
Calculating FWS Awards

A student must have financial need to be eligible for a Federal Work-Study (FWS) job; that is, the student's cost of attendance (COA) must be more than the amount of his or her Expected Family Contribution (EFC) as calculated by the Federal Need Analysis Methodology. Procedures for determining a student's COA and eligibility for aid from Student Financial Assistance (SFA) Programs are discussed in Volume 1 - Student Eligibility.

DETERMINING MAXIMUM FWS ELIGIBILITY

A financial aid administrator may not award FWS employment to a student if that award, when combined with all other resources, would exceed the student's need. Resources, as defined in the campus-based regulations, are listed in *Volume 4 - Campus-Based Programs Common Provisions*. In determining the maximum FWS award a student is eligible to receive, the aid administrator must take into account the following resources:

- those resources the aid administrator can reasonably anticipate at the time aid is awarded to the student,
- those the school makes available to its students, or
- those the aid administrator knows about.

The sum of a student's FWS award plus other resources may not exceed his or her financial need.

Non-need-based earnings, such as earnings from a job a student locates on his or her own with a private employer, are not considered to be a resource for the current award year because they will be reported on the *Free Application for Federal Student Aid* (FAFSA) for the subsequent award year and will be used to determine the EFC for the subsequent award year. Only net income from **need-based** employment is considered as a resource. Examples of need-based employment would be employment under the U.S. Department of Veterans Affairs' work-study program and employment with a state if that employment is based on the student's need for assistance to pay for educational expenses.

The school monitors each student's net income from need-based sources to determine whether the student's need has been met. The school does so by examining the school's payroll records of disbursements to the student under the FWS Program and any other

Financial Need Calculation

$$\begin{array}{r} \text{COA} \\ - \text{EFC} \\ \hline = \text{Financial need} \end{array}$$

Maximum FWS Award Calculation

$$\begin{array}{r} \text{Financial need} \\ - \text{Other resources} \\ \hline = \text{Maximum FWS award} \end{array}$$

need-based employment program. The school's FWS fiscal records must be reconciled at least monthly.

Taxes and Job-Related Costs Cite 34 CFR 675.25(a)

Gross FWS Earnings Calculation Example

Chris is eligible for a net FWS award of \$1,000 at Peterson University. Because Chris has a Social Security tax of 7.65% and \$100 in job-related expenses, he may earn up to \$1,191.12 in gross earnings. This is calculated by adding the need-based award (\$1,000) and the job-related expenses (\$100) for a total FWS award of \$1,100. Peterson's financial aid administrator then must be sure that Chris's earnings cover the Social Security tax that will be withheld. Chris's gross earnings are 100% of what he is allowed to earn. His net earnings are 92.35% of his gross earnings (100%-7.65% for Social Security tax). The administrator must divide the total FWS award (\$1,100) by the percentage the net earnings are of the gross earnings (92.35%), allowing Chris total earnings of \$1,191.12. Only the need-based earnings of \$1,000 are available to count toward Chris's need for federal student aid and to help pay his COA at Peterson.

Work During Nonattendance Cite 34 CFR 675.25(b)

For further information about working during vacation periods or periods of nonattendance, see "FWS Employment During Periods of Nonattendance," in chapter 5 of this volume.

EARNINGS APPLIED TO COST OF ATTENDANCE

Not all of a student's FWS earnings are available to the student for educational expenses. Some of the student's expenses may be job related. Therefore, to determine the net amount of a student's FWS earnings that will be available to help pay his or her COA, the school must subtract estimated taxes and job-related costs from the student's gross FWS earnings. Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. During vacation periods, room and board may also be considered job-related costs if the student is paying them **only** because he or she has an FWS job.

Federal and state income taxes paid may also be withheld from a student's wages. In some cases, these should also be deducted from the student's gross income to calculate the net amount available to the student; however, if the aid administrator is certain that the student's federal taxes paid will be refunded by the Internal Revenue Service (IRS), the school should not subtract these amounts from the gross wages when calculating the net wages available to the student for the FWS award. Similarly, if the aid administrator is certain that the student's state taxes withheld will be refunded by the state, the school should not subtract these amounts from the gross wages when calculating the net wages available to the student for the FWS award. Only taxes the student will actually pay (those that will be withheld and **not** refunded) should be subtracted.

If the student works during a vacation or other period when he or she is not attending classes, his or her net FWS earnings (earnings minus taxes and job-related expenses) from that period must be counted toward payment of the student's COA for the **next** enrollment period (see chapter 5).

A school is encouraged to tell each FWS recipient how much of his or her earnings it estimates to be counted toward payment of his or her COA. Of course, at the end of a student's employment, the school will need to review the estimate to see if it was accurate and to make adjustments if it was not.

FWS OVERAWARDS AND RESOURCES

Regulatory provisions regarding overawards and resources are in 34 CFR 673.5. A list of resources and a detailed discussion of the treatment of overawards in the campus-based programs, including FWS, is included in volume 4.