



4000-01-U

DEPARTMENT OF EDUCATION

Federal Need Analysis Methodology for the 2021-22 Award Year--Federal Pell Grant, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, Iraq and Afghanistan Service Grant, and TEACH Grant Programs

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year (AY) 2021-22 for student financial aid programs, Catalog of Federal Domestic Assistance (CFDA) numbers 84.063, 84.033, 84.007, 84.268, 84.408, and 84.379. This notice alerts the financial aid community and the broader public to these required annual updates used in the determination of student aid eligibility.

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SUPPLEMENTARY INFORMATION: Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department of Education (Department) uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of the HEA requires the Secretary to annually update the following four tables for price inflation--the Income Protection Allowance (IPA), the Adjusted Net Worth (NW) of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The updates are based, in general, upon increases in the Consumer Price Index (CPI).

For AY 2021-22, the Secretary is charged with updating the IPA for parents of dependent students, adjusted NW of a business or farm, the education savings and asset protection allowance, and the assessment schedules and rates to account for inflation that took place between December 2019 and December 2020. However, because the Secretary must publish these tables before December 2020, the increases in the tables must be based on a percentage equal to the estimated percentage increase in

the Consumer Price Index for All Urban Consumers (CPI-U) for 2020. The Secretary must also account for any under- or over-estimation of inflation for the preceding year.

In developing the table values for the 2020-21 AY, the Secretary assumed a 2.4 percent increase in the CPI-U for the period December 2018 through December 2019. The actual inflation for this time period was 2.3 percent. The Secretary estimates that the increase in the CPI-U for the period December 2019 through December 2020 will be 2.0 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the IPA tables for the 2009-10 through 2012-13 AYs and required the Department to use a percentage of the estimated CPI to update the table in subsequent years. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. This notice includes the new 2021-22 AY values for the IPA tables, which reflect the CCRAA amendments. The updated tables are in sections 1 (Income Protection Allowance), 2 (Adjusted Net Worth of a Business or Farm), and 4 (Assessment Schedules and Rates) of this notice.

Under section 478(d) of the HEA, the Secretary must also revise the education savings and asset protection allowances for each AY. The Education Savings and Asset Protection Allowance table for AY 2021-22 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the employment expense allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics' marginal costs budget for a two-worker family compared to a one-worker family. The items covered by this calculation are: food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for AY 2021-22 has been updated in section 5 of this notice.

Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service. This table has been updated in section 6 of this notice.

The HEA requires the following annual updates:

1. Income Protection Allowance. This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset

against the family's income. The allowance varies by family size. The IPA for dependent students is \$6,970. The IPAs for parents of dependent students for AY 2021-22 are as follows:

Family size	Parents of Dependent Students Number in College				
	1	2	3	4	5
2	\$19,440	\$16,110			
3	24,200	20,900	\$17,570		
4	29,890	26,570	23,260	\$19,930	
5	35,270	31,940	28,640	25,310	\$22,000
6	41,250	37,930	34,620	31,300	27,990

For each additional family member add \$4,660. For each additional college student subtract \$3,310.

The IPAs for independent students with dependents other than a spouse for AY 2021-22 are as follows:

Independent Students With Dependents Other Than a Spouse

Family size	Number in College				
	1	2	3	4	5
2	\$27,450	\$22,760			
3	34,180	29,510	\$24,810		
4	42,200	37,520	32,850	\$28,150	
5	49,800	45,100	40,430	35,750	\$31,080
6	58,240	53,550	48,900	44,180	39,520

For each additional family member add \$6,580. For each additional college student subtract \$4,670.

The IPAs for single independent students and independent students without dependents other than a spouse for AY 2021-22 are as follows:

Independent Students Without Dependents Other Than a Spouse

Marital status	Number in College	
	1	2
Single	\$10,840	
Married	17,380	\$10,840

2. Adjusted Net Worth of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an EFC because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the following schedule. This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a business or farm is	Then the adjusted NW is
Less than \$1	\$0.
\$1 to \$140,000	\$0 + 40% of NW.
\$140,001 to \$415,000 ..	\$56,000 + 50% of NW over \$140,000.
\$415,001 to \$695,000 ..	\$193,500 + 60% of NW over \$415,000.
\$695,001 or more.....	\$361,500 + 100% of NW over \$695,000.

