

# Sharpen Your Pencils: A History of Needs Analysis

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## Agenda

- What is Need Analysis?
- A Quick History of Needs Analysis
- The Various Methodologies
- It All Depends (or Independents)
- Sample Case(s)
- Where to Go for More

## What is Need Analysis?

- Needs Analysis is the process of taking a student's (and, for dependent student, their parents') financial and household information and determining an appropriate contribution amount for the family towards the college expenses of the student. The process utilizes a formula, but allows for professional judgment in the case of exceptional or unusual circumstances.

## Higher Education in the United States – A Little Perspective

- Harvard College founded in 1636
- Northwest Ordinance of 1787
  - Land grants for educational institutions
  - Eventually Ohio University established under this charter – 1804
- First Morrill Act of 1862
  - Land grants for agricultural and mechanical colleges (UF)
- Second Morrill Act of 1890
  - Either that race was not a factor in admissions or establishing a separate land-grant for persons of color (FAMU)





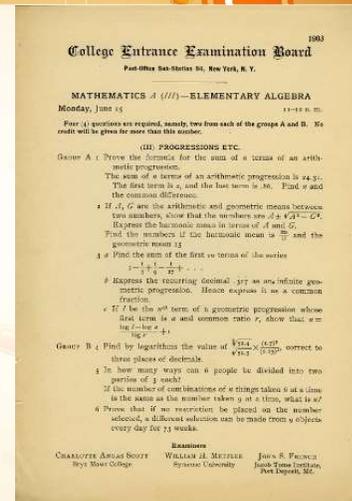
## The Department of Education

- Established in 1867 under the Department of Education Act
  - Signed into law by President Andrew Johnson
  - Non-cabinet level
  - Existed for one year
  - Renamed Office of Education under Department of Interior
- 1939 – transferred to Federal Security Agency
- 1953 – Federal Security Agency becomes Department of Health, Education and Welfare
- 1979 – Established as a Cabinet level position



## The College Board

- Established in 1900
  - Originally called College Entrance Examination Board
  - Formed by colleges as a membership organization
  - Established to ease student transition from high school to college



## Servicemen's Readjustment Act of 1944 – GI Bill

- Provided assistance for education of veterans
- Created a large influx of students into higher education



## The Early to Mid '50's

- Shrinking enrollments as servicemen graduated
- Increased competition for students
  - Bidding wars
  - Desire for systematic approach to awarding institutional monies



## April 1953 Symposium of the College Board

- John Monro presented a paper describing “a reliable, careful system for measuring and comparing” the need of aid applicants
- Two Basic Considerations:
  - Expenses
    - Considering the Total Cost of Education
  - Student’s Resources
    - Including both parents and student



## The First Need Analysis Formula

Developed by Dean John Monro of Harvard

Family’s Net Income

X 15%

Initial Contribution

- \$100 X children in public school

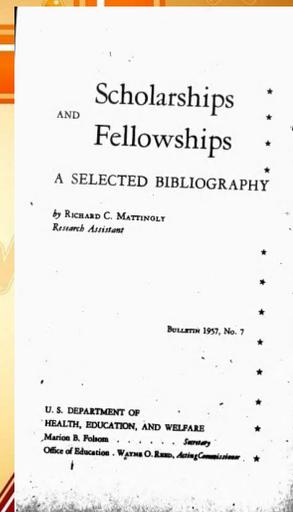
- \$200 X children in private school

Family’s ability to pay for college

Monro argued that a fair and reasonable approach to determining ability to pay required complex calculations calling for a very detailed look at the family’s financial situation

## The College Scholarship Service: CSS

- ◆ Fall of 1953, the College Board members voted to study the scholarship situation in the United States
- ◆ February of 1954, the College Board announced a proposal to establish a central information system for scholarship applicants
- ◆ Service produced a Financial Transcript of the family



## CSS

- ◆ A single form for student's use
- ◆ Research regarding the financing of postsecondary education
- ◆ The training of financial aid administrators

