

University of California’s budget includes \$18.5 million in basic needs funding for food and housing security, rapid rehousing, and mental health. Starting in 2022-23, the University’s budget also includes \$45 million (\$15 million each) to support foster youth, undocumented students, and carceral system-impacted student services. The Office of the President assumes that most of this funding will be used for programmatic support, although it can be used to provide direct support to students.

Direct support to students may constitute financial aid that will need to be coordinated with the recipient’s other financial aid. Both basic needs and student services must consult with the financial aid director (for undergraduates) and graduate or professional school financial aid director (for graduate/professional students) before offering direct financial support to students.

These guidelines form the framework for funding sources to work in tandem to support UC students, informed by federal and state student aid regulations and campus practices, while keeping students’ best interest at the forefront. They are meant to provide guidance to UC financial aid professionals as well as provide background for basic needs and student service professionals across UC. These guidelines are subject to revision as financial aid evolves.

UC students come with varied backgrounds, resources, and experiences and seek support in various ways and spaces. Students look to the campus Basic Needs Center, Financial Aid and Scholarship Office, and student affiliation centers to assist them with unique financial situations. All programs are important and must work together to ensure the protection of and access to essential services for all students, such as nutritious and sufficient food; safe, secure, and adequate housing; accessible and equitable health care, technology, etc.

Undergraduate Student Financial Aid Basics

Two relevant frameworks in financial aid inform this guidance.

Federal “Financial Need” Framework

The basic formula that governs financial aid eligibility for anyone that is receiving federal aid is below:

$$\text{Cost of Attendance} - \text{Student Aid Index}^1 = \text{Financial Need}$$

Students receiving federal financial aid cannot receive more gift aid (e.g., grants, scholarships) or other need-based financial aid (e.g., subsidized Direct Loans, work-study) than their financial need.² Nor can students receive more total financial aid, including non-need-based loans, than the total cost of attendance.

¹ Student Aid Index is the revised moniker, replacing Expected Family Contribution, effective 2024-25 as part of the 2019 FAFSA Simplification Act.

² The State of California uses a similar framework for Cal Grants, so undocumented students who may qualify for State support are also subject to this framework.

- **The Cost of Attendance (COA)** or student expense budget includes the following components: UC Tuition & Fees, Housing and Meals, Books & Supplies, Transportation, and Personal Expenses. The COA can only include expenses for periods of enrollment and may not include, for example, expenses for a summer session before a student enrolls.

UC sets its cost of attendance using a combination of administrative data for direct charges to students (i.e., tuition) and survey data for indirect costs (i.e., food). Like most colleges and universities, UC sets three budgets based on average expenses for those living at home, those living in university housing, and those living off campus/private housing. If a student has additional expenses in excess of this standardized budget, such as child-care, medical expenses, etc., they may request a COA budget adjustment by providing supporting documentation. This provides an opportunity to address aid and support on a case by case basis when increased adjustments are justifiable and needed. These budget adjustments also address more permanent financial changes.

This combination of these costs represents the upper limit of need-based financial aid a student can receive, including non-need-based financial aid.

- **Student Aid Index (SAI)** is a number that the federal government calculates using information provided on the financial aid application. It takes into account the family's income, assets, and other information as reported on the Free Application for Federal Student Aid (FAFSA).³ This index allows financial aid offices to determine how much and what types of aid to provide a student.
- **Financial need** as it is used here refers to the difference between the COA and the SAI, not the subjective need that students or families feel. In general, this represents the upper limit to the amount of gift and need-based financial aid that a student can receive.
- **Dependency for financial aid** purposes is defined by the federal government. In general, unmarried students who are under 24 and do not have their own children are considered dependent on their parents for financial aid purposes.⁴ If those parents cannot or do not contribute the student's education, it can lead to a hardship for some students.

In extreme circumstances (e.g., documented abusive home environment, at risk of homelessness or lacking fixed housing), students can petition to be treated as independent,

³ Undocumented students who qualify for "AB 540" can file a similar application call the California Dream Act Application, or CADAA, with the California Student Aid Commission. The CADAA produces a SAI as well.

⁴ Other circumstances that make students under 24 "independent" include being a veteran, former foster youth, students in legal guardianships, homeless youth, marriage, having dependents, and students who have received a bachelor's degree.

called a “dependency override.” However, neither refusal on the part of parents to contribute nor a student living on their own qualifies for such an appeal.

