How has COVID-19 impacted FAFSA submissions?

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Abstract: COVID has led colleges to brace for potential enrollment declines in the Fall, which would devastate budgets and potentially decrease the likelihood a student ever earns a degree. We take an early look at California's FAFSA applications up through mid-June, to anticipate how students may be responding to this crisis. We find that COVID did not affect most of California's "traditional" high school graduates due to an early deadline for financial aid, which exists in a number of states. From early March to mid-June, FAFSA applications among freshmen declined 18%, relative to prior years. Although there were initial declines in applications among more experienced students, these quickly rebounded and are now 9% higher relative to prior years. The largest FAFSA increases occurred in counties that saw the most dramatic increases in Unemployment Insurance claims.

Introduction

COVID has upended the higher education system, requiring millions of students to shift into online classes and driving budget cuts that will impact every aspect of the university. Colleges are bracing for potential enrollment declines in the Fall, which would create two challenges (Jaschik, 2020). Declining enrollments will be devastating for college budgets, leading to deeper cuts to staff, services, or academic programs that serve students and enrich the college experience. Additionally, short-term decisions to stop out of college have historically had long-term negative implications for student well-being, decreasing the likelihood a student ever earns a degree and altering their employment outcomes (Charles, Hurst, & Notowidigdo, 2018; Scott-Clayton, 2015).

Although higher education is typically counter-cyclical, with a weakening economy leading to higher enrollment rates, there is nothing in recent history that prepares us for how students will react to a pandemic, particularly one that will potentially change students' mode of instruction and relationship to campus and faculty (Fitzpatrick & Turner, 2007). One short-term observation in this current crisis has been a drop in FAFSA submissions, with national applications declining as much as 4% year over year, before rebounding slightly in June (DeBaun, 2020). It is unclear if this decline implies that students are less interested in returning to school next year, or changing home and work circumstances temporarily prevented students from allocating time to complete this task.

We use data on California's FAFSA submissions – the key application required to access federal aid – to investigate early patterns in how school enrollment may look in Fall 2020. Overall we find a few key results:

- COVID did not affect most of California's "traditional" high school graduates, as the state's financial aid program has an early deadline that occurred prior to the pandemic.[1]
- Between mid-March and mid-April, the early moments of the pandemic, FAFSA submissions declined almost 20% relative to prior years during this same time period, but applications rebounded and fully recovered by early June.
- There are key differences in application rates by education level. Among freshmen – students who identify as a first year undergraduate that may or may not have prior postsecondary experience – application rates between mid-March and mid-June have dropped 18%, relative to the same time period in prior years. Students who self-identify as Sophomores or higher saw initial declines but are now 9% higher.
- In addition to differences by education level, regression analysis shows that 2020 applications are, relative to prior years, coming from students who are female, higher income, in higher income neighborhoods, and did not submit a FAFSA the prior year.

Data and Methods

We use data comprising individual-level records on the full population of California's FAFSA submissions, provided by the California Student Aid Commission. We use current data from the 2020-21 application cycle, and compare application patterns to prior submissions in 2017-18, 2018-19 and 2019-20. We restrict to students indicating California legal residence. We observe background characteristics such as dependency status, income, family size, and age. We also link

[1] The FAFSA suggests ten states have early deadlines that would have encouraged submission prior to the onset of COVID: CA, CT, ID, MD, MI, MO, MT, OR, TN, and TX.

each applicant's residential zip code to 5-year American Community Survey data, to identify neighborhood characteristics (income and poverty level, ethnic composition).

Most "traditional" high school students in California submit the FAFSA by March 2, which is the deadline for the Cal Grant, a state aid program; continuing students must also submit the FAFSA by that date to renew their aid. Students are given a one day grace period and so our analysis starts on March 4. The Cal Grant is for low- and middle-income students but in practice includes a substantial portion of postsecondary attendees; the number of new awards per year is roughly one-third the size of the state's high school graduating cohort, and covers approximately 60% of in-state freshmen postsecondary enrollment.

