INDIANA COMMISSION for HIGHER EDUCATION

Frank O'Bannon Awarding Model and Methodology

Summary

The Frank O'Bannon Grant is Indiana's primary need-based, student financial aid program designed to provide access and choice for low- and middle-income students to attend eligible postsecondary institutions in Indiana. Recipients of the award must demonstrate financial need each award year, as well as complete minimum credit requirements to remain eligible. Additionally, recipients meet Satisfactory Academic Progress (SAP) requirements as determined by their institution. Between 32,000 and 35,000 students receive the Frank O'Bannon Grant each year, with about 75% of recipients attending an Indiana public institution with an average award amount of around $5,000.

Indiana Code (IC-21-12-1.7) outlines the following requirements the Indiana Commission for Higher Education (Commission) must meet in generating an annual schedule of awards for the Higher Education Award and the Freedom of Choice Award, collectively known as the Frank O'Bannon Grant.

- Amounts must be determined based on the federal needs analysis as determined by the Free Application for Federal Student Aid (FAFSA); and
- Amounts must be determined separately for recipients attending
    - Public state educational institutions (except Ivy Tech)
    - Ivy Tech Community College
    - Nonprofit private institutions operating in the state
    - Proprietary institutions with credit-bearing programs operating in the state; and
- Amounts must offer a larger award to first-time and prior recipients who complete at least 30 credit hours during the previous academic year, or credits "banked" (such as dual credit, AP, etc.); and
- Amounts for recipients attending public state educational institutions (except Ivy Tech) must be equal to 50% of the amount for recipients attending nonprofit institutions.

Beginning with FY26, as a result of the 2025 Budget Bill, funds remaining in the Higher Education Award and Freedom of Choice Award must revert back to their respective legal funds. In addition, historic fund balances carried forward in both funds were also reverted.

In alignment with these requirements and new fiscal constraints, the Commission utilized two independent models in the development of its annual award schedules to ensure spending fell below the annual appropriation of $167 million (between both funds). Additionally, these models function as fiscal monitoring tools, enabling the Commission to track data changes and ensure that projected spending remains within the annual appropriation.

	Projected Total Spend

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Frank O'Bannon Grant	FY 2026	FY 2027
	$156,000,000	$157,000,000

The above projections are the Commission's best estimates as of January 5, 2026, and are subject to change, based on updated information on FAFSA filing rates, enrollment, federal changes to the needs analysis formula, and/or state financial aid utilization patterns.

Overview of Models

The Commission employs two distinct forecasting models – the FAFSA model and the Claims model – to support the administration of the Frank O'Bannon Grant. These models guide the development of the annual schedule of awards and act as fiscal monitoring to ensure spending stays within the appropriation.

	FAFSA Model	Claims Model
Purpose	Predict future student financial need and enrollment behavior to develop an annual award schedule with the goal of maximizing the appropriation without overspending	Act as a fiscal control/check once institutions begin submitting Frank O'Bannon Grant claims to ensure current award schedule will contain spend within the appropriation
Data	Historical FAFSA filing data through state priority deadline and historical Frank O'Bannon Grant utilization patterns	Actual payment claims submitted to ScholarTrack through October by institution type and award amount
Timing	Data available prior to beginning of FY	Data available after first quarter of FY
Results	Allows for future spend projections but due to complexity and variability of data, model produces a wider range of spending estimates	Cannot predict future spend but because it is based on same-year data, model produces a tighter range of spending estimates

<u>FAFSA Model</u>

This model was developed to utilize historical FAFSA filing data by the state's priority deadline and historical Frank O'Bannon Grant utilization across institutions to generate an estimated fiscal impact of a proposed award schedule matrix.

- This model incorporates actual 2025-2026 FAFSA filing data (count of completed FAFSAs by Student Aid Index (SAI) need category or "bucket") through the priority deadline and relies on FY25 Frank O'Bannon Grant utilization patterns (on-time vs. full-time; private, public, proprietary or Ivy Tech).

- Using this data, the model allows input adjustments to the anticipated FAFSA count by the priority deadline and key components of the Frank O'Bannon Grant Award Schedule (base/maximum award amount, SAI cutoff) to generate scenarios forecasting total spend.