## CSS

- From 1956-59, all need calculations were performed by hand centrally
- More complicated cases were handled by “juries” of college admissions and financial aid administrators
- Produced a trained cadre of need analysts

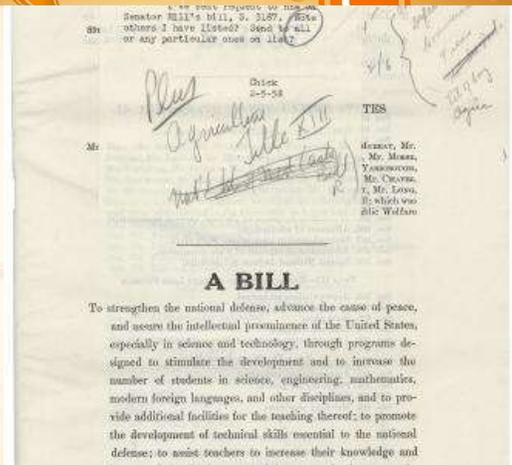


## 1957: SPUTNIK!



## National Defense Education Act of 1958

- Signed into law by Dwight D. Eisenhower
- A national emergency
- Funded state and local schools to strengthen instruction in science, math, foreign languages
- Provided higher education student loans and fellowships – National Defense Student Loan
  - Later renamed National Direct Student Loan
  - Finally renamed Perkins Loan



## National Defense Education Act of 1958

- Created a need for central processing and analysis of financial need
- Increased numbers and categories of student's applying for aid



## The Parents' Confidential Statement (PCS) & The Married Student Statement (MSS)

- Developed by CSS for the 1960-61 award year
- Colleges received centrally processed forms from CSS displaying computed Expected Family Contribution
- Families paid for service
- MSS Form eventually renamed Student's Financial Statement (SFS)

Table 2  
DISTRIBUTION OF PCS FILERS DURING 1966-67 BY TYPE OF FORM  
FILED AND BY REGION FOR MALES AND FEMALES

	Region 1	Region 2	Region 3	Region 4	Region 5	Total
<b>Long Form</b>						
Male	19,139	56,218	7,198	24,548	60,302	167,405
Female	17,935	54,524	7,029	24,337	47,103	150,928
Subtotal	37,074	110,742	14,227	48,885	107,405	318,333
<b>Short Form</b>						
Male	4,514	4,225	1,844	2,142	5,115	17,840
Female	5,298	4,142	2,140	2,045	3,884	17,509
Subtotal	9,812	8,367	3,984	4,187	8,999	35,349
<b>Total Applicants</b>	<b>46,886</b>	<b>119,109</b>	<b>18,211</b>	<b>53,072</b>	<b>116,404</b>	<b>353,682</b>

## The 60's, CSS and Need Analysis

- CSS continued work with financial aid professionals
  - Consensus in determining ability to pay
    - Accurate
    - Economically sound
  - Need driven/need blind
  - Equity
  - Access



## Economic Opportunity Act of 1964

- Lyndon Baines Johnson's continued war against poverty
- Followed Civil Rights Act of 1964
  - Support of higher education institutions and school districts to promote desegregation
- Funded the College Work-Study Programs



President Johnson signs the "War on Poverty" bill at the White House, August 20, 1964. Photo: UPI, National Equal Justice Library photo collection.

## Higher Education Act of 1965

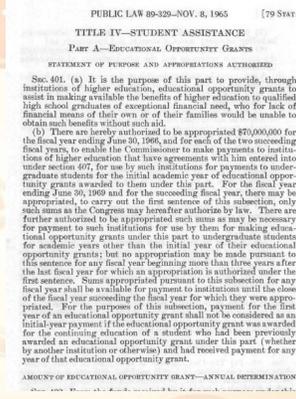
- Signed into law by Lyndon Baines Johnson
- Designed to "strengthen the educational resources of our colleges and universities and to provide financial assistance for students in postsecondary and higher education."\*

