marital Status (Dependent Only)	-	44	550,991
Number in College Changed	-	81,954	469,037
Gained or Lost Children to Support	-	6,493	462,544
<b>Final Student Count with Paired ISIR Records</b>			<b>462,544</b>

For the third hypothesis, only undergraduate records from schools with valid ISIR data for 2016-2017 and 2017-2018 were used. Unlike tests for the first two hypotheses, individual students did not need to have records in both years. However, if a school did not have ISIR data available for both years, they were excluded from the sample. The purpose of only using data from schools with information in both years was to discover change in rates of participation at the same set of schools. Introduction of additional schools in only one of two years could show a change of rate due to the nature of the applicants at the individual school, not that there was a year-over-year change at the school. The rate of Pell-eligible applicants in the first quarter of 2016-2017 FAFSA availability was measured against the rate of rate of Pell-eligible applicants in the first quarter of 2017-2018 FAFSA availability.

**Table 6** Record Tallies after Each Record Type Removal: H<sub>3</sub>

H3 Data Cleaning		Number of records	Total
<b>2016-2017 Observations</b>			
Original Number of ISIR Records	-	NA	27,587,559
For Other Year (not 2016-2017)	-	25,079,482	2,508,077
Graduate Students	-	239,618	2,268,459
Not from Selected 20 Schools	-	2,012,682	255,777
Applied after First Quarter (April 1, 2016 or later)	-	116,854	138,923
<b>Final ISIR Count for 2016-2017</b>			138,923
<b>2017-2018 Observations</b>			
Original Number of ISIR Records	-	NA	27,587,559
For Other Year (not 2017-2018)	-	23,078,605	4,508,954
Graduate Students	-	436,534	4,072,420
Not from Selected 20 Schools	-	3,779,026	293,394
Applied after First Quarter (Jan. 1, 2017 or later)	-	207,701	85,693
<b>Final ISIR Count for 2017-2018</b>			85,693

### Summary Statistics of Students

The following details additional available observation information from the respective year ISIR records and displayed similarly to their Table 2 provided by Kelchen and Jones (2015) for comparison purposes.

**Table 7** Summary Statistics of Records in the Sample for H<sub>1</sub> and H<sub>2</sub>

Characteristic	Paired	PPY (2015 Taxes)*	PY (2016 Taxes)**
Dependency status, %			
Dependent	47.6		
Independent with Dependents	22.7		
Independent without Dependents	29.7		
Parent AGI reported, \$		\$79,524	\$82,371
Student AGI reported, \$		\$17,903	\$20,064
Expected Family Contribution, \$		6,570	7,230
Pell eligible, %		66%	63%
Zero EFC, %		45%	42%
Sample size	462,544		

\* Provided on 2017-2018 FAFSA

\*\* Provided on the 2018-2019 FAFSA

Table 7 demonstrates the summary statistics of the overall sample used in the study. About half of the sample was dependent students and the other half was comprised of the two types of independent students. Both family income sources increased from 2015 to 2016. Pell eligibility and zero-EFC rates remained relatively consistent year-over-year.

### **Assumptions Made**

As the records were anonymized, some fields with Personally Identifiable Information (PII) were removed such as social security number, address, and gender. Those fields related to state of residence and dates of birth that are used for calculating Pell Eligibility were also removed. The following steps were taken to minimize the impact of the missing information.

### **Missing State**

As the anonymized records did not include state of legal residence, a value for each of the three conditions of assessment (households with dependents other than a spouse with total income less than \$15,000, households with dependents other than a spouse with total income in excess of \$14,999, and households with no dependents) was used. The value was calculated weighting each State and Other Tax Allowance according to the percentage of students originating from each state based on 2016 statistics provided by NCES.<sup>11</sup> This series of calculations resulted in the following State and Other Tax Allowance:

**Table 8** State and Other Tax Allowance Used

<b>Rate</b>	<b>Household description</b>
5.6%	Households with dependents other than a spouse with total income less than \$15,000
4.6%	Households with dependents other than a spouse with total income over \$14,999
3.6%	Households with no dependents

<sup>11</sup> [https://nces.ed.gov/programs/digest/d17/tables/dt17\\_304.10.asp](https://nces.ed.gov/programs/digest/d17/tables/dt17_304.10.asp)



### **Missing Dates of Birth**

As parent and student date of birth was not supplied but is necessary for determination of the Asset Protection Allowance, the study used an age of 45 for all records, as prescribed for parents missing a date of birth in The EFC Formula<sup>12</sup> documentation. This is the same methodology used by previous researchers (Dynarski & Scott-Clayton, 2006).

### **Measures and Variables**

The following lists key terms used in the analysis.

**EFC** – The Expected Family Contribution is an index. It is designed to behave as a measure of a student’s family’s financial strength and is calculated according to a formula established by law. The student’s family’s taxed and untaxed income, assets, and benefits (such as unemployment or Social Security) are all considered in the formula. Also considered are the student’s family size and the number of family members who will attend college during the year.<sup>13</sup> For the years of interest for this study, the EFC was a whole number between 0 and 999,999. The change to the EFC year-over-year was of interest in the study as the EFC has a direct relationship with Pell eligibility. This metric was a dependent variable.

**Pell Grant Award Amount** – The Federal Pell Grant is a federal grant for undergraduate students who have not yet earned a bachelor’s or professional degree. Pell Grants are awarded to the neediest of students, typically with an EFC of less than the maximum Pell Grant, although these amounts change annually. The amount of the Pell Grant is awarded on an inverse scale where those with an EFC of 0 receive the maximum and generally each \$100 increase in EFC causes the

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<sup>12</sup> Available at <https://studentaid.ed.gov/sa/sites/default/files/2017-18-efc-formula.pdf>

<sup>13</sup> Adapted from <https://fafsa.ed.gov/help/fftoc01g.htm>

Pell Grant to decrease by \$100. The Pell Grant is a whole number and for 2017-2018, the maximum award amount was \$5,920 (U.S. Department of Education, 2016). Receipt of a Pell Grant is often used as a proxy in financial aid to call out the neediest of students. The change to the Pell year-over-year was of primary interest in the study. This metric was a dependent variable.

**Pell Grant Status** – Related to Pell Grant Award Amount, this indicates if the student demonstrated Pell eligibility greater than zero. Those students who had a calculated EFC of less than 5329 would have been eligible for a Pell Grant and, therefore, had a Pell Grant Status of Eligible. Those with an EFC higher than 5328 had a Pell Grant Status of Ineligible.

## **Hypotheses and Analysis**

The purpose of this study was to discover the impact of the change from prior year to prior-prior year tax return information usage on the FAFSA. Specifically, the research question is: What is the impact of prior-prior year on student financial aid eligibility? In the prior chapter, that question was framed into three specific hypotheses.

### **Hypothesis 1**

*H<sub>1</sub>: Prior-prior year tax information yields Pell Grant award amounts within \$500 of what students would have received in Pell Grant had prior year tax information been used.*

The first hypothesis focuses on the effectiveness of using two-year-old tax data in lieu of one-year-old tax data. The purpose of interrogating the newly-available evidence was to determine if challenges identified in social mobility theory, particularly with regard to limited intra-generational social mobility, are reflected in the incomes experienced by students' families. In particular, was the prior-prior year (PPY) income an effective proxy for prior year (PY) income? Studies by Dynarski and Wiederspan (2012), NASFAA (2013), Baum et al. (2013) and Rueben et al. (2015) found about three quarters of students experienced a change of less than \$500.

For the first hypothesis, all other observations other than the two observations including income and asset information from the 2017-2018 and 2018-2019 FAFSAs for each of the 462,544 students was dropped Stata. The remaining 925,088 observations ( $2 * 462,544$ ) were used to calculate parent and student contributions from income and assets for all 6 formulae as per The EFC Formula, 2017-2018 in Appendix B. The results were then paired, or reshaped wide, to allow use of 2017-2018 FAFSA asset information with both 2017-2018 FAFSA income and 2018-2019 FAFSA income. This allowed to hold constant the asset information that would have been the same, assets values at the time of the FAFSA form completion, whether prior year or prior-prior year tax information was used. Finally, a series of steps determined the appropriate formula according to each student's dependency and dependent children information. Once the formula was identified for each year, the appropriate EFCs for prior year and prior-prior year were used for comparison.

A paired t-test, presenting each of the 462,544 students with complete ISIR records in both 2017-2018 and 2018-2019, was performed to determine the difference of means of the Pell Award amounts and the p-value of any change found. Cohen's d was calculated to determine effect size. The difference of means was computed to determine the magnitude of shift between Pell eligibility with PY tax information and PPY tax information treatment. The p-value was used to determine the significance of the results. Cohen's d was used to determine the effect size (Lin, Lucas Jr, & Shmueli, 2013). Additionally, random samples of 1,000 records were selected to validate findings of significance.

The t-test<sup>14</sup> for all dependency statuses (ADS) was calculated using:

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<sup>14</sup> Used example from <http://www.statisticshowto.com/probability-and-statistics/t-test/>

$$t_{ADS} = \frac{\frac{(\sum D_{ADS})}{N_{ADS}}}{\sqrt{\frac{\sum D_{ADS}^2 - \left(\frac{(\sum D_{ADS})^2}{N_{ADS}}\right)}{(N_{ADS} - 1)(N_{ADS})}}$$

For this example, let:

$\sum D_{ADS}$  = the sum of the differences between Pell eligibility using the original method of calculation using prior year income information and Pell eligibility using the treatment of prior-year income information in the EFC calculation for each paired sample

$\sum D_{ADS}^2$  = the sum of the squared differences

$(\sum D_{ADS})^2$  = the sum of the differences squared

$N_{ADS}$  = the sample size

The effect size was calculated using:

$$ES_{ADS} = \left( \frac{\mu_{ADSPPY} - \mu_{ADSPY}}{SD_{ADS}} \right)$$

For this example, let:

$\mu_{ADSPPY}$  = mean of the treatment group with PPY income

$\mu_{ADSPY}$  = mean of the control group with PY income

$SD_{ADS}$  = the standard deviation of the control group

## Hypothesis 2

*H<sub>2</sub>: Student records with the dependency status of Independent without Dependents will have a larger shift in Pell award amount than the other two dependency statuses of Dependent and Independent with Dependents.*

The second hypothesis sought to determine if, when there was a change in Pell Grant amount, the dependency status was related to the magnitude of the change. Hypothesis 2 is designed to test results reported by NASFAA (2013) and Kelchen and Jones (2015) predicting dependency status

would have a significant impact on the likelihood of a student's Pell amount changing when PPY tax data were used instead of PY tax data. The argument was that while students in families where there are dependent children were not as likely to experience a large enough change in income to impact Pell award amounts, independent students with no dependent children were more likely to experience a large enough change in income to impact Pell award amounts. Again, human capital theory would indicate independent students would rather experience a short period of time with lower wages to secure measurably higher wages after degree attainment. Those independent students with no dependents would be at most liberty to forgo current income in hopes of securing higher income at a later point in time.

For the second hypothesis, conclusions must be drawn to discover if there is significant difference in the Pell award between groups with the various possible values (dependent, independent without dependents, and independents with dependents) in the one factor (dependency status). The 462,544 students paired Pell awards in Stata, along with dependency status, was used for testing. Analysis of variance (one-way ANOVA) was completed to test for between-group variance based on the three dependency statuses of the 462,544 students with complete ISIR records in both 2017-2018 and 2018-2019 with an alpha of .05. The test was performed on 220,152 Dependent students, 104,808 Independent with Dependents students, and 137,584 Independent without Dependents students.

The ANOVA was calculated using the following formulae:

$$SS_{total} = \sum_{j=1}^p \sum_{i=1}^{n_j} (x_{ij} - \bar{x})^2$$

$$SS_{between} = \sum_{j=1}^p n_j (\bar{x}_j - \bar{x})^2$$

$$SS_{within} = \sum_{j=1}^p \sum_{i=1}^{n_j} (x_{ij} - \bar{x}_j)^2$$

$$MS_{between} = \frac{SS_{between}}{df_{between}}$$

$$MS_{within} = \frac{SS_{within}}{df_{within}}$$

$$F = \frac{MS_{between}}{MS_{within}}$$

The independent variable in this calculation is the year of the FAFSA information, in this context, PY or PPY FAFSA data. The dependent variable is the Pell award. The factor being explored is the student dependency status. The difference of means for each of the three statuses indicates the amount the Pell award changed. A positive number indicates the Pell awards decreased when switching from PY to PPY. A negative number indicates the award amounts went up.

### **Hypothesis 3**

*H<sub>3</sub>: New first-generation Pell eligible students will be underrepresented in the sample that takes advantage of the early filing opportunity.*

The third hypothesis seeks to determine if the earlier application availability date assisted families with the highest financial need as was the goal of the shift. The assertion that low-SES families will benefit from this earlier application offering was unlikely given research indicating less social capital is invested in low-SES students, as predicted by Cannon & Goldrick-Rab (2016).

The constructs tested were low-SES families and the timing of their participation in application. Like the other hypotheses, low-SES families were defined as those with eligibility for Pell Grants. As such the test determined if the frequency of the dependent variable of early application (a categorical response variable based on quarter applied) was observed to be different than expected.

The application rate of Pell Grant students in the first quarter of the baseline year of 2016-2017 (the last year before PPY and the early application date were implemented) was compared to the application rate of Pell Grant students in the first quarter of 2017-2018 (the first year of PPY and the early application date availability).

The counts of each condition were entered into Stata to perform tests.

The Chi-Square calculation used was:

$$X_2 = \sum ((O-E)^2 / E)$$

For this example, let:

O = the observed frequency of each cell

E = the expected frequency of each cell

The timing of the application for low-SES families was measured as the percentage of Pell eligible applicants in the first quarter of each application year.

## Summary

This chapter discussed the population and sample used in the study, the data preparation process, and the proposed methods used to test each hypothesis. It presented the research design, procedures, and the data analysis.

## CHAPTER FOUR: FINDINGS

Ordered by hypotheses, this chapter will review the findings for each test.

### **Introduction**

This study attempted to answer the following question: What has been the impact of implementing Prior-Prior Year on federal student aid eligibility? The design of the study tested the changes to Pell Grant eligibility, a proxy for identifying the highest need students, based on the shift from prior year income tax information usage on the FAFSA to the use of prior-prior year income information. The study also sought to examine the impact on FASFA completion ratios for first-year, first-generation students to determine if that population took advantage of the earlier application availability.

### **Results**

This section addresses the research question through the three stated hypotheses. The hypotheses sought to examine any shift in Pell eligibility overall, then by dependency status, and then any shift in application rates for first-year, first-generation applicants.

#### **Hypothesis 1**

*H<sub>1</sub>: Prior-prior year tax information yields Pell Grant award amounts within \$500 of what students would have received in Pell Grant had prior year tax information been used.*



The first hypothesis was designed to explore what, if any, shift occurred in the student records' Pell Grant eligibility when comparing what the Pell Grant award amount would have been under two conditions: the treatment of using prior-prior year income information to calculate the EFC and the control of using prior year income information to calculate the EFC. Records for 462,544 students with FAFSA data in both 2017-2018 and 2018-2019 were analyzed after partial records, graduate student records, records with professional judgements, records with special circumstances, and duplicate records were removed. The asset data from 2017-2018 were used for the EFC calculations for both the treatment and control group as they would not have been impacted by the shift from one year's income to another, only income information was sourced differently.<sup>15</sup> The 2017-2018 EFC Formula located in Appendix B was used to calculate the EFCs for both observations.

The hypothesis, by limiting the impact to less than a \$500 difference, was designed to test what previous researchers had postulated: that the shift to prior-prior income's impact on student Pell Grant award amounts would be a change of less than \$500 (Dynarski and Wiederspan, 2012, NASFAA, 2013, and Rueben, Gault, and Baum, 2015).<sup>16</sup>

A paired t-test was then conducted to compare the Pell award amounts based on PY income information (Pell\_PY) and PPY income information (Pell\_PPY) resulted in the following:

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<sup>15</sup> The use of 2017-2018 asset information was a suggestion from an attendee at the practitioner conference.

