

# HUMBOLDT STATE UNIVERSITY

## HSU Procedures for Donor-Funded Student Support Funds (Affecting All Charitable Scholarships, Awards & Other Direct Student Support)

### Purpose

Investing in a student's education is among the most meaningful ways for donors to support Humboldt State University, while strengthening the University's capacity for student recruitment and retention. Thus the University, facilitated by the HSU Foundation (HSUF), solicits, accepts, and administers charitable contributions to fund a range of student support vehicles, including scholarships, awards, and wage-based opportunities. The purpose of these procedures is to define and clarify the parameters for Humboldt State University's Donor-Funded Student Support Program, while adhering to Federal and State Law as well as California State University (CSU) guidelines for maintaining consistency, objectivity, and transparency in the administration of funds. Please see last section of these procedures for links to CSU, IRS, and other resources and regulations.

### Program Partners & Their Responsibilities

Multiple campus partners collaborate to assure quality programs, as well as meaningful experiences for both donors and students. These procedures apply to all members of the campus community involved in using charitable funds to benefit students via scholarships, awards, internships, assistantships, fellowships, stipends, or other donor-funded opportunities. Key partners include:

The **Office of Philanthropy and HSU Foundation (HSUF)** are charged with negotiating the terms and drafting the required gift documents relating to all donor-funded scholarships, awards, and wage-based opportunities, referred to here as **Student Support Funds (SSF)**. The Philanthropy Office and HSUF are also responsible for ensuring the University's donors receive thoughtful stewardship that lets donors know their giving is making an impact in students' lives.

The **Office of Financial Aid** is responsible for ensuring that recipients selected meet the terms and criteria of each scholarship and many of HSU's awards, mindful of how charitable assistance integrates with recipients' financial aid packages. Potential recipients of any scholarship or award (other than wage-based opportunities) must be reviewed by the Office of Financial Aid before notifying a student recipient. Financial Aid staff will notify all scholarship recipients about their scholarships and process payment to student accounts, and as appropriate, will do the same for awards. They will also notify the Office of Philanthropy of scholarship recipients to aid in donor stewardship.

The **Office of Student Financial Services** is responsible for the disbursement of all financial aid awarded by the University, including donor-funded scholarships and awards. All scholarships are disbursed through student accounts. The University prefers that awards also be disbursed through student accounts, though in some circumstances, the Office of Student Financial Services may provide funds via the University's check request process.

**Department and Program Chairs, Faculty, and Staff**, when involved in selecting student recipients and/or managing a specific scholarship or award, are responsible for ensuring a fair and equitable selection process that meets the terms and criteria established by donors for specific scholarships, awards, and wage-based opportunities. If changes are needed or challenges arise regarding a scholarship or award, communication with donors is to be coordinated through the Office of Philanthropy. Departments and programs will also notify the Office of Philanthropy of recipients and coordinate with Philanthropy staff in donor stewardship.

### Types of Donor-Funded Student Support Funds (SSFs)

While SSFs bear many names (e.g., scholarship, grant, internship, stipend, assistantship, fellowship, etc.), there are only three forms of student support at HSU, which reflect Internal Revenue Service (IRS) guidelines: **scholarships, awards, and wage-based opportunities.**

<b>Student Support Comparison Chart</b>			
<b>Factor</b>	<b>Scholarship</b>	<b>Award</b>	<b>Wage</b>
Definition	Requires application, for following academic year, generally need-based	Generally merit-based, for current academic year	Work for pay on an hourly basis
Minimum	\$2K to Establish	\$2K to Establish	\$2K to Establish
Distribution	\$1K Distribution Amount	Distribution Amount Varies	Minimum Wage
Funding	Funded by November 1st Distributed following year	Funded same year Distribution possible in same AY	Funded same year Distributed as work performed
Awarding Criteria	Usually financial need based	Usually achievement or performance based	Exchange for work
Application Process	Online Application through Financial Aid	No Application	Application and Recruitment
Hourly Work Performed	No	No	Yes
Impact Financial Aid Package	Following Year	Current Year Depending on Amount/Student	Possibly in Two Years
Taxable	No (only unqualified expenses are taxable)	No (only unqualified expenses are taxable)	Yes
Distribution Method	Financial Aid Package	Student Account	Payroll
* NOTE: Internships & Assistantships may be structured as awards or wages.			