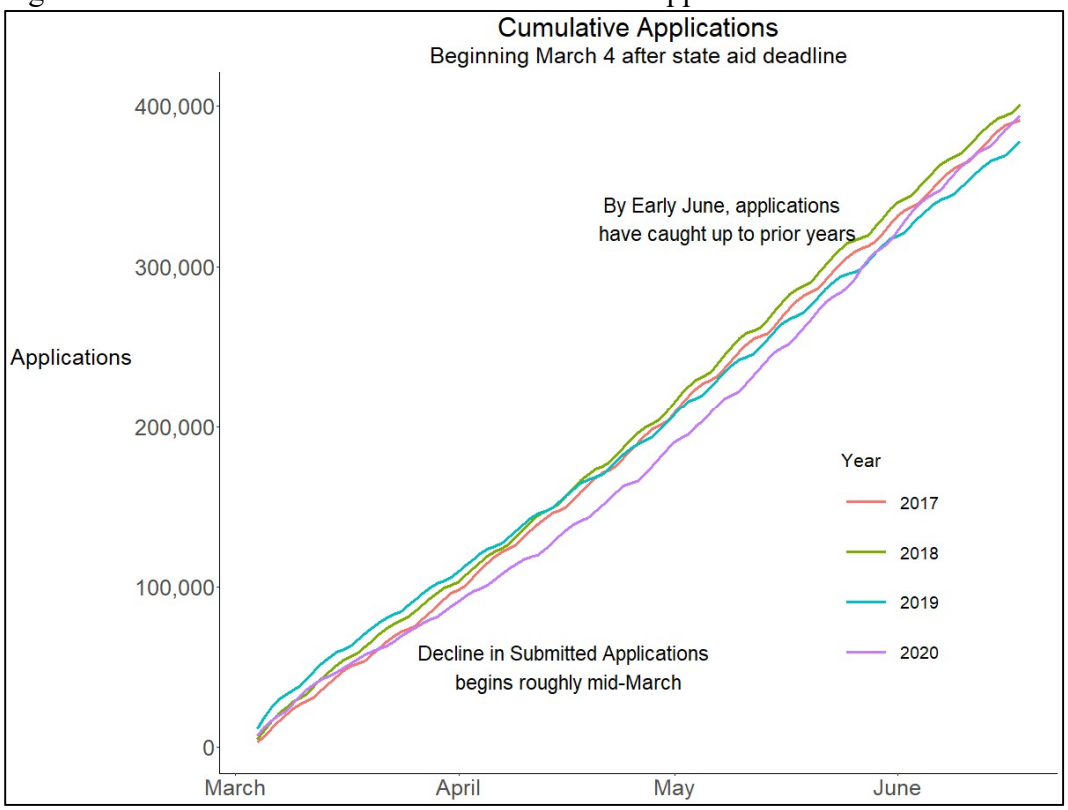
To examine the impact of COVID, we compare trends in 2020 FAFSA applications after the March deadline, relative to prior years. We also run linear regressions to examine differences in the types of applicants across years. In general, simple year to year comparisons are a flawed method for detecting differences between groups, as many factors might vary across years that can drive differences in application patterns. In this case we rely on two features that suggest our basic design can identify important COVID-driven changes: (1) the intense "shock" that appears dramatically in mid-March, as seen in school closures, declining mobility, and increases in UI applications; (2) California's FAFSA application patterns up to mid-March, including the period up to and the first ten days after the Cal Grant deadline, appear roughly similar to prior years. Together, these two features lend credence to these large changes being primarily driven by COVID related issues.

Results

Total Applications

Figure 1 shows a dramatic decline in FAFSA submissions beginning mid-March, just as COVID led to school and work closures, which then rebounded and attained normal levels by early June. Appendix Figure 1 shows that weekly FAFSA submissions were down roughly 10-20% per week for the first six weeks after the Cal Grant deadline, ran at average levels for the next three weeks, and have been roughly 10-20% higher over the last six weeks, with one large spike right after Memorial Day weekend.

Figure 1. Total FASFA submissions after state aid application deadline



Notes. Figure contains all FASFA forms submitted beginning March 4 of the given application year.

