The University of California has been providing support for students facing basic needs insecurity for the past five years. In 2019-20, UC received $15M in basic needs support from the State and an additional $3.5M in rapid rehousing support. A portion of the $18.5M will be used for programmatic support, but a significant portion will also be delivered as direct support to students.

UC financial aid leadership has developed the following guidance to help coordinate and, in some cases, maximize, basic needs support for students, while also complying with relevant federal, state, and University policy. With annual federal audits and occasional California Student Aid Commission audits, the importance of protecting UC students’ access to $4.3B in financial aid by ensuring that $18.5M is coordinated properly with financial aid rules is critical.

These guidelines are informed by federal student aid regulations, other UC campus practices, students’ best interest within the parameters of the law, and in consultation with UCOP. They are meant to provide guidance to UC financial aid professionals as well as provide background for basic needs professionals across UC. They are subject to revision as the University’s basic needs support evolves.

### 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:

\[
\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}
\]

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.¹ Nor can students receive more total financial aid, including non-need-based loans, than the total cost of attendance.

- **The Cost of Attendance (COA)** or student expense budget includes the following components: Tuition & Fees, Room & Board, Books & Supplies, Transportation, and Miscellaneous 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 enrols.

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 on campus, and those living off campus. If a student has additional expenses in excess of this standardized budget, such as child-care, medical expenses, etc., they may request a COA.

¹ 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.
Treatment of Basic Needs Support
In Financial Aid at the University of California

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.

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

• **Expected Family Contribution (EFC)** is the amount that the federal government calculates that a
student’s family can contribute to the cost of a student’s education. It takes into account the
family’s income, some assets, and family size as reported on the Free Application for Federal
Student Aid (FAFSA).² Some relevant parts of the FAFSA and EFC:
  o The EFC has two parts: The Expected Parent Contribution and the Expected Student
    Contribution.
  o Income and family size are the primary drivers, but assets can play a role as well.
  o The EFC calculation accounts for a modest amount of living expenses that are protected
    from being assessed as available for covering college costs called the “Income
    Protection Allowance.” Financial aid offices need to account for this when considering
    adjustments to the COA.
  o The FAFSA collects information on both taxable income, such as wages, and untaxed
    income. Some of the basic needs support may be untaxed income that should be
    reported on the following year’s FAFSA.

• **Financial need** as it is used here refers to the difference between the COA and the EFC, 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.³ If those parents can not or do not
contribute the EFC, it can lead to a hardship for some students.

In extreme circumstances (e.g., documented abusive home environment), students can petition
to be treated as independent, 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.

² 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 an EFC as well.

³ Other circumstances that make students under 24 “independent” include veterans, foster youth, former foster
youth, students in legal guardianships, and homeless youth.
Education Financing Model: The University’s Framework

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

\[ \text{COA} - \text{Parent Contribution (subset of EFC)} - \text{Student Self-Help} - \text{Outside Grants} - \text{Waivers} = \text{UC Grant} \]

UC’s own need-based grant is used to fill in the gaps left by the formula above. The COA, Expected Parent Contribution (subset of the EFC), 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**, or Work & Loan, is an assumed contribution that students make through part-time work and/or student loan. 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, the fairness of that should be taken into account. For example, it may be unfair to provide additional assistance to students who have refused to take advantage of a subsidized, need-based federal loan when their peers have already done so to make ends meet.

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.

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.
Four Categories of Basic Needs 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 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.

**Category 3: Monetary Support Not Treated as Financial Aid, but as Untaxed Income on Future Year’s 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.
Treatment of Basic Needs Support
In Financial Aid at the University of California

- 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 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 as an undergraduate)
- Expenses associated with a disability
- Child/Dependent Care Expenses
There are some additional compliance issues that basic needs professionals should keep in mind when providing Category 1-3 above. For example:

- Non-AB540, undocumented students are not eligible for State-funded support. Undocumented students with AB540 approval can receive financial aid. Undocumented students with DACA can be employed.
- Support cannot be provided preferentially by race, ethnicity, national origin, or gender.
## Basic Needs and Financial Aid Worksheet

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