

December 8, 2023
Dear Campus Community,

Joint Memorandum

We are writing to notify you of major changes underway involving payments to enrolled Chico State students. Please read this memorandum carefully as these changes impact how student payments are defined, processed, calculated, disbursed, and reported to the IRS. Recent policy clarifications from the CSU Chancellor's Office and corresponding process changes are being implemented to ensure compliance with federal law and tax reporting. These changes cross organizational lines therefore this information is being communicated jointly by the Chico State Financial Aid and Scholarship Office (FASO) and Chico State Enterprises (CSE).

Four Acceptable Categories of Chico State Student Payments

Historically, the terms "stipend" and "award" were used broadly to describe a variety of student payment types. Effective immediately, payments formerly referred to as stipends and awards will be identified as one of the four acceptable categories of payments, as listed below. The type is based on the nature and intent of the payment, which will also dictate how it is processed and reported. The chart below (Section I) describes in detail the acceptable payment types that will be used going forward, to include the following:

- FINANCIAL AID: Scholarship, Participant Support, and CSE Grant Funded Loan
- WAGES
- TRAVEL REIMBURSEMENT
- PRIZE/AWARD

The payment type determines how the assistance needs to be reported. Unless the type fits the definition of wages, a prize/award, or reimbursement under an accountable plan; assistance is reported on a 1098-T and is therefore required to be coordinated and disbursed by FASO. Generally, resources to assist students in the pursuit of education, in a degree-seeking or teaching credential program, at Chico State are reportable to the IRS, unless considered reimbursement under an accountable plan.

Change in Entity Disbursing to the Student

Assistance to enrolled Chico State students that falls under the category of FINANCIAL AID must now be coordinated upfront and disbursed by campus to be reported on a 1098-T. This shift in responsibility (1) allows FASO to confirm eligibility and verify that the requested amount of assistance does not exceed the total cost of Chico State attendance, and (2) ensures that total assistance disbursed by FASO is reported by Chico State to the IRS *on a single 1098T form*. Consequently, CSE Accounts Payable can no longer issue payments directly to enrolled Chico State students for FINANCIAL AID-Scholarships, FINANCIAL AID-Participant Support, and REIMBURSEMENTS- reported on a 1098-T. The only exception is FINANCIAL AID-CSE Grant Funded Loan payments which require coordinated assistance upfront by FASO, however payment to the students will continue to be processed by CSE Accounts Payable.

Implications for Recipients

Students receiving payments for FINANCIAL AID-Scholarships and FINANCIAL AID-Participant Support should be aware that the amount expected can potentially be reduced, used to repay disbursed student loan balances, offset by other federal aid received, or disallowed completely based on the recipient's financial aid situation. *Therefore, actual amounts can only be determined by FASO, which may not necessarily be the same as the planned amount budgeted in a particular grant - or donor-funded project.* **To avoid inadvertently providing misinformation to students, financial aid eligibility needs to be approved by FASO before communicating an expected amount to the student.**

Implications for Project Directors and Sponsored Program Budgets

Project Directors with existing sponsored budgets will need to reevaluate any planned student stipends to see how those payments will need to be processed under the new guidance. If budgeted stipends are determined to be financial aid, there is a potential budgetary impact because final payment amounts can be lower than the budgeted payment amount and thus result in unspent, uncommitted project funds. This could potentially provide an opportunity for Project Directors to consider and identify other students in the program that could benefit from the scholarship assistance.

Budgeted Student Stipends with Service Obligations

Sponsored projects with budgeted stipends may in some cases require a student agreement, like a promissory note, when there are service obligations and monetary payback terms established by the funder. Project Directors will need to evaluate funder requirements to determine if these conditions exist. Note: Please consult with your Sponsored Project Analyst if you have questions. Likewise, if student agreements currently exist for budgeted stipends considered scholarships, please bring those to the attention of Susan Podesta, Director of Sponsored Contracts, at swpodesta@csuchico.edu for review. CSE will collaborate with FASO as needed.