Education Financing Model: The University’s Framework for California Undergraduates

For compliance purposes, the federal framework is key. To understand how UC students’ financial aid offers are typically constructed, an understanding of the Education Financing Model, or EFM, is helpful. The basic formula for how UC constructs financial aid packages for California students is below.

$$\text{COA} - \text{Parent Contribution (subset of SAI}^5\text{)} - \text{Student Self-Help} - \text{Outside Grants} - \text{Waivers} = \text{UC Grant}$$

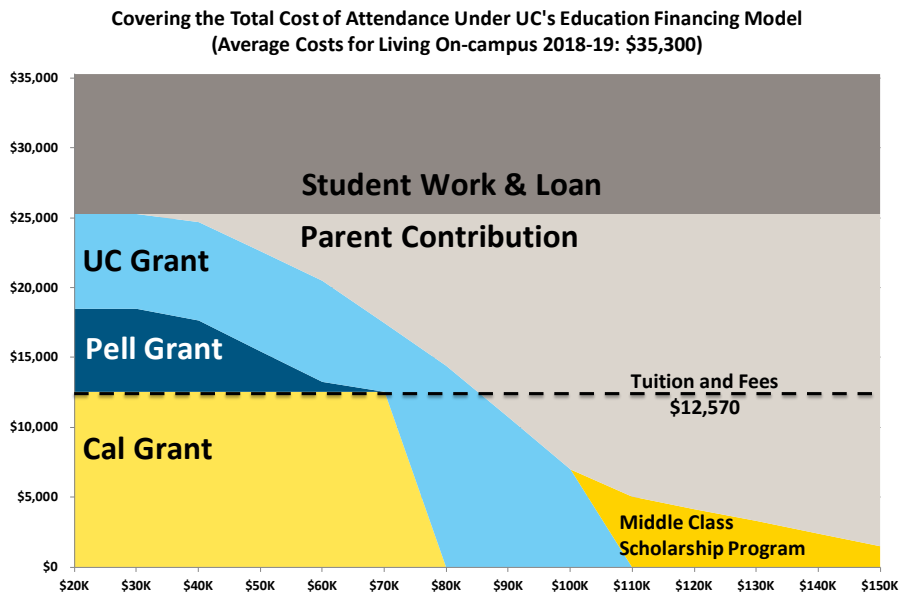
UC’s own need-based grant is used to fill in the gaps left by the formula above. The COA, Expected Parent Contribution, and definitions of need-based grants are all the same under the EFM as they are for the federal framework. However, the EFM adds one element:

- **Student Self-Help**, is an assumed contribution that students make through part-time work and/or student loan (as necessary). This is taken into account before offering UC grant.

Financial support for students can be used under the EFM to replace Self-Help and still be compliant with federal and state policy. However, campuses should consider equitable treatment when determining allocation of emergency and/or basic needs supports. For example, there may be students who proactively seek out these funds on a routine basis which results in securing a much higher ratio of funds than other students in need. In these situations, we encourage collaboration between Financial Aid and Basic Needs to define longer term solutions to reduce the student’s need to seek out emergency support.

The graphic below is a stylized view of how the EFM plays out across income. The height of the chart shows the total cost of attendance. Moving from left to right, you can see that grant aid decreases and parent contributions increase as income goes up. The Self-Help or Work & Loan portion at the bottom is roughly the same for all students.

⁵ SAI, Student Aid Index, will replace EFC in 2024-25.



Federal “financial need” roughly follows the line between the parent contribution and the gift aid, but for some students, there may be an additional Expected Student Contribution that is subsumed by the Student Work & Loan.

Graduate & Professional Student Financial Aid Basics

Graduate Aid and the Federal Framework

The federal framework detailed above also applies to graduate and professional students who apply for and receive federal financial aid. Though federal aid applied through the FAFSA (or CADAA if applicable) is limited to loans for graduate students, campuses must maintain compliance with the framework. Aid offices remain responsible for determining and documenting that the student remains eligible to receive the type and amount of FSA funds that it expects to disburse⁶. This includes limiting aid to the cost of attendance for a student who is a federal aid recipient.

Federal financial aid is available to eligible graduate and professional students in the form of non-need based federal student loans and need-based aid programs, which are limited to the cost of attendance minus other applicable financial resources. A graduate student whose total financial resources exceed the cost of attendance, may retain both basic needs funds and the federal loan for portions of the loan that has disbursed to the student account. However, anticipated or pending loan disbursements must be adjusted.