In October 2025, the Commission released its draft 2026-2027 Frank O'Bannon Grant Award Schedule based on the results of this model. This schedule was approved by the State Budget Committee on December 18, 2025, and will guide institutions in developing financial aid award packages for both prospective and current students.

Claims Model

This model was developed to utilize institutionally submitted fall Frank O'Bannon Grant claims data through October to project total fiscal year spend. As a result of this projection, the Commission can assess whether mid-year changes are required to the current schedule of awards to remain within the appropriation. The Commission uses it to inform the development of the following year's schedule of awards matrix in the FAFSA model.

- This model incorporates data for the last 8 fiscal years, calculating the cumulative total in Frank O'Bannon Grant claims paid by month, by fiscal year, and by institution.
- Using historical patterns of total fiscal year percent spent by December 1, the model forecasts an estimated spend for the current fiscal year, including lower and upper bound estimates for risk analysis.

Model Results

Fiscal Year 2026 Projection

Based on the approved 2025-2026 award schedule, both the FAFSA model and Claims model forecast a total spend of approximately $160 million, with spend coming in about $7.6 million under appropriation.

- The **FAFSA model** for fiscal year 2026 is based on the actual FAFSAs submitted by the state's priority deadline (213,600). The FAFSA model estimates the total Frank O'Bannon Grant expenditure to be $159 million with a 90% likelihood of being between $130.7 million and $176.8 million. This model shows an 84% chance of expenditures ending at or below the appropriation.
- The **Claims mode**l is based on total claims paid as of December 1, 2025 (totaling $75 million). The Claims model estimates the total Frank O'Bannon Grant expenditure to be $156.4 million with a 90% likelihood of being between $149.4 million and $164.9 million. This model shows over a 95% probability of total spending occurring at or below the appropriation.

FAFSA Model Initial Projection	Claims Model Revised Projection	Appropriation

$159,500,000	$156,400,000	$167,700,000

Fiscal Year 2027 Projection

Based on the approved 2026-2027 award schedule, the FAFSA model currently projects a total spend of approximately $157 million, with spend coming in about $10.6 million under appropriation. This model projects a 1% increase in spend for every 2,150 additional FAFSAs received by the priority deadline.

- The FAFSA model for fiscal year 2027 is based on a forecasted total of 215,000 FAFSAs submitted by the priority deadline. The FAFSA model estimates the total Frank O'Bannon expenditure to be $157 million with a 90% likelihood of being between $121.9 million and $185.5 million. This model shows a 75% chance of expenditures ending at or below the appropriation.

FAFSA Model Initial Projection	Claims Model Revised Projection	Appropriation
$157,050,000	Available Nov 2026	$167,700,000

Based on this information, the 2026-2027 schedule of awards is expected to keep spending within the appropriation up to a total of 229,000 FAFSAs received by the priority deadline (which would represent a 7.3% increase from actual FAFSA filings by priority deadline in 2025-2026).

FAFSA Model Methodology Detail

To support planning and policy decisions for the Frank O'Bannon Grant, a FAFSA model was developed to forecast total program expenditures for fiscal years 2026 and 2027. In addition to projecting expenditures based on FAFSA filing patterns and award eligibility, the model also evaluates whether the current schedule of awards remains appropriate given anticipated demand.

FAFSA Applications

The FAFSA model for fiscal year 2026 is based on the actual FAFSAs submitted by the priority deadline, 213,600. For fiscal year 2027, the FAFSA model uses an estimated FAFSA filing volume of 215,000, closely reflecting the final number submitted by the priority deadline historically. Current trends and available data do not suggest a need to revise this estimate.

Federal Needs Analysis Formula

A key change for the 2025-2026 FAFSA year was the federal correction to the SAI formula, preventing a dependent student's income contribution from falling below zero (under the 2024-2025 SAI formula, the floor was -1500). This formula adjustment resulted in a sizeable shift of dependent students from the

highest need bucket on the award schedule (-1500 SAI) to a lower need bucket on the award schedule, thus lowering projected costs (see Figure 1 below).

