The Complexity of Simplification

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Kudos to Susan Dynarski and the folks at the Kennedy School for getting people to think outside the box on student assistance. For those of you who might not pay close attention to comings and goings on Capitol Hill, Ms. Dynarski and her co-author, Judith Scott-Clayton, made an appearance in front of a House committee on education related to their new paper which looks at possible ways of simplifying student assistance.

At the hearing and in their paper, Dynarski and Scott-Clayton made two points -- one excellent and long-overdue -- and the other a bit more problematic and controversial. The first point is that the standard student financial aid form is too complex: comparable in length to the tax form without any of the latter's clarity. This is an oft-made point, but one made well by the authors and well worth repeating. After filling out a tax form, one knows how much is owed, whereas no one is the wiser about a student aid package after filling out the FAFSA. (I often wonder if governments have ever thought of the damage they do young people's civic mindedness with these forms. Think about it: a student aid form is usually the first time a young person encounters the federal government. Should we therefore be surprised at how cynical young people are these days with respect to government and its ability to effect positive change? FAFSA and its Canadian equivalents are a terrible advertisement for public service.)

However, the authors do not simply rail against complexity in the FAFSA?they actually demonstrate how useless most of it is. According to the authors, if you were to discard everything except parents' income, parents' marital status, family size, and number of family members in college, 72 percent of Pell grant recipients would have an unchanged Pell amount, and the correlation between current Pell amounts and Pell amounts under the new system is a staggeringly high 88 percent. As the authors say, if we are prepared to eschew all the micro-equity that has been engineered into the system and accept a little bit of "rough justice", we could introduce Pell-on-a-postcard?a program so simple everyone could understand it.

This is an excellent point and one to which everyone should provide wholehearted support (in Canada, this same point was made most cogently by our colleague Fred Hemingway about three years ago, but governments have largely ignored his advice). Unfortunately, this excellent point is inevitably going to be obscured by the fuss about the authors' second main point: which is that student aid would be even more simple if tax credits and Pell grants were combined and then delivered through the tax system via (if I understand their proposal correctly) something that looks like a hybrid between a voucher and a refundable tax credit.

This, to put it mildly, is a big leap?and a clear example of why even the most brilliant academic economists shouldn't be allowed anywhere near the process of program implementation. Yes, it is true that with the simplified Pell system, pretty much all the necessary data could be collected through the tax system. Yes, it is true that vouchers for grant money could be distributed to students at tax return time, which they could redeem in September at a college of their choice. And contrary to what some knee-jerk critics might think, the proposal would have reasonably progressive effects if it could be implemented successfully (not all tax credits need be regressive)

But the fact is, there are a host of practical reasons why this wouldn't work. I have no doubt that their schemes would work well for traditional students who live in traditional two-parent families and who start school in September. For children of divorced parents, there would be the legal and administrative difficulty of linking the tax files of two parents who no longer live together (if they've remarried, that's an additional administrative nightmare). For students
who only make the decision to go to school after tax time, there would be difficulties in accessing the necessary funding. And, contrary to the paper's dismissive attitudes with respect to asset-testing, at the most elite colleges there are excellent reasons why the institution might want to know something about parental assets? and so some students would probably have to fill out another complicated form for institutional student aid even if FAFSA did shrink to a postcard.

All that said, this is an excellent paper that deserves to be read and discussed. Student-aid-on-a-postcard is a rallying cry that deserves to be picked up on both sides of the border. So should the cause of unifying tax credits and grants into a single program that gets money to students when it's needed most. But delivering aid through the tax system? Though the authors make an intriguing case, it's an idea that needs to be viewed with some skepticism.

Enjoy the weekend.

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