6/1/2019

## Scholarships

**Also called:** *award, fellowship, grant, internship, stipend, assistantship, etc.*

### **Description:**

- Usually financial need-based, though donors may include merit-based criteria.
- For use in following academic year, with funding split and provided in Fall and Spring semesters. (Scholarships cannot typically be created by a donor to be paid to a student in the same academic year.)
- Financial Aid Office (FAO) reviews financial need and financial aid package for potential scholarship recipients before final selections are made.
- FAO selects recipient or is notified of a selection by a department (by May 1).
- FAO notifies student recipients.
- FAO disburses through financial aid part of financial aid package at beginning of academic year through student accounts.
- FAO coordinates scholarship with Aid Package.

### **Impact for Student:**

- Provides tax-free financial support of **qualified educational expenses** as defined by the IRS, namely limited to tuition and required fees, books, supplies, and/or relevant equipment. **Funds used for non-qualified educational expenses, such as housing, living expenses, travel, etc., are taxable to the student.**
- Are a form of recognition, indicating high academic potential within a competitive selection process.
- Are coordinated with the financial aid package prior to the start of the academic year so students know in advance the amount of funding available to them.
- In most cases scholarships enhance the financial aid package. In some cases, scholarships (depending on amount) may reduce the financial aid package. (Note: Due to rising tuition and fees, today less than 10% of students will experience a reduction in their financial aid package due to an SSF.)
- Helps lower the amount of loans and debt incurred by students.

### **Impact for Donor:**

- Enables a donor to transform a student's life, fulfilling the dream of a college education.
- Provides donors a meaningful opportunity to 'give back' to their university.
- Helps a donor change the world or address social, environmental, artistic, economic, or other challenges by investing in a student and his/her potential to be a change agent.
- Allows donors to achieve their charitable vision, often in a tax-advantaged manner.

### **Impact for Campus:**

- Strengthens HSU's success in the recruitment & retention of students, including meeting CSU goals for graduation.
- Enriches the diversity and vibrancy of the campus community.
- Attracts funding that can extend financial aid opportunities, making HSU more competitive.

## Awards

**Also called:** *scholarship, grant, sponsored program, fellowship, prize, stipend, paid internship, research assistantship, student assistantship, mentorship, travel grant, honorarium*

### **Description:**

- Typically merit-based given to reward academic excellence, though donors will often include financial need criteria.
- May or may not involve an application process. Awards are usually given through departments rather than the FAO.
- May be awarded during current academic year, the following academic year, and/or over a Summer term, although Summer can be more difficult for FAO. With sufficient timing, Awards may be created by a donor and paid to a student in the same Academic Year.
- May or may not require the student to complete a project or conduct certain work, participate in research or an internship, or give a presentation. Care is needed to **avoid** structuring work, project, or other requirements that reflect an employee-employer relationship (see Wage-Based Opportunities below).
- FAO assesses impact on current financial aid package.
- FAO or department may select and/or notify students regarding awards.
- Student Financial Services disburses funds through student account in one or more lump sums.

### **Impact for Student:**

- Provide flexible financial support to offset **qualified and non-qualified educational expenses** as defined by the Internal Revenue Service (IRS). **All or most of an award, will typically be taxable to the student unless monies are clearly used in whole or part for qualified educational expenses.**
- Are a form of recognition, indicating academic accomplishment within a competitive selection process.
- Are typically unanticipated funding beyond the financial aid package, which can help with students' unmet financial needs. In most cases, awards provide additional funding beyond the financial aid package when coordinated with the FAO. In some cases, awards *may* reduce the financial aid package, potentially requiring a student to *return* financial aid funds already paid.
- Help lower the amount of loans and debt incurred by students.

### **Impact for Donor:**

- Impacts are equivalent to scholarships (outlined above), although awards allow the donor more flexibility with timing and focus. For instance, because an award can be given the same year or semester it is created; a donor may touch the life of a student sooner, showing recognition for a student's achievement directly.

### **Impact for Campus:**

- Impacts are equivalent to scholarships, with the added component of time flexibility. For example, funds can be made available within the same year.
- Allows recognition of student merit and accomplishment beyond financial need.
- Allows for involving students in research, travel, artistic projects, business partnerships, or other experiential learning activities that expand learning and enrich the academic experience.

### Wage-Based Opportunities

**Also called:** student assistant, research assistant, teaching assistant, graduate assistant, fellowship, tutor, paid intern, apprentice, etc.