SAI Bucket	2024 - 2025 FAFSA Year	2025 - 2026 FAFSA Year
-1,500	43.9%	40.9%
-1,499 to -1,000	1.5%	1.6%
-999 to -500	1.5%	1.5%
-499 to 0	3.4%	5.5%
1 to 500	0.9%	0.5%
501 to 1000	1.0%	0.6%
1001 to 2000	2.8%	2.2%
2001 to 3000	2.4%	2.2%
3001 to 4000	2.2%	2.4%
4001 to 5000	2.1%	2.3%
5001 to 6000	1.9%	2.1%
6001 to 7000	1.7%	1.8%
> 7,000	34.8%	36.6%

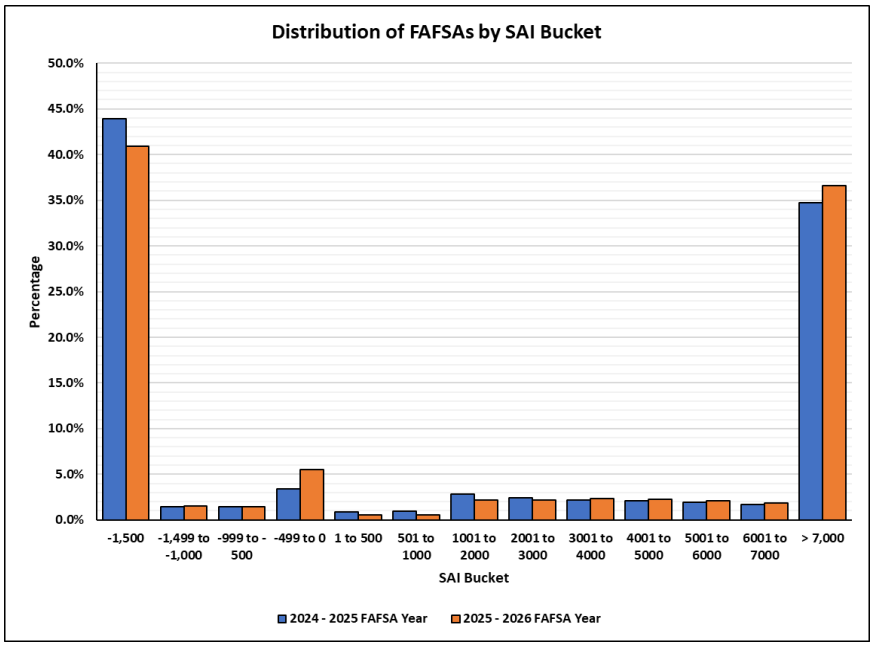

Figure 2: SAI Distribution 2024-2025 and 2025-2026 FAFSA Years

As a result, the FAFSA model was adjusted in 2025 to use the SAI distribution patterns reflected in the 2025-2026 FAFSA year rather than the SAI distribution patterns from 2024-2025.

The 2026-2027 federal needs analysis formula will reinstate the exemption of family farm and small business assets, as well as incorporate foreign income into available income. There is currently no way to assess the volume of FAFSA applications impacted by this impending formula change. However, the Commission anticipates a negligible fiscal impact for the Frank O'Bannon Grant.

Historical Utilization of the Frank O'Bannon Grant

After establishing the SAI distribution pattern, the model applies conditional probabilities, based on 2025-2026 FAFSA data, to estimate how students in each SAI range are likely to distribute across:

- Institution type (private, public, proprietary or Ivy Tech)
- On-time or full-time enrollment status
- Frank O'Bannon Grant award receipt status

This allows the model to simulate the full population of FAFSA filers and apply the current award schedule to estimate total expenditures.

Limitations

- Relies on historical student behavior, which may not fully reflect future changes in enrollment or award patterns
- Does not account for shifts in the population of FAFSA filers, which could affect award distribution
- Highly sensitive to the total number of FAFSAs filed by the priority deadline
- Highly sensitive to changes made to the federal needs analysis formula (SAI)
- Not directly comparable to the Claims model due to differences in methodology

Claims Model Methodology Detail

The Frank O'Bannon Grant Claims model uses historic monthly year-to-date invoice data along with current year-to-date invoice data to estimate the end-of-year total spend. This model tracks payments in real-time as the fiscal year progresses.

