



## Estimating the Future Ready Iowa Last-Dollar Scholarship Under the Student Aid Index

**An analysis of the FAFSA Simplification Act's Student Aid Index formula and its impact on Iowans receiving the Last-Dollar Scholarship.**

## EXECUTIVE SUMMARY

This supplemental brief examines the estimated effect of the new federal need analysis formula on determining award amounts for the Last-Dollar Scholarship. We find there will be an increasing share of Pell grant eligible students and Pell grant award amounts under the new formula, known as the Student Aid Index (SAI). As a result, LDS award amounts will be lower for some students.

This brief continues our examination of the implications the FAFSA Simplification Act will have on Iowa's state aid program. For more information on those effects and simulations, please reference our research on the [Iowa Tuition Grant](#) and [All Iowa Opportunity Scholarship](#).

## INTRODUCTION

The Future Ready Iowa Last-Dollar Scholarship (LDS) is a state-funded financial aid program that covers any remaining gap between federal and state grants/scholarships and tuition and fees at eligible institutions. To be an LDS recipient, students must complete the Free Application for Federal Student Aid (FAFSA), attend a qualified Iowa community or private college in Iowa, and enroll in a program of study that leads to a high-paying, high-demand job. Iowa Workforce Development determines the list of statewide high-demand jobs, and each community college can select up to five regional high-demand jobs. This list may change on an annual basis, and, as a result, the eligible programs also change. However, students whose programs are removed from the list are still eligible for the LDS until they complete their education.

In this supplemental brief, we examine the impact of the new federal needs analysis formula on LDS recipients for the 2021-22 academic year. Our approach in estimating LDS awards under the Student Aid Index (SAI) differs from our previous estimations of other state aid programs. Because LDS is a last-dollar award, our estimates need to account

for other grant aid in a student's financial aid package. At the same time, students' eligibility for other grant aid is also likely to change due to the change in the Student Aid Index (SAI) formula. In other words, the change in LDS awards will be a function of the award increase or decrease in other aid. For this analysis, we first calculate an applicant's Pell grant award based on the projected SAI and enrollment intensity. Then, we adjust their LDS award to any remaining amount on their tuition and fees. More information about the method to calculate LDS awards is provided in the appendix.

Our analysis is exclusively on community college students, as the Iowa Department of Education (IDE) provided us with the needed measures to calculate students' LDS awards. For the 2021-22 academic year, there were 7,481 LDS recipients at community colleges, with the total disbursement being \$21 million. We limited our analysis to the 6,891 (92%) for whom we were able to match to the community college data and calculate their baseline Pell and LDS amounts. For this sample, the total disbursement was \$19.4 million. In the appendix, we discuss additional projections that include students who were dropped from the analysis.

## FINDINGS

Table 1 reports the average and median EFC and SAI amounts and changes in the LDS and Pell grant awards. Consistent with our previous findings, the SAI has a lower value than the EFC - \$10,229 vs \$13,161, respectively. Under the EFC, the average LDS award was roughly \$2,800. We calculate individuals' eligible LDS amount from the SAI formula in the next column. The average LDS award under SAI decreases by approximately \$600 to \$2,200.

As the table demonstrates, 77% of the sample have an LDS amount that changes by less than \$500. However,

LDS amounts are likely to change due to the change in Pell amounts. Almost a quarter of the sample would experience a decrease in their LDS amount by more than \$500. This decrease reflects the 34% of applicants who would receive an increase in their Pell grant. These findings demonstrate that Pell grant awards will “crowd out” LDS awards as Pell grant eligibility and amounts increase. With this sample, the total amount of Pell disbursed is expected to increase from \$15.3 million to \$23.8 million. Whereas the total amount for LDS will decrease roughly \$4 million, from \$19.4 million to \$15.3 million.

Table 1: Comparing Pell Grant and LDS Amounts under EFC and SAI

	EFC	SAI
Average	\$13,161	\$10,229
Median	\$5,878	\$0
<b>Last-Dollar Scholarship</b>		
Average Award	\$2,819	\$2,226
Expenditures (in millions)	\$19.4	\$15.3
Difference within \$500		77%
Increase over \$500		<1%
Decrease over \$500		22%
<b>Pell Grant</b>		22%
Average Award	\$2,219	\$3,450
Expenditures (in millions)	\$15.3	\$23.8
Difference within \$500		62%
Increase over \$500		34%
Decrease over \$500		<1%

Notes: Sample consists of 6,891 LDS recipients. See appendix for information on additional estimates that included LDS recipients dropped from analysis. The average amount for Pell includes zeros. Percentages may not add up to 100 due to rounding. Estimates do not reflect changes to LDS eligibility that were implemented for the 2023-24 academic year.

## APPENDIX

We used data from the Iowa Department of Education Bureau of Community Colleges (IDECC) and Iowa College Student Aid Commission (Iowa College Aid) to simulate applicants' Pell grant and LDS awards. Data from the IDECC consisted of student demographic information and attempted courses by semester for each student who was enrolled in an eligible LDS program in 2021-2022. Iowa College Aid data comprised elements from the Free Application for Federal Student Aid (FAFSA) and state scholarship and grant recipient data. Community college student data was merged with FAFSA information, including our estimated Student Aid Index (SAI). Once students who enrolled in an eligible LDS program were merged to FAFSA data, these students were matched to LDS recipient data.

For the 2021-2022 academic year, the maximum Pell award was \$6,495 (and up to \$3,247 for the summer term, totaling \$9,742). FAFSA applicants who have a 0 EFC and attend full-time for the entire year are eligible for this full Pell amount. For other applicants, the Pell amount depends on their Expected Family Contribution (EFC), cost of attendance, and enrollment intensity for each term, which can be full-time, three-quarter time, half-time, and less than half-time. Unfortunately, the data from IDECC does not provide information on students' cost of attendance and there was inconsistency in the reporting on the number of credits students attempted. We were able to account for these issues by dividing students' actual Pell amount by the Pell grant amount we calculate them to be eligible to receive if they enrolled full-time for the full year. We then regressed this estimated enrollment intensity on a set of enrollment dummies for each semester and used the predicted values as our enrollment intensity estimates for students who did not receive a Pell grant. This enrollment intensity estimate was

used to determine Pell amounts under the SAI formula. For our sample, our baseline Pell amounts we calculated were very similar to the actual amounts. When we regressed the actual Pell amount against our calculated amount, the  $R^2$  was 0.998.

We treat the sum of the actual amounts for Pell and LDS as the total award amount a student can receive for the academic year and a proxy for tuition and fees. We subtract our simulated Pell amounts from this total to estimate LDS awards. For students who receive a Pell award that covers their full tuition amount, they are eligible to receive the minimum LDS award, which is adjusted by enrollment intensity. Therefore, after calculating each LDS award, we then take the maximum LDS value from either a) the minimum LDS amount adjusted for enrollment, or b) the LDS amount after subtraction of the Pell estimate from the total award amount. This approach provides an upper bound estimate on LDS awards for this sample.

For the 2021-22 academic year, 7,764 individuals received an LDS award with a total expenditure of approximately \$21.5 million. There were a total of 7,481 LDS recipients at community colleges for the 2021-22 academic year. We dropped 590 recipients from our analysis because we were not able to match them to the data from IDECC or because we were unable to calculate their baseline aid amounts. Two estimations were calculated that included the 590 recipients dropped from analysis. The first estimation treated their LDS amount calculated under EFC to be the same as under SAI. The second estimation used the average LDS amount from all recipients calculated under SAI. Both estimations demonstrate a \$4.1 to \$4.4 million dollar reduction in total LDS amounts. Results are available upon request.



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