



Estimating All Iowa Opportunity Scholarship Eligibility Under The Student Aid Index

An analysis of the FAFSA Simplification Act's Student Aid Index formula and its impact on Iowans' eligibility for the All Iowa Opportunity Scholarship.

EXECUTIVE SUMMARY

This supplemental brief examines the estimated effect of the new federal needs analysis formula on determining eligibility for the All Iowa Opportunity Scholarship (AIOS) Program. Similar to the findings in our previous brief, we find that some applicants gain AIOS eligibility due to the Student

Aid Index (SAI) being lower than the Expected Family Contribution (EFC). Additionally, a small share of applicants will lose AIOS eligibility due to excluding the number of family members in college from the SAI formula.

INTRODUCTION

The All Iowa Opportunity Scholarship (AIOS) was established in 2007 as a need-based grant program to assist Iowa residents in covering their postsecondary education costs. Any Iowa resident attending an eligible postsecondary institution in Iowa may be eligible to receive an AIOS award if they attend within two years of completing high school or equivalency diploma. It is one of the few state of Iowa aid programs that is not sector specific. To be eligible, a first-time applicant must complete the Iowa Financial Aid Application (IFAA) and the Free Application for Federal Student Aid (FAFSA) before March 1. Students renewing their AIOS award need to complete only the FAFSA.

The tuition and fees at Iowa's Regent universities are a factor in determining students' AIOS eligibility and are used to set the maximum annual award. For the 2020-21 academic

school year, students needed an EFC at or below \$9,288 to be eligible, and the maximum award, which is adjusted to be half of the average Regent tuition and fees, was \$4,644. AIOS receives annual funding of roughly \$3 million. At this funding level, Iowa College Aid cannot provide full funding to all eligible applicants and, as a result, has to prioritize awards. For example, among the roughly 3,500 applicants identified as eligible during the 2020-21 academic year, less than a quarter of these applicants received an AIOS award. We examine the impact of using the new Student Aid Index (SAI) to determine students' AIOS eligibility. Because of AIOS's low funding level, we estimate the level at which AIOS would need to be funded to award all eligible applicants. We utilize a sample of 6,318 applicants from the 2020-21 academic year.

FINDINGS

In Table 1, the first column reports the actual share of applicants receiving an award, the average award, and the total funding for AIOS. Columns 2 and 3 highlight the percentage of eligible applicants and the necessary funding levels to provide awards to all eligible AIOS applicants under the current EFC formula and the upcoming SAI formula. Similar to our previous results, we found that SAIs are lower

than EFCs among AIOS applicants. While the average SAI is slightly higher than the average EFC, the median is substantially lower. Under the SAI, approximately 94% of applicants experience no change in their AIOS eligibility, but 4% gain eligibility, and 1% lose eligibility. Total funding necessary to fund all eligible applicants with SAI increases by \$700,000 from the base \$13.9 million under EFC.

Table 1: Comparing AIOS Eligibility and Amounts under EFC and SAI

	Actual	EFC	SAI
Average EFC/SAI	-	\$17,865	\$18,077
Median EFC/SAI	-	\$5,818	\$2,958
Percent Receiving Award	13%	55%	58%
Average Award	\$4,066	\$4,003	\$4,004
Appropriation	\$3.2M	\$13.9M	\$14.6M
No change in AIOS eligibility			94%
Gain AIOS eligibility			4%
Lose AIOS eligibility			1%

Notes: AIOS amounts under EFC and SAI were calculated using the average actual award of 2020-21 recipients. Estimated amounts for full funding under EFC and SAI consider all eligible students and assume a 100% take-up rate. If 82% of applicants took the award, the total appropriation would be lower at \$11.4 million under EFC and \$12 million under SAI. Percentages may not add up to 100 due to rounding. N=6,318.

Table 2 examines the demographics and factors associated with the loss in AIOS eligibility. The average SAI increases to \$12,725 from the average EFC of \$8,019. All students losing their eligibility filed their FAFSA as a dependent student and most of them (85%) are attending college for the first-time. A small share, roughly two percent, were observed as having received an AIOS award. This small share of students

received an AIOS award because they had an eligible EFC and were in one of the priority award groups. Similar to the findings in our previous brief, we find that an increase in SAI and the loss of aid eligibility is associated with excluding the number of family members in college from the needs analysis formula.

Table 2: AIOS Applicants Losing Eligibility Under SAI

	EFC	SAI
Average	\$8,019	\$12,725
Share Dependent	100%	
Share with 2 or more family members in college	100%	
Received AIOS under EFC	2%	
First-time, first-year student	85%	

Notes: Sample is limited to the share of AIOS applicants losing eligibility, as reported in Table 1. N=88.



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