

S. 2557 – Student Aid Improvement Act of 2019

SECTION BY SECTION

SECTION 1 – STUDENT AID IMPROVEMENT ACT OF 2019

SECTION 2 – CONTINUED SUPPORT FOR MINORITY SERVING INSTITUTIONS

- This provision permanently authorizes \$255 million in mandatory funds for competitive and formula based programs for Minority Serving Institutions:
 - Formula grants for:
 - \$85M for Historically Black Colleges and Universities;
 - \$30M for Tribal Colleges or Universities;

 - Competitive grants for:
 - \$100M for Hispanic-serving Institutions;
 - \$15M for Predominantly Black Institutions;
 - \$15M for Alaska Native/Native Hawaiian-serving Institutions;
 - \$5M for Asian American/Native American Pacific Islander-serving Institutions; and
 - \$5M for Native American-serving nontribal Institutions.

SECTION 3 – MAKING IT EASER TO APPLY FOR FEDERAL AID AND MAKING THAT AID PREDICTABLE

- This section simplifies the Free Application for Federal Student Aid by amending sections in Part F – Needs Analysis which establishes the methodology for determining the relative financial need of an applicant.

Section 471 – Amount of Need.

- Renames the “expected family contribution” (EFC) as the “student aid index” (SAI) to clarify for families that this number is used to assess a family’s financial need relative to other applicants and is not the amount a family must pay.

- Maintains the “amount of need” definition from current law.

Section 473 – Student Aid Index.

- Defines the “student aid index” (SAI) to approximate a student’s family’s financial resources to contribute toward higher education expenses.
- Two groups of students will receive an automatic zero SAI (which identifies these students as high financial need and reduces an applicant’s SAI) unless the student has a calculated negative SAI.
 - Students eligible for the maximum Pell Grant; and
 - Students in families that receive means-tested benefits, such as the supplemental security income (SSI) program, supplemental nutrition assistance program (SNAP), temporary assistance for needy families (TANF) program, supplemental nutrition for women, infants, and children (WIC) program, or Medicaid.
- Allows the “student aid index” to go below zero in order to identify the neediest students, which allows institutions of higher education to better target institutional and federal campus-based aid.
- Students who are in families that are not required to file a federal income tax return will automatically be considered among the most needy and receive the lowest possible SAI, which is established at -\$1,500.
- Students outside of these categories may still receive a calculated zero or a calculated negative SAI.

Note: In relation to Federal Student Aid, based on this legislation the Student Aid Index will continue to be used to calculate subsidized loans and financial aid administrators will continue to have the authority to use their professional discretion to allocate Supplemental Education Opportunity Grants and Federal Work Study. See section 7 of this legislation for the allocation of Pell Grants.

Section 474 – Determination of Student Aid Index.

- Establishes a table of contents for how to calculate the SAI for dependent students, independent students without dependents, and independent students with dependents.

Section 475 – Student Aid Index for Dependent Students.

- Defines a dependent student’s SAI as the sum of:
 - The “*assessment of the parents’ adjusted available income*”;

- The “*assessment of the student’s available income*”; and
 - The “*student’s available assets.*”
- Details:
 - The parents’ “*adjusted available income*” is equal to the sum of their “*available income*” and “*available assets*”:
 - “*Available income*” equals the parents’ “**total income**” minus “*allowances*”.
 - “*Available income*” equals
 - “**Total income**”
 - minus “*Federal income taxes*”
 - minus “*allowance for payroll taxes*”
 - minus “*income protection allowance*” (which depends on family size)
 - minus “*employment expense allowance*”
 - “*Parents’ available assets*” equals the “*parents’ net assets*” minus the “*education savings and asset protection allowance*” for parents of dependent students, then the difference is multiplied by “**12 percent**”. “*Parents’ available assets*” may not be a negative number. This portion of parents’ assets to be considered when making determinations about financial aid need.
 - “*Available assets*” equals
 - “*Net assets*”
 - minus “*education savings and asset protection allowance*” (which depends on a parents age and if the parent is married)
 - multiplied by “**12 percent**”
 - In general, a student’s parents will be the individuals that claimed the student on their federal income tax return in the second tax year before the academic year for which the student is applying for aid, with some exceptions:
 - When the student’s parents are divorced or separated, the student will only use the income and assets of the parent that they lived with the most, or, if the student did not live with either parent, the income and assets of the parent that provided the most amount of support to the student.