<sup>16</sup> A paired t-test was performed on the change in the EFC and is available in Appendix C.

**Table 9** Paired t-test Results: Pell Awards Comparison of PY and PPY

Variable	Observations	Mean	Standard Deviation	95% Confidence Interval	
Pell_PY	462,544	3,197	2,682	3,189	3,204
Pell_PPY	462,544	3,357	2,669	3,349	3,364
Difference	NA	-160	1,513	-164	-156
<b>H<sub>0</sub>: mean(diff) = 0</b>		<b>H<sub>a</sub>: mean(diff) &gt; 0</b>		<b>t = -71.9</b>	
		<b>P &lt; 0.0001</b>		<b>degrees of freedom = 462,543</b>	

The results indicate the Pell award amount using PY income information was lower ( $M = 3197$ ,  $SD = 2682$ ) than the award amount using PPY income information ( $M = 3357$ ,  $SD = 2669$ ). The results of a t-test analysis revealed that this difference reached statistical significance ( $t = -71.9$ ,  $p < 0.0001$ ).

To cross-validate findings, paired t-test was then conducted for a sub-sample of 1000 randomly selected records to compare the Pell award amounts based on PY income information (Pell\_PY) and PPY income information (Pell\_PPY) resulted in the following:

**Table 10** Paired t-test Results for Sub-Sample: Pell Awards Comparison

Variable	Observations	Mean	Standard Deviation	95% Confidence Interval	
Pell_PY	1,000	3,009	2,698	2,842	3,177
Pell_PPY	1,000	3,252	2,690	3,085	3,419
Difference	NA	-243	1,424	-331	-155
<b>H<sub>0</sub>: mean(diff) = 0</b>		<b>H<sub>a</sub>: mean(diff) &gt; 0</b>		<b>t = -5.4</b>	
		<b>P &lt; 0.0001</b>		<b>degrees of freedom = 999</b>	

The results indicate the Pell award amount using PY income information was lower ( $M = 3009$ ,  $SD = 2698$ ) than the award amount using PPY income information ( $M = 3252$ ,  $SD = 2690$ ). The results of a t-test analysis revealed that this difference reached statistical significance ( $t = -5.4$ ,  $p < 0.0001$ ).

Given the large size of the full sample, the results were likely to be statistically significant findings. To alleviate this concern, effect size was calculated to determine the economic significance of the finding. The effect size was calculated using Cohen's d.

**Table 11** Cohen's d Results: Pell Awards Comparison of PY and PPY

Effect Size	Estimate	95% Confidence Interval	
Cohen's d	-0.060	-0.064	-0.056

The magnitude of the effect size ( $|d| = .060$ ) was below what Cohen minimally categorized as a small effect size, .2 (Sawilowsky, 2009).

The statistical tests support Hypothesis 1 because the absolute value of the change ( $|-160|$ ) was less than 500 (the tolerance adopted by previous researchers) and the effect size was not at least .2.

### **Hypothesis 2**

*H<sub>2</sub>: Student records with the dependency status of Independent without Dependents will have a larger shift in Pell award amount than the other two dependency statuses of Dependent and Independent with Dependents.*

The second hypothesis was designed to explore if there was a difference in the impact of the treatment of using prior-prior year income information to calculate the EFC instead of using prior year income information to calculate the EFC between the various dependency statuses. The 462,544 records from H<sub>1</sub> were then examined after being grouped into three statuses: Dependent, Independent without Dependents, and Independents with Dependents.

The hypothesis, informed by the research of NASFAA (2013) and Kelchen and Jones (2015), tested for outcomes for the records designated as Independent without Dependents that were significantly different than outcomes for the other two groups.

The independent variable in this calculation was the year of the FAFSA information, in this context, PY or PPY FAFSA data. The dependent variable was the Pell award. The factor being explored was the student dependency status. The difference of means for each of the three statuses indicated the amount the Pell award changed. A positive number would have indicated the Pell awards decreased when switched from PY to PPY. The negative numbers indicate the award amounts went up.

A one-way ANOVA was conducted to discover between-group variance in the Pell award amount based on dependency status. We see from Table 12, the differences in the means of the Pell awards for dependent students ( $M = -100$ ,  $SD = 1,370$ ) and independent students with no dependents ( $M = -106$ ,  $SD = 1,287$ ) were very close. However, independent students with no dependents ( $M = -298$ ,  $SD = 1,845$ ) experienced a difference of means of almost three times the size of the other two groups.

The F-test resulted in a value of 812 that is substantially greater than the conventional critical value. In conclusion, the researcher found the three conditions differ significantly on dependency status and was able to support Hypothesis 2.

**Table 12** One-way ANOVA Results: Single Factor of Dependency Status

Dependency Status	Difference of Means (PY-PPY)	Standard Deviation	Frequency	
Dependent	-100	1,370	220,152	
Independent no deps	-298	1,845	137,584	
Independent w deps	-106	1,287	104,808	
Total	-160	1,513	462,544	
Source	Sum of Squares	Degrees of Freedom	Means Square	F
Between groups	3.70e+09	2	1.85e+09	812
Within groups	1.05e+12	462,541	2,281,391	
Barlett's test for equal variances		$X^2(2) = 2.1e+04$	Prob>chi2 = 0.000	

### **Hypothesis 3**

*H<sub>3</sub>: New first-generation Pell eligible students will be underrepresented in the sample that takes advantage of the early filing opportunity.*

The third hypothesis sought to discover if first-time, first-generation students in this sample took advantage of the earlier FAFSA availability. Existing research indicated students from schools serving mostly low-SES students had lower guidance counselor-to-student ratios than schools serving mostly higher-SES students. It also indicated counselors in high schools of lower-SES students spent their time on disciplinary and truancy issues as opposed to their counterparts at higher-SES schools who focused more on college predatory processes. Thus, with a change in the FAFSA, would it follow that higher-SES students would be made aware more frequently than lower-SES students? The third hypothesis was designed to test the conclusion that lower-SES students would be less likely to have taken advantage of the earlier application date.

The FAFSA for 2017-2018, in addition to using older tax return information, allowed students to apply early. In previous years, students had to wait until January first of the calendar year of enrollment to complete the FAFSA. Beginning in fall of 2016, students could complete the coming academic year FAFSA for 2017-2018 beginning on October 1, 2016.

The rate of Pell-eligible applications for the first quarter of FAFSA availability was 48.67%. The following year, rate of Pell-eligible applications for the first quarter of FAFSA availability was 52.03%.<sup>17</sup>

The rate of Pell-eligible applications for first-time, first-generation students was examined to address the hypothesis. For the first quarter of FAFSA availability for 2016-2017, the rate of Pell-

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<sup>17</sup> A chi-square test was performed on the full sample (not just first-time or first-generation students). It is included in Appendix D.

eligible applications for first-time, first-generation students was 54.8%. The following year, the rate of Pell-eligible applications for the first quarter of FAFSA availability increased to 59.7%.

A chi-square test was performed on the 27,356 records from 2016-2017 (14,981 Pell-eligible and 12,375 not Pell-eligible) and the 20,650 records from 2017-2018 (12,320 Pell-eligible and 8,330 not Pell-eligible) comparing the rate of Pell-eligible applications resulted in the following:

**Table 13** Chi-Square First-Time, First-Generation Pell-Eligible by App Date Change

Pearson $\chi^2(1) = 200$				P < 0.001
Group	Observed	Expected	Difference	Pearson
Pell-eligible	12,320	11,309	1,011	9.51
Not Pell-eligible	8,330	9,341	-1,011	-10.5

A chi-square test of goodness-of-fit was performed to determine if the same percentage of Pell-eligible students completed the FAFSA in the first quarter of availability for both the original application date (January 1) and the new application availability date (three months earlier on October 1). The percentage of Pell-eligible students changed between the application dates in the sample,  $\chi^2(1, N = 20650) = 200, p < .001$ . The difference is significant, but the direction of the change was the opposite of what was expected. The change of rate of Pell-eligible applications was predicted to decrease but it increased; therefore, the researcher rejected Hypothesis 3.

### Summary

Utilizing data provided by CampusLogic, this chapter presented statistical analysis results to test the stated hypotheses. The hypotheses were tested by a series of t-tests, ANOVA, and chi-square test statistical methods. The t-test was used to explore differences in the Pell award for students based on the original method of using one-year-old tax information versus using two-year-old tax information and found the difference of means to be less than \$500. That was followed by a one-way ANOVA to explore if there were different results for students based on the single factor of

dependency statuses and found there was a significant difference for students with the dependency status of independent without dependents. Finally, a chi-square test was used to determine if there was a significant shift in application rates for first-time, first-generation college students and the test found there was a shift to a larger percentage of first-time, first-generation Pell-eligible students in the sample of PPY than in the previous year of PY.

## **CHAPTER FIVE: DISCUSSION AND CONCLUSION**

This chapter offers a discussion on the findings in the previous chapter. The chapter concludes with the contributions made, the limitations of the study, the implications, and recommended future research.

### **Discussion**

The implementation of prior-prior year income information in the FAFSA came after a series of only six studies—two of which are two decades old and two others used the same data set—were completed. The goal of this study was to determine if outcomes of previous studies held after the implementation of PPY. Three key concepts were tested. Did PPY income act as a good proxy for PY income? Did the change have a most drastic impact on independent students without dependents? Did rate of first-year, first-generation Pell-eligible students drop with the earlier application availability?

### **Change in Pell Awards Overall**

Previous research indicated most awards would not change by more than \$500. Dynarski and Wiederspan found an increase of approximately \$87 overall for applicants when they simulated the impact if PPY were used instead of PY (2012). Other researchers found a slight decrease in awards (down \$5) but more students became eligible (Rueben et al., 2015). The findings in this study supported the existing research. In testing how much Pell awards changed for this sample of



students, this study found an increase in the Pell award amounts of approximately \$160, well within the \$500 tolerance predicted.<sup>18</sup>

Social mobility theory states changing social strata is typically not fast is often measured over generations. Dynarski and Wiederspan's work indicated Pell-eligible students were almost as likely to have higher incomes as lower ones when considering year-over-year comparisons (2015). NASFAA indicated their study found families with the lowest income did not experience radical change over time (2013). Kelchen and Jones found that somewhere between 5% and 12% of the students gained or lost Pell on average over a 4-year period (2015) if PPY had been implemented. With almost 90% of the students either keeping Pell or remaining ineligible, the lack of mobility of Pell families appears consistent with theory and the findings of this study.

It is probably worth noting that an increase in Pell award amounts when switching from PY to PPY during an improving economy is highly probable. Specifically, if incomes are generally increasing, then a switch to an earlier—and probably more modest—income to determine eligibility for aid will show the applicant as worthier to receive benefit than that applicant's more recent and financially healthier picture would. If the economy were to go in the opposite direction, benefits to previously-eligible students under PY policy would be delayed an additional year while awaiting the tax information to show on the PPY application.

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<sup>18</sup> Practitioners who read Appendix C may expect that for each decrease by 100 in EFC, the Pell award will increase by \$100. In the case of very low EFCs (at or below 5328), each decrease in EFC of 100 led to an increase of Pell award by \$100. Conversely, students with EFCs over 5328 had no Pell award. The significant number of students with EFCs well over the threshold for Pell eligibility also experienced a decrease in EFC but did not have a corresponding increase in Pell as awards are not available where the PPY EFC remained in excess of the EFC cap.

### **Change in Pell Awards for Independent without Dependents**

Previous research also predicted students with a particular dependency status (independent without dependents) would be more impacted by the change to PPY than other students (those with a status of either dependent or independent with dependents). Human capital theory offered an explanation that perhaps independent students without dependents would be at most liberty to forgo income temporarily, thereby seeing a delay in PPY Pell grant increases relative to what they would have been with PY. Both NASFAA and Kelchen & Jones reported a more dramatic shift in Pell award amounts for independent students without dependents (2013, 2015). NASFAA found that for two groups of students, 79% had Pell within \$500. Those students in the third group only kept Pell within \$500 about 67% of the time (2013). As they used the same data set, Kelchen and Jones found similar results with approximately a 13-point difference in the rate of keeping Pell within \$500 (2015).

The one-way ANOVA suggested this single factor created significant variance and the status of independent without dependents had three times the difference in means between PY and PPY Pell awards with an increase in Pell awards by \$297 versus the other two statuses yielding differences of \$100 and \$106. While the finding supports rejecting the null, the direction of the Pell award change is not a decrease but instead an increase in Pell.

While the average AGI of independent students without dependents in the paired sample increased year-over-year causing a delay in the expected Pell decrease, a three-year trend would be most helpful in examining the delayed decrease. Anecdotally, practitioners have reported very few of the expected increase in professional judgements (Mockus, 2018).

### **Application Rates with Early FAFSA**

While researchers indicated Pell-eligible students were less likely to capitalize on the earlier FAFSA availability (Goldrick-Rab et al., 2016) and social capital theory would support their

assertion, this study showed results to the contrary. Application rates among first-time, first-generation Pell-eligible students actually increased in the first quarter of the earlier FAFSA.

Some of this unexpected behavior may be related to recent efforts at the state level to increase FAFSA completion rates in states with resident incomes below the national average. States like Massachusetts, New Jersey, and New York have high incomes<sup>19</sup> and high FAFSA completion rates (Tamburin, 2016). But lately, some states with lower average incomes have started deliberate measures to push students to complete the FAFSA.

One example is how Tennessee has successfully raised its high school senior FAFSA completion rates by double digits by making the form a requirement for Tennessee Promise, a program that offers eligible seniors free community college (Tamburin, 2016). Another example is Louisiana's recent decision to make completion of the FAFSA a mandatory exercise for graduating seniors (March, 2016). Both Tennessee and Louisiana rank in the bottom third of states ranked by income<sup>20</sup> and these programs are driving up the FAFSA application rates of students in their residency.

It is worth noting that the application curve did not simply shift earlier by the additional three months. Overall, the application rates for all students in the first quarter in 2017-2018 (October – December) were lower than the first quarter of 2016-2017 (January – March). However, as of the same date of March 31, the overall number of applications had increased.

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<sup>19</sup> <http://trac.syr.edu/phptools/tracirs/taxes/>

<sup>20</sup> <http://trac.syr.edu/phptools/tracirs/taxes/>

## **Closing Observations**

This section will review the contributions, limitations, implications, and finish with a conclusion.

### **Contributions**

#### ***Timeliness.***

The purpose of this study was to examine the impact of using prior-prior year on the FAFSA instead of continuing to use the immediately preceding year. As this change only recently took place, no studies have been completed on the topic as yet. The study necessarily took place during the second year of PPY being in effect, but practitioners can begin to capitalize on the findings.

#### ***Sample.***

The use of a very large sample (over 460,000 applicants), with a near-equal distribution of independent students versus dependent students along with inclusion of students attending private, for-profit institutions provides additional validity given the absence of some of these groups in previous studies provides great value in the findings.

#### ***Literature Review.***

The comprehensive review of literature on the subject will offer future researchers perspective on the quantity of studies, the methodologies used, and various stakeholder positions held.

### **Limitations**

One limitation of this study is the other side of the earliness of the study: not all records for this sample of students are available for examination. On June 30, 2019 when the 2018-2019 school year comes to a close, the last FAFSAs will be filed to allow for as wide of a comparison as possible within this sample of records from CampusLogic.

Another limitation of the study is missing data fields such as state of residency and dates of birth that forced use of averages or default values. While the overall technique was precise, offering

consistent results from consistent treatment to each record, it was not accurate in that all parents and students are not the same age. Additionally, the use of the most recent ISIR, not the paid ISIR, limited the accuracy of this study. Again, the consistent treatment across both years presumably yielded precise and reproducible results, the results do not provide accurate calculations to the practitioners in that there may be situations where the most recent ISIR was not used for processing.

Populations such as graduate students, those with professional judgements, students with special circumstances, students with changed dependency statuses, those with missing parent marital statuses, situations where the number in college changed, or when students lost or gained children to support all were excluded by this study.

The classification of first-generation has evolved significantly recently and the use of self-reported FAFSA values only looking at any post-secondary attendance of parents does not meet the standard of classifying all where neither parent achieved at least a bachelor's degree.