#### **Description:**

- May or may not be related to need or merit.
- Typically involves an application and recruitment process.
- Student employment that helps eligible students earn funds for their educational expenses while getting worthwhile job experience.
- Can be hired in current year or selected in current year for hire during the summer or following year.
- Typically hired to work a specific number of hours per week to perform specific tasks and duties, ranging from office and lab work, to research, tutoring, grading, etc.
- Employer to employee relationship.
- Must follow University's and/or Sponsored Programs' guidelines as well as State & Federal hiring regulations.
- Paid through payroll based on recorded hours worked—taxes are withheld and employer payroll costs involved.
- Does not impact current year's financial aid package.
- Income reported on next year's FAFSA.

**\*\* NOTE: Internships & Assistantships may be structured as awards or wages. There are legal and regulatory penalties if employer/employee arrangements are treated as awards. Consult with the Offices of Student Financial Services, Financial Aid, and/or Human Resources to ensure proper administration of any arrangement in which receiving funds is tied to a student undertaking specific actions or duties.**

#### **Impact for Student:**

- Impacts are equivalent to awards (see above).
- Gives students experiential opportunity and professional work experience.
- Encourages more student involvement in research, teaching, and public service.
- No impact on current financial aid package.

#### **Impact for Donor:**

- Impacts are equivalent to scholarships (outlined above), although wage-based opportunities allow the donor more flexibility with timing and focus.
- Provides a meaningful alternative to traditional scholarships that support both the student and a department or program.

#### **Impact for Campus:**

- Equivalent to those outlined above for scholarships.
- Provides assistance with a range of academic and departmental needs.
- Usually results in some employer/employee payroll costs which need to be considered against appropriate gift/grant amounts

## Creation and Management of Student Support Funds (SSFs)

A donor may create either a permanent endowment or fund an annual SSF as defined in the section below.

### SSF Gift Options and Minimums

**Endowments:** Donors create endowment funds when they want to establish an SSF that will endure in perpetuity. A donor makes a major gift that is invested so that the corpus remains intact, and ideally grows over time, with only the income used each year to fund a scholarship, award, or other SSF. Donors creating endowments have the benefit of naming their fund in memory of or in honor of a loved one, or in their own name or the name of their business. The current minimum amount to establish an endowment is \$25K, plus the HSUF Contribution Administration Fee.

Endowment funds must be established with the HSUF for a minimum of one year before income becomes available to provide an SSF. Additionally, given the HSUF's timeline for determining its budget and endowment fund distributions, it can take up to two years from the date of the gift before income is available for an SSF. Thus, donors are encouraged to make an additional gift to fund the first year or two of SSFs until their endowment begins to generate funding.

**Current-Use Options:** Donors often prefer to fund SSFs on an annual basis making a one-time gift or pledging a multi-year gift. Because SSFs require considerable staff costs across multiple divisions to administer, the University strongly encourages multi-year commitments of 5 years or more. An annual or one-time SSF of at least \$2K, plus the HSUF Contribution Administration Fee, is the minimum amount to create a new Current-Use fund with a distinct focus and criteria, and donors have the option of naming their fund. A Current-Use SSF fund must be established by November 1<sup>st</sup> to select a student recipient the following spring.

For scholarships and most awards, students will then receive their SSF funding the following academic year. In the case of non-scholarship funding, there *may* be more flexibility in the timeline for creating a Current-Use SSF fund and awarding in the same academic year or over a summer term.

***Gifts below \$2K cannot establish a named SSF or establish a distinct fund. Donors may contribute to the Student Success Scholarship or an existing scholarship, award, or other SSF fund.***

## Process for Establishing a new SSF Fund

The HSUF step-by-step process for creating a new scholarship, award, or other SSF fund:

1. **Working with Donor:** A Philanthropy Advisor, often in collaboration with a faculty member, Department Chair, or Dean, works with the donor to ensure donor's desires, restrictions, and criteria are evident and are compatible with State and Federal law. Donors may specify their preferences regarding the focus of and selection criteria for an SSF. However, donors must **never** be allowed to select the individual recipient of an SSF to which they have contributed. Key concerns are ensuring criteria are not too narrow to draw a viable applicant pool, and to give the Financial Aid Office or a

selection committee a reasonable degree of flexibility. Broader criteria and fewer restrictions are generally more beneficial to the University, especially in the cases of endowment funds intended to endure for generations. In cases where criteria may result in a candidate pool that is too large, selection committees may add additional screening elements as long as they are consistent with donor-established criteria as well as federal and state law.

