

INTRODUCTION

Colleges and Universities are used to having Federal Student Aid data on hand by January, prior to a new school year. This data helps institutions determine the amount of financial support they can provide students. Unfortunately, due to a delay in Federal Application for Student Aid (FAFSA) data, the Department of Education shared the FAFSA data colleges need to determine financial aid disbursement amounts for students will not be available until March, only a few months before students typically decide which institution they will attend, and close to many scholarship deadlines. Even more unsettling; completing the new simplified version of FAFSA (coined “Better FAFSA”) has been a challenge for many students across the US, meaning some students, including low-income or students from immigrant families, might opt out of completing FAFSA due to the difficulties, stifling the progress many states have made in postsecondary attainment efforts. In Fact, a recent study found a close to forty percent decrease in the number of students who applied for FAFSA in February 2023 and the amount of FAFSA completions in February 2024. With the FAFSA completion deadline coming up in June, the FAFSA delay has major implications on institutional support, student need, and ultimately – student postsecondary attainment.



The new “Better FAFSA” is designed to provide students with a simpler process to complete the application and expanded access to financial aid, but the difficulties in completion and delays have been of little support to students and institutions alike. While the delay is not something that can be addressed directly by states or institutions, states and institutions can make accommodations for the delayed data and policymakers can adopt solutions to support state aid programs that rely on FAFSA data to determine the disbursement of state aid.

WHAT IS FAFSA?

The Free Application for Federal Student Aid (FAFSA) is a form used to determine how much and what kind of financial aid students and their families are eligible to receive from the federal government. Students are required to complete the FAFSA in order to determine eligibility for funding such as Pell Grants (which do not have to be repaid), Federal Student Loans, and the Federal Work Study Program. States also use the FAFSA to determine eligibility for state financial aid.

HOW DO STATES AND INSTITUTIONS USE FAFSA DATA?

States

States utilize FAFSA data to implement various types of supplemental grant programs in association with FAFSA completion, such as last-dollar and income-based financial aid. Typically, the data collected from FAFSA further support states in ensuring they provide students with additional needed funds to attend an in-state tuition of choice.

Institutions

Institutions also use FAFSA data such as the Student Aid Index (formally known as Estimated Family Contribution) and Pell Grant eligibility status to determine how much money they can provide students in grants to offset college costs outside of what’s available through FAFSA. Further, institutions use FAFSA data for institutional reporting purposes.

HOW DOES THE FAFSA SUPPORT STUDENTS?

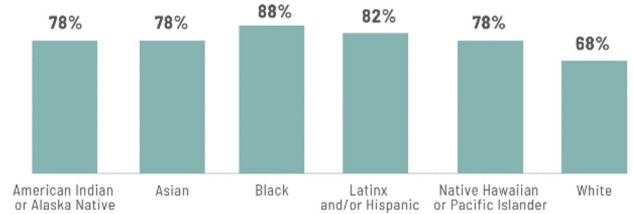
Many students rely on FAFSA data to help them determine if they can afford to go to college. Upon completing the FAFSA, students weigh the amount of grant and loan eligibility they receive federally in conjunction with the amount they will receive from the state and their potential higher education institutions. Some students, especially those who have financial insecurities rely on FAFSA data to determine if they can even [afford to enroll](#) in postsecondary education.

While the FAFSA serves as a gateway to financial aid, it is estimated that the high school class of 2022 [left over \\$3.5 Billion of unclaimed financial aid on the table](#). In states like North Carolina, for example, the average non-FAFSA completers in 2023 were higher than the national average (Figure 1).

Additionally, the FAFSA form supports students by helping them identify financial aid resources, especially for low-income students who struggle with affording college. [Data](#) from the Institute for Higher Education Policy shows that a majority of students have unmet financial needs, especially students of color. In 2019-2020, 88 percent of Black students, 78 percent of Asian students, and 82 percent of Hispanic students have unmet need. While the FAFSA helps

identify Pell-eligible students, these recipients still have unmet financial need even with Pell Grant funds.

Figure 2: Share of Students with Unmet Needs by Race/Ethnicity, 2019-20



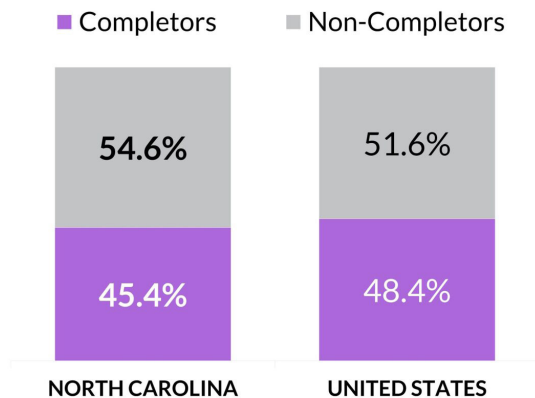
[Source](#)

Roadblocks with the Former FAFSA

Better FAFSA is the answer to several struggles students faced with the old FAFSA form. Common complaints were:

- Form length: the former FAFSA was over 100 questions long.
- Tax information: The former FAFSA required parents to manually fill in tax information.
- Pell Grant eligibility: formulas in the former FAFSA,

Figure 1: Percentage of North Carolina High School Seniors Who Completed FAFSA*



12th grade enrollment: **113,515**

State Rank: **25**

North Carolina left **\$26 Million** in Pell Grant Dollars on the table in 2021.

[Data Source 1](#) [Data Source 2](#)

* As of April 2023.

due to the standard set for financial income, inadvertently disqualified low to middle income students from Pell Grant eligibility.

- Demographic information: Students are not longer required to complete a demographic survey as a part of the FAFSA.