As with previous studies, students whose dependency status or household information changed were excluded. This was due to the inability to secure missing information in both years to provide adequate comparison.

### **Implications and Recommendations for Practice**

As the study found PPY does appear to be an effective proxy for PY income information, practitioners hopefully found the overall outcome for students to be a sustained financial aid application with fairly consistent impacts for most students. But there are areas that could still be improved.

### ***Codification.***

Prior-prior year is not codified. It could be wiped away as easily as it was created. The disruption caused by resetting back to prior year tax information could be just as painful in implementation as PPY was. The aid community should continue its efforts to codify PPY (HR 4416).<sup>21</sup>

### ***Piloting and Practitioner Research.***

This concept took at least 20 years to come into effect, had few studies, and did not experience a pilot even though it was suggested by multiple researchers (Advisory Committee on Student Financial Assistance, 2013; Kelchen & Jones, 2015; Scott & U. S. Government Accountability Office, 2009; Stone, 2005). Practitioners looking back on the increased work-load and jeopardy caused to students by the unvetted implementation may wish to consider a more active role in advocating for pilots, working more closely with researchers to provide data,<sup>22</sup> and consider conducting research as well. Pilot and practitioner-led exercises may increase community support of changes.

### ***Simplification.***

Researchers over a decade ago found 2.3 million students who could have gotten aid if they had applied but they did not. Is the financial aid community comfortable with over 10% of students missing out on assistance? Is the complexity of the form worth every student who misses out on the funding that could possibly keep them in school? Even if *some* schools and some states want to collect a supplemental form, do *all* schools and states want to leave in place this hurdle?

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<sup>21</sup> [https://www.nasfaa.org/legislative\\_tracker\\_fafsa](https://www.nasfaa.org/legislative_tracker_fafsa)

<sup>22</sup> Federal Student Aid has increased its offering of guidance on how to protect information and share information for research purposes. See Session 35 from the FSA 2017 conference here <https://fsaconferences.ed.gov/2017sessionlist.html>

## Recommendations for Future Research

In addition to the work remaining due to the early nature of this study, many questions have yet to be addressed on the subject of the impact of PPY on federal student aid. There are many more forms of aid beyond the Pell Grant that should be explored. Did PPY decrease the complexity for students and families?<sup>23</sup> Also, research shows that enrollment increases with a decrease in complexity of the FAFSA. Did that come to fruition? Is there evidence Admissions changed their cycles or ceased need-blind admission?

With regard to the promised benefits of the change, did PPY allow more students to utilize the IRS DRT? Did was there more usage of the IRS DRT by later tax filers? Did those later tax filers file their FAFSAs earlier? Did the earlier information better align with the Admissions cycle and improve outcomes for new students? Was the FAFSA easier to complete? Were the applications more accurate? Did more students make the state grant deadlines? Did families stop estimating income? Were there less applications selected for verification?

And what about the concerns? Were the concerns about increased PJs founded? Did some admissions offices cease to be need-blind?

Finally, should the FAFSA still exist in its current form? Again, researchers in 2009 found 2.3 million students who would have been eligible but did not apply (Scott & U. S. Government Accountability Office, 2009). Is more needed than these tweaks to the application like PPY? Can researchers build on the work of Dynarski, Scott-Clayton, and Wiederspan to reduce the uncertainty of moving to a FAFSA with 80% less questions or maybe even cease using the form for Pell altogether (Dynarski & Scott-Clayton, 2006, 2008; Dynarski & Wiederspan, 2012)?

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<sup>23</sup> Clearly, those impacted by the newly minted comment code 399 to exact a year-over-year audit of files would not agree PPY decreased the complexity they experienced. This alone would be a rich research topic.

### **Conclusion: Did the right students get the right aid?**

A one dollar change in a financial aid award may seem irrelevant to those not employed in financial aid. However, the profession of financial aid administrators is tasked with performing verification on dozens of data points on approximately one third<sup>24</sup> of financial aid applicants rounded to the nearest whole dollar in addition to the financial aid processing systems calculating to the dollar for all 100% financial aid applicants. Financial aid practitioners and researchers (Dynarski, et al, 2008) often compare this ratio to the IRS audit rate of only 1.5%. Moreover, the federally-mandated process of verification costs schools about \$100 per record, thereby creating a high cost to institutions.

In their work, Dynarski and Scott-Clayton (2006) found they could replicate Pell Grant calculations with only 20% of the fields on the FAFSA. Yet 12 years later, the community of providers and consumers of the FAFSA cannot agree to remove the extraneous fields.

Like arguments made in testimony before congress in 1998, those who oppose simplification of the FAFSA believe it is reasonable and possible to calculate an award to the dollar. The belief led to use of Pell eligibility or 0 EFC designations to be used as proxies for determining other awards and designations.

Given the profession's insistence on collecting over one hundred data points, practitioners will be keenly interested in the average student gaining about \$160 of Pell as a result of PPY. Given the profession's reliance on the perception of fairness, the requirement to calculate EFCs to the dollar,

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<sup>24</sup> This is a very conservative estimate. There have many reports of the verification rate spiking since the advent of PPY due to the year-over-year audit. [http://www.nasfaa.org/news-item/15773/What\\_Went\\_Wrong\\_With\\_Verification](http://www.nasfaa.org/news-item/15773/What_Went_Wrong_With_Verification)



and awarding Pell accurately to the dollar, any systematic shifts will be unwelcome, but less so given the benefit was to the student in the form of a larger award.

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## APPENDICES



## Appendix A: The 2017-2018 FAFSA



27. What is the name of the high school where you received or will receive your high school diploma? Enter the complete high school name, and the city and state where the high school is located.

High School Name

High School City

STATE

28. Will you have your first bachelor's degree before you begin the 2017-2018 school year?

Yes  No

29. What will your college grade level be when you begin the 2017-2018 school year?

Never attended college and 1st year undergraduate .....

Attended college before and 1st year undergraduate .....

2nd year undergraduate/sophomore .....

3rd year undergraduate/junior .....

4th year undergraduate/senior .....

5th year/other undergraduate .....

1st year graduate/professional .....

Continuing graduate/professional or beyond .....

30. What degree or certificate will you be working on when you begin the 2017-2018 school year?

1st bachelor's degree .....

2nd bachelor's degree .....

Associate degree (occupational or technical program) .....

Associate degree (general education or transfer program) .....

Certificate or diploma (occupational, technical or education program of less than two years) .....

Certificate or diploma (occupational, technical or education program of two or more years) .....

Teaching credential (nondegree program) .....

Graduate or professional degree .....

Other/undecided .....

31. Are you interested in being considered for work-study?

Yes  No  Don't know

**Step Two (Student):**

Answer questions 32–58 about yourself (the student). If you were never married, or are separated, divorced or widowed and are not remarried, answer only about yourself. If you are married or remarried as of today, include information about your spouse.

32. For 2015, have you (the student) completed your IRS income tax return or another tax return listed in question 33?

I have already completed my return .....

I will file but have not yet completed my return .....

I'm not going to file. Skip to question 39.

33. What income tax return did you file or will you file for 2015?

IRS 1040 .....

IRS 1040A or 1040EZ .....

A foreign tax return. See Notes page 9. ....

A tax return with Puerto Rico, another U.S. territory or Freely Associated State. See Notes page 9. ....

34. For 2015, what is or will be your tax filing status according to your tax return?

Single .....

Head of household .....

Married—filed joint return .....

Married—filed separate return .....

Qualifying widow(er) .....

Don't know .....

35. If you have filed or will file a 1040, were you eligible to file a 1040A or 1040EZ? See Notes page 9.

Yes  No  Don't know

For questions 36–45, if the answer is zero or the question does not apply to you, enter 0. Report whole dollar amounts with no cents.

36. What was your (and spouse's) adjusted gross income for 2015? Adjusted gross income is on IRS Form 1040—line 37; 1040A—line 21; or 1040EZ—line 4.

\$

37. Enter your (and spouse's) income tax for 2015. Income tax amount is on IRS Form 1040—line 56 minus line 46; 1040A—line 28 minus line 36; or 1040EZ—line 10.

\$

38. Enter your (and spouse's) exemptions for 2015. Exemptions are on IRS Form 1040—line 6d or Form 1040A—line 6d. For Form 1040EZ, see Notes page 9.

Questions 39 and 40 ask about earnings (wages, salaries, tips, etc.) in 2015. Answer the questions whether or not a tax return was filed. This information may be on the W-2 forms or on the tax return selected in question 33: IRS Form 1040—lines 7 + 12 + 18 + Box 14 (Code A) of IRS Schedule K-1 (Form 1065); 1040A—line 7; or 1040EZ—line 1. If any individual earning item is negative, do not include that item in your calculation.

39. How much did you earn from working in 2015?

\$

40. How much did your spouse earn from working in 2015?

\$

41. As of today, what is your (and spouse's) total current balance of cash, savings, and checking accounts? Don't include student financial aid.

\$

42. As of today, what is the net worth of your (and spouse's) investments, including real estate? Don't include the home you live in. See Notes page 9.

\$

43. As of today, what is the net worth of your (and spouse's) current businesses and/or investment farms? Don't include a family farm or family business with 100 or fewer full-time or full-time equivalent employees. See Notes page 9.

\$

**44. Student's 2015 Additional Financial Information (Enter the combined amounts for you and your spouse.)**

a. Education credits (American Opportunity Tax Credit and Lifetime Learning Tax Credit) from IRS Form 1040—line 50 or 1040A—line 33.	\$								
b. Child support paid because of divorce or separation or as a result of a legal requirement. <b>Don't include</b> support for children in your household, as reported in question 95.	\$								
c. Taxable earnings from need-based employment programs, such as Federal Work-Study and need-based employment portions of fellowships and assistantships.	\$								
d. Taxable college grant and scholarship aid <b>reported to the IRS in your adjusted gross income</b> . Includes AmeriCorps benefits (awards, living allowances and interest accrual payments), as well as grant and scholarship portions of fellowships and assistantships.	\$								
e. Combat pay or special combat pay. Only enter the amount that was taxable and included in your adjusted gross income. <b>Don't include</b> untaxed combat pay.	\$								
f. Earnings from work under a cooperative education program offered by a college.	\$								

**45. Student's 2015 Untaxed Income (Enter the combined amounts for you and your spouse.)**

a. Payments to tax-deferred pension and retirement savings plans (paid directly or withheld from earnings), including, but not limited to, amounts reported on the W-2 forms in Boxes 12a through 12d, codes D, E, F, G, H and S. <b>Don't include</b> amounts reported in code DD (employer contributions toward employee health benefits).	\$								
b. IRA deductions and payments to self-employed SEP, SIMPLE, Keogh and other qualified plans from IRS Form 1040—line 28 + line 32 or 1040A—line 17.	\$								
c. Child support received for any of your children. <b>Don't include</b> foster care or adoption payments.	\$								
d. Tax exempt interest income from IRS Form 1040—line 8b or 1040A—line 8b.	\$								
e. Untaxed portions of IRA distributions from IRS Form 1040—lines (15a minus 15b) or 1040A—lines (11a minus 11b). <b>Exclude rollovers</b> . If negative, enter a zero here.	\$								
f. Untaxed portions of pensions from IRS Form 1040—lines (16a minus 16b) or 1040A—lines (12a minus 12b). <b>Exclude rollovers</b> . If negative, enter a zero here.	\$								
g. Housing, food and other living allowances paid to members of the military, clergy and others (including cash payments and cash value of benefits). <b>Don't include</b> the value of on-base military housing or the value of a basic military allowance for housing.	\$								
h. Veterans noneducation benefits, such as Disability, Death Pension, or Dependency & Indemnity Compensation (DIC) and/or VA Educational Work-Study allowances.	\$								
i. Other untaxed income not reported in items 45a through 45h, such as workers' compensation, disability benefits, etc. Also include the untaxed portions of health savings accounts from IRS Form 1040—line 25. <b>Don't include</b> extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels.	\$								
j. Money received, or paid on your behalf (e.g., bills), not reported elsewhere on this form. This includes money that you received from a parent or other person whose financial information is not reported on this form and that is not part of a legal child support agreement. <b>See Notes page 9.</b>	\$								

**Step Three (Student):** Answer the questions in this step to determine if you will need to provide parental information. Once you answer "Yes" to any of the questions in this step, skip Step Four and go to Step Five on page 8.

46. Were you born before January 1, 1994? .....	Yes	<input type="radio"/>	No	<input type="radio"/>
47. As of today, are you married? (Also answer "Yes" if you are separated but not divorced.) .....	Yes	<input type="radio"/>	No	<input type="radio"/>
48. At the beginning of the 2017-2018 school year, will you be working on a master's or doctorate program (such as an MA, MBA, MD, JD, PhD, EdD, graduate certificate, etc.)? .....	Yes	<input type="radio"/>	No	<input type="radio"/>
49. Are you currently serving on active duty in the U.S. Armed Forces for purposes other than training? <b>See Notes page 9.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
50. Are you a veteran of the U.S. Armed Forces? <b>See Notes page 9.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
51. Do you now have or will you have children who will receive more than half of their support from you between July 1, 2017 and June 30, 2018? .....	Yes	<input type="radio"/>	No	<input type="radio"/>
52. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2018? .....	Yes	<input type="radio"/>	No	<input type="radio"/>
53. At any time since you turned age 13, were both your parents deceased, were you in foster care or were you a dependent or ward of the court? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
54. As determined by a court in your state of legal residence, are you or were you an emancipated minor? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
55. Does someone other than your parent or stepparent have legal guardianship of you, as determined by a court in your state of legal residence? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
56. At any time on or after July 1, 2016, did your high school or school district homeless liaison determine that you were an unaccompanied youth who was homeless or were self-supporting and at risk of being homeless? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
57. At any time on or after July 1, 2016, did the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development determine that you were an unaccompanied youth who was homeless or were self-supporting and at risk of being homeless? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>
58. At any time on or after July 1, 2016, did the director of a runaway or homeless youth basic center or transitional living program determine that you were an unaccompanied youth who was homeless or were self-supporting and at risk of being homeless? <b>See Notes page 10.</b> .....	Yes	<input type="radio"/>	No	<input type="radio"/>





**If you (the student) answered "No" to every question in Step Three, go to Step Four.**  
**If you answered "Yes" to any question in Step Three, skip Step Four and go to Step Five on page 8.**  
 (Health professions and law school students: Your college may require you to complete Step Four even if you answered "Yes" to any Step Three question.)  
**If you believe that you are unable to provide parental information, see Notes page 10.**

**Step Four (Parent):** Complete this step if you (the student) answered "No" to all questions in Step Three.

Answer all the questions in Step Four even if you do not live with your legal parents (biological, adoptive, or as determined by the state [for example, if the parent is listed on the birth certificate]). Grandparents, foster parents, legal guardians, widowed stepparents, aunts, uncles, and siblings are not considered parents on this form unless they have legally adopted you. If your legal parents are married to each other, or are not married to each other and live together, answer the questions about both of them. If your parent was never married or is remarried, divorced, separated or widowed, see [StudentAid.gov/fafsa-parent](http://StudentAid.gov/fafsa-parent) and/or **Notes page 10** for additional instructions.

59. As of today, what is the marital status of your legal parents?

Never married..... <input type="radio"/>	Married or remarried..... <input type="radio"/>	60. Month and year they were married, remarried, separated, divorced or widowed.	MONTH	YEAR
Unmarried and both parents living together..... <input type="radio"/>	Divorced or separated..... <input type="radio"/>		<input type="text"/>	<input type="text"/>
	Widowed..... <input type="radio"/>		<input type="text"/>	<input type="text"/>

What are the Social Security Numbers, names and dates of birth of the parents reporting information on this form?  
 If your parent does not have a Social Security Number, you must enter 000-00-0000. If the name includes a suffix, such as Jr. or III, include a space between the last name and suffix. Enter two digits for each day and month (e.g., for May 31, enter 05 31).