2. **Internal Review of Draft Gift Instrument:** Philanthropy Advisor creates a draft Gift Instrument, which serves as the legal, governing document, using the standard HSUF template and incorporating the donor's desired purpose, restrictions, and criteria. The Draft Gift Instrument is then circulated and approved by the Executive Director of Philanthropy, the Financial Aid Director, and when designated to a specific discipline, by the Department Chair/Program Director and /or Dean as appropriate.
3. **Executing Final Gift Instrument:** Philanthropy Advisor finalizes internally approved draft Gift Instrument and obtains the donor's signature. The Gift Instrument is then circulated for final signatures. The signature of the HSUF Executive Director legally serves to accept and agree to the terms in the Gift Instrument. Other campus contacts involved in administering the SSF, such as the Financial Aid Director, Student Financial Services Manager, and any other signers of the draft, provide signatures acknowledging the terms of the final Gift Instrument.
4. **Creating a New Fund in Accounting Systems:** When the Gift Instrument is fully executed, an Internal Fund Form (IFF) is created and signed according to University and HSUF policy to formally establish the new SSF fund within the accounting system of the HSUF and, for scholarships, with the Financial Aid Office.

*Note: The previous "Authorization & Terms" form (also called the "A & T") was retired in 2015 and replaced with an internal fund form simply called "Scholarship/Award Fund Criteria." This form is never signed by the donor because the Gift Instrument serves as the legal, governing document. Donor restrictions and criteria are copied exactly from the Gift Instrument to this internal form, which simply aids internal administration processes.*

**NOTE: If donor wishes to update criteria after a fund is established, a new Gift Instrument must be created with the assistance of the Office of Philanthropy using the above outlined process.**

## Timeline for Scholarships and most SSFs:

No scholarship, award, or other SSF can be awarded before full funding is in place for that SSF, either in the form of sufficient income from the appropriate endowment fund or adequate contributions from a donor. Funds must be received before November 1st to offer the opportunity during the Spring selection cycle and for payment to student recipients in the following academic year. To avoid problems with funding and awarding of scholarships and other student support, all scholarships and most SSFs need to follow a consistent timeline. Given the timeline below, managing donor expectations is critical, as a contribution or change in purpose/criteria (requiring a new Gift Instrument) late in the calendar year may mean a scholarship or other SSF may not be able to be offered to a student until the second academic year following the contribution or change in agreement.

## Timeline for Scholarships and most SSFs:

**Fall—FAO Review of Fund Balances:** The Office of Philanthropy, HSUF, and Financial Aid Office review scholarship funds and determine the available monies in each scholarship fund. If it appears there will be a shortfall in a scholarship fund and there is a living donor involved, a Philanthropy Advisor will reach out to invite the donor to contribute. Ideally, this review is completed by mid-October to allow sufficient time for outreach to donors.

**Fall—Departmental/College Review of Fund Balances:** Departments involved in selecting scholarships recipients or administering any SSF reviews each SSF fund and determines whether there are sufficient funds. If it appears there will be a shortfall in a scholarship, award, internship, or other SSF, the department contacts their assigned Philanthropy Advisor to discuss the best strategy for contacting donors and soliciting gifts. Ideally this review is completed by mid-October to allow sufficient time for outreach to donors.

**Fall—Solicitation of Annual SSF Gifts:** Philanthropy Advisors will reach out to Annual Scholarship Fund Donors to request their annual gift. Philanthropy Advisors may reach out to other annual SSF donors at this time on a case-by-case basis and often in coordination with a Department Chair or other campus stakeholder.

**November 1st — Contribution Deadline:** All charitable gifts for scholarships and SSFs must be received and endowment income made available by this date.

**November 15—Scholarship Application Process Opens:** Scholarship portal is open to students to search and apply for scholarships.

**January 31st—Scholarship Application Process Closes:** Deadline for all scholarship applications to be received by the FAO.

**February—Departmental Application/Review Processes:** Departments administering other types of SSFs are encouraged to promote and accept applications from students during this time frame.

**March 1st—Recipient Selection Deadline:** All scholarship selection committees submit the names of the students selected to the FAO. *If Selection Committees do not submit recipient names by this date, the FAO will make the selection based on the selection criteria to ensure that all scholarships and related SSF's are awarded, integrated with a student's Financial Aid Package, and communicated to students on a timely basis.* Departments administering other types of SSFs are encouraged to make their selections also by this time line to assure a timely administration for students and campus needs.

**May-June—Recipients & Office of Philanthropy Notified:** FAO reports the names of all scholarship recipients, including information about major, class year and contact details to the Office of Philanthropy. Departments administering other types of SSFs also submit the names of students, with major & class year and contact information, to the Office of Philanthropy to assure proper donor stewardship and tracking, and to coordinate an appropriate 'thank you' process between students and donors.

