

Testimony of

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Mr. Chairman, and Members of the Advisory Committee:

Thank you for the invitation to address you on imperatives and objectives for simplification of the nation's financial aid system.

This year Congress is debating the reauthorization of the Higher Education Act of 1965. Reauthorization is always a critical juncture for higher education, and this year's is particularly important. The fiscal conditions facing most states and the nation as a whole have placed great constraints on the resources available for funding higher education institutions and students. Most observers believe the situation is unlikely to improve in the near future; thus, the decisions made by Congress during reauthorization will be vital to the future of American higher education. The Advisory Committee plays a critical role in advising the Congress on financial aid issues, and I am pleased to see you examining ways in which we can simplify the process of applying for and awarding student financial aid.

Last year, the federal government awarded approximately \$65 billion in financial aid to millions of this country's college students. Almost all of this aid was awarded based on information students submitted on the Free Application for Federal Student Aid, or FAFSA. If you examine the FAFSA – a task I am sure many of you have done in the past because of your role as parents of college-age students, if not as members of this Committee – you likely know that completing one can be a daunting exercise. The FAFSA is the gateway not only to federal aid, but also to the \$4 billion in state need-based grants, as well as to many institutionally-awarded scholarships.

The FAFSA, not including instructions, is six pages long and contains over 100 questions. This does not include additional worksheets and other forms required, such as Internal Revenue Service 1040 forms. In comparison, the IRS 1040A short form for this year contains 48 questions, and the 1040 long form contains 73. The complexity of the FAFSA, and the detailed information required to complete one, cannot be overstated. I am hard pressed to explain to students and their parents why it should take so much information to ascertain whether a student should be awarded federal student aid.

Rather than comparing the FAFSA to IRS forms, however, it makes more sense to look at other types of financial aid for which students can apply. In addition to the \$4 billion in need-based grants, the states collectively award over \$1.2 billion in non need-based grants, often called merit aid. These are grants that any student can receive, irrespective of their family's income, if they meet the academic requirements. In most states, the process for applying for

merit grants is much simpler than the steps necessary to complete a FAFSA. Let me provide you with a few examples.

In Louisiana, students can qualify for that state's TOPS scholarship – which provides full tuition at any public university in the state – by completing an “abbreviated” FAFSA which consists of only 47 questions. In Florida, students applying for a Bright Futures Scholarship complete an application with only 28 required questions.

Students applying for Georgia's HOPE Scholarships have a one page, 13 item application to complete. In New Mexico, applicants for that state's Lottery Success Scholarships have it even easier – the instructions state that “there is no deadline and students need not apply to this program.” In other words, the state will find you.

The purpose of this brief tour through state merit scholarship programs is to demonstrate that the states have found ways to greatly simplify the process of applying for these grants. This is in stark comparison to what we put needy students through, a process that can be intimidating, frustrating, and discouraging, particularly for lower-income students and their families.

In order to improve the financial aid system in this country, we need to start with the information process. Simply put, we do not get accurate information in the hands of the right students and their families early enough in the college-going process to increase the chances that students will prepare themselves both academically and financially for going to college.

The first step is getting out the word about what college *really* costs. One would think that with all the focus on rising college tuition prices in recent years, that the public would be well-informed. But survey data consistently show that the majority of Americans *overestimate* the cost of attending college. One survey conducted for the American Council on Education found that the public estimated the tuition cost at a typical four-year public institution to be more than three times the actual price. Even more troubling is that lower-income families tend to have the least accurate information about the true cost of tuition prices, overestimating those costs more than other families.

As little as students and families know about tuition prices, they have even less information about financial aid. In a report issued by the American Council on Education and based on a series of focus groups, the authors concluded that “The public does not know how much financial aid is available to help pay college bills, where it comes from, or how to get it.”¹ When asked how much financial aid was available, the most common answer given was “several billion dollars,” a small fraction of the \$50 billion that were available at the time the study was conducted.

¹ Ikenberry, S. O., & Hartle, T. W. (1998). *Too little knowledge is a dangerous thing: What the public thinks about paying for college*. Washington, DC: American Council on Education, p. 10.

There are also important differences among the income groups in the *perception* of how much financial aid is available. The same ACE study conducted a survey of families regarding their knowledge of tuition and financial aid. When presented with the statement, “There is not enough financial aid available for all the qualified students who deserve the chance to get a college education,” 48 percent of low-income families strongly agreed with the statement, while only one-third of upper-income families agreed.

How can we improve the flow of information about financial aid to prospective college students? One suggestion would be for the Department of Education to partner with local school districts to be more proactive in distributing information about financial aid, and to do so in a targeted manner. The Department has made great strides in making financial aid information available via the World Wide Web, but for the most part this has been a fairly passive process that requires students to come to the Department’s website to get the information. I would like to see the Department and local schools “push” information about financial aid into the hands of students and parents as early as the middle school years.

This does not have to be an overly burdensome or expensive process for the department. As I described earlier, the challenge is to get the information to the students who have little knowledge about financial aid. In practical terms, what this means is that schools serving largely upper-middle and upper-income students do not need to be addressed; these families generally have very good information about financial aid already. Rather, the Department should target schools serving predominantly lower-income populations, those with students most likely to be eligible for federal Pell Grants.

One current example of how this could work is the federally-funded GEAR-UP program, which targets low-income communities. The program, which creates partnerships among colleges, school districts, and other community, business, or state organizations, provides information about financial aid to students and their parents as early as the middle school years. I believe that the lessons learned about providing financial aid information through GEAR-UP can be applied to those school districts that have not been fortunate enough to participate in this program.