Given California's early deadline for state aid, most traditional high school students completed their applications prior to the onset of school closures or stay-at-home orders that might have reduced their ability to submit or altered their anticipated postsecondary plans. Appendix Figure 2 shows total applications through March 2 for 2017 through 2020, and suggests that there was little variation in year-to-year application rates; descriptive statistics (not shown) also point to little differences across cohorts.[2]

Differences by Subgroups

These overall results hide substantial differences in FASFA patterns by education level. We disaggregate students based on response to the question "What will your college grade level be when you begin the 2020-2021 school year?" This question (shown in Appendix Figure 3) has eight choices. Table 1 shows large declines in total applications among freshmen, defined as students who self-report they are first-year undergraduates; for students with no prior college experience total applications are down 28% in the period between March 4 and June 18, and for those with some prior experience applications are down 9%. In contrast, total applications have risen for all other groups, with the largest percent increase among students at the graduate level.

[2] California issued a state of emergency on March 4 and a stay-at-home order on March 19. In general we find that people reduced mobility around March 8 (Google community mobility reports), K-12 school closures began March 16 (Johnson, 2020), and unemployment claims spiked on March 22 (indicating the week prior). Although there are some differences in prior years in the levels of FAFSA submissions up to March 2, the general pattern of submissions is similar over time and does not indicate any changes in the trajectory of applications as is observed in Figure 1.

Results comparing across all four years are shown in Appendix Figure 4 (daily applications) or Appendix Figure 5 (total differences across years).

Table 1. Change in FAFSA applications from March 4 through June 18, by education level

Student Education Level	2020 FAFSA applications	Average applications per year (2017 to 2019)	Difference	Percent Change
Never attended college and 1st year undergraduate	56,640	72,955	-16,315	-28.8%
Attended college before and 1st year undergraduate	67,564	73,642	-6,078	-9.0%
2nd year undergraduate/sophomore	69,609	66,057	3,552	5.1%
3rd year undergraduate/junior	63,269	57,593	5,676	9.0%
4th year undergraduate/senior	36,981	32,442	4,539	12.3%
5th year/other undergraduate	25,413	21,603	3,810	15.0%
1st year college graduate/professional (MBA, MD, PhD, etc.)	30,496	23,712	6,784	22.2%
Continuing graduate/professional or beyond (MBA, MD, PhD, etc.)	43,929	41,932	1,997	4.5%

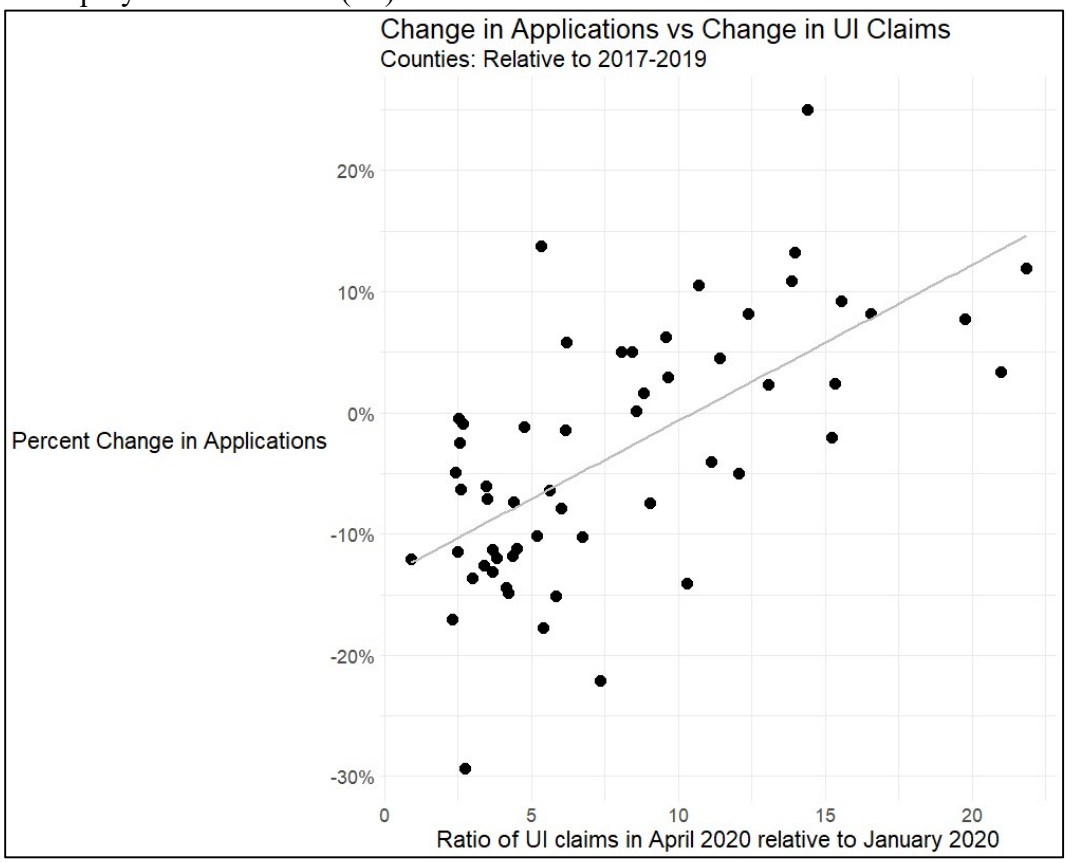
Appendix Table 1 shows results from linear regression models that examine differences in student background characteristics between 2020 and prior years; column 1 shows results for the full sample, and columns 2 and 3 disaggregate by freshmen and non-freshmen, respectively. In addition to differences by education level, the regressions point to 2020 applications coming from students who are, on average: female, dependents, higher income, living in higher income neighborhoods, and less likely to have submitted a FASFA the prior year. Although we find statistically significant differences by the percent of the zip code that is white or Hispanic, these estimates are small – being in a 100% white neighborhood, relative to 0%, is associated with a 0.2 percentage point decline in likelihood of submitting in 2020 – and often null when using less parametric functional forms.