3. Education Savings and Asset Protection Allowance.

This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: one for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students, and Independent Students With Dependents Other Than a Spouse, and Independent Students Without Dependents Other Than a Spouse

If the age of the older parent is, or If the age of the independent student is	And the older parent or the independent student is	
	Married	Single
25 or less	0	0
26	400	100
27	700	300
28	1,100	400
29	1,500	600
30	1,800	700

31	2,200	800
32	2,600	1,000
33	2,900	1,100
34	3,300	1,300
35	3,700	1,400
36	4,000	1,500
37	4,400	1,700
38	4,800	1,800
39	5,100	2,000
40	5,500	2,100
41	5,600	2,200
42	5,700	2,200
43	5,900	2,300
44	6,000	2,300
45	6,200	2,400
46	6,300	2,400
47	6,500	2,500
48	6,600	2,500
49	6,800	2,600
50	7,000	2,700
51	7,100	2,700
52	7,300	2,800
53	7,500	2,900
54	7,700	2,900
55	7,900	3,000
56	8,100	3,100
57	8,400	3,100
58	8,600	3,200
59	8,800	3,300
60	9,100	3,400
61	9,300	3,500
62	9,600	3,600
63	9,900	3,700
64	10,200	3,800
65 or older	10,500	3,900

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents other than a spouse--are used to determine the EFC from family financial resources toward educational expenses.

For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI).

For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The contribution of parents of dependent students, and independent students with dependents other than a spouse, is computed according to the following schedule:

If AAI is	Then the contribution is
Less than -\$3,409	-\$750
-\$3,409 to \$17,400	22% of AAI.
\$17,401 to \$21,800	\$3,828 + 25% of AAI over \$17,400.
\$21,801 to \$26,200	\$4,928 + 29% of AAI over \$21,800.
\$26,201 to \$30,700	\$6,204 + 34% of AAI over \$26,200.
\$30,701 to \$35,100	\$7,734 + 40% of AAI over \$30,700.
\$35,101 or more	\$9,494 + 47% of AAI over \$35,100.

5. Employment Expense Allowance. This allowance for employment-related expenses--which is used for the parents of dependent students and for married independent students--recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family. The items covered by these additional expenses are: food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse.

Percent of Income Paid in State Taxes by State, Dependency Status, and Income Level

State	Parents of dependent students and independent students with dependents other than a spouse		Dependent students and independent students without dependents other than a spouse
	Income under \$15,000	Income \$15,000 & up	All income
Alabama.....	3	2	2
Alaska.....	2	1	0
Arizona.....	4	3	2
Arkansas.....	4	3	3
California.....	9	8	6
Colorado.....	4	3	3
Connecticut.....	9	8	5
Delaware.....	5	4	3

District of Columbia.....	7	6	6
Florida.....	3	2	1
Georgia.....	5	4	4
Hawaii.....	5	4	4
Idaho.....	5	4	4
Illinois.....	6	5	3
Indiana.....	4	3	3
Iowa.....	5	4	3
Kansas.....	4	3	3
Kentucky.....	5	4	4
Louisiana.....	3	2	2
Maine.....	6	5	3
Maryland.....	8	7	6
Massachusetts.....	7	6	4
Michigan.....	5	4	3
Minnesota.....	7	6	5
Mississippi.....	3	2	2
Missouri.....	5	4	3
Montana.....	5	4	3
Nebraska.....	5	4	3
Nevada.....	3	2	1
New Hampshire.....	4	3	1
New Jersey.....	9	8	5
New Mexico.....	3	2	2
New York.....	10	9	7
North Carolina.....	5	4	3
North Dakota.....	2	1	1
Ohio.....	5	4	3
Oklahoma.....	3	2	2
Oregon.....	7	6	5
Pennsylvania.....	5	4	3
Rhode Island.....	6	5	4
South Carolina.....	4	3	3
South Dakota.....	2	1	1
Tennessee.....	2	1	1
Texas.....	3	2	1
Utah.....	5	4	4
Vermont.....	6	5	3
Virginia.....	6	5	4
Washington.....	3	2	1
West Virginia.....	3	2	3
Wisconsin.....	6	5	4
Wyoming.....	2	1	1
Other.....	2	1	1

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