Beyond doing a better job of providing information about the availability of financial aid, we need to make the process of applying for student assistance much simpler. At the time of the last reauthorization of the Higher Education Act, in 1998, there were only a small handful of state merit aid programs, and most had been in operation for only a year or two. Today, there are over a dozen broad-based state merit programs, many of which have been in operation for five years or more. I believe that there is much we can learn from these programs that can be applied to the task of simplifying the process of applying for and awarding federal student aid.

One of the key features of many of the state merit aid programs is that the qualification requirements are very straightforward and understandable. State officials in Georgia have trumpeted the success of the HOPE Scholarship program, and have credited the easily understood nature of the qualification process – all students need to know is that they have to earn a 3.0 grade point average in a set of core courses in high school. That's it. In other states, scholarship qualification is determined by grade point average and SAT or ACT score – just two numbers the student has to remember.

The key feature of programs like these is not just the easy-to-understand nature of the qualification requirements, but that this information can be transmitted and understood much earlier in a student's educational career. Contrast this with the FAFSA, which students *cannot* complete until the second half of their senior year in high school. In addition, a student has to wait until the information is processed by the Department of Education, transmitted to a college to which the student has applied, and the college has to process it and issue a financial aid award letter. This generally does not happen until April of the student's senior year, much too late for the student and her family to be able to make good estimates of what it will really cost them to attend college after financial aid is taken into account.

We know that one of the reasons that the FAFSA is so complex is the need to ensure that federal student aid is distributed as effectively as possible, in other words, to be sure that only qualified students receive federal grants and loans. But the complexity that is designed to guarantee effectiveness also has costs. Effectiveness in the federal aid system can only be achieved if the right type of aid is delivered to students who qualify. And if students are discouraged from applying for aid because of the cumbersome nature of the application process, then the system is not efficient.

I believe that it is time for Congress to "think outside the box," to use a popular phrase, and to consider whether the level of effectiveness necessary in the federal Title IV programs can be achieved *only* through the FAFSA process as we know it today. Do we really need students to complete a six-page, 100-item questionnaire, and then wait until they have almost graduated from high school, or can we greatly simplify the process for at least some categories of students?

Let me suggest just three questions that the Advisory Committee may want to ask to help address this issue.

First, can we use eligibility for other federal means-tested programs to determine earlier eligibility for Title IV assistance? For example, students in middle or high schools can be eligible for free- or reduced-price lunches if they meet certain income guidelines. Eligibility for free or reduced price school lunches for most families is well within the income guidelines for Pell Grant receipt. Why not tell these families that they are also automatically eligible for federal student aid, without making them go through the process of completing a FAFSA? There is precedent for using eligibility for one federal program to determine eligibility for another; for example, recipients of Food Stamps or Temporary Aid to Needy Families automatically qualify for free or reduced lunches.

It is true that there are some small number of students out there whose assets are so great that they would not qualify for federal aid, or would qualify for reduced amounts, even though their families are within the income guidelines. But these cases are likely so few that it makes little sense to require such detailed financial information from all low-income students in order to weed out the small handful whose assets would disqualify them.

Second, to take this idea one step further, why can't we make a promise to *middle school* students who receive free or reduced lunch that they will receive a Pell Grant when they are ready to attend college in five or six years? One argument against this is that a family's financial

circumstances may change between middle school and when they graduate from high school, and the student who is eligible in the seventh grade may no longer be eligible in the 12th grade.

To counter this, let me give you an example of one state that has done exactly what I suggested. In 1990 the Indiana legislature created the 21st Century Scholars Program. This program, the first of its kind in the nation, makes a commitment to middle schoolers that the state of Indiana will provide a full-tuition scholarship to any public institution in the state if the student agrees to the following:

- graduate from an accredited high school with at least a 2.0, or C, grade point average
- abstain from the use of illegal drugs or alcohol
- not commit a crime
- enroll full time in an Indiana institution of higher education within two years of graduating from high school

Parents have to complete an application with about 10 questions to certify that they meet the income guidelines when their children are in seventh or eighth grade, guidelines which again roughly parallel Pell Grant eligibility. The important characteristic of this program, however, is that once a student is accepted while in middle school, she won't be removed even if her family's economic circumstances change. So students receive that early commitment of financial aid while they still have time to prepare both academically and financially to attend college. I should note also that an important aspect of this program is tutoring and support services for both students and parents. In addition, students are still required to complete a FAFSA in their senior

year of high school, but they are given assistance in doing so and they go into the process knowing that they already have a full-tuition scholarship from the state waiting for them.

Third, for the poorest students, those from families who are not expected to contribute *any* of their own resources to the cost of their postsecondary education, is it unreasonable to have a FAFSA that asks them for only one piece of information: their family's income? Under current rules, we are talking about dependent students whose families have an adjusted gross income of approximately \$15,000 or less. Even if these students were unable to qualify via eligibility in other federal means-tested programs – such as school lunch, food stamps, or TANF – why can't we qualify them for a Pell Grant based on their income alone?

Let me mention one last issue. No matter what we do to simplify the financial aid system, we can only be successful at increasing access to college for needy students if the necessary funding is in place to meet the financial commitments that are made to them. It does no good whatsoever – and may actually discourage students even further – if we make it easier for them to apply for financial aid earlier in their lives, but then do not follow through with awarding them the grants, loans, and work study necessary for them to be able to enroll in college and achieve success while there.

I want to thank the Advisory Committee again for the opportunity to address these important issues. I would be happy to take any questions you may have.