**June-September—Students Submit Required Thank You Notes:** Office of Philanthropy reaches out to student recipients to congratulate on receiving their scholarship(s) and requests **required** thank-you letter/note to share with the scholarship donor or other stakeholders. In most cases, the Office of Philanthropy will also reach out to student recipients of other types of SSFs to request required thank-you letters/notes for donors and other stakeholders.

**August—Fall Distribution to Students:** Students receive first half of their scholarship or most other SSF monies for the fall semester, and will receive the second half the following January.

**September—Communication to Donors:** Office of Philanthropy sends a personal letter to each scholarship donor, and as possible, to donors of other types of SSFs, with the name, major, and class year of their student recipient along with the student's thank you letter/note.

## Donor Stewardship

**Donors want to know that their gifts are helping students.** The Office of Philanthropy holds the ultimate responsibility for ensuring that charitable gifts are used as intended by donors, that the University reports back appropriately to donors on the impact of their giving, and that donors have a meaningful philanthropic experience. Additionally, by providing consistent, donor-centric stewardship that engages and excites donors, we're setting the stage for continued and increasing contributions from our donors.

**Philanthropy staff is responsible for managing communications among campus contacts, donors, and student recipients, including the process for transmitting required student thank you letters/notes to donors.** Staff continue to develop resources to support students in thanking donors, including providing coaching, notecards, and a how-to website: Click [HERE](#) and see video link at end of document.

The Office of Philanthropy tracks SSF recipients and thank-you letters/notes, and coordinates an annual process to let donors know about their recipients, including scanning letters/notes for files and as an aid in addressing occasional concerns from donors about thank-you content. Philanthropy staff also establishes recipient records in the campus' constituent database to help assess the impact of SSFs over time and to provide the University with a robust record of future alumni who have benefited from charitable support.

**NOTE:** To protect the privacy of both the student and the donor, students should never be given donor contact information without written approval from the donor copied to the Office of Philanthropy for the University's records. Additionally, donors should never be given student contact information, beyond their HSU email address, without written permission from the student also copied to the Office of Philanthropy.

## Additional Resources

CSU Scholarship Administration Guidelines: <https://www.calstate.edu/AcadAff/codedMemos/ASA-2016-10.pdf>

IRS Publication 970 – Tax Benefits for Education: Scholarships & Fellowship Grants:  
[https://www.irs.gov/publications/p970/ch01.html#en\\_US\\_2015\\_publink1000177987](https://www.irs.gov/publications/p970/ch01.html#en_US_2015_publink1000177987)

HSU Fundraising Policy: <https://forms.humboldt.edu/dar-11-08-hsu-fundraising-policy>

Charitable Contribution Acceptance Policy: <https://policy.humboldt.edu/emp14-01-charitable-contribution-acceptance-policy>

Thank you letter link: <http://loyalty.humboldt.edu/thankyou>

Thank you video link: [https://www.youtube.com/watch?v=ImtMNSnskyI&feature=em-upload\\_owner](https://www.youtube.com/watch?v=ImtMNSnskyI&feature=em-upload_owner)

Scholarship Portal: <https://humboldt.academicworks.com/opportunities/2929/applications/new>

Link to SFS Check Request Form: <https://forms.humboldt.edu/payment-request-form>

Link to SFS Student Award Request Form: <https://forms.humboldt.edu/student-award-request-form>

## For More Information, Contact:

Office of Philanthropy  
1 Harpst St, Nelson Hall West 2nd Floor, Arcata, CA 95521  
Phone: 707.826.5200 Email: [giving@humboldt.edu](mailto:giving@humboldt.edu)

HSU Foundation  
1 Harpst Street , Nelson Hall West 208, Arcata, CA 95521  
Phone: 707.826.5146 Fax: 707.826.5148 email: [hsuaf@humboldt.edu](mailto:hsuaf@humboldt.edu)

Student Financial Services  
Humboldt State University  
1 Harpst Street, Suite 285, Arcata, CA 95521-8299  
Phone: (707) 826-6789 Fax: (707) 826-4929 email: [hsu-cash@humboldt.edu](mailto:hsu-cash@humboldt.edu)

Financial Aid Office  
Humboldt State University  
1 Harpst Street, Student Business Services 241, Arcata, CA 95521  
Phone: 707.826.4321 Fax: 707.826.5360 email: [finaid.humboldt.edu](mailto:finaid.humboldt.edu)