CAPFAA State and Federal Relations Committee – News Update

6/28/24

Committee Chair:

- Ryan Jones, Campus Supervisor, CT State Community College (Gateway Campus)

Republicans Say Department of Education Is 'Stonewalling' FAFSA Investigation

Two top Republican lawmakers on Friday sent a letter to the Department of Education (ED) urging the department to “immediately comply” with the Government Accountability Office’s (GAO) investigation on the rollout of the 2024-25 FAFSA.

Rep. Virginia Foxx (R-N.C.), chair of the House Committee on Education and the Workforce, and Sen. Bill Cassidy (R-La.), ranking member of the Senate Committee on Health, Education, Labor, and Pensions (HELP), in January called on GAO to formally examine how the 2024-25 FAFSA rollout has impacted students and schools. Now, the two lawmakers allege that ED is “illegally obstructing” GAO’s investigation by “stonewalling” the office by “hiding evidence” related to the 2024-25 FAFSA rollout.

“The Department’s repeated delays and technical problems with the FAFSA rollout have created significant difficulties for students attempting to file applications, delays for schools trying to determine financial aid package amounts, and uncertainty for students trying to make informed decisions about which colleges to attend,” the lawmakers wrote. “If not fully identified and addressed, ongoing problems with the FAFSA will create complications for schools and college students for at least the next two academic years.”

Specifically, Foxx and Cassidy wrote that according to letters from GAO Comptroller General Gene Dodaro, GAO has met with ED “numerous times” and offered accommodations so the department could submit requested information to GAO. However, according to Dodaro, ED has not submitted many of the requested items.

Further, Dodaro wrote that the delays from ED in submitting the requested information have affected GAO’s progress of the investigation. Foxx and Cassidy have called on ED to produce the requested information to GAO by this Friday, June 7, and to send copies of that requested information to the House Committee on Education and the Workforce and to the Senate Health, Education, Labor, and Pensions (HELP) Committee.

“The Department’s ongoing failure to comply with GAO’s requests is unacceptable,” Foxx and Cassidy wrote. “GAO is a part of the Legislative Branch, and by preventing GAO from doing its job, the Department is interfering with our efforts to address concerns with FAFSA and pursue transparency and accountability on behalf of the American people.”

The department, in a letter obtained by POLITICO indicated that they were in the process of responding the GAO’s requests “as quickly as possible” while at the same time remaining focused on the FAFSA rollout.

“GAO and the Department accordingly agreed that we would produce readily available documents that we could pull without interfering with the critical work and high priority deadlines on FAFSA,” the department wrote. “Consistent with this agreement, the Department has responded where it could to GAO’s extensive initial requests in these two engagements, working to transmit documents and make staff available as possible while continuing to complete the FAFSA.”

ED Begins Notifying Institutions About Adjudicated Borrower Defense Applications

Schools who were previously notified of at least one borrower defense application have begun to receive notifications from the ED that the adjudication process for those claims has been completed. The email deliveries began this past week and were sent to an institution’s president or financial aid administrator with details about the numbers of borrower defense applications that were approved, denied, or closed. The email comes after ED released guidance in November that it was sending institutions notices of borrower defense applications received from June 23, 2022, to Nov. 15, 2022, as part of the Sweet v. Cardona settlement. In the email ED noted that it will send these follow-up emails to institutions quarterly as it finishes processing an institution’s claims.

NASFAA Calls on Congress to Double Pell Grant for FY 2025 Budget

NASFAA, along with dozens of higher education organizations, signed onto a letter urging top congressional appropriators to increase the maximum Pell Grant award to $13,000 – double the maximum award over fiscal year 2021 levels – for the fiscal year 2025 budget. In the letter, the organizations noted that the current maximum Pell award only covers between 13% and 31% of the average tuition, fees, housing, and food at institutions. The letter goes on to explain that investing in the Pell Grant program is “essential and increases college affordability for current and future students.”

NASFAA Updates Timeline of Rocky 2024-25 FAFSA Rollout

NASFAA is pleased to provide an updated timeline of the simplified FAFSA rollout, covering new events from our last update through May 31, 2024. NASFAA will continue to update the timeline monthly as needed.

NASFAA Submits Letter for Congress Urging Delay of GE/FVT Institutional Reporting Requirements

NASFAA submitted a letter to House and Senate education committee leadership requesting their assistance in securing a delay until July 2025 of the GE/FVT institutional reporting requirements, currently due on October 1. In the letter, NASFAA stresses the impact the unprecedented FAFSA delays and errors have had on financial aid offices. NASFAA points out that delaying the reporting deadline will enable financial aid administrators to focus on helping students recover from this year's FAFSA issues to ensure they have access to a postsecondary education.

Member Preview of NASFAA's Comments on GE/FVT Reporting Requirements

NASFAA is pleased to share a draft of its response to ED's second request for comments on its Gainful Employment (GE) and Financial Value Transparency (FVT) institutional reporting requirements. NASFAA focuses largely on the need to delay these requirements considering the delays and errors with this year's FAFSA and the fact that ED has not published the necessary documentation to allow members to prepare for reporting this October. NASFAA hopes our members will use these comments to inform their own comments, which are due to ED on June 17, 2024.