Questions 61-64 are for Parent 1 (father/mother/stepparent)

61. SOCIAL SECURITY NUMBER	62. LAST NAME, AND	63. FIRST INITIAL	64. DATE OF BIRTH
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Questions 65-68 are for Parent 2 (father/mother/stepparent)

65. SOCIAL SECURITY NUMBER	66. LAST NAME, AND	67. FIRST INITIAL	68. DATE OF BIRTH
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

69. **Your parents' e-mail address.** If you provide your parents' e-mail address, we will let them know your FAFSA has been processed. This e-mail address will also be shared with your state and the colleges listed on your FAFSA to allow them to electronically communicate with your parents.

70. What is your parents' state of legal residence? STATE <input type="text"/>	71. Did your parents become legal residents of this state before January 1, 2012? Yes <input type="radio"/> No <input type="radio"/>	72. If the answer to question 71 is "No," give the month and year legal residency began for the parent who has lived in the state the longest. MONTH <input type="text"/> YEAR <input type="text"/>
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73. How many people are in your parents' household? Include:

- yourself, even if you don't live with your parents,
- your parents,
- your parents' other children (even if they do not live with your parents) if (a) your parents will provide more than half of their support between July 1, 2017 and June 30, 2018, or (b) the children could answer "No" to every question in Step Three on page 5 of this form, and
- other people if they now live with your parents, your parents provide more than half of their support and your parents will continue to provide more than half of their support between July 1, 2017 and June 30, 2018.

74. How many people in your parents' household (from question 73) will be college students between July 1, 2017 and June 30, 2018? Always count yourself as a college student. Do not include your parents. Do not include siblings who are in U.S. military service academies. You may include others only if they will attend, at least half-time in 2017-2018, a program that leads to a college degree or certificate.

At any time during 2015 or 2016, did you, your parents, or anyone in your parents' household (from question 73) receive benefits from any of the federal programs listed? Mark all that apply. Answering these questions will NOT reduce eligibility for student aid or these programs. TANF has different names in many states. Call 1-800-433-3243 to find out the name of your state's program. If you, your parents, or anyone in your household receives any of these benefits after filing the FAFSA but before December 31, 2016, you must update your response by logging in to [www.fafsa.gov](http://www.fafsa.gov) and selecting "Make FAFSA Corrections."

75. Medicaid or Supplemental Security Income (SSI) <input type="radio"/>	76. Supplemental Nutrition Assistance Program (SNAP) <input type="radio"/>	77. Free or Reduced Price School Lunch <input type="radio"/>	78. Temporary Assistance for Needy Families (TANF) <input type="radio"/>	79. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) <input type="radio"/>
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**If your answer to question 59 was "Unmarried and both parents living together," contact 1-800-433-3243 for assistance with answering questions 80-94.**

80. For 2015, have your parents completed their IRS income tax return or another tax return listed in question 81? My parents have already completed their return... <input type="radio"/> My parents will file but have not yet completed their return..... <input type="radio"/> My parents are not going to file. Skip to question 88..... <input type="radio"/>	81. What income tax return did your parents file or will they file for 2015? IRS 1040..... <input type="radio"/> IRS 1040A or 1040EZ..... <input type="radio"/> A foreign tax return. See Notes page 9..... <input type="radio"/> A tax return with Puerto Rico, another U.S. territory or Freely Associated State. See Notes page 9..... <input type="radio"/>	82. For 2015, what is or will be your parents' tax filing status according to their tax return? Single..... <input type="radio"/> Head of household..... <input type="radio"/> Married—filed joint return..... <input type="radio"/> Married—filed separate return..... <input type="radio"/> Qualifying widow(er)..... <input type="radio"/> Don't know..... <input type="radio"/>
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83. If your parents have filed or will file a 1040, were they eligible to file a 1040A or 1040EZ? See Notes page 9. Yes <input type="radio"/> No <input type="radio"/> Don't know <input type="radio"/>	84. As of today, is either of your parents a dislocated worker? See Notes page 10. Yes <input type="radio"/> No <input type="radio"/> Don't know <input type="radio"/>
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For questions 85–94, if the answer is zero or the question does not apply, enter 0. Report whole dollar amounts with no cents.

85. What was your parents' adjusted gross income for 2015? Adjusted gross income is on IRS Form 1040—line 37; 1040A—line 21; or 1040EZ—line 4. \$

86. Enter your parents' income tax for 2015. Income tax amount is on IRS Form 1040—line 56 minus line 46; 1040A—line 28 minus line 36; or 1040EZ—line 10. \$

87. Enter your parents' exemptions for 2015. Exemptions are on IRS Form 1040—line 6d or on Form 1040A—line 6d. For Form 1040EZ, see Notes page 9.

Questions 88 and 89 ask about earnings (wages, salaries, tips, etc.) in 2015. Answer the questions whether or not a tax return was filed. This information may be on the W-2 forms or on the tax return selected in question 81: IRS Form 1040—lines 7 + 12 + 18 + Box 14 (Code A) of IRS Schedule K-1 (Form 1065); 1040A—line 7; or 1040EZ—line 1. If any individual earning item is negative, do not include that item in your calculation. Report the information for the parent listed in questions 61-64 in question 88 and the information for the parent listed in questions 65-68 in question 89.

88. How much did Parent 1 (father/mother/stepparent) earn from working in 2015? \$

89. How much did Parent 2 (father/mother/stepparent) earn from working in 2015? \$

90. As of today, what is your parents' total current balance of cash, savings, and checking accounts? **Don't include** student financial aid. \$

91. As of today, what is the net worth of your parents' investments, including real estate? **Don't include** the home in which your parents live. See Notes page 9. \$

92. As of today, what is the net worth of your parents' current businesses and/or investment farms? **Don't include** a family farm or family business with 100 or fewer full-time or full-time equivalent employees. See Notes page 9. \$

93. Parents' 2015 Additional Financial Information (Enter the amounts for your parent[s].)

a. Education credits (American Opportunity Tax Credit and Lifetime Learning Tax Credit) from IRS Form 1040—line 50 or 1040A—line 33. \$

b. Child support paid because of divorce or separation or as a result of a legal requirement. **Don't include** support for children in your parents' household, as reported in question 73. \$

c. Your parents' taxable earnings from need-based employment programs, such as Federal Work-Study and need-based employment portions of fellowships and assistantships. \$

d. Your parents' taxable college grant and scholarship aid reported to the IRS in your parents' adjusted gross income. Includes AmeriCorps benefits (awards, living allowances and interest accrual payments), as well as grant and scholarship portions of fellowships and assistantships. \$

e. Combat pay or special combat pay. Only enter the amount that was taxable and included in your parents' adjusted gross income. **Don't include** untaxed combat pay. \$

f. Earnings from work under a cooperative education program offered by a college. \$

94. Parents' 2015 Untaxed Income (Enter the amounts for your parent[s].)

a. Payments to tax-deferred pension and retirement savings plans (paid directly or withheld from earnings), including, but not limited to, amounts reported on the W-2 forms in Boxes 12a through 12d, codes D, E, F, G, H and S. **Don't include** amounts reported in code DD (employer contributions toward employee health benefits). \$

b. IRA deductions and payments to self-employed SEP, SIMPLE, Keogh and other qualified plans from IRS Form 1040—line 28 + line 32 or 1040A—line 17. \$

c. Child support received for any of your parents' children. **Don't include** foster care or adoption payments. \$

d. Tax exempt interest income from IRS Form 1040—line 8b or 1040A—line 8b. \$

e. Untaxed portions of IRA distributions from IRS Form 1040—lines (15a minus 15b) or 1040A—lines (11a minus 11b). **Exclude rollovers.** If negative, enter a zero here. \$

f. Untaxed portions of pensions from IRS Form 1040—lines (16a minus 16b) or 1040A—lines (12a minus 12b). **Exclude rollovers.** If negative, enter a zero here. \$

g. Housing, food and other living allowances paid to members of the military, clergy and others (including cash payments and cash value of benefits). **Don't include** the value of on-base military housing or the value of a basic military allowance for housing. \$

h. Veterans noneducation benefits, such as Disability, Death Pension, or Dependency & Indemnity Compensation (DIC) and/or VA Educational Work-Study allowances. \$

i. Other untaxed income not reported in items 94a through 94h, such as workers' compensation, disability benefits, etc. Also include the untaxed portions of health savings accounts from IRS Form 1040—line 25. **Don't include** extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels. \$





**Step Five (Student):** Complete this step only if you (the student) answered "Yes" to any questions in Step Three.

95. How many people are in your household?  
 Include:  
 • yourself (and your spouse),  
 • your children, if you will provide more than half of their support between July 1, 2017 and June 30, 2018, even if they do not live with you, and  
 • other people if they now live with you, you provide more than half of their support and you will continue to provide more than half of their support between July 1, 2017 and June 30, 2018.

96. How many people in your (and your spouse's) household (from question 95) will be college students between July 1, 2017 and June 30, 2018? Always count yourself as a college student. Do not include family members who are in U.S. military service academies. Include others only if they will attend, at least half-time in 2017-2018, a program that leads to a college degree or certificate.

At any time during 2015 or 2016, did you (or your spouse) or anyone in your household (from question 95) receive benefits from any of the federal programs listed? Mark all that apply. Answering these questions will NOT reduce eligibility for student aid or these programs. TANF has different names in many states. Call 1-800-433-3243 to find out the name of your state's program. If you (or your spouse) or anyone in your household receives any of these benefits after filing the FAFSA but before December 31, 2016, you must update your response by logging in to [www.fafsa.gov](http://www.fafsa.gov) and selecting "Make FAFSA Corrections."

97. Medicaid or Supplemental Security Income (SSI)  98. Supplemental Nutrition Assistance Program (SNAP)  99. Free or Reduced-Price School Lunch  100. Temporary Assistance for Needy Families (TANF)  101. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

102. As of today, are you (or your spouse) a dislocated worker? See Notes page 10. Yes  No  Don't know

**Step Six (Student):** Indicate which colleges you want to receive your FAFSA information.

Enter the six-digit federal school code and your housing plans for each college or school you wish to receive your FAFSA information. You can find the school codes at [www.fafsa.gov](http://www.fafsa.gov) or by calling 1-800-433-3243. If you cannot obtain a code, write in the complete name, address, city and state of the college. All of the information you included on your FAFSA, with the exception of the list of colleges, will be sent to each of the colleges you listed. In addition, all of your FAFSA information, including the list of colleges, will be sent to your state student grant agency. For federal student aid purposes, it does not matter in what order you list your selected schools. However, the order in which you list schools may affect your eligibility for state aid. Check with your state grant agency for more information. To find out how to have more colleges receive your FAFSA information, read **What is the FAFSA?** on page 2.

	1st FEDERAL SCHOOL CODE	OR	NAME OF COLLEGE ADDRESS AND CITY	STATE	HOUSING PLANS
103. a	<input type="text"/>		<input type="text"/>	<input type="text"/>	103. b on campus <input type="radio"/> with parent <input type="radio"/> off campus <input type="radio"/>
103. c	<input type="text"/>		<input type="text"/>	<input type="text"/>	103. d on campus <input type="radio"/> with parent <input type="radio"/> off campus <input type="radio"/>
103. e	<input type="text"/>		<input type="text"/>	<input type="text"/>	103. f on campus <input type="radio"/> with parent <input type="radio"/> off campus <input type="radio"/>
103. g	<input type="text"/>		<input type="text"/>	<input type="text"/>	103. h on campus <input type="radio"/> with parent <input type="radio"/> off campus <input type="radio"/>

**Step Seven (Student and Parent):** Read, sign and date.

If you are the student, by signing this application you certify that you (1) will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education, (2) are not in default on a federal student loan or have made satisfactory arrangements to repay it, (3) do not owe money back on a federal student grant or have made satisfactory arrangements to repay it, (4) will notify your college if you default on a federal student loan and (5) will not receive a Federal Pell Grant from more than one college for the same period of time.

If you are the parent or the student, by signing this application you certify that all of the information you provided is true and complete to the best of your knowledge and you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include U.S. or state income tax forms that you filed or are required to file. Also, you certify that you understand that the Secretary of Education has the authority to verify information reported on this application with the Internal Revenue Service and other federal agencies. If you sign any document related to the federal student aid programs electronically using a personal identification number (PIN), username and password, and/or any other credential, you certify that you are the person identified by that PIN, username and password, and/or other credential, and have not disclosed that PIN, username and password, and/or other credential to anyone else. If you purposely give false or misleading information, you may be fined up to \$20,000, sent to prison, or both.

104. Date this form was completed  
 MONTH DAY 2016   
 2017   
 2018

105. Student (Sign below)  
 1

Parent (A parent from Step Four sign below.)  
 2

If a fee was paid to someone for advice or for completing this form, that person must complete this section.

Preparer's name, firm and address

106. Preparer's Social Security Number (or 107)

107. Employer ID number (or 106)

108. Preparer's signature and date

COLLEGE USE ONLY  
 D/O  1 Homeless Youth Determination  4  
 FEDERAL SCHOOL CODE

FAA Signature

DATA ENTRY USE ONLY:  
 P  \*  L  E

**Notes for question 8 (page 3)**

Enter your Social Security Number (SSN) as it appears on your Social Security card. If you are a resident of the Freely Associated States (i.e., the Republic of Palau, the Republic of the Marshall Islands, or the Federated States of Micronesia) and were issued an identification number beginning with "666" when submitting a FAFSA previously, enter that number here. If you are a first-time applicant from the Freely Associated States, enter "666" in the first three boxes of the SSN field and leave the remaining six positions blank and we will create an identification number to be used for federal student aid purposes.

**Notes for questions 14 and 15 (page 3)**

If you are an eligible noncitizen, write in your eight- or nine-digit Alien Registration Number. Generally, you are an eligible noncitizen if you are (1) a permanent U.S. resident with a Permanent Resident Card (I-551); (2) a conditional permanent resident with a Conditional Green Card (I-551C); (3) the holder of an Arrival-Departure Record (I-94) from the Department of Homeland Security showing any one of the following designations: "Refugee," "Asylum Granted," "Parolee" (I-94 confirms that you were paroled for a minimum of one year and status has not expired), T-Visa holder (T-1, T-2, T-3, etc.) or "Cuban-Haitian Entrant;" or (4) the holder of a valid certification or eligibility letter from the Department of Health and Human Services showing a designation of "Victim of human trafficking."

If you are in the U.S. and have been granted Deferred Action for Childhood Arrivals (DACA), an F1 or F2 student visa, a J1 or J2 exchange visitor visa, or a G series visa (pertaining to international organizations), select "No, I am not a citizen or eligible noncitizen." You will not be eligible for federal student aid. If you have a Social Security Number but are not a citizen or an eligible noncitizen, including if you have been granted DACA, you should still complete the FAFSA because you may be eligible for state or college aid.

**Notes for questions 16 and 17 (page 3)**

Report your marital status as of the date you sign your FAFSA. If your marital status changes after you sign your FAFSA, check with the financial aid office at the college.

**Notes for questions 21 and 22 (page 3)**

To be eligible for federal student aid, male citizens and male immigrants residing in the U.S. aged 18 through 25 are required to register with the Selective Service System, with limited exceptions. This requirement applies to any person assigned the sex of male at birth. The Selective Service System and the registration requirement for males preserve America's ability to provide resources in an emergency to the U.S. Armed Forces (Army, Navy, Air Force, Marines, or Coast Guard). For more information about the Selective Service System, visit [www.sss.gov](http://www.sss.gov). Forms are available at your local U.S. Post Office.

**Notes for questions 33 (page 4) and 81 (page 6)**

If you filed or will file a foreign tax return, a tax return with Puerto Rico, another U.S. territory (e.g., Guam, American Samoa, the U.S. Virgin Islands, Swain's Island or the Northern Marianas Islands) or one of the Freely Associated States, use the information from that return to fill out this form. If you filed a foreign return, convert all monetary units to U.S. dollars, using the published exchange rate in effect for the date nearest to today's date. To view the daily exchange rates, go to [www.federalreserve.gov/releases/h10/current](http://www.federalreserve.gov/releases/h10/current).