- The “*student’s available income*” equals the student’s “*total income*” minus “*allowances*”
 - “*Available income*” equals
 - “*Total income*”
 - minus “*Federal income taxes*”
 - minus “*allowance for payroll taxes*”
 - minus “*income protection allowance*” (The student’s income protection allowance is raised to \$9,110. In current law, the IPA for 2020-2021 is \$6,840)
 - minus “*employment expense allowance*”
 - minus “*allowance for parents’ negative income*”
 - multiplied by “*50 percent*”

- The “*student’s assets*” equals the “*net assets*” of the student multiplied by “*20 percent*”.

Section 476 – Student Aid Index for Independent Students without Dependents.

- Defines the SAI calculation for an independent student who does not have dependents, but may have a spouse, as the sum of:
 - The “*family’s available income*”, and
 - The “*family’s available assets*”.
- Details:
 - The “*available income*” equals the family’s “*total income*” minus “*allowances*” multiplied by “*50 percent*”
 - “*Available income*” equals
 - “*Total income*”
 - minus “*Federal income taxes*”
 - minus “*allowance for payroll taxes*”
 - minus “*income protection allowance*” ***
 - minus “*employment expense allowance*” (married student only)
 - multiplied by “*50 percent*”

***The student’s income protection is raised to \$14,190 for single independents without dependents (in current law single independents without dependents have an IPA of \$10,640).

***The student’s income protection allowance is raised to \$22,750 for married independents without dependents (in current law married independents without dependents have an IPA of \$17,060).

- The “*family’s available assets*” are equal to the “*family’s net assets*” minus an “*asset protection allowance*” (which depends on the age of the student and whether the student is married), then the difference is multiplied by “*20 percent*”. The “*family’s available assets*” may not be a negative number. This portion of parents’ assets to be considered when making determinations about financial aid need.
 - “*Available assets*” equals
 - “*Net assets*”
 - minus “*asset protection allowance*” (which depends on the student’s age and if the student is married)
 - multiplied by “*20 percent*”
- When a student is divorced or separated or the student’s spouse had died, the student will only use their own income and assets for the Student Aid Index calculation.

Section 477 – Student Aid Index for Independent Students with Dependents

- Defines the SAI calculation for an independent student who has dependents is equal to the “*adjusted available income*”, which is equal to the “*family’s available income*” plus the “*family’s available assets*”, the sum is then adjusted by the “*assessment of adjusted available income*” table.
- Details:
 - The “*available income*” equals the family’s “*total income*” minus “*allowances*”
 - “*Available income*” equals
 - “*total income*”
 - minus “*Federal income taxes*”
 - minus “*payroll taxes*”
 - minus an “*income protection allowance*” (which depends on family size and marital status) ***
 - minus an “*employment expense allowance*”

***For single independent students with dependents with a family of 2 people the IPA is set at \$43,128. Each additional child will add on \$10,332. (Current IPA for a family size of two is \$26,940)

***For married independent students with dependents with a family size of 3 the IPA is set at \$44,470. Each additional child will add \$8,610. (Current IPA for a family size of 3 is \$33,550).

- The “*family’s available assets*” equals the “*family’s net assets*” minus an “*asset protection allowance*” (which depends on the age of the student and whether the student is married), then the difference is multiplied by “*7 percent*”. The “*family’s available assets*” may not be a negative number. This portion of parents’ assets to be considered when making determinations about financial aid need.
 - “*Available assets*” equals
 - “*Net assets*”
 - minus “*asset protection allowance*” (which depends on the student’s age and if the student is married)
 - multiplied by “*7 percent*”
- When a student is divorced or separated or the student’s spouse had died, the student will only use their own income and assets for the Student Aid Index calculation.

Section 478 – Updated Tables.

- Authorizes the Secretary to annually update methodology tables necessary for calculation of the Student Aid Index to reflect changes in the Consumer Price Index.

Section 479 – Applicants Exempt from Asset Reporting.