Assistance with Determining the Payment Type

We appreciate that these changes mark a significant departure from the way stipends and awards have been managed in the past. Considerable effort has gone into the development of a new web tool on the University's website that can assist with determining the appropriate payment type. Further instructions on using the new web tool are provided in Section II.

How to Transfer CSE and UF Resources to Campus

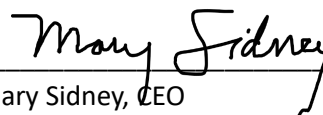
Detailed instructions for how to process payments considered FINANCIAL AID and REIMBURSEMENTS reportable on a 1098-T from UF and/or CSE funds are provided in Section III.

A joint Open Forum hosted by FASO and CSE is being planned for December 13th from 3-4:30 pm in CLSA 100B to focus exclusively on the student payment changes. If project directors have concerns or questions, please contact either Jenny Javor, Manager, Accounts Payable at jejavor@csuchico.edu, Kentiner David, Director of Chico State Financial Aid & Scholarship at kdavid@csuchico.edu, or your sponsored project analyst.

Thank you in advance to everyone for your patience as we move forward with implementation. Additionally, thank you to everyone who has contributed to the new guidance and process development to support a successful implementation for Chico State students, University and CSE supervisors, and staff.

Kentiner David

Kentiner David, Director
Financial Aid and Scholarship Office
California State University, Chico



Mary Sidney, CEO
Chico State Enterprises

Payment Type	Defining Characteristics	Disbursed By	Payee Data Record Required	Tax Reporting Document*
FINANCIAL AID-Continued	<ul style="list-style-type: none"> ▪ Payment is considered a loan ▪ Monetary payback is required by the funder if terms are unmet ▪ Infrequently used category by SP projects only ▪ Logged for FA purposes, by CSE AP 	CSE AP	Yes	1099-C, if applicable
WAGES	<p><u>Purpose:</u> Payment is compensation for work/services performed and is considered wages</p> <ul style="list-style-type: none"> ▪ Research or work PRIMARILY benefits the university, CSE, UF, Program, Project, Faculty or Staff ▪ Research or work would need to continue if student stopped research or work ▪ An Employee/Employer Relationship EXISTS ▪ Examples of student employment include work as a student assistant, work study student, lab assistant, tutor, exam proctor or research assistant ▪ Logged for FA purposes, by CSE HR, if need based 	CSE Payroll or Student Employment	No	W2
REIMBURSEMENT	<p><u>Purpose:</u> Payment is to reimburse student for expenses incurred</p> <ul style="list-style-type: none"> ▪ FOR a Chico State or CSE employee ▪ FOR a student traveling as a representative of Chico State, CSE or the UF ▪ Travel costs incurred are repaid without tax consequences under accountable plan rules (1) supported by itemized paid receipts and (2) purpose of travel documented <ul style="list-style-type: none"> ○ Purpose of travel must be as follows: <ul style="list-style-type: none"> ✓ On behalf of the university/CSE/UF as an employee of Chico State/CSE; or ✓ To represent the university/CSE/UF, such as to present research at a conference or as part of a university competitive team ✓ Does NOT include traveling to and from Chico State each semester, commuting or local travel to and from campus, or travel to lab/research sites off campus – see below ▪ Amount MAY BE limited per the funder, such as UF Board of Governor’s Travel awards and travel allowances approved in grant funded proposals ▪ That PRIMARILY benefits the student, such as: <ul style="list-style-type: none"> ○ to repay students for professional attire/clothes for job interviews/internships; graduation costs, like tassel, cap, and gown; or future degree-seeking costs like test fees, GMAT, GRE, MCAT 	CSE AP	NA	Not reportable under accountable plan rules
		FASO/SFIN		1098-T

