The Return On Investment of the FAFSA

To achieve economic success and financial security in adulthood, Hoosier children and youth need to pursue a postsecondary education. Over 95% of jobs created during the recovery from the Great Recession of 2008 went to workers with at least some college education, while those with a high school diploma or less were economically left behind.

Similarly, the economic downturn during the COVID-19 pandemic more negatively impacted workers with lower levels of education. Workers with bachelor’s degrees or higher were more insulated from job losses, as they were during the Great Recession of 2008. In addition to financial insulation from economic tumult, those who have a degree beyond high school earn more throughout their lifetimes than those who only have a high school diploma. Over the course of a lifetime, Hoosiers with education beyond high school are likely to earn $1 million more than those with only a high school degree.

Completing the Free Application for Federal Student Aid (or FAFSA) can often be the gateway for many low-income students to access higher education. Submitting the FAFSA allows students to potentially receive state and federal financial aid, providing the financial resources to access and complete postsecondary education without accruing high amounts of debt. Completing the FAFSA permits students to obtain Pell Grants, subsidized student loans, work-study, and state aid programs, all of which can help finance their postsecondary education pursuits.

Nationally, low-income students who complete the FAFSA have a college-going rate of 1.7 times above the rate of their low-income peers who do not complete the FAFSA. Additionally, those who complete a FAFSA application are 84% more likely to enroll in higher education after graduating high school.

Higher education can provide students with greater earning potential than those without postsecondary credentials or degrees. Due to COVID-19, however, colleges and universities face increased financial burdens, lower enrollment rates, and fewer out-of-state or out-of-country students paying full tuition, which may lead to increased tuition costs for students. Small increases in or freezes of tuition costs may be more common for the next school year. During the 2021 legislative session, the Indiana General Assembly restored a 7% funding cut to the state’s public universities in the first year of the budget, and higher education funding will increase by 2% (or $27 million) during the second year of the budget. While this may help Indiana’s institutions of higher education from issuing steep tuition hikes in the near future, completing the FAFSA is more critical than ever for students to access, afford, and complete higher education credentials.

• With financial aid, the average annual cost to earn an Associate degree in Indiana is $6,415 and to earn a bachelor’s degree is $11,263.

• Students who earn a bachelor’s degree in Indiana were more likely to have debt (63%) than those who graduated with an associate degree (42%). Those with a bachelor’s degree in Indiana, though, also have a higher earning potential. After one year of graduating, those who graduate with a bachelor’s degree ($32,976) earn $4,320 more than those who graduate with an Associate degree ($28,656).
• It is estimated about $2 billion or more in Pell Grants is left unused due to low-income students not applying for financial aid.10

• Nationally, in 2018–2019, 23% of low-income students who received a Pell Grant and attended a public four-year institution still could not afford the cost of attending. There is about a $2,524 affordability gap for the average Pell recipient at a four-year public institution and an $855 affordability gap at a two-year public institution, nationally.11

• In Indiana, during 2018–2019, the average affordability gap for a four-year public institution is $1,206.11

• Median earnings of full-time workers in adulthood (ages 25 to 64) increase as an individual earns a bachelor’s degree or higher. In Indiana, a Hoosier who has a bachelor’s degree has a median income of $46,344 while a Hoosier who only has a High School Diploma has a median income of $29,793.12

Declines in FAFSA completions could impede students’ access to affordable higher education and, in the long term, further decrease the postsecondary attainment of Hoosier youth. As of June 4, 2021, Indiana’s FAFSA completion rate has declined by 5.3% compared to the prior year: 51.5% of the high school class of 2021 has completed the FAFSA. When compared to Indiana’s neighboring states, Indiana currently has the lowest FAFSA completion rate: Illinois (63.3%), Ohio (54.2%), Kentucky (52.2%), and Michigan (48.8%). Nationally, there has been a 5% decrease in FAFSA completion rates compared to last year.13

• The decline in FAFSA applications is sharper in high minority high schools (7.7%) than low minority high schools (3.4%).