NASFAA Calls on ED to Commit to October 1 FAFSA Launch for 2025-26 Cycle

There is still much work to be done with the current FAFSA rollout, but there is also a growing concern that ongoing delays could imperil the upcoming 2025-26 FAFSA, which is why NASFAA is urging the ED to commit to the traditional October 1 launch date of the aid form.

NASFAA, leading a coalition of roughly two dozen higher education organizations, sent a letter to ED seeking a commitment to the form's traditional launch date, which would also include the availability of FAFSA processing, school receipt of processed FAFSAs, processing of paper FAFSAs, and FAFSA correction functionality for applicants, schools, and states.

The letter goes on to call on ED for a timely release of the federal student aid estimator, the FAFSA demonstration site, communication and training materials, a user-friendly Pell look-up table, eligibility and technical guides, and an effective process for attaining an FSA ID.

If ED is unable to commit to an October 1 launch date, the signatories urged the department to communicate a timeline of when the 2025-26 FAFSA will be available as soon as possible.

The organizations go on to stress their concerns that the 2025-26 FAFSA will be delayed again like the 2024-25 FAFSA, which has been riddled with technical issues, errors, and glitches. The letter notes that there is now less than four months until October 1, the traditional FAFSA release date, and ED has yet to release a draft paper FAFSA form for public comment. That form is typically released in late February.

Another FAFSA delay could have large consequences, the letter notes, as the launch of the 2024-25 FAFSA has currently reported FAFSA completion rates that are 13.5% lower than the previous award year for high school seniors. That's a drop twice in magnitude compared to FAFSA completion rates during the pandemic.

NASFAA Signs onto Letter Opposing Bipartisan Workforce Pell Act and DETERRENT Act

NASFAA, along with dozens of other higher education organizations, signed onto a letter urging lawmakers from the House Rules Committee to oppose efforts to add the Bipartisan Workforce Pell Act and the Defending Education Transparency and Ending Rogue Regimes Engaging in Nefarious Transactions (DETERRENT) Act to the National Defense Authorization Act (NDAA). The organizations argue since they previously opposed these bills, they remain in opposition to the two bills being added on as amendments to the NDAA. Details about the NDAA can be found on the House Rules Committee website.

The letter specifically argues that the amendments being offered to NDAA are non-germane and should be considered separately through the regular order, noting that the Senate Health, Education, Labor, and Pensions (HELP) committee should hold a hearing on both bills.

On the Bipartisan Workforce Pell Act, the signatories take issue with a concerning provision intended to help cover the cost of the legislation that would prohibit certain private institutions that are subject to an excise tax on investment income, also known as the endowment tax, from awarding federal student loans to eligible students.

On the DETERRENT Act, the organizations state they appreciate the effort of this legislation to amend foreign gift and contract reporting requirements for institutions, but they warn lawmakers that there could be significant harm to institutions. Specifically, the letter expresses concern with the privacy of research faculty and staff; the potential hampering of productive international collaborations; and that the language tasks the Department of Education with new authorities it is not equipped to implement.

FSA Rolls Out Title IV Institutional Survey

Federal Student Aid (FSA) announced that it is administering a Title IV Institutional Survey in order to assess the ease with which schools are able to conduct business with the ED. An independent vendor, CFI Group, began to conduct the electronic survey on Tuesday, June 5. The survey will close by July 17, 2024. CFI Group will contact school financial aid administrators via email and provide a link to the web survey. More information on the survey can be found via FSA's electronic announcement.

Bipartisan Workforce Pell Act and DETERRENT Act Removed from Defense Bill

A pair of higher education-related amendments, concerning short-term Pell Grants and foreign gift reporting, have been removed from a defense bill that is being taken up by the House floor this week.

The House is currently considering the National Defense Authorization Act (NDAA), which was revised during a House Rules Committee markup to exclude two key higher education amendments from the underlying legislation — the Bipartisan Workforce Pell Act and the Defending Education Transparency and Ending Rogue Regimes Engaging in Nefarious Transactions (DETERRENT) Act.

Higher education organizations sent a letter to the House Rules Committee opposing efforts to add the Bipartisan Workforce Pell Act and the DETERRENT Act to the NDAA.

The organizations explained that they oppose the Bipartisan Workforce Pell Act due to a provision which would prohibit certain private institutions that are subject to an excise tax on investment income, also known as the endowment tax, from awarding federal student loans to eligible students.

With the DETERRENT Act, the organizations said that while they appreciate the bill's effort to amend foreign gift and contract reporting requirements for institutions, they warn lawmakers that the legislation, as written, could significantly harm institutions.

