Need Analysis & EFC Calculation

WASFAA Training Committee

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Agenda

- Guiding Principles
- Components of the Calculation
- Federal Methodology Models
- EFC Hand Calculation
Guiding Principles
1. Parents and students have primary responsibility to pay for education.
2. Distribution of resources should be based on family’s ability to pay.
3. Assessment of a family’s ability to pay should be independent of the resources.
4. There should be horizontal equity in the distribution of limited resources.
5. There should be vertical equity for the amount a family can contribute.
6. The need analysis formula should provide a snapshot of family’s circumstances.
7. The need analysis results are a benchmark.

Components

Cost of attendance (COA)

- Expected family contribution (EFC)

= Financial need
Need Analysis & EFC Calculation

Cost of Attendance
- $30,000
- $20,000
- $15,000
- $5,000

Expected Family Contribution
- $5,000

Financial Need
- $25,000
- $15,000
- $10,000
- $5,000

Models
- Model A: Dependent Student
- Model B: Independent Student without Dependents
- Model C: Independent Student with Dependents
### Model A: Parents’ Income

Adjusted gross income (AGI) or income earned from work  
+ Untaxed income  
— Additional financial information  
= Total parent income

<table>
<thead>
<tr>
<th>PARENTS’ INCOME IN 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parent’s adjusted gross income (FAFSA/SAR #85)</td>
<td>If negative, enter zero.</td>
</tr>
<tr>
<td>2. a. Parent 1 (father/mother/step-parent) income earned from work (FAFSA/SAR #89)</td>
<td></td>
</tr>
<tr>
<td>2. b. Parent 2 (father/mother/step-parent) income earned from work (FAFSA/SAR #89)</td>
<td>+</td>
</tr>
<tr>
<td>Total parent’s income earned from work</td>
<td>=</td>
</tr>
<tr>
<td>3. Taxable income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2) (^\text{a})</td>
<td></td>
</tr>
<tr>
<td>4. Total untaxed income and benefits (total of FAFSA/SAR #94a through 94d)</td>
<td>+</td>
</tr>
<tr>
<td>5. Taxable and untaxed income (sum of line 3 and line 4)</td>
<td>=</td>
</tr>
<tr>
<td>6. Total additional financial information (total of FAFSA/SAR #93a through 93f)</td>
<td>−</td>
</tr>
<tr>
<td>7. TOTAL INCOME (line 5 minus line 6) May be a negative number.</td>
<td>=</td>
</tr>
</tbody>
</table>
Model A: Allowances Against Parents’ Income

- **Parents’ Allowances**
  - U.S. income tax paid
  - State and other taxes
  - Social Security tax
  - Income protection allowance
  - Employment expense allowance

### Income Protection Allowance

- **Food** 12.00%
- **Housing** 30.00%
- **Transportation** 16.00%
- **Clothing & Personal Care** 9.00%
- **Medical Care** 22.00%
- **Other family consumption**
Model A: Available Income

Total income

- Total allowances

= Parents’ available income (AI)

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Model A: Parents’ Net Worth

- Parents’ Assets
  - Current balance of cash, savings and checking accounts
  - Net worth of investments
  - Net worth of businesses and investment farms
Model A: Parents’ Contribution from Assets

Parents’ net worth

- Educational savings and asset protection allowance

= Discretionary net worth

x Asset conversion rate

= Parents’ contribution from assets

Model A: Parents’ Adjusted Available Income (AAI)

Available income (AI)

+ Contribution from assets

= Parents’ adjusted available income (AAI)
Model A: Parent’s Contribution

Parent’s Contribution from AAI

\[ \text{Parent's Contribution from AAI} \div \text{Number in college} = \text{Parents' Contribution} \]

Model A: Student’s Contributions

<table>
<thead>
<tr>
<th>STUDENT’S INCOME IN 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>29. Adjusted gross income (FAFSA/SAR #35)</td>
</tr>
<tr>
<td>30. Income earned</td>
</tr>
<tr>
<td>31. Taxable income (FRA A or B)</td>
</tr>
<tr>
<td>32. Total unearned income (total of FAFSA #13)</td>
</tr>
<tr>
<td>33. Taxable and unearned income (sum of line 31 &amp; 32)</td>
</tr>
<tr>
<td>34. Total financial aid (total of FAFSA #14)</td>
</tr>
<tr>
<td>35. TOTAL INCOME (line 23 minus line 34)</td>
</tr>
<tr>
<td>36. ALLOWANCES against student income</td>
</tr>
<tr>
<td>37. State and local tax allowance (FAFSA/SAR #37)</td>
</tr>
<tr>
<td>38. Social Security tax, if applicable</td>
</tr>
<tr>
<td>39. Income protection allowance</td>
</tr>
<tr>
<td>40. ALLOWANCES (from line 36)</td>
</tr>
<tr>
<td>41. Available income (A)</td>
</tr>
<tr>
<td>42. Assessment of A</td>
</tr>
<tr>
<td>43. STUDENT’S CONTRIBUTION FROM INCOME</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STUDENT’S CONTRIBUTION FROM ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>45. Cash, savings, and checking (FAFSA/SAR #41)</td>
</tr>
<tr>
<td>46. Net worth of investments* (FAFSA/SAR #42)</td>
</tr>
<tr>
<td>47. Net worth of business and/or investment farm (FAFSA/SAR #43)</td>
</tr>
<tr>
<td>48. Net worth (sum of lines 45 through 47)</td>
</tr>
<tr>
<td>49. Assessment rate</td>
</tr>
<tr>
<td>50. STUDENT’S CONTRIBUTION FROM ASSETS</td>
</tr>
</tbody>
</table>