Payment Type	Defining Characteristics	Disbursed By	Payee Data Record Required	Tax Reporting Documents*
PRIZE/AWARD	<p><u>Purpose:</u> are payments awarded for (1) recognition of charitable, scientific, educational, artistic, or civic achievement; or (2) are received as the result of entering a contest, competition; or (3) prize from a raffle or random drawing</p> <ul style="list-style-type: none"> ▪ If prize money is restricted by donor/funder to be used for educational expenses ONLY like tuition – See FA: Scholarship ▪ Is NOT awarded based on work performed; if payment is for compensation of work that benefits the university/CSE/UF – See WAGES ▪ Logged for FA purposes if contest or competition is only accessible by students ▪ Chico State Student Prize/Award Payment form required <ul style="list-style-type: none"> ○ Donor Relations approval required ONLY for projects that start with 35XXXXXXX ○ Prize and Awards for students employed by CSE, are paid as wages. 	CSE AP	Yes	1099-MISC
		CSE Payroll (PAF)	No	W2

Chart Last Updated: 3/15/24

Section II. Chico State Student Payments: Determining Payment Type

Determining Payment Type is a university web-based tool developed to help explain, guide, and determine the appropriate procedural approach to a very complex student payment process. It is available effective immediately. It is a set of living and dynamic digital documents that will be monitored, evaluated, and tweaked to ensure it is comprehensive and effective as a resource for all payment situations. To access the tool, start from the [Payments to Students Guide](#) and click the **Getting Started** tab to help [Determine Payment Type](#).

Section III. How to Transfer CSE and UF Resources for Students to Campus

Before CSE and UF funds can be used for student financial aid payments and reimbursements that are reported on 1098-T, from sources like sponsored grants and contracts and donor funds, eligibility and amount must be approved by FASO. It is a two-step process and instructions are as follows and differ by entity:

Student Resources Disbursed by Campus - Disbursed by Chico State (SFIN or FASO)

1. Select and complete the Student Resources Disbursed by Campus payment worksheet
 - a. **For questions re, object coding for SP projects** refer to your budget to actual in [ONESolution](#) or contact your analyst
 - b. For CSE projects, that begin with 5-8, JL or AG, please use object code 82120 – scholarships
 - c. For UF projects, that begin with 1-3, please use object code 82120 – scholarships
 - d. **Do not use 82410** (Materials and Supplies)
 - e. Please type a clear description on each line, like program (name) stipend, scholarship for books, mileage to and from campus, or professional attire, etc.
2. Submit the Student Resources Disbursed by Campus payment worksheet to FASO via [TeamDynamix](#) for review
 - a. FASO may need additional information to determine eligibility by student before the final worksheet is approved and initialed
3. Once the worksheet has been returned, and initialed by FASO, save it as a PDF file. Save the Check Request (CR), approved worksheet, and itemized paid receipts, if required, as one digital file and route for signature
4. Send the approved CR along with the approved excel file, as a separate attachment, to the appropriate CSE AP Check Request inbox (ufcr@csuchico.edu, csecr@csuchico.edu, spcr@csuchico.edu, farmcr@csuchico.edu) for processing
5. CSE AP will cut a check to California State University, Chico-Student Financial Services (SFIN)
 - a. Disbursement to the student will be made after the check has been receipted, by SFIN

CSE Grant Funded Loan Payments for SP Projects only – Disbursed by CSE AP

This payment type is infrequently used by SP projects only. A signed student service agreement must exist on file with Sponsored Contracts for all payees before payment is processed. For questions regarding student agreements contact [Susan Podesta](#).

1. Select and complete the CSE Grant Funded Loan Payment Worksheet
 - a. For questions re coding for SP projects refer to your budget to actual in ONESolution or contact your analyst
 - b. *Do not use 82410* (Materials and Supplies)
 - c. Please include a clear description on each line, like program (name) stipend, scholarship for books, mileage to and from campus, or professional attire, etc.
2. Submit the CSE Grant Funded Loan payment worksheet via [TeamDynamix](#) to FASO for review
 - a. FASO may need additional information to determine each student's eligibility before the final worksheet is approved and initialed
3. Once the worksheet has been returned, and initialed by FASO, save it as a PDF file
4. Collect a Payee Data Record (PDR) before submitting the CR to AP
 - a. Obtain a [PDR](#)
5. Save the Check Request, approved worksheet, and itemized paid receipts, if required, as one digital file, and route for signature
6. Send the approved CR along with the approved excel file, as a separate attachment, to spcr@csuchico.edu for processing
7. A check will be issued to the payee and payment will be logged for financial aid purposes