• Additionally, high schools in Indiana’s cities (8.0%) and towns (6.3%) saw more pronounced declines in FAFSA applications submitted for the class of 2021 compared to rural (4.4%) and suburban (3.6%) areas.14

• FAFSA completion serves as a strong data indicator to understand who enrolls into college. Since 2015, Indiana’s college enrollment rate has been steadily decreasing, and in 2019 the rate was the lowest it has ever been (58%).15

FAFSA completion varies across subgroups of Indiana’s students. As of May 14, 2021, 49.5% of Hoosier high school seniors have completed the FAFSA application. The current FAFSA completion rate ranges across Indiana between 33.6% and 65.5%.16
21st Century Scholars have a higher FAFSA completion rate (63.1%) than Indiana overall (49.5%), as well as a higher college-going rate than Indiana’s average. In 2019, 88.0% of 21st Century Scholars attended a college, which increased two percentage points from the previous year (86.0%) and 29 percentage points higher than Indiana’s overall rate of 59.0%.

Gaps exist by race/ethnicity subgroups of those who received financial aid and enroll into college. Of those who received financial aid in Indiana, the majority were White Hoosiers (68%), followed by Black (14%), Hispanic (7%), Other (9%), and Asian (2%).

When looking at the college-going rates, gaps exist by race and ethnicity. Hispanic (49%), Black (50%), and Small Populations (56%) all go to college below the overall rate of 59.0%.

Impact of COVID-19 on FAFSA Completion Rates

Data from the Household Pulse Survey from the U.S. Census Bureau signify a potential decrease in postsecondary attainment for Hoosiers during COVID-19, which may depress future wages and economic growth. In Indiana, 41% of households where at least one household member planned to take classes from a college, university, community college, trade school, or other occupational schools in the fall of 2020 took fewer classes or canceled their plans, seven percentage points below the national percentage of 48%. As of March 2021, though, this percentage increased by one percentage point to 42% in Indiana, one percentage point below the national percentage of 43%. Indiana was one of four states nationally that saw an increase in this indicator from 2020 to March 2021 (Wyoming, North Dakota, Indiana, and Maine). The increasing postsecondary uncertainty aligns with the decline in the college-going rate and the FAFSA completion rates in Indiana.

Changes in postsecondary plans during COVID-19 may be due to loss of family income or individual employment that can cover other costs beyond tuition. During the pandemic in 2020, nationally, three out of five students who were enrolled in higher education were experiencing basic needs insecurity. Of students attending a four-year institution across the country, 38% struggled with food insecurity; 44% of students attending a two-year institution struggled with food insecurity. About 42% of students nationally attending a four-year institution reported losing a job, and 28% reported a reduction in hours or pay.

Nationally, first-generation students experienced more financial hardship than continuing-generation students during 2020 due to the economic impact of COVID-19.

- First-generation students reported experiencing a higher likelihood of lost wages from family members, lost wages from on- and off-campus employment, and increased living and technology expenses.
• Compared to continuing-generation students, first-generation students were twice as likely to be concerned about paying for their education in the fall of 2020.

• First-generation students were also more likely to report housing and food insecurity than continuing-generation students.

• 52% of first-generation students related concerns that they would not have enough money to cover housing costs compared to 30% of continuing-generation students.

• 26% of first-generation students reported they were worried whether their food would run out before they could get money to buy more compared to 16% of continuing-generation students.  

### Types of Financial Aid

The FAFSA is used to determine student’s eligibility for different types and amounts of aid. Low-income students (family income less than $50,000) may be eligible for the Federal Pell Grant – the most extensive grant program offered by the U.S. Department of Education to full or part-time undergraduates. The Pell Grant does not need to be repaid, and it can be used to cover tuition, fees, room and board, and other educational expenses. Currently, 5,400 institutions participate in the federal student aid program. The maximum Pell Grant award during 2018-2019 was $6,096. 

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CARES Act) increased the maximum award by $150 to $6,495 for families who make less than 175% of the Federal Poverty Level and single-parent families who make less than 225% of the Federal Poverty Level.