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**Table A6: Parents’ Contribution from AAI**

<table>
<thead>
<tr>
<th>If the parents’ AAI is...</th>
<th>Then the parents’ contribution from AAI is...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $3,409</td>
<td>$5,750</td>
</tr>
<tr>
<td>$3,409 to $16,600</td>
<td>22% of AAI</td>
</tr>
<tr>
<td>$16,600 to $29,000</td>
<td>$3,052 + 25% of AAI over $16,600</td>
</tr>
<tr>
<td>$29,100 to $25,100</td>
<td>$3,702 + 29% of AAI over $29,000</td>
</tr>
<tr>
<td>$25,101 to $29,300</td>
<td>$5,049 + 34% of AAI over $25,100</td>
</tr>
<tr>
<td>$29,301 to $33,600</td>
<td>$7,377 + 40% of AAI over $29,300</td>
</tr>
<tr>
<td>$33,601 or more</td>
<td>$9,607 + 43% of AAI over $33,600</td>
</tr>
</tbody>
</table>

26. Total parents’ contribution from AAI (Calculate using Table A6.) If negative, enter zero.

27. Number in college in 2019–2020 (Exclude parents) (FAFSA/SAR #74) +

28. PARENT’S CONTRIBUTION (standard contribution for nine-month enrollment)***
   If negative, enter zero.
**Model A: Expected Family Contribution (EFC)**

<table>
<thead>
<tr>
<th>EXPECTED FAMILY CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PARENTS’ CONTRIBUTION</strong></td>
</tr>
<tr>
<td>(from line 28)</td>
</tr>
<tr>
<td><strong>STUDENT’S CONTRIBUTION FROM AI</strong></td>
</tr>
<tr>
<td>(from line 44)</td>
</tr>
<tr>
<td><strong>STUDENT’S CONTRIBUTION FROM ASSETS</strong></td>
</tr>
<tr>
<td>(from line 50)</td>
</tr>
</tbody>
</table>

51. **EXPECTED FAMILY CONTRIBUTION**

(standard contribution for nine-month enrollment)** If negative, enter zero.

**AGI $49,999 or less**

**AND**

**Any member of the parents’ household received benefits from certain federal means-tested benefit programs within the last two years**

**OR**

Parents not required to file federal income tax return, or filed or were eligible to file 1040A or 1040EZ

**OR**

Parent was a dislocated worker
Model A: Dependent Student
Simplified Needs Test

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Model A: Dependent Student
Simplified Needs Test
Model A: Dependent Student Automatic Zero EFC

- AGI is $26,000 or less
- Any member of the parents’ household received benefits from certain federal means-tested benefit programs within the last two years
  - AND
  - Any member of the parents’ household received benefits from any of the following programs listed:
    - 71. Medicaid or Medicare
    - 72. Supplemental Nutrition Assistance Program (SNAP)
    - 73. Free or Reduced Price School Lunch
    - 74. Temporary Assistance for Needy Families (TANF)
    - 75. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
  - OR
  - Parents not required to file federal income tax return, or filed or were eligible to file 1040A or 104EZ
  - OR
  - Parent was a dislocated worker

Hand Calculation Differs from ISIR EFC

- CPS may make assumptions if it appears an applicant has reported inconsistent data
  - Assumed values are reported on the ISIR and used to calculate the EFC
  - The EFC calculated with assumed values may differ from the EFC calculated on the worksheet
- Calculations should be carried to three decimal places then rounded up or down to the nearest whole number
  - Round upward for 0.500 to 0.999
  - Round downward for 0.001 to 0.499
  - Round each intermediate value in each step to a whole number
EFC General Breakdown

Expected Family Contribution (EFC)

$ Parent Income + $ Parent Assets + $ Student Income + $ Student Assets = $ EFC

EFC Need Distribution

EFC Figures Based on Income

$51,371 Median Income

High Need

Low Need
Questions?

Thank you for joining us!