Differences by COVID regions

We find that the change in total applications is positively correlated with changes in the economic conditions of the resident county (Figure 2, $r = 0.42$, n=56). For each individual we identify their county of residence and then estimate the percent change in total initial UI claims between January 2020 and April 2020.[3] This measure of economic severity predicts the total rise or fall in FAFSA applications, with counties that indicate a higher rise in UI claims also exhibiting a higher rise in FAFSA applications. Appendix Figure 6 shows percent change by terciles; counties with the lowest relative rise in UI claims saw a 11% reduction in applications, those in the middle tercile saw a 5% reduction, and those in the highest saw a 5% increase.

[3] UI claims from https://www.edd.ca.gov/About_EDD/Quick_Statistics_Information_by_County.htm. We exclude two counties that average fewer than 20 FAFSA applications per year, and results remains consistent when conditioned on larger counties which average 1000 or more applications (r =0.45, n = 36).

Figure 2. Change in FAFSA applications during the period of March 4 to June 18 relative to prior years, and its relationship to changes in county-level Unemployment Insurance (UI) claims



Notes: This chart uses data from 56 counties and identifies a correlation coefficient of 0.42. We removed Alpine and Sierra Counties due to few FAFSA applications.

Conclusion

Using California's FAFSA applications through June 18, we find a decline in freshmen applications and a rise in applications among more educated and higher-income students. The largest percentage increase in applications was among students who identify at the graduate school level. The economic severity of COVID is a predictor of where in the state students are more interested in returning to college.