**Notes for questions 35 (page 4) and 83 (page 6)**

In general, a person is eligible to file a 1040A or 1040EZ if he or she makes less than \$100,000, does not itemize deductions, does not receive income from his or her own business or farm and does not receive alimony. A person is not eligible to file a 1040A or 1040EZ if he or she makes \$100,000 or more, itemizes deductions, receives income from his or her own business or farm, is self-employed, receives alimony or is required to file Schedule D for capital gains. If you filed a 1040 only to claim the American Opportunity Tax Credit or Lifetime Learning Tax Credit, and you would have otherwise been eligible to file a 1040A or 1040EZ, answer "Yes" to this question. If you filed a 1040 and were not required to file a tax return, answer "Yes" to this question.

**Notes for questions 38 (page 4) and 87 (page 7) — Notes for those who filed a 1040EZ**

On the 1040EZ, if a person didn't check either box on line 5, enter 01 if he or she is single or has never been married, or 02 if he or she is married. If a person checked either the "you" or "spouse" box on line 5, use 1040EZ worksheet line F to determine the number of exemptions (\$4,000 equals one exemption).

**Notes for questions 42 and 43 (page 4), 45j (page 5), and 91 and 92 (page 7)**

Net worth means the current value, as of today, of investments, businesses, and/or investment farms, minus debts related to those same investments, businesses, and/or investment farms. When calculating net worth, use 0 for investments or properties with a negative value.

**Investments include** real estate (do not include the home in which you live), rental property (includes a unit within a family home that has its own entrance, kitchen, and bath rented to someone other than a family member), trust funds, UGMA and UTMA accounts, money market funds, mutual funds, certificates of deposit, stocks, stock options, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, etc.

**Investments also include** qualified educational benefits or education savings accounts (e.g., Coverdell savings accounts, 529 college savings plans and the refund value of 529 prepaid tuition plans). For a student who does not report parental information, the accounts owned by the student (and/or the student's spouse) are reported as student investments in question 42. For a student who must report parental information, the accounts are reported as parental investments in question 91, including all accounts owned by the student and all accounts owned by the parents for any member of the household.

**Money received, or paid on your behalf**, also includes distributions to you (the student beneficiary) from a 529 plan that is owned by someone other than you or your parents (such as your grandparents, aunts, uncles, and non-custodial parents). You must include these distribution amounts in question 45j.

**Investments do not include** the home you live in, the value of life insurance, retirement plans (401[k] plans, pension funds, annuities, non-education IRAs, Keogh plans, etc.) or cash, savings and checking accounts already reported in questions 41 and 90.

**Investments also do not include** UGMA and UTMA accounts for which you are the custodian, but not the owner.

Investment value means the current balance or market value of these investments as of today. Investment debt means only those debts that are related to the investments.

**Business and/or investment farm value includes** the market value of land, buildings, machinery, equipment, inventory, etc. Business and/or investment farm debt means only those debts for which the business or investment farm was used as collateral.

**Business value does not include** the value of a small business if your family owns and controls more than 50 percent of the business and the business has 100 or fewer full-time or full-time equivalent employees. For small business value, your family includes (1) persons directly related to you, such as a parent, sister or cousin, or (2) persons who are or were related to you by marriage, such as a spouse, stepparent or sister-in-law.

**Investment farm value does not include** the value of a family farm that you (your spouse and/or your parents) live on and operate.

**Notes for question 49 (page 5)**

Answer "Yes" if you are currently serving in the U.S. Armed Forces or are a National Guard or Reserves enlistee who is on active duty for other than state or training purposes.

Answer "No" if you are a National Guard or Reserves enlistee who is on active duty for state or training purposes.

**Notes for question 50 (page 5)**

Answer "Yes" (you are a veteran) if you (1) have engaged in active duty (including basic training) in the U.S. Armed Forces, or are a National Guard or Reserves enlistee who was called to active duty for other than state or training purposes, or were a cadet or midshipman at one of the service academies, and (2) were released under a condition other than dishonorable. Also answer "Yes" if you are not a veteran now but will be one by June 30, 2018.

Answer "No" (you are not a veteran) if you (1) have never engaged in active duty (including basic training) in the U.S. Armed Forces, (2) are currently an ROTC student or a cadet or midshipman at a service academy, (3) are a National Guard or Reserves enlistee activated only for state or training purposes, or (4) were engaged in active duty in the U.S. Armed Forces but released under dishonorable conditions.

Also answer "No" if you are currently serving in the U.S. Armed Forces and will continue to serve through June 30, 2018.



#### Notes for question 53 (page 5)

Answer **"Yes"** if at any time since you turned age 13:

- You had no living parent, even if you are now adopted; or
- You were in foster care, even if you are no longer in foster care today; or
- You were a dependent or ward of the court, even if you are no longer a dependent or ward of the court today. For federal student aid purposes, someone who is incarcerated is not considered a ward of the court.

If you are not sure if you were in foster care, check with your state child welfare agency. You can find that agency's contact information at [childwelfare.gov/nfcad](http://childwelfare.gov/nfcad).

The financial aid administrator at your school may require you to provide proof that you were in foster care or a dependent or ward of the court.

#### Notes for questions 54 and 55 (page 5)

The definition of legal guardianship does not include your parents, even if they were appointed by a court to be your guardians. You are also not considered a legal guardian of yourself.

Answer **"Yes"** if you can provide a copy of a court's decision that as of today you are an emancipated minor or are in legal guardianship. Also answer **"Yes"** if you can provide a copy of a court's decision that you were an emancipated minor or were in legal guardianship immediately before you reached the age of being an adult in your state. The court must be located in your state of legal residence at the time the court's decision was issued.

Answer **"No"** if you are still a minor and the court decision is no longer in effect or the court decision was not in effect at the time you became an adult. Also answer **"No"** and contact your school if custody was awarded by the courts and the court papers say "custody" (not "guardianship").

The financial aid administrator at your college may require you to provide proof that you were an emancipated minor or in legal guardianship.

#### Notes for questions 56–58 (page 5)

Answer **"Yes"** if you received a determination at any time on or after July 1, 2016, that you were an unaccompanied youth who was homeless or at risk of being homeless.

- **"Homeless"** means lacking fixed, regular and adequate housing. You may be homeless if you are living in shelters, parks, motels, hotels, public spaces, camping grounds, cars, abandoned buildings, or temporarily living with other people because you have nowhere else to go. Also, if you are living in any of these situations and fleeing an abusive parent, you may be considered homeless even if your parent would otherwise provide a place to live.
- **"Unaccompanied"** means you are not living in the physical custody of your parent or guardian.
- **"Youth"** means you are 21 years of age or younger or you are still enrolled in high school as of the day you sign this application.

Answer **"No"** if you are not homeless or at risk of being homeless, or do not have a determination. However, even if you answer **"No"** to each of questions 56, 57, and 58, you should contact the financial aid administrator at the college you plan to attend if you are under 24 years of age and are either (1) homeless and unaccompanied or (2) at risk of being homeless, unaccompanied, and providing for your own living expenses - as your college financial aid office can determine that you are "homeless" and are not required to provide parental information.

The financial aid administrator at your college may require you to provide a copy of the determination if you answered **"Yes"** to any of these questions.

#### Notes for students unable to provide parental information on pages 6 and 7

Under very limited circumstances (for example, your parents are incarcerated; you have left home due to an abusive family environment; or you do not know where your parents are and are unable to contact them), you may be able to submit your FAFSA without parental information. **If you are unable to provide parental information**, skip Steps Four and Five, and go to Step Six. Once you submit your FAFSA without parental data, **you must follow up with the financial aid office at the college you plan to attend**, in order to complete your FAFSA.

Page 10

#### Notes for Step Four, questions 59–94 (pages 6 and 7)

Review all instructions below to determine who is considered a parent on this form:

- If your parent was never married and does not live with your other legal parent, or if your parent is widowed and not remarried, answer the questions about that parent.
- If your legal parents (biological, adoptive, or as determined by the state (for example, if the parent is listed on the birth certificate)) are not married to each other and **live together**, select "Unmarried and both parents living together" and provide information about both of them regardless of their gender. Do not include any person who is not married to your parent and who is not a legal or biological parent. Contact 1-800-433-3243 for assistance in completing questions 80-94, or visit [StudentAid.gov/fafsa-parent](http://StudentAid.gov/fafsa-parent).
- If your legal parents are married, select "Married or remarried." If your legal parents are divorced but living together, select "Unmarried and both parents living together." If your legal parents are separated but living together, select "Married or remarried," not "Divorced or separated."
- If your parents are divorced or separated, answer the questions about the parent you lived with more during the past 12 months. (If you did not live with one parent more than the other, give answers about the parent who provided more financial support during the past 12 months or during the most recent year that you actually received support from a parent.) **If this parent is remarried as of today, answer the questions about that parent and your stepparent.**
- If your widowed parent is remarried as of today, answer the questions about that parent and your stepparent.

#### Notes for questions 84 (page 6) and 102 (page 8)

In general, a person may be considered a dislocated worker if he or she:

- is receiving unemployment benefits due to being laid off or losing a job and is unlikely to return to a previous occupation;
- has been laid off or received a lay-off notice from a job;
- was self-employed but is now unemployed due to economic conditions or natural disaster; or
- is the spouse of an active duty member of the Armed Forces and has experienced a loss of employment because of relocating due to permanent change in duty station; or
- is the spouse of an active duty member of the Armed Forces and is unemployed or underemployed, and is experiencing difficulty in obtaining or upgrading employment; or
- is a displaced homemaker. A displaced homemaker is generally a person who previously provided unpaid services to the family (e.g., a stay-at-home mom or dad), is no longer supported by the spouse, is unemployed or underemployed, and is having trouble finding or upgrading employment.

Except for the spouse of an active duty member of the Armed Forces, if a person quits work, generally he or she is not considered a dislocated worker even if, for example, the person is receiving unemployment benefits.

Answer **"Yes"** to question 84 if your parent is a dislocated worker. Answer **"Yes"** to question 102 if you or your spouse is a dislocated worker.

Answer **"No"** to question 84 if your parent is not a dislocated worker. Answer **"No"** to question 102 if neither you nor your spouse is a dislocated worker.

Answer **"Don't know"** to question 84 if you are not sure whether your parent is a dislocated worker. Answer **"Don't know"** to question 102 if you are not sure whether you or your spouse is a dislocated worker. You can contact your financial aid office for assistance in answering these questions.

The financial aid administrator at your college may require you to provide proof that your parent is a dislocated worker, if you answered **"Yes"** to question 84, or that you or your spouse is a dislocated worker, if you answered **"Yes"** to question 102.

## Appendix B: The EFC Formula, 2017-2018

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## THE EFC FORMULA, 2017–2018

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### ***What is the EFC?***

The Expected Family Contribution (EFC) is a number that determines students' eligibility for federal student aid. The EFC formulas use the financial information students provide on their Free Application for Federal Student Aid (FAFSA®) to calculate the EFC. Financial aid administrators (FAAs) subtract the EFC from students' cost of attendance (COA) to determine their need for the following federal student financial assistance offered by the U.S. Department of Education (the Department):

- Federal Pell Grants,
- Subsidized Stafford Loans through the William D. Ford Federal Direct Loan Program,
- Federal Supplemental Educational Opportunity Grants (FSEOG),
- Federal Perkins Loans, and
- Federal Work-Study (FWS).

The Teacher Education Assistance for College and Higher Education Grant (TEACH Grant) is a non-need-based federal program, for which a student must also use the FAFSA to apply.

The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA). Tables used in the computation of the EFC for the 2017–2018 Award Year were published in the May 24, 2016 *Federal Register* ([ifap.ed.gov/fregisters/FR052416.html](http://ifap.ed.gov/fregisters/FR052416.html)) (81 FR 32737).

In Fall 2015, the President announced two major changes to the Free Application for Federal Student Aid (FAFSA) process. Beginning in 2017–2018, the first change is to begin application processing on October 1, earlier than in prior cycles, and the second change is to collect and use financial information from the tax/calendar year one year earlier than in the past. This means we are collecting the 2015 tax information (again) for 2017–2018; however, it is important to note that the needs analysis calculations have been revised.

To provide the financial aid community with easy-to-access, updated information and resources relating to the 2017-2018 Early FAFSA, Federal Student Aid created an [Early FAFSA Information page](#) on IFAP. The Early FAFSA Information page includes links to relevant Dear Colleague Letters, Electronic Announcements, webinars, and other resources.

### ***What is the source of data used in EFC calculations?***

All data used to calculate a student's EFC comes from the information the student provides on the FAFSA. A student may submit a FAFSA:

- by using FAFSA on the Web,
- by filing an application electronically through a school, or
- by mailing a FAFSA to the Central Processing System (CPS).

Students who applied for federal student aid in the previous award year may be eligible to reapply using a renewal FAFSA online. Applying for federal aid is free, but to be considered for non-federal aid (such as institutional aid), students may have to fill out additional forms, which might require fees.



We encourage applicants to complete the FAFSA electronically, because there are edits that reduce applicant errors and customize the questions presented based on answers to prior questions. The electronic version also contains additional instructions and help features and allows the Department to send results to the students and schools more quickly.

### ***Who processes the application, and how are students notified of their EFC?***

The CPS receives the student's application data, either electronically or on the paper application, and uses it to calculate an EFC. After the FAFSA has been processed, the CPS sends the student an output document containing information about his or her application results. This document, which can be paper or electronic, is called a Student Aid Report (SAR). The SAR lists all the information from the application and indicates whether the application was complete and signed. If the application is complete and signed and there are no data conflicts, the SAR also includes the student's EFC. Students are instructed to carefully check the accuracy of the information on the SAR. All schools listed on the student's FAFSA receive application information and processing results in an electronic file called an Institutional Student Information Record (ISIR).

### ***Which EFC Formula Worksheet should be used?***

There are three regular formulas and a simplified version of each:

- Formula A for dependent students,
- Formula B for independent students **without** dependents other than a spouse, and
- Formula C for independent students **with** dependents other than a spouse.

Instructions for applicants who are eligible for the automatic zero EFC calculation are included in each worksheet. See page 5 for more information on which students qualify for an automatic zero EFC.

**Formula A Worksheet..... pages 9–12**

Simplified Formula A Worksheet ..... pages 13–16

Tables A1 through A7 (use with Formula A Worksheet) ..... pages 17–20

**Formula B Worksheet..... pages 21–22**

Simplified Formula B Worksheet..... pages 23–24

Tables B1 through B4 (use with Formula B Worksheet) ..... pages 25–27

**Formula C Worksheet ..... pages 29–30**

Simplified Formula C Worksheet..... pages 31–32

Tables C1 through C6 (use with Formula C Worksheet) ..... pages 33–35

***Note: Do not complete the shaded areas in the simplified worksheets; asset information is not required in the simplified formulas.***

## ***What is the definition of an independent student?***

Because the EFC formula for a dependent student uses parental data and the two formulas for independent students do not, the first step in calculating a student's EFC is to determine his or her dependency status. For the 2017–2018 Award Year, a student is automatically determined to be independent for federal student aid if he or she meets one or more of the following criteria:

- The student was born before January 1, 1994.
- The student is married or separated (but not divorced) as of the date of the application.
- At the beginning of the 2017–2018 school year, the student will be enrolled in a master's or doctoral degree program (such as MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.).
- The student is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee called into federal active duty for purposes other than training.
- The student is a veteran of the U.S. Armed Forces (see the definition in the box on page 4).
- The student has or will have one or more children who receive more than half of their support from him or her between July 1, 2017 and June 30, 2018.
- The student has dependent(s) (other than children or spouse) who live with him or her and who receive more than half of their support from the student, now and through June 30, 2018.
- At any time since the student turned age 13, both of the student's parents were deceased, or the student was in foster care or was a dependent or ward of the court.
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, an emancipated minor (released from control by his or her parent or guardian).
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, in legal guardianship.
- On or after July 1, 2016, the student was determined by a high school or school district homeless liaison to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.
- On or after July 1, 2016, the student was determined by the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.
- At any time on or after July 1, 2016, the student was determined by a director of a runaway or homeless youth basic center or transitional living program to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.
- The student was determined by the college financial aid administrator to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless.

For students who do not meet any of the above criteria but who have documented unusual circumstances, an FAA can override their dependency status from dependent to independent. For information about dependency overrides, see the Application and Verification Guide, which is part of the Federal Student Aid Handbook and can be found on the IFAP Web site.



