

# Calculating FWS Awards

*A student must have financial need to be eligible for a Federal Work-Study job; that is, the student's cost of attendance must be more than the amount of his or her expected family contribution. Procedures for determining a student's cost of attendance and eligibility for aid from Federal Student Aid programs are discussed in Volume 1 - Student Eligibility.*

## DETERMINING THE FWS AWARD AMOUNT

Your school must determine an appropriate award amount for each student offered employment under the Federal Work-Study (FWS) Program. The FWS award amount provided to a student reflects the gross FWS earnings that a student may earn. A financial aid administrator may not award FWS employment to a student if the net earnings of that award amount, when combined with all other resources, would exceed the student's financial need.

Resources, as defined in the campus-based regulations, are listed in *Volume 4 - Campus-Based Common Provisions*. Net earnings from need-based employment are considered a resource. **Need-based** employment is employment that is awarded by the school itself or by another entity to a student who demonstrates a financial need for these funds for the purpose of paying his or her cost of attendance (COA). Examples of need-based employment would be employment under the FWS Program, 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 financial need for assistance to pay for educational expenses.

**Non-need-based** employment earnings 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 expected family contribution (EFC) for the subsequent award year. An example of non-need-based employment would be a job a student locates on her own with a private employer such as a local grocery store.

To prevent an overaward, your school must monitor each student's earnings from need-based employment to determine whether the student's need has been met. Your school does this by reviewing payroll records of disbursements to the student under the FWS Program and any other need-based employment program. The school's FWS fiscal records must be reconciled at least monthly.

### Maximum FWS Award Calculation

<p><b>Financial Need</b></p> <p><b>(-) Other resources</b></p> <hr/> <p><b>= Maximum FWS Award</b></p>
--

---

### Calculating Maximum Gross Earnings Example

Chris has an unmet financial need of \$1,000 at Peterson University. Because Chris has a Social Security tax of 7.65% (that will not be refunded) and \$108 in job-related costs, the school may allow Chris to earn an FWS award amount that is higher than his \$1,000 unmet financial need in order for him to earn the allowable \$1,000 net FWS earnings.

To calculate the FWS award amount to reflect the maximum gross FWS earnings that Chris may earn without the net FWS earnings exceeding the student \$1,000 financial need, the school must do the following:

1. Add the amount of job-related costs to the amount of his unmet need ( $\$108 + \$1,000 = \$1,108$ ) for a total of \$1,108.
2. Account for the Social Security tax by determining that his net FWS earnings are 92.35% of his gross earnings ( $100\% - 7.65\% = 92.35\%$ ) or (.9235).
3. Divide the total in step 1 by the ratio in step 2 ( $\$1,108 / .9235 = \$1,199.78$ ) for a result of \$1,199.78 (\$1,200 after rounding).

Peterson University may give Chris a \$1,200 FWS award and his net FWS earnings will not exceed his \$1,000 unmet financial need.

---

### Taxes and job-related costs cite

34 CFR 675.25(a)

Your school may determine the student's **net** FWS earnings by subtracting taxes (those that will be withheld and **not** refunded) and job-related costs from the student's **gross** FWS earnings. If you are certain that the student's federal or state taxes paid will be refunded, you should not subtract those taxes paid from the student's gross earnings.

Job-related costs are costs the student incurs because of his or her job. Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. For work during vacation periods, job-related costs can include room and board as long as the FWS student incurs these costs only because of the FWS employment. For example, room and board during the summer **cannot** be included in job-related costs if the FWS student also takes summer courses.

When a student must pay taxes and job-related costs, you may award the student an FWS award amount that is higher than her unmet need in order to assure that her net FWS earnings are sufficient to meet this need. To correctly calculate the maximum gross FWS earnings that a student may earn without the new FWS earnings exceeding her financial need, see the sidebar example. It is important that you document the determination of allowable costs and keep that information in the FWS student's file.

---

### Work during nonattendance cite

For further information about working during vacation periods or periods of nonattendance, see "FWS Employment During Periods of Nonattendance," in chapter 2 of this volume.

If the student works during a vacation or other period when he or she is not attending classes, his or her net FWS earnings (gross 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).

You should tell each FWS recipient what the amount of his or her estimated net FWS earning will be and explain that this is the amount that will count towards his or her financial need to pay the student's COA. Of course, at the end of a student's employment, you will need to review the estimate to see if it was accurate and 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.