References

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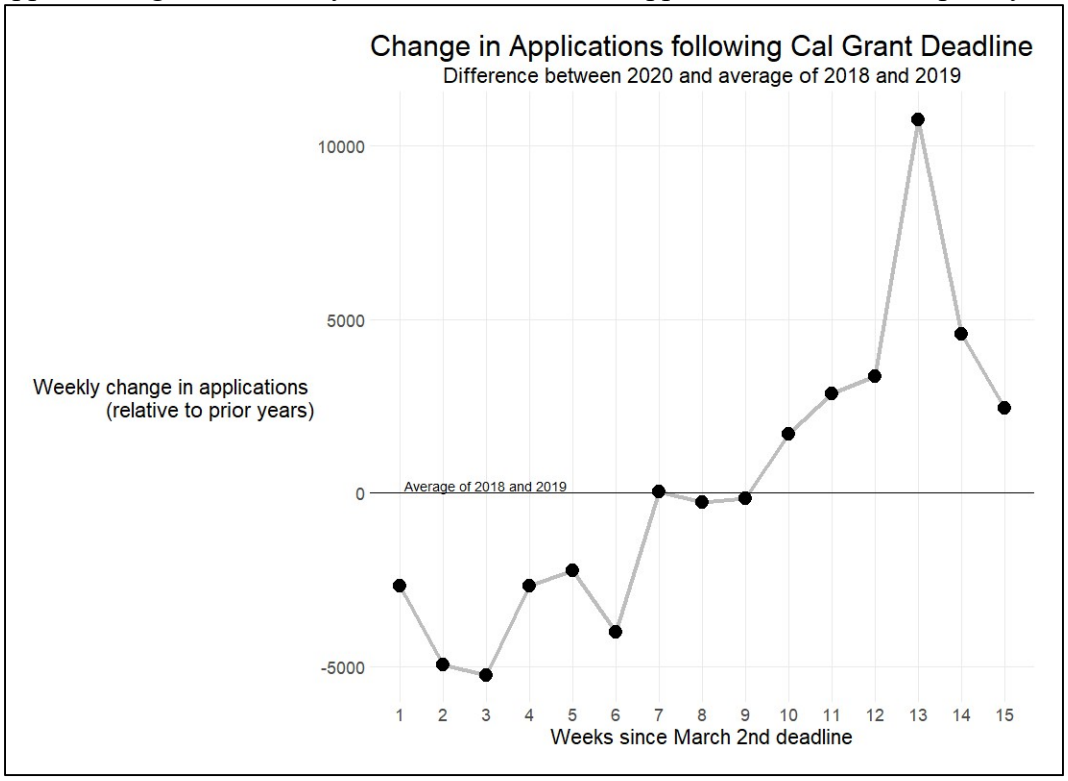
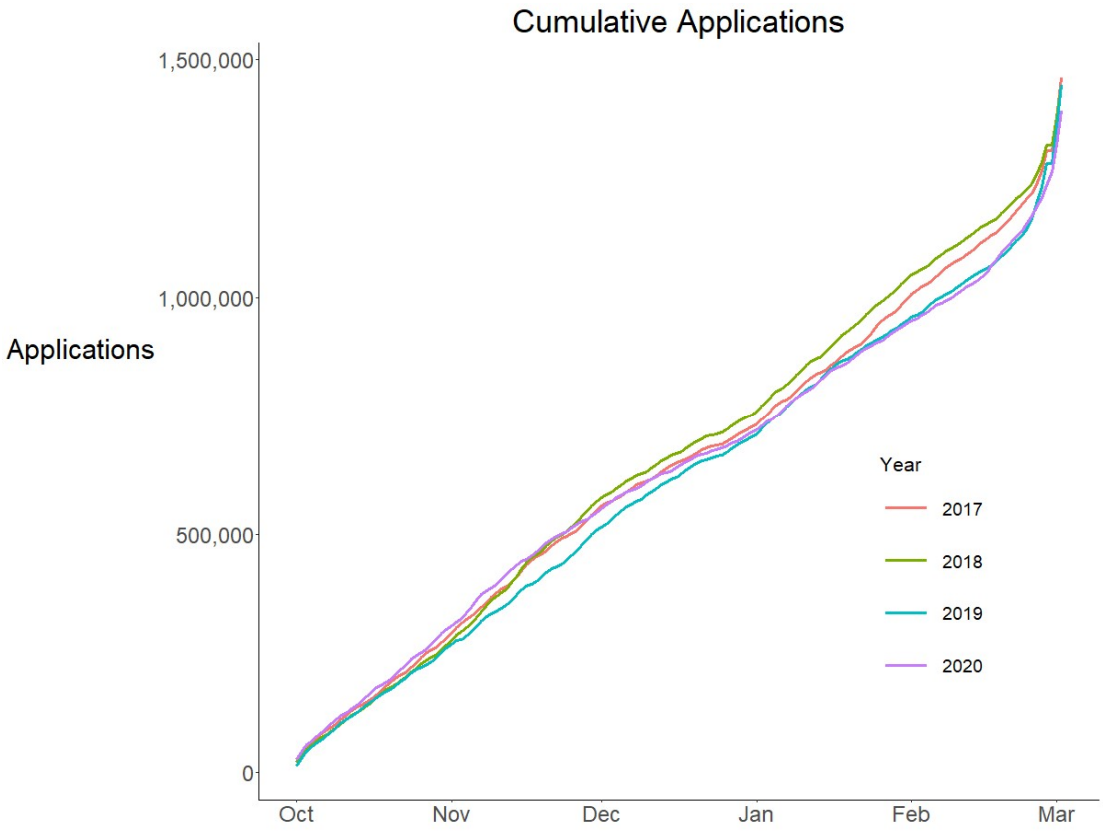
APPENDICES