### **TERMS USED IN THE DEFINITION OF AN INDEPENDENT STUDENT**

**LEGAL DEPENDENT.** Any children of the student who receive more than half of their support from the student (children do not have to live with the student), including a biological or adopted child. Also, any persons, other than a spouse, who live with the student and receive more than half of their support from the student now and will continue to receive more than half of their support from the student through June 30, 2018.

**VETERAN.** A student who: (1) has engaged in active service in the U.S. Armed Forces (Army, Navy, Air Force, Marines, or Coast Guard), or has been a member of the National Guard or Reserves who was called to active duty for purposes other than training, or was a cadet or midshipman at one of the service academies, or attended a U.S. military academy preparatory school, and (2) was released under a condition other than dishonorable. A veteran is also a student who does not meet this definition now but will by June 30, 2018.

### **Which students qualify for the simplified EFC formulas?**

The following criteria determine which students have their EFCs calculated by a simplified formula. Assets are not considered in the simplified EFC formulas.

For the 2017–2018 Award Year, a **dependent** student qualifies for the simplified EFC formula if both (1) below and (2) on the next page are true:

- (1) Anyone included in the **parents'** household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs: the Medicaid Program, the Supplemental Security Income (SSI) Program, the Supplemental Nutrition Assistance Program (SNAP), the Free and Reduced Price School Lunch Program, the Temporary Assistance for Needy Families (TANF) Program<sup>1</sup>, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC);

**OR**

the student's **parents**:

- filed or were eligible to file a 2015 IRS Form 1040A or 1040EZ<sup>2</sup>,
- filed a 2015 IRS Form 1040 but were not required to do so<sup>3</sup>, or
- were not required to file any income tax return;

**OR**

the student's **parent** is a dislocated worker.

<sup>1</sup> The TANF Program may have a different name in the student's or student's parents' state.

<sup>2</sup> For qualifying for the simplified or automatic zero EFC calculations, the following 2015 income tax forms are considered equivalent to an IRS Form 1040A or 1040EZ: the income tax return required by the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

<sup>3</sup> Applicants who are not required to complete an IRS Form 1040, but do so solely to claim an educational tax credit are considered eligible if they meet all the other requirements for the simplified EFC formulas.

**AND**

- (2) The combined 2015 income of the student's **parents** is \$49,999 or less.
- For tax filers, use the parents' adjusted gross income from the tax return to determine if income is \$49,999 or less.
  - For non-tax filers, use the income shown on the 2015 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) to determine if income is \$49,999 or less.

For the 2017–2018 Award Year, an **independent** student qualifies for the simplified EFC formula if both (1) and (2) below are true:

- (1) Anyone included in the **student's** household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs: the Medicaid Program, the SSI Program, SNAP, the Free and Reduced Price School Lunch Program, the TANF Program<sup>4</sup>, and WIC;

**OR**

the student and student's spouse (if the student is married) **both**

- filed or were eligible to file a 2015 IRS Form 1040A or 1040EZ<sup>5</sup>,
- filed a 2015 IRS Form 1040 but were not required to do so<sup>6</sup>, or
- were not required to file any income tax return;

**OR**

the student (or the student's spouse, if any) is a dislocated worker.

**AND**

- (2) The student's (and spouse's) combined 2015 income is \$49,999 or less.
- For tax filers, use the student's (and spouse's) adjusted gross income from the tax return to determine if income is \$49,999 or less.
  - For non-tax filers, use the income shown on the student's (and spouse's) 2015 W-2 forms (plus any other earnings from work not included on the W-2s) to determine if income is \$49,999 or less.

### ***Which students qualify for an automatic zero EFC calculation?***

Certain students are automatically eligible for a zero EFC. The requirements for receiving an automatic zero EFC are the same as those for the simplified EFC calculation except for these differences:

- The income threshold for the parents of dependent students and for independent students and their spouses is \$25,000 or less (for an automatic zero EFC) instead of \$49,999 or less (for the simplified EFC calculation), and
- For independent students, those without dependents other than a spouse cannot receive an automatic zero EFC.

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<sup>4</sup> See note 1 on page 4.

<sup>5</sup> See note 2 on page 4.

<sup>6</sup> See note 3 on page 4.

**Note:** The income threshold for an automatic zero EFC remains at \$25,000 for the 2017–2018 Award Year.

For the 2017–2018 Award Year, a **dependent student** automatically qualifies for a zero EFC if both (1) and (2) are true.

- (1) Anyone included in the **parents'** household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs: the Medicaid Program, the SSI Program, SNAP, the Free and Reduced Price School Lunch Program, the TANF Program<sup>7</sup>, and WIC;

**OR**

the student's **parents**:

- filed or were eligible to file a 2015 IRS Form 1040A or 1040EZ<sup>8</sup>,
- filed a 2015 IRS Form 1040 but were not required to do so<sup>9</sup>, or
- were not required to file any income tax return;

**OR**

the student's **parent** is a dislocated worker.

**AND**

- (2) The combined 2015 income of the student's **parents** is \$25,000 or less.
- For tax filers, use the parents' adjusted gross income from the tax return to determine if income is \$25,000 or less.
  - For non-tax filers, use the income shown on the 2015 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) to determine if income is \$25,000 or less.

An **independent student with dependents other than a spouse** automatically qualifies for a zero EFC if both (1) below and (2) on the next page are true:

- (1) Anyone included in the **student's** household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs: the Medicaid Program, the SSI Program, SNAP, the Free and Reduced Price School Lunch Program, the TANF Program<sup>10</sup>, and WIC;

**OR**

the student and student's spouse (if the student is married) **both**

- filed or were eligible to file a 2015 IRS Form 1040A or 1040EZ<sup>11</sup>,
- filed a 2015 IRS Form 1040 but were not required to do so<sup>12</sup>, or
- were not required to file any income tax return;

**OR**

the student (or the student's spouse, if any) is a dislocated worker.

<sup>7</sup> See note 1 on page 4.

<sup>8</sup> See note 2 on page 4.

<sup>9</sup> See note 3 on page 4.

<sup>10</sup> See note 1 on page 4.

<sup>11</sup> See note 2 on page 4.

<sup>12</sup> See note 3 on page 4.



**AND**

- (2) The student's (and spouse's) combined 2015 income is \$25,000 or less.
- For tax filers, use the student's (and spouse's) adjusted gross income from the tax return to determine if income is \$25,000 or less.
  - For non-tax filers, use the income shown on the student's (and spouse's) 2015 W-2 forms (plus any other earnings from work not included on the W-2s) to determine if income is \$25,000 or less.

**Note:** An **independent student without dependents other than a spouse** is not eligible for an automatic zero EFC.

***Why might a calculation of an EFC using these worksheets differ from the EFC reported on a student's SAR?***

When it appears that an applicant has reported inconsistent data, the CPS may make certain assumptions to resolve the inconsistency. These assumed values, which are reported on the student's SAR, are used to calculate the student's EFC. Therefore, in some cases, the EFC produced by these worksheets may differ from the EFC produced by the CPS if the assumed values are not used.

In addition, to help reconcile EFC Formula Worksheet calculations with those of the CPS, all calculations should be carried to three decimal places and then rounded to the nearest whole numbers. Round upward for results of .500 to .999, round downward for results of .001 to .499. Rounding should be performed so that the intermediate value that is the result of each step does not have any decimal digits.

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# WORKSHEETS AND TABLES

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## **Dependent Students**

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## **Independent Students Without Dependents Other than a Spouse**

Formula B Worksheet.....	pages 21–22
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## **Independent Students With Dependents Other than a Spouse**

Formula C Worksheet.....	pages 29–30
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***Note: Do not complete the shaded areas in the simplified worksheets; asset information is not required in the simplified formulas.***

## 2017-2018 EFC FORMULA **A**: DEPENDENT STUDENT

REGULAR  
WORKSHEET  
Page 1

A

PARENTS' INCOME IN 2015	
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88)	
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) +	
Total parents' income earned from work	-
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2)*	
4. Total untaxed income and benefits: (Total of FAFSA/SAR #94a. through 94i)	+
5. Taxable and untaxed income (sum of line 3 and line 4)	-
6. Total additional financial information (Total of FAFSA/SAR #93a. through 93f)	-
<b>7. TOTAL INCOME</b> (line 5 minus line 6) May be a negative number.	-

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2015 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero.	+
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12. Income protection allowance (Table A3)	+
13. Employment expense allowance: <ul style="list-style-type: none"> <li>• Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Two-parent families, one working parent: enter zero</li> </ul>	+
<b>14. TOTAL ALLOWANCES</b>	-

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less and

- The parents are eligible to file a 2015 IRS Form 1040A or 1040EZ (they are not required to file a 2015 Form 1040) or they are not required to file any income tax return or
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs or
- Either of the parents is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME	
Total income (from line 7)	
Total allowances (from line 14)	-
<b>15. AVAILABLE INCOME (AI)</b> May be a negative number.	-

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+
18. Net worth of business and/or investment farm (FAFSA/SAR #92) If negative, enter zero.	+
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+
<b>20. Net worth</b> (sum of lines 16, 17, and 19)	-
21. Education savings and asset protection allowance (Table A5)	-
22. Discretionary net worth (line 20 minus line 21)	-
23. Asset conversion rate	× .12
<b>24. CONTRIBUTION FROM ASSETS</b> If negative, enter zero.	-

PARENTS' CONTRIBUTION	
AVAILABLE INCOME (AI) (from line 15)	
CONTRIBUTION FROM ASSETS (from line 24)	+
<b>25. Adjusted Available Income (AAI)</b> May be a negative number.	-
<b>26. Total parents' contribution from AAI</b> (Calculate using Table A6.) If negative, enter zero.	-
<b>27. Number in college in 2017-2018</b> (Exclude parents) (FAFSA/SAR #74)	÷
<b>28. PARENTS' CONTRIBUTION</b> (standard contribution for nine-month enrollment)*** If negative, enter zero.	-

\*\*Do not include the family's home.

\*\*\*To calculate the parents' contribution for other than nine-month enrollment, see page 11.

*continued on the next page*

STUDENT'S INCOME IN 2015		
29. Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #39)		
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
32. Total untaxed income and benefits (Total of FAFSA/SAR #45a. through 45j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	-	
34. Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	-	
35. <b>TOTAL INCOME</b> (line 33 minus line 34) May be a negative number.	-	

ALLOWANCES AGAINST STUDENT INCOME		
36. 2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
37. State and other tax allowance (Table A7) If negative, enter zero.	+	
38. Social Security tax allowance (Table A2)	+	
39. Income protection allowance	+	6,420
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. <b>TOTAL ALLOWANCES</b>	-	

STUDENT'S CONTRIBUTION FROM INCOME		
Total income (from line 35)		
Total allowances (from line 41)	-	
42. Available income (AI)	-	
43. Assessment of AI	×	.50
44. <b>STUDENT'S CONTRIBUTION FROM AI</b> If negative, enter zero.	-	

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #41)		
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero	+	
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
48. <b>Net worth</b> (sum of lines 45 through 47)	-	
49. Assessment rate	×	.20
50. <b>STUDENT'S CONTRIBUTION FROM ASSETS</b>	-	

EXPECTED FAMILY CONTRIBUTION		
PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. <b>EXPECTED FAMILY CONTRIBUTION</b> (standard contribution for nine-month enrollment)** If negative, enter zero.	-	

\*Do not include the student's home.

\*\*To calculate the EFC for other than nine-month enrollment, see the next page.

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	9
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
<b>A5. Parents' contribution for LESS than nine-month enrollment</b>	=	
Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	4,950
B3. Alternate parents' AAI for more than nine-month enrollment (line B1 + line B2)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #74)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	=	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	12
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
<b>B14. Parents' contribution for MORE than nine-month enrollment</b>	=	
Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	9
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
<b>C5. Student's contribution from AI for LESS than nine-month enrollment</b>	=	

\*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

**Use next page to calculate total EFC for enrollment periods other than nine months.**



## Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months

<b>Parents' Contribution—use ONE appropriate amount from previous page:</b> <ul style="list-style-type: none"><li>• Enter amount from line A5 for enrollment periods less than nine months <b>OR</b></li><li>• Enter amount from line B14 for enrollment periods greater than nine months</li></ul>	
<b>Student's Contribution from Available Income—use ONE appropriate amount from previous page:</b> <ul style="list-style-type: none"><li>• Enter amount from line C5 for enrollment periods less than nine months <b>OR</b></li><li>• Enter amount from line 44 for enrollment periods greater than nine months</li></ul>	+
<b>Student's Contribution from Assets</b> <ul style="list-style-type: none"><li>• Enter amount from line 50</li></ul>	+
<b>Expected Family Contribution for periods of enrollment other than nine months</b>	-

## 2017–2018 EFC FORMULA **A**: DEPENDENT STUDENT

SIMPLIFIED  
WORKSHEET  
Page 1

# A

PARENTS' INCOME IN 2015		
1.	Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2.	a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88)	
2.	b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) +	
	Total parents' income earned from work	-
3.	Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2)*	
4.	Total untaxed income and benefits: (Total of FAFSA/SAR #94a. through 94i.)	+
5.	Taxable and untaxed income (sum of line 3 and line 4)	-
6.	Total additional financial information (Total of FAFSA/SAR #93a. through 93f.)	-
7.	<b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number.	-

ALLOWANCES AGAINST PARENTS' INCOME		
8.	2015 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9.	State and other tax allowance (Table A1) If negative, enter zero.	+
10.	Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11.	Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12.	Income protection allowance (Table A3)	+
13.	Employment expense allowance: <ul style="list-style-type: none"> <li>• Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Two-parent families, one working parent: enter zero</li> </ul>	+
14.	<b>TOTAL ALLOWANCES</b>	-

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The parents are eligible to file a 2015 IRS Form 1040A or 1040EZ (they are not required to file a 2015 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs **or**
- Either of the parents is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

*The EFC Formula, 2017–2018*

AVAILABLE INCOME		
	Total income (from line 7)	
	Total allowances (from line 14)	-
15.	<b>AVAILABLE INCOME (AI)</b> May be a negative number.	-

PARENTS' CONTRIBUTION FROM ASSETS		
16.	Cash, savings & checking (FAFSA/SAR #90)	
17.	Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+
18.	Net worth of business and/or investment farm (FAFSA/SAR #92)  If negative, enter zero.	+
19.	Adjusted net worth of business/farm (Calculate using Table A4.)	+
20.	<b>Net worth</b> (sum of lines 16, 17, and 19)	-
21.	Education savings and asset protection allowance (Table A5)	-
22.	Discretionary net worth (line 20 minus line 21)	-
23.	Asset conversion rate	×
24.	<b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero.	-

PARENTS' CONTRIBUTION		
	AVAILABLE INCOME (AI) (from line 15)	
	CONTRIBUTION FROM ASSETS (from line 24)	+
25.	<b>Adjusted Available Income (AAI)</b> May be a negative number.	-
26.	<b>Total parents' contribution from AAI</b> (Calculate using Table A6.) If negative, enter zero.	-
27.	<b>Number in college in 2017–2018</b> (Exclude parents) (FAFSA/SAR #74)	÷
28.	<b>PARENTS' CONTRIBUTION</b> (standard contribution for nine-month enrollment)*** If negative, enter zero.	-

\*\*Do not include the family's home.

\*\*\*To calculate the parents' contribution for other than nine-month enrollment, see page 15.