- Identifies students that are eligible for the “Simplified Needs Test” which exempts students from reporting their assets.
- Outlines two groups of students who will not have to report assets to calculate their SAI:
 - Students who qualify for an automatic zero or automatic negative SAI;
 - Students in families with an adjusted gross income below \$75,000, that were not required by the Internal Revenue Service to file, as part of their income tax forms (or whatever it is called) schedules A, B, D, E, F, or H, and not required to file a Schedule C or have less than a \$10,000 net gain or loss reported on a schedule C in the tax year used for need analysis calculations.
- Adds a category of dependent students that cannot be exempt from asset reporting based on feedback from financial aid administrators. Asset reporting will be required from parents of dependent students who do not:
 - reside in the United States or United States territories; or
 - file taxes in United States or United States territories, unless the family does not file taxes due to a low-income.

Section 479A – Discretion of Student Financial Aid Administrators.

- Authorizes financial aid administrators to make adjustments, on a case-by-case basis, to the Pell Grant award, based on the cost of attendance or other values in the SAI.
- Prohibits institutions from maintaining a policy that denies all requests for adjustments under professional judgement.
- Reduces barriers for homeless and foster care students to access federal financial aid by:
 - Clarifies a process for homeless or foster care students, or other students in unusual circumstances, to file the FAFSA without parental information and request professional judgement regarding independence status.

Section 479B and 479C

- Maintain current law.

Section 480 – Definitions.

- This section modifies definitions used in the student aid index to be compatible with the information that can be obtained from a federal income tax return.
- Expands the list of persons who can provide verification of homeless and unaccompanied youth status to a financial aid administrator.
- Simplifies how financial aid administrators determine the status of homeless and unaccompanied youth and verify the status of foster youth. Simplifies the dependency override process for subsequent years of enrollment for students who were in foster care, are homeless and unaccompanied youth and who have previously been determined independent due to an unusual circumstance.
- Requires that the Secretary provide each FAFSA applicant an opportunity to confirm the accuracy of the family size indicated on the applicant's tax return or to amend it to reflect the applicant's current household.

Section 483 – Free Application for Federal Student Aid.

- This section lists and describes the questions on the FAFSA:
 - Name;
 - Contact information;
 - Social security number;
 - Date of birth;

- Marital status;
- Citizenship status;
- State and date of legal residency;
- Name and location of high school the applicant has or will graduate from;
- List of institutions of higher education the student is applying/returning to;
- Class level, including whether the student has already completed a bachelor's degree;
- Whether any of the student's parents attended college;
- Assets and child support received;
- Number of family members also attending college;
- Whether the applicant is in one of the special categories that would make them an independent student (homeless, at risk of being homeless, unaccompanied youth, emancipated minor, in legal guardianship, dependent ward of the court, in foster care, both parents have died, veteran or active duty military, has a dependent, or has an unusual circumstance that keeps the student from accessing parental income information);
- Whether the student has received federal means tested benefits in the last two years;
- Whether any distributions from pensions, annuities, or IRAs were a qualified roll-over (only asked to applicants in families with pension, annuity, and IRA distributions).
- This section outlines procedures for the Secretary to receive and share applicant data:
 - The Secretary shall provide a notice to applicants that their Federal tax information will be obtained through the Secretary's authority to receive it from the Internal Revenue Service.
 - The applicant shall provide authorization to the Secretary to submit their FAFSA and tax information to the institutions selected by the applicant in order for the institution to determine the applicant's eligibility for Title IV programs.
 - The applicant may provide authorization to the Secretary to submit their FAFSA information and tax information to the applicant's State of residence or institution for the purposes of those entities determining the applicant's eligibility for state or institution-based financial aid.
 - The applicant may provide the Secretary authorization to transmit their FAFSA and tax information to other Federal agencies to determine eligibility for means-tested Federal benefit programs outside of the Department of Education.
- Requires the Secretary to process the completed FAFSAs and provide the applicant with:

- Pell Grant amount and other federal aid eligibility to students.
- Graduation rates, median debt, retention rates, transfer rates, default rates and net costs, about the institutions listed on the applicant's FAFSA.
- His or her potential eligibility for means-tested benefits if they have a SAI of zero or less.
- Outlines the ways that the institution of higher education or State may establish processes to connect students with further resources to cover his or her cost of attendance through processes where the applicant can provide informed consent to share their data, such as:
 - The applicant and family may provide explicit written consent to the institution of higher education or State to further share their FAFSA and tax information with Federal, State and local governments, and tribal organizations, to help the applicant apply for other monetary or non-monetary resources to help cover the student's cost of attendance.
 - Creates a process for institutions of higher education to share FAFSA information with scholarship organizations with explicit written consent from the applicant.
 - Prohibits entities that receive access to an applicant's application from using or sharing the information other than for the purposes of applying for monetary and non-monetary assistance to assist the student.
- Instructs the Department to conduct studies on the effect of States requiring further data from applicants when applying for State financial aid.
- The Department will collect and publish information on:
 - States that use only the FAFSA information,
 - Institutions that require all applicants to provide asset information, and
 - Institutions that require additional information.
- During the implementation of the new FAFSA, the Department will provide reports to Congress on its progress, conduct consumer testing, and consider changes to the verification process that will minimize detrimental effects on applicants.
- The Department will publish data on FAFSA applications and the characteristics of applicants.

Section 484 – Student Eligibility.

- Requires the Secretary to fulfill any data transfer agreement with the Secretary of the Treasury.
- Removes two barriers to accessing federal financial aid by repealing:
 - The suspension on eligibility for drug-related offenses; and

- The requirement that male students register with the Selective Service System in order to receive Federal Student Aid.

Section 485E – Early Awareness of Financial Aid Eligibility.

- This section outlines a set of activities the Secretary will conduct to help prospective students and their families learn about their eligibility for Pell Grant and other federal aid at a younger age.
- These activities will consist of:
 - Consumer testing of methods to provide eligibility information;
 - Providing an electronic tool students can use to estimate their aid eligibility;
 - Developing and conducting early awareness plans that target low-income children;
 - Working with other federal agencies serving low-income families to do outreach to children in these families; and
 - Conducting a public awareness campaign.

SECTION 4 – PROVIDING INCARCERATED INDIVIDUALS WITH FEDERAL PELL GRANTS

- Strikes the prohibition on incarcerated individuals receiving Pell Grants.
- Authorizes individuals who are confined or incarcerated in a Federal or State penal institution, a juvenile justice facility, or a local or county jail to receive Pell Grants for prison-education programs.
- Requires that such individuals are not serving a sentence of life without the possibility of parole.
- Requires prison-education programs be approved by the State department of corrections or the Federal Bureau of Prisons.
- Requires the Institute of Education Sciences to conduct an evaluation of providing Pell Grants to incarcerated individuals.

SECTION 5 – ALLOWING STUDENTS ENROLLED IN SHORT-TERM PROGRAMS TO RECEIVE FEDERAL PELL GRANTS

- Authorizes students to use a Pell Grant at an “eligible job training program” offered by an institution of higher education that is not less than 150 and not more than 600 clock hours of instruction offered for not less than 8 weeks and not more than 15 weeks.

- Requires the Secretary to approve each institution’s “eligible job training program” and defines a program as eligible if it:
 - Provides training in high-skill, high-wage, or in-demand industry sector occupations in the State or local areas;
 - Provides a recognized credential within the relevant industry;
 - Meets the hiring requirements of potential employers and prerequisites for professional licensure or certification;
 - Does not exceed state requirements for hours of training by more than 50 percent of the minimum;
 - Has published tuition and fees which have not increased above the rate of inflation in the previous 3 years;
 - Publishes current tuition and fees that do not increase above the rate of inflation from the previous year;
 - Meets a State-determined level of performance on the following Workforce Innovation and Opportunity Act outcome requirements:
 - Percentage of program participants who are employed in 2nd and 4th quarter after exit from program; and
 - Percentage of program participants who are demonstrating measurable skill gains toward a recognized postsecondary credential or employment.
- Includes student’s use of Pell Grant at an “eligible job training program” within the student’s lifetime Pell grant eligibility.