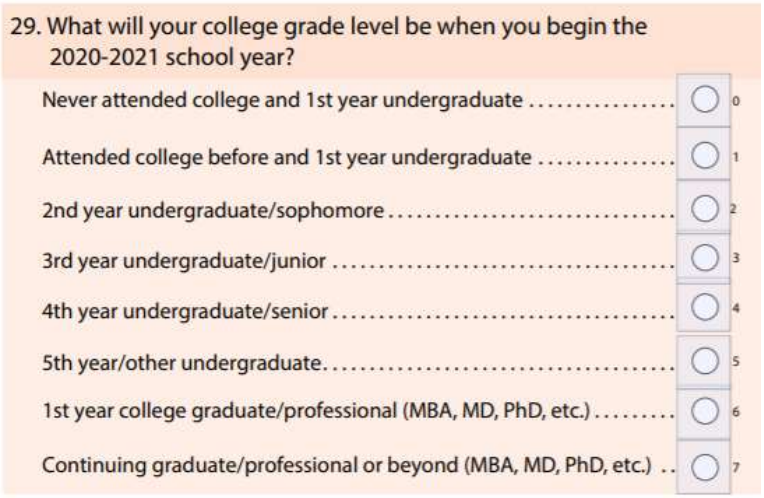
Appendix Figure 1. Weekly difference in FAFSA applications, relative to prior years



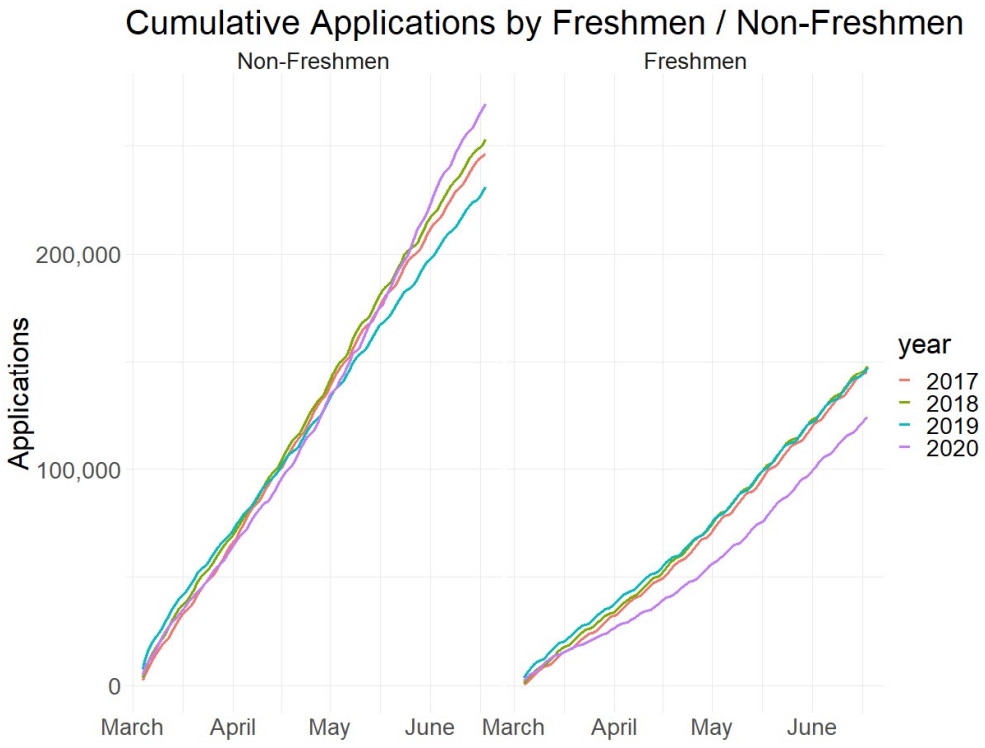
Appendix Figure 2. Total FASFA applications through March 2 Cal Grant deadline