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

*continued on the next page*

STUDENT'S INCOME IN 2015	
29. Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
30. Income earned from work (FAFSA/SAR #39)	
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)	
32. Total untaxed income and benefits (Total of FAFSA/SAR #45a. through 45j.)	+
33. Taxable and untaxed income (sum of line 31 and line 32)	-
34. Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	-
35. <b>TOTAL INCOME</b> (line 33 minus line 34) May be a negative number.	-

ALLOWANCES AGAINST STUDENT INCOME	
36. 2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
37. State and other tax allowance (Table A7) If negative, enter zero.	+
38. Social Security tax allowance (Table A2)	+
39. Income protection allowance	+ 6,420
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+
41. <b>TOTAL ALLOWANCES</b>	-

STUDENT'S CONTRIBUTION FROM INCOME	
Total income (from line 35)	
Total allowances (from line 41)	-
42. Available income (AI)	-
43. Assessment of AI	× .50
44. <b>STUDENT'S CONTRIBUTION FROM AI</b> If negative, enter zero.	-

STUDENT'S CONTRIBUTION FROM ASSETS	
45. Cash, savings & checking (FAFSA/SAR #41)	
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero	+
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+
48. <b>Net worth</b> (sum of lines 45 through 47)	-
49. Assessment rate	×
50. <b>STUDENT'S CONTRIBUTION FROM ASSETS</b>	-

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 28)	
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+
51. <b>EXPECTED FAMILY CONTRIBUTION</b> (standard contribution for nine-month enrollment)** If negative, enter zero.	-

\*Do not include the student's home.

\*\*To calculate the EFC for other than nine-month enrollment, see the next page.

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**



**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	<b>9</b>
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
<b>A5. Parents' contribution for LESS than nine-month enrollment</b>	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	<b>4,950</b>
B3. Alternate parents' AAI for more than nine-month enrollment (line B1 + line B2)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #74)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	=	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	<b>12</b>
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
<b>B14. Parents' contribution for MORE than nine-month enrollment</b>	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	<b>9</b>
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
<b>C5. Student's contribution from AI for LESS than nine-month enrollment</b>	=	

\*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

Use next page to calculate total EFC for enrollment periods other than nine months.

## Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months

<b>Parents' Contribution</b> —use ONE appropriate amount from previous page: <ul style="list-style-type: none"><li>• Enter amount from line A5 for enrollment periods less than nine months <b>OR</b></li><li>• Enter amount from line B14 for enrollment periods greater than nine months</li></ul>	
<b>Student's Contribution from Available Income</b> —use ONE appropriate amount from previous page: <ul style="list-style-type: none"><li>• Enter amount from line C5 for enrollment periods less than nine months <b>OR</b></li><li>• Enter amount from line 44 for enrollment periods greater than nine months</li></ul>	+
<b>Expected Family Contribution for periods of enrollment other than nine months</b>	=

**Table A1: State and Other Tax Allowance  
for EFC Formula A Worksheet (parents only)**

State	Percent of Total Income		State	Percent of Total Income	
	\$0 - \$14,999	\$15,000 or more		\$0 - \$14,999	\$15,000 or more
Alabama	3%	2%	Montana	5%	4%
Alaska	2%	1%	Nebraska	5%	4%
American Samoa	2%	1%	Nevada	2%	1%
Arizona	4%	3%	New Hampshire	5%	4%
Arkansas	4%	3%	New Jersey	9%	8%
California	8%	7%	New Mexico	3%	2%
Canada and Canadian Provinces	2%	1%	New York	10%	9%
Colorado	4%	3%	North Carolina	5%	4%
Connecticut	9%	8%	North Dakota	2%	1%
Delaware	5%	4%	Northern Mariana Islands	2%	1%
District of Columbia	8%	7%	Ohio	5%	4%
Federated States of Micronesia	2%	1%	Oklahoma	3%	2%
Florida	3%	2%	Oregon	7%	6%
Georgia	5%	4%	Palau	2%	1%
Guam	2%	1%	Pennsylvania	5%	4%
Hawaii	5%	4%	Puerto Rico	2%	1%
Idaho	5%	4%	Rhode Island	7%	6%
Illinois	6%	5%	South Carolina	5%	4%
Indiana	4%	3%	South Dakota	2%	1%
Iowa	5%	4%	Tennessee	2%	1%
Kansas	4%	3%	Texas	3%	2%
Kentucky	5%	4%	Utah	5%	4%
Louisiana	3%	2%	Vermont	6%	5%
Maine	6%	5%	Virgin Islands	2%	1%
Marshall Islands	2%	1%	Virginia	6%	5%
Maryland	8%	7%	Washington	3%	2%
Massachusetts	7%	6%	West Virginia	3%	2%
Mexico	2%	1%	Wisconsin	7%	6%
Michigan	5%	4%	Wyoming	2%	1%
Minnesota	6%	5%	Blank or Invalid State	2%	1%
Mississippi	3%	2%	Other	2%	1%
Missouri	5%	4%			

To calculate the state and other tax allowance, multiply the Parents' Total Income (EFC Formula A Worksheet, line 7) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula A Worksheet, line 9). Use the parents' State of Legal Residence (FAFSA/SAR #70). If this item is blank or invalid, use the student's State of Legal Residence (FAFSA/SAR #18). If both items are blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

<b>Table A2: Social Security Tax</b>	
<b>Income Earned from Work*</b>	<b>Social Security Tax</b>
\$0 – \$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500
<p>Calculate separately the Social Security tax of parent 1, parent 2, and the student.</p> <p>*Parent 1 (father/mother/stepparent) 2015 income earned from work is FAFSA/SAR #88            Parent 2 (father/mother/stepparent) 2015 income earned from work is FAFSA/SAR #89            Student's 2015 income earned from work is FAFSA/SAR#39            Social Security Tax will never be less than zero.</p>	

<b>Table A3: Income Protection Allowance</b>					
Number in parents' household, including student (FAFSA/SAR #73)	Number of college students in the household (FAFSA/SAR #74)				
	1	2	3	4	5
2	\$17,910	\$14,840	not applicable	not applicable	not applicable
3	\$22,300	\$19,250	\$16,190	not applicable	not applicable
4	\$27,540	\$24,480	\$21,430	\$18,360	not applicable
5	\$32,490	\$29,430	\$26,380	\$23,320	\$20,270
6	\$38,010	\$34,940	\$31,900	\$28,830	\$25,790
<p>Note: For each additional family member, add \$4,290.            For each additional college student (except parents), subtract \$3,050.</p>					

<b>Table A4: Business/Farm Net Worth Adjustment for EFC Formula A Worksheet (parents only)</b>	
<b>If the net worth of a business or farm is—</b>	<b>Then the adjusted net worth is</b>
Less than \$1	—\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$385,000	\$52,000 + 50% of net worth over \$130,000
\$385,001 to \$640,000	\$179,500 + 60% of net worth over \$385,000
\$640,001 or more	\$332,500 + 100% of net worth over \$640,000

**Table A5: Parents' Education Savings and Asset Protection Allowance  
for EFC Formula A Worksheet (parents only)**

<i>Age of older parent as of 12/31/2017*</i>	<i>Allowance if there are two parents**</i>	<i>Allowance if there is only one parent</i>	<i>Age of older parent as of 12/31/2017*</i>	<i>Allowance if there are two parents**</i>	<i>Allowance if there is only one parent</i>
25 or less	\$0	\$0	46	\$19,300	\$10,900
26	1,100	600	47	19,800	11,200
27	2,200	1,300	48	20,200	11,400
28	3,400	1,900	49	20,700	11,700
29	4,500	2,600	50	21,200	12,000
30	5,600	3,200	51	21,700	12,200
31	6,700	3,800	52	22,400	12,500
32	7,800	4,500	53	22,900	12,800
33	9,000	5,100	54	23,600	13,200
34	10,100	5,800	55	24,100	13,500
35	11,200	6,400	56	24,800	13,800
36	12,300	7,000	57	25,600	14,100
37	13,400	7,700	58	26,200	14,500
38	14,600	8,300	59	26,900	14,900
39	15,700	9,000	60	27,700	15,200
40	16,800	9,600	61	28,500	15,600
41	17,100	9,800	62	29,300	16,000
42	17,500	10,000	63	30,100	16,400
43	17,900	10,200	64	31,100	16,900
44	18,400	10,500	65 or older	31,900	17,300
45	18,800	10,700			

\* Determine the age of the older parent listed in FAFSA/SAR #64 and #68 as of 12/31/2017. If no parent date of birth is provided, use age 45.

\*\* Use the two parent allowance when the Parents' Marital Status listed in FAFSA/SAR #59 is "married or remarried" or "unmarried and both parents are living together."

**Table A6: Parents' Contribution from AAI**

<b>If the parents' AAI—</b>	<b>Then the parents' contribution from AAI is—</b>
Less than -\$3,409	-\$750
\$-3,409 to \$16,000	22% of AAI
\$16,001 to \$20,100	\$3,520 + 25% of AAI over \$16,000
\$20,101 to \$24,200	\$4,545 + 29% of AAI over \$20,100
\$24,201 to \$28,300	\$5,734 + 34% of AAI over \$24,200
\$28,301 to \$32,300	\$7,128 + 40% of AAI over \$28,300
\$32,301 or more	\$8,728 + 47% of AAI over \$32,300



**Table A7: State and Other Tax Allowance  
for EFC Formula A Worksheet (student only)**

State	Percent	State	Percent
Alabama	2%	Montana	3%
Alaska	0%	Nebraska	3%
American Samoa	1%	Nevada	1%
Arizona	2%	New Hampshire	1%
Arkansas	3%	New Jersey	5%
California	6%	New Mexico	2%
Canada and Canadian Provinces	1%	New York	7%
Colorado	3%	North Carolina	4%
Connecticut	5%	North Dakota	1%
Delaware	3%	Northern Mariana Islands	1%
District of Columbia	6%	Ohio	3%
Federated States of Micronesia	1%	Oklahoma	2%
Florida	1%	Oregon	5%
Georgia	3%	Palau	1%
Guam	1%	Pennsylvania	3%
Hawaii	4%	Puerto Rico	1%
Idaho	3%	Rhode Island	4%
Illinois	3%	South Carolina	3%
Indiana	3%	South Dakota	1%
Iowa	3%	Tennessee	1%
Kansas	3%	Texas	1%
Kentucky	4%	Utah	3%
Louisiana	2%	Vermont	3%
Maine	4%	Virgin Islands	1%
Marshall Islands	1%	Virginia	4%
Maryland	6%	Washington	1%
Massachusetts	4%	West Virginia	2%
Mexico	1%	Wisconsin	4%
Michigan	3%	Wyoming	1%
Minnesota	5%	Blank or Invalid State	1%
Mississippi	2%	Other	1%
Missouri	3%		

To calculate the state and other tax allowance, multiply the Student's Total Income (EFC Formula A Worksheet, line 35) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula A Worksheet, line 37). Use the Student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the Parents's State of Legal Residence (FAFSA/SAR #70). If all three items are blank or invalid, use the rate for a blank or invalid state above.

**2017-2018 EFC FORMULA B: INDEPENDENT STUDENT  
Without Dependent(s) Other than a Spouse**

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Page 1

**B**

STUDENT/SPOUSE INCOME IN 2015	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39)	
2. b. Spouse's income earned from work (FAFSA/SAR #40) +	
Total student/spouse income earned from work -	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4. Total untaxed income and benefits (sum total of FAFSA/SAR #45a. through 45j.) +	
5. Taxable and untaxed income (sum of line 3 and line 4) -	
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.) -	
7. <b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number. -	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table B1) If negative, enter zero. +	
10. Student's Social Security tax (Table B2) +	
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: <ul style="list-style-type: none"> <li>• \$9,980 for single, separated or divorced/widowed student;</li> <li>• \$9,980 for married student if spouse is enrolled at least 1/2 time;</li> <li>• \$16,010 for married student if spouse is not enrolled at least 1/2 time.</li> </ul>	+
13. Employment expense allowance: <ul style="list-style-type: none"> <li>• If student is not married or is separated, the allowance is zero.</li> <li>• If student is married but only one person is working (the student or spouse), the allowance is zero.</li> <li>• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$4,000, whichever is less.</li> </ul>	+
14. <b>TOTAL ALLOWANCES</b> -	

CONTRIBUTION FROM AVAILABLE INCOME	
TOTAL INCOME (from line 7)	
TOTAL ALLOWANCES (from line 14) -	
15. <b>AVAILABLE INCOME (AI)</b> -	
16. Assessment rate ×	.50
17. <b>CONTRIBUTION FROM AI</b> May be a negative number. -	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
18. Cash, savings & checking (FAFSA/SAR #41)	
19. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero. +	
20. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero. +	
21. Adjusted net worth of business/farm (Calculate using Table B3.) +	
22. <b>Net worth</b> (sum of lines 18, 19, and 21) -	
23. Asset protection allowance (Table B4) -	
24. Discretionary net worth (line 22 minus line 23) -	
25. Asset conversion rate ×	.20
26. <b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. -	

EXPECTED FAMILY CONTRIBUTION	
CONTRIBUTION FROM AI (from line 17) May be a negative number.	
CONTRIBUTION FROM ASSETS (from line 26) +	
27. <b>Contribution from AI and assets</b> -	
28. <b>Number in college in 2017-2018</b> (FAFSA/SAR #96) ÷	
29. <b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.** -	

\*Do not include the student's home.

\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

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Page 2

**B**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula B Worksheet, line 29).



**2017-2018 EFC FORMULA B: INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse**

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**B**

STUDENT/SPOUSE INCOME IN 2015	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39)	
2. b. Spouse's income earned from work (FAFSA/SAR #40) +	
Total student/spouse income earned from work =	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4. Total untaxed income and benefits (sum total of FAFSA/SAR #45a. through 45j.) +	
5. Taxable and untaxed income (sum of line 3 and line 4) =	
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.) =	
7. <b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table B1) If negative, enter zero. +	
10. Student's Social Security tax (Table B2) +	
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: <ul style="list-style-type: none"> <li>\$9,980 for single, separated or divorced/widowed student;</li> <li>\$9,980 for married student if spouse is enrolled at least 1/2 time;</li> <li>\$16,010 for married student if spouse is not enrolled at least 1/2 time.</li> </ul>	+
13. Employment expense allowance: <ul style="list-style-type: none"> <li>If student is not married or is separated, the allowance is zero.</li> <li>If student is married but only one person is working (the student or spouse), the allowance is zero.</li> <li>If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$4,000, whichever is less.</li> </ul>	+
14. <b>TOTAL ALLOWANCES</b> =	

CONTRIBUTION FROM AVAILABLE INCOME	
TOTAL INCOME (from line 7)	
TOTAL ALLOWANCES (from line 14) =	
15. <b>AVAILABLE INCOME (AI)</b> =	
16. Assessment rate ×	.50
17. <b>CONTRIBUTION FROM AI</b> May be a negative number. =	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
18. Cash, savings & checking (FAFSA/SAR #41)	
19. Net worth of investments* (FAFSA/SAR #42) + If negative, enter zero.	
20. Net worth of business and/or investment farm (FAFSA/SAR #43) + If negative, enter zero.	
21. Adjusted net worth of business/farm (Calculate using Table B3.) +	
22. <b>Net worth</b> (sum of lines 18, 19, and 21) =	
23. Asset protection allowance (Table B4) =	
24. Discretionary net worth (line 22 minus line 23) =	
25. Asset conversion rate ×	
26. <b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. =	

EXPECTED FAMILY CONTRIBUTION	
CONTRIBUTION FROM AI (from line 17) May be a negative number.	
CONTRIBUTION FROM ASSETS (from line 26) +	
27. <b>Contribution from AI and assets</b> =	
28. <b>Number in college in 2017-2018</b> (FAFSA/SAR #96) ⇄	
29. <b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.** =	

\*Do not include the student's home.

\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

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Page 2

**B**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula B Worksheet, line 29.)

**Table B1: State and Other Tax Allowance**

State	Percent	State	Percent
Alabama	2%	Montana	3%
Alaska	0%	Nebraska	3%
American Samoa	1%	Nevada	1%
Arizona	2%	New Hampshire	1%
Arkansas	3%	New Jersey	5%
California	6%	New Mexico	2%
Canada and Canadian Provinces	1%	New York	7%
Colorado	3%	North Carolina	4%
Connecticut	5%	North Dakota	1%
Delaware	3%	Northern Mariana Islands	1%
District of Columbia	6%	Ohio	3%
Federated States of Micronesia	1%	Oklahoma	2%
Florida	1%	Oregon	5%
Georgia	3%	Palau	1%
Guam	1%	Pennsylvania	3%
Hawaii	4%	Puerto Rico	1%
Idaho	3%	Rhode Island	4%
Illinois	3%	South Carolina	3%
Indiana	3%	South Dakota	1%
Iowa	3%	Tennessee	1%
Kansas	3%	Texas	1%
Kentucky	4%	Utah	3%
Louisiana	2%	Vermont	3%
Maine	4%	Virgin Islands	1%
Marshall Islands	1%	Virginia	4%
Maryland	6%	Washington	1%
Massachusetts	4%	West Virginia	2%
Mexico	1%	Wisconsin	4%
Michigan	3%	Wyoming	1%
Minnesota	5%	Blank or Invalid State	1%
Mississippi	2%	Other	1%
Missouri	3%		

To calculate the state and other tax allowance, multiply the total income of the student and spouse (EFC Formula B Worksheet, line 7) by the appropriate rate from the table above to determine the "State and Other Tax Allowance" (EFC Formula B Worksheet, line 9). Use the Student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for a blank or invalid state above.