\*Taken from the Higher Education Act of 1965



## Higher Education Act of 1965

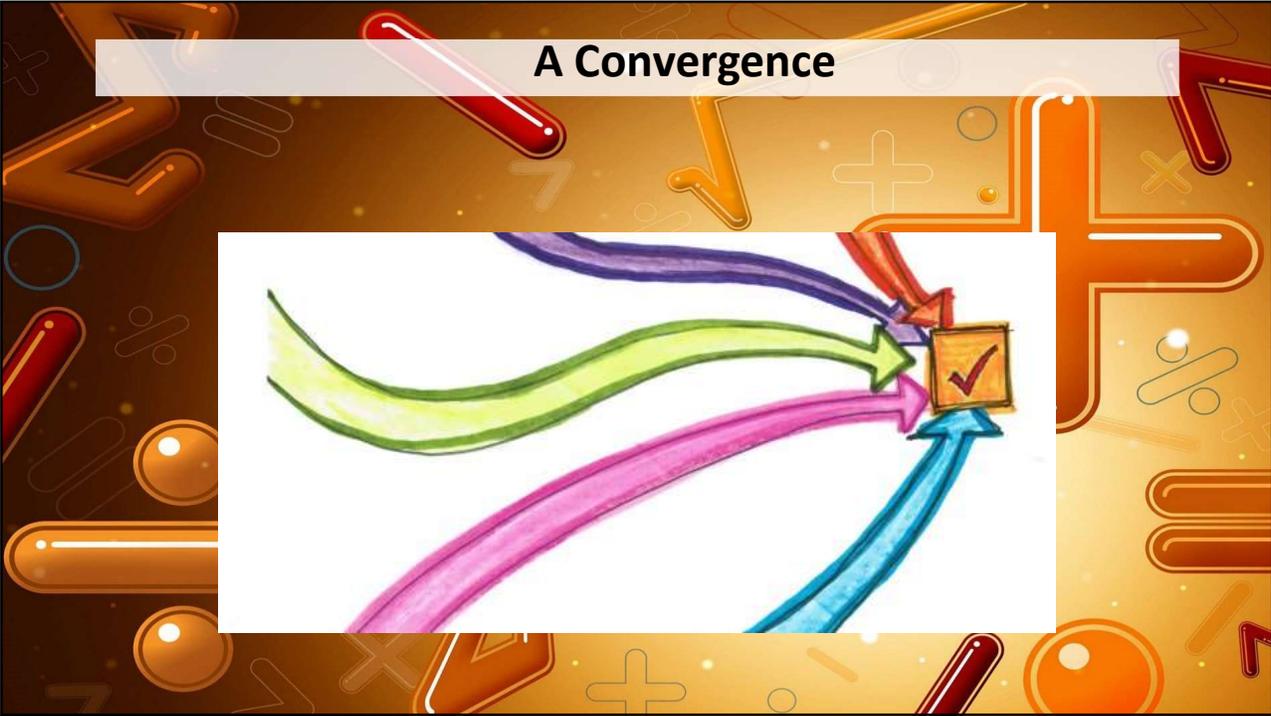
- Incorporated existing federal aid programs under Title IV of the Act
  - National Defense Student Loan Program
  - College Work Study Program
- Created Educational Opportunity Grant
  - Originally limited to students with family income under \$9,000 and PC less than \$625



## Higher Education Amendments of 1972

- Created the Basic Education Opportunity Grant (BEOG)
  - Separate application
  - Separate need analysis methodology
  - Originally covered \$1,400 per year minus EFC, limited to ½ of COA
  - Renamed Pell Grant in 1980 to honor Senator Claiborne Pell (D-RI) for his efforts in creating the program
- Affirmed nation's commitment to providing equal educational opportunity
- Renamed the original EOG to the Supplemental Educational Opportunity Grant (SEOG) and removed income limits





## National Task Force on Student Aid Problems

- 1974 College Board initiative
- Multiple forms created causing confusion for families
  - BEOG Application
  - PCS from CSS
  - Family Financial Statement (FFS) from ACT
- Outcome was a call for simplification
  - One form
  - One methodology

**Financial aid: getting a piece of the action**



Diane Amersbach

Students apply at their school financial aid office, and then are shuffled to appropriate banks where they may receive a maximum \$2500 loan, but probably only from \$100 to \$1000. Loans carry a seven per cent interest charge, and payment begins nine months after the student leaves school.