Methodology

The model first calculates the cumulative total payments by month for fiscal years 2018 to 2025 and converts the cumulative payments into a percentage of the total payments expected by the end of the fiscal year. Payments are most likely to occur on Wednesdays (36.8% chance) each week. Using this information, the model determines the average monthly percentage across fiscal years with a similar cumulative number of Wednesdays. The model then divides the monthly year-to-date payments for the current fiscal year (FY2026) by the historic average percentages to get an end-of-year estimate. The model then uses historic claims data to determine monthly credibility intervals for the end-of-year estimate using the same method as above.

Historical Claims Data

An analysis of historical claims data shows significant differences in claims volume between July through September, depending on the fiscal year. As such, the model varies significantly through the end of September using actual claims data. However, the model stabilizes between October and November after the bulk of fall claims are reported.

Limitations

- Relies on real-time data to function and cannot forecast into future fiscal years
- Highly sensitive to the number of claims submitted from July 1 to October 31
- Not directly comparable to the FAFSA model due to differences in methodology

Last updated 1/5/2026

Appendix

2026-2027 FRANK O'BANNON GRANT

The Frank O'Bannon Grant is made up of two awards, the Higher Education Award (IC 21-12-3) and the Freedom of Choice Grant (IC 21-12-4). It is Indiana's primary need-based financial aid program. Eligibility is determined by a student's Free Application for Federal Student Aid (FAFSA) and the Federal Student Aid Index (SAI), a calculation of the level of need a student may have based on their and their family's income and assets (IC 21-12-1.7-3(a)). Award amounts must be determined separately for public, private, proprietary, and Ivy Tech Community College (IC 21-12-1.7-3(a)), but awards for recipients attending approved public state educational institutions (except Ivy Tech Community College) must be equal to fifty percent of the awards for students attending a private institution (IC 21-12-1.7-3(d)).

BASE AWARD	2026-2027 Federal Student Aid Index (SAI)												
INSTITUTION TYPE		**-1500**	**-1499 to -1000**	**-999 to -500**	**-499 to 0**	**1 to 500**	**501 to 1000**	**1001 to 2000**	**2001 to 3000**	**3001 to 4000**	**4001 to 5000**	**5001 to 6000**	**6001 to 7000**
Private	**On-Time**	$10,600	$9,700	$8,800	$7,900	$7,000	$6,100	$5,200	$4,300	$3,400	$2,500	$1,600	$700
	Full-Time	$7,700	$6,800	$5,900	$5,000	$4,100	$3,200	$2,300	$1,400	$500	$0	$0	$0
Public	**On-Time**	$5,300	$4,850	$4,400	$3,950	$3,500	$3,050	$2,600	$2,150	$1,700	$0	$0	$0
	Full-Time	$3,850	$3,400	$2,950	$2,500	$2,050	$1,600	$1,150	$700	$0	$0	$0	$0
Proprietary or Ivy Tech	**On-Time**	$4,050	$3,550	$3,050	$2,550	$2,050	$1,550	$1,050	$0	$0	$0	$0	$0
	Full-Time	$2,900	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0	$0

- Students in their **first award year** will receive the **on-time** award amount (IC 21-12-1.7-3(b)).
- To renew an **on-time award**, students must complete at least **30 credit hours*** during their 12-month award year (IC 21-12-1.7-3(b)).
- Students failing to complete **30 credit hours*** during their 12-month award year, but completing at least **24 credit hours***, may receive a **full-time amount** (IC-21-12-3-9(6)).
- Hours earned in excess of **30 credit hours*** during an award year may be counted toward future credit completion requirements. Students may also use international baccalaureate, advanced placement, or dual credit hours to meet credit completion requirements (IC-21-12-1.7-3(c)).

** or the equivalent*

2026-2027 Schedule of Awards available at https://www.in.gov/che/files/2026-2027-Frank-OBannon-Grant-Approved.pdf