<b>Table B2: Social Security Tax</b>	
<b>Income Earned from Work*</b>	<b>Social Security Tax</b>
\$0 – \$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500
<p>Calculate separately the Social Security tax of the student and spouse.</p> <p>*Student's 2015 income earned from work is FAFSA/SAR #39            Spouse's 2015 income earned from work is FAFSA/SAR #40            Social Security Tax will never be less than zero.</p>	

<b>Table B3: Business/Farm Net Worth Adjustment</b>	
<b>If the net worth of a business or farm is—</b>	<b>Then the adjusted net worth is—</b>
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$385,000	\$52,000 + 50% of net worth over \$130,000
\$385,001 to \$640,000	\$179,500 + 60% of net worth over \$385,000
\$640,001 or more	\$332,500 + 100% of net worth over \$640,000

**Table B4: Asset Protection Allowance**

<i>Age of Student as of 12/31/2017*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>	<i>Age of Student as of 12/31/2017*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>
25 or less	\$0	\$0	46	\$19,300	\$10,900
26	1,100	600	47	19,800	11,200
27	2,200	1,300	48	20,200	11,400
28	3,400	1,900	49	20,700	11,700
29	4,500	2,600	50	21,200	12,000
30	5,600	3,200	51	21,700	12,200
31	6,700	3,800	52	22,400	12,500
32	7,800	4,500	53	22,900	12,800
33	9,000	5,100	54	23,600	13,200
34	10,100	5,800	55	24,100	13,500
35	11,200	6,400	56	24,800	13,800
36	12,300	7,000	57	25,600	14,100
37	13,400	7,700	58	26,200	14,500
38	14,600	8,300	59	26,900	14,900
39	15,700	9,000	60	27,700	15,200
40	16,800	9,600	61	28,500	15,600
41	17,100	9,800	62	29,300	16,000
42	17,500	10,000	63	30,100	16,400
43	17,900	10,200	64	31,100	16,900
44	18,400	10,500	65 or older	31,900	17,300
45	18,800	10,700			

\* Determine the student's age as of 12/31/2017 from the student's date of birth (FAFSA/SAR #9).

*This page left blank intentionally.*



**2017-2018 EFC FORMULA C: INDEPENDENT STUDENT  
With Dependent(s) Other than a Spouse**

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**C**

STUDENT/SPOUSE INCOME IN 2015	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39)	
2. b. Spouse's income earned from work (FAFSA/SAR #40) +	
Total student/spouse income earned from work	-
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Total untaxed income and benefits (sum total of FAFSA/SAR #45a. through 45j.) +	
5. Taxable and untaxed income (sum of line 3 and line 4)	-
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.) -	
7. <b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number. -	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table C1) If negative, enter zero. +	
10. Student's Social Security tax (Table C2) +	
11. Spouse's Social Security tax (Table C2) +	
12. Income protection allowance (Table C3) +	
13. Employment expense allowance:	
• Student and spouse both working: 35% of the lesser of the earned incomes, or \$4,000, whichever is less	
• One-parent families: 35% of earned income, or \$4,000, whichever is less	
• Student or spouse working (not both): zero +	
14. <b>TOTAL ALLOWANCES</b>	-

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less and

- The student (and the student's spouse, if any) are eligible to file a 2015 IRS Form 1040A or 1040EZ (they are not required to file a 2015 Form 1040) or they are not required to file any income tax return or
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs or
- The student (or the student's spouse, if any) is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME	
TOTAL INCOME (from line 7)	
TOTAL ALLOWANCES (from line 14) -	
15. <b>AVAILABLE INCOME (AI)</b> May be a negative number. -	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #41)	
17. Net worth of investments** (FAFSA/SAR #42) + If negative, enter zero.	
18. Net worth of business and/or investment farm (FAFSA/SAR #43) + If negative, enter zero.	
19. Adjusted net worth of business/farm (Calculate using Table C4.) +	
20. <b>Net worth</b> (sum of lines 16, 17, and 19) -	
21. Asset protection allowance (Table C5) -	
22. Discretionary net worth (line 20 minus line 21) -	
23. Asset conversion rate ×	.07
24. <b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. -	

EXPECTED FAMILY CONTRIBUTION	
AVAILABLE INCOME (AI) (from line 15)	
CONTRIBUTION FROM ASSETS (from line 24) +	
25. <b>Adjusted Available Income (AAI)</b> May be a negative number. -	
26. <b>Total contribution from AAI</b> (Calculate using Table C6.) If negative, enter zero.	
27. <b>Number in college in 2017-2018</b> (FAFSA/SAR #96) ÷	
28. <b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.*** -	

\*\*Do not include the student's home.

\*\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

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**C**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\* Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula C Worksheet, line 28).



## 2017-2018 EFC FORMULA **C**: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

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Page 1

C

STUDENT/SPOUSE INCOME IN 2015		
1.	Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2.	a. Student's income earned from work (FAFSA/SAR #39) _____	
2.	b. Spouse's income earned from work (FAFSA/SAR #40) + _____	
	Total student/spouse income earned from work -	
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4.	Total untaxed income and benefits (sum total of FAFSA/SAR #45a. through 45j.) +	
5.	Taxable and untaxed income (sum of line 3 and line 4) -	
6.	Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.) -	
7.	<b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number. -	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8.	2015 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9.	State and other tax allowance (Table C1) If negative, enter zero. +	
10.	Student's Social Security tax (Table C2) +	
11.	Spouse's Social Security tax (Table C2) +	
12.	Income protection allowance (Table C3) +	
13.	Employment expense allowance: <ul style="list-style-type: none"> <li>• Student and spouse both working: 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Student or spouse working (not both): zero +</li> </ul>	
14.	<b>TOTAL ALLOWANCES</b> -	

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2015 IRS Form 1040A or 1040EZ (they are not required to file a 2015 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2015 or 2016 from any of the designated means-tested federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
TOTAL INCOME	(from line 7)	
TOTAL ALLOWANCES	(from line 14) -	
15.	<b>AVAILABLE INCOME (AI)</b> May be a negative number. -	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16.	Cash, savings & checking (FAFSA/SAR #41)	
17.	Net worth of investments** (FAFSA/SAR #42) + If negative, enter zero.	
18.	Net worth of business and/or investment farm (FAFSA/SAR #43) + If negative, enter zero.	
19.	Adjusted net worth of business/farm (Calculate using Table C4.) +	
20.	<b>Net worth</b> (sum of lines 16, 17, and 19) -	
21.	Asset protection allowance (Table C5) -	
22.	Discretionary net worth (line 20 minus line 21) -	
23.	Asset conversion rate ×	
24.	<b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. -	

EXPECTED FAMILY CONTRIBUTION		
AVAILABLE INCOME (AI)	(from line 15)	
CONTRIBUTION FROM ASSETS	(from line 24) +	
25.	<b>Adjusted Available Income (AAI)</b> May be a negative number. -	
26.	<b>Total contribution from AAI</b> (Calculate using Table C6.) If negative, enter zero.	
27.	<b>Number in college in 2017-2018</b> (FAFSA/SAR #96) ÷	
28.	<b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.*** -	

\*\*Do not include the student's home.

\*\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

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**C**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula C Worksheet, line 28).

**Table C1: State and Other Tax Allowance**

State	Percent of Total Income		State	Percent of Total Income	
	\$0 - \$14,999	\$15,000 or more		\$0 - \$14,999	\$15,000 or more
Alabama	3%	2%	Montana	5%	4%
Alaska	2%	1%	Nebraska	5%	4%
American Samoa	2%	1%	Nevada	2%	1%
Arizona	4%	3%	New Hampshire	5%	4%
Arkansas	4%	3%	New Jersey	9%	8%
California	8%	7%	New Mexico	3%	2%
Canada and Canadian Provinces	2%	1%	New York	10%	9%
Colorado	4%	3%	North Carolina	5%	4%
Connecticut	9%	8%	North Dakota	2%	1%
Delaware	5%	4%	Northern Mariana Islands	2%	1%
District of Columbia	8%	7%	Ohio	5%	4%
Federated States of Micronesia	2%	1%	Oklahoma	3%	2%
Florida	3%	2%	Oregon	7%	6%
Georgia	5%	4%	Palau	2%	1%
Guam	2%	1%	Pennsylvania	5%	4%
Hawaii	5%	4%	Puerto Rico	2%	1%
Idaho	5%	4%	Rhode Island	7%	6%
Illinois	6%	5%	South Carolina	5%	4%
Indiana	4%	3%	South Dakota	2%	1%
Iowa	5%	4%	Tennessee	2%	1%
Kansas	4%	3%	Texas	3%	2%
Kentucky	5%	4%	Utah	5%	4%
Louisiana	3%	2%	Vermont	6%	5%
Maine	6%	5%	Virgin Islands	2%	1%
Marshall Islands	2%	1%	Virginia	6%	5%
Maryland	8%	7%	Washington	3%	2%
Massachusetts	7%	6%	West Virginia	3%	2%
Mexico	2%	1%	Wisconsin	7%	6%
Michigan	5%	4%	Wyoming	2%	1%
Minnesota	6%	5%	Blank or Invalid State	2%	1%
Mississippi	3%	2%	Other	2%	1%
Missouri	5%	4%			

To calculate the state and other tax allowance, multiply the total income of the student and spouse (EFC Formula C Worksheet, line 7) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula C Worksheet, line 9). Use the student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for a blank or invalid state above.

<b>Table C2: Social Security Tax</b>	
<b>Income Earned from Work*</b>	<b>Social Security Tax</b>
\$0 – \$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500
<p>Calculate separately the Social Security tax of the student and spouse.</p> <p>*Student's 2015 income earned from work is FAFSA/SAR #39            Spouse's 2015 income earned from work is FAFSA/SAR #40            Social Security Tax will never be less than zero.</p>	

<b>Table C3: Income Protection Allowance</b>					
Number in student's household, including student (FAFSA/SAR #95)	Number of college students in the household (FAFSA/SAR #96)				
	1	2	3	4	5
2	\$25,280	\$20,960	not applicable	not applicable	not applicable
3	\$31,480	\$27,180	\$22,860	not applicable	not applicable
4	\$38,870	\$34,560	\$30,260	\$25,930	not applicable
5	\$45,870	\$41,540	\$37,240	\$32,920	\$28,620
6	\$53,640	\$49,330	\$45,040	\$40,690	\$36,400
<p>Note: For each additional family member, add \$6,060.            For each additional college student, subtract \$4,300.</p>					

<b>Table C4: Business/Farm Net Worth Adjustment</b>	
<b>If the net worth of a business or farm is—</b>	<b>Then the adjusted net worth is—</b>
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$385,000	\$52,000 + 50% of net worth over \$130,000
\$385,001 to \$640,000	\$179,500 + 60% of net worth over \$385,000
\$640,001 or more	\$332,500 + 100% of net worth over \$640,000

**Table C5: Asset Protection Allowance**

<i>Age of Student as of 12/31/2017*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>	<i>Age of Student as of 12/31/2017*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>
25 or less	\$0	\$0	46	\$19,300	\$10,900
26	1,100	600	47	19,800	11,200
27	2,200	1,300	48	20,200	11,400
28	3,400	1,900	49	20,700	11,700
29	4,500	2,600	50	21,200	12,000
30	5,600	3,200	51	21,700	12,200
31	6,700	3,800	52	22,400	12,500
32	7,800	4,500	53	22,900	12,800
33	9,000	5,100	54	23,600	13,200
34	10,100	5,800	55	24,100	13,500
35	11,200	6,400	56	24,800	13,800
36	12,300	7,000	57	25,600	14,100
37	13,400	7,700	58	26,200	14,500
38	14,600	8,300	59	26,900	14,900
39	15,700	9,000	60	27,700	15,200
40	16,800	9,600	61	28,500	15,600
41	17,100	9,800	62	29,300	16,000
42	17,500	10,000	63	30,100	16,400
43	17,900	10,200	64	31,100	16,900
44	18,400	10,500	65 or older	31,900	17,300
45	18,800	10,700			

\* Determine the student's age as of 12/31/2017 from the student's date of birth (FAFSA/SAR #9)

**Table C6: Student's Contribution from AAI**

<b>If the student's AAI—</b>	<b>Then the student's contribution from AAI is—</b>
Less than -\$3,409	-\$750
\$-3,409 to \$16,000	22% of AAI
\$16,001 to \$20,100	\$3,520 + 25% of AAI over \$16,000
\$20,101 to \$24,200	\$4,545 + 29% of AAI over \$20,100
\$24,201 to \$28,300	\$5,734 + 34% of AAI over \$24,200
\$28,301 to \$32,300	\$7,128 + 40% of AAI over \$28,300
\$32,301 or more	\$8,728 + 47% of AAI over \$32,300

## Appendix C: EFC Paired T-Test

A paired t-test was performed on the prior year (PY\_EFC) and prior-prior year (PPY\_EFC) EFCs resulted in the following<sup>25</sup>:

**Table 13** EFC Comparison of PY and PPY

Variable	Observations	Mean	Standard Deviation	95% Confidence Interval
PY_EFC	462,544	7,230	20,974	7,170 7,291
PPY_EFC	462,544	6,570	18,164	6,518 6,622
Difference	na	660	21,551	598 722
<b>H<sub>0</sub>: mean(diff) = 0</b>		<b>H<sub>a</sub>: mean(diff) &gt; 0</b>		<b>t = 20.8</b>
<b>Pr( T  &gt;  t ) = 0.0000</b>			<b>degrees of freedom = 462,543</b>	

The results indicate the EFC using PY income information was higher ( $M = 7230$ ,  $SD = 20974$ ) than the EFC using PPY income information ( $M = 6570$ ,  $SD = 18164$ ). The results of a t-test analysis revealed that this difference reached statistical significance ( $t = 20.8$   $p < 0.0001$ ).

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<sup>25</sup> Values in the row of differences may vary from than the difference between the shown rounded values due to rounding.



## Appendix D: Chi-Square on Pell-Eligible Rate of Early Applicants

A chi-square test was performed on the 138,923 records from 2016-2017 (67,607 Pell-eligible and 71,316 not Pell-eligible) and the 85,693 records from 2017-2018 (44,582 Pell-eligible and 41,111 not Pell-eligible) comparing the rate of Pell-eligible applications resulted in the following:

**Table 14 Chi-Square Pell-Eligible by Application Date Change**

Pearson $\chi^2(1) = 387$				Pr = 0.000
	Observed	Expected	Difference	Pearson
Pell	44,582	41,703	2879	14.1
Non-Pell	41,111	43,990	-2879	-13.7

The chi-square test of goodness-of-fit was performed to determine if the same percentage of Pell-eligible students completed the FAFSA in the first quarter of availability for both the original application date (January 1) and the new application availability date (three months earlier on October 1). The percentage of Pell-eligible students changed between the application dates in the sample,  $X^2(1, N = 85693) = 387, p < .001$ .



## ABOUT THE AUTHOR

Valerie A. Mockus is the president of a financial aid software consulting firm. Before becoming a consultant, she served in multiple capacities in financial aid offices, from workstudy student employee to financial aid director, and supporting aid offices in roles like financial aid boot camp instructor. She has consulted in the United States with approximately 200 colleges and universities as well as multiple state, vendor, and k-12 organizations.

Mockus earned her BA in women's studies at Denison University and her MBA at Saint Francis University in Loretto, Pennsylvania.