Critics of the program, however, have charged bank officials with showing marked insensitivity to the economic needs of minority students and women.

An alternative to GSE is National Direct Student Loan (NDSL) money, which comes straight from the financial aid office at only three per cent interest. NDSLs have benefited freshmen and low income students, who are usually ignored by loan officers at banks.

The College Work Study program provides summer jobs and part time work during the academic year. For an average 15 hours a week, students can expect to earn \$600 a year.

If you're transferring, don't be afraid to ask for financial aid; it won't harm your chances of admission. Most institutions keep their admissions and financial aid decisions separate. Also, be sure to check the college catalogue of schools you're looking at for scholarship listings.

Step two: Don't stop your search yet. Many financial aid advisors know little about the world that exists outside their office doors. Millions of dollars are doled out to students every year from organizations, businesses and other sources.

For instance, every state has a scholarship program of some kind. If your financial aid officer craps out, write to your state's department of education for details.

Step three: Nose around your home town for clubs or churches which give money to area students. The Kiwanis, Rotary, Elks and Lion's clubs and the YEA are often generous.

to your major, as does the Annual Register of Grant Support. The National Register of Scholarships and Fellowships names thousands of financial aid programs, complete with deadlines and detailed eligibility requirements.

But don't consult any book published before 1972. Foundation grants change

UMSL CURRENT January 23, 1975 Page 5



J. Ziskel

First, have your parents fill out a questionnaire from the financial aid office that will determine their wealth - or lack of it. If you have left home and received no substantial financial help from mom or dad for 12 months, you are exempt from this requirement. Instead, you must fill

## The College Board Financial Aid Form (FAF)

- January 1976 – FAF launched
- January 1977 -- Accepted by the US Department of Education as vehicle to collect BEOG data

In order to apply for financial aid, the student must complete a Pasco-Hernando Community College Financial Aid Application Form and apply for the Basic Educational Opportunity Grant (BEOG). Students are encouraged to complete a Financial Aid Form (FAF) when applying for financial aid. The FAF is required in applying for Campus-Based Aid Programs and can be used to apply for the Florida Student Assistance Grant and BEOG. All necessary application forms are available from counselors at each of the college campuses. Before completing these forms, a student should obtain a copy of his or her previous year's income information. Income will not be estimated. Assistance in the accurate preparation of these forms is available at each campus.

## Multiple Data Entry -- MDE

- Both CSS and the American College Testing Program (among others) entered the federal arena as MDEs
  - FAF
  - FFS (Family Financial Statement)
- Forms were complete applications
  - Core federal questions
  - Supplemental institutional questions

TABLE 17  
MULTIPLE DATA ENTRY SUMMARY STATISTICS  
ALL APPLICANTS - AWARD YEAR 1983-84

	PELL	ACT	CSS	PHEAA	TOTAL
NUMBER OF APPLICANTS SUBMITTING OFFICIAL APPLICATIONS	2,112,160	853,302	2,285,309	202,777	5,453,548
NUMBER OF APPLICANTS SUBMITTING VALID APPLICATIONS	1,953,832	776,689	2,034,932	199,322	4,955,775
NUMBER AND PERCENT OF QUALIFIED APPLICANTS	1,656,043 78.41	522,185 67.20	1,248,025 54.61	114,938 56.88	3,541,191 64.83
NUMBER AND PERCENT OF NON-QUALIFIED APPLICANTS	297,789 14.10	254,504 29.83	786,907 34.43	75,384 37.18	1,414,584 25.94
NUMBER AND PERCENT OF APPLICATIONS RETURNED FOR INSUFFICIENT DATA NEVER RE-SUBMITTED FOR PROCESSING	158,328 7.50	76,813 8.98	250,377 10.96	12,455 6.14	497,773 9.13
NUMBER OF APPLICANTS SUBMITTING UNOFFICIAL APPLICATIONS	115,197	46,457	100,291	23,000	284,945
NUMBER OF APPLICANTS SELECTED FOR VALIDATION	338,686	109,667	280,601	24,794	753,748
NUMBER OF PELL GRANT RECIPIENTS	1,209,448	436,889	1,021,962	90,607	2,758,906
TOTAL EXPENDITURES	\$1,307,281,434	\$466,014,697	\$1,114,463,059	\$101,053,627	\$2,988,812,817
AVERAGE GRANT	\$1,091	\$1,067	\$1,091	\$1,115	\$1,083

