

## PRIOR-PRIOR YEAR AND THE FEDERAL BUDGET PROCESS

*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. College students need to know where they stand sooner rather than later, so the student can adjust and prepare for the costs of college.*

**In October 2015, President Obama and Secretary Duncan announced their intention to use their authority under 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. In 2016, the FAFSA will be made available on October 1, so students can use the PPY's completed income tax return and be ready to file in the fall.
- **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, since tax data from two years prior will be readily available upon application.
- **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 administrators to counsel students and families.

### WHAT CONGRESS CAN DO

**Complete the budget and appropriations process on time.** Students will begin filing their FAFSA on October 1, and shortly thereafter, financial aid officers will begin notifying students of their student aid package for the next academic year. Without an on-time budget, financial aid offices will have to estimate Pell Grant awards, creating uncertainty around Pell funding which could disrupt, delay, or halt low-income students and families' higher education aspirations.