SECTION 6 – SUPPORTING STUDENT AFFORDABILITY BY INVESTING IN THE FEDERAL PELL GRANT

- Increases the mandatory add-on to the Pell Grant award by \$20 for the 2020-2021 award year and all subsequent award years.

SECTION 7 – FEDERAL PELL GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS

- Further amends the Pell Grant for 2021-2022 award year and each subsequent award year by creating a new eligibility formula and replacing the previous eligibility formula.
- A student’s Pell Grant will be determined by 3 variables:
 - 1) Income;
 - 2) Family size; and
 - 3) Family type (family led by a single parent or all other types of families).

- Income will be measured by a student’s adjusted gross income if they are an independent student.
- Income will be measured by the student’s parents’ adjusted gross income if they are a dependent student.
- In all cases, Adjusted Gross Income will be obtained from the IRS.
- Family size will include:
 - dependents and spouse if the student is an independent student; and
 - parents and dependents of parents if the student is a dependent student.
- Family type will be determined by whether the student is in a single-parent family or in another family.
 - Independent students will be in a single-parent family if they are unmarried and have dependents. If the student files taxes the student must qualify as a head of household, surviving spouse or receive the Earned Income Tax Credit for a child or dependent.
 - Dependent students will be in a single parent family if their parent who provides the majority of the student’s support is unmarried. If the parent files taxes the parent must qualify as a head of household, surviving spouse or receive the Earned Income Tax Credit for a child or dependent.
- All of these factors will be measured using the second tax year preceding the academic year for which the student is applying (e.g., tax year 2017 for the 2019-20 academic year), sometimes commonly called “prior-prior year”.
- A student’s income will be divided by the federal poverty guideline for the student’s family size to generate a measure of the student’s income as a percentage of the federal poverty line (FPL).
- Full-time students that are eligible for the maximum Pell Grant will include:
 - Students in single-parent families with income at or below 210 percent FPL (\$35,511 in 2019 for a family of 2, one parent and one child).
 - Students in other families with income at or below 160 percent FPL (\$34,128 in 2019 for a family of 3, two parents and one child).
 - Students in families that are not required to file a federal income tax return.
 - Students who are less than 33 years old whose parents died in the line of duty while serving in the armed forces after September 11, 2001 or died in the line of duty while serving as public safety officer.
- Full-time students that are eligible for a Pell Grant, but not the maximum award:
 - Students in single-parent families with income greater than 210 percent FPL but less than 310 percent FPL (\$35,512-\$52,421 in 2019 for a family of 2, one parent and one child)

- Students in other families with income greater than 160 percent FPL but less than 260 percent FPL. (\$34,129-\$55,458 in 2019 for a family of 3, two parents and one child).
- Students who would receive a Pell Grant less than 10 percent of the maximum Pell Grant according to the above calculations will receive a Pell Grant equal to 10 percent of the maximum Pell Grant.
- Less-than-full-time students will receive a prorated Pell Grant.
 - The simple and predictable Pell Grant formula will allow low-income students of any age to quickly find out the size of the Pell grant they will likely receive.

SECTION 8 – MAKING INSTITUTIONAL STUDENT AID AWARD LETTERS COMPARABLE AND EASIER TO UNDERSTAND

- Requires the Secretary to establish a standardized format for financial aid offer letters for institutions of higher education to use with prospective and current students.
- Requires the Secretary to develop, with recommendations from stakeholders, standard terminology for federal aid programs and a standard format for the financial aid offers.
- The standard format shall include information and standard terminology on:
 - Cost;
 - Grant and scholarship aid, including terms for federal aid programs;
 - Annual net price;
 - Work-study;
 - Loans;
 - Process for accepting or declining aid and next steps; and
 - Additional information.

SECTION 9 – CREATING FAIRNESS IN LOAN REPAYMENT

- Requires all borrowers who enroll in income-driven repayment plans after July 1, 2020 to pay 10% of their discretionary income towards their student loans by eliminating the “10- year standard repayment cap.”
- Under some repayment plans, the amount a borrower is required to pay is capped at the amount the borrower would have paid if they elected to pay on a 10-year standard repayment plan.
- Upper middle and higher income borrowers end up paying less than 10% of their income, compared with lower income borrowers who do pay a full 10% of their income.