Past Interventions

Until the [FAFSA Simplification Act](#), there have not been any substantive legislative efforts to improve the FAFSA. In 2020, legislators requested the changes be made to the FAFSA to allow for tax information to be pulled straight from the IRS, simplifying the process for parents in filling out the FAFSA. This request demanded that the new FAFSA be ready for students to complete in the 2023-2024 school year.

WHAT IS BETTER FAFSA?

The FAFSA Simplification Act (enacted in 2022) resulted in the launch of Better FAFSA in December 2023 (Figure 3). This new FAFSA was designed to meet the new and diverse needs of students and families and present a more user-friendly version of the commonly used financial aid determination form.

With many [technical glitches](#) still awaiting resolution and delays in Better FAFSA data due to a [last-minute](#) update to better capture parental income, the Department of Education has had to delay reporting data to institutions to ensure the information collected from students and the formulas used to determine aid are accurate and supportive of students, institutions, and state and Federal aid resource. The Department of education [announced](#) institutions would receive data by the first half of March, but this updated date has impacted many state and institutional aid timelines.

BETTER FAFSA IMPLICATIONS ON POSTSECONDARY ATTAINMENT

By 2027, [70 percent](#) of jobs will need training beyond high school. This fact, and more, has prompted

Figure 3: Better FAFSA Updates

NEW BETTER FAFSA UPDATES
Ease of completion (fewer questions)
Expanded eligibility for Pell Grant award
More award availability transparency
Elimination of Simplified Needs Test (SNT)
New formula to address Student Aid Index (SAI), formally Estimated Family Contribution
New SAI formula moves the number of family members in college from the calculation
New definition for cost of attendance
Expanded rules for financial Aid professionals

For more information on the updates included in the better FAFSA please access ed.gov/Better-FAFSA.

states to prioritize postsecondary attainment rates to support educational and workforce needs. There are many ways to support postsecondary attainment. Research shows FAFSA completion is [associated](#) with postsecondary attainment across all demographics. This may be because FAFSA supports students by addressing the financial barrier that often makes postsecondary attainment seem out of reach. With this knowledge, some [states](#) have taken a close look at FAFSA completion as a targeted opportunity to reach attainment goals. [FAFSA completion challenges](#), [Universal FAFSA policies](#), and [FAFSA trackers](#) are a few of the ways states have engaged students in reaching attainment goals. However, with over 18 glitches and now delays in Better FAFSA data, FAFSA completion rates are at risk of a steep decline. In fact, according to data analyzed by the [National College Attainment Network](#), in February 2024, twenty six percent of high school seniors submitted their FAFSA, compared to the forty-three percent who submitted at the same time last year. However, lower FAFSA

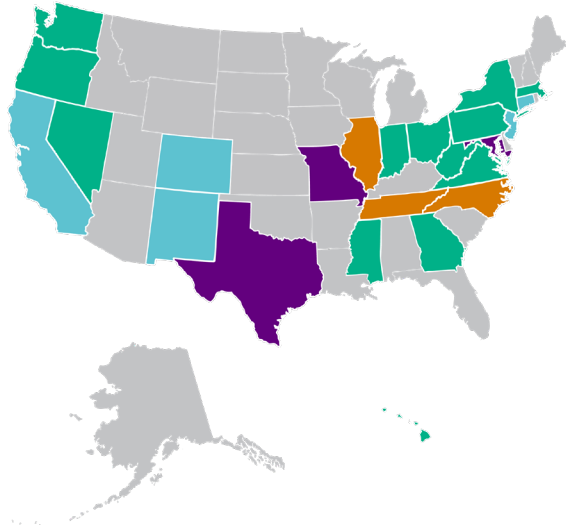
completion rates are just one of the implications for the delays in Better FAFSA for postsecondary attainment goal efforts.

- States with Universal FAFSA completion policies may see an increase in students who are unable to complete the FAFSA on time.
- Delays in data collection will result in difficulties in collecting accurate state-wide FAFSA completion rates.
- Delays in data collection can impact the ability to compare state FAFSA completion rates to those of other states.
- Students may be discouraged by FAFSA difficulties, combined with state aid completion deadlines, and choose not to apply to postsecondary education altogether.

Current State & Institutional Efforts to Address Better FAFSA Delay

Institutions in several states have rolled back their admission decision deadlines to provide students and institutions more time to make decisions. States like North Carolina, Tennessee, and Illinois have websites that clearly outline the steps to make sense of the delay and help students navigate the FAFSA application process (Figure 4). Furthermore, states such as New Jersey, California, Colorado, Connecticut, and New Mexico have addressed the financial aid needs of their undocumented students who may not receive aid through completing FAFSA (Figure 4). Finally, some institutions and states (like Texas) have created their own financial aid form to assist students in ensuring they at least get state or institutional aid (Figure 4).

Figure 4: Current State Efforts



- States or institutions that have created their own Financial Aid Form and deadlines
- States with Institutions that have rolled back their admissions deadline
- States that have outlined the FAFSA process clearly
- States that have created resources for undocumented students to receive financial aid

Considerations for State Policymakers

01. State aid programs and higher education institutions should adjust their FAFSA filing deadlines to ensure no student is penalized for late completion due to filing complications.
02. States with Universal FAFSA Completion legislation should provide adjustments to FAFSA graduation requirements.
03. Provide state agencies tasked with tracking postsecondary attainment goals guidance on how to integrate the new FAFSA data into their data processing system.
04. Institutions should adjust their decision deadline to provide students with more time to decide where they will attend.
05. Appropriate additional funds for more staff support at institutions with typically high Pell-Grant recipient rates.
06. Implement emergency state aid funds/grants for students who no longer qualify for financial aid or may have had difficulties navigating the new FAFSA form, resulting in improperly completed forms.