⁶ Federal Student Aid Handbook, Vol. 4. See “Checking Eligibility At The Time Of Disbursement.”

Sources of Aid

Graduate and professional student financial aid offers do not reference the Education Financing Model used for undergraduates since the return-to-aid is decentralized. Awarding of these funds may be for financial need or to attract diverse and/or top talent. The following describe funding resources provided to graduate students and associated considerations. All are considered to contribute to the student’s cost of attendance unless otherwise noted under considerations.

Fund Type	Purpose	Considerations
Fellowships/Department Awards	Awarded on the basis of academic achievement and/or financial need to cover educational and living expenses.	
Fee Remission	Waives partial or full tuition and fees for students who are assigned an instructor/researcher/tutor position.	
Federal Work-Study	Need-based employment funded by the Department of Education.	Work-study may not be adjusted down below the student’s hours worked. Their total aid cannot exceed the cost of attendance or financial need.
Unsubsidized Loans	Funds which must be repaid with interest. Examples include the Federal Unsubsidized Direct Loan and Graduate PLUS loan programs. Private loans are typically secured by the student and have varying terms and conditions.	A student may retain the portion of loan that has already disbursed even if they receive a gift award that puts them above the cost of attendance (eligible at time of disbursement). However, future pending/anticipated disbursements must be adjusted.
Project Grants	Fund specific project costs typically associated with the student’s research and/or a faculty mentor’s research where the student incurs the cost of supplies. Sources of these grants vary from federal to institutional sources.	Federal research grants may have limitations on use and treatment of those funds in consideration of a student’s other financial aid. The principal investigator and/or special projects coordinator is responsible for understanding and communicating those limitations to the student and aid office.
Stipends/Wages	Awarded on the basis of employment or other service to the university. Common positions include research assistantships (GSR) and teaching assistantships (GSI).	If the primary purpose of a stipend has no part of or supplement to the student’s degree, and the primary beneficiary is the University, then it is compensation. If the student is a mutual or sole beneficiary of the service, then it is treated similarly to fellowships.

Scholarship	Awarded on the basis of academic achievement and/or financial need to cover educational and living expenses.	The Health Resources & Service Administration (HRSA) provides some scholarships to students pursuing health profession careers. Graduate students may also secure other campus or outside scholarships that apply towards their cost of attendance.
Subsidized Loans	Funds which must be repaid, are need based and do not accrue interest to the student while enrolled at least half time.	<p>Federal: The Health Resources & Service Administration (HRSA) provides Health Professionals Loan (HPSL), Loan for Disadvantaged Students (LDS) pursuing medical degrees, Primary Care Loans (PCL), and Nursing Student Loans (NSL). These are the sole federal subsidized loans and all require parental information regardless of student age or marital status.</p> <p>State: The Dream Loan (for undocumented AB 540 students) is the sole state subsidized loan program available to graduate students. The Dream Loan is only available to undocumented AB 540 eligible students.</p> <p>Institutional: UC campuses may have university loan programs which can assist graduate students in meeting their educational costs.</p>

Four Categories of Basic Needs/Student Services Support and How Treated for Financial Aid Purposes

Based on the federal student aid frameworks described above – and the associated state and federal regulations that define them – we have categorized basic needs and direct student services benefits into four categories, depending on how they impact a student’s financial aid package.

Category 1: In-Kind or Short-Term Support is Not Financial Aid, Not Reportable on FAFSA

The FAFSA instructions specifically exclude “in-kind support” as non-reportable and payments are also not financial aid. Treated similarly are short-term loans or advances on financial aid. Examples of Category 1 support include:

- Short-term loans (under 90 days)
- Cal Fresh or SNAP
- Meal swipe cards or emergency grocery cards not exchangeable for cash
- Other nominal emergency support valued less than \$100 per year

In-kind and short-term support is not taxable or reportable on a student’s 1098-T.

Category 2: Monetary Support Treated as Financial Aid to Offset COA, Not to be Reportable on Current or Future Year FAFSA

Funding provided directly to students to pay for elements itemized in the nine month expense budget should be treated as financial aid that offsets the COA. Examples of direct support that should be treated as financial aid:

- Emergency grants or loans to cover cost of attendance, which can be adjusted in some cases (see Strategy 2 below)
- Textbook or supplies assistance: Gift cards that can be used at the bookstore are not restricted enough that they cannot be considered direct support
- Any other direct payments not made as compensation for work rendered, including housing

Gift aid received above tuition, fees, books, and supplies may be taxable to the student per IRS code. All of this funding should be reported on the student’s 1098-T. Students should track the money spent on books and supplies to use as an offset to 1098-T figures, and should consult with the IRS or a tax preparer if questions on the taxability of gift aid.