## Uniform Methodology

A single form providing the same information for all institutions to use in making their decision

## The Higher Education Amendments of 1986

### • Congressional Methodology

- Wrote the need analysis formula into law
- Changes to formula, other than basic updates, now require an act of Congress

100 STAT. 1268 PUBLIC LAW 99-498—OCT. 17, 1986

Public Law 99-498  
99th Congress

An Act

To reauthorize and revise the Higher Education Act of 1965, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Higher Education Amendments of 1986”.

(b) REFERENCES.—References in this Act (except as otherwise provided) to “the Act” are to the Higher Education Act of 1965.

(c) TABLE OF CONTENTS.—

TITLE III—INSTITUTIONAL AID

Sec. 301. Institutional aid reauthorized.

TITLE III—INSTITUTIONAL AID

“PART B—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

\*Sec. 321. Findings and purposes.  
\*Sec. 322. Definitions.  
\*Sec. 323. Grants to institutions.  
\*Sec. 324. Allotments to institutions.  
\*Sec. 325. Applications.  
\*Sec. 326. Professional or graduate institutions.  
\*Sec. 327. Reporting and audit requirements.



## The Higher Education Amendments of 1986

- Federally prescribed system of need analysis
  - Defined certain conditional criteria for determining independent student status
  - Special formulas for:
    - Displaced homemakers
    - Simple Needs Test
  - Adds an allowance for FAAs the discretion to adjust data elements on financial aid applications through professional judgment (PJ)

Table 7.--Percent of postsecondary education institutions using each of the indicated reasons for using professional judgment to reduce or deny federal student loans to individual students, by institutional control: 1994-95

Institutional control	Reasons for using professional judgment*									
	Use professional judgment to reduce or deny loans		Student does not need as much money as allowed or does not need to borrow		High likelihood that the student will not repay the loan		High-risk students have a high probability of dropping out during the first year of study		Other reason	
	Percent	s.e.	Percent	s.e.	Percent	s.e.	Percent	s.e.	Percent	s.e.
All institutions .....	51	2.5	79	2.5	46	4.1	40	3.0	20	2.3
Control										
Public .....	46	2.4	65	3.9	54	4.5	48	4.5	28	3.1
Private nonprofit .....	42	4.4	75	5.0	27	5.4	15	3.1	25	5.1
Private for-profit .....	61	4.0	90	3.5	53	6.9	49	4.8	11	2.7

\*Percents in these columns are based on those institutions that indicated that they used professional judgment to reduce or deny federal student loans to individual students. Percents sum to more than 100 because respondents could indicate more than one reason for using professional judgment.

NOTE: s.e. is standard error. Data are for postsecondary education institutions in the 50 states, the District of Columbia, and Puerto Rico that award federal Title IV financial aid.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Postsecondary Education Quick Information System, Survey on Financial Aid at Postsecondary Education Institutions, 1994-95.

## The Higher Education Amendments of 1986

- Minimum student contributions
- Base year income used prescribed
- Allowed consideration of parents in college
- Treatment of veteran's benefits specified
- Only educational expenses of the student to be allowed

### TITLE IV—STUDENT ASSISTANCE

Sec. 401. Students grants reauthorized.

