

MAKING PRIOR-PRIOR YEAR WORK

Each year, students must submit a Free Application for Federal Student Aid (FAFSA) to determine eligibility for federal student aid. Time is a critical factor when submitting the FAFSA to be considered for all types of financial aid because the FAFSA depends heavily on the latest income information submitted via income tax returns. Under the current structure, delays can cause an unfavorable chain reaction: a delay in completing the income tax return can mean a delay in submitting the FAFSA, which can result in a delay in financial aid notification—and possibly a reduced amount of financial aid. This occurs because some forms of financial aid have a limited pot of funds, which is distributed on a first-come, first-served basis.

In October 2015, President Obama and Secretary Duncan announced their intention to use their authority in the Higher Education Opportunity Act [Sec. 473(a)(1)(C)] to adjust the year of tax data used to determine federal aid eligibility in order to simplify the FAFSA process beginning on October 1, 2016.

WHAT IS PRIOR-PRIOR YEAR?

Currently, the Federal Methodology (FM) used to calculate a student's financial need uses prior year (PY) income data. Beginning on October 1, 2016, FM will now use income data from one year further back, usually referred to as the prior-prior year (PPY).

WHY PRIOR-PRIOR YEAR MATTERS

With a switch to PPY, students and families can:

- **File the FAFSA earlier than they do now.** The FAFSA is made available January 1 of each calendar year, yet it is uncommon for a family or individual to be prepared to file an income tax return in the month of January. Because the FAFSA will now be made available on October 1, students can use their already-completed income tax return.
- **More easily submit a FAFSA.** The IRS Data Retrieval Tool (DRT), which allows automatic population of a student's FAFSA with tax return data and decreases the need for additional documentation, can now be used by millions more students and families under PPY.
- **Receive notification of financial aid packages earlier.** If students apply for aid earlier, colleges can provide financial aid notifications to students earlier, ensuring that students and families have more time to prepare for college costs. Early notification also means more time for financial aid offices to counsel students and families.

WHAT CONGRESS CAN DO

With the earlier availability of the FAFSA and the use of prior-prior year (PPY) income data, institutions are now able to more closely align their admissions and financial aid processes. With that in mind, many institutions are willing to release award letters to students much earlier in the cycle to give families more time to make a considered and informed decision about postsecondary school attendance. However, if Pell payment and disbursement schedules, and the maximum award upon which they are based, continue to be released in late January, schools will lack a key piece of information needed for accurate packaging. Institutions will have to choose between waiting for the Department of Education (ED) to release Pell schedules or using an estimated Pell Grant award number. Neither choice is ideal. Congress can help remedy this problem.

1. **Revise the month the Department of Education (ED) must use to determine the inflation adjustment add-on to Pell to allow institutions to send out award letters earlier.** As required by statute, ED uses the final appropriated discretionary Pell Grant amount from Congress with December's Bureau of Labor Statistics (BLS) Unadjusted 12-month Consumer Price Index for All Urban Consumers (CPI-U), released in mid-January, to calculate Pell schedules. In 2016, the December BLS release came out on January 20. ED released the 16-17 Pell schedule on January 29.
2. **Complete the budget process on time.** The second component of earlier availability of Pell payment and disbursement schedules rests with Congress, as ED uses the final discretionary Pell Grant appropriation. Delays in the budget and appropriations process postpone the availability of final Pell Grant numbers.