NASFAA Requests Technical Amendments to the FAFSA Simplification and FUTURE Acts

NASFAA submitted a letter to Congressional education and finance committee leadership asking for technical amendments to fix issues NASFAA members have identified in the FAFSA Simplification and FUTURE Acts. Those fixes include adding back the FAFSA questions asking students' housing plans, allowing for an alternate SAI, and requiring ED to study the impacts of changes to the treatment of families with multiple students in college and small business and family farm owners. Moving forward, NASFAA will be undertaking work to examine broader policy changes including the new SAI formula. That work will inform future advocacy.

ED Announces College Board President to Oversee Launch of 2025-26 FAFSA

After a tumultuous rollout of the 2024-25 FAFSA, the ED announced it will be enlisting a higher education and technology solutions expert to lead the rollout of next year's FAFSA cycle. Additionally, ED has chosen to prioritize an October launch for the 2025-26 FAFSA over making large changes to the application, meaning the 2025-26 version will not be substantially different from the 2024-25 form and as a result will not require the standard notice and comment period.

Jeremy Singer, president of College Board, will take a new role as "FAFSA Executive Advisor" helping FSA wrap up this year's FAFSA process and overseeing the rollout of the 2025-26 FAFSA, which Education Secretary Miguel Cardona said is expected to be released on October 1.

According to ED, Singer will take a temporary leave from his role at College Board to join the department in leading Federal Student Aid's (FSA) 2025-26 FAFSA strategy "to help ensure optimal performance leading to the launch of the 2025-26 FAFSA form." Notably, as College Board president, Singer oversaw the creation and launch of the new digital SAT.

NASFAA President and CEO Justin Draeger applauded Friday's announcement, saying it's encouraging to see the department commit additional resources to course correct for next year, and reassuring that ED remains committed to an October 1 launch.

However, Draeger stressed that the department needs to ensure the same mistakes are not repeated for the 2025-26 FAFSA cycle.

Some NASFAA members also applauded Singer's hire – which *Inside Higher Ed first* reported – including Amherst College's Gail Holt, chair of NASFAA's FAFSA Simplification Implementation Working Group, and University of Wisconsin at Madison's Derek Kindle, NASFAA's diversity officer.

Along with the announcement of Singer's new role, ED also said that it has heard concerns from students, families, institutions, and others about the importance of releasing the FAFSA on October 1 for the 2025-26 cycle. The department said that it is "working toward that goal." Earlier last week, NASFAA and the National College Attainment Network (NCAN) led a letter to ED seeking a commitment to the FAFSA's traditional launch date of October 1.

To meet that October 1 launch date for the 2025-26 form ED will roll over, without any substantive changes, the 2024-25 form into the 2025-26 FAFSA. The lack of substantive changes allows ED to release next year's form without the 60 and 30-day public comment periods. ED has done this in the past when it made no significant changes to the FAFSA. Additionally, ED clarified that it has made "significant progress" to address major known issues with the 2024-25 FAFSA and will continue to make improvements.

ED will conduct a series of listening sessions "over the coming weeks" to learn more on how it can better support students, families, colleges, states, and other partners during the 2025-26 FAFSA cycle.

Additionally, the department will publish a Request for Information (RFI) this summer to solicit feedback from stakeholders who can't attend upcoming listening sessions. Feedback from the listening sessions and RFI will then be used to create a new 2025-26 Better FAFSA Better Future Roadmap, which will include relevant tools, resources, and training, and will be published in the summer.

ED: Batch Institutional Corrections Will Become Available in 'First Half' of August

The ED gave several updates on the status of the 2024-25 FAFSA cycle, including that batch institutional corrections, as well as paper FAFSA corrections, will be available in the "first half" of August.

In an electronic announcement, ED wrote that it is "working diligently" to release additional functionality to the 2024-25 FAFSA. Batch institutional corrections via the Electronic Data Exchange (EDE), as well as paper FAFSA corrections, will be available in the first half of August. In a normal FAFSA cycle, this is a standard process that is available at the same time the FAFSA application goes live and is necessary to complete for some students before a final financial aid offer can be issued and before student aid disbursements can be made.

Additionally, ED wrote that it is entering the final testing phases of processing 2024-25 paper FAFSA forms, including those submitted by confined or incarcerated students, and allowing institutions to submit manual corrections via the FAFSA Partner Portal (FPP.) ED previously said in May that institutions would be able to submit those manual corrections "by the end of June."

In the electronic announcement, the department wrote that it expects to meet that timeline, contingent upon testing. ED added that in the weeks following the launch of FPP corrections, the department will release additional enhancements.

NASFAA President and CEO Justin Draeger said Monday's announcement is unacceptable, noting that the longer aid offices go without the ability to make batch corrections efficiently and quickly, the greater the uncertainty becomes for students who are still hanging in the balance.

ED also noted that it plans to perform additional identity verification and the NSLDS post-screening processes for 2024-25 FAFSA "later in the calendar year." ED will share additional guidance and tools for institutions in the following days.

The electronic announcement touched on news from last week concerning the next FAFSA cycle. ED reiterated that the 2025-26 FAFSA will have no substantive changes from the 2024-25 form, and therefore will not be available for public comment but will focus on improving user experience.