#### "TITLE IV—STUDENT ASSISTANCE

##### "PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

"Sec. 401. Statement of purpose; program authorization.

##### "SUBPART 1—BASIC EDUCATIONAL OPPORTUNITY GRANTS

"Sec. 411. Basic educational opportunity grants: amount and determinations; applications.

"Sec. 411A. Family contribution schedule for Pell Grants; data elements.

"Sec. 411B. Eligibility determination for dependent students.

"Sec. 411C. Eligibility determination for independent students with dependents other than a spouse.

"Sec. 411D. Eligibility determination for single independent students or for married independent students without other dependents.

"Sec. 411E. Regulations; updated tables.

"Sec. 411F. Definitions; determinations.

##### "SUBPART 2—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

"Sec. 413A. Purpose; appropriations authorized.

"Sec. 413B. Amount and duration of grants.

"Sec. 413C. Agreements with institutions; selection of recipients.

"Sec. 413D. Allocation of funds.

## The Higher Education Amendments of 1992

- Federal Methodology
  - Consolidated the Pell Grant Formulas and Congressional Methodology into Federal Methodology
  - Maintained and expanded Simple Needs Test

PUBLIC LAW 102-325—JULY 23, 1992 106 STAT. 587

amount which the student and the student's family may be reasonably expected to contribute toward the student's postsecondary education for the academic year for which the determination is made, as determined in accordance with this part.

**"SEC. 474. DETERMINATION OF EXPECTED FAMILY CONTRIBUTION; DATA ELEMENTS.** 20 USC 1087aa.

**"(a) GENERAL RULE FOR DETERMINATION OF EXPECTED FAMILY CONTRIBUTION.—**The expected family contribution—

**"(1)** for a dependent student shall be determined in accordance with section 475;

**"(2)** for a single independent student or a married independent student without dependents (other than a spouse) shall be determined in accordance with section 476; and

**"(3)** for an independent student with dependents other than a spouse shall be determined in accordance with section 477.

**"(b) DATA ELEMENTS.—**The following data elements are considered in determining the expected family contribution:

**"(1)** the available income of (A) the student and the student's spouse, or (B) the student and the student's parents, in the case of a dependent student;

**"(2)** the number of dependents in the family of the student;

**"(3)** the number of dependents in the family of the student who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 and for whom the family may reasonably be expected to contribute to their postsecondary education;

**"(4)** the net assets of (A) the student and the student's spouse, and (B) the student and the student's parents, in the case of a dependent student;

**"(5)** the marital status of the student;

**"(6)** the sum of the other parent, in the case of a dependent

Whole Words 2 of 2 matches

## The Higher Education Amendments of 1992

- Established the automatic zero EFC
- Eliminated equity in home and family farms
- Eliminated the minimum student contributions (in order to drive a 0 EFC)
- Led to creation of FAFSA

PUBLIC LAW 102-325—JULY 23, 1992 106 STAT. 605

as defined in section 476(b)(2) for independent students without dependents other than a spouse.

**"(3) QUALIFYING FORMS.—**A student or family files a form described in this paragraph if the student or family, respectively, files—

**"(A)** a form 1040A or 1040EZ required pursuant to the Internal Revenue Code of 1986; or

**"(B)** an income tax return required pursuant to the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

**"(c) ZERO EXPECTED FAMILY CONTRIBUTION.—**The Secretary shall consider an applicant to have an expected family contribution equal to zero if—

**"(1)** in the case of a dependent student—

**"(A)** the student's parents did not file, and were not required to file, a form 1040 required pursuant to the Internal Revenue Code of 1986; and

**"(B)** the sum of the adjusted gross income of the parents is less than or equal to the maximum amount of income (rounded annually to the nearest thousand dollars) that may be earned in order to claim the maximum Federal earned income credit; or

**"(2)** in the case of an independent student with dependents other than a spouse—

**"(A)** the student (and the student's spouse, if any) did not file, and was not required to file, a form 1040 required pursuant to the Internal Revenue Code of 1986; and