Under the William D. Ford Federal Direct Loan Program, the U.S. Department of Education is the lender for four different types of direct loans: Direct Subsidized, Direct Unsubsidized, Direct PLUS, and Direct Consolidation loans. A student can borrow each year for an undergraduate student under the Direct Subsidized and Unsubsidized, ranging between $5,500 to $12,500. The amount is dependent on which year the student is in school and dependency status. Accepting public student loans compared to taking out private loans for postsecondary education has several benefits:

- The interest rate is typically fixed and does not accrue until after a student graduates,
- Repayment of the loan does not start until after the student has finished school,
- Flexible repayment plans are available for federal student loans with options to postpone if it becomes difficult to make payments,
- Federal student loans do not require a credit check or a cosigner,
- If a student demonstrates financial need, the government pays the interest on some loan types while in school and during some periods after school,
- Federal student loans offer flexible repayment plans and certain jobs may be eligible for loan forgiveness.

To assist students to help cover additional costs of postsecondary education, students may be eligible to gain part-time employment opportunities through the Federal Work-Study Program. Employment opportunities may be through the institution, public agency, private nonprofit or a private for-profit organization. To be eligible for the Federal Work-Study Program, students must show financial need and those who file the FAFSA early have a better chance of qualifying. At certain institutions, awards are provided on first–come, first–served basis. In 2020, nationally, about 18% of individuals participated in the Federal Work-Study program receiving an average award of $1,847.

Indiana state aid is awarded through two main grant programs: The Frank O’Bannon Grant and the 21st Century Scholarship. Eligibility for the O’Bannon Grant is based on financial need, as determined by the FAFSA, and can be used at any eligible public, private, and proprietary colleges and universities.

- More individuals eligible for the Pell Grant receive the Frank O’Bannon Grant (94%) than the 21st Century Scholars (81%) by 13 percentage points.
- The average award for 21st Century scholars for 2018 was $8,011, and the average award for Frank O’Bannon was $3,974. Overall, the average award is about $5,234.
21st Century Scholars program provides up to four years of undergraduate tuition to income-eligible students at participating colleges or universities in Indiana, as well as step-by-step guidance and support to make sure they succeed in college. In order to receive the scholarship, students must be income eligible, enroll in the program in 7th or 8th grade, maintain a grade point average of at least 2.5 on a 4.0 scale, earn at least a Core 40 diploma, and agree to the 21st Century Scholar Pledge. Scholars also must complete the twelve steps of the Scholar Success Program to remain eligible for their scholarship.30

- 21st Century Scholars were more likely to enter college immediately after high school (88%) than all Indiana students (59%).31
- In 2019, 21,714 Hoosiers received the 21st Century Scholars program with an average award of $8,011. The number of Hoosiers who received the 21st Century Scholars award increased by 530 individuals from 2018 (21,184) and 212 from 2017 (21,502). The average award amount for 21st Century Scholars also increased from 2017 by 6.9% ($7,496).32

Undocumented students and Deferred Action for Childhood Arrivals (DACA) are not eligible for federal student aid but may be eligible for state or institution-based financial aid depending on each state’s laws and policies. A social security number is required to fill out FAFSA; however, most undocumented students are not eligible for a social security number. Since undocumented students cannot receive a social security number, they cannot apply for FAFSA, so they must rely on private scholarships or out-of-pocket to cover college costs. To receive state or institution-based financial aid, students still need to fill out the FAFSA. Most DACA students are granted work authorization; therefore, they can qualify for a social security number.33 DACA students may receive state financial aid or have access to in-state tuition costs, depending on state policies. In Indiana, recipients of DACA are ineligible for state financial aid under state law.34 Six states, including Indiana, have passed legislation to prohibit DACA students from receiving in-state tuition. About 17 states allow immigrants to receive in-state tuition benefits based upon attendance and graduation at the state high school.35

Recent Changes to FAFSA
On December 27, 2020, the CARES Act (effective July 1, 2021) made the following changes to the FAFSA:

- **FAFSA applications will require less time and effort:** The FAFSA application will become shorter and simpler by reducing the questions by two-thirds – from 108 questions to 36 questions. The application will automatically transfer income data from annual tax filings.
- **Financial aid offices will have more flexibility related to professional judgment:** Financial aid offices or administrators can now adjust financial aid eligibility based on a student’s circumstance, such as unemployment, which could make them eligible for the Pell Grant. Based on the independent status, the student can receive an estimate of the Pell Grant Award. Under a “professional judgment review,” the financial aid offices are required to communicate to the student about the institution’s process, requirements, and timeline.38
- **Determination of unaccompanied homeless youth becomes less burdensome on the student:** Every year, unaccompanied homeless youth had to indicate their status to continue to receive aid. With the new legislative update, unaccompanied homeless youth are assumed to be independent each year unless indicated otherwise. This removes the requirement of unaccompanied homeless youth to indicate their status which many students found retraumatizing and burdensome. An expanded list of approved programs and officials was updated to verify if the student is an unaccompanied homeless youth. This expansion of approved programs and officials helps determine the status of unaccompanied homeless youth.37
- **Eligibility and award amount for the Pell Grant expanded:** The maximum award for the Pell Grant increased by $150 to $6,495 for families who make less than 175% of the Federal Poverty Level and single-parent families who make less than 225% of the Federal Poverty Level in the 2021–2022 academic year.38 Not only has the award amount for the Pell Grant increased, but funding has increased for the campus-based aid program of $25 million for the Federal Work-Study Program and Federal Supplemental Educational Opportunity Grant.39 Congress also created the Emergency Broadband Benefit Program through the Federal Communication Commission to provide a monthly $50 subsidy to low-income households to help cover the cost of broadband and a one-time discount up to $100 to purchase a laptop, desktop or a tablet. If an individual is receiving the Pell Grant, they are automatically eligible to receive this subsidy. This program is critical to help students continue to access their classes and not impact their academic performance.40 The CARES Act also restored the financial aid eligibility for incarcerated students and students who were convicted of drug-related offenses. Incarcerated students could not apply for financial aid under the Violent Crime Control and Law Enforcement Act of 1994. According to the Vera Institute of Justice, the recidivism rate for youth in the juvenile justice system could decrease by 43% if they had access to education.41

Expanding the Pell Grant can help narrow the college-going gap among low-income students.

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### Recent Changes to FAFSA

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<th>Grade</th>
<th>Required Activities</th>
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<td>09</td>
<td>Create your graduation plan</td>
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<td>10</td>
<td>Take a career interests assessment</td>
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<tr>
<td>11</td>
<td>Visit a college campus</td>
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<tr>
<td>12</td>
<td>Submit your college application</td>
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*Source: Indiana Commission for Higher Education*
The 529 plan is an investment account that allows families to save and invest for college costs, including technical programs, community colleges, and four-year institutions. This account provides tax-free earnings growth and tax-free withdrawals to pay for all tuition, books, and supplies related to a youth’s postsecondary pursuits. The money saved in this account does not affect a child’s ability to qualify for financial aid. Children are four times more likely to pursue education beyond high school if they know they have college savings. Community programs, such as Wabash County Promise and Promise Scholarship, can help encourage families to start investing in college early on to help build a college-going identity among students. The Wabash County Promise requires students K-3 to have a 529 account to participate in ongoing trainings. The Promise Scholarship is awarded by completing in-class assignments and college-going activities for students in 4th thru 8th grade to continue to build the college-going identity.

Assist justice-involved youth to complete the FAFSA: As mentioned above, the CARES Act restored the eligibility of incarcerated youth to receive the Pell Grant; however, barriers still exist for incarcerated youth to file the FAFSA. In Indiana, incarcerated youth may have limited access to computers for educational purposes in a supervised lab, but it is unclear if this could include filing the FAFSA. As well, those who work in youth correctional facilities may be unaware of this change in the law and new eligibility for youth. The Indiana Department of Justice can partner with the Indiana Commission for Higher Education (CHE) to increase awareness of this new eligibility and help youth in state correctional facilities file their FAFSA. Local correctional facilities can partner with local financial aid and postsecondary outreach offices through CHE or institutions to provide guidance and assistance to incarcerated youth to complete the FAFSA. California is a leader in providing access to higher education among justice-involved youth through the Renewing Communities Initiative. This initiative involves local collaborations between nonprofits, higher education institutions, and correctional facilities to provide support services to incarcerated youth to gain access to higher education.