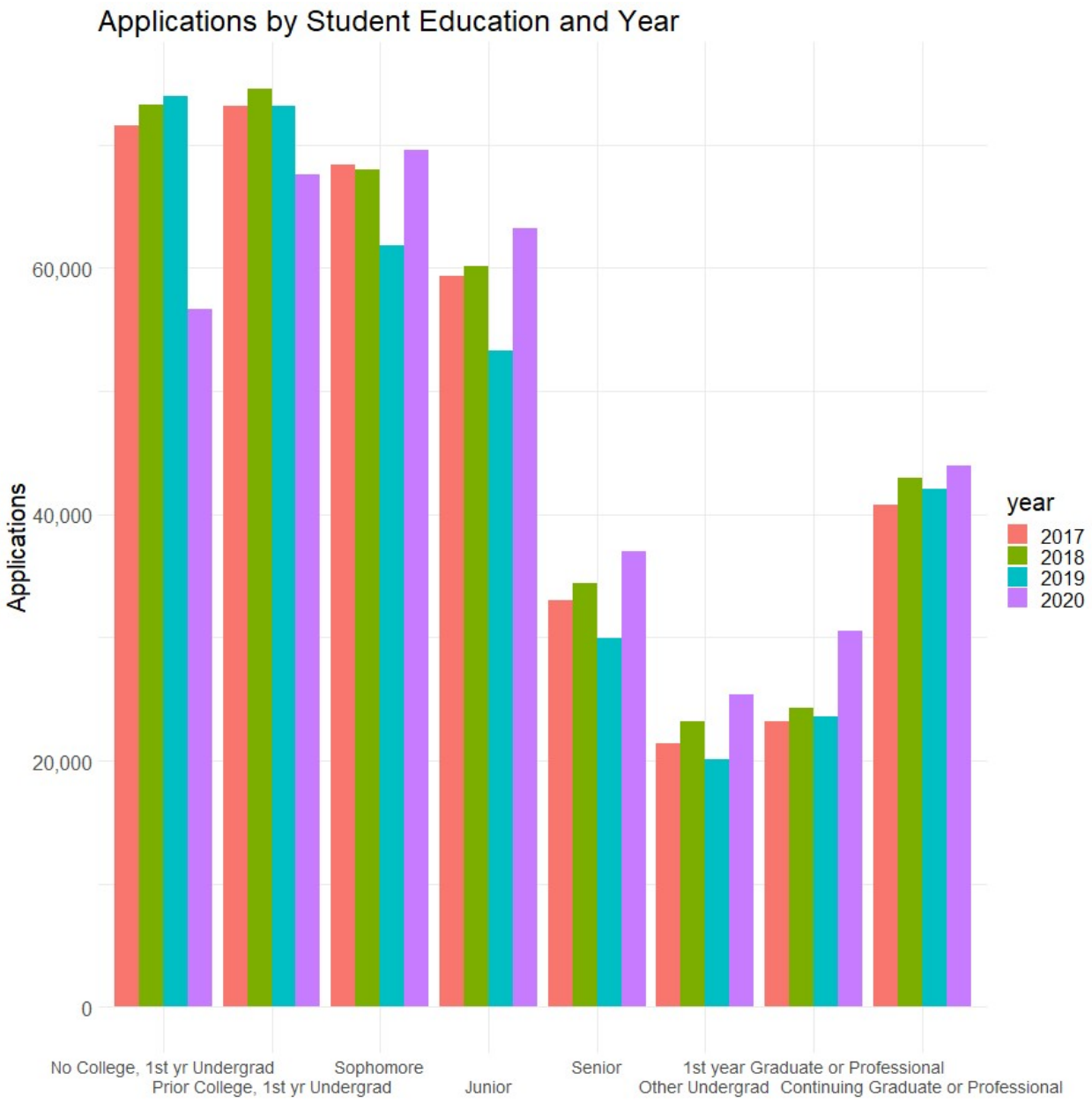
Appendix Figure 3. FAFSA question on student educational level