Further, ED will be hosting a series of listening sessions in the coming weeks to hear how to better support students, families, institutions, and other stakeholders for the 2025-26 FAFSA cycle. ED will also be announcing a new series of webinars and online videos in the coming weeks to better help students and families submit the FAFSA.

This summer, ED will release a Request for Information (RFI) to solicit feedback from those not able to attend the sessions. According to ED, it will request feedback from financial aid administrators, counselors and others on ways ED can provide additional support to them in their work. The listening sessions and RFI will inform ED to release a new "Better FAFSA Better Future Roadmap," which will be released in the late summer.

Draeger stressed that for the 2025-26 FAFSA, the department must ensure that the entire FAFSA system — from the application itself to processing and the ability to make corrections — is up and running smoothly at the time the application goes live.

ED Releases Guidance on Resolving Conflicting Information

The ED via an electronic announcement released guidance on several instances where institutions are required to identify and resolve conflicting information and discrepant data on the 2024-25 FAFSA. The announcement clarifies that there are no changes to the regulations related to resolving conflicting information, but that the guidance is intended to address questions from the financial aid community about how to address certain unique circumstances that have arisen this year.

The announcement delineates specific situations and whether they are considered conflicting information, including several situations where FTI and manually entered data both exist on the ISIR. For instance, some institutions have observed that sometimes a student or contributor who had FTI data reported on the ISIR also manually indicated that they did not file a U.S. tax return in 2022, which results in a Student Aid Index (SAI) and Pell Grant calculation based on the manually entered non-filing status. The FAFSA Processing System (FPS) does not use the FTI in the SAI and Pell eligibility calculations for students that incorrectly indicated "did not file" when FTI is transferred.

ED explained that if this situation does occur, and data does indicate that the student or contributor is a U.S. tax filer, but the appropriate FTI was not used in the SAI calculation, institutions should consider these situations as conflicting information that must be resolved. When resolving the conflicting information, an institution may use the FTI retrieved from the IRS via the FUTURE Act Direct Data Exchange (FA-DDX) to correct the manually entered income and tax information by re-entering the FTI and submitting the correction to FPS.

Institutions must update all the manual entry data fields associated with the taxes, including tax filing status, ED wrote. Changing the tax filing status from "did not file" to "filed" is not enough to trigger FPS to use the FTI in the student's calculations, according to ED. Per the electronic announcement, more information on the requirements around resolving conflicting information are outlined in Chapter 5 of the Application and Verification Guide in the Federal Student Aid Handbook.

There is also guidance around situations where manually entered tax and income information and FTI may be present on the same ISIR based on the student's or contributor's marital status.

For example, if an applicant's parental marital status is divorced, but the FTI has a tax filing status of married filing jointly (MFJ), the ISIR would have the FTI from the IRS and the self-reported tax and income data. The use of self-reported data is correct and should be used for the SAI calculation and Pell eligibility, according to ED.

If a student's marital status is married and filed with their current spouse is "no," but FTI has a tax filing status of MFJ, the ISIR would have the FTI from the IRS and the self-reported tax and income data. Again, the use of self-reported data is correct and should be used for the SAI calculation and Pell eligibility, according to ED. In these two circumstances, the manually entered information is not conflicting information, ED wrote.

The electronic announcement also listed several instances that are not considered conflicting information for the 2024-25 FAFSA cycle. These instances are related to three issues concerning tax data reported on ISIRs.

1. **Data for education tax credits transferred via the FA-DDX prior to March 30, 2024.** ED reprocessed impacted ISIRs and the IRS updated the FA-DDX to include the correct data on applications moving forward.

2. **Discrepancies with amended and updated tax return data transferred via the FA-DDX.** In cases when taxpayer information was updated through an amended tax return or other adjustment, the FA-DDX transferred the most recent AGI and filing status and the original values for other tax return elements. ED also reprocessed all these impacted records. The IRS also updated the FA-DDX to transfer original tax data only, which means the FA-DDX will not include amended or updated tax data. Further, ISIRs will not include an indicator that amended or updated tax data is available, according to ED.

   Additionally, ED specified that while institutions are not required to determine whether taxpayer information on the FAFSA form was amended before awarding or disbursing Title IV funds, institutions that become aware that amended tax information exists for a student or their contributors should treat those circumstances as conflicting information that must be reviewed and resolved. NASFAA has noted that this conflicts with earlier guidance in the Application and Verification Guide, where ED states that if the institution is aware that an applicant or contributor filed an amended return they may, but are not required to update or correct the FAFSA. NASFAA has reached out to ED for clarification.

3. **Issues resulting from discrepant instructions on the FAFSA form for individuals required to manually provide income and tax information.** ED noted that the FAFSA instructions – both the paper and online form – directed applicants to report IRS Form 1040, line 22 minus Schedule 2: line 2 for income taxes paid. These instructions removed the refundable credit for coverage under a qualified health plan under section 36B of the IRS Code from income taxes paid. However, the data transferred via the FA-DDX is drawn from IRS Form 1040, line 24. Similarly, the FAFSA instructions directed applicants to report IRS Form 1040, Schedule 3: line 3 for education credits. However, the FA-DDX is providing data from IRS Form 8863, line 8 plus line 19.