Support more low-income students enrolling in 21st Century Scholars: Because 21st Century Scholars have a higher FAFSA completion rate (63.1%) than Indiana overall (49.5%), as well as a higher college-going rate (88.9%) than Indiana’s average (59.0%), this program is proven to help low-income students seek higher education. All eligible low-income youth should receive this funding to encourage postsecondary enrollment and help offset its cost. Way to address to facilitate greater enrollment in this program at the local-level include:

- Taking an intergenerational approach to help low-income parents understand how these programs work and the various components. This may also include explaining the multitude of postsecondary options and opportunities for which a student may use these grants;
- Requiring every student to complete the 21st Century Scholar form and related activities beginning in middle school. The activities could benefit any student seeking higher education regardless of income level, and family circumstances may change over four to five years to require the need for financial aid;
- Discussing the additional benefits that come with enrollment. While this program covers tuition and fees, most state institutions provide additional incentives for 21st Century Scholars, such as free room and board; and
- Creating partnerships between K-12 schools, institutions of higher education, workforce development, and social services programs to create greater awareness of this program with low-income parents. School districts can work with these and other state and community partners to host informational sessions away from schools (e.g., libraries, WorkOnes, community centers, etc.) and at a greater variety of times (at night or outside of work hour).

Children are four times more likely to pursue education beyond high school if they know they have college savings.
Allow DACA students to access in-state tuition rates: Affording college for DACA students is a challenge because this student population is not eligible for federal aid and state aid in Indiana. Under federal law, public institutions cannot grant undocumented students scholarships, financial aid, or other benefits, though these benefits do not include in-state tuition rates.

Each state can determine access to in-state tuition and state financial aid. Texas implemented the Texas DREAM Act, which extends in-state tuition and financial aid to undocumented students. During the fiscal year of 2012, about 1.3 million students were enrolled in a Texas public college or university and 20,049 or 1.1% benefited from the Texas Dream Act and paid more than $40 million in tuition and fees. The tuition and fees paid by undocumented students is only a small portion of the monetary contributions made to Texas. In 2020, undocumented Texas residents paid more than $1.6 billion in state and local taxes, a portion of which goes to higher education.

In Indiana, immigrant-led households have paid $1.9 billion in federal taxes and $1 billion in state and local taxes in 2018. DACA recipients in Indiana have paid almost $21.4 million in state and local taxes in 2018. As of March 2020, about 9,970 current DACA recipients live in Indiana. Since 2021, DACA has been granted to a total of 10,711 children in Indiana. Indiana has introduced bills that have created barriers.

The Illinois law implies the school district must provide rigorous school support rather being optional. The school district “must provide to each high school student and if applicable, his or her parent or guardian any support or assistance necessary to comply with the policy.

In Texas, performance-based funding is provided to schools to incentivize to maximize FAFSA completion. Schools receive a higher bonus when students who receive free/reduced price lunches or are in special education complete the FAFSA.

During the past two years, Indiana had bills introduced to require the completion of the FAFSA, however, in both years, neither of the bills passed. In 2020, Senate Bill 223 was introduced to make FAFSA completion a requirement for high school seniors. In 2021, Senate Bill 54 was introduced in which an incentive award would be provided to schools for FAFSA Completion. The policy of making FAFSA completion mandatory and incentivizing completion rates of students historically underrepresented in higher education may increase the FAFSA completion rates of low-income students and possibly help improve Indiana’s college-going rate.
for DACA students to continue their education beyond high school. In 2011, House Enrolled Act 1402 was signed into law and prohibits undocumented students in Indiana from accessing in-state tuition. In 2013, Senate Enrolled Act 207 prevented any undocumented student who enrolls into a public college or institution after 2011 from being eligible for in-state tuition rates and, therefore, have to pay the out-of-state tuition. Senate Enrolled Act 419 was enacted in 2018, in which DACA students may obtain an occupation and professional licenses within 70 different professionals, such as cosmetology, architecture, and nursing. Because DACA students maintain a lawful presence in the U.S., Senate Enrolled Act 419 established a precedence to allowing DACA students to continue to work lawfully in the United States. States which offer in-state tuition to undocumented and DACA students have higher high school and college completion rates.

