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New Paper Finds FAFSA Verification Costs Have Outsized Impact on Public Institutions, Particularly Community Colleges

By Owen Daugherty, NASFAA Staff Reporter

(mailto:news@nasfaa.org)The FAFSA verification process is unnecessarily burdensome and the costs associated with it disproportionately fall on public institutions, particularly community colleges, according to a new working paper.

Notably, the working paper (https://www.edworkingpapers.com/sites/default/files/ai20-278.pdf) authored by Alberto Guzman-Alvarez, a Ph.D. student at the University of Pittsburgh, and Lindsay Page, an assistant professor of education and a research scientist at the University of Pittsburgh, estimated that community colleges spend 22% of their financial aid office operating budget administrating verifications, since the cost of verification falls on the institution and not the Department of Education (ED).

Using publicly available Integrated Postsecondary Education Data System (IPEDS) data from 2014, the authors estimated annual compliance costs totaled nearly $500 million overall for higher education institutions. Roughly 15% of a public four-year institution's financial aid office's operating budget is devoted to verification procedures, compared to 1% for private four-year institutions.

With the rates of FAFSA verification on the rise in recent years — before taking into account the impact of the ongoing pandemic on students' and families' finances — the new research is timely as it provides figures on the real cost associated with verification.

The findings are also particularly salient due to the fact that community colleges enroll about 42% of all undergraduates "and they disproportionately serve the least well-resourced students who, as a result, most need financial aid to support their access to higher education."

Previous research has called for greater transparency from ED on its verification selection criteria, as Pell Grant-eligible FAFSA filers are flagged for verification at six times the rate of non-Pell Grant-eligible filers. However, as the new paper noted, the vast majority of students selected for verification experience no change in the federal aid for which they were eligible.

A NASFAA paper published in 2018 (/uploads/documents/verification_one_pager.pdf) found that on average, 84% of applications that were verified resulted in either no change to a student's expected family contribution (EFC) or a change so small that it did not result in a change to the student's Pell Grant award.

Furthermore, the paper also found that 91% of applications flagged for verification at two-year public institutions had either no change to their EFC, or an EFC change that was insignificant enough that it had no impact on the student's Pell Grant award.

As such, the authors of the new paper state that "verification serves as a potentially unnecessary hurdle to college matriculation and success, especially for lower income and historically marginalized students."

The paper found that verification costs fall more on public institutions, with two-year public institutions spending an estimated $225 million each year and four-year public institutions spending $189 million. The four-year private sector faces a considerably lower compliance cost burden at roughly $67 million.

Instead of basing their analysis on the institution's enrollment, the author's used data from NASFAA's 2015 Administrative Burden Survey (http://www.nasfaa.org/uploads/documents/ektron/f5fdae89-a23f-4572-9724-15e5a9f614d2/0d73bf4cd48a43a6a9414b6ec1a6ab9d2.pdf) for estimates of average financial aid office operating budgets.

Community colleges on average spend $224,000 annually, or 22% of their aid office budget on verification, which equates to approximately three full-time staff dedicated to processing verifications, the new study found.

Furthermore, the NASFAA survey the paper cites found that as a result of the increased burden caused by verification, financial aid offices have been stretched thin and reported feeling that other services they offer to students were less readily available.

The paper also looks at verification expenses as a portion of total student services expenditures, which include all operating expenses associated with student services, inclusive of financial aid.

"These results tell a similar story," the authors noted. They found the average four-year public institution devotes 1.5% of its student services budget to the verification process, compared to 0.5% at the typical four-year private institution.

Community colleges on average spend about 4% of student services budgets on verification, a rate eight times higher than for private, four-year institutions, according to the paper.

With the nearly $500 million price tag associated with verification and evidence showing the process does not necessarily prevent the misappropriation of federal aid, the authors question whether the perceived rewards of the process outweigh the risks, again pointing to the fact that evidence has shown the vast majority of students selected for verification experienced no change in their financial aid package.

"The verification mandate deserves further scrutiny given that it places a disproportionate burden on institutions serving the neediest students and especially as more students with financially precarious circumstances may seek postsecondary education during a period of global recession," the authors concluded.

Publication Date: 8/25/2020

Jacob B | 8/28/2020 3:28:06 PM

It appears that many of our students get selected year after year as well. That comes across as administratively oppressive and a not a little mistrustful.

David S | 8/26/2020 10:10:36 AM

Oh, and verification is yet another reason why a one-time-only FAFSA makes sense.

David S | 8/26/2020 10:7:07 AM

Compare the percentage of aid applicants selected for verification (typically about 30%) to the percentage of tax filers who are audited, which is typically about 1%...even though estimates are that the US Treasury (so not even counting states) loses more than $400 billion (with a B) annually to tax cheats. Yet another example of poor people, and disproportionally, people of color, being treated as suspected thieves, while the affluent can cheat with impunity.

Amanda C | 8/25/2020 3:40:29 PM

I agree, James C. The students that are selected year after year feel targeted and it creates extra work on our offices.

James C | 8/25/2020 9:58:11 AM

That makes sense since the Department correctly focuses on Pell recipients. Verification could be cut down if the logic behind who is selected would weed out fafsa filer who were selected in the prior year who had a 0 EFC and continued with a 0 EFC after verification. Those filers should not be selected in subsequent years.

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