   In a separate electronic announcement, ED wrote that it would amend the FAFSA instructions to align with the data definition used by the FA-DDX. Further, ED wrote that this correction to the instructions will not occur until the 25-26 FAFSA cycle. However, applicants and their contributors who are directed to manually enter income taxes paid and education credits into the online FAFSA form, or who completed a PDF FAFSA form and used the provided instructions on the 24-25 FAFSA form, are not considered to have reported incorrect or conflicting information, ED clarified.

4. **Known issues resulting from calculation errors with the FAFSA Processing System.** ED wrote that it will continue to communicate with institutions on known issues that impact records due to calculation errors. ED clarified that these known issues are not considered conflicting information and have been identified by the department for reprocessing. A complete list of known issues, their status, and their assigned reprocessing reason code are detailed in the Technical Frequently Asked Questions and Known Issues document.

ED also received questions from institutions about situations when the amount of taxable grants and scholarships manually reported by an individual on the FAFSA form is equal to their AGI. ED noted that while uncommon, it is possible for a student or contributor to have grants, scholarships, or AmeriCorps benefits as their only sources of taxable income. ED wrote that while institutions aren't required to select FAFSA records for verification that report a large amount of taxable grants and scholarships, institutions should review and correct the amount if they receive conflicting information that indicates it may be incorrect.

ED Acknowledges 'Tremendously Difficult Year' and Provides a Federal Policy Update at NASFAA 2024

It's been a year of new "f-words" for the ED and the financial aid community at large trying to navigate the rollout of the 2024-25 FAFSA form in tandem with changes happening across the Title IV programs.

During a session from department officials, including remarks from Richard Cordray, outgoing chief operating officer at Federal Student Aid (FSA), attendees learned about expanded access to financial aid, the return to repayment for all student loan borrowers after the prolonged payment pause, the substantial expansion of loan forgiveness programs and improved repayment options, and new enhancements to the systems that financial aid professionals use.

ED officials told attendees that they were appreciative of their candor with how the department can best carry out their FAFSA guidance. They also thanked the financial aid community for navigating the challenges of the past year and apologized for the added angst that the 2024-25 FAFSA rollout has caused.

The department also acknowledged that the outcomes of FAFSA simplification have been unexpected, but that they believe the change will be for the better, and that they are on the path toward a better application in the future.

In his remarks, Cordray formally acknowledged that the deployment of the new FAFSA has been a major challenge, and that the overhaul of the form, along with new compliance requirements with the IRS, has been a huge project. Further, the work on backend processing took the department longer to implement than it planned, Cordray said.

As of Tuesday, Cordray said that 11.3 million people have submitted FAFSA forms for 2024-25. He acknowledged that this total remains behind the pace of last year's submission rate but expressed confidence that the department was on track to surpass last year's numbers over the summer.

During Cordray's three-year tenure, the portfolio for FSA has been a heavy load and he acknowledged that the department hasn't gotten everything right. While officials have been hard pressed to keep up with their work, Cordray said that ultimately that the administration's agenda will help students succeed in higher education with more students qualifying for maximum Pell Grants.

Further, Cordray explained that the three-and-a-half-year payment pause provided students with breathing room that allowed the department to overhaul the broken student loan forgiveness programs.

Additionally, Cordray also highlighted how the department has overhauled several systems like Partner Connect 2.0 and its unified USDS reboot for loan servicing.

Officials from ED then provided attendees with a federal policy update, with a focus on regulations made through negotiated rulemaking, like gainful employment (GE) and financial value transparency (FVT), with rules going into effect July 1.

During a Q&A session, attendees urged ED to consider adjusting the October 1 reporting deadline for GE and FVT, and officials promised to take comments back to the department.

ICYMI: NASFAA Submits Comments on GE/FVT Reporting Requirements

NASFAA submitted to the ED its response to ED's second request for comments on its Gainful Employment (GE) and Financial Value Transparency (FVT) institutional reporting requirements. NASFAA focused largely on the need to further delay these requirements — to July 2025 — considering the delays and errors with this year's FAFSA and the fact that ED has not published the necessary documentation to allow members to prepare for reporting this October and includes several technical comments and suggestions as well.

Court Partially Blocks Maximum Program Length Rule for GE Programs

A federal judge on Friday partially halted the ED's upcoming administrative capability rule slated to take effect on July 1, 2024 citing a provision that would specifically target career and technical programs.

The court imposed a temporary injunction against a provision in the rule concerning maximum program length for gainful employment (GE) programs. GE programs in the past were eligible to offer Title IV aid provided they did not exceed 150% of the minimum number of clock hours required for the occupation for which the program prepares the student by the state the institution is located.

