Guidelines for Direct Student Support in Financial Aid

November 2024

Direct support to students may constitute financial aid that must be coordinated with the recipient's other financial aid. Both basic needs and student services should consult with the **student's home college's financial aid director** before offering direct financial support to students.

These guidelines form the framework for funding sources to work in tandem to support SDCCD students, informed by federal and state student aid regulations and college practices while keeping students' best interests at the forefront. They are meant to guide SDCCD financial aid professionals and background for basic needs and student service professionals across SDCCD. These guidelines are subject to revision as financial aid evolves.

SDCCD 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 Categorical Student Support Offices (e.g. EOPS, CalWORKs, NextUp, etc.) 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.

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:

Cost of Attendance – Student Aid Index[1] = 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: 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.

  The Colleges sets its cost of attendance using a combination of administrative data for direct charges to students (i.e., enrollment fees) and survey data for indirect costs (i.e., food). Like most colleges and universities, SDCCD sets two budgets based on average expenses for those living at home and those living off campus/private housing. If a student has additional expenses above this standardized budget, such as child-care, medical expenses, etc., they may request a COA budget adjustment by providing supporting documentation. 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 the information provided on the financial aid application. It considers 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.

- **In-Kind Support** is other than money, for example, a food pantry giving the student food or allowing them to live rent-free. Basic rule, if someone pays a cost the student is obligated to pay, this amount counts as cash support and NOT in-kind support.

- **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. This represents the upper limit to the amount of gift and need-based financial aid a student can receive.

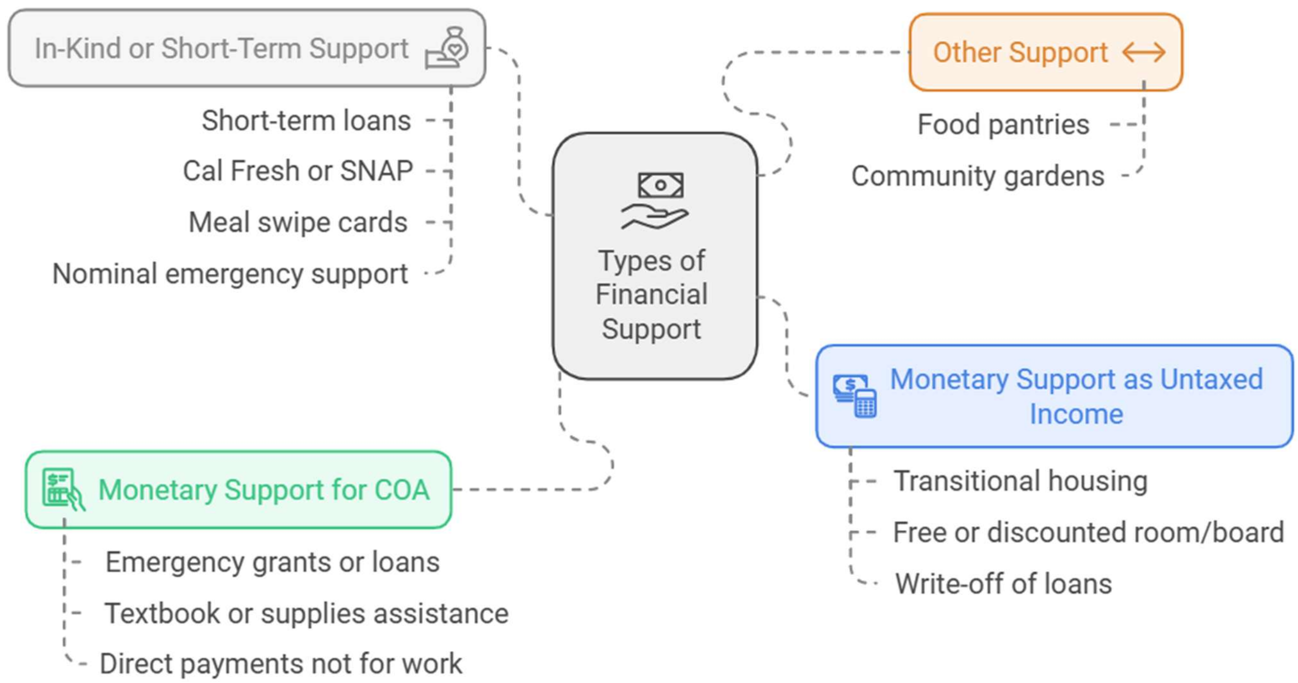
  Dependency for financial aid purposes is defined by the federal government. In general, unmarried students who are under 24 and do not have children are considered dependent on their parents for financial aid purposes.[4] If those parents cannot or do not contribute to the student's education, it can lead to hardship for some students. In extreme circumstances (e.g., documented abusive home environment, at risk of homelessness), 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.

[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.

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 the 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 they have 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 is 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
- 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 College'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 a student has taken advantage of subsidized loans before awarding them Category 2 support.

Strategy 2: Adjust the COA

A college's Financial Aid Office 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 career)
- Expenses associated with a disability
- Child/Dependent Care Expenses

	Description	Specific Campus Examples	Impact on Aid	Tax Implications
Category 1: In-Kind or Short-term Support	In-kind support is non-fungible support provided to individuals. Short-term is under 90 days. For example, meal or grocery swipe cards (not exchangeable for cash), short-term loans.	Meal ticket that is only exchangeable for food. School Supplies valued less than $100	None	None
Category 2: Financial Aid	Fungible monetary support that is for offsetting the COA. For example, cash cards, direct payments to students (non-wage), or long-term subsidies.	VISA Debit Cards Grants	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 & loan but should be awarded with loan utilization in mind. Budget adjustments could be employed to make more “room” in the student’s COA.	May be taxable if more than tuition, fees, books and supplies. Reportable on 1098-T.
Category 3: Untaxed Income	Support that is not directly for the current COA or which is associated with employment. Examples include free housing as part of employment.	Transitional Housing Write-Off on Loans	No impact on current year financial aid, but reportable on the FAFSA as untaxed income for a future year.	Tax implications may vary. Not reportable on 1098-T.
Category 4: No Aid Implications	Broad-based support not provided to individual students. Examples include food pantries, broad-based housing subsidies.	Food Pantries	None	None