Category 3: Monetary Support Not Treated as Financial Aid, but as Untaxed Income on Future FAFSA

Some types of monetary support can be treated as untaxed income, which would be reportable on a future year’s FAFSA (depending on the tax year when the funding was received), but would not count against financial need in the current year. In general, support treated as Category 3 would include support for work rendered or support for non-COA costs. Examples include:

- Transitional housing provided for free in excess of 30 consecutive days
- Free or discounted room and/or board as part of non-need-based employment, e.g., housing for resident assistants in on-campus housing
- The write-off of short- or long-term loans

The taxability of Category 3 support will vary, but they are not reportable on the 1098-T.

Category 4: Other support not subject to financial aid regulations

Support provided broadly to students, but not awarded directly to individuals fall outside the financial aid frameworks above. Examples include:

- Food pantries or community gardens
- Housing subsidized by the University where the subsidy is not directed to an individual student
- Subsidized or unsubsidized grocery services

Category 4 support is not taxable or reportable on the 1098-T.

Coordination of Basic Needs/Student Services Direct Support with Financial Aid

Category 2 support must be coordinated within a student's financial aid package. Given the financial aid frameworks described above, there are two strategies that can be employed.

Strategy 1: Offset the Self-Help or Work & Loan

Given the University's financial aid packaging, many students will have space in their financial aid packages for additional Category 2 support.

For fairness purposes, the campus should consider whether or not a student has taken advantage of subsidized loans before awarding them Category 2 support.

Strategy 2: Adjust the COA

A campus may adjust a student's COA upon request, which can make more "room" in a student's financial aid package for Category 2 types of support. These COA adjustments are still governed by federal regulations, e.g., the costs must still be for educational expenses during periods of enrollment. Each adjustment must include documented expenses. For example:

- Books and supplies (if greater than the budgeted amount)
- Housing & utility costs (student's share only) if greater than the budgeted amount
- Medical/Dental/Optical (not covered by insurance)
- Major car repairs or unusual transportation expenses
- Computer (One-time request per undergraduate/graduate career)
- Expenses associated with a disability
- Child/Dependent Care Expenses

Additional Compliance Issues

There are some additional compliance issues that basic needs and student services professionals should keep in mind when providing Category 1-3 above. For example:

- Non-AB540, undocumented students are not eligible for direct State-funded support. Undocumented students with AB540 approval can receive financial aid. Undocumented students with DACA can be employed. All students may benefit from Category 4 services.
- Support cannot be provided preferentially by race, ethnicity, national origin, or gender.

Treatment of Direct Student Services and Basic Needs Supports in Financial Aid

Basic Needs and Financial Aid Worksheet

	Description	Specific Campus Examples	Impact on Aid	Tax Implications
Category 1: In-Kind or Short-term Support	<p>In-kind support is non-fungible support provided to individuals. Short-term is under 90 days.</p> <p>For example, meal or grocery swipe cards, short-term loans.</p>		None	None
Category 2: Financial Aid	<p>Fungible monetary support that is for offsetting the COA.</p> <p>For example, cash cards, direct payments to students (non-wage), or long-term subsidies.</p>		<p>Reduces financial need in the current academic year, which could require adjustment to financial aid package.</p> <p>Strategies: Could be used to offset self-help/work & loan, but should be awarded with loan utilization in mind.</p> <p>Budget adjustments could be employed to make more “room” in the student’s COA.</p>	<p>May be taxable if more than tuition, fees, books and supplies.</p> <p>Reportable on 1098-T.</p>
Category 3: Untaxed Income	<p>Support that is not directly for the current COA or which is associated with employment.</p> <p>Examples include free housing as part of employment.</p>		No impact on current year financial aid, but reportable on the FAFSA as untaxed income for a future year.	<p>Tax implications may vary.</p> <p>Not reportable on 1098-T.</p>
Category 4: No Aid Implications	<p>Broad-based support not provided to individual students.</p> <p>Examples include food pantries, broad-based housing subsidies.</p>		None	None