Effective July 1, 2024, under the rules now halted by the injunction, the maximum program length would instead be capped at 100% of the state's minimum required clock or credit hours. The final rules could result in students not qualifying for federal student aid if a program's minimum hours exceed those required by the state in which they operate.

New CBO Pell Grant Estimate Finds Shortfall Postponed with Fewer Students Projected to Receive Grant

According to a new analysis, the Pell Grant program is no longer estimated to be in a shortfall for fiscal year 2026, but the positive projections come at the expense of nearly a million fewer students estimated to receive the grant for 2024 and 2025 due to complications with the FAFSA.

The recent analysis from the Congressional Budget Office (CBO) predicts that the Pell Grant program will not face a budget shortfall until fiscal year 2029. This new projection assumes that no new costs are added, and that Congress provides the same amount of funding per year through the annual appropriations cycle and does not rescind any funding from the program's reserve fund.

In March, President Joe Biden's budget request provided a supplemental analytical perspectives document, where the administration – seeking to boost the award – predicted a $1.3 billion shortfall in Pell Grant funding in fiscal year 2025, and a $7.8 billion shortfall in 2026 if discretionary Pell Grant funding remains at a baseline.

However, citing issues with the FAFSA rollout, CBO estimates there will be 1.1 million fewer students who receive a Pell Grant for fiscal year 2024 than the Biden administration had projected.

Before issues with the FAFSA were widely reported, the Biden administration projected that 7 million students would receive the grant. CBO now estimates that, due to the barriers to complete the form and significant delays, 5.9 million students will receive Pell.

As a result of the CBO analysis, congressional appropriations, facing stricter budget caps for the upcoming fiscal year, may not be under pressure to cut funding for the program in fiscal year 2025, but the revised expected estimates of the program's financial health come at the expense of fewer Pell Grant recipients.

Courts Block Portions of Biden's SAVE Repayment Plan

A pair of federal judges issued separate injunctions that have blocked the ED from fully implementing its new Saving on a Valuable Education (SAVE) student loan repayment plan.

It is currently unclear the full extent to which the rulings will impact the new income-driven repayment plan, but provisions set to be fully implemented as a part of the department's final rule will no longer go into effect on July 1, 2024. One of those provisions included calculating monthly payments by using half the current percentage of discretionary income for undergraduate borrowers, lowering the rate from 10% to 5%.

In response to the decisions from the Missouri and Kansas District Court, Secretary of Education Miguel Cardona said the department would continue to review the rulings and work to ensure that borrowers have access to lower monthly student loan payments.

Cardona went on to argue that the department has the authority to carry out the program aimed at providing breathing room for borrowers and allow those who are "at-risk" to reach forgiveness faster.

Meanwhile Sen. Bill Cassidy (R-La.), ranking member of the Senate Health, Education, Labor, and Pensions (HELP) Committee, said that the administration has prioritized "student loan schemes" at the expense of the 2024-25 FAFSA rollout.

New Study Looks at States' FAFSA Simplification Success Strategies

While the rollout of the 2024-25 FAFSA has been tumultuous, a new case study took a look at four states and their successful strategies to implement and employ FAFSA completion initiatives for the ongoing cycle.

The case study, conducted by the State Higher Education Executive Officers Association (SHEEO), selected Alabama, Illinois, Louisiana, and Minnesota as representative higher education state agencies that implemented successful FAFSA simplification strategies. In total SHEEO worked with 17 states to examine the impact of FAFSA simplification on state financial aid programs.

Looking specifically at the states' work, SHEEO highlighted the Minnesota Office of Higher Education (OHE), which began preparing for FAFSA simplification with the creation of a cross-agency working group in 2021. The working group developed a roadmap and timeline for FAFSA simplification changes with consideration of the state's legislative schedule. Additionally, the Minnesota agency used long-standing relationships with partners outside of the agency, including high schools, institutions of higher education, and community organizations to communicate the upcoming changes with FAFSA simplification.

SHEEO also noted that Minnesota's OHE modeled the effects of the new FAFSA on Pell Grant and Minnesota state grant receipt early to test potential impacts on students. As new guidance was released from the ED, the agency revised the projected changes to state financial aid programs.

The case study also looked at Alabama, Illinois, and Louisiana, which all had universal FAFSA completion as a high school graduation requirement, though, as of this spring, Louisiana will no longer require students to complete the FAFSA to graduate high school.

Louisiana was the first state to implement a universal FAFSA policy. In its first year, with the high school class of 2018, the policy increased FAFSA completion by 26%. Even though FAFSA completion will no longer be a graduation requirement, beginning with the high school class of 2025, the Louisiana Office of Student Financial Assistance (LOSFA) said they were "hopeful" that FAFSA completion will remain high in the state citing its usage for merit-based scholarship.