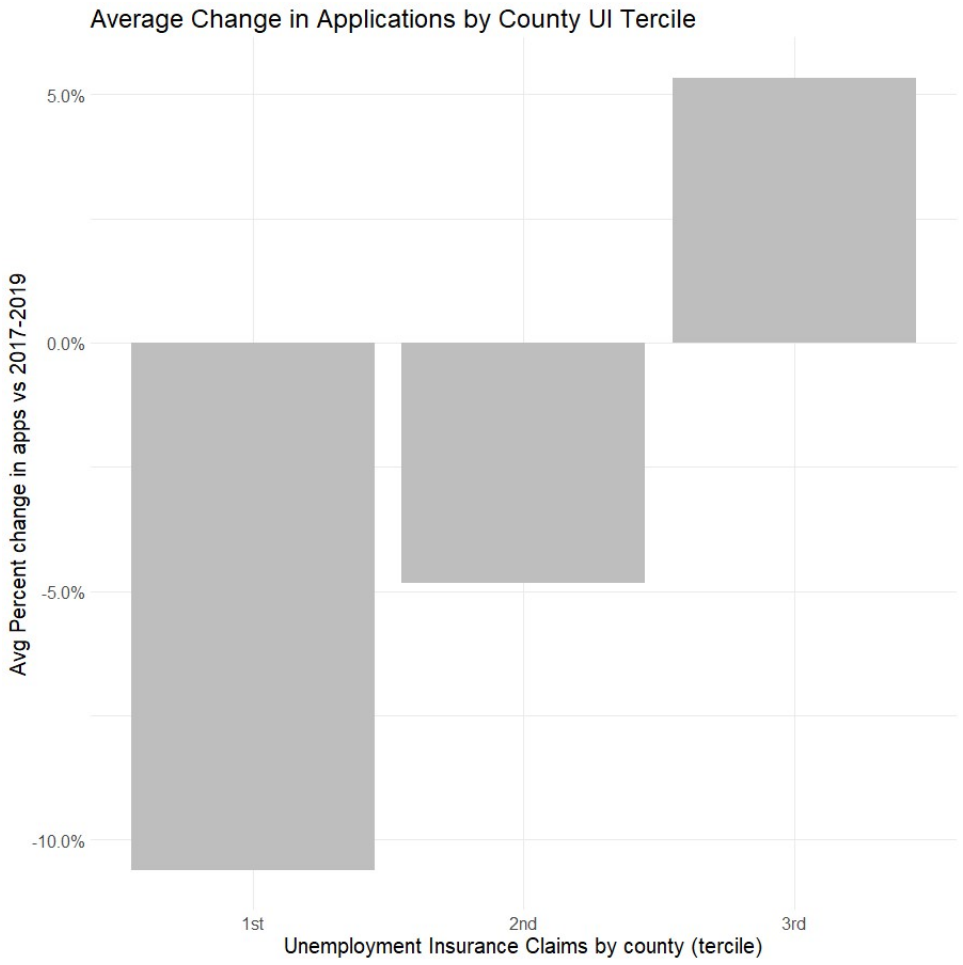
Appendix Figure 4. Total FASFA applications after March 2 Cal Grant deadline, by education level



Appendix Figure 5. Change in total applications by self-reported education level



Appendix Figure 6. Change in applications by severity of change in UI applications



Appendix Table 1. Regression estimates highlighting associations between characteristics of FAFSA submissions in 2020, relative to prior years

	Average value in 2018 and 2019 cohorts	All students	Freshmen	Non-freshmen
N		998,186	338,643	659,543
Zip-code median income (log)	11.11	0.018**	0.030**	0.011**
		(0.002)	(0.003)	(0.002)
Individual income (log)	8.81	0.006**	0.007**	0.005**
		(0.000)	(0.000)	(0.000)
Freshmen	0.38	-0.057**		
		-(0.001)		
Female	0.60	0.020**	0.031**	0.014**
		(0.001)	(0.002)	(0.001)
Age	27.30	0.001**	0.002**	0.00004
		(0.000)	(0.000)	-(0.0001)
Neighborhood: % white	35.89	-0.0002**	-0.0002**	-0.0002**
		(0.0000)	-(0.0001)	(0.0000)
Neighborhood: % Hispanic	40.98	-0.0002**	-0.0002**	-0.0002**
		(0.0000)	-(0.0001)	(0.0000)
Independent	0.66	-0.028**	-0.001	-0.044**
		(0.002)	(0.003)	(0.002)
Submitted FASFA prior year	0.67	-0.044**	-0.076**	-0.026**
		(0.001)	(0.002)	(0.001)

Note: *p<0.05; **p<0.01. Regression also controls for family size and marital status.