**"(B)** the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to the maximum amount of income (rounded annually to the nearest thousand dollars) that may be earned in order to claim

## Institutional Methodology - 1992

- FM created the need for another method of collecting a full set of family financial data and needs assessment for some schools
- Led to development of CSS/Financial Aid PROFILE and the Institutional Methodology (IM)

**Institutional  
Methodology**

 CollegeBoard

## Fundamental Differences between FM and IM

### • Federal Methodology

- Hard written into law by Congress
- Tables are based on 1967 BLS data updated since 1967 for inflation
  - Reflects spending patterns in 1967
- Used to determine federal eligibility
- Used to award federal, state and other types of aid



### • Institutional Methodology

- Formula is overseen by financial aid professionals
- Tables are based on annual Consumer Expenditure Survey data
  - Reflects current family economic circumstances
- Used in assessment of family's financial strength
- Used to determine the family's need for non-federal funds

## Late 90s – Moving on the Web! (and lasting impact into the 2000s)



- 1997 – FAFSA on the Web created starting with the 1997-98 academic year.
- Higher Education Amendments of 1998 (P.L. 105-244) authorizes sharing of data between the U.S. Department of Education and the Internal Revenue Service (IRS). Although intended to combat fraud, this also paved the way for the IRS Data Retrieval Tool.
- By 2007, bulk distribution of paper FAFSAs ends with the 2008-09 award year.
- IRS Data Retrieval Tool becomes available starting with the 2009-2010 award year.

## Changes in the early 2000s



- In 2001, Consensus Approach developed by a group of college presidents as an attempt to reduce variations of IM EFCs among these colleges. Adopted by the 568 Group ([www.568group.org](http://www.568group.org)) representing 24 prominent national private not-for-profit colleges and universities in the next several years
- Deficit Reduction Act of 2005 (P.L. 109-171) adds small business exclusion to the FAFSA.
- College Cost Reduction and Access Act of 2007 (P.L. 110-84) makes changes to the federal need analysis methodology that eliminates Worksheet A from the FAFSA, doubles the income-protection allowance for undergraduate students over five years (50% increase for graduate and professional students), increases the auto-zero EFC income threshold from \$20,000 to \$30,000 and indexes it for inflation.
- Higher Education Opportunity Act of 2008 (P.L. 110-315) authorizes the creation of an EZ FAFSA and experimentation with prior-prior year need analysis.

## Most recent changes (2010s)



- In 2010, introduction of the International Needs Analysis (Global Consensus) developed over the previous five years by the 568 Group (a small group of private colleges and universities) as adaptation of the CSS Profile Form to allow for International Students to apply for financial aid.
- Consolidated Appropriations Act of 2012 (P.L. 112-74) reduces the auto-zero EFC threshold from \$32,000 to \$23,000.
- The U.S. Supreme Court ruling on the Defense of Marriage Act (DOMA) causes students and parents in same-sex marriages to be counted as married on the FAFSA, effective with the 2014-2015 award year.
- Under President Obama's directive, the Federal Methodology is adjusted to use prior-prior year needs analysis starting with the 2017-18 FAFSA; in addition the FAFSA annual launch date is moved to October 1<sup>st</sup>.

## Looking Forward

### • FM

- No major need analysis initiatives in next reauthorization
  - Calls for simplification
  - Changes appear not to be methodological
  - Skip logic for truly low income applicants
  - FAFSA EZ expanded (FAFSA on a postcard?)



### • IM

- Committed to keeping methodology economically sound and grounded in a rationale
  - Formula reviewed and updated
  - Input from members sought before major changes made
- Committed to the general assumptions of need analysis

## Building Blocks of Needs Analysis

- Parents have an obligation to finance the education of their children to the extent to which they are able
- Student and their families must be accepted in their present financial condition
- All families should be treated equitably
- Only expenses that are not a matter of choice can be considered
- Accurate, objective data are the basis for systematic need analysis