Alabama, after implementing its universal FAFSA policy, increased FAFSA completions by 24.9% for the class of 2022. As part of the policy, the Alabama Commission on Higher Education (ACHE) contracted with Oracle Student Financial Planning to manage and track the FAFSA completions in the state for graduating seniors to report on student errors and provide supportive information for high schools and their counselors. Through this partnership, Oracle provided the ACHE FAFSA Portal with real-time FAFSA completion data and managed the technical and systemic changes needed to adjust to the new FAFSA.

Even with the challenges of the 2024-25 FAFSA, the partnership worked to maintain and share up to date FAFSA information on submission errors and completions with students and schools.

Illinois adopted a universal FAFSA policy as a high school graduation requirement in 2021, and also saw an increase in FAFSA completions by 3.1%, which occurred during the COVID-19 pandemic.

SHEEO wrote that the Illinois Student Assistance Commission (ISAC) has fostered a statewide culture of FAFSA completion through extensive outreach and support for students through partnerships with Chicago Public Schools. Additionally, the organization created ISACorps, a group of highly trained recent college graduates who serve as near-peer mentors to high school students.

Beyond that, ISAC has used a text messaging service to connect college-bound students with financial aid experts at the agency since January 2016, and hosts a FAFSA symposium each year. According to SHEEO the event brings together college access professionals and other practitioners to share strategies for FAFSA completion.

The case studies found that the four states shared similar themes to prepare to implement the FAFSA Simplification Act. One of those themes was states having a high staff capacity.

According to SHEEO states that were able to respond quickly and effectively to the challenges of the 2024-25 FAFSA had sufficient staff capacity and were able to collaborate with other organizations or hire additional staff.

However, SHEEO noted that hiring additional staff is often beyond the scope of most state agencies and may not be possible on short notice.

Another theme that state agencies with successfully FAFSA simplification strategies shared was early planning. States that planned for the potential impacts of FAFSA simplification in advance were better prepared and able to handle unexpected challenges, SHEEO wrote. Specifically, a runway of at least two years allowed state agencies to alert legislators about the need for policy responses.

Further, it’s crucial that state agencies in the early stages or preparing for FAFSA simplification, communicate with stakeholders – including students, their families, and high school counselors.

House Republicans’ 2025 Budget Proposal Slashes Funding for FSA Administration, Campus-Based Aid Programs

House Republicans released their education funding proposal for fiscal year 2025, cutting funding for the Federal Work-Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG) programs in half, and slashing funding for Federal Student Aid (FSA) administration by 26%.

The bill, which would impact the 2025-26 award year, contains an overall request of $72 billion for the ED, a decrease of $10 billion below the 2025 request made from the Biden administration, and a 13% decrease with 2024 levels. In March, the Biden administration proposed $82 billion in federal discretionary spending for ED in 2025.

However, according to the Committee for Education Funding (CEF), the funding proposed for ED actually totals $68.1 billion — not $72 billion — when accounting for rescissions of previously enacted funds that were included in the bill. That means the House GOP proposal cuts ED funding by $11 billion, or 14%. CEF also estimates that the funding for fiscal year 2025 included in this proposal is almost $28 billion below 2011 funding levels in inflation-adjusted terms.

Additionally, the House GOP's proposal would allot $23.5 billion for the federal student aid programs, a decrease of $1.1 billion below the 2024 level and $3.2 billion below the Biden administration's 2025 request. Of that amount, $22.5 billion would be allotted for the federal Pell Grant program, which is equal to the 2024 level, and $2.1 billion below the Biden administration's 2025 request. The maximum Pell Grant award for the 2025-26 year would remain unchanged from 2024-25, at $7,395.

ED would receive about $1.5 billion to administer student aid programs, a 26% cut from FY 2024, whereas the Biden administration requested $2.7 billion.

The FSEOG program would be funded at $455 million, about half of the 2024 level and the Biden administration's 2025 request. Likewise, funding for FWS would also be cut in half, at $615 million.

NASFAA Vice President of Public Policy & Federal Relations Karen McCarthy said that while NASFAA appreciates bipartisan commitment to preserving both the Pell Grant program and the program's reserve fund, cuts to FSA and the campus-based aid programs will disproportionately impact many low-income students.

Further, the bill includes language which would prohibit ED from using funding to administer its income-driven repayment plan, the Saving on a Valuable Education (SAVE) plan, where earlier this week a pair of federal judges issued separate injunctions that have blocked ED from fully implementing. Additionally, the bill includes language that would block ED from using funds to administer borrower defense and gainful employment regulations.

As for other higher education programs, this bill would allot $1.2 billion for Federal TRIO programs, which is equal to the 2024 level and $20 million below the 2025 request. And $388 million would be allotted for GEAR UP, which is equal to the 2024 level and $10 million below the 2025 request.

Rep. Robert Aderholt (R-Ala.), who chairs the Labor-H appropriations subcommittee, said in a statement that this budget proposal reins in "reckless and wasteful spending."

Rep. Rosa DeLauro (D-Conn.), the ranking member of the full appropriations committee, criticized the House Republicans' budget proposal, calling it "dangerous" and threatening to "programs and services that Americans depend on at every stage of their life."

