



## ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE



### **FEASIBILITY OF FEDERAL EFC SIMPLIFICATION** AN INNOVATIVE PATHWAYS STUDY

This study will determine the extent to which the formula for determining the expected family contribution (EFC) for federal student aid programs can be simplified without significant adverse effects. It will address three key policy questions:

- Can data elements be eliminated without significant adverse effects on program cost, integrity, and distribution of funds?
- Can any of the remaining data elements in the resulting simplified formula be derived from alternative sources (e.g., IRS data)?
- How would such changes affect the distribution of campus-based, state, and institutional need-based aid and associated application forms and processes?

These three questions correspond to concerns that Congress and the Department of Education have expressed regarding any modifications to the existing formula.

The first phase of the study is examining three simplified EFC formulas with the goal of assessing the cost and redistributive effects on Pell Grants and other federal aid programs. The data analysis uses 2004-2005 FAFSA data from a national sample of over 500,000 aid applicants. The second phase uses three consecutive years of FAFSA data to test the program cost and redistribution of aid if prior, prior year income data were used to calculate EFC. A final component of the study will propose a pilot study design for using IRS data to pre-populate the FAFSA. There is legislative interest in such a pilot to be used by the Department of Education in determining the feasibility of using an IRS data match.

In conducting the study, the Advisory Committee will consult broadly with the financial aid community to determine the most promising approaches to EFC simplification and assess the likely effects on the distribution of state and institutional aid. This will include a careful assessment of the impact on students and families.

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An independent committee created by Congress to advise on higher education and student aid policy

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