
Today's News

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Federal Student-Aid Form Should Be Simplified to Help Needy Students, Scholars Argue

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The federal student-aid application is longer and more complicated than a federal tax return and can be significantly shortened without radically changing the current distribution of aid, according to a new paper by two scholars at Harvard University's John F. Kennedy School of Government.

In the [working paper](#) Susan M. Dynarski and Judith E. Scott-Clayton argue that the complex federal-aid system was designed for elite private colleges, which have bundles of money to award, and discourages families that have the least ability to pay for college. A simplified system -- one possibly even run through the tax system -- could better allow the federal government to achieve its stated goal: increasing access to college for academically qualified but financially needy students.

"The challenges for aid reform are the same for tax reform," Ms. Dynarski, an associate professor of public policy, said in an interview. "There is no constituency for simplification. It's not a rally-round-the-flag issue. Simplicity is important to low-income students, and that's what we should be most concerned about."

For their paper, the two researchers compared federal tax forms from the Internal Revenue Service to the Free Application for Federal Student Aid, or Fafsa, the standard application form that the federal government, state governments, and most colleges use to determine students' eligibility for financial aid. At five pages and 128 questions, the Fafsa is longer than the IRS Form 1040EZ (one page, 37 questions) and the Form 1040A (two pages, 83 questions).

The Fafsa is comparable to the Form 1040 (two pages, 118 questions), although the paper points out that most families eligible for Pell Grants, the main federal program for needy students, file the shorter 1040A or 1040EZ.

"With a third of the Fafsa's questions and a fifth of its pages, the IRS [with the 1040EZ] captures the information needed to determine tax liability for the very population targeted by need-based aid," Ms. Dynarski and Ms. Scott-Clayton write.

What's more, they say, unlike federal tax forms, in which taxpayers know how much they owe after completing the process, families that fill out the Fafsa are no more informed about how much financial aid they qualify for than when they began the job, which the Education Department says should take only an hour. Students must wait until March or April of their senior year of high school to find out about their financial-aid packages, from the colleges that have accepted them.

Using federal financial-aid data from a sample of more than 15,000 undergraduates in 2003-4, the researchers found that even if 80 percent of the questions on the Fafsa were eliminated, the current distribution of student aid would roughly remain the same.

Nearly all of the differences in a financial-aid package can be attributed to only a handful of the more than 70 data points used in the current aid formula. For example, throwing out all the data in the aid calculation except for a handful of items -- parents' adjusted gross income, student earnings, parents' and student's assets, parents' marital status, family size, and number of family members in college -- changed the Pell Grant by less than \$500 for 88 percent of the students in the sample.

On many fronts, the cost of the current system is high, Ms. Dynarski and Ms. Scott-Clayton argue. Families that can

afford it have resorted to hiring private counselors as guides for the process. Colleges have vast financial-aid offices to answer questions, verify student information, and put together student-aid packages. The biggest "cost," though, is shouldered by low-income families, which often are led by parents who never attended college themselves.

"The U.S. system for subsidizing college students buries information about the affordability of college within a thicket of paperwork," the authors conclude. They argue that the time has come for the federal-aid system to uncouple itself from the needs of Harvard and other top institutions that helped devise the basics of today's system.

"Today's Fafsa and aid formula reflect this peculiar history, providing extremely fine measures of ability to pay at levels of income that far exceed the effective cutoffs for federal aid," they write. "While these distinctions are critical at institutions that provide need-based grants to families with incomes well above \$100,000, we have shown such fine measures are irrelevant for the distribution of Pell Grants and Stafford Loans."

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