The Labor-H Appropriations Subcommittee is expected to review the bill this week.

New Bill Would Double Maximum Pell Grant, Introduce SAP Reset

A new bill backed by a group of Democrats would increase the maximum federal Pell Grant award to $10,000 for the 2025-26 award year, and nearly double the maximum Pell Grant over a period of five years after, to $14,000, among other things, such as shifting the Pell Grant program to fully mandatory congressional funding and making changes to institutional Satisfactory Academic Progress (SAP) policies.

The Pell Grant Preservation and Expansion Act was reintroduced by Democratic Sens. Mazie K. Hirono (Hawaii), Patty Murray (Wash.), Jack Reed (R.I.), and Sheldon Whitehouse (R.I.), and Reps. Mark Pocan (Wisc.) and Bobby Scott (Va.), ranking member of the House Committee on Education and the Workforce. The bill was previously introduced in 2021.

Specifically, the bill aims to stabilize federal Pell Grant funding by making the federal program a fully mandatory program that grows with inflation. For example, for award year 2025-26, the total maximum federal Pell Grant award would be $10,000, and would increase by $1,000 each year until reaching $14,000 for 2029-30. In each subsequent year, the total maximum federal Pell Grant award would be increased to account for inflation.

The bill would make funding for the federal Pell Grant fully mandatory, which the lawmakers say would ensure students can count on their Pell Grants being fully funded into the future and protect the program from funding shortfalls.

The proposal would expand Title IV aid eligibility to Dreamers — undocumented students who are not currently eligible for federal student aid due to their citizenship status — and would allow means-tested federal benefit program recipients to automatically qualify for a Student Aid Index equal to -$1,500 if they received those benefits at any time in the previous two years.

Students with negative SAIs could receive up to an extra $1,500 from the Pell Grant — equal to the amount their SAI falls below zero — for a total of $11,500 for 2025-26 and increasing annually.

The legislation seeks to broaden access to the Pell Grant for part-time students by setting the minimum award level at 5% of the maximum award, rather than the current 10%, which the lawmakers argued would ensure part-time students are able to retain access to aid as the maximum award grows.

Additionally, this provision would help prevent “the creation of a cliff effect” since the 10% minimum award threshold would otherwise deny Pell funds to any student eligible for less than $1,400 once the doubled Pell Grant is fully phased in. Instead, when the maximum Pell Grant doubles to $14,000, a student would still be able to receive an award of $700 to support their education, the lawmakers wrote in the bill’s fact sheet.

The bill would also reinstate Pell Grant lifetime eligibility to 18 semesters, up from the current 12 semesters.

The Pell Grant Preservation and Expansion Act also aims to reduce financial aid penalties from Satisfactory Academic Progress (SAP) determinations and would establish new mandates for an institution's SAP policy for students receiving Title IV aid. For example, it would require that an institution create a SAP policy for Title IV eligibility that is not more burdensome than the policy the institution may already apply to a student who is not receiving Title IV aid. The policy must also be applied consistently to all students, regardless of level in school, enrollment status or educational program.

The bill would also dictate that institutional need-based aid satisfactory progress limitations could not be stricter than the institution’s federal SAP rules, unless the institution could demonstrate stricter standards led to improvements in student completion rates.

Institutions would no longer have the option to review SAP annually and would instead be required to review SAP each payment period, as well as to provide one payment period of financial aid warning. Institutions would still have the option as to whether to provide a payment period of financial aid probation based on an approved appeal or after developing an academic plan.

Students who leave school after failing to meet SAP standards following the mandatory warning and optional probation period, and who do not re-enroll at any other institution for two years would qualify for a SAP reset under the bill. Under the provisions of the reset, courses that were attempted and earned would factor into their SAP calculation moving forward, but unearned credits — whether due to withdrawal, a failing grade — or an incomplete, would not. Students would be eligible to take advantage of this new SAP reset policy only twice.

On top of the SAP policy changes, the bill would require ED to notify each student who left school and did not re-enroll at any institution after failing to meet SAP standards that they are now eligible to receive Title IV aid again. As SAP information is not something that is currently reported to ED by institutions, this would require a significant increase in reporting for institutions.

ED would also be responsible for submitting a report to Congress annually that would detail the outcomes of students who took advantage of the reset policy. The report would include the number of students who re-enroll after the two years to receive the reset, the top 250 institutions with the highest number of enrolled students receiving federal aid after the reset, the top 250 institutions with the highest share students receiving federal aid the rest, and the average rate and time to completion for students who re-enroll. This information would need to be provided to ED by institutions on an annual basis, as they currently do not have access to this kind of data.

House Republicans' 2025 Budget Proposal Advances to Full Committee

House Republicans released their education funding proposal for fiscal year 2025, cutting funding for campus-based aid programs in half and slashing funding for Federal Student Aid (FSA) administration by 26%. On Thursday, House appropriators advanced the funding bill for consideration by the full House Appropriations Committee. The bill is scheduled for a markup from the full committee on July 10.