

# The Free Application for Federal Student Aid (FAFSA) Simplification Act

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## Issue

Describe some of the major changes made to the FAFSA application process under the FAFSA Simplification Act.

## Summary

The [Federal FAFSA Simplification Act](#) (part of the [Consolidated Appropriations Act of 2021 – P.L. 116-260](#)), made several changes to the FAFSA application process, including replacing the Expected Family Contribution (EFC) with the Student Aid Index (SAI), expanding student access to Federal Pell Grants, and streamlining the FAFSA form. The phasing in of these changes started with the 2021-2022 aid award year and will be fully implemented by July 1, 2024. We describe some of the major changes below.

### ***Replacing Expected Family Contribution (EFC) With the Student Aid Index (SAI)***

EFC and SAI are both calculations used to determine a student's eligibility for certain types of federal student aid. The latter was established by the federal FAFSA Simplification Act.

Two primary differences between the EFC and the SAI are how each formula calculates parent contributions. Under both calculations, parents' contribution is generally based on their adjusted available income (AAI). AAI is the parents' available income (i.e., the parents' total annual income minus certain allowances for income taxes paid, income protection and employment expenses) plus approximately 12% of their assets.

When compared to the EFC, the SAI has a:

1. larger income allowance, effectively lowering the parents' AAI (and thus their total contribution);
2. lower minimum parent contribution income bracket (-\$6,820 compared to -\$3,409) and a lower associated parent contribution (-\$1,500, compared to -\$750); and
3. lower minimum total contribution (-\$1,500 compared to \$0).

Additionally, the SAI (1) does not adjust for the number of other dependents in the family who are attending college and (2) makes other changes, such as a higher income protection for student income.

### ***Calculation of and Expansion of Access to Federal Pell Grants***

Beginning with the 2023-24 award year, the [FAFSA Simplification Act](#) changes the calculation of Pell Grant awards. Maximum annual grants will be awarded based on family size, adjusted gross income (AGI), and poverty guidelines. Students who aren't eligible to receive the maximum grant may still be able to receive funds if their SAI is less than the Pell Grant maximum. If a student's SAI is greater than the maximum grant award, they may still qualify for a minimum grant award based on their family size, AGI, and poverty guidelines.

Additionally, the act restored Federal Pell Grant eligibility to incarcerated students for the first time since 1994. The act requires an incarcerated individual to enroll in an eligible prison education program to access the grant.

### ***Streamlined FAFSA Form***

The U.S. Department of Education, when possible, uses Internal Revenue Service (IRS) data to calculate Federal Pell Grant eligibility. Starting with the 2024-25 award year, the [Fostering Undergraduate Talent by Unlocking Resources for Education \(FUTURE\) Act](#) will provide a data exchange to assist parents and students in completing their FAFSA applications more accurately and effectively ([FUTURE Act, P.L. 116-91](#)). The FUTURE Act requires the applicant's approval to import the federal tax information from the IRS.

### ***Other FAFSA Simplification Act Changes***

The [FAFSA Simplification Act](#) makes other changes, such as it no longer (1) requires students to register for the selective service in order to complete the FAFSA application and (2) disqualifies applicants for drug-related convictions. The act also changes how parental information is determined for students with divorced or separated parents. Previously, a student was required to

report the financial information of the parent the student lived with most frequently. Under the act, a student is instead required to report the financial information of the parent who provides a majority of the student's financial support.

Additionally, the act made certain definitional changes. For example, it changed the definition of "family size" to align with the number of individuals the applicant or his or her parents' reported as dependents on their tax return.

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