- **Provide targeted support services to remove barriers to completing FAFSA:** Initiatives can be designed to target underrepresented populations, such as low-income and first-generation students, to complete FAFSA and close the college-going gap. FAFSA initiatives should be unique to assist the population of the students served within each school. The National College Access Network identified key practices of states exceeding national completion rates. Targeted support services to remove barriers was the top initiative among these states. Primary strategies of targeting support consist of FAFSA completion events, partnerships with higher education and community leaders, early awareness and consistent messaging, and unique initiatives to fit the needs of students. Examples of state strategies include:
  - California’s Race to Submit provides workshops on filling out the FAFSA through webinar format in English and Spanish.
  - Tennessee, which has seen increased FAFSA completion rates, created a Promise Scholarship, where a high school graduate can earn two years of college credit towards a degree without paying tuition, and in order to receive the scholarship, the student must complete the FAFSA. Bringing students together in a collective space helps provide broadband access to complete the FAFSA application.
  - In North Carolina, one-on-one counseling is offered to help navigate through the process in English and Spanish. During COVID-19, the FAFSAFrenzyNC initiative was launched, where live Q&A sessions were provided in English and Spanish.

**Nationally**

- **Strengthen Income-Driven Repayment Plans:** An Income-Driven Repayment Plan caps the monthly repayment of all students at 10% of the student’s discretionary income after graduation. After a set period, the remaining balance is canceled. The forgiveness occurs typically within 20 years. Borrowers with balances below $10,000 are more likely to default on their loans and may not participate in IDR because they may feel it is not for them and they need to be part of the program for 20 years. Policymakers can also waive interest to low-balance, low-income borrowers so their balances do not continue to rise.

- **Connect FAFSA data with other public benefit programs:** To streamline equity in postsecondary access and increase completion of historically underrepresented minorities, we encourage the Executive Office and the U.S. Department of Education to connect students with demonstrable financial need (e.g., those eligible to receive Pell Grants) with additional public benefits. This type of streamlined access can ensure that low-income students receive information on other potential services. The connection could include:
  - Proactively notifying all Pell-eligible students of their potential eligibility for public benefits (e.g., SNAP, TANF, housing assistance, and Medicaid);
  - Automatically routing students receiving public benefits to the simplified needs test or setting their expected family contribution to zero;
  - Ensuring that public benefits do not count as income for aid eligibility purposes; and
  - Explicitly requiring financial aid offices to share information about student eligibility for public benefits with colleges’ student support offices.

- **Require institutions of higher education to provide connections with other social services to receive Pell Grants:** In addition to providing program information directly to eligible students based on their FAFSA applications, we urge the Executive Office to consider requiring institutions of higher education (IHEs) to provide connections with other social programs in order to receive Pell Grant funding. Similar to financial counseling, IHEs would be required to provide eligibility information and connections to social programs – like SNAP, TANF, housing assistance, Chafee grants, and Medicaid – to Pell recipients to increase their financial assistance and reduce burdens that curb postsecondary completion. Requiring IHEs to provide these connections in order to receive Pell funding increases the likelihood of informing students of additional financial assistance for which they may be eligible. This approach provides low-income students with a one-stop-shop model akin to the system promoted under the Workforce Innovation and Opportunity Act (WIOA). Similarly, we encourage the inclusion of requiring local Workforce Development Boards to assist individuals with completing the FAFSA as they register for WIOA programs. Incorporating FAFSA completion for youth in WIOA programs, in particular, could help promote postsecondary access and reduce financial barriers to earning a credential or degree.
We do it for the kids.
Our statewide and local data helps you design programs and make decisions to improve the lives of youth.

We create change.
Our team develops innovative data solutions to address today’s youth development issues and encourages others to join us in our effort.

We work together.
As your ally, we partner and connect with you in research and utilizing data to drive change.

We empower our partners and peers.
We provide access to critical data and resources that can be used in planning, reporting, grants, and evaluation.

We advocate for others.
We use data and research to amplify the voice of others to inspire action for measurable and positive change.